Sheffield City Council

Revenue Budget 2018/19

BUDGET REPORT 2018/19

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2018/19 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 2018/19, including the position on reserves and balances;
   - approve a 2018/19 Council Tax for the City Council; and
   - note the levies and precepts made on the City Council by other authorities.

Budget Consultation

2. As part of the development and testing of options for the 2018/19 budget, the Council ran a budget conversation between December 2017 and February 2018. This included a range of consultation activity with local people and partner organisations. 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.

3. Our budget consultation activity has had two main strands this year:

   - An online survey supported by social media, supplemented by three Cabinet Member hosted events in the north and south of the city and the city centre. These looked at the financial challenge and the council-wide approach, and provided opportunities for residents to have their say on priorities, investment in services and capital projects, and our proposals for council tax and the social care supplement.
   - Consultation on particular topics and specific proposals, including meetings with the VCF and Businesses. This will inform longer term thinking and Equality Impact Assessments.

4. Budget priorities have also been shaped by consultation activity undertaken over recent years that has consistently confirmed public support for prioritising

services for the most vulnerable. Indeed, responses to this year's survey have been even more explicit about this.

5. Our consultation material noted that our approach this year is based on focussing on finding savings from a smaller number of areas and delivering larger changes that take several years to implement but deliver better results and services in the long run. It specifically highlighted approaches around social care noting the focus on prevention, supporting more adults to be independent, use of technology and supporting children and families. In terms of other services, it noted the focus on prevention so that that services prevent problems getting worse and better meet the needs of people in Sheffield.

6. Over a 6 week period during December and January we ran an online survey asking people about their views on the approaches we are taking to meet the financial challenge as well as our proposals for a suggested increase in Council Tax and our approach to the Social Care precept.

7. We also asked people about their priorities; areas where they thought we should spend more, less or the same to balance the budget; and areas where the Council should invest capital resource. We also asked people whether they had comments or suggestions on how the Council could increase income, reduce costs or make savings to support the budget.

8. We received 340 responses to the survey. Key findings include:

    - Social care (47%) and education and skills (32%) were highlighted as the top two priorities on which the Council should spend money on, followed by housing (15%), and environmental protection (15%) and roads/highways (planning, traffic and congestion, safety (14%).

    - People would like the Council to spend more on adult social care (60%), children's social care (56%), and education and skills (52%).

    - The most important council services to people were social care (212 respondents out of 336), education (154), followed by transport & highways (102) and waste & recycling (96).

    - The majority of people responding supported raising council tax (56%) and agreed with proposals for a social care precept (78%).

    - Forty six per cent of people supported raising fees and charges with 39% favouring keeping them the same. Respondents preferred raising fees and charges to prevent making additional cuts to services.

- Over 50% of all respondents felt it was important for the Council to invest in the areas it currently does with the most important areas being health and well-being (e.g. adaptations to help people live independently) and affordable housing (e.g. building new affordable homes).

9. 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 long term investments to immediate changes in policy and services.

10. We also held several smaller events piloting a more conversational approach to talking about the budget. These were led by the Cabinet Member for Finance supported by several cabinet colleagues. At each of the events the overall financial challenge and approach was outlined followed by question and answer sessions.

11. Topics discussed included finance issues such as the extent to which Revenue Support Grant has reduced; the discretion the Council has with spend; dealing with the locked in demand; how anticipated pressures from wages, inflation, energy have been built in; levels of reserves; how school funding works. The discussions also covered prioritising where to spend and save; maintenance of statutory services; increasing levels of demand for social care; shared budgets with the National Health Service; and the importance of maintaining arts, culture, leisure, and economic growth to support our income, lever in other funding, and support the wellbeing of the city.

12. There were also comments relating to supporting the local economy, increasing Council Tax; contract management; demand for social care, affordable housing, parking, and charges.

Topic and service-based consultation

13. 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 prosing staffing reductions.

14. In **People's Portfolio**, The consultation on changes to the young people's service will shape the delivery of services going forward. Consultation has taken place on changes to Public Health, including the three year contract

reduction to 0 – 19+ Healthy Children and Young People Service that started in 2016. In 2017, the Health Visitor consultation was extended for 2 weeks to give coverage to areas with poor response rates. GP's were consulted over the impact of changed/reduced well baby clinics and the role on school nurse. The Public Health Volunteering contract reduction has seen the provider being informed of the proposal and we working with the provider on a method to inform volunteers.

15. Work has taken place with Adult Social Care customers to help design the functions of the new First Contact team – a multi-disciplinary service that is now having more fulfilling conversations with people when they get in touch, helping them to find networks and support. Services are focusing ever more on the quality of conversations with our customers, and will be seeking feedback on the differences our approach is making to people. Testing out thinking on developments in Adult Social Care with the Customer Service Improvement Forums will continue.

16. Services are also working alongside NHS Sheffield Clinical Commissioning Group (CCG) with carers to find ways for resources to go further for short breaks and other forms of carer support, and to align this with the conversation-based approach in Adult Social Care. We know that effective customer communication is essential to making our plans a success and discussion will take place with customers and carers about how assistive technology could enhance independence at home in a less intrusive way.

17. Voluntary, Community and Faith organisations providing Community Services to adults are already aware of plans to reduce grant aid and these organisations have been surveyed recently to check on the impact. The feedback has informed the way plans will be implemented and the intention to limit the financial impact on those organisations providing direct, front-line services. Services will engage with providers of housing-related support to inform difficult decisions about funding and to understand how financial reductions would affect their sustainability and impact on their customers. There will also be more engagement with people who use mental health services or learning disabilities services about the option of supported living. As plans for 2018-19 continue to develop, consultation and co-production will help shape the development of services.

18. Within **Place Portfolio**, many of the 18/19 proposals are internally focussed or with partners, with no significant equalities impact on frontline delivery of services. Where consultation has taken place, officers and members have,

and will continue to, carefully review the feedback received before making final budget decisions. The main areas where consultation is in progress or may subsequently be required is with staff / Trade Unions/ HR in relation to the Place Change programme. If there are going to be any changes to frontline services, appropriate consultation will take place.

19. The Council is also consulting with representatives of the Business community, Voluntary, community and faith sector, and the Equality Hub Network – each to get a specific take on potential impact and concerns.

20. 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.

21. 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.

Medium Term Financial Analysis

22. On 19 July 2017 Cabinet considered a report of the Executive Director, Resources entitled Medium Term Financial Analysis (MTFA) 2018/19 to 2022/23. This report provided an updated forecast of the council's financial position for 5 years commencing 2018/19. It specifically highlighted the compounding challenges of increasing demand for services and the increased cost associated with meeting that demand.

23. The MTFA indicated there would be ongoing reductions in Revenue Support Grant (RSG) of £15.4m per annum over the next two years to 2019/20. In other words, it was projected that the level of funding would fall to £36.9m in 2019/20. From that point, it was assumed that any remaining RSG would be exchanged for a greater level of retention of business rates income as part of the Government's plan increase the locally retained share.

24. Figures in the MTFA were based on the principal of 100% retention of business rates from 2019/20. Omission of the Local Government Finance Bill

from the Queens Speech in June 2017 cast significant doubt on 100% retention. The assumption of a pound for pound swap with RSG means the effect is cost neutral though uncertainty surrounding business rates retentions remains a key budgetary risk for the Authority.

25. As well as the RSG reduction, a series of assumptions around business rates income were made:

- The Council's locally retained share of business rates income would increase in real terms by £1.8m in 2018/19;

- The Council would continue to receive compensation for the impact of

  - (a) the Government's changes to small business rate relief from 2017/18; and

  - (b) revaluation of all rateable properties across England.

26. In addition to these funding assumptions, the Council faced additional corporate expenditure of up to £10.9m. This primarily included:

- the unwinding of temporary budget support resulting from the restructuring of Sheffield City Trust (SCT) debt charges (£5.1m), which had been approved by Cabinet in 2013;

- £2.8m of salary costs associated with new pay proposals from 2018/19 onwards and the impact of the Council's ongoing commitment to paying the Foundation Living Wage.

- additional Streets Ahead costs (£1.8m) due to agreed inflation rates on the annual contract charge.

27. Further to the corporate expenditure pressures there is also the issue of rising costs faced by Portfolios due to variations in inflation, new burdens, legislation and levels of demand, particularly in social care services. At the time of publication, the MTFA included an estimate of £28.1m for Portfolio pressures in 2018/19.

<u>Multi-Year Settlement</u>

28. 2018/19 will be the third year of four, agreed as Part of the Multi-Year Settlement. The Authority met the conditions set by the Government in order to obtain a minimum funding guarantee of RSG up to and including 2019/20. This guarantee - officially known as the 'Multi-Year Settlement' – was

confirmed in the Provisional Local Government Finance Settlement 2017/18 announced in December 2016.

Local Government Finance Settlement

29. The Government announced details of the Provisional Local Government Finance Settlement for 2018/19 on 19th December 2017, with the Final Settlement being approved in the House of Commons on the 7th February 2018. As with the previous year, the 2018/19 Settlement included indicative figures for the remaining financial years to 2019/20 (the penultimate year of the current Parliament).

30. Below is a summary of the key points approved within the Final Settlement which focus on the impact for the Council:

- Revenue Support Grant (RSG) for Sheffield will be reduced by around £15.4m or 23%, in 2018/19. This reduction on RSG is identical to that forecast in MTFA due to adherence to the Governments Multi-Year Settlement.

- Business Rates Multiplier confirmation of the early move from RPI to CPI as set out in the Autumn Statement and which will lower our income by approximately £1.2m from £5.3m to £4.1m in 2018/19. Further analysis of the provisional settlement has highlighted SCC will be compensated for the loss of income via the Business Rates Inflation Cap (BRIC) and Business Rates Top up grant.

- The Government has indicated 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% alongside the 3% increase in the Social Care precept from 2018/19 without triggering a referendum.

- New Homes Bonus (NHB) grant allocations are in line with the forecast £5.7m for 2018/19. Further consultations are being reviewed but there are no plans to change the way NHB is awarded for 2018/19, including the removal of the plan to increase the stretch target above the current 0.4%.

- Despite the Provisional Settlement confirming the removal of the one-off £2.7m Adult Social Care grant, an announcement by the Secretary of State for Housing, Communities and Local Government, as part the Final Settlement, identified an additional £150m available nationally to continue this grant, in part, for 2018/19. This change has resulted in Sheffield receiving £1.7m for 2018/19.

- Move to 75% Business Rates Retention in 2020/21. This is a step back from the 100% retention plan, which was widely expected to be delayed until 2021/22 at the earliest. The movement to 75% retention is to be based upon the same principles of the original 100% proposal, i.e. the additional 25% retained income is to be exchanged for a mixture of RSG, Public Health and any other grants. The current assumption in the MTFA is that any additional business rates retention income, versus grant switches, will result in a nil financial impact at the point of transfer. This hypothesis still seems to hold true but further consultations documents will need to be analysed when released to confirm.

- The continuation of £1,000 pub business rates relief (rateable value of less than £100,000 – 90% of all pubs in Sheffield). This is to be fully funded by government in 2018/19;

31. 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.

32. 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 2018/19

33. The Settlement includes a reduction in the SFA of approximately £11.4m in 2018/19 (see Table 1 below).due to the fall in RSG. Overall the Council’s anticipated Business Rate income has increased by nearly £4.0m to £139.1m. This increase is primarily the result of CPI inflation on the 2017/18 business rates baseline funding. The comparison between 2017/18 and 2018/19 is set out below:

Table 1

	Actual 2017/18	Provisional 2018/19	Difference
Revenue Support Grant	67,790	52,415	(15,375)
Baseline Business Rates Funding	135,100	139,086	3,986
Total Settlement Funding Assessment	202,890	191,501	(11,389)

Specific Grants

34. 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 2018/19 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 2017/18 £000	Budget 2018/19 £000	Variance £000
Business Rates Top Up Grant	39,583	42,355	2,772
Public Health	34,235	33,355	-880
Better Care Fund (One Off)	12,520	7,731	-4,789
NHS Funding	12,399	12,625	226
New Homes Bonus	7,029	5,722	-1,307
CCG Better Care Fund Income	5,000	4,774	-226
S31 Grant for Small Business Rate Relief	3,976	5,870	1,894
Adult Social Care Grant (One Off)	2,717	1,700	-1,017
Independent Living Fund	2,688	2,603	-85
Housing Benefit Admin Subsidy Grant	2,351	2,179	-172
Improved Better Care Fund	2,188	12,641	10,453
S31 Grant for Business Rate Inflation Cap (BRIC)	1,467	2,375	908
Council Tax Support Admin Subsidy Grant	855	811	-44
Total	**127,008**	**134,741**	**7,733**

35. The overall net increase in specific grants of £7.7m for 2018/19 reflects the following key changes:

- Business Rates Top Up Grant: this grant is usually uplifted by RPI every year. From 2018/19 a move to CPI has been 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); this grant increase also includes an adjustment for the impact of the latest VOA data on total collectable business rates for the SCC.

- Public Health: the Government is applying a reduction of circa 2.6% to the 2017/18 allocation of the Public Health grant. This will result in a reduction of £880k for Sheffield.

- Improved 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). This announcement came after the Council budget for 2017/18 had been approved by Cabinet, hence the 2017/18 Budget Report makes no mention of this funding. 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's allocation is expected to fall by £1.3m due to reductions in the number of legacy years paid, and exacerbated by the introduction from 2017/18 of a baseline for housing growth at 0.4% of the prior year's Band D properties;

- 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.

- Adult Social Care funding: Authorities received a share of £241m adult social care funding in proportion to the so-called 'Relative Needs Formula'. This grant was only available for 2017/18 and was effectively recycled from cuts to New Homes Bonus funding. The reduction above highlights the planned removal of this one-off grant, which has been subsequently offset by a new one-year allocation of £1.7m for 2018/19.

- 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 201/18 to around £22.0m by 2019/20. The funds available in 2018/19 are £12.6m, representing a £10.5m increase form 2017/18;

36. 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)

37. The provisional 2018/19 DSG settlement amounts to £418m for Sheffield, of which it is currently estimated that £321m will be earmarked for all mainstream schools. The remaining funding is used to provide early years activities (£35m), services for children and young people with special education needs and disabilities (£54m), and statutory educational services (£8m). The final settlement for DSG will be received in the spring.

38. The Government over the past two years, has been consulting on, and building up, a National Funding Formula (NFF) with the aim of providing "fairer funding" for all schools. In the autumn term the Department for Education (DFE) released illustrative figures of what a NFF would look like for each school. This led to the Government confirming that there will be an additional £1.3 billion for schools and high needs across 2018/19 and 2019/20, in addition to the schools budget set at the Spending Review 2015. This will mean that, in 2018/19, all local authorities will receive some increase over the amount they planned to spend on schools in 2017/18 and high needs through the DSG. For Sheffield this means that there will be a DSG increase of an estimated £6m (Schools Block). All additional funds will be passported directly to schools.

39. The following three elements of the national formula will have a significant 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.

40. Our concern continues to remain for primary and small schools and the impact the above changes will have on their long term financial sustainability 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 2019/20. Further information is available in **Appendix 5** (Corporate Financial Risk Register) of this report.

Business Rates income

41. 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%). Government recently announced that the share of business rates to be retained locally will increase to 75% in 2020/21.

42. 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.

43. 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.

44. 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 2018/19. 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 2018/19 that will be based on experience of recent years and the use of the most up to date information available.

45. 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 18,922 (18,541 as at 31st December 2016) with an aggregate rateable value of £535.2m (£543.5m as at 31st December 2016). This includes two parts of the city where special rules apply.

46. There has been an increase of 381 business premises in Sheffield since 31s December 2016, approximately 2% of the base, however the majority of these are attributable to splitting of single hereditaments into multiple hereditaments due to the Mazars legal ruling on what constitutes a property.

Sheffield Retail Quarter and Enterprise Zone

47. 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	2.471	0.5%
Enterprise Zone	5.169	1.0%
Rest of Sheffield	527.525	98.6%
Total	**535.165**	**100%**

48. 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 2018/19, there is no forecast surplus amount payable over and above the baseline.

49. 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. Without this arrangement, this income would have to be paid back to the Government. In 2018/19, 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 £581k.

Calculating the Business Rates Estimate for 2018/19

50. Based on the 2018/19 rating multiplier (the "rate poundage", which is set by Government) this produces a gross business rate estimated income (the "Gross Rate Yield") of £255.7m (£255.2m in 2017/18). 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 £42.8m (£44.4m in 2017/18).

- Losses and costs of collection: this includes an estimate of the bad and doubtful debts in 2018/19, the potential legal and other recovery costs. Using the assumptions set out in Government guidance, the estimated figure is £3.8m (£3.7m in 2017/18).

51. 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).

52. Appeals on Business Rates are a notoriously difficult area to forecast. The provision for losses due to appeals that was carried forward at 31st March 2017 amounted to £27.2m. This provision related to the 2005 List and 2010 list of Rateable Values and was based on information relating to the level of outstanding appeals, assumptions about the likely level of "success" for the claimant and potential further claims lodged. However, because of the large volume of appeals, decisions by the VOA can take several years.

53. As at 31st December 2017 more than 750 unique properties were under appeal (many of them with multiple appeals) relating to the 2005 list and 2010 list. These include appeals relating to significant national issues (ATM's and Virgin Media) which could be very costly to the Collection Fund. Due to the legislation surrounding the 2010 list, no further appeals can be put into these valuations unless under exceptional circumstances.

54. 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. This leaves a situation whereby it is hard to estimate any possible refunds that may be due on 2017 property valuations.

55. The Government allocated a proportion of the multiplier in the 2017 Revaluation process specifically for appeals and so this has been used as an approximation to forecast the additional amount required to fund appeals for all items in relation to the 2017 list for both 2017/18 and 2018/19. The total provision needed to prudently cover all these outstanding appeals is now estimated at around £35.0m.

56. The Check, Challenge and Appeals process was intended to process genuine appeals and errors faster by reducing the number of speculative appeals. To date there has been insufficient management information returned to determine how efficient this process is. This lack of management information is unfortunate however the Valuation Office is working to rectify this and a more streamlined process should come online in 2018/19.

Overall Business Rates Estimate for 2018/19

57. Based on assumptions relating to reliefs and appeals, it is estimated that the total net business rates for Sheffield will amount to £202.5m in 2018/19 (£197.3m in 2017/18). However, this is then appropriated between Government and local authorities (the City Council and SY Fire Authority) on the 50:50 basis set out in the Business Rates Retention scheme (adjusted for designated areas). Business Rate income is taken to the Council's Collection Fund, where the appropriations are made. The estimated Collection Fund for 2018/19, relating to business rates, is shown below.

Table 4

Collection Fund - Business Rates Estimate for 2018/19

2017/18 £'000			2018/19 £'000
255,159	Gross Business Rates income yield		255,729
-44,388	LESS	Estimated Reliefs	-42,794
-3,722		Losses in Collection	-3,781
-9,790		Losses on Appeals re Current Year Bills	-6,645
197,259	Net Estimated Business Rates		202,509
	Appropriation of net business rates:		
96,746		Sheffield City Council	99,508
1,953		SY Fire Authority	2,008
97,599		Government	100,412
961		Designated Areas	581
197,259			202,509

58. The estimated 49% of net business rates for Sheffield amounts to £99.5m in 2018/19 (£96.7m for 2017/18). It is proposed that the Council budget for 2018/19 includes this figure as its share of business rates income.

Council Tax income

Council Tax base for 2018/19

59. It is proposed to set a Council Tax Requirement of £190.8m for 2018/19 based on a 2.99% increase. There is also an option provided by the Government to charge a 3% Social Care Precept in 2018/19. The additional 3% Precept adds £5.8m to the existing precept to give £14.9m in total. This brings the total Council Tax Requirement to £205.7m and results in a Band D Council Tax of £1,513.92. This includes a determination that the Council Tax base – the number of properties on which a tax can be charged – will be 135,890.79 Band D equivalent properties. This represents an increase in the tax base of 1.61% compared to the previous year.

60. 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 or 20% in 2018/19. The Hardship Fund will total £1.2m and is reviewed on an annual basis.

61. The phrase “Band D equivalent properties” is used throughout this report because Band D is used by the Government as the standard for comparing Council Tax levels, between and across local authorities. This measure is not affected by the varying distribution of properties in bands that can be found across authorities. A definition of Council Tax can be found in **Appendix 10**.

62. A summary of the Council Tax levels by band can be found in Table 11 in the ‘Financing the 2018/19 Budget Requirement’ section of this report. Further details can also be found in **Appendix 6.**

63. The calculation of the tax base for 2018/19 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 2,094 band D equivalent properties.

- There has been a decrease in the expected Council Tax Support Scheme (CTSS) caseloads. This reduction amounts to 672 fewer band D equivalent properties claiming Council Tax Support.

- There is an increase of 620 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.

64. The estimated collection for 2018/19: 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 2018/19, 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 2017/18. The collection rate will continue to be closely monitored during the year as the ongoing impact of the CTSS and other welfare reforms continue to put pressure on taxpayers’ ability to meet their payments.

65. The Council Tax Base for 2018/19 has therefore been determined as 135,890.79 Band D equivalent properties, as shown in Table 5 below. This is an increase of 2,146.90 properties (or 1.61%) compared to 2017/18 and will result in an increase in Council Tax income of £14.7m assuming a 2.99% increase in Band D Council Tax and a 3% Social Care Precept. Of the £14.7m increase, £3.1m is as a result of the net increase in Band D equivalent properties, £5.8m is due to the proposed 2.99% increase in Band D Council Tax and £5.8m is due to the Social Care Precept.

Table 5

	Band D equivalent number of properties
Council Tax Base of Band D equivalent properties for 17/18	133,743.89
Additional properties in 2017/18	2,094.00
Reduction in properties entitled to CTSS	672.46
Increase in number of properties entitled to discounts / exemptions	-619.55
Council Tax Base of Band D equivalent properties for 18/19	135,890.79

Council Tax referenda

66. 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.

67. 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.

68. The 2018/19 Local Government Finance Settlement announced that an authority's relative basic amount of Council Tax for 2018-19 is excessive if the authority's relevant basic amount of Council Tax for 2018-19 is 3% for expenditure on adult social care and 3% for other expenditure or more than

3% for expenditure on adult social care and 3% for other expenditure greater than its relevant basic amount of Council Tax for 2017/18.

Business Planning for 2018/19

69. 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 2018/19 for a specified cash limited budget. The Business Planning process for 2018/19 began before the consideration of the MTFA report by Cabinet in July 2017.

70. As reported in the MTFA, 2018/19 will be the eighth 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 £15.4m. 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.

71. For 2018/19, we have continued the approach adopted in 2017/18 of concentrating on finding savings from a smaller number of discrete areas. This means continuing for delivery of 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 2018/19

72. In formulating the budget for 2018/19, 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 6) which demonstrates how the Council's revenue budget for 2018/19 has been balanced.

73. 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

74. There are a number of proposed additions to the budget for 2018/19, 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 £41.5m. Details of the pressures are in **Appendix 1**.

- Streets Ahead (£3.6m): the planned Council investment in the Streets Ahead programme will increase by £3.6m as planned. This consists of contract inflation of £1.8m and repayments to borrowing for the programme of £1.8m.

- Social Care Demand (£3.0m): as mentioned previously, the Council is faced with increased levels of demand for services and rising costs of service provision, particularly in the area of social care. The Council is proposing to set aside an additional £3.0m in order to minimise the impact of uncertainty caused by the national underfunding of social care.

- Pay strategy: the expected net cost of increments and ongoing commitment to paying the foundation living wage is around £3.7m greater than the 2017/18 budget, after taking account of the 4 days' mandatory unpaid leave proposed in the 2018/19 pay award strategy.

Reductions in budget provision and additional income

75. There are a number of reductions that the Council can make to its budget:

- Capital financing costs: the ability to significantly reduce the capital financing charges budget is possible due to reduced borrowing costs following the continuation of historically low interest rates, repayment of old debt and application of changes to our Minimum Revenue Provision (MRP) Policy. The MRP policy changes account for a significant proportion of this reduction and reflects the release of prior years' overprovisions, resulting from a combination of backdating of our current policy to 2007/08 and, separately, the adjustment of assets lives in highways to reflect better the useful economic life of those assets.

- Corporate redundancy budget (£0.7m): this budget was set at £6.2m in 2017/18. Due to lower than anticipated voluntary early retirement and voluntary severance applications, £1.2m has been released from this budget during 2017/18 to offset social care pressures. As stated later in this report, the potential workforce impact, arising from the recommended savings proposals to set the 2018/19 budget, suggests that the corporate redundancy budget can be reduced by £0.7m to £5.5m in 2018/19.

- Growth Investment Fund (£1.3m): this Fund is part-funded from New Homes Bonus grant. The grant is paid by MHCLG and passported from the corporate budget, to the Fund, for investment in projects to stimulate economic growth and drive future income. The Council is expecting to receive £1.3m less NHB next year due to central government funding cuts. Given the budget pressures faced by the Council, as already identified in this report, there is no real option but to reduce the corresponding contribution to the Fund.

<u>Contribution from Reserves in 2018/19</u>

76. The main reason for the reduction in the use of reserves for 2018/19 is linked to reduced budget support from the MSF reserve. It was agreed at Cabinet in June 2013 to reschedule the leasing arrangements with Sheffield City Trust, as a result of which this reserve were re-profiled, thus releasing temporary savings to the revenue budget. In 2017/18 this figure was £5.1m which is no longer available to support the 2018/19 budget.

77. The budget proposals do still involve the use of reserves to meet expenditure in 2018/19, and/or smooth costs in future years, for various purposes which are explained further in **Appendix 4**. One of the main uses in 2016/17 includes a £65.1m early pension deficit payment. This payment covered the amounts that would have been due to South Yorkshire Pensions Authority for the 3 years covering 2017-20. The early payment allows access to a substantial £4.2m discount, which has subsequently reduced the additional budget requirement for pensions over the same three year period including 2018/19.

<u>Table 6</u>

Please see overleaf: NB: the total pressures and savings figures are shown net of the c. £900k cut to Public Health grant.

	£m	£m	£m
Reductions in funding from Government			
Reduction in Revenue Support Grant (RSG)		15.4	
Business Rates Growth (inc. inflation)		-2.8	
Variations in Specific Grant	-7.9		
Small Business Rates Relief Grant	-1.9		
Additional Business Rates Top Up Grant	-2.8		
		-12.5	
			0.1
Portfolio pressures			
Loss of funding		6.0	
Increasing demand on services		27.9	
Pay & price inflation		7.6	
			41.5
2018/19 budget gap before portfolio savings proposals			**41.6**
Portfolio savings proposals			-31.0
2018/19 budget gap after portfolio savings proposals			**10.6**
Additional Council Tax income			
2.99% increase in council tax		-5.8	
3% Social Care Precept		-5.8	
Growth in tax base		-3.1	
			-14.7
Collection Fund estimated surplus in 2018/19			-1.9
Removal of one-off items			
Collection Fund estimated surplus in 2017/18			0.4
Portfolio Adjustments			-1.6
Additional budget provisions			
Increments		3.7	
Streets Ahead Investment		3.6	
MSF Capital Financing Costs		0.1	
Social Care Demand		3.0	
Schools and Howden PFI		0.2	
Other		0.9	
			11.5
Budget reductions			
Capital financing costs		-9.3	
Growth Investment Fund		-1.3	
Redundancy Provision		-0.7	
			-11.3
Planned contributions from reserves to support the revenue budget			7.0
2018/19 budget gap			0.0

Savings proposals for 2018/19

78. Discussions with Members have taken place since the consideration of the MTFA, to produce a set of proposals that will achieve a balanced budget. The proposals set out in this report form the basis of a balanced budget and a recommendation to Council on 7 March 2018. The total amount of Portfolio savings are £31.0m. 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 7

Portfolio	Savings Proposals for 2018/19 £m
People	-22.2
Place	-7.4
PPC	-0.2
Resources	-1.2
Total	**-31.0**

Development of Portfolio Budgets

79. The following table (Table 8) shows how the portfolio budgets are proposed to change from 2017/18 to 2018/19. The three main reasons for changes to portfolio budgets are:

- Pressures £41.5m – 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 £31.0m – 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 (£4.9m net increase) – virements from corporate items to Portfolios, in relation to the Streets Ahead contract (£3.6m) and pay strategy (£3.7m), offset by the cessation of temporary funding for Portfolio budgets in 2016/17 (£2.5m).

Table 8

	Adjusted Budget 2017/18	Pressures 2018/19	Savings 2018/19	Other Movements 2018/19	Original Budget 2018/19
	£000	£000	£000	£000	£000
Portfolio budgets:					
People	197,650	36,742	-22,176	752	212,968
Place	148,111	4,058	-7,384	2,317	147,102
Policy Performance and Communications	1,898	184	-184	75	1,973
Resources	37,707	554	-1,303	1,801	38,759
	385,366	**41,538**	**-31,047**	**4,945**	**400,802**

80. The figures in Table 8 demonstrate that, subject to Full Council approval, the People Portfolios with its social care responsibilities will be invested in, in order to enable future mitigation against the impact of central government funding reductions.

81. 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.

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

- People – £14.6m increase
- Place – £3.3m reduction
- Resources (including PPC) – £0.7m reduction

83. The net £14.6m 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 portfolios ability to deliver the over £22.0m worth of savings for 2018/19.

84. This level of additional funding has only been possible via a combination of the Council’s difficult decision to increase council tax via the Adult Social Care Precept which generates £5.8m, net increase in Better Care Fund income of £5.7m and use of one-off funding such as the £2.0m release from Insurance reserve.

85. It will be vital that this additional investment allows the People portfolio to begin 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 remove the reliance currently placed on one-off or temporary funding sources.

86. 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.

87. Whilst some increased funds have been provided by Government for Adult Social Care (through the Better Care Fund), these has not compensated for the larger funding cuts and they also focus too much on NHS related services for older people and delayed discharges from hospital, whereas most of our pressures are in mental health and learning disability services. The Government’s has also completely failed to acknowledge the funding crisis facing children’s social care, which has resulted 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 £4.1m for 2018/19 to support the increase in demand but also the current upward cost trend in the local placements market: and

- £2.0m 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.

88. Should future demand for children's service increase beyond anticipated levels and/or no new investment from central government not be forthcoming, there will be a risk of reliance on future support from 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**.

89. The Place portfolio has pressures of £4.1m for 2018/19, which are mainly the result of contract inflation, loss of income in some areas and pay pressures. However, the portfolio has been able to commit to additional savings of £7.4m, mainly via negotiations with large contract suppliers and hence the £3.3m contribution towards the Councils funding shortfall.

90. Resources portfolio has also been able to more than mitigate its 2018/19 pressures to deliver a reduced budget and therefore contribute towards offsetting the government funding cuts. The total level of contribution is £0.7m

Revenue Budget position for 2017/18

91. At its meeting in March 2017, the Council approved a Net Revenue Budget for 2017/18 of £395.551m. The Council increased Council Tax by 4.99% from the previous year, raising the rate for a Band D equivalent property to £1428.36.

92. 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.

93. The budget monitoring position at month 9, covering the period April to December 2017, shows a forecast overspend of £5.3m. Further details can be found in the table below.

94. 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 find it difficult to balance its outturn for 2017/18.

Table 9

Portfolio	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
PEOPLE	220,471	204,240	16,231	⇩
PLACE	192,161	193,177	(1,016)	⇩
POLICY, PERFORMANCE & COMMUNICATION	2,292	2,463	(171)	⇔
RESOURCES	39,268	39,229	39	⇩
CORPORATE	(448,929)	(439,109)	(9,820)	⇩
GRAND TOTAL	**5,263**	**-**	**5,263**	⇩

Balances and Reserves

95. 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 reserve for delivering a balanced budget but also offsetting any failures to deliver a balance outturn at year end. This was highlighted at the 2016/17, where £2.3m of reserves were required to offset the in year overspend.

96. 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.

97. 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.

Risk Management

98. 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 2018/19.

Levies

99. The Council currently has approximately £23.6m 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 2017/18 on 29 January 2018. A transport levy reduction of £0.7m 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 £187k and £221k respectively in 2017/18. The figures for 2018/19 are £181k and £227k respectively.

Portfolio Revenue Spending Plans for 2018/19

100. 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.

101. 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

102. Our budget for 2018/19 is driven by the five priorities of our Corporate Plan:

- 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.

103. 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.

104. We need to find savings of around £31.0m to meet grant cuts and pressures in 2018/19 compared to 2017/18. 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.

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

People

106. In 2017/18, we established an integrated adult and children, young people and families social care service under one management structure. This process allowed us to bring a number of service areas together to deliver seamless services. Our ambition is to deliver an all age approach to social care with a focus on developing our workforce, improving the quality of services and early help through preventative services.

107. Our 18/19 approach to service delivery and resource management has been informed by deliberations and decisions articulated in a number of key public documents namely "Social Care Recovery and Implementation Plan" (Cabinet Paper 20th September 2017) and "A Strategic review of Inclusion and Special Education Needs and Disabilities Provision in Sheffield" (Cabinet Paper 15th November 2017). These documents provide a framework and sufficient background information to fully appreciate the following challenges and approach.

108. In 2018/19, we are budgeting to spend in the region of £213m cash and £28m of Public Health grant on delivering services for People. A further £418m of funding was allocated separately by Government for schools and early year providers. The majority of our funding is spent on social care: £107m for Adults Care and Support and £63m for Children, Young People and Families.

109. Here are few highlights on our ambition and approach for our Services.

Children, Young People and Families

110. 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.

111. 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.

112. We will continue to respond to increases in demand for services, the range of our statutory duties and expectations of inspections despite the cuts to our

budgets (e.g. Ofsted). We will be creative, innovative and transformational in the way we work and deliver services to ensure that outcomes for children, young people and families continue to improve.

113. 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.

114. We are being creative about how we commission, deliver and pay for services, increasingly working with all our partner organisations, including schools, and seeking alternative funding streams. We are committed to protecting, 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.

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

- **Keeping children, young people and families healthy, safe and strong and giving every child a great start in life**. Our services focus on safeguarding, learning difficulties/disabilities, early help and intervention and the city's health strategy for children and young people. We provide multi-agency support services for children with additional needs and social care services for Children in Need (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 a permanent placement as soon as possible. We will deliver, monitor and provide the highest quality care and placements for our children in care.

- **Developing skills for life and work and encouraging active, informed and engaged young people and adults into further education, employment, training and their journey to independence**.

We target our resources in supporting those teenagers and adults who are most at risk of not being in education, employment or training. We work to create 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 does not run schools and has not for many years, however, it does have 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.

116. We are seeing significant and growing demand and need in areas such as special educational needs, emotional health and wellbeing and child poverty. These are 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.

117. 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), which represents more than 370 councils in England and Wales, has revealed that in 2015-16, 75% of the councils exceeded their children's social care budgets, including Sheffield. 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. Our strategy has been and continues to be to deliver right level of support by the right service at the right time.

118. 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 wider families and community by delivering restorative practice techniques (Family Group Conferences, Multi Systemic Therapy) for young people to stay with their families wherever possible instead of entering into 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 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.

119. Our Public Health grant allocation has been significantly cut in 2018/19. We will continue to work with the Sheffield Children's NHS Foundation Trust to integrate and redesign 0-19 Healthy Child Programme Services.

Adult Services

120. Our vision for Adult Social Care is based on three different needs 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.

121. 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 £2.3bn by 2020. In Sheffield, the pressures can broadly be defined in three categories: rising provider costs (predominantly the costs associated with the ongoing roll out of the National Minimum Wage), increasing demand from higher numbers of people for higher intensity support and a reduction in income (including government grant and other external funding).

122. In partial recognition of these pressures, the Council has received additional Government funding through the 'Improved Better Care Fund' (iBCF) for the period 2017/18 to 2019/20. The allocation of this funding in Sheffield was subject to a decision by Cabinet on 19th July 2017. The iBCF represents one

off funding for Adult Social Care over its three year period and does not fully cover the pressures described above. Whilst the funding improves the in-year position over these three years, significant changes will still be required to ensure financial balance and the cessation of iBCF after this period will create a very large pressure, for all Councils nationally, which will have to be managed from 2020/21.

123. The scale of the financial challenge facing adult social care is significant and will not be resolved in the short term. A medium term Improvement and Recovery Plan has been developed during 2017/18 which sets out how the Council will 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 2018/19 form a part of this plan.

124. The Improvement and Recovery Plan is structured under five themes:

- **Increasing the independence and inclusion of adults of working age**. The high number of adults of working age accessing formal social care services in Sheffield is a key risk to the future sustainability of care and support services. Helping adults and young people as they transition to adulthood, to access social and community activities, employment and universal services will provide better outcomes for individuals and for their communities. A reablement focused approach to review and support planning across a number of service user cohorts will ensure fairness and a reasonable distribution of resources involving moving people from static long term care to greater independence and more individualised support.

- **Developing a sustainable provider market**. Progress has been made in recent years to achieve a shift from a reliance on block purchased institutional care to more person centred support in the community, and to provide for a more sustainable homecare market in the city. The focus in the coming years will be across a number of areas including broadening the range of providers able to deliver high intensity support in the city, reviewing and tailoring the role of Council provider services, reviewing Housing Related Support in line with wider prevention and homeless strategies, reducing inefficiency as a result of duplication and void / vacant costs and ensuring new providers are supported to properly and efficiently transact with the Council. A release of some contingency and unallocated funding following commissioning activity is also possible in 18/19.

- **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. The number of people needing to move care homes in Sheffield has reduced over the last year although there is still more work to do to bring Sheffield in line with the performance of comparator authorities. We continue to work with health to ensure people are able to be discharged from hospital and into the community in a timely way and we continue to ensure best practice is in place to avoid care home admissions as a default option.

- **Increasing the shift to prevention**. The strategic intention of Adult Social Care in Sheffield over the medium to long-term is to support a shift into prevention and well-being. This means moving away from the crisis intervention model that currently predominates and instead increasing focus on access to universal services, early help and preventative support. This will improve outcomes for local people and promote better usage of adult social care resources.

- **Fairer charging**. A range of initiatives aimed at supporting service users to pay their contributions for care and avoid accruing debt to the Council will continue into 2018. These initiatives include supporting service users to access benefits, improving debt collection and ensuring uplifted benefit income and updated capital asset information is used to inform contribution calculations. 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.

125. The Sheffield Mental Health Transformation Programme is a collaborative programme of work that has been jointly developed and is being jointly delivered by Sheffield City Council (SCC), 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.

126. The success of the Improvement and Recovery Plan depends on focused and targeted use of resources at individual, community and city-wide levels. Use

of resources must be linked to focused 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 number of transformation projects including the continued development of the localities working model, significant practice and workforce development initiatives and changes to our core IT systems. In 2018/19 efficiency savings will be made from reduced senior management, other workforce efficiency savings and targeted work with supported accommodation providers to reduce housing benefit subsidy loss by the Council.

127. We will continue to work closely with our partners the NHS Sheffield Clinical Commissioning Group to maintain a single budget for health and social care under the Better Care Fund. One of the key strategic priorities for the Council and the NHS in 2017/18 has been in tacking delayed transfers of care from hospital. Investment to expedite the discharge process has seen marked improvements in outcomes over the last year and one of the challenges for the Better Care Fund in 18/19 will be to better link the costs of this activity with the resulting cost savings.

128. Central Government has given local authorities the power to raise additional Council Tax, through the Social Care Precept, to pay for the increased costs of Adult Social Care. As described in the Council Tax Income section of this report, it is the intention to raise Council Tax by the 3% allowed by Central Government to offset some of the increased costs of Adult Social Care.

Services in Sheffield's communities

129. Our aim is for thriving communities in Sheffield. 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.

130. We remain committed to maintaining the core service of Council run hub libraries, the home library service and Central Library and funding is protected at current levels in 2018/19. 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.

131. Targeted reductions will be made to the Localities Team budget (within Community Services) ahead of a full review of Locality Working which will be undertaken as the wider approach to Neighbourhood working is developed.

132. 2018/19 will see the implementation of year two 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.

Place

133. The **Place** Portfolio works to strengthen Sheffield's economy even further by helping existing and new businesses to grow, and provide more, and better, jobs. The successful relocation of Boeing and McLaren to the Advanced Manufacturing Park are two examples.

134. Alongside this, Place will proactively lead the initiatives required to meet the city's housing needs across all sectors and areas.

135. Following a review of corporate functions in 2017/18, the Council's facilities management and transport services were moved into the Place portfolio to align the management of similar activities. The Council also insourced the Housing and Corporate Buildings repairs activity and these are within the Transport and Facilities Management service.

136. This area also reflects the Council's commitment to environmental responsibility. 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.

137. We also want to continue to offer a vibrant mix of cultural and sporting facilities and events. This includes putting on events in the city centre, supporting cultural venues such as the Sheffield Theatres – the Crucible, Studio and the Lyceum; Sheffield Museums – Millennium Gallery, Weston Park Museum, and Graves Gallery; as well as major sporting and cultural facilities, such as the Arena, Ponds Forge and the City Hall.

138. We want to create new and improved existing public spaces and buildings so that they are safe and welcoming for businesses and people to use, for example our improvements to the Moor pedestrian area and the new Moor Market. Much of our work in this area relies on large one-off project funding, and large scale projects, such as the Sheffield Retail Quarter, will continue to

transform the city over the next few years. The construction of the new HSBC office building at the Moorhead is one tangible example.

139. Plans have also been developed for the regeneration of the Castlegate area. 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.

140. Our ambition around creating a competitive city, with a strong economy and great assets and transport links, will not change, but how we go about it will. In particular, we are going to have to pay for things in different ways and influence our partners, like us, to find new ways of preserving activity by working more efficiently.

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

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

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

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

145. We will spend around £148.1 million during 2017/18 on all these services.

146. In 2018/19, we need to reduce our portfolio budget by a further £7.4 million to meet the reduced central government funding, inflationary and demand pressures. Not only do we need to reduce how much we spend; we need to do it quickly. The level and pace of change isn't easy so we will make sure that we keep a close eye on how any changes affect different groups of people in the city.

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

148. As part of an agreed plan being led by the South Yorkshire Passenger Transport Executive, we aim to reduce our spending across this area by around £0.6m next year as a result of previous decisions to restructure the financing of the authority's debt and reduced operating cost.

149. We will reduce our spend on cultural and sports facilities in the City by around £0.8m, by way of an agreed strategy, through a combination of cost reductions improved income and aiming not to close existing facilities by working closely with our partners such as Sheffield International Venues (SIV).

150. Along with these changes, we are also proposing that we increase charges for some of the services we have to provide reflecting the inflationary pressures the Council faces. Those charges that do increase will be benchmarked against market rates.

151. Approximately 40% of the savings will come from improving our use of resources. The remainder will come from driving savings from our suppliers.

<u>Resources</u>

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

153. Additionally, the Council is like any large organisation, where we rely on effective support to run our business and the services we provide to Sheffield people. This support includes:

- helping our teams to manage their budgets and staff;
- providing and maintaining our information technology systems;
- helping our teams with legal advice;
- 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, finance staff, contracts and our plans for the future.

154. We have already made substantial savings in these areas. We are reducing the number of offices we occupy: consolidating 27 locations into three city centre sites, thereby avoiding expenditure of £34 million over 10 years.

155. Since 2010/11 we have reduced our annual spend on central costs by nearly 30% and some central services have experienced reductions of over 50%. These reductions equate to an annual saving of over £14m. By reducing the cost of our corporate services, we have been able to protect public facing services.

156. For 2018/19, further reviews and rationalisation of accommodation, contracts and procurement processes have identified nearly an additional £1.0m saving per annum which will meet the demand and inflationary pressures of £0.75m faced by the portfolio and make a small contribution towards improving the Council's financial position.

157. 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 and Governance. It would, therefore, be high risk to reduce such service budgets much further.

158. The Resources and PPC portfolios can help deliver savings across the Council by changing the way the Council works. In 2018/19 directors from these portfolios will lead five initiatives aimed at delivering better value for money user satisfaction. 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 transparent and proper decision making which supports and improves the quality of decision making.

Policy, Performance and Communications

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

160. 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.

161. The majority of the 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 the management of the Council's external advertising function.

Financing the 2018/19 Budget Requirement

162. 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 2018/19. 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)

163. 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

164. After taking account of the Revenue Support Grant, Business Rate income and Top Up Grant for 2018/19, the total amount to be raised from Council Tax amounts to £205.7m: this is the Council’s Council Tax Requirement.

Collection Fund

165. 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 £1.9m.

Council Tax Base

166. On 15 January, the Executive Director of Resources, under delegated authority, approved the calculation of the Council Tax Base for the 2018/19 financial year. The amount of the Tax Base is 135,890.79 Band D equivalent properties.

Budget Requirement for 2018/19

167. If the Council votes in favour of increasing the Council Tax by 2.99% and a further 3% for the national arrangement for the social care precept, this will mean the Budget Requirement for 2018/19 will be £401.9m, as shown in the table overleaf.

Table 10	2017/18 £'000	2018/19 £'000
Service Expenditure	395,551	401,857
Total Expenditure	395,551	401,857
Financed by:		
Revenue Support Grant	67,790	52,390
Business Rates	96,746	99,508
Top Up Grant	39,583	42,355
Council Tax	191,034	205,728
Collection Fund Surplus	398	1,876
Budget Requirement	395,551	401,857
	£	£
Band D Council Tax (City Council)	1,428.36	1,513.92

Council Tax Levels

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

Table 11

Band	**Multiplier**	**Value (up to) in 1991**	**Chargeable Properties %**	**Tax £**
A	6/9	£40,000	58.5	1,009.28
B	7/9	£52,000	15.9	1,177.49
C	8/9	£68,000	12.6	1,345.71
D	9/9	£88,000	6.4	1,513.92
E	11/9	£120,000	3.7	1,850.35
F	13/9	£160,000	1.7	2,186.77
G	15/9	£320,000	1.1	2,523.20
H	18/9	over £320,000	0.1	3,027.83
			100.00%	

Precepts

South Yorkshire Police & Crime Commissioner and of South Yorkshire Fire & Rescue Authority

169. The budget proposals of the South Yorkshire Police & Crime Commissioner (PCC) and of South Yorkshire Fire & Rescue Authority (SYFRA) are as follows. The PCC and SYFRA figures were formally approved on the 8th February 2018 and 19th February 2018 respectively. Further details can be found in **Appendix 6**.

	2017/18		2018/19		
Major Preceptors	**Precept**	**Band D**	**Precept**	**Band D**	**Increase**
South Yorkshire Fire & Rescue Authority	9,222,978	68.96	9,649,349	71.01	2.97%
South Yorkshire Police and Crime Commissioner	21,152,933	158.16	23,123,177	170.16	7.59%

Parish and Town Councils

170. The overall level of Council Tax needs to include the precepts of Parish and Town Councils that lie within the City's boundaries. The levels of precepts for Parish Councils is set out in the table below:

	Council Tax Income £	Grant from Council £	Total Precept on Collection Fund £
Bradfield Parish Council	235,467	6,403	241,870
Ecclesfield Parish Council	149,912	6,426	156,338
Stocksbridge Parish Council	119,618	4,624	124,242

171. In 2013/14, the Council received a specific grant of £82k for the purposes of compensating Parish Councils for the loss of Council Tax income, as a result of the introduction of the Council Tax Support Scheme (CTSS). From 2014/15, this specific grant was no longer provided by Government. Nevertheless, in March 2014, the Council voted in favour of continuing to compensate Parish Councils, in full, for the loss of Council Tax income as a

result of CTSS, amounting to £47k in 2014/15. This was despite the fact that the Council had to absorb RSG reductions in excess of 20% over the same period.

172. After considering a number of options, Full Council agreed in March 2015 to reduce the subsidy provided to Parishes, in line with the anticipated RSG cuts. The grant was cut by 28% in 2015/16 and the remaining subsidy is to be cut by 20% per year until the end of 2020/21.

173. The Council is therefore proposing to reduce the CTS subsidy to Parish Councils by 20% in 2017/18, to a total of £17,453 as shown in the table above. The total reduction is thus £4,363.

Legal Advice

Responsibility of the Chief Financial Officer

174. Under Part 2 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.

175. 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.

176. 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**.

177. 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.

178. In the Provisional Local Government Finance Settlement 2018/19 on 19 December 2017, the Secretary of State for Communities and Local Government, (now known as the Ministry for Housing, Communities and Local Government) announced that authorities would be able to raise Council Tax by 2.99% in addition to the 3% social care precept . This is a 1% increase to the 2017/18 limit. On the 7th February 2018 the House of Commons approved the Referendums Relating to Council Tax Increases (Principles) (England) Report 2018/19. 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 3% for expenditure on adult social care and 2.99% for other expenditure or more than its relevant basic amount of Council Tax for 2017/18. As this report proposes an increase of 2.99% for the City Council's element and a further 3% for the national arrangement for the social care precept, this is deemed not to be an excessive increase and a referendum is therefore not required before the Council approves the increase. The Secretary of State has also issued a notice under Section 52ZY of the Local Government Finance Act 1992 which requires the Section 151 Officer to provide information demonstrating that an amount equivalent to the additional 3% Council Tax above the core referendum principle has been allocated to adult social care within seven days of the Council's budget being set.

179. 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.

180. 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 (including but not limited to its Equality duties and consideration of any impact on Human Rights).

181. In relation to equalities 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. Determining the final set of proposals for consideration, Officers and Cabinet Members have had regard to how the equality impact assessments will be prepared for specific proposals as identified by each Portfolio prior to decisions being made. 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 Strategic 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.

182. 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

183. 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 17 January 2018.

Treasury Management Strategy

184. As part of its budget decision, the Council is required to approve a Treasury Management Strategy for 2018/19. Treasury Management relates to the management of the Council's investments, borrowings and banking operations.

185. 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.

186. 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.

187. The Sheffield City Council Treasury Management Strategy for 2018/19, 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 be delegated to the Head of Strategic Finance.

188. 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

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

Workforce Impact

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

191. The potential workforce impact arising from the recommended savings proposals to set the 2018/19 budget, equates to a reduction of approximately 172 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.

192. 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.

193. 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.

194. 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 172 redundancies has been made for the purposes of the 2018/19 form.

Pay Policy

195. In accordance with the Localism Act the Council is required to publish a Pay Policy for 2018/19. Details of this can be found in **Appendix 8**.

Members' Allowances

196. 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.

197. 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.

198. The Scheme that was approved for 2017/18 was unchanged from the 2016/17 Scheme. The structure of that 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).

199. 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.

200. 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 2017/18 Scheme) is the average percentage officer pay award in Sheffield. The Council agreed to implement the annual increase in 2017/18 having agreed not to apply the annual increase each year from 2010/11, including in four years when Council employees received a pay rise.

201. A decision to implement the annual increase on allowances in 2018/19 would give rise to a budgetary pressure. Savings would need to be found from within the Members' Allowances budget .

Equality Impact

202. 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.

203. 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.

204. We have undertaken a council-wide EIA on the budget as a whole, and individual EIAs on the proposals that are being recommended. These can be found attached in **Appendix 9** and can be accessed online via 'Our Equality Duty'.

205. 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.

206. 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.

207. 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.

208. 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.

209. 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.

210. 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.

211. 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. And there is 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.

212. 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.

213. 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.

214. 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.

215. 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

216. 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.

217. 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 31.31% 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.

218. Joseph Roundtree Foundation (JRF) research (JRF Monitoring Poverty & Social Exclusion report 2016) notes ‘While overall levels of poverty have remained fairly static over the last 25 years, risks for particular groups have changed.

Demographic evidence

219. 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 BME (Black and Minority Ethnic includes everyone except for those who classify themselves as White British) has grown from 11% in 2001 to 19% in 2011. BME adults make up 17% of the population and BME children 29%.

- 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

220. Between December and February, the Council ran a 'budget conversation' that included a range of engagement activities with local people and organisations. The full results of our consultation will be made available our website.

Managing Impact: Mitigation

221. 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.

222. This year represents a real financial challenge again, we have achieved large cost savings over the last few years but 2018/19 will be the eighth 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.

223. 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.

- 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. In Sheffield, we have always spent the full amount allocated by DWP which was 2017/18 - £1,453,560.

224. 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

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.

227. 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.

228. Some people who previously received a service will receive a changed or reduced service, or no service at all, 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.

229. 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.

230. 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 features overall of the Impact Assessment show:

- There are over 80 EIAs on proposals, most being in the People portfolio. 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.

- 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 2018/19 we will be reducing the workforce by approximately 172 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 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 2017/18.

- We will mitigate the impact of this by increasing the Council Tax Hardship scheme by £200k or 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.

- 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 settings into their own home, to live in their own home for longer and to return home sooner from hospital.

- We are implementing changes in Adult Social Care through a renewed focus on the quality and outcomes of our contact with people. Promoting independence and inclusion is a key ambition. Our bases in localities should allow us to connect people better to their communities.

- 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 develop our approach to commercialisation, including pursuing external funding where possible to help invest in innovative services including redesigned Youth Services that will be recommissioned in 2018-19 and continuing to develop employment schemes for vulnerable and disadvantaged people especially those aimed at young and disabled people.

- We are continuing to get value for money from our contracts. Both with our major strategic providers but also across Portfolios such as housing commissioning, learning disability services, youth services and Trusts.

231. 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.

232. 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

233. Members are recommended:

a) To approve a net Revenue Budget for 2018/19 amounting to £401.857m;

b) To approve a Band D equivalent Council Tax of £1,513.92 for City Council services, i.e. an increase of 5.99% (2.99% City Council increase and 3% national arrangement for the social care precept);

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

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

e) 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 2018/19, in accordance with sections 30 to 36 of the Local Government Finance Act 1992;

f) 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 Part 2 of the Local Government Act 2003. Further details can be found in **Appendix 4**;

g) 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;

h) Approve the allocation of the additional £2.0m Final Settlement funding (£1.7m of which is Adult Social Care Support grant) to the Social Care Demand contingency;

i) To approve the proposed amount of compensation to Parish Councils for the loss of Council Tax income in 2018/19 at the levels shown in the table below paragraph 170;

j) To note the latest 2017/18 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 2017/18 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 approve a Pay Policy for 2018/19 as set out in **Appendix 8**; and

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

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

Portfolio Pressures

	BIP Reference	Loss of Funding £'000	Increasing Demand on Services £'000	Pay & Price Inflation £'000	Other £'000	Total £'000
People						
Pay Pressures	Various			1,548		1,548
Learning Disabilities Cost	2		12,005	1,474		13,479
Long Term Support Cost	3		1,936	1,549		3,485
Loss of ILF Grant Income	3	24				24
Loss of CCG Grant Income	3, 7	2,061				2,061
Increasing Insurance Premiums	4			100		100
Care Alarm Income	4	285				285
Inclusion and Learning Packages	8		1,354	164		1,518
Contribution to Mental Health Services	8	1,000				1,000
Service to Families and Children	15, 16, 18, 21		11,450			11,450
Education Support Grant Cut	26	500				500
Training Unit Income	30	425				425
Placement Costs	18		250			250
Associate Libraries Funding	9	210				210
BCF Programme Costs	12		250			250
Grant Reduction - Building Successful Families	20	157				157
		4,662	27,245	4,835	0	36,742
Place						
Pay Pressures	Various			931		931
Waste Management Inflation and Service Demand	33	300	600	1100		2000
Loss of Parking Income	33	487				487
Loss of Advertising and Property Rental Income	36	470				470
Utility Price Inflation	37			72		72
Rural Broadband Provision	36		98			98
		1257	**698**	**2103**	**0**	**4058**
Resources						
Pay Pressures	Various			532		532
Cabinet Advisors and member allowances	43			22		22
		0	**0**	**554**	**0**	**554**
Policy, Performance and Communications						
Pay Pressures	51			74		74
Reduction in Advertising Income	51	110				110
		110	0	74	0	184
Total Pressures		**6,029**	**27,943**	**7,566**	**0**	**41,538**

For full Budget Implementation Plans (BIPS) please see: https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html

Portfolio Saving

People

	BIP Reference	Cost / Contract price Reduction £'000	Reduce / Cease Service £'000	Service Effectiveness £'000	Staff Cost Reductions £'000	Income Generation £'000	Total £'000
Long term Support Income Generation	3					895	895
Improved Better Care Fund Increase	2					2,000	2,000
Saving through joint working with Health Services	3			3,300			3,300
Mental Health Purchasing Saving	8	2,000					2,000
Grant Income	7, 20					250	250
Housing Benefits and Support Savings	8		1,000				1,000
Learning Disabilities Tailor Service Packages	2		2,328		100		2,428
Learning Disabilities Process Reviews	2		754	419			1,173
Long Term Support Service Reductions	3		1,047				1,047
Long Term Support Process Improvements	3		238	100	204	133	675
Care Alarm Pricing Restructure	4			30		20	50
Supporting Older People Contract Savings	8	50					50
Staffing Savings	10, 11, 12, 20				581		581
Voluntary Sector Grant	10	12					12
Ward Pots Reductions	10		35				35
Prevention and Intervention Savings	20	400					400
Strengthening Families Change Programme	15, 16, 18	2,725	80			400	3,205
Children's Social Care Demand Management Strategies	18			2,430			2,430
Skills Hub Change Programme	29			13			13
Family and Community Learning Restructure	30			26	425	27	478
Redesign Services to Young People	31			150	4		154
		5,187	5,482	6,468	1,314	3,725	22,176

Place

	BIP Reference	Cost / Contract price Reduction £'000	Reduce / Cease Service £'000	Service Effectiveness £'000	Staff Cost Reductions £'000	Income Generation £'000	Total £'000
Waste Management Contract	33	3,000					3,000
Place Transformation Programme	33			100	1,400	982	2,482
Reduce Grant To Sheffield City Trust	35			788			788
Restructuring and efficiency Saving	35			163	308	45	516
Reductions to ITA Levy	36	598					598
		3,598	0	1,051	1,708	1,027	7,384

Resources

	BIP Reference	Cost / Contract price Reduction £'000	Reduce / Cease Service £'000	Service Effectiveness £'000	Staff Cost Reductions £'000	Income Generation £'000	Total £'000
Vacancy Management	Various				197		197
Business Change staff Reduction and Efficiencies	38			13	33		46
Customer Services Voluntary Severance and Vacancy Reduction	40				89		89
Customer Services Reductions and Insourcing	40		50	42			92
Insourcing HR Connect Contract and Purchasing Reduction	42	108		19			127
Reduction in Members Allowance	43	22					22
Finance and Commercial Restructuring and Service Desk	50	139			86		225
Early Payment Discounts	46	400					400
Legal Services Staffing Reduction	43				48		48
Expenditure Prioritisation	Various			57			57
		669	50	131	453	0	1,303

PPC

	BIP Reference	Cost / Contract price Reduction £'000	Reduce / Cease Service £'000	Service Effectiveness £'000	Staff Cost Reductions £'000	Income Generation £'000	Total £'000
Vacancy Management	51				20		20
Expenditure prioritisation	51			20			20
Communications Service Restructure	51	34			110		144
		34	0	20	130	0	184
		9,488	5,532	7,670	3,605	4,752	31,047

For full Budget Implementation Plans (BIPS) please see: https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html

Appendix 3

2017/18	Summary Revenue Budget	2018/19
£000		£000
	Portfolio budgets:	
197,650	People	212,968
148,111	Place	147,101
1,898	Policy Performance and Communications	1,973
37,707	Resources (inc. Housing Benefit & Council Tax Collection)	38,760
385,366		**400,802**
	Corporate Budgets:	
	Specific Grants	
-74,437	PFI Grant	-74,437
-7,029	New Homes Bonus (LGF)	-5,722
-1,467	Business Rates Transitional Grant	-2,375
-3,976	Small Business Rates Relief	-5,870
-2,188	Improved Better Care Fund	-12,641
-2,717	Adult Social Care Grant (One-Off 2018/19)	-1,700
	Corporate Items	
6,200	Redundancy Provision	5,500
-13,567	Pension Costs	-13,507
7,029	New Homes Bonus (LGF)	5,722
-698	Public Health Savings / re-investments	-1,138
3,000	Better Care Fund	3,000
2,000	Social Care Demand Contingency	4,990
4,000	Strengthening Families - Think Forward Investment	4,000
25,285	Schools and Howden PFI	25,488
900	Infrastructure Investment	900
22	Payment to Parish Councils	17
1,597	Other	2,900
	Capital Financing Costs	
22,962	General Capital Financing Costs	13,662
11,612	Streets Ahead Investment	13,454
18,844	MSF Capital Financing Costs	18,993
	Reserves Movements	
-9,104	Contribution from Reserves	-2,098
21,917	Reserves Movements Relating to Pension Early Payment	21,917
395,551	**Total Expenditure**	**401,857**
	Financing of Net Expenditure	
-67,790	Revenue Support Grant	-52,390
-96,746	NNDR/Business Rates Income	-99,508
-39,583	Business Rates Top Up Grant	-42,355
-182,116	Council Tax income	-190,803
-398	Collection Fund surplus	-1,876
-8,918	Social Care Precept	-14,925
-395,551	**Total Financing**	**-401,857**

PEOPLE

	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
BUSINESS STRATEGY			
Business Strategy	11,502	8,061	3,441
Portfolio Leadership Team	670	370	300
Portfolio Wide Budgets	66,761	59,989	6,773
School Budgets	160,907	160,907	-
	239,840	229,327	10,513
CARE AND SUPPORT			
Access and Prevention	13,698	4,753	8,945
Care and Support Commissioning	7,591	4,685	2,906
Contributions to Care	300	-	300
Learning Disabilities	67,651	18,591	49,060
Long Term Support	82,350	38,438	43,911
Practice Development	395	-	395
Safeguarding	1,634	170	1,463
	173,618	66,638	106,981
CHILDREN & FAMILIES			
Children's Disabilities Service	1,762	164	1,598
Provider Services	16,531	7,056	9,475
Fieldwork Services	20,375	2,738	17,637
Health Strategy	2,615	388	2,228
Placements	28,357	2,663	25,694
Policy and Service improvement	567	108	459
Prevention and early intervention	16,428	11,667	4,761
Safeguarding Children	2,485	1,009	1,476
	89,119	25,792	63,327
COMMUNITY SERVICES			
14-24 partnership	1,721	1,414	307
Employment and Skills	6,293	4,392	1,901
Family and Community Learning	6,028	5,860	168
Libraries, Archives and information	5,280	975	4,305
Locality Management	3,093	1,501	1,591
	22,415	14,141	8,273
INCLUSION & LEARNING SERVICES			
Access and Pupil Services	4,623	4,526	97
Children's Commissioning Unit	1,886	1,886	-
Children's Public Health	14,507	14,451	56
Communities Commissioning	34,972	15,852	19,120
Inclusion and targeted Learning	16,614	15,786	828
Learning and Achievement Service	1,620	1,620	-
Services to Young People	4,774	1,000	3,774
	78,996	55,122	23,874
	603,989	**391,021**	**212,968**

PLACE

	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Business Strategy and regulation	44,455	20,854	23,601
City Growth	41,645	13,562	28,083
Culture and Environment	94,579	18,109	76,470
Housing General Fund	8,741	6,551	2,190
Major Projects	125	-	125
Transport and Facilities Management	73,876	57,244	16,632
	263,421	**116,320**	**147,101**

Resources

	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Business Change and Information Solutions	2,678	1,682	996
Corporate Contracts and Rebates	300	2,098	- 1,798
Customer Services	7,070	1,480	5,591
Finance and Commercial Services	10,018	4,021	5,997
Human Resources	5,156	1,023	4,133
Legal Services	6,905	3,139	3,766
Resources Management and Planning	197	-	197
	32,324	13,442	18,882
Central Costs			
Central Costs	10,302	11,885	- 1,583
Central Costs - Capita	21,155	100	21,055
Housing Benefit	179,465	179,059	406
	210,922	191,044	19,878
	243,247	204,487	38,760

Policy Performance & Communications

	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Policy, Performance & Comms	4,750	2,642	2,108
Public Health	1,469	1,604	- 135
	6,219	4,246	1,973

Reserves Strategy

Introduction

1. This appendix reports on the latest position in relation to the level of the Council's reserves. Section 25 of the Local Government Act 2003 requires the statutory Chief Finance Officer (the Executive Director of Resources) to present to the authority, 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.

2. This Reserves Strategy therefore needs to be considered and agreed by the Authority in setting its 2018/19 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 2018-23 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, which is set to last until 2019/20. 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 2016/17 shows a figure for "usable" reserves in the balance sheet at page 10 of £308.9m as at 31 March 2017. 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, £173m of the "usable reserves" are irrelevant, namely:
    - Schools reserves of £16.1m;
    - Housing revenue account reserves of £13.3m, and;
    - Capital reserves of £142.9m, 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 £136.6m 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 (2018/19), earmarked/committed reserves levels are planned to increase by £19.8m. 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.
8. The table also highlights the split of earmarked/committed and non-earmarked reserves. Of the £153.0m as at 31 March 2018, all but £12.6m is set aside as earmarked reserves for future liabilities.

Summary Estimate of Non-Earmarked & Earmarked Reserves at 31 March 2018 & 31 March 2019

Description	Balance at 31/03/18 £000	*Movement in 2018/19 £000*	Balance at 31/03/19 £000
Non-earmarked Reserves			
General Fund Reserve	12,604	(150)	12,454
	12,604	**(150)**	**12,454**
Earmarked Reserves			
Invest to Save Post 2015	**431**	**2,492**	**2,923**
PFI Reserve*	(1,428)	15,688	14,261
Highways PFI Reserve	13,624	(5,622)	8,002
Total PFI Reserve	**12,196**	**10,066**	**22,262**
Major Sporting Facilities	**29,869**	**(5,710)**	**24,159**
New Homes Bonus	**9,586**	**0**	**9,586**
Insurance Fund Reserve	**11,102**	**(2,000)**	**9,102**
Public Health	**1,032**	**0**	**1,032**
Other earmarked	**76,153**	**15,122**	**91,275**
Total Earmarked Reserves	**140,368**	**19,970**	**160,339**
Total Revenue Reserves	**152,972**	**19,820**	**172,793**

* 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

9. 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.

10. Non-earmarked General Fund Reserves (the "working balance") are estimated to be £12.6m at 31 March 2018, representing only 3.1% of the 2018/19 budget (at the maximum net budget requirement of £402m).

11. The £12.6m figure for General Fund Reserves as at 31 March 2018 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…"

12. Sheffield's level of General Fund reserves as at 31 March 2018 meets this benchmark. However, it is low in comparison to most other major cities. The table below shows that Sheffield had the lowest level of General Fund reserves as at 31 March 2017 as a percentage of its 2017/18 net revenue budget when compared to similar councils.

	Un-earmarked reserves 31 March 2017* (£m)	Un-earmarked reserves as a % of Net Revenue Budget (2017/18)
Birmingham	100.8	11.9%
Liverpool	24.8	6.1%
Manchester	27.5	5.7%
Bristol	20.0	5.7%
Nottingham	11.2	4.7%
Newcastle	10.1	4.7%
Leeds	20.1	4.0%
Sheffield	9.7	2.4%

*Based upon 2016/17 RO data

13. It should be noted that, during the year 2017/18, the General Fund balance was increased by £2.9m to £12.6m, representing 3.2% of the 2017/18 Net Revenue Budget. This decision was taken in order to replenish the reserve to the minimum level that would be considered prudent.

Earmarked Reserves

14. 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.

15. A list of earmarked reserves, their purpose and proposed use are set out below. Figures in brackets represent their anticipated balance at 31/3/18.

Invest to Save Projects (£0.4m)

16. The Council's Modern and Efficient Council programme has delivered a number of core infrastructure and business transformation projects that are essential to the future success of the Council's business operations. The ongoing successes of these programmes have delivered in excess of £8.9m of permanent savings, which have been used to help offset budget pressures over the last few years.

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

Private Finance Initiative (PFI) Reserve (£12.2m)

18. 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 medium to long term.

19. The reserve is reporting a balance of £12.2m as at 31st March 2018. £17.1m has been borrowed from this reserve to fund the pension deficit early payment in 2016/17. These funds will be fully repaid during 2018/19 to ensure that sufficient funds are available to meet any outstanding liabilities, highlighting how we use long term committed reserves in the short term to create savings opportunities, but the reserve has to be repaid to meet the long term commitment.

Major Sporting Facilities (MSF) (£29.9m)

20. 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, thus releasing £7m of savings to the revenue budget in 2014/15 to 2016/17 and £5.1m in 2017/18.

New Homes Bonus (£9.6m)

21. 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 for part of the wider Growth Investment Fund.

Insurance Fund (£11.1m)

22. 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 (around £10.6m) should be classified as an earmarked reserve.

Public Health (£1.0m)

23. 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.

Other Earmarked Reserves (£76.2m)

24. This includes various specific earmarking including:
    - equal pay claims;
    - redundancies;
    - contingencies for potential budget deficits, including risk of business rate income shortfalls and interest rate risk;
    - pension deficit payments;
    - portfolio reserves agreed by Cabinet in previous years for service specific issues, e.g. Bereavement Service business plan funds.
25. There is a forecast net in-year increase on these reserves totalling £15.1m. This increase includes a repayment to the pension reserve following the early payment in 2016/17 and transfers to reserves to protect against interest rate risks, a reserve to cover future liabilities that the Council retained under the Amey contract, and an increase to the Business Rates appeal reserve to protect against future losses to the Collection Fund.

Assessment of levels of reserves

26. 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.

27. Given the severely restricted funding outlook for the foreseeable future and the level of risk in the 2018/19 budget, the level of reserves is low but not inadequate. The Executive Director of Resources recommended during the 2018/19 budget process that:

    - The General Fund Balance be maintained at the agreed figure of £12.6m, 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 18/19 Revenue Budget with an alternative savings plan. It should be noted that the first of these options was employed following the revenue overspend of 2016/17, and recommended in the Outturn Report of that year.
    - Clearly, the most significant risk, as set out in the main report, is the delivery of financial savings from the social care recovery plans 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 stringent focus on monitoring and review of the plans will be essential.

Corporate Risk Register

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

2018/19 Budget Savings & Emerging Pressures

1. 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, and furthermore the backdrop of continuing reductions in Government grant from 2018/19 onwards.
2. 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

3. The Council currently maintains a substantial but manageable under borrowed position (i.e. we have 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

4. 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.
5. 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. However as at 31st December 2017, there were still over 750 properties relating to the 2010 valuation list with a rateable value of approximately £115m under appeal in Sheffield.

6. Not all of the £115m rateable value noted above is at risk and not all the appeals will be successful. However due to the uncertainty around these factors a prudent provision was taken during 2016/17 to mitigate the loss of income as a result of successful appeals. Actual trends on appeals were monitored in 2016/17, with any revised estimates of the impact of appeals forming part of the 2017/18 budget process.

7. 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 had been delayed for 2 years but has come 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 2017/18 budget.

8. The appeals process following the 2017 Revaluation has changed and now will be 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; however it is not known at this point how effective this new process will be. To date we have seen very little management information relating to the number of appeals that are being processed under the new Check, Challenge and Appeal process which we are continuing to press the Valuation Office on.

9. The draft list for the 2017 Revaluation highlights significant changes for a number of hereditaments within the city however the overall Rateable Value of the city has remained relatively stable. The final list released later highlights a drop in rateable value of approximately £12m due to large reductions in the rateable value of a number of properties. This drop in rateable value is not expected to continue in the future.

10. The city's largest hereditament (in terms of rateable value) following the 2017 Revaluation is a national telecommunications provider whose appeals feature a claim that all of their hereditaments across the country should feature on one authority's list. We are having ongoing discussions with both the Valuation Office Agency and DCLG as to the likelihood of this occurring and any potential ramifications. This hereditament had a number of appeals in place of which a significant number have been withdrawn however we have taken the prudent approach to maintain the provision for this hereditament until all appeals have either been settled or withdrawn.

Implementation of savings proposals

11. The risk of delivering savings in 2018/19 in 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. To mitigate this, officers are working on the safe and legal implementation of budget proposals by:

12. 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;

13. 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

14. 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.

Medium Term Financial Analysis

15. On 19th July 2017, Cabinet considered a report of the Executive Director of Resources entitled Medium Term Financial Analysis (MTFA) 2018/19 to 2022/23. This report provided an update of the Council's MTFA to reflect the budget decision of the Council for 2017/18 and the potential impact on the next 5 years of the Government's plans for deficit reduction. This report sets 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. The reductions in RSG are now expected to total £53.7m including 2017/18.

17. Up to the point at which the General Election was called, 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.

18. 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. We still expect 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.

19. 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.

Pension Fund

20. 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.

21. 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.

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

Economic Climate

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

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

External Funding

25. 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.

26. 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.

27. 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.

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

Treasury Management

29. The Council proactively manages counter-party risk especially since the credit crunch of 2008. 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 had continue to diminish over the last couple of financial 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 liquid and diversified funds.

30. As part of the 2017/18 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 2017/18 to ensure we have the ability to respond appropriately to market volatility.

31. 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. 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.

32. 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. A major system upgrade and the introduction of secure manual telephone system have been significant improvements to the handling of card data.

33. The Council currently has one advance payment outstanding with a major supplier in return for a saving on the contract cost. There is a risk to the Council that having received payment that this company may fail to deliver the services due under the contract. This is mitigated by the existing contract protections, financial evaluation of the company and parent company guarantee. Also as goods and services are delivered against this contract, the level of exposure reduces over time.

Welfare Reforms including Universal Credit

34. 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.

35. The most significant reform, the introduction of Universal Credit (UC) which replaces HB for those of working age, began to be rolled out in Sheffield in 2016 with full take up expected in 2021 or later.

36. UC poses a significant risk to the Council's Housing Revenue Account as support towards housing costs, which is currently paid through HB direct to the HRA, will, 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.

37. 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.

38. 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

39. 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.

40. 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 2017/18 this cost to the Council is estimated at around £100k and remains a risk for any future conversions, especially with the expansion of the academy conversion programme.

41. Also as part of the Spending Review and Autumn Statement 2015, the government announced that it will introduce a national funding formula for schools, high needs and early years. The government had planned to introduce this new funding formula from 2017/18; however, the new system will now apply from 2018/19.

42. As part of transition to a National Funding Formula, when all funding allocations to schools will be directly managed by Education Funding Agency (2019-20), 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

43. There is an increase in demand for services for children social care including demand for Unaccompanied Asylum Seeking Children. A number of transformational projects have been put in place to manage the increase in demand within available resources. Implementation of these programmes is contingent upon cross service and cross portfolio working.

People Risks – Adult Social Care

44. In 2017/18 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.

45. In 2017/18 it is proposed to enter a pooled budget arrangement with the Clinical Commissioning Group and 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 continue to ensure this new arrangement works for all partner organisations and that the clients receive the right level of support irrespective of where the funding of the service happens.

46. For 2017/18 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 hopefully redress some of the continued increases seen over the last two years.

47. 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.

48. For 2017/18 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

2017/18 Revenue Budget savings

49. 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.

50. The South Yorkshire Transport Levy has been successfully reduced and savings have now been agreed and are moving towards implementation with effect from April 2018 from within the Streets Ahead and Waste Management contracts.

51. 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.

52. The Portfolio undertakes a number of complex, high profile capital projects which require strong cost control from the sponsor and project manager. Experience in 2017/18 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.

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

Housing Revenue Account Risks

54. There are a number of future risks and uncertainties that could impact on the 30 year HRA business plan. As well as the introduction of Universal Credit and changes to Housing Benefits, the Government has announced a number of further changes in the Housing and Planning Act and Welfare Reform and Work Act. These include a revision to social housing rent policy, which will reduce rents until March 2020. This will have a considerable impact on the resources available to the HRA. In addition, other planned Government changes in relation to fixed term tenancies and levy proposals in the Housing and Planning Act will impact on both tenants and the HRA business plan. Work is continually ongoing to assess the financial impact of these. Other 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 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). There may be additional costs resulting from a review of building standards regulations following the Grenfell Tower tragedy. Work is in hand to monitor and asses the implications of developments as they unfold.

55. The HRA business plan is regularly reviewed along with expenditure plans to ensure flexibility to respond to the expected Housing and Planning Act Regulations.

Capital Receipts and Capital Programme Risks

56. There is a risk of failure to meet significant year on year capital receipts targets due to reduced land values, reflecting the uncertain market and the impact of the Affordable Housing policy. This could result in over-programming, delay or cancellation of capital schemes.

<u>Project Cost Control</u>

57. 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.

<u>Housing Regeneration</u>

58. There is a risk to delivering the full scope of housing regeneration schemes because of the instability in the wider 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).

<u>Olympic Legacy Park</u>

59. 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.

<u>Sheffield Retail Quarter</u>

60. The Council has committed to incur around £62m to acquire land and carry out initial feasibility work to develop a plan and appoint a development manager to deliver the new retail quarter in the city centre. With the appointment of Quensberry Real Estate Limited as strategic Development partner, a further budget of £27m was approved to take forward the pre-construction phases of the scheme (including securing anchor tenant agreements, planning consent, and an

acceptable level of pre-lets). The scheme is being funded through prudential borrowing which will be repaid primarily 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. There is also a longer term risk that if the scheme does go ahead, the business rates generated are not sufficient to cover the financing costs. In order to mitigate these risks the Council is working closely with its advisors and potential tenants to ensure that a viable scheme is being developed. It is also ensuring that the level of TIF is set at a prudent level.

61. In addition to the £89m already committed, the Council may in future have to invest substantial sums to create the public realm and develop the scheme if the proposition does not meet external developer investment thresholds. This may also involve the construction of buildings on a speculative basis, with only part of the building pre let. The Council has already approved a further £89m for the construction of the first building and associated public realm in the Retail Quarter on this basis.

62. 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. The retail and food and beverage units are still to be let. There is a risk that if all of the units are not occupied that there will be a shortfall in the rent and rates income from which the financing costs are expected to be covered. There is also a longer tem risk that if HSBC take the early exit option that the Council will have a significant shortfall if an alternative occupier cannot be found.

<u>Schools' Expansion programme</u>

63. 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 £22m in 2018/19 after mitigating action. In subsequent years it expects to receive sufficient funding to repay the cash flow by 2021/22.

64. In the event of a change of government policy which 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.

65. 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.

66. Basic Need funding allocations for the purpose of school expansion are confirmed up to 2019-20. The modelling of the Schools Capital Programme has been based on an estimated allocation of £10m p.a. funding in. 20/21 and 21/22. Any reduction in these estimated amounts will delay the timescale for the repayment of the cash flow and also any future investment.

Appendix 6

CITY OF SHEFFIELD
CALCULATION OF RECOMMENDED COUNCIL TAX FOR 2017/18 REVENUE BUDGET

The Council is recommended to resolve as follows:

1. It be noted that on 15th January 2018, the Council calculated the Council Tax Base 2018/19

   (a) for the whole council area as:
   135,890.79 (item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")); and

   (b) for dwellings in those parts of its area to which a Parish precept relates as in the attached Appendix 6c.

2. Calculate that the Council Tax requirement for the Council's own purposes for 2018/19 (excluding Parish precepts) is:
   £ 205,727,549 .

3. That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act:

(a) **£ 1,354,694,941** being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

(b) **£ 1,148,444,943** being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) **£ 206,249,998** being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year (item R in the formula in Section 31B of the Act).

(d) **£ 1,517.7629** being the amount at 3(c) above (Item R), all divided by item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish Precepts).

(e) **£ 522,450** being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix 6b).

(f) **£ 1,513.9182** being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

4. To note that the Police and Crime Commisssioner and the Fire and Rescue Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table overleaf.

5. **£ 14,925,022** The amount set by the authority at 2 above, under section 30 of the Act, includes an amount attributable to the adult social care precept.

6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2018/19 for each part of its area and for each of the categories of dwellings.

Sheffield City Council (non-parish areas)

	Valuation Band							
	A	B	C	D	E	F	G	H
Sheffield City Council	1,009.28	1,177.49	1,345.71	1,513.92	1,850.35	2,186.77	2,523.20	3,027.83
South Yorkshire Fire & Rescue Authority	47.34	55.23	63.12	71.01	86.79	102.57	118.35	142.02
South Yorkshire Police and Crime Commissioner	113.44	132.35	151.25	170.16	207.97	245.79	283.60	340.32
Aggregate of Council tax requirements	1,170.06	1,365.07	1,560.08	1,755.09	2,145.11	2,535.13	2,925.15	3,510.17

Bradfield Parish Council

	Valuation Band							
	A	B	C	D	E	F	G	H
Sheffield City Council	1,009.28	1,177.49	1,345.71	1,513.92	1,850.35	2,186.77	2,523.20	3,027.83
Bradfield Parish Council	27.39	31.95	36.51	41.08	50.21	59.34	68.46	82.16
South Yorkshire Fire & Rescue Authority	47.34	55.23	63.12	71.01	86.79	102.57	118.35	142.02
South Yorkshire Police and Crime Commissioner	113.44	132.35	151.25	170.16	207.97	245.79	283.60	340.32
Aggregate of Council tax requirements	1,197.45	1,397.02	1,596.59	1,796.17	2,195.32	2,594.47	2,993.61	3,592.33

Ecclesfield Parish Council

	Valuation Band							
	A	B	C	D	E	F	G	H
Sheffield City Council	1,009.28	1,177.49	1,345.71	1,513.92	1,850.35	2,186.77	2,523.20	3,027.83
Ecclesfield Parish Council	10.88	12.70	14.51	16.33	19.96	23.58	27.21	32.65
South Yorkshire Fire & Rescue Authority	47.34	55.23	63.12	71.01	86.79	102.57	118.35	142.02
South Yorkshire Police and Crime Commissioner	113.44	132.35	151.25	170.16	207.97	245.79	283.60	340.32
Aggregate of Council tax requirements	1,180.94	1,377.77	1,574.59	1,771.42	2,165.07	2,558.71	2,952.36	3,542.82

Stocksbridge Town Council	**21.27**	**24.81**	**28.36**	**31.90**	**39.00**	**46.08**	**53.17**	**63.80**
	Valuation Band							
	A	B	C	D	E	F	G	H
Sheffield City Council	1,009.28	1,177.49	1,345.71	1,513.92	1,850.35	2,186.77	2,523.20	3,027.83
Stocksbridge Town Council	21.27	24.81	28.36	31.90	38.99	46.08	53.17	63.80
South Yorkshire Fire & Rescue Authority	47.34	55.23	63.12	71.01	86.79	102.57	118.35	142.02
South Yorkshire Police and Crime Commissioner	113.44	132.35	151.25	170.16	207.97	245.79	283.60	340.32
Aggregate of Council tax requirements	1,191.33	1,389.88	1,588.44	1,786.99	2,184.10	2,581.21	2,978.32	3,573.97

7. The Council's basic amount of Council Tax is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992, therefore no referendum is required.

Appendix 6b

Council Tax Schedule 2018/19	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Sheffield City Council	1,009.28	1,177.49	1,345.71	1,513.92	1,850.35	2,186.77	2,523.20	3,027.83
South Yorkshire Fire & Rescue Authority	47.34	55.23	63.12	71.01	86.79	102.57	118.35	142.02
South Yorkshire Police and Crime Commissioner	113.44	132.35	151.25	170.16	207.97	245.79	283.60	340.32
Total charge for non-parish areas of Sheffield	1,170.06	1,365.07	1,560.08	1,755.09	2,145.11	2,535.13	2,925.15	3,510.17
Bradfield Parish Council	1,197.45	1,397.02	1,596.59	1,796.17	2,195.32	2,594.47	2,993.61	3,592.33
Ecclesfield Parish Council	1,180.94	1,377.77	1,574.59	1,771.42	2,165.07	2,558.71	2,952.36	3,542.82
Stocksbridge Town Council	1,191.33	1,389.88	1,588.44	1,786.99	2,184.10	2,581.21	2,978.32	3,573.97

Appendix 6c

Parish Council Precepts

	2017/18					2018/19					
Parish Council	Tax Base	Council Tax Income (£)	Council Tax Band D (£)	CTS Grants	Total Precept	Tax Base	Council Tax Income (£)	Council Tax Band D (£)	CTS Grants	Total Precept	Council Tax Increase
Bradfield	5,713.66	230,105	40.2727	8,004	238,109	5,732.16	235,467	41.0782	6,403	241,870	2.00%
Ecclesfield	9,149.98	146,466	16.0072	8,033	154,499	9,181.65	149,912	16.3274	6,426	156,338	2.00%
Stocksbridge	3,675.84	113,849	30.9724	5,779	119,628	3,749.60	119,618	31.9015	4,624	124,242	3.00%
Total/average	18,539.48	490,420	26.4527	21,816	512,236	18,663.41	504,997	27.0581	17,453	522,450	2.29%

Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Ethical Investment Strategy for 2018/19

Background

1. The Council is required to operate a balanced budget, i.e. cash raised during the year broadly meets cash expenditure. 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).

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

3. 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."

Reporting Requirements

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

5. These reports include:

   - Prudential and treasury indicators and treasury strategy (this report) which covers:
     - the capital plans (including prudential indicators);
     - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
     - the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and

  - an investment strategy (the parameters on how investments are to be managed).

- 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.

6. 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.

Capital Strategy

7. In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following:

   - a high-level 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, and
   - the implications for future financial sustainability

8. The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.
9. The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

Treasury Management Strategy for 2018/19

10. 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;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

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

Training

12. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training.
13. 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.
14. The training needs of treasury management officers are also periodically reviewed. During the year officers attended workshops and seminars provided by CIPFA and the Council's Treasury Management consultants.
15. 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.

Treasury Management Consultants

16. The Council uses Link Asset Services (formerly Capita Asset Services) as its external treasury management advisors.
17. 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.

18. 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.

The Capital Prudential Indicators: 2018/19 – 2020/21

19. 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.

Capital Expenditure

20. 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.

21. **Members are asked to approve the capital expenditure forecasts** in the following table:

Capital Expenditure	2016.17 Actual £'m	2017.18 Forecast £'m	2018.19 Budget £'m	2019.20 Estimate £'m	2020.21 Estimate £'m
Resources	£8.5	£0.4	£1.0	£0.6	£0.0
CYP	£19.9	£35.3	£36.6	£0.1	£0.1
Communities	£0.0	£0.8	£1.8	£0.3	£0.0
Place	£74.2	£98.5	£94.3	£21.8	£14.7
Housing	£73.5	£71.3	£78.7	£80.1	£78.6
Highways General	£9.8	£12.8	£1.7	£0.0	£0.0
Highways Capital Contribution	£29.6	£39.8	£0.0	£0.0	£0.0
Corporate	£0.0	£0.0	£0.0	£0.0	£0.0
Total	**£215.4**	**£259.0**	**£214.1**	**£102.9**	**£93.3**

22. 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.

23. The Council focuses on seven 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. This includes the Sheffield Retail Quarter (SRQ) scheme which seeks to revitalise the city centre retail offer and to attract and retain businesses in the city, allowing us to compete with regional and out-of-town alternatives.

- **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 2,175 new homes each year by 2022.
- **Transport**: Deliver safe, well maintained streets enabling the City's on-going development and helps every resident access the jobs market and local services
- **Quality of Life**: Creating places and spaces where people enjoy being and contributing to the quality of life for our citizens
- **People – Capital and Growth**: Ensuring sufficient school places is one of a number of key priorities. Work has commenced on providing more capacity at Mercia, Astrea, Totley and Ecclesall Juniors. Further expansion works have also been approved at Dobcroft
- **Internal Infrastructure**: To fund building renovations and machinery replacement across the Council including a number of listed buildings. Work is continuing to reduce the Council's office space needs enabling it to vacate expensive rented properties; thus providing revenue savings.

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

Capital Expenditure	2017.18 Forecast £'m	2018.19 Budget £'m	2019.20 Estimate £'m	2020.21 Estimate £'m
Economic Growth	£64.5	£73.6	£7.2	£0.0
Housing Investment	£62.4	£66.6	£57.8	£55.5
Housing Growth	£4.8	£14.7	£20.8	£20.9
Quality of Life	£24.5	£13.8	£13.9	£14.6
Transport	£52.6	£1.3	£0.0	£0.1
People - Capital & Growth	£40.3	£40.5	£2.6	£2.2
Internal Infrastructure	£9.9	£3.6	£0.6	£0.0
Total	**£259.0**	**£214.1**	**£102.9**	**£93.3**

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

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

Assets acquired through PFI	2016.17 Actual £'m	2017.18 Forecast £'m	2018.19 Budget £'m	2019.20 Estimate £'m	2020.21 Estimate £'m
Highways	£47.1	£11.1	£0.0	£0.0	£0.0
Total	**£47.1**	**£11.1**	**£0.0**	**£0.0**	**£0.0**

27. The use PFI financing means that we have leveraged financial support from Government to address investment need in our highways infrastructure. The large amounts of money invested in highways through the PFI arrangement and more traditional financing represents the Council's prioritisation of the city-wide Streets Ahead programme that has transformed the City's road and pathway network.

28. As the table (above) shows, 2017/18 is the last year of the large scale investment with the contract subsequently moving into the maintenance phase for the remainder of the contract term.

29. 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:	2016.17 Actual £'m	2017.18 Forecast £'m	2018.19 Budget £'m	2019.20 Estimate £'m	2020.21 Estimate £'m
Capital expenditure:					
Non-housing	£141.8	£187.7	£135.3	£22.8	£14.7
Housing	£73.5	£71.3	£78.7	£80.1	£78.6
Total	**£215.4**	**£259.0**	**£214.1**	**£102.9**	**£93.3**
Financed by:					
Capital Receipts	£16.4	£18.2	£13.1	£12.9	£12.4
Capital Grants & Contributions	£75.8	£69.4	£54.4	£5.5	£2.8
Revenue Contributions	£57.5	£57.5	£65.2	£63.9	£63.4
Net borrowing need for the year	**£65.7**	**£113.9**	**£81.4**	**£20.6**	**£14.6**
Fund Split					
General Fund	£65.7	£113.9	£81.4	£20.6	£14.6
HRA	£0.0	£0.0	£0.0	£0.0	£0.0
Total	**£65.7**	**£113.9**	**£81.4**	**£20.6**	**£14.6**

30. 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.

31. 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.

32. The Council will also continue to use borrowing to support the development of the SRQ and Cavendish project. The flagship scheme is aimed at kick-starting the regeneration of the city centre and the costs of this borrowing will, in time, be offset by capital receipts from the sale of our interest in the SRQ development and by increased income generated from business rates.

33. 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.

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

34. 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.

35. 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.

36. 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.

37. 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 £442m (2016/17 £395m) of such arrangements within the CFR.

38. The following table shows CFR projections:

Capital Financing Requirement	2016.17 Actual £'m	2017.18 Forecast £'m	2018.19 Budget £'m	2019.20 Estimate £'m	2020.21 Estimate £'m
CFR non-housing	£1,068.1	£1,162.7	£1,212.1	£1,001.2	£976.6
CFR housing	£346.0	£345.9	£345.9	£345.9	£345.9
Total CFR	£1,414.1	£1,508.6	£1,558.0	£1,347.1	£1,322.4
Movement in CFR	**£80.7**	**£94.6**	**£49.4**	**-£210.9**	**-£24.7**
Movement in CFR represented by:					
Expenditure not funded by grants, receipts, or contributions	£65.7	£113.9	£81.4	£20.6	£14.6
Additional PFI liabilities	£47.1	£11.1	£0.0	£0.0	£0.0
- MRP/VMRP and other movements	-£32.1	-£30.5	-£32.0	-£231.5	-£39.3
Movement in CFR	**£80.7**	**£94.6**	**£49.4**	**-£210.9**	**-£24.7**

39. The table above shows that although the Council is taking on additional borrowing and PFI liabilities 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.

40. 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.

41. The significant increase in the money we put aside for repaying debt in 2019/20 (£231.5m) reflects the large capital receipts anticipated from the proposed sale of our interest in the SRQ development and Cavendish offices following the completion of Council funded works.

Minimum Revenue Provision (MRP) policy statement - Foreword

42. As part of the 2017/18 Mid-Year Review, the Council took the opportunity to review the Council's Minimum Revenue Provision (MRP) Policy. In the review the Council proposed a number of changes to the Council's Minimum Revenue Provision (MRP) policy to better reflect the use of assets over their useful economic life and make the allocation of MRP charges fairer and more equitable between current and future taxpayers. The proposals were approved on the 9th January 2018 and subsequently ratified by the Overview and Scrutiny Management Committee on the 23rd January 2018. The revised policy is reflected below.

43. Also during 2017, the Department of Communities and Local Government (DCLG) undertook a consultation on proposed changes to their Minimum Revenue Provision (MRP) statutory guidance. The DCLG consultation on MRP guidance closed on 22 December 2017 and at the time of writing this report we are currently waiting for the revised guidance to be issued.

44. In essence, DCLG is consulting on proposals to introduce a couple of additional clauses. These include:

- restricting maximum useful economic lives to 50 years for freehold land and 40 years for any other assets Sheffield only has a small number of assets valued at over 40 years and a review of their lives will be factored in to future revaluations
- Secondly, although they accept that an authority may change its MRP method at any time, they propose this cannot be applied retrospectively and give rise to an overpayment, and should not result in an authority making a charge of nil for the accounting period in which the change is made. However, DCLG also clarified that any authority that has calculated what they call an 'overpayment' from a retrospective change of method prior to 2018/19 can continue to apply this to reduce future years' charges. SCC's change in pre-2007 MRP policy adopted in 2017/18 does not therefore need to be amended as a result of this guidance.

45. The consultation does not propose to change to the statutory duty to make a 'prudent' provision so it is still for each authority to determine what constitutes a 'prudent' charge, whilst having regard to the guidance and the draft guidance does not rule out a local authority from using an alternative method should it decide that it is more appropriate.

46. As before, the overriding aim is to provide an appropriate MRP over a period commensurate with the period over which the capital expenditure provides benefit. Accordingly, the revised guidance continues to offer scope for authorities to reassess their MRP liability going forward and in such a manner that may offset and reduce, at least partially, some of their immediate budget pressures whilst continuing to act in a prudent manner.

47. Since the inception of the MRP guidance, a large number of authorities have amended their MRP policies to adopt approaches they consider to be equally, if not more, prudent, than previous ones; whilst simultaneously reducing MRP in the forthcoming years. This coincided with a period in which Councils are facing unprecedented pressures on their revenue budgets. Some of these revised policies have been applied retrospectively, including going back to when MRP guidance was first implemented. In doing so, authorities have often calculated a significant excess provision and have, therefore, realigned their MRP over future

years. Sheffield's changes in 2017 are therefore consistent with many local authorities

Minimum Revenue Provision (MRP) policy statement

48. 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.

49. 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).

50. Regulations have been issued by the Department for Communities and Local Government (DCLG) that require the full Council to approve an MRP statement in advance each year. This statement sets out how the Council determines how the MRP will be calculated. Guidance affords a variety of options to Councils, as long as the calculation results in a prudent provision.

51. 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.

52. 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).

53. Regulations have been issued by the DCLG that require the full Council to approve an MRP statement in advance each year and to approve any in-year revisions to the policy. This statement sets out how the Council determines how the MRP will be calculated. Guidance affords a variety of options to Councils, so long as the calculation results in a prudent provision.

54. **The Council is recommended to approve the following MRP statement** (Paragraphs 55 to 65.)

55. 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.

56. 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.

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

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

59. 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.

60. 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.

61. 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.

62. 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.

63. 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.

64. 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.

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

Core Funds and Expected Investment Balances

66. 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.

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

Core Funds and Expected Investment Balances	31/03/2017 Actual £'000	31/03/2018 Forecast £'000	31/03/2019 Budget £'000	31/03/2020 Estimate £'000	31/03/2021 Estimate £'000
Year End Resources:					
Cash backed reserves*	252.7	217.8	222.6	209.7	215.8
Capital Receipts	125.7	110.0	95.0	75.0	71.3
Provisions	26.1	24.1	24.1	23.6	23.1
Total Core Funds	**404.5**	**351.9**	**341.7**	**308.3**	**310.1**
Working Capital	- 94.2	- 7.5	- 28.8	- 27.5	- 18.3
(Under)/over Borrowing	- 225.6	- 315.2	- 186.5	- 100.0	- 100.0
Expected Investments	**84.7**	**29.2**	**126.4**	**180.8**	**191.8**

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

68. The above table shows that the Council remains ‘under-borrowed’. This means that we have not 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 we’re yet to spend, reserves and provisions being held over for future spend, and capital receipts that haven’t yet been deployed.

69. 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.

70. 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.

71. Whilst retaining the under-borrowed position we have also looked to use our cash balances efficiently, as we would any other asset.

72. This has encouraged us to look at using our cash in more innovative means to both provide revenue savings and support service delivery changes.

73. The Council continues to use selectively advance payment for a small number of strategic suppliers in return for securing savings on the normal contract price which go towards supporting the revenue budget.

74. These up-front payments, complement those relating to the Major Sporting Facilities and the Triennial Pension Deficit in 2016/17, and result in the negative working capital shown in the table above.

75. The above table shows that the Council's investment balances are expected to end the 2017/18 at a more modest level than 2016/17 as a result of a temporary rise in under borrowing.

76. Future cash profiles for 2018-19 onwards are consistent with the Council's approach to reducing the General Fund and HRA under borrowed position over time and our expectations around reserve levels.

77. It is anticipated that the Council's reserves will be called upon in the coming years to support the revenue budget and protect services. As these reserves are used, the cash backing them also falls.

78. Whilst an under-borrowed position is currently advantageous, it does expose us to a level of risk around interest-rates.

79. Should the Council's plans change in the future 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.

80. 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 in 2018/19 whilst 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 SRQ and Cavendish schemes.

81. 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.

82. 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.

Affordability Prudential Indicators

83. 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.

84. **The Council is asked to approve the following indicators**: ratio of financing costs to net revenue stream (Paragraphs 85-105) and limits to borrowing activity (Paragraphs 107-110).

Treasury indicators: Ratio of Financing Costs to Net Revenue Stream

85. 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.

86. 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:	2016.17 Actual	2017.18 Forecast	2018.19 Budget	2019.20 Estimate	2020.21 Estimate
Non-HRA	17.8%	18.0%	16.9%	19.0%	20.4%
HRA	9.2%	9.4%	10.0%	10.1%	9.9%

87. This reflects two prominent issues:

- We anticipate incurring more borrowing costs (interest and MRP costs) in the future than we do now; and,
- Income and costs arising from PFI arrangements are included in the above calculation; and,
- The revenue income streams used for this calculation continue to fall.

88. 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.

89. The increase in non-HRA financing costs primarily relates to the Council's investment in the SRQ, the Cavendish office scheme and the Streets Ahead project.

90. The Streets Ahead project is a large city-wide investment scheme that has brought up to standard the condition of the city's roads, bridges, pavements, lights, and street scene over the last five years. The project not only addresses

one of the public's and businesses' principal concerns but also allows the Council to move away from expensive remedial repair work to a managed affordable maintenance approach based on the up-front investment. This approach sees costs saved on service budgets over the life of the contract which unfortunately are not reflected in the above prescribed ratios.

91. The Council also plans to continue to invest in the city centre to kick-start the regeneration of the area known as the SRQ. As part of the wider SRQ, the Cavendish scheme aims to develop new offices on the former Grosvenor Hotel site for use by HSBC Bank. 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.

92. The HRA's increase reflects the fact that while costs are largely being funded through housing rents, restricting the need for additional borrowing, rent levels are reducing by 1% between 2017/18 to 2020/2021 in accordance with Central Government direction. Accordingly, any increase in financing costs would primarily need to be offset by cost reductions in other areas to ensure rents stayed within the given parameters.

Borrowing

93. 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 these plans. This will involve both the organisation of the cash flow, and where required, the organisation of appropriate borrowing facilities.

94. This section of the strategy covers the relevant treasury and prudential indicators, the current and projected debt position, and the annual investment strategy.

Current Portfolio Position

95. 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.

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

97. 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	2016.17 Actual £'m	2017.18 Forecast £'m	2018.19 Budget £'m	2019.20 Estimate £'m	2020.21 Estimate £'m
External Debt					
Loans at 1st April	740.0	746.7	754.9	921.9	824.3
Expected change in Loans	6.8	8.2	167.0	-97.6	6.5
PFI liabilities at 1st April	395.2	426.1	426.3	417.3	406.9
Expected change in PFI liabilities	30.9	0.2	-9.0	-10.4	-15.3
Transferred Debt at 1st April	18.6	15.6	12.2	8.5	4.5
Expected Change in Transferred Debt	-3.0	-3.4	-3.7	-4.1	-4.5
Actual Gross Debt at 31st March	1188.4	1193.4	1347.7	1235.6	1222.4
The Capital Financing Requirement	1414.1	1508.6	1558.0	1347.1	1322.4
Authority Under/(Over) Borrowing	**225.7**	**315.2**	**210.3**	**111.5**	**100.0**
less HRA under/ (over) borrowing	55.1	55.9	35.3	11.5	0.0
GF Under / (Over) Borrowing	170.5	259.2	175.0	100.0	100.0
	225.6	**315.2**	**210.3**	**111.5**	**100.0**

98. The rise in external loans and PFI liabilities is consistent with the Council's significant investment in the Streets Ahead project.

99. 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.

100. 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.

101. 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 eliminating the HRA under borrowed position. Once the HRA under borrowing has been eliminated, the HRA loan portfolio would be in line with the overall HRA CFR.

102. 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.

103. Whilst this approach has been advocated for a while, the use of cash balances to solicit early payment discounts from a number of key suppliers means that the cash to support under-borrowing at current levels will no longer be available and new borrowing will be required to ensure the Council is able to meet its commitments when they become due.

104. 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 2018/19 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.

105. 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.

Treasury Indicators: Limits to Borrowing Activity

106. 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.

107. 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	2016.17 Actual £'m	2017.18 Forecast £'m	2018.19 Budget £'m	2019.20 Estimate £'m	2020.21 Estimate £'m
Loans	£950.0	£1,160.0	£1,160.0	£1,160.0	£1,160.0
Other Long Term Liabilities	£475.0	£440.0	£440.0	£440.0	£440.0
Total	**£1,425.0**	**£1,600.0**	**£1,600.0**	**£1,600.0**	**£1,600.0**

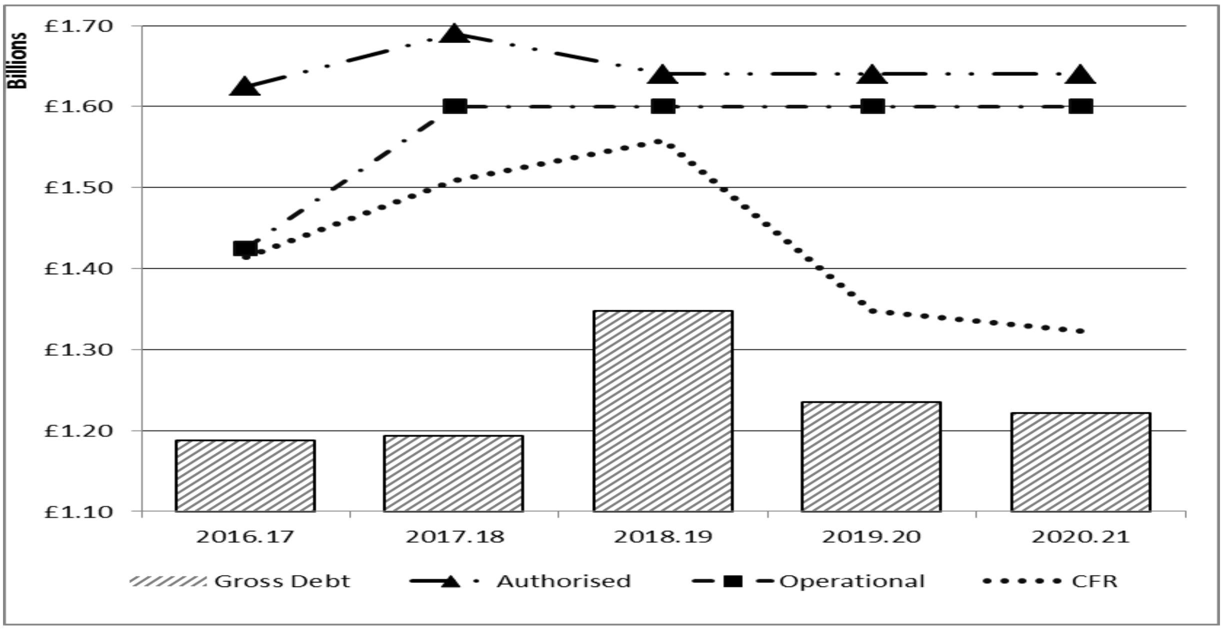
108. The **authorised limit** on external debt represents a control on the maximum amount of debt the Council can legally hold. Under Section 3 of the Local Government Act 2003 this limit is agreed by full Council and cannot be revised without that body's agreement. The Council is required to ensure 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.

109. 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.

110. **The Council is asked to approve the following limits**:

Authorised Limit	2016.17 Actual £'m	2017.18 Forecast £'m	2018.19 Budget £'m	2019.20 Estimate £'m	2020.21 Estimate £'m
Loans	£1,150.0	£1,250.0	£1,200.0	£1,200.0	£1,200.0
Other Long Term Liabilities	£475.0	£440.0	£440.0	£440.0	£440.0
Total	**£1,625.0**	**£1,690.0**	**£1,640.0**	**£1,640.0**	**£1,640.0**

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



112. The authorised limit is significantly 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. The figures also reflect the large capital receipts anticipated from the proposed sale of our interest in the SRQ development and Cavendish offices following the completion of Council funded works.

113. Separately, the government also limits the amount of debt the HRA can hold through a cap that was set in 2013. This debt-cap arose as a result of the HRA's transition from a government supported subsidy system to a self-financing approach.

114. The debt cap and the HRA's headroom position are currently:

HRA Debt Limit	2016.17 Actual £'m	2017.18 Forecast £'m	2018.19 Budget £'m	2019.20 Estimate £'m	2020.21 Estimate £'m
HRA Debt Cap	£388.3	£388.3	£388.3	£388.3	£388.3
HRA CFR	£346.0	£345.9	£345.9	£345.9	£345.9
HRA Headroom	**£42.3**	**£42.4**	**£42.4**	**£42.4**	**£42.5**

115. The HRA's debt (CFR position) is currently under the cap. The difference between the government set cap and the HRA's CFR represents the headroom it has to use credit to fund capital investment.

116. It should be noted that as the HRA investment over the period is anticipated to be funded from rental income or reserves built up for this purpose. The headroom is therefore expected to be broadly the same over this period.

Economic Backdrop

117. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. However, growth the UK remains subdued in the shadow of on-going Brexit negotiations. This is despite the encouraging picture emerging from the manufacturing sector which has also benefited from the devaluation of sterling following the June 2016 Brexit vote.

118. In the UK, a key vulnerability is the low level of productivity growth, leading to subdued wages growth and the resultant decrease in consumer spending; which traditionally underpins UK growth. UK growth is predicted to slow from 1.8% in 2016 to around 1.5% in 2017 and 1.4% in 2018.

119. The Bank of England Inflation Reports show that CPI inflation was expected to peak at just over 3% before falling back to near its 2% target rate in two years' time. Although the Bank of England remain concerned over low unemployment potentially leading to wage inflation; especially while the UK withdraws from the EU and therefore potentially reducing access to job seekers.

120. In November 2017, the Bank of England Monetary Policy Committee (MPC) raised UK Base Rate to 0.50% and provided forward guidance that indicated they expected to increase the UK Base Rate a further two times over the next three years; reaching 1% by 2020.

121. While there is so much uncertainty around the Brexit negotiations, consumer confidence and business confidence to spend on investment, it is far too early to be confident how the next two or three years will pan out.

122. Further information on the economic picture is shown in Annex 1.

Prospects for Interest Rates

123. The Council has appointed Link Asset Services (formerly Capita 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.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB Rate	2.00%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

124. As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November 2017; removing the emergency cut taken after the EU referendum result in August 2016. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

125. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the US Federal Bank has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

126. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The US Federal Bank has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert

some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

127. From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

128. Economic and interest rate forecasting therefore 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.

129. The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

130. There are a series of downside and upside risks to the UK and world economy which we, in conjunction with our advisors, continue to monitor; in particular in relation to the potential impact on interest rates and counterparty robustness. These are set out more fully in Annex 2.

Investment and borrowing rates

131. Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.

132. Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served 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.

133. There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

Borrowing strategy

134. 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.

135. 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.

136. 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 2017/18 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 2017/18 and therefore the underborrowing position has increased,

137. 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 increases our exposure to interest rate risk.

138. The Council plans to mitigate its position through a further draw down of loans in 2018/19 to finance the Council's investment plans and to replenish cash balances.

139. 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.

140. 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.

141. 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.

142. The cost of borrowing is likely to continue to be effected by global events. The 2017/18 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.

143. Any decisions on the drawdown of loans will be reported to the Cabinet Member for Finance at the next available opportunity.

Treasury management limits on activity

144. 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:

145. Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;

146. Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

147. 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.

148. **The Council is asked to approve the following treasury indicators and limits**:

Limits on interest rate exposure based on net debt	2017.18 Forecast	2018.19 Budget	2019.20 Estimate	2020.21 Estimate
	Upper	**Upper**	**Upper**	**Upper**
Fixed interest rates (%)	100%	100%	100%	100%
Variable interest rates (£'m)	£130	£130	£130	£130

149. 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.

Maturity structure of fixed interest rate borrowing:	2018.19 Lower	Upper
Under 12 months	0%	5%
12 months to 2 years	0%	5%
2 years to 5 years	0%	10%
5 years to 10 years	10%	20%
10 years to 20 years	20%	25%
20 years to 30 years	10%	25%
30 years to 40 years	15%	25%
40 years to 50 years	15%	25%
Over 50 years	10%	15%

150. 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	2018.19 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%

151. 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.

152. 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.

Policy on Borrowing in Advance of Need

153. 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.

154. 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.

Debt Rescheduling

155. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential 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 and the size of the cost of debt repayment (premiums incurred).

156. 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).

157. 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.

158. Consideration was given to rescheduling opportunities during 2017/18, but the costs of terminating loans early outweighed any potential gain. Any rescheduling will be reported to the Cabinet Member for Finance, at the next available meeting.

Municipal Bond Agency

159. It is possible that the Municipal Bond Agency will be offering loans to local authorities in the near future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Council may consider making use of this new source of borrowing as and when appropriate.

Annual Ethical Investment Strategy

160. 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”).

161. 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.

162. 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.

163. 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.

164. 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.

165. The creditworthiness methodology 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.

166. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council engages with its advisors to maintain a monitor on market pricing such as ‘credit default swaps’, and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by our advisors, Link Asset Services, in producing its colour codings which show the varying degrees of suggested creditworthiness.

167. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector, in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

168. 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 ris.

169. 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.

Creditworthiness Approach

170. This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

171. 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

172. 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 2018/19. Should it choose to do so, the action will be reported to the Cabinet Member for Finance at the earliest available opportunity.

173. 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.

174. Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1, and a long term rating A. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

	Colour (and long term rating where applicable)	Money and / or % Limit	Time Limit
Banks *	Yellow	100%	5 years
Banks	Purple	£30m	2 years
Banks	Orange	£30m	1 year
Banks – part nationalised**	Blue	£50m	1 year
Banks – UK only	Red	£20m	6 months
Banks – non UK	Red	£15m	6 months
Banks	Green	£10m	100 days
Banks	No colour	Not to be used	
Council's banker in the event of the bank being 'no colour'	-	100 %	5 days ***
DMADF	UK Sovereign Rating	100%	6 months
Local authorities	n/a	£30m	5yrs
Money market funds CNAV****	AAA	100 %	liquid
Money market funds LVNAV*****	AAA	100 %	liquid
Money market funds VNAV******	AAA	£30m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	100 %	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	Light pink / AAA	100 %	liquid

* *Please note: the yellow colour category is for UK Government debt, or its equivalent, constant net asset value money market funds and collateralised deposits where the collateral is UK Government debt.*

*** When placing deposits with part nationalised banks the Council will take care to review when it expects the UK Government to divest its interest in the institution, and the impact this move would have on the Council's view of the institutions security.*

**** to cover period to next working day allowing for weekends and bank holidays e.g. Easter*

***** CNAV refers to Constant Net Asset Value Money Market Funds when investors will be able to purchase and redeem at a constant Net Asset Value(£1 in / £1 out)*
****** LVNAV refers to Low Volatility Net Asset Value Money Market Funds when investors will be able to purchase and redeem at a stableNet Asset Value to two decimal places, provided the fund is managed to certain restrictions*

******* VNAV refers to Variable Net Asset Value Money Market Funds where the price may vary*

175. 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.

176. 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.

Country limits

177. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or Equivalent).

178. The list of countries that qualify using this credit criteria as at the date of this report are shown in an Annex 4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Investment strategy

179. 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.

180. The Bank of England base rate is forecast to remain unchanged at 0.50% before starting to rise from quarter 4 2018. Base rate forecasts for financial year ends (March) are as follows:

Year	2017.18	2018.19	2019.20	2020.21
Base Rate Forecast	0.50%	0.75%	1.00%	1.25%

181. The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back.

182. On the other hand, should the pace of growth quicken and/or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and/or at a quicker pace.

183. 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
Proposed Returns	0.60%	0.90%	1.25%	1.50%	1.75%

184. 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.

185. 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	2017.18 £'m	2018.19 £'m	2019.20 £'m	2020.21 £'m
Maximum Amount	£30	£30	£30	£30

186. The Council is asked to approved the above treasury indicator and limits

- **Investment benchmark** - The Council will continue to use the uncompounded 3 month LIBID rate as an investment benchmark for its investment returns.
- **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 Report.

Annex 1 – Economic Backdrop

GLOBAL OUTLOOK

World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, inflation prospects are generally muted and it is particularly notable that wage inflation has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of "what has caused this?" The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the fourth industrial revolution.

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 that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on 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 an on-going 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 then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. 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, alternatively, 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.

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the low level of productivity growth, which may be the main driver for increases in wages; and decreasing consumer disposable income, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether an inflation target for central banks of 2%, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a lower inflation target of 1% to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a shift *UP* in the inflation target to 3% in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should target financial market stability. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that other non-financial asset prices, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house

prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the Monetary Policy Committee, (MPC), meeting of 14 September 2017 managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.0% in both September and October so that might prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the contradiction within the Bank of England between action in 2016 and in 2017 by two of its committees. After the shock result of the EU referendum, the Monetary Policy Committee (MPC) voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the Financial Policy Committee (FPC) of the Bank of England taking action in June and September over its concerns that cheap borrowing rates and easy availability of consumer credit had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that some consumers may have over extended their borrowing and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EZ. Economic growth in the Eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.0% y/y), 0.7% in quarter 2 (2.3% y/y) and +0.6% in quarter 3 (2.5% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.0%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The US Federal Bank has started on a gradual upswing in rates with four increases in all and three increases since December 2016; and there could be one more rate rise in 2017, which would then lift the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the US Federal Bank said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

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.

JAPAN. GDP growth in Japan has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling 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.

Annex 2 - Downside and Upside risks

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

- The Bank of England takes action too quickly 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.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018
- The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. In addition, the new Czech prime minister is expected to be Andrej Babis who is strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- 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 returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

- The US Federal Bank causing a sudden shock in financial markets through misjudging the pace and strength of increases in its US Federal Bank Funds Rate and in the pace and strength of reversal of Quantitative Easing, 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.

<u>Annex 3 - </u>Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS:
All such investments will be sterling denominated, with **maturities up to 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		12 months 12 months

	Red Green No Colour		6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use

NON-SPECIFIED INVESTMENTS:

These are any investments which do not meet the specified investment criteria. Non-specified investments are typically viewed as being riskier than specified investments.

A maximum of £30m will be held in aggregate in non-specified investment

A variety of investment instruments are outlined below. The Council has selected these instruments based on their high credit quality.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	* Minimum credit criteria / colour band	** Max % of total investments/ £ limit per institution	Max. maturity period
UK Government gilts	UK sovereign rating	100%	5 years
UK Government Treasury blls	UK sovereign rating	100%	5 years
Local authorities	N/A	100%	5 years
Gilt funds	UK sovereign rating	100%	5 years
Banks	Purple Yellow	100% 100%	2 years 5 years

Accounting Treatment of Investments

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by the Council. To ensure the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Annex 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

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- U.K.

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

   a) **Head of the Paid Service**, which in Sheffield City Council is the post of the Chief Executive

   b) **Statutory Chief Officers**, which in Sheffield City Council are the posts of:

      i) Director of Adult Services (under LASSA 1970)

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

      iii) Director of Legal and Governance (Monitoring Officer)

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

      v) Director of Public Health

   c) **Non-statutory Chief Officers** (those who report to the Head of Paid Service or Statutory Officer)

   d) **Chief Officers** (those who report to Non Statutory Chief Officers)

Pay Policy Statement

6. Sheffield City Council's aim on matters of remuneration is to have in place an approach that enables the authority to:

    - Recruit and retain people with the skills and expertise to deliver high quality services to the citizens of Sheffield City Council;
    - Manage employee remuneration in a manner that is fair, transparent and reasonable;
    - Take account of national and regional pay policy and market trends in the context of local government;
    - Have a framework for managing the range of pay across the Council's workforce, this is known as pay ratios;
    - Have simple uniform packages across all employment groups and to manage pay matters within national guidelines and agreements;
    - Protect and remunerate low paid employees at appropriate levels and this includes the Council's commitment to the Living Wage, and;
    - Protect jobs and services for as long as reasonably possible and this includes a prudent, affordable and fair approach to pay.

Policy on Remunerating Chief Officers

7. Sheffield City Council's policy is to pay Chief Officers' basic annual salary; Chief Officers' salaries do not attract enhancements or bonus of any kind. There are no additional enhancements to redundancy payments, pension contributions or pension payments outside of the Council's normal arrangements for all Sheffield City Council employees. Travel and other expenses are paid through the normal authority procedures.

8. It is the policy of this authority to establish a remuneration package for each Chief Officer post that is sufficient to attract and retain staff of the appropriate skills, knowledge, experience, abilities and qualities that is consistent with the authority's requirements of the post in question at the relevant time. Grading decisions are determined through a process of Job Evaluation which assesses the key factors of each role. The Chief Officer Grading Structure is attached as **Annex 2**.

9. Recruitment to a Chief Officer post is undertaken by the Senior Officers Employment Committee which is a sub committee of the Council; membership is agreed by Council on an annual basis. All recommendations for appointment at this level are ratified by Cabinet.

10. All posts will be advertised and appointed to at the appropriate approved salary for the post in question, unless there is good evidence that a successful appointment of a person with the required skills, knowledge, experience, abilities and qualities cannot be made without varying the remuneration package. In such circumstances a variation to the remuneration package may be appropriate under the authority's policy and any variation will be approved through the appropriate authority decision making process.
11. The authority will apply any pay increases that are agreed by relevant national negotiating bodies and/or any pay increases that are agreed through local negotiations. The authority will also apply any pay increases that are as a result of authority decisions to significantly increase the duties and responsibilities of the post in question beyond the normal flexing of duties and responsibilities that are expected in senior posts.
12. The authority will not make additional payments beyond those specified in the contract of employment unless varied by the appropriate authority decision making process
13. The Council sets and makes payment to the Returning Officer for the management and administration of local elections. The Returning Officer will make payments to those officers who undertake specific duties in relation to the elections (including Chief Officers) dependent on their role.
14. It should be noted that any fees payable for duties in connection with Parliamentary and European elections, election for Police Commissioners or referenda are recouped from Central Government subject to a prescribed aggregate maximum amount, and are not funded by the Council.
15. The authority does not operate a performance related pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.
16. The authority does not operate an earn-back pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.

Policy on Remunerating the Lowest Paid in the Workforce

17. The authority applies terms and conditions of employment that have been negotiated and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of authority decisions, these are incorporated into contracts of employment. The lowest pay point in this authority

is Scale 1, point 6; this relates to an annual salary of £15,014 and can be expressed as an hourly rate of pay of £7.80 (April 2018 to March 2019).

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 2018 this will increase to £8.75 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 (£188,298) and the average median salary (£21,615) is 8.7:1. 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 2018 to the end of March 2019, 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 2018

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	188,298	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 People (Director of Children's Services under Children's Act)	134,952	
	Director of Adult Services under LASSA 1970	100,653	
	Director of Legal and Governance (Monitoring Officer)	84,952	Election duty fees are in accordance with normal authority procedures.
	Executive Director Resources (Chief Finance Officer under Sec 151 of LGA1972)	134,952	
	Director of Public Health	112,970	
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 Place	144,361	
	Director of Policy and Performance	84,952	
	Director of Children and Families (CYPF)	99,426	
	Director of Business Strategy (People)	84,952	

	Children's Commissioner	71,258	
	Director of Human Resources (Resources)	83,854	
	Director of Finance & Commercial Services (Resources)	84,952	
	Director of Business Change and Information Solutions	89,210	
	Director of Transport and Facilities Management (Resources)	84,952	
Chief Officers (those who report to Non Statutory Chief Officers) which in Sheffield City Council are the posts of:	Director of Housing (Place)	92,405	
	Director of City Growth (Place)	89,210	
	Director of Culture and Environment (Place)	84,952	
	Director of Business Strategy and Regulation (Place)	84,952	
	Director of City Centre Development (Place)	93,470	
	Assistant Director of Legal & Governance (Deputy Monitoring Officer)	59,896 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	01/04/2018
DG 7	1	56,448
	1.5	57,138
	2	57,828
	2.5	58,518
	3	59,207
	3.5	59,896
	4	60,584
DG 6	1	66,407
	1.5	67,215
	2	68,023
	2.5	68,831
	3	69,638
	3.5	70,448
	4	71,257
DG 5	1	76,215
	1.5	77,171
	2	78,127
	2.5	79,082
	3	80,037
DG 4	1	81,947
	1.5	82,901
	2	83,854
	2.5	84,403
	3	84,952
DG 3	1	87,079
	1.5	88,144
	2	89,210
	2.5	90,275
	3	91,340
	3.5	92,405
	4	93,470
DG 2	1	95,803
	1.5	97,001
	2	98,198
	2.5	99,426
	3	100,653
	3.5	101,912
	4	103,170
DG 1	1	107,615
	1.5	108,881
	2	110,146
	2.5	111,558
	3	112,970
	3.5	114,328
	4	115,685
	4.5	117,073
	5	118,461
EXECUTIVE DIRECTOR	1	119,251
	1.5	122,395
	2	125,540
	2.5	128,677
	3	131,814
	3.5	134,952
	4	138,089
	4.5	141,225
	5	144,361
CHIEF EXECUTIVE		188,298

Equality Impact Assessment

Purpose

1. The purpose of the Revenue Budget report is to:
   - Approve the City Council's revenue budget for 2018/19, including the position on reserves and balances;
   - Approve a 2018/19 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 focussed 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.

7. 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.

8. 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.

9. 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.

10. A list of EIAs available is attached and can be requested individually or as a group.

11. 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 &

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.

12. 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 Framework and the Fair City Campaign. The Tackling Poverty Partnership, of which the Council is a part of, has produced a Sheffield wide Tackling Poverty Strategy. The Fairness Framework, as well as our Corporate Plan and Tackling Poverty Strategy, have influenced our priorities and decision making across the Council.

13. The savings we are required to make this year amount to £44million, which is in addition to the £195 million of government grant savings already made over the past 7 years. This saving reduction is a result of grant reduction of £15m, plus demand and cost pressures. This 'budget gap' grows to £94m by 2021/22.

14. 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. We are also facing increased demand and complexity of support needs, increase in national pay awards for staff and increasing prices e.g. energy.

15. 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 sought 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**: A unified 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 Growth**: Councils currently keep 50% of the business rates raised locally. By 2020, Councils will keep 75% of business rates. At the

same time Government are 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.

16. Inequality is widening, and growing numbers of people are experiencing financial insecurity. Sheffield City Council needs to meet the needs of an increasingly diverse population, in a context of public services austerity, and the need to continue to attract and retain diversity. The Council also needs to ensure that different groups of people get services that are appropriate and meet their needs, such as older people accessing timely care and support And that groups, including disabled people, people from BAME backgrounds, young people and women are more able to access better quality employment. All organisations in Sheffield need to work together better, so that the city can become a fairer and more just place. The State of Sheffield report notes that growing inequality threatens the cohesion and success of Sheffield.

17. 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 need, targeted solutions, prevention and inclusive growth.

18. 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 will be 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.

19. 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.

20. 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.

21. The size and pace of the financial challenge means that efficiency savings alone will not enable us to balance our budgets, so we will continue to reduce the Council's investment in services next year and in future years. Many of these reductions or changes in provision began in previous years and 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.

22. 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.

23. 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 reduced universal offer may impact especially 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 do we already know – Sheffield Demographics

24. 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, & 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 and

Minority Ethnic includes everyone except for those who classify themselves as White British) has grown from 11% in 2001 to 19% in 2011. BAME adults make up 17% of the population and BAME children 29%.

- 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 2001 to 2011 is the 16–24 group; 16.6% 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 12.3% 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.

- Single female pensioners tend to have a lower income than male pensioners. Other issues which cannot be separated from experiences of financial exclusion and poverty include age, ethnicity, sexuality, disability and domestic abuse etc.
- People within some groups can be disproportionally affected by disadvantage and inequality. For example, children are more likely to live in poverty if they are from a BAME background; 48.9% of Somali and 46.8% of Yemeni children in Sheffield are eligible for Free School Meals compared to 22.4% of all children in Sheffield. Children with Special Educational Needs (SEN) are also more likely to live in poverty; 36.4 % of children with SEN Support, Educational Health Care (EHC) Plan or Statement in Sheffield are eligible for Free School Meals.
- 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 79.0 years for men and 82.6 years for women. However the healthy life expectancy for women is declining and is now 3.7 years below the national average.

Evidence - What do we already know – Welfare Reform and poverty

25. 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. Research/cresr/impact-welfare-reform

26. 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.

27. 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.

28. 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[1].
    - 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.

29. 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.

[1] This is due to a quirk of the system: although people first assessed for PIP before turning 65 have the opportunity to get the Mobility component reassessed at a later date if their walking ability deteriorates, those whose first PIP assessment comes at age 65 or over must remain permanently on the Mobility rate they are awarded at that time, or with no Mobility award at all, with no subsequent opportunity for review or re-assessment, no matter how much worse their mobility becomes.

30. 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

31. 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

32. 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.

33. This year represents a real financial challenge again, we have achieved large cost savings, but 2018/19 will be the eighth 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 adopted in 2017/18 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.

34. 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 (for example schools purchasing services from us,
    - 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 which was £1,453,560 in 2017/18.

35. 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

36. 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.

37. 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
    - As part of the development and testing of options for the 2018/19 budget, the Council ran a budget conversation between December 2017 and February 2018. This included a range of consultation activity with local people and partner organisations. 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. Our budget consultation activity consisted of two main strands this year:

    - An online survey supported by social media, supplemented by three Cabinet Member hosted events in the north and south of the city and the city centre. These looked at the financial challenge and the council-wide approach, and provided opportunities for residents to have their say on priorities, investment in services and capital projects, and our proposals for Council Tax and the social care supplement.

- Consultation on particular topics and specific proposals, including meetings with the VCF and Businesses. This will inform longer term thinking and Equality Impact Assessments.

39. Budget priorities have also been shaped by consultation activity undertaken over recent years that has consistently confirmed public support for prioritising services for the most vulnerable. Indeed, responses to this year's survey have been even more explicit about this.

40. Our consultation material noted that our approach this year is based on focussing on finding savings from a smaller number of areas and delivering larger changes that take several years to implement but deliver better results and services in the long run. It specifically highlighted approaches around social care noting the focus on prevention, supporting more adults to be independent, use of technology and supporting children and families. In terms of other services it noted the focus on prevention so that services prevent problems getting worse and better meet the needs of people in Sheffield, supporting growth through investing in economic and housing growth in Sheffield to create more jobs, more and better homes, better transport, and delivering good value services.

41. Over a 6 week period during December and January we ran an online survey asking people about their views on the approaches we are taking to meet the financial challenge as well as our proposals for a suggested increase in Council Tax and our approach to the Social care precept.

42. We also asked people about their priorities; areas where they thought we should spend more, less or the same to balance the budget; and areas where the Council should invest capital resource. We also asked people whether they had comments or suggestions on how the Council could increase income, reduce costs or make savings to support the budget. We received 340 responses and key findings include:

    - Social care (47%) and education and skills (32%) were highlighted as the top two priorities that the Council should spend money on, followed by housing (15%), and environmental protection (15%) and roads/highways (planning, traffic and congestion, and safety (14%)
    - People would like the Council to spend more on adult social care (60%), children's social care (56%), and education and skills (52%).
    - The most important council services to people were social care (212 respondents out of 336), education (154), followed by transport & highways (102) and waste & recycling (96).

- The majority of people responding supported raising Council Tax (56%) and agreed with proposals for a social care precept (78%).
- 46% of people supported raising fees and charges with 39% favouring keeping them the same. There was a low level of support for cutting more services.
- Over 50% of all respondents felt it was important for the Council to invest in the areas it currently does with the most important areas being health and well-being (e.g. adaptations to help people live independently) and affordable housing (e.g. building new affordable homes).

43. 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 long term investments to immediate changes in policy and services.

44. Ideas for increasing income included revaluing properties for Council Tax; local procurement and investing in the local economy and improved transport; stronger enforcement and Council Tax collection; introducing a Sheffield Lottery; maximising the use and promotion of council services and assets; lobbying government; and introducing new revenue streams. Suggestions to reduce costs included merging services (locally and regionally); reducing bureaucracy and reviewing the use of consultants and agency staff; joining with other city organisations for economies of scale; encouraging people to help their communities and working more with civil society organisations; reviewing staffing costs and premises; and working more closely with service users. A number of respondents put forward renegotiating or ending external contracts and PFI schemes, alongside reducing unused assets, and changing refuse collections as ways of making savings.

45. We also held several smaller events piloting a more conversational approach to talking about the budget. These were led by the Cabinet Member for Finance supported by several Cabinet colleagues. At each event the overall financial challenge and approach was outlined followed by question and answer sessions.

46. Topics discussed included finance issues such as the extent to which Revenue Support Grant has reduced; the discretion the Council has with spend; dealing with the locked in demand; how anticipated pressures from wages, inflation, energy have been built in; levels of reserves; how school funding works; and the cost of PFI schemes. The discussions also covered prioritising where to spend and save; maintenance of statutory services; increasing levels of demand for social care; shared budgets with the National Health Service; and the importance

of maintaining arts, culture, leisure, and economic growth to support our income, lever in other funding, and support the wellbeing of the city.

47. There were also comments relating to supporting the local economy, increasing Council Tax; contract management; demand for social care, affordable housing, parking, and charges.

Topic and service-based consultation

48. 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.

49. In the **People Portfolio (Children's and Young Peoples' and Families)** services have identified a potential need for dialogue with Sheffield Futures if the youth recommissioning doesn't meet the September 2018 deadline and as part of the recommissioning of youth services, services are asking prospective providers to make documentation effective. Consultation has taken place on changes to Public Health, including the three year contract reduction for Health Visiting and School Nursing that started in 2016. In 2017, the Health Visitor consultation was extended for 2 weeks to give coverage to areas with poor response rates. GP's were consulted over the impact of changed/reduced well baby clinics and the role on school nurse. The Public Health Early Years Volunteering contract reduction has seen the provider being informed of the proposal and we working with the provider on a method to inform volunteers.

50. Work has taken place with Adult Social Care customers to help design the functions of the new First Contact team – a multi-disciplinary service that is now having more fulfilling conversations with people when they get in touch, helping them to find networks and support. Services are focussing ever more on the quality of conversations with our customers, and will be seeking feedback on the differences our approach is making to people. Testing out thinking on developments in Adult Social Care with the Customer Service Improvement Forums will continue.

51. Services are also working alongside NHS Sheffield Clinical Commissioning Group (CCG) with carers to find ways for resources to go further for short breaks and other forms of carer support, and to align this with the conversation-based approach in Adult Social Care. We know that effective customer communication is essential to making our plans a success and discussion will take place with customers and carers about how assistive technology could enhance independence at home in a less intrusive way.

52. Voluntary, Community and Faith organisations providing Community Services to adults are already aware of plans to reduce grant aid and these organisations have been surveyed recently to check on the impact. The feedback has informed the way plans will be implemented and the intention to limit the financial impact on those organisations providing direct, front-line services. We will engage with providers of housing-related support to review and assess the potential impact of any options before implementing any changes. There will also be more engagement with people who use mental health services or learning disabilities services about the option of supported living. As plans for 2018-19 continue to develop, consultation and coproduction will help shape the development of services.

53. Within **Place Portfolio**, many of the 18/19 proposals are internally focussed or with partners, with no significant equalities impact on frontline delivery of services. Where consultation has taken place, officers and members have, and will continue to, carefully review the feedback received before making final budget decisions.

54. The Council is also consulting with representatives of the Business community, Voluntary, Community and Faith sector, and the Equality Hub Network – each to get a specific take on potential impact and concerns.

55. 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.

56. 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

57. 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.

58. These substantial reductions in funding mean that progress on work to tackle inequality is much more focussed on ensuring fairness and that we do not slide backwards and lose ground in tackling persistent areas of inequality.

59. 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;
- Focussing on prevention and early intervention;
- Transformational projects/creative and innovative change.

60. 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. 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.

61. Our approach to the budget is in Portfolio Areas which correspond to the way Council is structured:

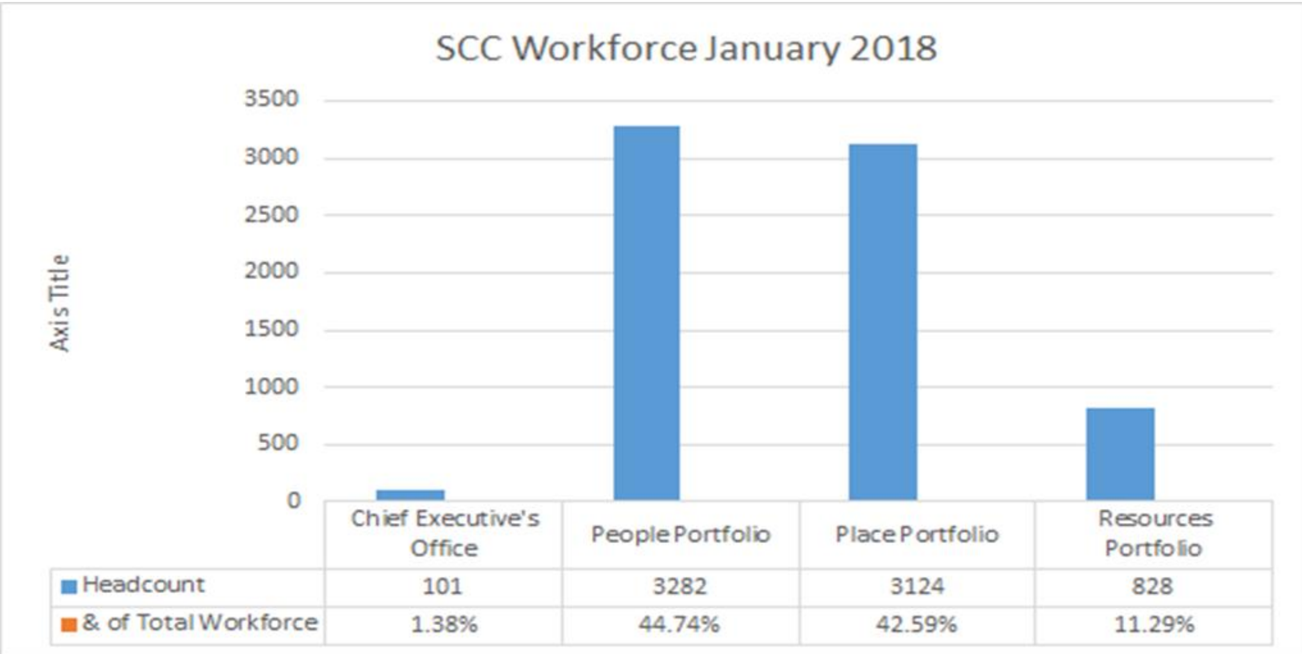
- People
- Place
- Resources
- Chief Executives

62. **People** Services is the largest portfolio and has had a £14.6million 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.

63. **Place** has had a £3.3 million budget reduction and it covers: waste management; environmental regulation and licensing; sports, culture and the environment; transport, infrastructure and economic development; housing & neighbourhood services and transport & facilities management.

64. **Resources** is the smallest Portfolio and together with **PPC**, has seen a £0.7 million budget reduction. **Resources** covers: information technology; finance and commercial services; customer services; human resources and legal & governance.

65. **Chief Executive's** (inc. Policy, Performance and Communications and Public Health) is very small, it has less than 100 staff and covers the corporate services of Policy; Research; Communications; Public Health Intelligence; Elections; Equality/involvement and Scrutiny. Public Health is distributed across the Council with the addition of a Director and small central team in Chief Executive's.



66. The approach we adopted to balance the 2017/18 budget, did not identify sufficient amounts to balance the budget, requiring a number of corporate areas 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).

67. 2018/19 will be the eighth year of the Government's austerity agenda, and so any ways of reducing budgets across the board are harder to find whilst protecting our frontline services so we have continued the approach adopted in 2017/18 of concentrating on finding savings from a smaller number of discrete areas. This means continuing the delivery of a four-year programme of transformative strategic changes in individual services, intended to release sufficient savings and 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.

68. The 3% Social Care Precept does not fully cover our requirement to increase pay to providers so they can fulfil their obligations to pay staff the National Living Wage. Areas with similar socioeconomic backgrounds to Sheffield, where there are a high proportion of people dependent on Council-funded care and a smaller Council Tax base, will doubtless be in a similar situation. However, the introduction of the National Living Wage has had a positive impact on our local care market, driving up the attractiveness of working in the sector and therefore increasing the security and stability of our providers. The precept is not enough to cover all the funding pressures but it does help, so this year in line with government rules the precept will increase by a further 3% or 55p per week extra as well as an additional 2.99% increase in Council tax, which gives a 5.99% increase overall.

69. The 'Improved Better Care Fund' (IBCF) was a new grant in 2017/18 to support authorities with social care responsibilities; it rises from £2.2m in 2017/18 to around £22million in 2019/20. The funds available are £12.6m in 2018/19, an increase of £10.5m from last year. There is also a one off 'Better Care Fund Grant' of £7.7million in 2018/19 and £3.8m in 2019/20, this element will not continue past next year. See the budget for further details of spending, grants and funding.

70. 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.

Overview of Portfolio Areas

71. The **Place Portfolio** has completed 17 Budget EIAs on savings totalling £7.4m for 2018/19. 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;
- Working with partners to retain services with reduced funding and/or securing partnership funding;

- Reviewing existing charges and introducing new ways of generating income;
- As a last resort, stopping some activities altogether.

72. A range of evidence including data and consultation, where appropriate, has been used to identify if there are any differential impacts of the proposals.
73. Where consultation has taken place, Officers and Members have, and will continue to carefully review the feedback received before making final budget decisions. Areas where consultation is in progress / may be required:
    - Place Change Programme, staff consultation will be ongoing throughout the Programme.
    - Specific consultation in regard to proposed changes will be carried out with staff.

Workforce

74. Some of the proposals will result in a reduction in posts across the Portfolio and the usual Council employee consultation framework will apply. Until further detail is known as to where the reductions will be, there is no identified disproportionate impact on a specific group.
75. In 2017/18, Place portfolio increased in size due to Transport and Facilities Management and Housing & Neighbourhood Services, becoming part of the portfolio. This change, combined with workforce reductions in some areas, has not had a significant impact on the workforce profile and the workforce profile has shown steady improvement for the majority of characteristics.

Equalities Impacts

76. As identified in 17/18, the year on year key impacts remain in relation to socio economic issues, partners and staffing. A number of budget savings have been implemented with no significant equalities impacts. The Portfolio has consulted with public and partners to inform these approaches and will continue this engagement throughout 2018/19 to inform decisions in 19/20 and beyond.

People Services

77. In the **People Portfolio**, 56 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.

People Services (Adults)

78. 33 EIAs cover the business planning savings proposals developed by Care & Support; Commissioning (including Public Health); Libraries & Community Services; Business Strategy (PIPS). In some cases, EIAs cover more than one proposal, reflecting where there is close synergy and natural links between the proposals. The EIAs follow the Improvement and Recovery Plan and community services themes set out in the main body in this report:

- **Increasing the independence and inclusion of adults of working age**. Several EIAs are grouped together under this key theme, highlighting our coordinated approach to re-abling people; promoting greater independence; and seeking fairness in the distribution of resources. We will take these proposals forward through conversations with people who use these services, with a focus on the outcomes they want to achieve. For example, we are looking for more consistency and value for money each time we review Direct Payment arrangements or carry out joint reviews with Sheffield CCG.
- **Carers remain a priority for us**. In 2018/19, we are looking to do more to prevent crises from occurring by intervening earlier and helping carers to plan ahead. At the same time, we need to ensure more consistency and equity in the way carers access support, particularly in relation to short breaks. Helping people to develop the capacity for greater independence and to plan for employment, volunteering and other community, social and universal opportunities is a key priority. Two proposals around this, one focusing on young people approaching adulthood, the other adults of working age, have their own specific EIAs. Changes in the way we work, through locality and specialist teams, and with new IT systems will help to support our approach.
- **Increasing the proportion of adults who are able to live at home**. To support greater independence for people, we plan to continue to reduce the number of admissions to care homes in Sheffield. This will build on an encouraging recent trend to bring Sheffield more in-line with similar places. A major priority, linked to this theme, is our focus on preventing admissions to hospital and earlier discharge from hospital back home. We will continue to work closely with our partners, including Sheffield CCG and Sheffield Teaching Hospitals. In a similar theme, we are working with our health partners to deliver integrated change in mental health. This includes more focus on support for people in their community and in their own home, away from restrictive care settings. These approaches show where outcomes for people can be improved, through support to be active

at home, at the same time as delivering financial savings associated with acute and secondary care.

- **Increasing the shift to prevention**. Our First Contact team, co-designed and introduced in 2017, has been successful in supporting people who get in touch with Adult Social Care to access alternative networks and support. This preventative approach is helping in our legal duties to prevent, reduce and delay the development of people's support needs. We will be building on this progress further during 2018/19, and finding out more about what difference this has had for people. We will also be doing more to promote assistive technology as an empowering alternative to at-home support. And we will be developing a broader approach to prevention, which could include addressing inhibiting issues like social isolation, mobility/transport problems, falls and continence management; and better and more timely intervention in the areas of dementia support and stroke rehabilitation.
- **Developing a sustainable provider market**. EIAs under this theme reflect a need to secure maximum value for money to achieve outcomes for vulnerable people. We will be introducing more efficient processes to help people with learning disabilities find supported living accommodation more quickly and to further speed up our turnaround of vacant properties. 2018/19 sees some planned further reductions in funding to support people with dementia and their families, and financial pressures mean we are not able to commit additional Public Health investment. Similar pressures are also preventing new investment in the carers' budgets.
- **Mental Health**. We are implementing a joint five-year Integrated Mental Health Plan with our health partners, which promotes community-based support and primary care in order to reduce the need for more restrictive, expensive and/or acute care. One of our priorities is to support people currently in residential care to access the benefits of supported living.
- **Fairer charging**. In 2018/19, we will continue to optimise income by charging for Adult Social Care services in-line with annual benefit increases. We will also ensure the contributions people pay are in-line with national rules and take into account the actual cost of living increases that people face. We will do more to backdate contributions owed to us and take stronger enforcement action where justified to help protect Adult Social Care budgets. But we will also strive to ensure people who use services are able to access Continuing Healthcare funding, which is free at the point of need. We will raise revenue by inviting more people to sign-up for Citywide Care Alarms, a key preventative measure. Also by

expanding our in-house appointeeship service, we will be increasing revenue whilst lowering the costs to individuals.

- **Equalities impact**. Much of the work in People Services, such as Adult Social Care, housing support services and VCF Grant Aid provides or supports services to vulnerable, disabled or older people. There is a risk that the savings being put forward could potentially impact negatively on these protected groups. Where there is a risk of negative impact, full EIAs have been carried out and as far as possible, mitigations have been identified to minimise the impact. The EIAs will be updated and developed continually to inform the way the proposals are implemented.

79. We are also aware of the cumulative impact that ongoing changes in services and broader public policy could have. In 2018/19, we will work across the council and with partners to develop a shared understanding of the impact of these changes on groups with protected characteristics.

Workforce

80. 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 Portfolio - Children Young People and Families

81. Within the **People Portfolio (Children, Young People, and Families)** services have produced a total of 23 Equality Impact Assessments (EIA) 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.

82. 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. These demands and changes in legislation result in a financial pressure of £5,835m across Children, Young People and Families for 18/19.

83. 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.

84. 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.

85. 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.

86. 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.

87. This enables us to:

- Re-design Public Health services.

- Recommission 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

88. 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

89. 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 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

90. There are a number of EIAs which relate to Public Health spending, which is approximately £33 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 £880k to reflect Central Government cuts. 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.

91. 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. Two of the main areas that we will continue to support are advice and information, so the impact of the overall investment will be positive on the groups within the EIA.

92. 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.

93. 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

94. In the **Resources Portfolio** there are 12 EIAs which cover all budget proposals for 2018/19. These proposals are predominantly around staff savings through vacancy management or 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.

95. Alongside the staff savings there a few additional savings being offered:

    - Savings in Procurement by creating a Sourcing Desk to reduce the costs of goods and services
    - Insourcing of the HR Connect service from Capita
    - Insourcing of the 101 Out of Hours service from South Yorkshire Police
    - 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 20%.
- An increase in Council Tax of 5.99%. This includes an additional 3% to cover part of the funding gap in adult social care.

96. 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

97. 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.
98. A number of Voluntary Severance/Voluntary Early Retirement schemes across **Resources** will result in voluntary staff reductions and changes. It may be necessary in some areas to conduct 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

99. The greatest impact will be in relation to the increase in Council Tax, including the Social Care Precept. See detail later in the report and mitigation through the increased Hardship Scheme.

Chief Executive's including Policy, Performance and Communications

100. In **Policy, Performance and Communications (PPC)** there are less than 100 staff overall and only 2 EIAs. These proposals are a Communications Service internal restructures, and reduction in spending on supplies and services, changes to these areas are not likely to have any customer impact.
101. 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.

102. Furthermore, we will continue to fund a Local Assistance Scheme and to have a Council Tax Support Scheme at 77% for working age customers despite Government funding cuts in these areas. We will also mitigate the impact of the 2.99% increase (55p) in Council Tax and an additional 3% Social care precept to (55p), by increasing the Council Tax Hardship Scheme in 2018/19 by 20% (200k). There are currently approximately 51,600 households who receive Council Tax Support, and of these approximately 30,300 are of working age.

103. In 2013/14, the Council made awards from the Council Tax Hardship Scheme totalling £410,000. The hardship fund has increased steadily each year and was £1.0m in 2017/18. Due to the increase in 2018/19 of Council Tax (2.99%) and Adult Social Care (3%), the budget for the Council Tax Hardship Scheme has increased to £1.2m. 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.

104. 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.

105. In Sheffield, 623 households are having their Housing Benefit reduced as a result of the benefit cap. The split by tenure is: Council tenants 42%; Housing Association 26%; and Private-rented tenants 32%. In total, those households who are affected by the reduced benefit cap contain 2,371 children. The total annual reduction in Housing Benefit for those households is around £1.6m (£31,169 per week). This amounts to an average weekly reduction of £50.03 per household.

106. Sheffield City Council also provides grant funding to several organisations which support the financial resilience of people in the city, including Sheffield Citizens Advice (see above). 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.

107. 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.

108. 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 for example 11% of BAME males are unemployed compared to the city average of 7% and BAME females 8% compared to city average of 4%). Further details of the impacts are contained in individual service EIAs which are listed at the end.

Age - Older people

109. 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.

110. Across all Portfolios impacts on age have been identified; however for older people the impacts are largely in People Services. In 2016/17, more than half of the people who used Adult Social Care services were aged 65 and over. We will continue to focus on keeping older people independent, safe and well at home, and delaying or avoiding their need to go into permanent care. A key priority for us is to ensure older people are able to leave hospital as soon as they are able, to recover in the familiar surroundings of home, and with assessment and support built around them. We will ensure that our conversations with customers about the outcomes they want to achieve are applied equally to older people, including carers. We will recognise the changing needs of disabled people as they reach older age. We will think in particular about older people and other isolated citizens as we develop our approach to prevention. And we will encourage older people to sign-up to Citywide Care Alarms.

111. 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.

112. 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.

113. 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, in 2018-19 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.

114. In **Place** the potential negative impact on older people of introducing shared containers in waste management in some neighbourhoods is mitigated through the provision of the assisted bin collection service. Older people that qualify for this service would have their containers collected from the point of storage at their property, emptied and returned.

115. The new commissioning Food and Wellbeing Strategy may have a negative impact on some adults as there will be fewer resources directed at initiatives and schemes aimed at adults, as the focus will be on children and young people and adult support will be targeted at the most deprived. To mitigate the impact of a reduced budget the weight management service will be re-procured with the objective of obtaining the service at a reduced unit cost.

116. **People Portfolio (Children's, Young People and Families)**, **Resources and PPC** have few proposals which impact directly on older people.

117. 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

118. 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.

119. In **People Portfolio (Children, Young People and Families Services)** many of 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:

- The reshaping of Youth Services started in 2012 and in 18/19 a significant change programme to strategically recommission youth services for the next 3-5 years will be implemented. The current service delivery by Sheffield Futures will maintained until 30th September 2018.
- It is proposed to scale down the planned contribution to the Youth Enrichment Fund to £100k from the original £250k; this fund is for positive activities for young people.
- Lifelong Learning, Skills and Communities will be mitigating pressures and continuing to support the employment of vulnerable and disadvantaged learners as apprentices. It established the initial phase of the Skills Hub; its updated core team to work on employment projects and apprenticeships. Mitigations of pressures and the initial phase of establishing the Skills Hub will positively impact on young people accessing the labour market.
- The service model for both Home Visitor and School Nursing may change, however those using the service should experience limited change to what is provided.
- 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

120. Since 2010, there has, due to the reducing budget and change in Government policy, been a cumulative reduction in the universal youth offer. This is likely to impact on young people and their families who have a lower income and would struggle to pay for additional activities/ services that are available through the independent sector.

121. In **People Services (Adults)**, we are also looking at how we can do more to prepare young people with special educational needs and disabilities for

adulthood; we will develop transition plans with a stronger focus on employment, independence, community participation and good health. Young people are a key vulnerable group so will ensure that as we review provision we maintain the right level of provision to meet needs, including ensuring young people have access to dedicated accommodation options specifically for their age group. But we will also ensure that the support we commission better matches the actual demand from these services from young people and other groups.

122. 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.

123. 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 51,600 households who receive Council Tax Support, and of these approximately 30,300 are of working age.

124. 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, the Council made awards totalling £410,000. The hardship fund has increased steadily each year and was £1.0m in 2017/18. Due to the increase in 2018/19 of Council Tax (2.99%) and Adult Social Care (3%), the budget for the Council Tax Hardship Scheme has increased to £1.2m.

125. In **Place**, the new commissioning Food and Wellbeing Strategy will have a positive impact on young children, particularly those in the 20% most deprived areas of Sheffield, as it aims to:

- Reduce the levels of tooth decay in 5-year-old schoolchildren;
- Reduce the levels of obesity in children aged 4-5 years and 10-11 years

126. Where we have worked closely with partners e.g. the Trusts and Arts Council England 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 and the Peoples Theatre and free entry for students of Drama.

Disability

127. 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. See Community Knowledge Profile.

128. 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.

129. Impacts on disability have been considered across all Portfolios; however the main impacts are in the **People Portfolio**. The nature of Adult Social Care means most service-users are disabled, and therefore, will be impacted more by some of the changes in the service. In 2016-17, there were 8,241 adults in Sheffield who received care and support. We will continue to work to make sure the support in place for people helps them to be as independent as possible, meets their needs and offers value for money. As in previous years, we have identified particular groups of service-users we want to work with and review. This includes using occupational therapy as part of a wider approach to improving the social inclusion, skills and confidence of some disabled working-age adults, to help them progress towards greater independence. We will monitor this approach, and the cumulative impact of ongoing change in Adult Social Care. In doing so, we will review how we continue to meet our duties under the Care Act, and do all we can to help prevent, delay or reduce people's needs for care and support developing.

130. We believe that, in some areas like this, savings can be achieved by finding more person-centred and progressive support for disabled people. We will continue to promote the positives of supported living in comparison to residential care (for people who use learning disabilities or mental health services). By increasing access to assistive technology, we see the potential for less intrusive support for people with learning disabilities. And we plan to work at an earlier stage with carers to help them plan ahead for the future.

131. In conducting the review we will review and assess the potential impact of any options before implementing any changes. We will continue to prioritise people with high needs for housing-related support, and enable others with lower needs to access mainstream accommodation services where possible. We will carefully consider the effect on people across all protected characteristics of moving on to new types of support.
132. We will continue to make use of our Adult Social Care service-user forums, which cover physical disability / sensory impairment, learning disability, mental health, carers and safeguarding. These are invaluable sounding boards and co-production vehicles to help us develop and test out our plans.
133. We will use and develop our Equality Impact Assessments throughout the year to review the effect of the proposals. There are some proposals which were implemented following last years' 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.
134. In **People's Portfolio (Children, Young People and Families),** there are no impacts on services for disabled children and young people, other than through the Skills Hub employment projects, which 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.
135. In **Place** the potential negative impact on people with reduced mobility, of shared waste containers in some neighbourhoods is mitigated through the provision of the assisted bin collection service. Disabled people that qualify for this service would have their containers collected from the point of storage at their property, emptied and returned.
136. The new commissioning Food and Wellbeing Strategy will have a negative impact on people, who experience morbid obesity as the proposal plans to decommission the specialist adult weight management services, diverting these resources to focus on the factors that influence people to gain weight initially. To mitigate the impact of decommissioning this service, Sheffield City Council will liaise with Sheffield Clinical Commissioning Group to explore ways of maintaining access to weight loss surgery for eligible people.
137. 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.

138. 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.

139. 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.

140. In recognition of the impact that the change to CTS has on disabled taxpayers the Council introduced, and in 2018/19 proposes to maintain with increased funding, a Council Tax Hardship Scheme (CTHS) to offer additional support to those in severe financial need. This will increase by 20%, or £200k, this year.

141. Analysis of the CTHS shows that approximately 55% of all awards are made to customers in receipt of employment support allowance disability benefit.

142. 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

143. 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. See ‘BAME Community Knowledge Profiles’ for more details on this.

144. 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.

145. In **People's Portfolio (Children, Young People and Families)** the proposals will not 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.

- Some BAME communities may see a positive impact through the re-design of Health Visiting and School Nursing as part of contract reductions, with a shift from a universal approach to ensure that those in greatest need do not face any adverse impact.
- The Domestic Abuse Project highlights that access will be based on need.
- We 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.

146. Our proposals in **People Services (Adults)** that relate to adults have been carefully thought through to minimise the impact on BAME communities, although the financial challenge on the council means there will be an inevitable impact on all groups. As an example, we are aiming to mitigate the effect of reductions in Grant Aid funding to the VCF sector on frontline services, with prioritisation where there is high service-use amongst BAME communities. We are not expecting any of our proposals to have a disproportionately negative impact on people on the grounds of race. However, we will continue to monitor the impacts of the changes we introduce.

147. There are no identified negative disproportionate impacts in **Place**. There may be some positive impact with the ring fenced money for areas of high deprivation in the Food and Wellbeing Strategy which correlates to areas with a high BAME population.

148. 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.

149. 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.

150. 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

151. According to the Census 2011 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.

152. There are no identified disproportionate impacts in **People Portfolio** (**Children, Young People and Families** or **Adults**), **Resources**, **Place**, or **PPC**.

Sex – including men, women, pregnancy and maternity

153. 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 'Women's Community Knowledge Profile' for more information on this.

154. 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**.

155. In **People Portfolio (Children, Young People and Families)** the client group of the School Nursing and Health Visitor contract is predominately female, however the end user will see no changes as a result of the reduction.

- The Domestic Abuse Project will 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.

156. In **People Services (Adults),** although no proposals directly relate to people on grounds of sex, there could be indirect impacts on women, who, for example, form the majority of Adult Social Care customers and carers; and who use, volunteer and work in the VCF sector in higher proportions overall. Women and families are likely to have higher demand for housing-related support. In conducting the review we will review and assess the potential impact of any options before implementing any changes. We will continue to prioritise people with high needs for housing-related support, and enable others with lower needs to access mainstream accommodation services where necessary.

157. In **Place**, the newly commissioned Food and Wellbeing Strategy will have a positive impact for pregnancy and maternity, as it aims to intensify efforts on pregnancy and early years to encourage a good maternal diet, breastfeeding and healthy weaning.

158. There are no identified direct impacts on gender in **Chief Executives**/ **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.

159. 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 20%, 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, and which we have replicated in our CTS scheme in 2018/19.

160. 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 2.

161. In Sheffield, there are currently just over 600 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 £48.03 per week. By maintaining the CTS scheme in its current format, we will not be increasing the net amount of Council Tax these households have to pay, at a time when for most their rent payments will significantly increase. 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.

162. 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 introduction of 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

163. 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.

164. 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. In 2017-18, LGBT+ young people were a specific group for consultation for the youth services recommissioning and support for LGB young people, a particularly vulnerable group continues to be maintained for 2018-19.

165. 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.

166. 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.

Transgender

167. 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.

168. Few service impact assessments have detailed any disproportionate impacts in this area except in the **People Portfolio (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. In 2017-18, LGBT+ young people were a specific group for consultation for the youth services recommissioning and support for transgender young people, a particularly vulnerable group continues to be maintained for 2018-19.

169. 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

170. 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.

171. 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.

172. Joseph Roundtree Foundation (JRF) research (JRF Monitoring Poverty & Social Exclusion report 2016) 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.

173. 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.

174. 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 here: http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/welfare-reform-2016.pdf.

175. 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.

176. 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

177. 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).

178. In People Services, we recognise that our proposals will inevitably have a financial impact on communities, but we have thought carefully about mitigating this wherever possible. As we implement reductions in our overall Grant Aid budget, we will ensure that, as far as possible, support to enable people to manage their finances and to cope with welfare reform is maintained.

179. While we aim to make sure that people who use Adult Social Care services pay the right contributions for care, we will also ensure they are receiving the right level of benefits, and we will disregard their disability-related expenditure and recognise actual cost of living increases. Rises the cost of care could lead to higher service-user contributions; but this will support providers to pay the National Living Wage and so help to promote the financial inclusion of staff in the social care industry.

180. Debt collection enforcement will be targeted so as not impact on users of Adult Social Care. We are looking to increase the independence, social connectivity, health and skills of working-age adults and young people with lower support needs – something which will support their longer-term employability and financial security. We will further develop our impact analysis and review our EIAs to ensure that any negative impacts are mitigated.

181. In **Place** there are a number of proposals with an impact on financial inclusion and poverty:

    - 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 and the Peoples Theatre, free entry for students of Drama etc.
    - Residents will be required to pay for new or 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.

- A broad range of potential impacts may result from the Place Change Programme. For example changing or reviewing how we do things.
- The new commissioning Food and Wellbeing Strategy will have a positive impact on poverty as it will ring-fence a proportion of the budget to create opportunities for people living in the most deprived areas of the city to eat healthier diets. This will involve working with the voluntary and community sector to develop a range of initiatives that will improve the availability to healthy food for those on low incomes.

182. The proposal will also re-commission evidence-based Tier 2 healthy weight services for adults that include a universal offer and intensely targeted services towards deprived areas which have the highest prevalence of overweight and obese people.

183. Children in the most deprived areas of Sheffield have tooth decay levels four times higher than those living in the least deprived areas (Public Health England, 2017). Therefore, by focusing on the wider determinants of health and reducing the availability of sugar in the environment, the proposal aims to reduce oral health inequalities.

184. In **People Portfolio (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.
- A targeted approach to those in greatest need through the re-design of 0-19+ Healthy Child & Young Person Strategy will have longer term positive impact on children at a higher risk of 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.
- The Domestic Abuse Project investments note that factors such as poverty act as a fuel for domestic violence in low-income families.

- 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.

185. The Council administers the following schemes which have an impact on financial inclusion, including:

- Local Assistance Scheme (LAS)- provides and 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.

186. 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.

187. 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 2018/19 and to increase the assistance available under the scheme by 20% or 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.

188. However we will increase Council Tax by 2.99% (approx. 55p per week for most households), plus the social care precept of 3% (55p) so £1.10 overall to enable us to continue to protect services to those who are in greatest need and at risk.

189. 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.

190. 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).

191. The Council provides funding to Sheffield Advice and Law Centre 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

192. According to the Carers Community Profile 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.

193. In the sections on older people and disability, under People Services Portfolio, we have described some measures which could have an indirect impact on carers due to multiple disadvantages this group faces.

194. We want to reduce costs associated with unplanned, emergency care by working at an earlier stage with carers to help to plan ahead. We know that a small minority of carers for adults with learning disabilities could be affected as we look to improve consistency and equity in the way short breaks are considered as options to support carers. We are now not able to go ahead with additional Public Health investment into the carers grant, and will need to rely on existing services and support networks to work together to deliver support, information and advice for carers. To support our obligations under the Care Act, Sheffield Carers Centre now carries out independent assessments of carers' support needs.

195. The Better Care Fund partnership with the NHS CCG will continue in, 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.

196. 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.

197. In **People Portfolio (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.

198. In **Place** and **PPC** there are few impacts on carers highlighted.

199. 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

200. 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.

201. In **People Services (Adults)**, we have three-year grant awards in place which allow for reductions in the award in years two and three. We are proposing a range of funding reductions up to the maximum 20% allowed, although most organisations will see a 10% reduction. We recognise that a reduction in funding will have an impact on the people who use services in the sector and those who work or volunteer in it. To minimise this impact, we are prioritising frontline services. Particular consideration is being given to reducing the impact on BAME communities and disabled service-users; supporting financial inclusion; and enabling people to cope with the effects of welfare reform. To this end, the key role of Citizens Advice is specifically recognised, with a much lower percentage funding reduction proposed.

202. Since 2010 there has been a 51% reduction in budgets to £9.5m. The Council has taken a strategic approach to commissioning over the last 8 years and significant efficiencies have been achieved through contract renegotiation. We will consult with contracted providers of housing related support and with key stakeholders across the council, to review and assess the potential impact of the £1 million reduction in budget before implementing any changes. The proposals are likely to change the mix of support. Final plans will seek to reduce overall impact on the most vulnerable and at risk groups.

203. In Adult Social Care, we propose to pay inflationary increases in fees that will help to support the National Living Wage and higher staff costs. And by doing more to help people to receive care at home for longer, and to leave hospital sooner, there will be sustained business for social care providers. Our overarching value-for-money approach will have an impact on providers as we look for service options that deliver support outcomes for people at reasonable

costs. However, we also welcome opportunities for new providers and more diversity to enter the market.

204. In **People's Portfolio (Children, Young People and Families)**, delays in the youth recommissioning strategy means that we may not have new services (including the enrichment fund) in place for September 2018. This would result in a further extension to the current Sheffield Futures contract with a £75k reduction coming out of the contract.

205. The Youth Enrichment Fund will be established for universal positive activities for young people, although at a reduced level of £100k.

206. The proposed remodelling of the Public Health Early Years Volunteering contract which ends in March 2018 will result in a 25% reduction to Public Health Contribution to the contract.

207. 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.

208. In Public Health, Central Government reductions have meant a cut to our budget of 2.6% or £880,000. However we are continuing to address the root causes of ill health by supporting community groups that help people improve 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.

209. 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.

210. There are no identified disproportionate impacts in **Place** or **PPC**.

211. 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.

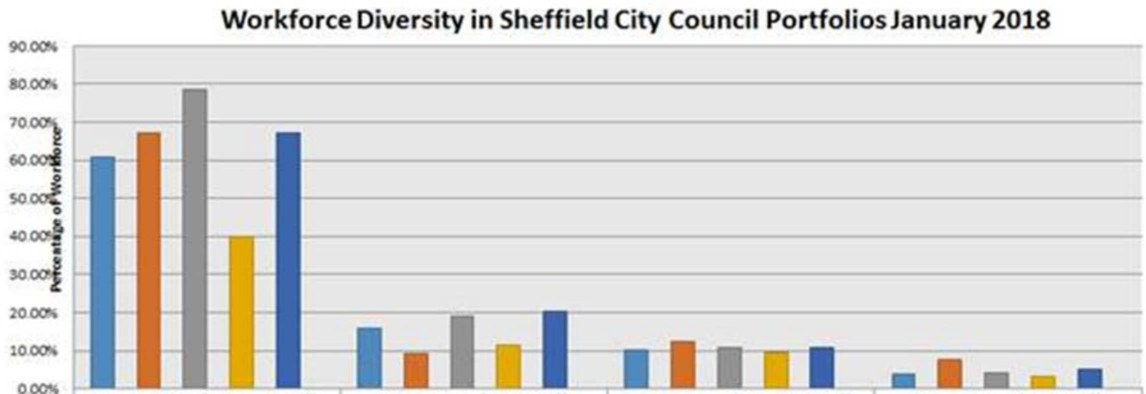
212. Spending in Public Health is integrated throughout the Portfolios, so more detail on the use of our Public Health grant is given in the specific EIAs. Overall there may be a negative impact which reflects National Government cuts of 2.6% (£880k) in this grant. We are reviewing how and where the 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.

213. 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

214. 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



	Proportion of Women staff	Proportion of BME staff	Proportion of Disabled staff	Proportion of LGB Staff
Sheffield City Council	60.71%	15.86%	10.18%	3.94%
Sheffield City Council	4453	1082	591	226
Chief Excecutives Office	67.33%	9.09%	12.50%	7.53%
Chief Excecutives Office	68	9	11	7
People	78.52%	19.05%	10.71%	4.30%
People	2577	588	269	105
Place	40.08%	11.44%	9.43%	3.12%
Place	1252	329	241	80
Resources	67.15%	20.45%	10.72%	5.26%
Resources	556	156	70	34

215. Staffing costs through the expected cost of the increments and the ongoing commitment to paying the foundation living wage is around £3.7m greater than the 2017/18 budget. Staffing costs include an assumption that savings from pay will be achieved and a 4 day mandatory unpaid leave proposal for 2018/19 is being consulted upon.

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 ten in the last 12 months. There was a further 181 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.

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 high 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 and senior levels.

220. Given the amount of internal restructuring as a result of the budget proposals, and possible staff reductions of up to a further 172 FTE positions 2018/19, a significant number of workforce EIAs within Portfolios have been completed.

221. The monitoring of the MER and VER/VS schemes in previous years has showed no negative disproportionate impact on people who share a protected characteristic. However in the last year analysis shows a downward trend on our Disabled workforce profile due to the fact that 2% of our disabled workforce left in 16/17 through MER and VER/VS schemes. Given our disabled staff are also more likely to be older, above aged 46; this is likely to continue to impact this group. We will measure this in the 17/18 Workforce Equality report.

222. 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 move onto Level 3 next year and are a Stonewall Diversity Champion.

223. 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.

Cumulative impact

224. 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.

225. 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.

226. 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. Areas where this is likely to cause an impact are youth provision, sport, leisure and culture, and for disabled people and carers as a result of changes to care and support.

227. 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.

228. 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.

229. 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.

230. 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

231. There are over 80 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 2018/19 we will be reducing the workforce by approximately 172 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.
- Central Government have given local authorities the power to raise additional Council Tax to pay for the increased costs of Adult Social Care. Therefore as part of the proposed budget, it is intended to levy the Social Care precept again by the 3% (55p) permitted, to offset some of the increased costs of Adult Social Care. This will help us protect those who most need our support and at risk, especially older and disabled people.
- 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 2017/18.
- We have a Council Tax Support scheme at 77% despite Government cuts in these areas. However we will overall increase Council Tax by 5.99% (£1.10) (this includes the 3% dedicated precept to support adult social care noted above). 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 or 20% in 2018/19. 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% £880,000 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 £12.4m 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.
- We are implementing changes in Adult Social Care through a renewed focus on the quality and outcomes of our contact with people. Promoting independence and inclusion is a key ambition. Our bases in localities throughout Sheffield should allow us to connect people better to their communities.
- 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 that will be recommissioned in 2018-19 as current commissioning arrangements will come to an end 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 and Trusts.
- We are continuing to work regionally where appropriate to save costs but also to enable better joined up services.

232. 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.

233. 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 such as in areas like youth services, leisure, culture and sport. This reduced universal offer 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, this will need further monitoring.

234. 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 6 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): John Mothersole: February 6th 2018

Approved (EIA Lead Officer): Adele Robinson: February 6th 2018

Equality Impact Assessment List 2018/19
http://www.sheffield.gov.uk/content/sheffield/home/your-city-council/our-equality-duty.html

EIA No.	Title	Portfolio
	People (Children's, Young People and Families)	
30	0-19 Healthy Child Programme Re-design.	People - CYPFS
59	Portfolio Savings (Investing in Young People)	People - CYPFS
38	Skills Hub	People - CYPFS
145	Portfolio Savings (Reduction in running costs across the service)	People - CYPFS
69	Strengthening Families Change Programme- Demand Management (Fresh Start)	People - CYPFS
67	Strengthening Families Change Programme- Demand Management (Domestic Abuse Project)	People - CYPFS
195	Strengthening Families Change Programme- Demand Management (Parenting Support Programme)	People - CYPFS
208	Strengthening Families Change Programme- Demand Management (Family Group Conferencing)	People - CYPFS
197	Strengthening Families Change Programme- Demand Management (Multi Systemic Therapy)	People - CYPFS
210	Strengthening Families Change Programme- Demand Management (Reunification Programme)	People - CYPFS
198	Strengthening Families Change Programme- Demand Management (Moorland Residential Home)	People - CYPFS
119	Strengthening Families Change Programme Supply Management-Local Foster Care (Fostering)	People - CYPFS
159	Strengthening Families Change Programme- Additional Funding from Partners	People - CYPFS
183	Strengthening Families Change Programme – Review of Children in Care Transport	People - CYPFS
146	Portfolio Savings (Reduction in running costs across the service)	People - CYPFS
184	Skills Hub (Review)	People - CYPFS
182	Business Support	People - CYPFS
158	Public Health Saving	People - CYPFS
162	Public Health	People - CYPFS
157	Business strategy Integration	People - CYPFS
166	Council wide Approach to Prevention	People - CYPFS
165	Successful Families Grant	People - CYPFS
164	Youth Enrichment	People - CYPFS
	People (Adults)	
72	Supported Living voids and vacants supply	People
153	Improving independence and inclusion	People

167	Contributions from Capital Assets	People
170	Support working age adults to be more independent	People
172	Housing Related Support and Housing Benefit Subsidy	People
187	First Contact	People
189	Support independence in young adults	People
190	In House Appointeeship	People
191	Improved Debt Collection	People
192	Increased contributions from benefits uplift and higher benefit take-up	People
193	Locality Areas	People
203	Use of Assistive Technology	People
205	Realign care packages	People
206	Dementia funding (Public Health)	People
207	Mental Health purchasing	People
209	In house LD supported living	People
211	Review of Carers Provision	People
212	Voluntary Sector Grant Aid and Ward Pot budgets	People
213	Supported Living vacancies and payments processes	People
214	Care Home Admissions	People
215	Public Health Staff saving	People
216	Reduction in Senior Management	People
217	Service Review (Care and Support)	People
218	Contract cease (Mental Health)	People
219	Shared Lives Contingency	People
220	Learning Disability Case Register	People
221	Release of Commissioning Service contingency budget	People
223	Continuing Health Care funding	People
224	Prevention Strategy	People
225	Citywide Care Alarms Review	People
240	Floating Support for Older People	People
241	Joint working with Health (Better Care Fund)	People
242	Increased contributions from higher service cost	People
243	Floating Support for Older People (Public Health)	People
	Place	
362	Integrated Transport Authority levy - identify levers to release levy savings	Place
232	Portfolio wide review	Place
756	Reduction in Sports Facility Costs	Place

363	Changes to Household Waste Collection Service	Place
1039	Parks & Countryside - reduced management and support staff.	Place
1042	Reduce Ranger Service.	Place
1045	Partnership Funding of Off the Shelf Events.	Place
1046	CCTV - reduce off peak monitoring 6am - 12 from 2 members of staff to 1 (half year saving shown).	Place
1051	Places for People contract payment for Graves, Thorncliffe and Wisewood.	Place
1114	Public Health Achieving Change	Place
200	10% grant reduction to culture trusts	Place
202	Reduced grant to Upperthorpe	Place
136	Selected partnership with Amey on bins and graffiti	Place
231	Further reduction in management overheads	Place
201	Review of leisure / housing and highways green space maintenance - focusing on operational efficiencies, charging strategies and service standards	Place
233	Further ITA Savings	Place
141	Food and Wellbeing Strategy	Place
	Resource & Chief Execs	
27	BCIS Vacancy Management	Resources
35	FCS Procurement & Supply Chain MER	Resources
36	FCS Sourcing Desk Savings (Tailspend)	Resources
74	Legal Services MER	Resources
75	Members Allowance budget reduction	Resources
61	HR Vacancy Management	Resources
28	HR Connect Insourcing	Resources
62	Customer Services Structural Changes	Resources
33	Insourcing 101 service	Resources
36	SCC wide Sourcing Desk Savings	Resources
85	PPC Supplies and Services reduction	Chief Execs
42	PPC Communications New Approach	Chief Execs

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 and Community Sector

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Sheffield City Council
Finance
Tel: 0114 273 5519
www.sheffield.gov.uk

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