



Revenue Budget & Capital Programme Monitoring As at 31st May 2019

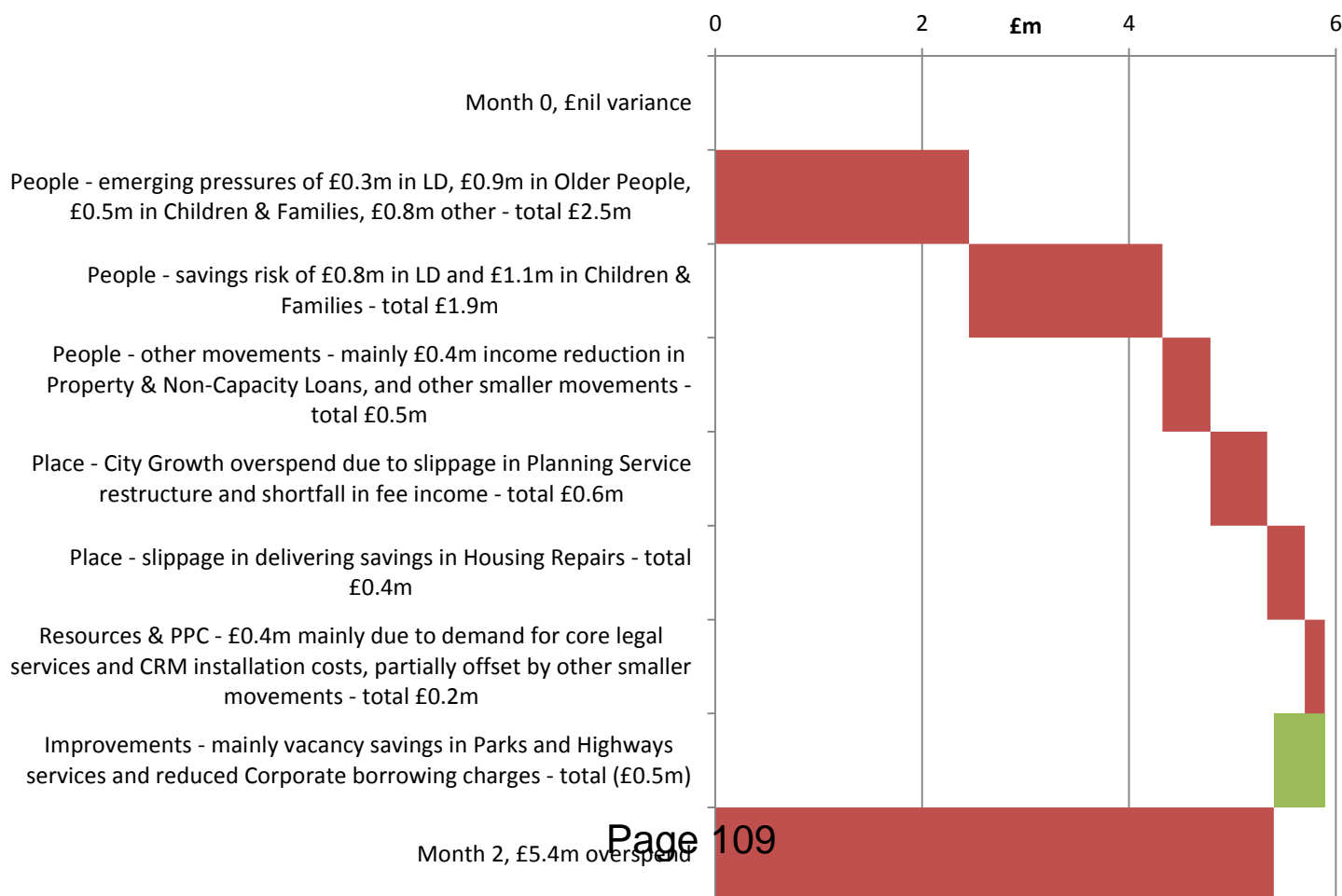
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Purpose of the Report

1. This report describes the budget monitoring position on the City Council’s Revenue Budget and Capital Programme as at Month 2.

Summary

2. The Council’s revenue budget is currently forecast to be overspent by £5.4m.
3. It should be noted that this position represents the worst case scenario. Almost the entirety of the overspend is within Social Care budgets, reflecting nation-wide and much publicised demand and cost pressures within that sector. The authority has made a significant investment in social care services within its 2019/20 Budget, and this investment is reflected in a much reduced forecast overspend compared to this time last year (a £14.9m overspend was forecast at Month 2 18/19).
4. It is also expected this position will improve over the course of the year as measures to control demand and spending have an effect.
5. The below graph summarises the early movements toward this forecast outturn from an initially balanced budget with comments on significant movements.

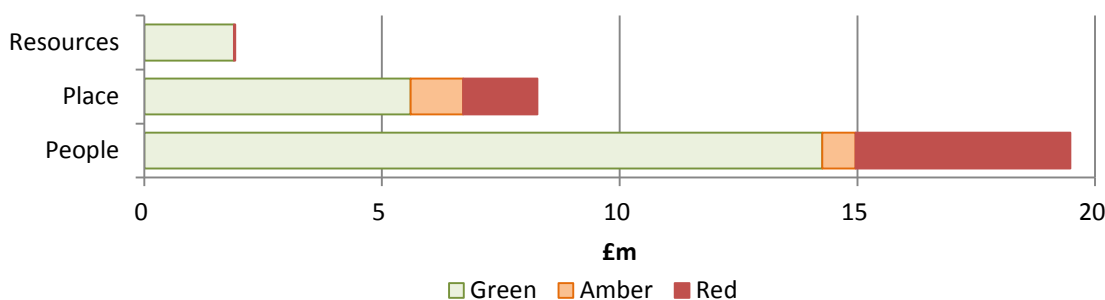


Savings Monitoring

- 6. The 2019/20 Revenue Budget approved £29.7m of savings within Portfolios. We currently assess 88% of savings as being deliverable, whereas the remaining 12% are at risk of non-delivery. Whilst this represents good progress, even £3.4m of non-delivery increases the use of reserves needed to support our financial position. In particular if none of these savings are achieved (as opposed to merely slipping by a year) then the impact over 4 years almost £14m.
- 7. The below graph gives more details of the amount of savings proposals categorised using the traffic light approach with the following parameters – Green (no more than 10% or £50k at risk of non-delivery), Amber (no more than 25% or £500k at risk) and Red (less than 75% deliverable, or more than £500k at risk).

Delivery of Approved Savings

Total approved = £29.7m, 88% forecast delivery



- 8. At Month 2, this represents a cautious early view of the savings position, and work is ongoing to secure the delivery of challenging savings and to identify other mitigations.

Dedicated Schools Grant (DSG)

- 9. At Month 2, the Council is forecasting a £1.1m overspend on DSG budgets. The key reasons for the £1.1m overspend are a forecast £838k overspend relating to SEND placements, reflecting higher costs and demands for these placements, and a staffing overspend of £180k following implementation of an MER.

Public Health

- 10. Public Health services are funded by Public Health Grant – any variances to budgeted expenditure will be managed by adjusting the drawdown of grant income to match, therefore Public Health variances will be nil in terms of net expenditure and therefore invisible within the above reported position. The Public Health reserve will be utilised in case of any overspend at year end – there is forecast to be no General Fund impact this year. This table demonstrates the variances to budget before the application of grant income.

Public Health	Forecast Outturn	Full Year Budget	Forecast Variance
People	27,584	27,089	495
Place	2,875	2,872	3
Director of Public Health	1,811	1,916	(105)
Total	32,270	31,877	393

11. The key reason for this position is the inclusion of the new sexual health contract with the SCT/PCS that is due to start 1st August 2019. The overspend reflects a demand pressure for the first 4 months of the year, and the costs of the new contract for the remainder. The total impact of this is a £495k overspend.

Housing Revenue Account

12. The HRA income and expenditure account provides a budgeted contribution towards funding the HRA capital investment programme of £3.3m. As at Month 2 the account is forecasting a £1.2m adverse variance from this budgeted position.

Housing Revenue Account (<i>excluding Community Heating</i>)	Forecast Outturn	Full Year Budget	Forecast Variance
1. Net Income - Dwellings	(138,129)	(138,761)	632
2. Other Income	(6,317)	(6,311)	(6)
3. Tenant Services incl. Repairs & Maintenance	89,798	89,241	557
4. Depreciation	39,284	39,284	0
5. Interest on borrowing	13,265	13,265	0
6. Contribution to Capital Programme	2,099	3,282	(1,183)
Total	-	-	-

13. Early projections influencing the outturn position include lower than budgeted rental income and an overall net increase in repairs and running costs. The position on the account will be monitored throughout the year.
14. There is also an improvement within Community Heating of £89k, reflecting lower than expected usage due to milder weather.

Collection Fund

15. As at Month 2, the local share of the Collection Fund income stream is forecasting an overall in-year surplus of £1.2m, made up of a £0.2m surplus on Council Tax and a £1.0m surplus on Business Rates. This position is discussed in more detail within **Appendix 1**.

Capital Summary

16. The approved capital programme budget for 2019/20 at 31 May 2019 was £178.0m. The overall outturn of expenditure against this approved budget is forecast to be £172.9m, representing a variance of £5.1m. Further monitoring of the Capital Programme is reported in **Appendix 2**.

Corporate Risk Register

17. The Council maintains a Corporate Financial Risk Register which details the key financial risks facing the Council at a given point in time. These risks are regularly reviewed, and changes to the last published version are detailed in **Appendix 3**.

Implications of this Report

Financial implications

18. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2019/20, and it does not make any further recommendations that have additional financial implications for the City Council.

Equal opportunities implications

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

Legal implications

20. There are no specific legal implications arising from the recommendations in this report.

Property implications

21. There are no other property implications arising from the recommendations in this report this report.

Recommendations

22. Cabinet are asked to:
 - (a) Note the updated information and management actions provided by this report and the attached appendix on the 2019/20 Revenue Budget Outturn.
 - (b) In relation to the Capital Programme, note the forecast Outturn position described in **Appendix 2**.

Reasons for Recommendations

23. To record formally changes to the Revenue Budget and the Capital Programme.

Alternative options considered

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

Collection Fund Monitoring

As at 31st May 2019

Summary

1. In 2019/20 approximately £315.6m of SCC net expenditure is forecast to be financed directly through locally collected taxation. This taxation is initially collected by the Council and credited to the Collection Fund.
2. As at the end of May, the local share of the Collection Fund Income Stream is forecasting an overall in-year surplus of £1.2m made up of a £0.2m surplus on Council Tax and a £1.0m surplus on Business Rates. Due to Collection Fund accounting regulations, this surplus is not available for in-year use and will be fed into the budget process for 2020/21.

Income Stream (all figures £m)	Budget 19/20	Billed to Date	Forecast Year End Position	Variance
Council Tax	(216.3)	(216.0)	(216.5)	(0.2)
Business Rates Locally Retained	(99.3)	(109.4)	(100.3)	(1.0)
Total	(315.6)	(325.4)	(317.0)	(1.2)

Council Tax

3. The forecast year end position for Council Tax is a surplus of £0.2m. This is primarily because of an additional £0.3m of Council Tax income resulting from an increase in the number of dwellings and a reduction in Council Tax Support of £0.3m. This improvement is offset by a £0.5m increase in exemptions.

Business Rates

4. The forecast year end position for Business Rates is a £2.1m surplus of which Sheffield's share is £1.0m. The £2.1m surplus is primarily made up of an increase on the Gross Rates Income Yield of £3.6m offset by an increase in empty property/statutory relief of £1.5m. Further analysis of the business rates position can be found on the following pages.

Collection Fund - Business Rates (all figures £m)	Budget 19/20	Billed to Date	Forecast Year End Position	Variance
Gross Business Rates income yield	(262.7)	(270.3)	(266.3)	(3.6)
Estimated Reliefs	46.7	42.8	47.5	0.8
Losses on collection, appeals and increase/(decrease) to bad debt provision	11.0	0.7	11.0	-
Net Collectable Business Rates	(205.0)	(226.8)	(207.8)	(2.8)
Transitional Protection Payments due from Authority	2.7	4.1	3.4	0.7
Cost of Collection allowance	0.8	0.8	0.8	-
Non Domestic Rating Income	(201.5)	(221.9)	(203.6)	(2.1)
Appropriation of net business rates:				
Sheffield City Council (49.3%)	(99.3)	(109.4)	(100.3)	(1.0)
SY Fire Authority (1%)	(2.0)	(2.2)	(2.0)	-
Central Government (49.4%)	(99.5)	(109.5)	(100.6)	(1.1)
Designated Areas (0.4%)	(0.7)	(0.8)	(0.7)	-
Total Appropriations	(201.5)	(221.9)	(203.6)	(2.1)

Gross Rates Income Yield

5. The Gross Business Rates Income Yield has increased primarily due to delays in major retail development. As part of the 2019/20 budget setting process, we built in expected decline in gross business rates due to large scale retail redevelopments. For the period of the redevelopment, it is expected that business rates income will drop due to affected hereditaments appealing and thus reducing their rateable value. This development has subsequently been delayed until late 2019 and should this delay in the development continue, then the surplus for 2019/20 will increase.

Reliefs and Discounts

Reliefs (all figures £m)	Budget 2019/20	Billed to Date	Forecast Year End Position	Variance
Small Business Rates Relief	13.3	12.7	13.3	-
Transitional Relief	(2.7)	(4.1)	(3.4)	(0.7)
Mandatory Charity Relief	23.6	23.3	23.6	-
Discretionary Relief	1.5	0.3	1.5	-
Empty Property / Statutory Exemption	7.2	7.7	8.7	1.5
Partly Occupied Premises Relief	0.6	-	0.6	-
New discretionary reliefs	3.2	2.9	3.2	-
Total Reliefs	46.7	42.8	47.5	0.8

6. Most reliefs and discounts are generally awarded in full at the point of billing in March. The total level of reliefs awarded to the end of May amounts to £42.8m which is £3.9m below the £46.7m in the budget. These reliefs are expected to rise to £47.5m by year end. This forecast increase is primarily due to increased empty property/statutory reliefs, along with expected reliefs for partially occupied properties and anticipated discretionary reliefs being realised.

Appeals

7. The 2019/20 Council budget anticipated £7.5m of in year refunds resulting from appeals. To date, the number of Check, Challenges and Appeals being processed by the VOA are significantly reduced on previous years. Data released by MHCLG in March 2019 show that there were only 100 outstanding Challenges for Sheffield.
8. The VOA have committed to resolving all outstanding 2010 list appeals bar for any in litigation by September 2019. The major case currently under litigation relates to ATM's. The VOA have been granted leave to appeal the latest decision by the Supreme Court however this is not expected to be cleared for approximately 18 months. The case is currently decided in favour of the parties bringing this suit and we have a prudent provision to meet all obligations should this be the eventual outcome.

Conclusion

9. The forecast in year position of a £1.2m surplus on the Collection Fund is healthy however this is after only 2 months of the year. Due to the size of the Collection Fund, a small percentage variation in income or expenditure over the coming months will have a significant impact on the forecast outturn. Monthly monitoring of the Collection Fund position is conducted to ensure that we are fully aware of any change and the potential budget impacts.
10. The delay in the major retail development has had a positive impact on the current in-year surplus, should this be delayed further, the in-year surplus will increase. It should be noted however that significant delays or cancellations of these major redevelopments will negatively impact on the long-term Business Rates growth forecast for the city.

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CAPITAL PROGRAMME MONITORING AS AT MAY 2019

1 - Statement of Budget Movement

The table below summarises the movement in budget from month 1 to month 2 and Capital programme budget position as at May 19.

	2019/20	2020/21	Future	Total	Comments
Month 1 Approved Budget	177.2	150.7	298.7	626.6	The key changes to the programme from last month relate to: ADDITIONS +0.5m Corporate Essential Repairs Programme (Resurfacing/Dams and Watercourses) VARIATIONS + 1.1m Low Emission Vehicles chargers - £0.3 CHS Electrical Rewires (funds to be returned to block allocation - not yet approved)
Additions	0.4	0.1	0.0	0.5	
Variations	0.4	-0.2	0.7	0.9	
Reprofile	0.0	0.0	0.0	0.0	
Slippage and Accretion	0.0	0.0	0.0	0.0	
Month 2 Approved Budget	178.0	150.6	299.4	628.0	

2 - Top 20 Projects by value as at February 2019

The table below summarises the Top 20 projects in the Capital Programme by budget value in 2018/19. This group accounts for 61% of the 2019/20 capital programme. The major in-year and all-year variations are explained below and in sections 4 and 5.

PROJECT	Current Year							Remaining Life of Project				Comments		
	YTD Actual	YTD Budget	YTD Variance	FY Outturn	FY Budget	FY Variance	Variance %	Delivery Forecast RAG	All Years Outturn	All Years Budget	All Years Variance		Variance %	Delivery RAG
Msf Finance	2,295	2,295	(0)	13,767	13,767	-	0.0%	NR	78,145	78,145	(0)	0.0%	NR	
New Build Coun Hsg Ph 4a	9	9	0	8,303	8,269	34	0.4%	G	20,615	14,759	5,856	39.7%	G	All years overspend reflects latest estimated from contractor. Discussed at Housing Growth Board. Revised FBC to be brought forward.
Electrical Strategy	1,476	1,376	100	8,790	7,958	831	10.4%	G	29,574	29,574	(0)	0.0%	G	See Item 5.2
Council Hsg Acquisitions Prog	583	1,076	(493)	7,318	7,318	(0)	0.0%	G	41,922	41,922	(0)	0.0%	G	
C Pepper Pot Building	240	798	(557)	4,836	5,937	(1,101)	-18.6%	NR	17,240	17,240	(0)	0.0%	NR	See Item 4.4
B Laycock House New Build	262	894	(632)	5,083	5,765	(682)	-11.8%	NR	16,116	16,116	0	0.0%	NR	See Item 4.6
Programme Management Costs Gf	-	-	-	5,420	5,420	-	0.0%	G	8,130	8,130	(0)	0.0%	G	
New Build Council Hsg Phase 2	4	173	(169)	5,377	5,377	-	0.0%	G	5,389	5,389	-	0.0%	G	
Pitched Roofing & Roofline	1,268	1,114	154	2,957	5,267	(2,310)	-43.9%	G	33,767	33,767	(0)	0.0%	G	See Item 4.1
Devonshire Quarter	0	-	0	5,100	5,100	-	0.0%	NR	5,100	5,100	-	0.0%	NR	
Brownfield Site	-	-	-	5,070	5,070	-	0.0%	NR	6,061	6,061	-	0.0%	NR	
Sheffield Retail Quarter 2	151	795	(644)	4,926	4,926	(0)	0.0%	G	4,926	4,926	(0)	0.0%	G	
Transport Efficiency	5	-	5	4,888	4,888	-	0.0%	NR	4,888	4,888	-	0.0%	NR	
Hoc II Infrastructure & Pr	-	641	(641)	2,929	4,286	(1,358)	-31.7%	NR	7,443	7,443	0	0.0%	NR	See Item 4.2
Astrea Academy	2,513	2,513	(0)	4,122	4,182	(60)	-1.4%	A	4,122	4,182	(60)	-1.4%	A	
Grey 2 Green Ph2	22	589	(567)	4,824	4,077	747	18.3%	A	4,824	4,077	747	18.3%	A	See Item 5.3
A Palatine Chambers Block	116	698	(582)	3,269	3,758	(489)	-13.0%	NR	3,803	3,803	(0)	0.0%	NR	See Item 4.10
Broadfield Road Junction	13	42	(29)	2,177	2,714	(537)	-19.8%	A	3,488	3,182	306	9.6%	A	See Item 4.8
Adaptations	248	400	(152)	2,098	2,704	(606)	-22.4%	G	12,704	12,704	0	0.0%	G	See Item 4.7
Garage Strategy-Improvement	268	450	(182)	2,521	2,521	-	0.0%	G	2,521	2,521	-	0.0%	G	
Top 20 Value	9,473	13,862	(4,389)	103,773	109,304	(5,531)	-5.1%		310,778	303,929	6,849	2.2%		
Rest of Programme	7,119	10,872	(3,753)	69,149	66,695	2,454	3.7%		325,854	324,036	1,818	0.6%		
Total Capital Programme Value	16,592	24,734	(8,142)	172,922	177,999	(5,077)	-2.9%		636,633	627,964	8,668	1.4%		
% of Programme within the Top 20	57%	56%	54%	60%	61%	109%			49%	48%	79%			

3 - Current Year to date and Forecast Outturn Position

The forecast year position is £5.1m below budget. This represents an increase of £2.7m from the £2.3m below budget reported at Mth 1. The key variances by board are explained below. The main reasons for this overall movement away from budget is due to the further £2m slippage identified in the overall Heart of The City II programme.

BOARD	YEAR TO DATE			FULL YEAR			Comments
	Actual	Budget	Variance	Forecast	Budget	Variance	
QUALITY OF LIFE	2,352	2,773	(421)	16,107	16,114	(7)	
HOUSING GROWTH	803	1,567	(764)	36,445	36,506	(61)	
HOUSING INVESTMENT	5,552	6,227	(675)	47,284	49,569	(2,285)	See items 4.1, 4.3, 4.5, 4.7,4.9,5.1 and 5.2
HEART OF THE CITY II	808	4,747	(3,938)	28,627	32,453	(3,825)	See items 4.2,4.3,4.6,4.10
INFRASTRUCTURE	5	-	5	4,888	4,888	-	
PEOPLE CAPITAL & GROWTH	2,810	3,431	(621)	11,747	10,474	1,273	See items 5.4, 5.5 and 5.6
ECONOMIC GROWTH	1,405	2,662	(1,257)	12,915	12,513	402	See item 5.3 offset by forecast £200k slippage on Upper Don Valley Scheme
TRANSPORT	1,064	1,225	(162)	7,473	8,002	(530)	See item 4.8
CORPORATE	1,250	1,250	-	1,250	1,250	-	
ESSENTIAL COMPLIANCE & MAINT	497	744	(247)	4,462	4,695	(233)	Saving anticipated on Moorfoot Lifts (£66k) plus slippage across Corporate Essential Replacement Programme
GREEN & OPEN SPACES	44	108	(63)	1,726	1,535	191	See items 5.9 and 5.10
ICT	-	-	-	-	-	-	
Grand Total	16,592	24,734	(8,142)	172,922	177,999	(5,077)	

4 - Top 10 Forecast Slippage against Full Year Budget

The table below illustrates that of the £9.7m main forecast underspend against budget, £3.4m relates to delays in schemes in delivery or where contract has been awarded. while the remainder relates to expected savings/re-profiling of allocations not yet committed.

Business Unit	Board	FY Budget	FY variance on budget	Explanation
4.1 Pitched Roofing & Roofline	HOUSING INVESTMENT	5,267	(2,310)	REPROFILE - Underspend in 2019/20 due to the delay in commencing the 2019-22 Roofing Programme, which now has a proposed start on site in April 2020.
4.2 Hoc II Infrastructure & Pr	HEART OF THE CITY II	4,286	(1,358)	REPROFILE - Revised profile of works now expected as timetable for Block H works is developing.
4.3 Communal Areas-low Rise Flats	HOUSING INVESTMENT	1,842	(1,142)	SAVING / REPROFILE - Contract now at an end. Budget consisted of element to finalise contract against which a saving was achieved and an allocation for future works which will now be re-profiled into future years.
4.4 C Pepper Pot Building	HEART OF THE CITY II	5,937	(1,101)	SLIPPAGE - The budgets on Blocks B & C include the construction phase budget but this was based on earlier design phase and programme which has slipped. Now that GT are appointed and on site, costs for the preconstruction phase are now starting to come through. At the end of this phase a more realistic construction programme and cost profile will be agreed in August.
4.5 Internal Works	HOUSING INVESTMENT	1,000	(1,000)	REPROFILE/AWAITING APPROVAL - Budget reprofile due to be approved at June Cabinet to reflect likely timing of works at Deer Park.
4.6 B Laycock House New Build	HEART OF THE CITY II	5,765	(682)	SLIPPAGE - The budgets on Blocks B & C include the construction phase budget but this was based on earlier design phase and programme which has slipped. Now that GT are appointed and on site, costs for the preconstruction phase are now starting to come through. At the end of this phase a more realistic construction programme and cost profile will be agreed in August.
4.7 Adaptations	HOUSING INVESTMENT	2,704	(606)	SLIPPAGE - Current forecast is £600k underspend at the end of May. This is due to uncertainty whether the target of 7 extensions can be delivered and concerns about contractors progress.
4.8 Broadfield Road Junction	TRANSPORT	2,714	(537)	SLIPPAGE/OVERSPEND - Forecast project costs exceed available budget. Forecast over spend of £305k. Client briefed. Transport Board are seeking additional funds. Project on hold until it is confirmed that there is sufficient funds to deliver the scheme. YTD underspend as a result. Forecast YTD spend is based on programme which assumes a CPO is progressed but not required, when this programme is confirmed CAF variation approval will be sought to carry funds into 20/21.
4.9 Windows& Doors Placement(chs)	HOUSING INVESTMENT	566	(526)	SAVING - Forecast outturn will be £500k underspend and will complete the contract commitments. Budget will be reviewed later in the year.
4.10 A Palatine Chambers Block	HEART OF THE CITY II	3,758	(489)	SLIPPAGE - The budget allocation for the Pre-construction phase costs was done on a fairly flat basis but in reality the costs are much more back-ended. In addition the development activity on Block A has slipped. However Architects are now appointed and design works are underway and expenditure is expected to ramp up. The construction phase for the block is now expected to come forward for approval in December. It is proposed therefore to do a CAF to re-profile the remaining budget.
Total		33,840	(9,752)	

5 - Top 10 Forecast Overspends over Full Year Budget

The table below indicates that currently none of the current major in year forecast spends above budget actually reflect an additional call on SCC resources.

	Business Unit	Board	FY Budget	FY variance on budget	Explanation
5.1	Kitchen/bathrm Planned Replmt	HOUSING INVESTMENT	(7)	2,500	ACCELERATION / BUDGET AWAITING APPROVAL -Accerleration due to increased voids work. Revised budget due to be approved at June Cabinet
5.2	Electrical Strategy	HOUSING INVESTMENT	7,958	831	ACCELERATION - Contractor progressing ahead of schedule.
5.3	Grey 2 Green Ph2	ECONOMIC GROWTH	4,077	747	AWAITING APPROVAL - Variation between current full year budget and latest outturn forecast current year is due to budget not yet being uplifted to include ERDF funding - CAF revision currently being processed to uplift budget.
5.4	Sf Devolved Capital	PEOPLE CAPITAL & GROWTH	20	658	AWAITING APPROVAL - Budget uplift to reflect 2019/20 allocation due to be approved at June Cabinet
5.5	Disabled Grants	PEOPLE CAPITAL & GROWTH	1,864	573	AWAITING REVIEW - Review of overall use of Disabled Facilities grant ongoing. Sufficient funds exist to cover expenditure but accurate profile to be worked up.
5.6	Fra 16-17 Ecclesfield Primary	PEOPLE CAPITAL & GROWTH	-	345	AWAITING APPROVAL - No overspend expected. Corrections to related Business units required before budget approval is progressed.
5.7	Srq - Strategic Dev Partner	HEART OF THE CITY II	82	325	ACCELERATION -the run rate of costs has come down considerably from previous years now that more of the programme costs are attributable to blocks but there will continue to be a level of internal fees and external programme management costs charged to this BU for the duration of the HOC programme. The acceleration of 19/20 budgets has left a considerable and growing in year overspend but this will be covered by additional budgets from each block allocation. However, as the block programme is itself slipping then this is exacerbating this issue. It is proposed therefore to look at doing a CAF to re-profile the current budget as an interim measure
5.8	H1 Leahs Yard	HEART OF THE CITY II	260	146	INCORRECT FORECAST - To be reviewed by project finance.
5.9	Shirebrook Visitor Centre	GREEN & OPEN SPACES	-	87	AWAITING APPROVAL - Revised budget due to be approved at June Cabinet
5.10	Rethinking Parson Cross Park	GREEN & OPEN SPACES	2	70	AWAITING APPROVAL - Revised budget due to be approved at July Cabinet
	Total		14,256	6,282	

6 - Key Issues and Risks

Key Issues

- SCRIF FUNDED PROJECTS

- IRR Junctions - forecasting to spend in excess of amount required to meet SCRIF target - OK.

- Upper Don Valley Flood Alleviation Scheme - Forecasting £2.26m below amount currently required to meet SCRIF target - Change request submitted to SCR to slip project. Decision expected 29th July 2019 - £400k currently at risk.

- Grey To Green 2 - Current forecast expenditure indicates SCRIF target spend will be hit.

Key Risks

- Knowledge Gateway - Current month forecast now shows balanced budget.

- Broadfield Road - Confirmation of extension to DfT funding still required - Approx. £190k at risk.

Changes to the Corporate Risk Register As at 31st May 2019

1. The Council maintains a Corporate Financial Risk Register which details the key financial risks facing the Council at a given point in time. This was published alongside the 2019/20 Revenue Budget¹.
2. The following paragraphs contain amendments to that version.

Treasury Mangement

3. Following a review, paragraphs 35 and 36 (relating to card payment regulations and card payment services) have been removed as the risks are no longer relevant.

Future funding uncertainty

4. The following risk is an addition to the Register as last published:
 - The Government is currently reviewing the basis on which funding is distributed to local authorities (the 'Fair Funding Review'). This is contemporaneous with the introduction of 75% retention of business rates and also with the wider Spending Review. The Fair Funding Review has been subject to considerable delay, with extensive consultation already complete but with more still to do. The Review was originally scheduled to be in place by 1st April 2020 – it has not officially been delayed, but the introduction of a new funding regime is increasingly likely to be delayed by at least a year against a backdrop of political and economic uncertainty.
 - 2019/20 is also the last year of the current four-year LG funding settlement, and there is a lack of information from Central Government about its future plans for funding the sector.
 - Consequently there is a potential risk of a net reduction in the Council's revenue funding, either because the total funding to Local Government falls, or because the Council's share of it reduces. Currently the MTFS assumes these national funding changes will have a nil overall impact to the Council. Any loss therefore would have an immediate impact on service delivery and financial sustainability, which also creates uncertainty for business planning purposes, so financial planning for 2020/21 and beyond is currently proceeding on uncertain and cautious footing. Late announcements of temporary, one-off, funding also do not create a safe foundation for business planning and investment.²
 - The current planning assumption is being closely monitored by business planning functions and the Strategic Finance team. These teams respond to consultations,

¹ Available at Sheffield.gov.uk for the Revenue Budget Book, Appendix 5 of Item 8 of March Council 2019.

² Recommendations and Conclusions of the [76th Report of the Public Accounts Committee](#) on Local Authority Spending, published 6th February 2019.

and communicate with colleagues in other authorities to communicate our position, to argue for a fair financial settlement, and to formulate a sustainable plan for future years' budgets.

Heart Of the City 2 (formerly Sheffield Retail Quarter)

5. The following paragraph should be inserted between Paragraphs 66 and 67 of the published register (relating to the Heart of the City 2 development):
 - Approval is now also being sought for the next phase of the development, Block H. This block is being sub divided to deliver a separate office building as a result of securing a pre-let to a blue chip occupier, thus considerable de-risking this development. In addition the construction appointment will be split into two distinct phases, so that the office building (H2) can be accelerated as required to meet market demand if necessary.

Business Rates

6. Paragraph 6 of the published register should now read 'As at 31st May 2019, there are around 400 properties relating to the 2010 valuation list with a rateable value of approximately £50m under appeal in Sheffield' reflecting resolution of those appeals.