

Sheffield City Council

# Revenue Budget 2020/21



## FOREWORD

Brexit and the 2019 General Election have dominated the national political agenda and provide a challenging backdrop to Sheffield City Council's 2020/21 budget. There has been little Central Government focus on the domestic issues that matter to the people of Sheffield, such as the continuing and increasing pressures on our health and social care services, the climate emergency, and air quality issues. On the financial side, the Council has seen nine years of cuts to Central Government funding for local services.

The announcement in the September 2019 Spending Review that, for the first time in ten years, additional funding for Local Government would be made available from Central Government for 2020/21, was welcome. The additional funding means the Council does not have to make unplanned cuts to services in 2020/21. However, like the rest of Local Government, we continue to call for additional resources. The additional 2020/21 funding does address in-year cost pressures, but does nothing to reverse the cuts of the nine previous years. This is also only a one year settlement, with no certainty beyond 2020/21. The Council hopes that a settlement covering 2021/22 to 2024/25 will be announced in summer 2020 to allow planning for services to take place over the medium term rather than year-to-year.

Like all councils, Sheffield has faced rising cost and demand pressures for services to our most vulnerable citizens, in particular those who need children's and adults' social care. Social care services, many of which are preventative in nature, help people to live independently and safely in the community, and to leave hospital in a timely manner. It is generally accepted that community-based provision provides more positive outcomes for people, as well as being significantly less costly than hospital-based medical treatments. The lack of funding for preventative services puts additional operational and financial pressures on the NHS.

In addition, the rising cost of social care for our elderly people across the nation, as our population ages, remains an issue that urgently needs addressing. It is accepted by most commentators that the current model for adult social care is unsustainable. However, despite various reviews over the past 20 years, to date no solution has emerged from Central Government, and one is urgently required.

The Council is determined to maintain strong ambitions for the City, and not to retreat into providing only statutory services.

We want to see our communities grow and be sustainable, so these communities meet the needs of existing and future residents, their children and other users, to contribute to a high quality of life and provide opportunity and choice, within a safer, stronger, cleaner environment.

We can achieve this by decent, affordable homes, a diverse, inclusive and safe community, access to jobs, green spaces and services, and the chance to get

engaged in and make a difference to a community in which people want to live and work now and tomorrow.

We can achieve this in the Climate Emergency by making use of natural resources, enhancing the environment, promoting social cohesion and inclusion and strengthening our economic prosperity.

We do not achieve these aims by doing short-term across-the-board cuts to budgets, which we have resisted throughout the last 10 years. Instead, the Council has maintained a programme of strategic changes to services, adopted new technology, focussed on the needs of each individual, and sought to provide streamlined services.

Throughout, the Council has prioritised support for social care, using money released from savings, together with money raised locally from fees and charges and council tax increases, and some specific grants for social care from Central Government.

The budget for the People Portfolio, which provides these care services, has risen from £198m in 2017/18 to £251m in 2020/21, enhancing the major principle of this Council of looking after the most vulnerable in our city.

The Council continues to work with our partners across Sheffield, particularly in the NHS, to use these funds, and the funds managed jointly with the NHS, to strengthen our preventative and community based services to provide the best outcomes we can for the people of Sheffield. Our future financial sustainability relies on further progress in this area in the coming years.

A balanced budget for 2020/21 is recommended to Council for approval, and sufficient reserves are being retained to protect essential services in the short-term if further Central Government funding reductions occur after 2020/21. However, the Council hopes that Central Government will maintain the approach to funding started in 2020/21 and provide additional funding from 2021/22 onwards. This will be essential if the Council is to protect and invest in the services that are key priorities for the people of Sheffield.

The Council remains committed to providing the best possible services for the people of Sheffield, whilst maintaining a sustainable medium-term financial position.

**Terry Fox**

**Deputy Leader and Finance Cabinet Member**

## **BUDGET REPORT 2020/21**

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# 2020/21 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 2020/21, including the position on reserves and balances;
  - approve a 2020/21 Council Tax for the City Council; and
  - note the levies and precepts made on the City Council by other authorities.

### Medium Term Financial Outlook

#### Key messages

The October 2019 Medium Term Financial Analysis predicted an overall funding gap of approximately £35m between 2019/20 to 2022/23. More recent updates indicate this gap remains broadly the same for 2020/21 to 2023/24.

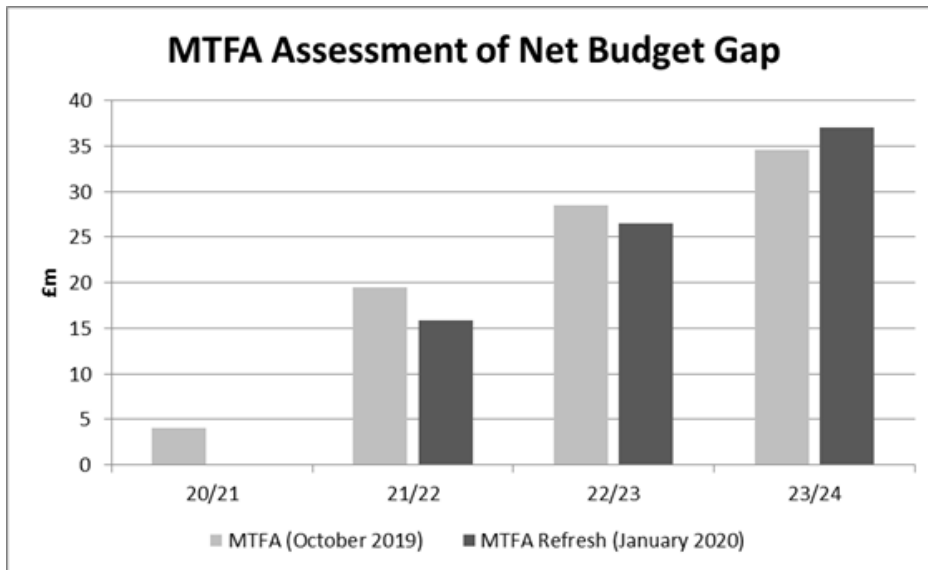
Funding uncertainty continues to hamper effective budget planning.

Growth in demand for services and cost inflation continues to outstrip additional funding available from Government or local taxation over the medium term.

2. This budget has been set in the context of the likely resources available and calls on those resources over the medium term to ensure sustainability. The Medium Term Financial Analysis (MTFA), published in October 2019, set out the Council's latest financial forecast for the period 2020/21 to 2023/24.
3. The Council's Social Care services continue to experience significant cost and demand pressures which, even with additional social care funding announced in the 2019 Spending Round, completely outstrip growth in local taxation. Even after significant proposed portfolio savings and mitigating actions the net gap still to find stands at approximately £35m over the MTFA period.
4. The following graph, Figure 1, shows the forecast net gap as per the published MTFA (October 2019), and the latest forecast. The gap remains broadly unchanged overall, despite later actions to balance the 20/21 budget,

as these actions have been counter-balanced by demand growth in later years.

Figure 1



*Reform to Local Government funding*

5. The Council’s financial planning continues to be hampered by short term Spending Review announcements by Central Government. The Final Settlement announced on the 6<sup>th</sup> February 2020 is no different as it only confirms funding for 2020/21. There was welcome news that previous years’ one-off funding will be added to the baseline and additional funding for social care has been allocated, but effective planning beyond 2020/21 is not possible, which is not conducive to delivery of long-term value for money solutions.
6. In addition to the uncertainty created by short-term funding announcements, there are currently two Government consultations underway which will change the way Local Government is funded in future in total, and could also significantly affect the distribution of these funds. These consultations are changes to the Business Rates Retention scheme and the Fair Funding Review.
7. Under previously announced Government plans, the assumed level of business rates retained by Local Authorities was due to be increased from 50% to 75% from 2020/21. However this change has been delayed until 2021/22 and, on current plans, it will be included in the 2020 Spending Review.
8. The Council continues to assume that any growth in retained rates would be matched by reductions in Government grants – in effect; the net increase in

finances would be nil. This assumption is consistent with the views of public commentators such as the 'Public Finance' publication, and by Government comments that the change will be "fiscally neutral".

9. In addition, the Ministry for Housing, Communities & Local Government (MHCLG) is still reviewing the formula that determines baseline funding levels for all local authorities, the Fair Funding Review. This review was also due for completion during 2019, and should have formed part of the Council's settlement for 2020/21, but it has also been delayed to 2021/22.
10. The results of this Review are uncertain for the Council and further consultations are expected in 2020. There are potential downsides if the parts of the formula that benefit the Council (e.g. the funding for population density) are, in the round, decreased, in favour of less-advantageous measures to Sheffield. There are also potential upsides, in so far as re-baselining has the chance to recognise better our funding needs (i.e. our social care pressures and level of deprivation).
11. For the reasons set out above, we continue to assume the impacts will be fiscally neutral, and that the impact will simply slip by one year to 2021/22. Therefore no increase or reduction to Central Government funding has been assumed from 2021/22 onwards. This assumption is a key uncertainty and risk for the Council going forward.

## **Business Planning for 2020/21**

### **Key messages**

The budget gap identified for 2020/21 (additional costs - less grant income + local taxation) needs to be met by service savings.

SCC will focus on delivering savings via transformative strategic changes in discrete areas.

12. 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 Implementation Plans (BIP's), which show what activities will be provided in 2020/21 for a specified cash limited budget. The Business Planning process for 2020/21 began before the consideration of the MTFa report by Cabinet in October 2019.
13. As reported in the MTFa and detailed above, budget pressures such as contract inflation and the increasing demand for services continue to outstrip available resources over the medium term. Consequently budget savings and



service efficiencies will have to be delivered during 2020/21 and beyond in order to achieve a balanced budget and protect our front-line services.

14. For 2020/21, we have continued the approach adopted in the previous two years of concentrating on finding savings from a smaller number of discrete areas and continuing a four-year programme of transformative strategic changes in individual services. 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.

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

### **Key messages**

The Section 151 Officer (the Executive Director of Resources) has reviewed the adequacy of reserves and the robustness of the estimates behind calculating the budget requirement in line with the requirement under Section 25 of the Local Government Act 2003.

15. The Chartered Institute of Public Finance & Accountancy (CIPFA) are due to publish the Financial Management Code in the coming year, including the Financial Management Framework as a way of self-assessing compliance with the Code. Part of the Framework reinforces the requirement under Section 25 of the Local Government Act 2003 for the Section 151 Officer (the Executive Director of Resources) to review the adequacy of reserves and the robustness of the estimates behind calculating the budget requirement. This section specifically addresses this requirement, with relevant data referenced elsewhere within this Report.

### *The adequacy of reserves*

16. **Appendix 4** details the Council’s current reserves and balances, and the overall strategy for the coming years. Holding reserves is part of good financial management for any organisation, and the Council holds reserves mostly as a provision against future liabilities. The Council also holds unearmarked reserves to deal with unknown emergencies, and the amount of this (£12.6m) benchmarks as low compared to other authorities.
17. As above at Paragraph 2, the Council maintains a Medium Financial Strategy (MTFA) to assess the risks within the Council’s financial position. The 2019/20 Budget was unusual in that it contained a planned draw from reserves of £11.2m to avoid making further cuts to front line services. This was agreed as

a one-off borrowing from reserves that would be repaid within future budgets within the 4-year term of the MTFA.

18. Following the Spending Round (announced by the Chancellor in October) the Council expects to receive a funding uplift of approximately £30m from a mix of grant funding and increases to local taxation. This figure has been confirmed within the Final Settlement. This Budget assumes a repayment of the £11.2m to reserves during 2020/21, and the remainder of the uplift will fund increases in portfolio expenditure – mainly within social care.
19. This section, read together with Appendix 4, satisfies the requirement to review reserves balances and confirms them as adequate in the medium term. However, there are three key factors at play that could undermine the sustainability of future budgets.
20. The three key factors are:
  - The Council's own ability to continue to deliver savings and manage increased pressures. The Council has an excellent track record of delivery, but nine years of reductions make it harder every year to achieve more;
  - the lack of a more stable funding regime from Central Government that recognises the pressures in social care linked to the NHS Long Term Plan; and
  - failure to achieve more significant savings from working with our partners in the local NHS than we have so far been able to do, linked to improving outcomes for the people of Sheffield from better integrated services. Achieving improvements in outcomes whilst making savings should be possible.
21. Only one of these factors is fully within the Council's control.

*The robustness of estimates behind the budget requirement*

22. This Report proposes a budget requirement of £420.2m, and a Band D Council Tax charge of £1,621.40 for the year 2020/21. The calculations behind these figures are reported principally within **Appendix 6**, though the calculations are based on estimates from a number of sources that are also published within this Report. The publication and inclusion of relevant estimates within this document stands as confirmation of their robustness. The Council has a proven track of record of establishing realistic and robust balanced budgets, relying on its specialist functions of business and financial planning.

- The Business Planning Process is described above at Paragraph 12, and informs the Portfolio Spending Plans beginning at Paragraph 71<sup>1</sup>.
  - The Council's other main sources of income taken in to account when setting council tax retained Business Rates and specific grant funding can be subject to considerable variation year on year. The Business Rate position is discussed at Paragraph 27, and the grant funding position is discussed at Paragraph 26.
23. The Council maintains a Risk Register to assess the main financial risks facing the Council. In doing so, the Council maintains an awareness of issues that would greatly prejudice the accuracy of the estimates in the Budget. This Register is published in its entirety in Appendix 5, and reviewed throughout the year.

## Formulation of the Budget for 2020/21

### Key messages

The Council is required by statute to set a balanced budget. There are a number of stages involved in formulating a balanced budget, these include:

- The assessment of likely increases or reductions to income sources such as Central Government grants, Council Tax and Business Rates.
- Assessment of increased expenditure for both Corporate funded items and cost pressures within Portfolios resulting from increased demand for services and cost inflation.
- The resulting Budget Gap from the above two stages has to be met by delivery of budget savings. Should the level of savings be insufficient to meet this Gap, the Council's reserves have to be used. £11.2m of reserves were used to fund the 2019/20 budget Gap, which is unsustainable. There is no planned use of reserves for balance the 2020/21 budget.

The following sections provide details of the assessments undertaken and the processes followed to ensure the 2020/21 budget is balanced.

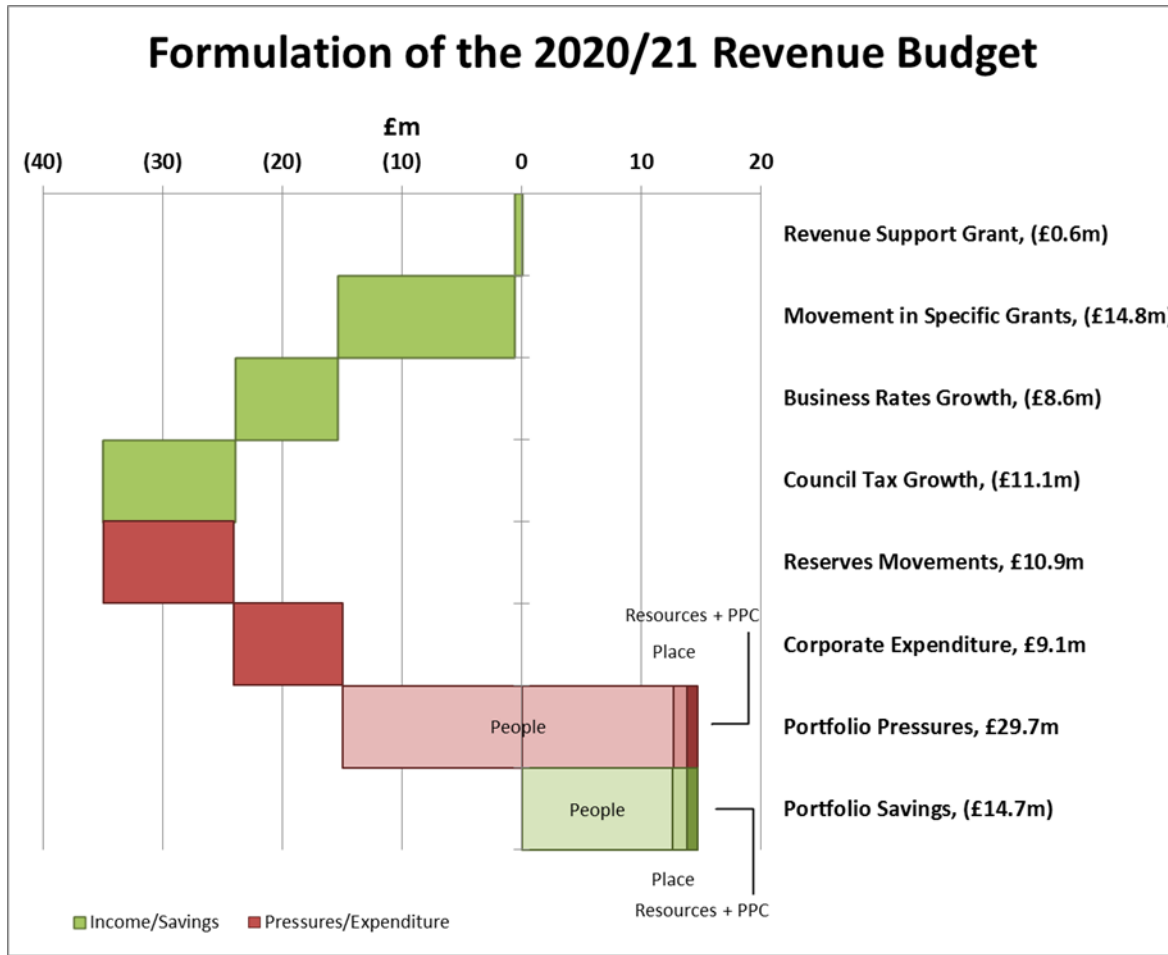
24. In formulating the Budget for 2020/21, there are a number of adjustments that will need to be made to reflect variations in costs and resources, some of which are outside of the control of the Council, whilst others reflect the continuation of current Council policy. The following sections show those

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<sup>1</sup> The full Business Implementation Plans (BIPS) are published online here; <https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html>

items that have been included in the proposed budget, along with a summary graph (Figure 2) which demonstrates how the Council's revenue budget for 2020/21 has been balanced.

Figure 2



## Local Government Finance Settlement

### Key messages

The annual Local Government Finance Settlement announced on the 6<sup>th</sup> February 2020 confirmed the financial settlement allocations from Central Government for the year 2020/21.

This confirmed, among other things, various grants payable to the Council for the year and levels of Business Rates funding to be retained locally, as well as the referendum threshold for Council Tax.

- The Government announced details of the Provisional Local Government Finance Settlement for 2020/21 on 20th December 2019, with the Final Settlement allocations presented to the House of Commons on the 6<sup>th</sup> February 2020.

26. Below is a summary of the key points set out in the Final Settlement which impact on the 2020/21 budget for the Council:

- Revenue Support Grant (RSG) for Sheffield will increase in 2020/21 by around £0.6m or 1.6% in line with CPI as at September 2019.
- Additional Social Care Support Grant of £1 billion for 2020-21 was announced during the Autumn Spending Round and confirmed in the Final Settlement. Sheffield's share of this funding is £12.2m and is in addition to the £4.6m Adult Social Care Grant awarded in 2019/20 which now forms part of the baseline funding.
- Confirmation that SCC's £2.7m share of the Winter Pressures Grant awarded in 2019-20 will be continued and rolled into the Better Care Fund for 2020/21. This funding will remain in the funding baselines going forward with the ring-fence removed, which is in-line with our forecast assumptions, so provides no additional resources.
- The overall referendum trigger for Council Tax increases has been increased to 4%, to accommodate authorities' ability to raise a 'Social Care Precept' of up to 2% (an additional flexibility of 1% compared to 2019/20). The threshold to increase Core Council Tax before a referendum is triggered has reduced from 2.99% in 2019/20 to 1.99% for 2020/21. Full details of the anticipated increase to Council Tax income for 2020/21 are reported later in this report.
- Full details of the forecast increase to Business Rates income including the impact of the Local Government Finance Settlement are detailed in the following section.

## **Business Rates Income**

### **Key messages**

The Council retains 49% of business rates collected within the authority (remainder paid to Government and SY Fire).

The Council also receives grant income, to top up this income to the level of a set 'baseline' need.

For 2020/21, the Council will receive £162.0m income from business rates, made up of £103.8m retained rates and £58.2m of grant income. This is £8.6m more than received in 2019/20

27. 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 retain a portion (49%). The remaining portion is paid over to Government (50%) and South Yorkshire Fire Authority (1%). The Government announced in December 2017 that the proportion of business rates to be retained locally will increase to 75% from 2020/21, however in September 2019, this increase was delayed until 2021/22.

28. The basis for the Business Rates estimate is the valuation list issued by the Valuation Office Agency (VOA) in December 2019. Using this list it is estimated that the number of business premises in Sheffield that are liable for business rates is 19,078 (19,003 as at December 2018) with an aggregate rateable value of £554.5m (£548.9m as at December 2018). These figures include two parts of the city where special rules apply.

### Sheffield Retail Quarter and Enterprise Zone

29. As shown in the table below, the designated areas referred to as the Sheffield Retail Quarter and the Enterprise Zone account for less than 2% of the aggregate rateable value of the city. However, both areas 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 1

	£m	
Sheffield Retail Quarter	4.6	0.8%
Enterprise Zone	4.9	0.9%
Rest of Sheffield	545.0	98.3%
<b>Total</b>	<b>554.5</b>	<b>100%</b>

30. The Business Rates growth above baseline for the Sheffield Retail Quarter and Enterprise Zone are forecast to be £987k and £547k respectively.

### Calculating the Business Rates Estimate for 2020/21

31. Based on the Rating List and the 2020/21 rating multiplier (the “rate poundage”, which is set by Government) produces a gross business rate estimated income (the “Gross Rate Yield”) of £274.9m (£262.7m in 2019/20). This is the most realistic estimate of the expected level of income before any adjustments. There are however 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 £51.3m (£49.3m in 2019/20). There has been an increase in reliefs relating to Empty Property Relief (£1.5m) and Charitable Relief (£0.9m) offset by small changes to other reliefs which amount to £2.0m in total. Items such as Charitable relief have increased in line with inflation however Empty property relief is forecast to increase due to current market conditions.
  - Losses and costs of collection: this includes an estimate of the bad and doubtful debts in 2020/21, the potential legal and other recovery costs. Using the assumptions set out in Government guidance, the estimated figure is £4.4m (£4.3m in 2019/20).
32. 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). A prudent provision has been established to mitigate the impact of any appeals that are outstanding.

#### Overall Business Rates Estimate for 2020/21

33. Based on assumptions relating to reliefs and appeals, it is estimated that the total net business rates for Sheffield will amount to £211.5m in 2020/21 (£201.5m in 2019/20). Business Rate income is taken to the Council's Collection Fund, where the appropriations are made. The estimated Collection Fund for 2020/21, relating to business rates, is shown below:

Table 2

**Collection Fund - Business Rates Estimate for 2020/21**

2019/20		2020/21
262,699	Gross Business Rates income yield	274,938
-49,348	LESS Estimated Reliefs	-52,786
-4,295	Losses in Collection	-4,450
-7,525	Losses on Appeals re Current Year Bills	-7,666
<u>201,531</u>	Net Estimated Business Rates	<u>210,036</u>
Appropriation of net business rates:		
98,826	Sheffield City Council	102,844
1,989	SY Fire Authority	2,070
99,472	Government	103,518
1,244	Designated Areas	1,604
<u>201,531</u>		<u>210,036</u>

34. The estimated 49% of net business rates for Sheffield amounts to £102.8m in 2020/21 (£98.8m for 2019/20). The designated areas figure includes £984k which relates to Sheffield City Council. It is proposed that the Council budget for 2020/21 includes both of these figures as its share of business rates income.

Table 3

**Total Income from Business Rates – Sheffield Share**

	2019/20	2020/21	Variance
	£'000	£'000	£'000
Net Business Rates	98,826	102,844	4,018
Designated Area Business Rates (NDD)	515	984	469
Business Rates Top Up Grant	42,529	43,222	693
S31 Grant for Small Business Rates Relief	6,841	6,852	11
S31 Grant for Business Rate Inflation Cap (BRIC)	3,261	5,834	2,573
S31 Grant for Retail Relief Scheme	1,518	2,312	794
<u>Total Income from Business Rates</u>	<u>153,490</u>	<u>162,048</u>	<u>8,558</u>



35. The net business rates income for 2020/21 has increased by £4.0m from 2019/20 figures. This is primarily due to anticipated retail developments which would have seen an initial decrease in business rate income not progressing in line with the expected timetable.
36. The net business rates income is also impacted by Government policy on rates relief. The increases in Small Business Rates Relief in 2017/18 and the introduction of the Retail Relief Scheme for 2019/20 have significantly reduced the level of Net Business Rates income. We do however receive government compensation through Section 31 grants.
37. The Government introduced the Localism Act in 2011 with the aim of devolving decision making powers from Central Government to Local Authorities. The increased use of the rate reliefs to administer Government Policy and alter hereditaments business rates bills does not see us disadvantaged financially, however, it does see us more reliant on grant income and is contrary to the Localism Act.
38. The increases to the Business Rates Top-up Grant, Retail Relief and Small Business Rates Relief are primarily inflationary. The Business Rates Inflation Cap increase is mainly due to recognising compensation income following confirmation that we are to be fully reimbursed for the government policy change to CPI from RPI as the inflationary multiplier. The changes detailed above were confirmed as part of the Final Settlement.

## Council Tax income

### Key messages

Subject to Council approval, the Council Tax rate will increase by 3.99%. This will be 1.99% for the Core Council Tax and 2% for the Adult Social Care Precept.

There are 140,243.94 Band D equivalent properties, an increase of 1.1% from 2019/20 (table 4, below).

The Council will therefore receive £227.4m of income via Council Tax, which is £11.1m greater than 2019/20.

This Report recommends the 3.99% increase to Council Tax, and the increased levy on long-term empty properties (pars 46-48 below).

### Council Tax base for 2020/21

39. It is proposed to set a Council Tax Requirement of £207.6m for 2020/21 based on a 1.99% increase. There is also an option provided by the

Government to apply an additional 2% to the Adult Social Care Precept for 2020/21. If taken, the total raised from the Adult Social Care precept for 2020/21 will be £19.8m. This brings the total Council Tax Requirement to £227.4m, an £11.1m increase from 2019/20, and results in a Band D Council Tax of £1,621.40.

40. This includes a determination that the Council Tax base – the number of properties on which a tax can be charged – will be 140,243.94 Band D equivalent properties. This represents an increase in the tax base of 1.1% compared to the previous year.
41. The Council recognises that any increase in Council Tax can impact on vulnerable people and families. To mitigate the increase in Council Tax, we will increase the Council Tax Hardship Fund by £200k in 2020/21. The Hardship Fund will total £1.6m and is reviewed on an annual basis.
42. 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**.
43. A summary of the Council Tax levels by band can be found in Table 7 in the ‘Financing the 2020/21 Budget Requirement’ section of this report. Further details can also be found in **Appendix 6**.
44. The practice has been to establish a prudent estimated in year collection rate as part of the tax base calculations. For tax base setting purposes, a collection rate of 95.5% has been assumed (although we still intend to collect 99% over the long term). This collection rate remains unchanged from 2019/20. The collection rate is continuously monitored to ensure that it accurately reflects the current trends on collection.
45. The Council Tax Base for 2020/21 has therefore been determined as 140,243.94 Band D equivalent properties, as shown in Table 4 below. This is an increase of 1,499.52 properties (or 1.1%) compared to 2019/20 and will result in an increase in Council Tax income of £11.1m assuming a 1.99% increase in Band D Council Tax and a 2% increase in the Social Care Precept. Of the £11.1m increase, £2.3m is as a result of the net increase in Band D equivalent properties, £4.4m is due to the proposed 1.99% increase in Band D Council Tax and £4.4m is as a result of the 2% Adult Social Care Precept.

Table 4

	Band D equivalent number of properties
Council Tax Base of Band D equivalent properties for 2019/20	138,744.42
Additional properties in 2019/20	2,234.51
Reduction in properties entitled to CTSS	366.93
Increase in number of properties entitled to discounts / exemptions	-1,101.92
Council Tax Base of Band D equivalent properties for 2020/21	<u>140,243.94</u>

Long Term Empty (LTE) premium

46. In Sheffield, under amendments to the Local Government Finance Act 1992, dwellings that are liable for Council Tax, and are a Long Term Empty Dwelling, which is a dwelling that has been continuously unoccupied and substantially unfurnished for a period of 2 or more years, are charged an additional 100% Council Tax. This is known as the Long Term Empty (LTE) premium. The intention behind this additional charge is to encourage owners of empty dwellings to bring them into use, so as to improve the housing supply, locally and nationally.
47. Further, arising from amendments to the Local Government Finance Act 1992, which come into force 1 April 2020, Local Authorities from that date may increase the LTE premium from 100% to 200% in respect of all dwellings that have been Long Term Empty Dwellings for a period of 5 years or more.
48. For the purpose of encouraging owners of Long Term Empty Dwellings within Sheffield to bring them back into use, so as to improve the housing supply; it is proposed that the LTE premium is amended, in line with the amended legislation that comes into force 1 April 2020. It is therefore proposed that with effect from 1 April 2020, dwellings that have been a Long Term Empty Dwelling for a period of less than 5 years shall be subject to a LTE premium of 100% and dwellings that have been a Long Term Empty Dwelling for at least 5 years shall be subject to a LTE premium of 200%.

## Council Tax referenda

49. 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.
50. 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. The 2020/21 Local Government Finance Settlement announced that an authority's relative basic amount of Council Tax for 2020-21 is excessive if the authority's relevant basic amount of Council Tax for 2020-21 is 2% more than its relevant basic amount of Council Tax for 2019/20 and that its Adult Social Care precept increase for 2020-21 is greater than 2% of the relevant basic amount of Council Tax for 2019/20. This report does not recommend any increases that would trigger a referendum.

## **Balances and Reserves**

### **Key messages**

£10.9m reduction in use of reserves when compared to 2019/20, mainly due to the reversal of the unsustainable £11.2m draw from reserves required to balance the previous year's budget.

Attached to this report as **Appendix 4** is the Councils Reserves Strategy showing details of the reserves held and planned uses.

51. There is a planned £10.9m reduction in the use of reserves for 2020/21 when compared to 2019/20, as set out in Figure 2 above. This reduction is the result of removing the draw on reserves required to balance the 2019/20 budget.
52. The overall movement on reserves is a planned £7.1m contribution to reserves, which is predominantly due to the repayment of £8.7m of reserves used to fund the pensions' deficit prepayment during 2016/17.
53. 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 to meet expenditure in 2020/21, and/or smooth costs in future years, for various purposes and explains the purpose of each earmarked reserve. This report also includes the statutory statement (section above) from the Executive Director on the sustainability of reserves and the budget.

## Corporate Expenditure

### Key messages

There are a number of council wide or major programmes and projects funded centrally. Examples include the Heart of the City 2 development and the new Customer Experience programme.

The increased cost of these corporately funded items is £9.1m for 2020/21.

54. There are a number of proposed additions to the budget for 2020/21, which are to be funded corporately, the most significant of which are as follows:
- Heart of the City 2 Capital Financing (HotC2) (£0.9m): This £0.9m is in addition to the existing £4.6m bringing the total cost to £5.5m. The costs are split between the interest of £2.8m and MRP of £2.7m in relation to the development costs of Blocks D, E, F and G1. These costs are to be financed via additional rental and business rates income generated by the scheme.
  - Streets Ahead (£0.8m): the planned Council investment in the Streets Ahead programme will increase by £0.8m as planned. This consists of contract inflation of £1.1m and a reduction in repayments to borrowing for the programme of £0.3m.
  - Customer Experience Programme (£1.5m): The Council has an existing Customer Experience Strategy which aims to make continual improvements to the services we provide to all of our residents. In 2019 we launched a 6 week Customer Survey – the first in over 4 years and received over 2500 responses (online and face to face). The findings suggest that whilst we have made some progress in improving our customers experience we still have a way to go and are not consistently meeting customer expectation or need. To address this we need to be more ambitious than ever in order to meet the needs of our customers and give them the experience we want them to have and we know that they deserve. The scale of change is significant and must reach all parts of our organisation - people, process, information and technology. This will require additional investment of up to £3.0m over a two to three year period.
  - Sheffield International Venues (SIV) (£1.3m). The Month 6 Revenue Budget Monitoring report detailed that the Council and SCT have been working to reduce the subsidies paid to support SCT's operations. A business plan was received from SCT that proposed to move to a zero

subsidy by 19/20. This relied heavily on plans to grow their income base. This proposal was agreed, but is not being achieved by SCT, with deficits over the last few years averaging £2.8m and expected to continue at this level. The anticipated shortfall identified, and provided for, during the 2019/20 budget process was £1.5m. In order to meet the amended forecast shortfall of £2.8m, £1.3m of additional funding is needed for 2020/21.

- Pay strategy (£3.4m): this covers the expected costs of staff salary increments for 2020/21. This figure excludes a 2% cost of living increase covered within Portfolio pressures that equates to approximately £3.7m.

## Development of Portfolio Budgets

### Key messages

Additional funding is provided to cover inflation and service demand costs, as well as, corporate investments for major projects. This increase is offset by budget reductions delivered by proposed savings identified within portfolio's strategic plans.

The transfer of additional funds and/or the agreement to deliver savings receive political sign off to ensure the efficient use of funds in delivery of the Council priorities and statutory duties.

People are the only portfolio to receive significant investment with a net budget increase in funding of £17.9m for 2020/21. This demonstrates the Council's ongoing commitment to social care and the most vulnerable residents in the city.

55. The following table (Table 5) shows how the portfolio budgets are proposed to change from 2019/20 to 2020/21. The three main reasons for changes to portfolio budgets are:

- Pressures £29.7m – further details can be found in both **Appendix 1** as well as the budget implementation plans at the following link: <https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html>;
- Savings £14.7m – further details can be found in the Savings Summary in **Appendix 2** of this report and /or the budget implementation plans at the following link: <https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html>;
- Other movements (£4.1m net increase) – virements from corporate items to Portfolios, mainly in relation to corporately funded contract inflation on

Streets Ahead contract of £1.1m and pay strategy of £3.4m, offset by the anticipated income of £1.0m in relation to HotC2 rental income.

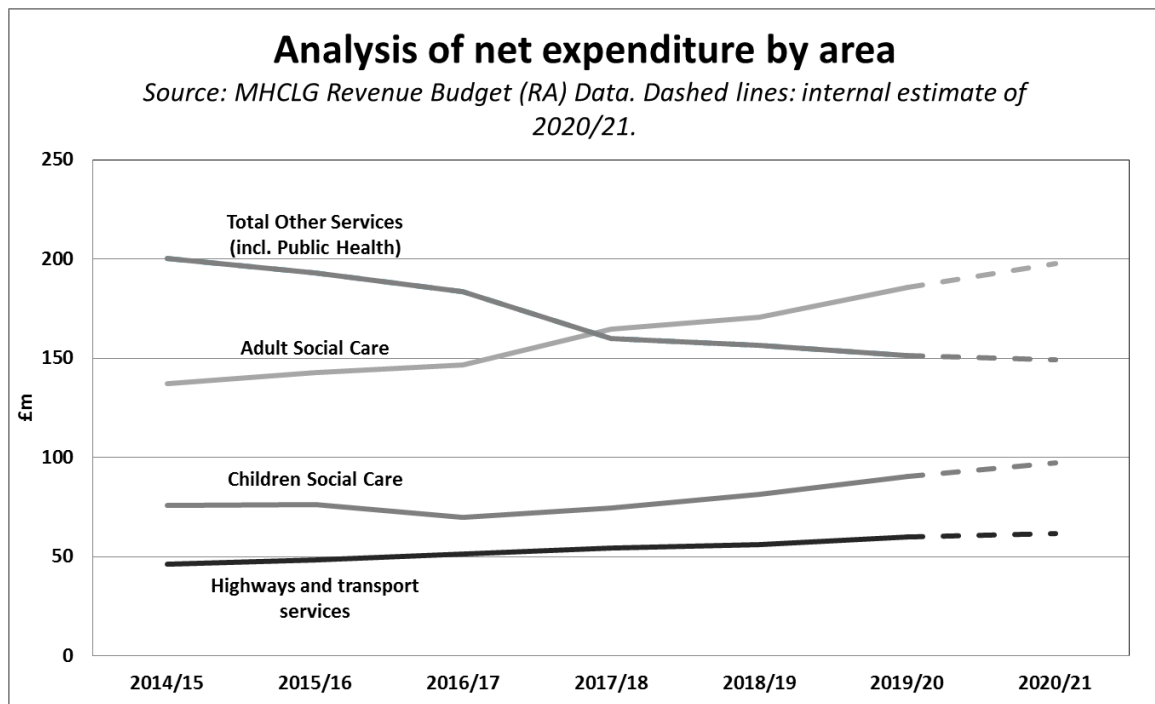
**Table 5**

	Original Budget 2019/20	Pressures 2020/21	Savings 2020/21	Other Movements 2020/21	Original Budget 2020/21	Budget Movement
	£000	£000	£000	£000	£000	£000
<b>Portfolio budgets:</b>						
People	232,655	27,689	(12,561)	2,799	250,582	17,927
Place	145,423	1,096	(1,257)	1,344	146,606	1,183
Policy Performance and Communications	2,195	90	(90)	(37)	2,158	(37)
Resources	39,747	789	(790)	(42)	39,704	(43)
	<b>420,020</b>	<b>29,664</b>	<b>(14,698)</b>	<b>4,064</b>	<b>439,050</b>	<b>19,030</b>

Note **Appendix 3** will reconcile between the figure above, and the Net Budget requirement of £420m shown in paragraph 22.

56. The figures in Table 5 demonstrate that, subject to Full Council approval, the People Portfolios with its social care responsibilities will see significant investment of £17.9m. This is the third successive year of investment totalling approximately £53m. Figure 3 below demonstrates this ongoing commitment to social care and the impact on other service of this prioritisation.

Figure 3.



57. The net £17.9m increase in the People portfolio budget understates the scale of the challenge facing the Council's social care services and is also predicated upon the Portfolio's ability to deliver £12.6m worth of savings for 2020/21.
58. This level of additional funding has only been possible via a combination of an increase in the Social Care Grant of £12.2m and the Council's difficult decision to increase council tax, including the Adult Social Care precept. The Council has had to balance the extra costs to Sheffield taxpayers from the increase, with the need to protect its social care services to its most vulnerable residents.
59. It will be vital that this additional investment allows the People portfolio to continue its implementation of the approved recovery plans (details included in the Portfolio Spend Revenue Plans section below) to drive down costs and manage demand.
60. 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, are 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.
61. Whilst increased funds have been provided by Government for Social Care (through the Social Care Grant) for 2020/21, these additional funds will not compensate for the larger national funding cuts imposed over the previous decade.
62. To date, all additional funding provided for social care has been focussed on adult social care and in particular on NHS related services for older people and delayed discharges from hospital. However growth in demand for Children's social care services has significantly increased over recent years and is quickly becoming acknowledged as the most significant financial risk amongst upper tier Local Authorities.
63. Additional Social Care Grant funding will help support investment in these areas. However, it will not be sufficient to fund the forecast increase in demand for services in the coming years. Additional focused resources are needed from Central Government to adequately protect these services and the Children supported by them.



64. The historic and current underfunding of Children’s social care has and will continue to result in the diversion of budget from other council services to ensure effective service delivery and transformation.
65. This transfer of funds along with allocations from the Social Care Grant have enabled an increase in funding to Children’s Services to support:
- new initiatives and support for families, including preventative measures such as reducing referrals to social care and the number of children entering the care system by delivering earlier support and other programmes;
  - the redesigning of services to ensure the right resources are available to children taken into care: and
  - performance initiatives to ensure that the service has the right number of appropriately trained staff to improve the quality of service delivery.
66. Should no new investment from Central Government be forthcoming after 2020/21 and into the medium term, the Service is likely to become reliant on temporary funding sources such as reserves.
67. The Place Portfolio has pressures of £1.1m for 2020/21, which are mainly the result of contract inflation and pay pressures. However, the Portfolio has been able to commit to additional savings of £1.3m, via a combination of reducing costs by doing things differently and increasing fees and charges to reflect the actual cost of the service. This will facilitate a £0.2m budget reduction for the portfolio.
68. Resources portfolio has been able to mitigate its 2020/21 pressures to deliver a balanced budget. The main pressures facing the Resources portfolio relate to pay inflation of £0.6m and have been mitigated predominantly via staff savings resulting from service restructures, reductions in pension costs and a slight increase in income generation targets.

## **Savings Proposals for 2020/21**

### **Key messages**

The total level of savings proposed by the Portfolios for 2020/21 is £14.7m and covers categories such as services effectiveness, cost reduction and staff savings.

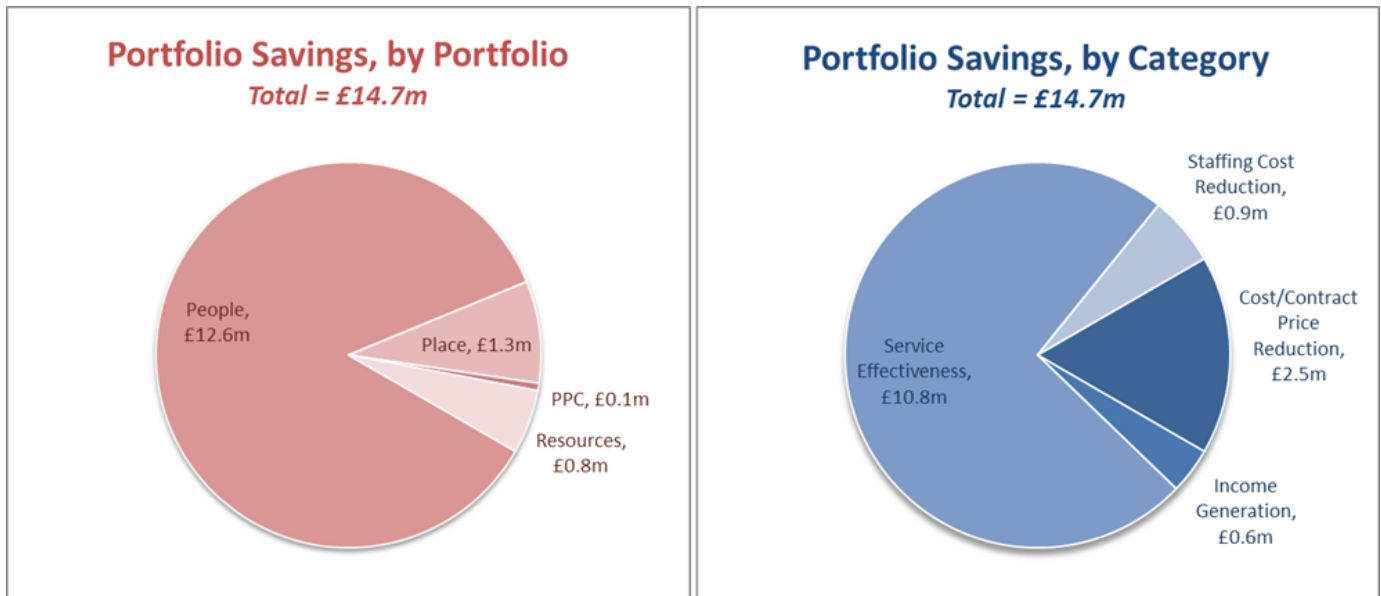
69. Discussions with Members have taken place since the consideration of the MTFAs, to produce a set of proposals that will achieve a balanced budget. The proposals set out in this report form the basis of a balanced budget and a recommendation to Council on 4<sup>th</sup> March 2020. The total amount of Portfolio

savings are £14.7m. If any of these proposals were not to be approved by Council then alternative compensating savings would need to be identified and recommended to Council.

70. The graphs below display the level of savings by portfolio but also by category.

Figure.4

Figure. 5



## Portfolio Revenue Spending Plans for 2020/21

### Key messages

Each Portfolio develops a Revenue Spending Plan, which provides a high level summary on how funding will be spent to deliver service priorities. These are set in line with the Councils' overarching priorities and ensure the Fairness principles are adhered to. These plans also include a high level summary of the savings to be delivered for 2020/21.

71. Attached at Appendix 3a to 3d are the Portfolio Revenue Spending Plans, which include high level summaries of the Portfolio savings proposals required to deliver the £14.7m in 2020/21. These plans set out the future direction of the Portfolio's in meeting the Councils' priorities but also how longer term financial sustainability will be achieved.
72. Further details of the funding allocated to each service to support these plans along with the detailed savings proposals are contained within Budget Implementation Plans (BIP's). BIP's and have been completed for each of the three Portfolios and can be found on the website via the attached link: <https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html>

73. A summary of the savings contained within the BIPs, together with a detailed cash allocation for each Portfolio, is provided and 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.
74. The sections below set out the Councils' priorities and Fairness principles applied in setting the 2020/21 budget and informing the Portfolio Revenue Spend Plans.

### **Our Priorities**

75. Our budget for 2020/21 and Portfolio Revenue Spend Plans are driven by the five key priorities:
- An in-touch organisation: This means listening; being connected and being responsive to a range of people and organisations; ideas and developments. This includes local people; communities and Government, as well as keeping pace with technology. This means understanding the increasingly diverse needs of individuals in Sheffield, so the services we and our partners provide are designed to meet these needs. It also means understanding how to respond. This priority is also about empowering individuals to help themselves and providing opportunities to do this, so they and their communities are increasingly independent and resilient.
  - Strong economy: This means creating the conditions for local businesses to grow and making Sheffield an attractive location to start a business. We want Sheffield to achieve our economic potential and for the pace of Sheffield's economic growth to quicken, particularly in the private sector. This means being well-connected, both physically and digitally, building on our success as a city that supports businesses to grow and play a full, distinctive role in the global economy. We want local people to have the skills they need to get jobs and benefit from economic growth; and to make the most of the distinctive things Sheffield has to offer, such as cultural and sporting facilities.
  - Thriving neighbourhoods and communities: This means neighbourhoods where people are proud to live, with communities that support each other and get on well together. This includes good, affordable housing in places that are well-maintained and easy to get around. It means places with access to great, inclusive schools that also act as community amenities, together with libraries and it means places with access to high quality sport and leisure facilities, including green and open spaces. We

want people living in Sheffield to feel safe and will continue to join with other agencies in the city to make it easier for local people and communities to get involved, so we can spot and tackle issues early. We will work with communities to support them and to celebrate the diversity of the city.

- Better health and wellbeing: This means helping people to be healthy and well, by promoting and enabling good health whilst preventing and tackling ill-health, particularly for those who have a higher risk of experiencing poor health, illness or dying early. Health and wellbeing matters to everyone. We will provide early help and look to do this earlier in life to give every child the opportunity to have a great start in life. This is strengthened by our other priorities that make sure the city has facilities and amenities that help people to stay healthy and well, such as leisure and culture, as well as access to green and open spaces.
- Tackling inequalities: This means making it easier for individuals to overcome obstacles and achieve their potential. We will invest in the most deprived communities; supporting individuals and communities to help themselves and each other, so the changes they make are resilient and long-lasting. We will work, with our partners, to enable fair treatment for individuals and groups, taking account of disadvantages and obstacles that people face.

76. 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 is available on the Council's website at [www.sheffield.gov.uk/fairnesscommission](http://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.

## Financing the 2020/21 Budget Requirement

### Key messages

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 set out in **Appendix 6** and include:

- a Budget Requirement (a "section 32 calculation") = £420.2m
- a Council Tax Requirement (a section 31A(4) calculation) = £227.4m
- a basic amount of tax (Band D equivalent) = £1,621.40

77. 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 2020/21. This section of the report sets out the overall summary position and the statutory determinations relating to total net expenditure and its financing.

### Council Tax

78. After taking account of the Revenue Support Grant, Business Rate income and Top Up Grant for 2020/21, the total amount to be raised from Council Tax amounts to £227.4m: this is the Council's Council Tax Requirement.

### Collection Fund

79. The City Council is required to estimate, for Council Tax setting purposes, the projected year-end balance on the Collection Fund. This estimate must take account of payments received to date, the likely level of arrears and provision for bad debts, based on information available by 15 January. Taking these factors into account, the projection on 15 January was that the Collection Fund is in surplus, with a distribution to the City Council of £8.2m due in 2020/21.

## Council Tax Base

80. On 15 January, the Executive Director of Resources, under delegated authority, approved the calculation of the Council Tax Base for the 2020/21 financial year. The amount of the Tax Base is 140,243.94 Band D equivalent properties.

## Budget Requirement for 2020/21

81. If the Council votes in favour of increasing the Council Tax by 3.99% the Budget Requirement for 2020/21 will be £420.2m, as shown in the table below.
82. The Budget Requirement will be financed by a combination of Revenue Support Grant, Business Rate income, Top Up Grant and Council Tax income.

Table 6

	2019/20 £'000	2020/21 £'000
Service Expenditure	403,291	420,171
Total Expenditure	403,291	420,171
<b>Financed by:</b>		
Revenue Support Grant	-36,893	-37,494
Business Rates	-99,341	-103,828
Top Up Grant	-42,529	-43,222
Council Tax	-216,328	-227,391
Collection Fund Surplus	-8,200	-8,236
Budget Requirement	-403,291	-420,171
	£	£
Band D Council Tax (City Council)	1,559.18	1,621.40

## Council Tax Levels

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

Table 7

Band	Multiplier	Value (up to) in 1991	Chargeable Properties %	Tax £
A	6/9	£40,000	58.3	1,080.93
B	7/9	£52,000	15.9	1,261.10
C	8/9	£68,000	12.7	1,441.24
D	9/9	£88,000	6.5	1,621.40
E	11/9	£120,000	3.7	1,981.70
F	13/9	£160,000	1.7	2,342.03
G	15/9	£320,000	1.1	2,702.32
H	18/9	over £320,000	0.1	3,242.80
			100.00%	

## Precepts

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

84. 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 25<sup>th</sup> February 2020 and 19<sup>th</sup> February 2020 respectively. Further details can be found in **Appendix 6**.

Table 8

Major Preceptors	2019/20		2020/21		Increase
	Precept	Band D	Precept	Band D	
South Yorkshire Fire & Rescue Authority	10,146,379	73.13	10,460,796	74.59	1.99%
South Yorkshire Police and Crime Commissioner	26,938,616	194.16	27,774,359	198.04	2.00%

## Parish and Town Councils

85. 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:

Table 9

	Council Tax Income	Grant from Council	Total Precept on Collection Fund
	£	£	£
Bradfield Parish Council	249,542	4,098	253,640
Ecclesfield Parish Council	263,622	4,113	267,735
Stocksbridge Parish Council	129,669	2,959	132,628

86. In March 2015, it was agreed with Parish Councils to reduce the Council Tax Support Scheme (CTSS) grant in line with anticipated RSG cuts. The CTS subsidy for 2020/21 is the final year of this agreement and no CTS subsidy will be paid in future years.

## Legal Advice

### Key messages

The Chief Finance Officer has a number of responsibilities for which the authority should have regard. These include:-

- Reporting on the robustness of estimates in determining the budget requirement and the adequacy of reserves.
- Producing a balanced Revenue Budget and setting the Council Tax in line with the budget requirement.
- Having due regard towards the interest of Council Tax payers, eliminating discrimination and advance equality of opportunity to all.
- Being satisfied that the Council can continue to meet its statutory duties.

### Responsibility of the Chief Financial Officer

87. Under section 25 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.
88. There is also 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 adequate to cover the medium term financial risk.
  89. 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.
  90. 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 determining its Revenue Budget requirement in accordance with the provisions of sections 31A, 31B and 34 to 36 of the same 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.
  91. By the law the Council must set a balanced budget, which is a financial plan based on sound assumptions which shows how income will equal spend over the short- and medium-term. This can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. However a budget will not be balanced where it reduces reserves to unacceptably low levels and regard must be had to any report of the Chief Finance Officer on the required level of reserves under section 25 of the Local Government Act 2003, which sets obligations of adequacy on controlled reserves.
  92. In the Local Government Finance Settlement 2020/21 the Secretary of state for Housing, Communities and Local Government proposed that local authorities will be able to increase council tax in 2020-21 by a core principle of up to 2%, without holding a local referendum. In addition, councils with adult social care responsibilities will be able to increase their council tax by a further 2%, on top of the core principle, to be spent exclusively on adult social care. The Draft Referendums Relating to Council Tax Increases (Principles) (England) Report 2020/21 states that the relevant basic amount of council tax of an authority is excessive if the authority's relevant basic amount of council tax for 2020-21 is 4% (comprising 2% for expenditure on adult social care, and 2% for other expenditure), or more than 4%, greater than its relevant basic amount of council tax for 2019-20.

93. 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.
94. 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.
95. In setting the budget the Council has a duty to have regard to the need to eliminate discrimination and advance equality of opportunity between all, irrespective of whether they fall into a protected category such as race, gender, religion etc. Further detail on this is in the Equalities Impact section and the Equality Impact Assets in Appendix 9.
96. The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Directors are satisfied that this will enable them to continue to meet their statutory duties and the needs of the most vulnerable. In some cases further consultation may be required.
97. 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.

## **Levies**

98. The Council currently has approximately £23.0m 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 2020/21 on 27<sup>th</sup> January 2020. The transport levy payable is frozen at 2019/20 levels of £22.6m.
  - Payments to the South Yorkshire Pensions Authority and to the Environment Agency are forecast to be £160k and £240k respectively.

## Housing Revenue Account (HRA) Budget

99. 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 15 January 2020.

## Treasury Management Strategy

### Key messages

As part of its budget decision, the Council is required to approve a Treasury Management Strategy for 2020/21. Treasury Management relates to the management of the Council's investments, borrowings and banking operations. This is set out in detail in **Appendix 7**.

100. 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.
101. 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.
102. The Sheffield City Council Treasury Management Strategy for 2020/21, including the proposed Annual Investment Strategy, Prudential Indicators and the Minimum Revenue Provision Policy, is set out in **Appendix 7**. The responsibility for day to day management of the Council's treasury management activities rests with the Head of Strategic Finance, and it is recommended that authority for undertaking treasury management activity and relevant reporting continue to be delegated to the Head of Strategic Finance.
103. 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

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

## Workforce Impact

### Key messages

The potential workforce impact arising from the recommended savings proposals to set the 2020/21 budget, equates to a reduction of approximately 34 full time equivalent (FTE) posts.

105. 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 of services.
106. 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.
107. 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.

## Pay Policy

108. In accordance with the Localism Act the Council is required to publish a Pay Policy for 2020/21. Details of this can be found in **Appendix 8**.

## Members' Allowances

### Key messages

Each year the Council has to agree a Members' Allowances Scheme. There are no proposed changes to the structure of the scheme for 2020/21. However, pay inflation currently forecast at 2%, will be added to allowances and is linked to average cost of living increases for SCC staff.

109. 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.
110. The Council's Independent Remuneration Panel conducted a review of the Council's Members' Allowances Scheme in January 2017. The report of the Panel was considered by the Council at its budget meeting held on 3 March 2017, and the Council approved a Scheme for 2017/18 and onwards. The 2017/18 Scheme was also implemented for 2018/19 and 2019/20.
111. The Scheme that was approved for 2017/18 was unchanged from the previous Scheme. The structure of the previous Scheme had first been implemented in 2013/14 and had subsequently only been subject to minor alterations, as noted in previous years' budget reports, for example, as a result of regulatory changes introduced in 2014/15 to remove, on a phased basis, Members' entitlement to participation in the Local Government Pension Scheme (LGPS), resulting in budget savings on superannuation contributions.
112. Savings have also been achieved on the budget for Members' Allowances since 2013/14 as a result of the changes made to the responsibilities for which Special Responsibility Allowances were to be paid, and to the amounts of the Special Responsibility Allowances.
113. As regards the Scheme for 2020/21, officers have not identified any forthcoming changes in the structure or operation of the Council's decision making arrangements which would require consideration by the Independent Remuneration Panel due to their impact on the structure of the Scheme, and, accordingly, it is recommended that the current Scheme be rolled forward unchanged for 2020/21.
114. Additionally, in May 2020, a referendum will be held in relation to the Council's governance arrangements. Any changes to the structure or operation of Council decision making as a result of the outcome of the referendum would also need to be considered by the Panel. The impact on the Members' Allowances budget arising from changes to governance arrangements will be assessed in advance of a new structure being implemented. Notwithstanding, the Council will be required to reconvene the Independent Remuneration Panel in late 2020/early 2021 to undertake a review of the Scheme to ensure the requirement for the Scheme to be reviewed at least every four years is met.

115. The Scheme contains provision for the allowances to be adjusted on an annual basis in line with an agreed index. The index that has been used for many years for applying to the allowances (and continues to be the index within the current Scheme) is the average percentage officer pay award in Sheffield. The Council agreed to implement the annual increase in 2017/18, and again in 2018/19 and 2019/20, having agreed not to apply the annual increase each year from 2010/11, including in four years when Council employees received a pay rise.
116. Implementation of the annual increase on allowances in 2020/21 would give rise to a budgetary pressure. Savings will be found from elsewhere within the Council's overall financial position.

## **Budget Consultation**

117. To inform, develop and enable citizens to have their say on options for the 2020/21 budget, the Council ran a budget survey between 20 December 2019 and 24 January 2020, in addition to wider engagement with citizens, and partner organisations over the last year.
118. This has helped us to ensure that our budget proposals 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.
119. To inform longer term thinking and Equality Impact Assessments our budget consultation activity consisted of two main strands:
- An online survey supported by social media promotion activity that looked at the financial position and the Council-wide approach. This provided opportunities for residents to have their say on priorities, investment in services and capital projects, our proposals for Council Tax, and provide suggestions on areas for further savings or generating income.
  - On-going conversations on particular topics and specific proposals, including meetings with the VCF and Businesses and key partner agencies.
120. Over a 5 week period during December and January we ran an online survey that received 313 responses through the Council's Citizen Space consultation portal (<https://sheffield.citizenspace.com>).
121. In addition, the consultation on our 2020/21 budget proposals has taken place alongside the [Big City Conversation](#). This has been a citywide conversation,

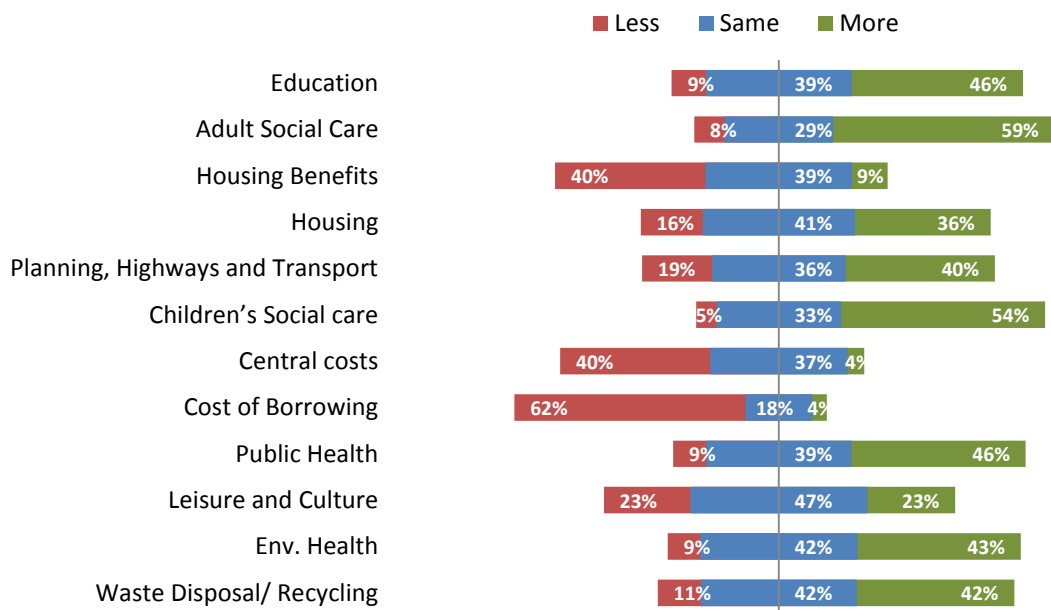
talking to citizens from across the city's neighbourhoods about the issues that matter most to them, what they would like to see change in Sheffield and how they want to get involved in the decisions that affect their communities and their city. There is a clear link between how the City Council invests its budget and the issues and priorities that Sheffielders have talked to us about in the Big City Conversation. While the Big City Conversation is ongoing, key themes and issues that citizens have raised are also reflected in the content below.

#### Citizens' Spending Priorities for Sheffield

122. Continuing the trend from recent years, respondents showed a clear support for the Council prioritising services and support for the most vulnerable in our city.
123. In relation to a question about the Council's priorities there were 306 responses with the majority of comments indicating that money should be spent on Children and Adult Social Care with specific references to support services, education, and protecting the most vulnerable. Health and wellbeing also had a significant number, in particular 'helping people to stay healthy', and also supporting people with mental health issues.
124. As in the consultation on our 2019/20 budget, Adult Social Care, Children's Social Care and Public Health/Education were highlighted as the top three priorities that the Council should fund more. Over 200 comments were received on these areas with most comments being explanations as to what respondents want to see an increase in spend for a particular service. Responses included wanting to see support for vulnerable children and adults, especially around Mental Health and education services. A number of respondents who indicated that more should be spent on Public Health felt that cuts in services to support people's health and wellbeing has had a huge impact on the people of Sheffield. In comparison to 2019/20, there was a percentage increase in those wishing to spend more on education, children and adult social care and public health.
125. Respondents also indicated that there were a number of service areas where the level of spend should remain the same. In particular, respondents cited leisure and culture, Environmental Health/Waste and Recycling, and Housing as areas where spending levels should stay the same.
126. Respondents were more likely to say that the Sheffield City Council should spend less on the cost of borrowing, central costs and housing benefits. We received over 200 comments relating to these three areas with comments suggesting additional money saved by reducing spend in these areas could

then be invested in education and social care. In addition, through the Big City Conversation, respondents have strongly argued that they particularly value their local parks and open spaces but would like to see greater activity to tackle congestion, improve public transport, reduce crime and improve the local neighbourhood/street environment. This is important to reflect upon alongside the below service spending priorities.

### Summary of spending priorities



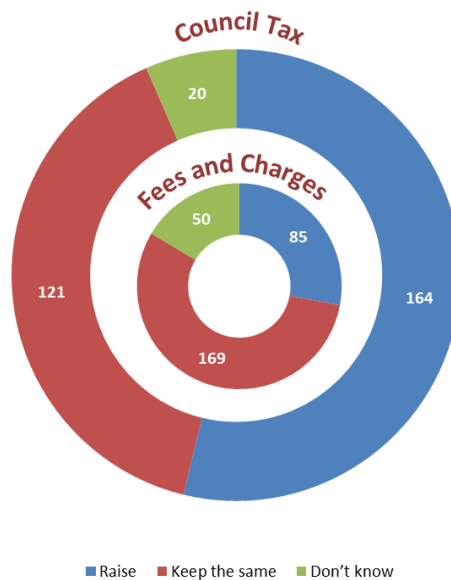
### Council Tax and fees and charges

127. The majority of respondents (164) supported raising Council Tax with 121 people indicating that Council Tax should stay the same. Of those that gave a reason as to why they felt that Council Tax should be raised, the most common reason given was that a slight increase would be worth it to have improved public services. In addition, a number of respondents said that they supported an increase in Council Tax but would like reassurance and transparency that this extra money would be spent wisely and have a real impact.
128. Over half of respondents said that they did not want to see an increase in fees and charges and that the levels should stay the same. Many thought that fees and charges are high enough, that increases would be deemed unacceptable and likely to have most impact on poorer residents of the city. As in 2019/20, a number of the specific comments made by respondents related to parking



fees which are considered to be too high and there is concern for knock-on implications for the city centre.

129. Of the respondents that suggested fees and charges should be raised (85), the main reasons cited included that it could finance improved public services and leisure facilities and that the Council had few other choices if it needs to increase its overall funding. Finally, a number of respondents agreed that fees and charges must be increased but suggested that any increase should not include charges associated with library, bereavement or social care services.

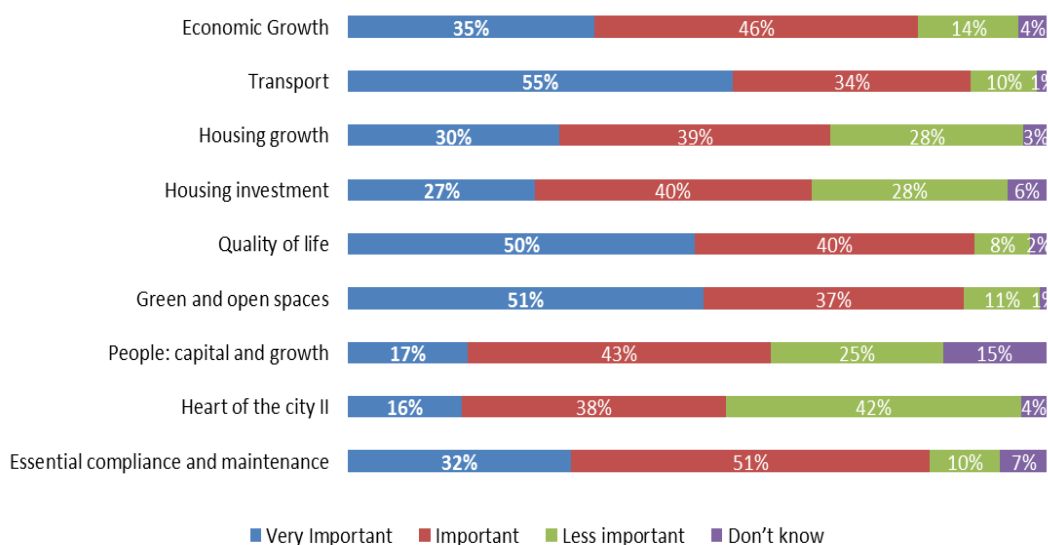


### Council Investment

130. Respondents mainly suggested that it was important for the Council to invest in transport, green and open spaces and quality of life. Other areas seen as important included essential compliance & maintenance and people: capital and growth. Of the comments received, the thread throughout is that people agree that investment is important to promote regeneration and the need for a fair and improved transport infrastructure to support both business and leisure.
131. In relation to essential compliance and maintenance of the Council's estate, many agreed that there needs to be investment in where we all live, and gave positive feedback regarding changes to the Moor and some parks, which was a common theme in the Big City Conversation. Some people felt that there are areas in the community which are very neglected and only help to encourage graffiti and anti-social behaviour. This was also a strong theme that came out of the discussion with the public during the Big City Conversation.

132. Transport was seen as a very important area for investment, and noted that we need a far more accessible service which can run on an upgraded infrastructure. Comments also noted that currently people who do not live in the city centre find it very difficult to travel across the city. A proportion of people felt much more investment was needed to support more environmentally friendly travel for bikes and pedestrians. A good transport network was commented on as essential for the city’s regeneration along with regular and clean public transport.
133. The focus on transport reflects many of the comments received when we have spoken to residents as part of the [Big City Conversation](#) (face to face and through the online survey), with issues relating to public transport, congestion and air pollution regularly cited as issues that need addressing in neighbourhoods across the city.
134. The following chart indicates the proportion of comments that fell into each of the three categories. It should be noted that some respondents made several comments/suggestions that fitted into two or all three categories.

Council investment



135. We received an extensive range of comments and suggestions on how the Council could increase income, reduce costs or make savings to support the budget. In terms of raising income these included collecting owed Council Tax and raising Council Tax; increasing car parking charges and business rates; and lobbying central Government for more money. Examples of comments about reducing costs included reducing pay, pooling local authority resources for South Yorkshire, and working more closely with the NHS and Universities. Comments on savings included ending external contracting and bringing outsourced council services back in-house.

136. 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.
137. In People Services, proposals are based on a range of approaches, including: investments in Children's Social Care and Inclusion; risk and benefit sharing through integration with health partners; negotiation with fund holders and service-providers; individual support and casework; and general efficiencies. Some proposals have been informed by consultation feedback relating to dementia services; drugs and alcohol services; Adult Social Care payment processes; and Grant Aid to voluntary, community and faith sector organisations. Changes to fees and charges have been communicated. Other proposals will require communication with individuals and forms of co-production to develop ideas further. Consultation has been, or will be, carried out where proposals affect employees.
138. In Place Portfolio, the 2020/21 proposals are a mix of internal change and efficiencies, renegotiation of contract arrangements with partners and inflationary increase in charges/fees. A range of data has been used to help inform if there are any potential differential equality impacts and these will be considered as part of the decision making process for the proposals, 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.
139. We have consulted closely with Voluntary, Community and Faith organisations providing Community Services to adults to inform the detail of our proposals to taper the level of Grant Aid in 2019/20, as outlined in our grant agreements. A Grant Aid consultation has been undertaken in 2020. Following an on-going engagement exercise, grant agreements with Associate Libraries will similarly be tapered in 2019/20. We will consult on different options for the day to day service currently offered for adults with learning difficulties at Love Street – the redevelopment of the West Bar area will see the site close. Further consultation may be required as we develop other in-house services.
140. Consultation on proposals will not stop once the budget has been agreed with Members. Further consultation with those affected individuals, groups, organisations and staff will take place throughout the forthcoming year as decisions are taken through the Council's governance process. Where appropriate, Equality Impact Assessments on specific budget proposals

include details about our approach to consulting people and further work that may be required. Reports on the consultation activity will be made available on the Council's consultation hub and the Council's budget webpages.

## **Equality Impact**

141. 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.
142. 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.
143. This is with regard both to people who share Protected Characteristics under the Act and those who do not. 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 people who use services 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).
144. The Council-wide EIA (Appendix 9) and the individual service EIAs on budget proposals that underpin it are focused on the impact on the protected characteristics in the Equality Act 2010. These are age, disability, race, marriage and civil partnership, sex, sexual orientation, religion/belief, gender reassignment, pregnancy and maternity.
145. 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.

146. This provides an overview of the potential implications of the proposals in the 2020/21, taking learning from the 69 individual EIAs that support each proposal.
147. The individual EIAs are not however a one-off tasks; instead they are ongoing or 'live' ensuring that they develop as the budget proposals develop and evolve 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.
148. 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.
149. 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.
150. It is 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.
151. Inevitably, funding reductions at the scale and pace that we have experienced over the last nine years does have implications for 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.

152. Tackling inequality is fundamental to the values of the Council and is considered throughout our proposals. Although the required level of savings have reduced we still and we are investing in a number of areas, including Adult Social Care, 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.
153. Impact analysis is started early in the process of considering service changes, to ensure we involve relevant individuals and groups, including those who use services. This also gives us time to understand and consider evidence we have about the potential impact of any proposal. The action plans for individual EIAs are designed to ensure that the services concerned implement changes with as little negative impact as possible. There is also careful management control of each proposal. The impact analysis process helps to shape both proposals which were not accepted and not included in the budget and those that are.
154. 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](#) which includes tackling inequalities as one of the Council's five key priorities. We have also supported the Fairness and Tackling Poverty and Social Exclusion Partnership and the [Making Sheffield Fairer](#) Campaign. The Fairness and Tackling Poverty Partnership, of which the Council is a part of, has produced a Sheffield wide [Tackling Poverty Strategy](#). The Fairness Framework and campaign, as well as our Corporate Plan and Tackling Poverty Strategy, have influenced our priorities and decision making across the Council.
155. In the last year, we have launched our new [Equality Objectives 2019-23](#) which demonstrate our commitment to challenging inequality and promoting a fair and inclusive Sheffield.

### **Evidence supporting our impact analysis**

156. As set out in Appendix 9, our equality impact analysis is underpinned by a robust evidence base, including:
- **Demographic analysis** - the 2011 Census and population data, Joint Strategic Needs Assessment, Open Data and Community Knowledge Profiles, which are used to help us identify possible

impacts requires an understanding of how the city is made up and the issues people face

- **Welfare and poverty data** - although not within the scope of our budget proposals, we consider the impact of welfare reform and the rollout of Universal Credit on our communities
- **Consultation** - to inform, develop and enable citizens to have their say on options for the 2020/21 budget, the Council ran a budget survey between 20 December 2019 and 24 January 2020.

### **Mitigating impact**

157. As set out in the wider Budget Report, 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, 2019-23 Equality Objectives, and our Corporate Plan.
158. As throughout austerity, our overall approach has been 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.
159. The year on year reductions over the last nine years have impacted on the people of Sheffield, including those in greatest need and groups that share protected characteristics. Most impacts relate to age, both younger and older people, disabled people and their carers, 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.
160. 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.

### **Cumulative impact**

161. As in previous years, we have regard to the cumulative impact of changes from recent years to inform our decision making this year. Whilst there are fewer implications this year and important investments in key services like social care, we should recognise the impact that almost a decade of austerity has had on communities and public services. We have 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.

162. The groups which are impacted across EIAs and portfolios are disabled people, older and young people, women, carers and people on low incomes.
163. Due to low income some groups are more likely to be cumulatively impacted, these are disabled people, carers, some BAME groups, young people and some groups of women, such as lone parents and female pensioners.
164. Some people who previously received a service will receive a changed or reduced service, or no service, as we focus services on those most in need. The reduction in universal provision is likely to impact on those who are not in the greatest need, but who are struggling financially and may find it difficult to pay for alternative provision.
165. A further impact across a range of proposals will be the transition from one provider to another. These changes have the potential to impact individuals. We will take this into account and will provide support for these people and their carers.
166. Looking across this year's budget proposals, there may be cumulative implications for a number of protected characteristics, largely because of increased investment and the positive development of services. This includes:
  - **Women** - looking across the proposals in the 2020/21 budget, women may experience positive cumulative impacts through increased investment in areas such as the Strengthening Families Programme (supporting families and addressing issues around domestic and sexual abuse), and the Fresh Start Programme (working with those most at risk of having a child removed).
  - **Older people and disabled people** – the budget includes increased investment in social care and enables the People Portfolio to continue to develop the services for adults including through the 'Conversations Count' approach and the focus of the Home First team in helping keep people out of hospital and keeping people independent, safe and well at home.



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

### **Headline summary of impact assessments**

168. There are 69 EIAs supporting this year's budget proposals but as identified in above, the Government's Spending Review in September 2019 allocated a small increase in local government funding for 2020/21. This addresses the in-year cost pressures that the Council faces but does not reverse the reductions in funding we have seen over the last nine years.
169. Therefore, the total amount of Portfolio savings we are required to make in 2020/21 amount to £14.7m, mainly focusing on service effectiveness, cost reductions and staff savings. There is significant continuity from previous years where multi-year transformation programmes continue to be delivered.
170. Key implications:
- **Council Tax** – the proposed increase in Council Tax (including the Adult Social Care Precept) has enabled the Council to invest in social care services for the third year in a row, supporting some of the most vulnerable people in the city. The increase in Council Tax was largely supported by respondents to the Budget Consultation. However, the increase in Council Tax brings increased financial pressure on lower income households (particularly those impacted on by Welfare Reform) and it is clear from the collection rates that under the Council Tax Support 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. The impact of this is mitigated through a Local Assistance Scheme and the Council Tax Support Scheme, which limits support to 77% of the Council Tax liability for working age applicants despite Government funding cuts in these areas. The Council Tax increase is also mitigated by increasing the Council Tax Hardship Scheme in 2020/21 by £200k.
  - **SCC workforce** - internal restructuring as a result of the budget proposals and other significant drivers, for example the change programmes linked to SCC2020, have implications for the City Council's workforce. There has clearly been an impact on staffing

levels as austerity has continued and the budget indicates further possible staff reductions of up to a further 34 FTE (full time equivalent) positions 2020/21. The full EIA document sets out more detail on how reductions in 2018/19 have impacted on protected characteristics within our workforce.

- **Voluntary, Community and Faith Sector** – the proposal to extend existing Grant Aid contracts by one year recognises the importance of the work done by the VCF sector in Sheffield to support our communities with protected characteristics. The proposed small reduction in Grand Aid allocations is considered to be manageable but this will be monitored given that it impacts on already stretched organisations.
- **Social Care** – the budget includes additional investment for social care which should benefit people with a number of protected characteristics (e.g. older people, people with disabilities) and supports some of the more vulnerable people in the city. Given the ongoing scale of demand increases in adults and children’s care, these investments are important but do not compensate for national funding reductions and are predicated on the People’s Portfolio delivering £12.6m of savings.
- **Health** – spending is integrated throughout the Portfolios in the Council. The 2020/21 budget indicates that the Public Health grant is not expected to be reduced this year and there are positive investments being made in the Sexual Health contract which will support unrepresented groups to access sexual health services, including young people, men and members of the LGBT+ community. More broadly, SCC is committed to working closely with NHS partners to deliver better health outcomes for people in the city.
- **Inequality** – whilst Council Tax increases will impact on people on low incomes (mitigated through increased investment in the Council Tax Hardship Scheme), there are a number of positive investments which contribute to addressing the root causes of inequality. For example, improving educational attainment and inclusion for children and young people with more complex needs through the Strengthening Inclusion Programme which will help pupils with a number of protected characteristics (race, cohesion, age). Further, there are also a range of investments through the Strengthening Families Programme to support some of our most vulnerable children, young people and families.

171. We are continuing to target resources at those who most need our support and are at risk, to help people to become more independent, to intervene earlier where possible and do more preventative work, to get even better value for money from the services we purchase and to pursue innovative approaches in service commissioning and design.
172. As part of the ongoing transformation of the City Council (e.g. SCC2020) services. We are continuing with restructures of Council services and are both internalising and externalising services where appropriate.
173. We are continuing to get value for money from our contracts. This is with our major strategic providers but also across Portfolios such as with our, housing commissioning, learning disability services, youth services etc.
174. 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

175. Council is recommended:
  - a) To approve a net Revenue Budget for 2020/21 amounting to £420.171m;
  - b) To approve a Band D equivalent Council Tax of £1,621.40 for City Council services, i.e. an increase of 3.99% (1.99% City Council increase and 2% national arrangement for the social care precept);
  - c) To approve the proposed amendments to the Long Term Empty premium which applies to Council Tax charges in respect of Long Term Empty Dwellings, as set out in paragraph 48, with effect from 1 April 2020;
  - d) To note that the section 151 officer has reviewed the robustness of the estimates and the adequacy of the proposed financial reserves, in accordance with Section 25 of the Local Government Act 2003. Further details can be found in **Appendix 4** and within the Section 25 Statutory Statement on Sustainability of Budget and Level of Reserves from paragraph 15;
  - e) To approve the savings as set out in **Appendix 2**;
  - f) To approve the revenue budget allocations for each of the services, as set out in **Appendices 3a to 3d**;
  - g) To note that, based on the estimated expenditure level set out in **Appendix 3** to this report, the amounts shown in part B of **Appendix 6** would be calculated by the City Council for the year 2019/20, in

accordance with sections 30 to 36 of the Local Government Finance Act 1992;

- h) To note the information on the precepts issued by the South Yorkshire Police & Crime Commissioner and of South Yorkshire Fire & Rescue Authority, together with the impact of these on the overall amount of Council Tax to be charged in the City Council's area;
- i) To approve the proposed amount of compensation to Parish Councils for the loss of Council Tax income in 2020/21 at the levels shown in the table below paragraph 85;
- j) To approve the Treasury Management and Annual Investment Strategies set out in **Appendix 7** and the recommendations contained therein;
- k) To approve the Minimum Revenue Provision (MRP) Policy set out in **Appendix 7**; which takes into account the revisions proposed for 2019/20 onwards;
- l) 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;
- m) To approve a Pay Policy for 2020/21 as set out in **Appendix 8**; and
- n) To agree that the Members' Allowances Scheme for 2017/18 and onwards, approved on 3 March 2017, and implemented for 2018/19 and 2019/20, be also implemented for 2020/21.

Charlie Adan  
**Interim Chief Executive**

Eugene Walker  
**Executive Director, Resources**

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## Portfolio Pressures

	BIP Reference*	Loss of Funding £'000	Increasing Demand on Services £'000	Pay & Price Inflation £'000	Legislation Changes £'000	Other £'000	Total £'000
<b>People</b>							
End of Strengthening Families investment activities	14.E3, 22.E1	2,210					2,210
Miscellaneous pressures due to loss of funding (<£150k)	Various	508					508
Loss of temporary funding	22.E2	500					500
Project continuation	6.E2, 8.E2, 11.E4	22	1,567				1,589
Anticipated growth in client base and assessed needs	10.E3, 11.E3		10,052				10,052
Growth in Children in Care	20.E1		1,250				1,250
Increase in Transforming Care demand	10.E5		487				487
Miscellaneous demand pressures (<£300k)	Various		1,241				1,241
Pressure on fieldwork non-staffing costs	18.E4		700				700
Pressure on fieldwork staffing costs	18.E5		1,100				1,100
Pressure on staying put	18.E6		314				314
Inflationary increases	30.E2			5,235			5,235
2% Pay award	Various			1,968			1,968
Increase in teachers' pension costs	28.E5			35			35
Legislative changes to payments to care homes	11.E5				500		500
		3,240	16,711	7,238	500	0	27,689
<b>Place</b>							
Loss of parking revenue due to city centre redevelopment	41.E5	123					123
Provision for increased cost of Waste Management services arising from growth in households/volumes.	41.E3		200				200
2% Pay Award	Various			1,100			1,100
Inflationary increase on waste contract	41.E2			900			900
Reversal of 2018/19 pressure	41.E4					(1,227)	(1,227)
		123	200	2,000	0	(1,227)	1,096
<b>Policy, Performance and Communications</b>							
2% Pay Award	44.E1			90			90
		0	0	90	0	0	90
<b>Resources</b>							
2% Pay Award	Various			589			589
Reduction in the level of external spend from BIP proposals resulting in reduced contract discounts	48.E1					200	200
		0	0	589	0	200	789
<b>Total Pressures</b>		<b>3,363</b>	<b>16,911</b>	<b>9,917</b>	<b>500</b>	<b>(1,027)</b>	<b>29,664</b>

\* - Full Budget Implementation Plans (BIPs) available here - <http://www.sheffield.gov.uk/content/sheffield/home/your-city-council/budget-spending.html>

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## Portfolio Savings

	BIP Reference*	Cost/ Contract Price Reduction £'000	Service Effectiveness £'000	Staff Cost Reductions £'000	Income Generation £'000	Total £'000
<b>People</b>						
End of RFID Equipment Lease	35.B1	(22)				(22)
Fieldwork Non-staffing Costs - review of Section 17 discretionary spending	18.B2	(350)				(350)
Increasing independence and inclusion	11.B1	(590)				(590)
Increasing Independence and Shift to Prevention	11.B2	(450)				(450)
Mental Health Service reductions	30.B1	(500)				(500)
Premises Cost	33.B2	(20)				(20)
Reduction in annual insurance premiums	2.B9	(58)				(58)
Youth Commissioning	30.B3	(37)				(37)
Business Strategy - risk and resilience improvements	2.B7		(14)			(14)
Improving Independence and Inclusion	10.B1		(2,123)			(2,123)
Increase in in-house fostering, kinship and regulation 24 carers	20.B1		(1,000)			(1,000)
Increasing the Proportion of Adults living at Home	10.B4, 10.B5, 11.B3		(1,078)			(1,078)
Increasing the Shift to Prevention	10.B2, 10.B3		(1,750)			(1,750)
Information Systems and Corporate Digital Services	2.B2		(17)			(17)
Integrated Social Work Model	18.B1		(1,100)			(1,100)
Management Growth in Demand	20.B2		(1,000)			(1,000)
Reduction in out-of-city placements	20.B3		(150)			(150)
Sustainable Provider Market	10.B6, 10.B7, 10.B8	(75)	(802)			(877)
Sustainable Provider Market and Fairer Charging	11.B4		(979)			(979)
Business Support Staff, attendance and wellbeing continuation	1.B1			(47)		(47)
Resources and Strategy	2.B1			(63)		(63)
Social Care and Payments Team	2.B8			(32)		(32)
Staff Restructure	30.B2			(68)		(68)
Staffing and Management Review	36.B1			(26)		(26)
Staffing and Management Review in central teams	35.B2			(67)		(67)
Charging for football pitch at Lowfield School	30.B4				(15)	(15)
Income from Joint Commissioning work	2.B6				(24)	(24)
Increased Income	28.B2				(39)	(39)
Increased Income to Information Systems	2.B4, 2.B5				(30)	(30)
Teacher's Pension grant funding	28.B5				(35)	(35)
		(2,102)	(10,013)	(303)	(143)	(12,561)
<b>Place</b>						
Upperthorpe Healthy Living Centre, Cultural Trusts - approved in prior year	38.B1, 38.B3	(86)				(86)
Portfolio-wide Improved Operational Efficiency	37.B1, 37.B2, 43.B2		(592)			(592)
Place HUB - approved in prior year	41.B2			(218)		(218)
Fees & Charges Review	37.B4, 38.B2, 41.B1, 43.B3				(361)	(361)
		(86)	(592)	(218)	(361)	(1,257)
<b>Policy, Performance and Communications</b>						
General savings across the service	44.B2		(85)			(85)
Increase in Communications income	44.B1				(5)	(5)
		0	(85)	0	(5)	(90)
<b>Resources</b>						
BCIS Non-staffing Savings	46.B1	(13)				(13)
Reduced pension costs for former employees	47.B1	(200)				(200)
Review of HR Contracts	52.B3	(20)				(20)
Finance & Commercial Services - restructured service	50.B1		(180)			(180)
HR Operational Structure	52.B2		(70)			(70)
Learning and Development Service Delivery Model	52.B1		(60)			(60)
On-line and web chat offer staffing efficiencies	49.B5		(60)			(60)
Repairs changes - staffing efficiencies	49.B6		(30)			(30)
Savings in Out of Hours Contact Centre	49.B2		(30)			(30)
BCIS Staffing Savings	46.B2			(39)		(39)
Members allowances savings	53.B3			(30)		(30)
Increased out of hours income generation	49.B1				(10)	(10)
Increased Registry Office income locally set	49.B3				(40)	(40)
Register Office - national revisions on income	49.B4				(8)	(8)
		(233)	(430)	(69)	(58)	(790)
<b>Total Savings</b>		(2,421)	(11,120)	(590)	(567)	(14,698)

\* - Full Budget Implementation Plans (BIPs) available here - <http://www.sheffield.gov.uk/content/sheffield/home/your-city-council/budget-spending.html>



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Restated 2019/20	<u>Summary Revenue Budget</u>	2020/21
£000		£000
	<b>Portfolio budgets:</b>	
232,655	People	250,582
145,423	Place	146,606
2,195	Policy Performance and Communications	2,158
39,747	Resources (inc. Housing Benefit & Council Tax Collection)	39,704
<b>420,020</b>		<b>439,050</b>
	<b>Corporate Budgets:</b>	
	<b>Specific Grants</b>	
(74,437)	PFI Grant	(74,437)
(5,961)	New Homes Bonus (LGF)	(5,929)
(3,261)	Business Rates Transitional Grant	(5,834)
(6,841)	Small Business Rates Relief	(6,852)
(21,896)	Improved Better Care Fund	(21,896)
(1,518)	Retail Relief	(2,312)
0	Adult Social Care Grant	(12,242)
0	Health Income	(2,600)
	<b>Corporate Items</b>	
5,500	Redundancy Provision	5,500
5,961	New Homes Bonus (LGF)	5,929
(1,138)	Public Health Savings / re-investments	0
3,000	Better Care Fund	3,000
3,290	Social Care Demand Contingency	3,290
4,000	Strengthening Families - Think Forward Investment	4,000
25,702	Schools and Howden PFI	25,930
900	Infrastructure Investment	900
14	Payment to Parish Councils	11
1,500	Sheffield International Venues	2,800
0	Customer Experience Programme	1,500
2,100	Other	2,600
	<b>Capital Financing Costs</b>	
13,662	General Capital Financing Costs	13,662
4,573	Heart of the City 2	5,473
13,092	Streets Ahead Investment	12,730
18,887	MSF Capital Financing Costs	18,816
	<b>Reserves Movements</b>	
(13,268)	Contribution from Reserves	(1,651)
9,410	Reserves Movements Relating to Pensions	8,733
<b>403,291</b>	<b>Total Expenditure</b>	<b>420,171</b>
	<b>Financing of Net Expenditure</b>	
(36,893)	Revenue Support Grant	(37,494)
(99,341)	NNDR/Business Rates Income	(103,828)
(42,529)	Business Rates Top Up Grant	(43,222)
(201,090)	Council Tax income	(207,615)
(8,200)	Collection Fund surplus	(8,236)
(15,238)	Social Care Precept	(19,776)
<b>(403,291)</b>	<b>Total Financing</b>	<b>(420,171)</b>

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## People

	<u>Gross Expenditure</u> £'000	<u>Income</u> £'000	<u>Net Expenditure</u> £'000
<b>BUSINESS STRATEGY - PEOPLE</b>			
Business Strategy Business Support	956	(562)	394
Business Strategy Operational Budgets	10,010	(5,953)	4,057
Portfolio Leadership Team	881	(146)	735
Portfolio Wide Budgets	66,157	(60,561)	5,596
School Budgets	142,633	(142,633)	0
	<b>220,636</b>	<b>(209,855)</b>	<b>10,782</b>
<b>CARE AND SUPPORT</b>			
Access & Prevention	16,692	(5,078)	11,615
Care & Support Business Support	1,502	(117)	1,385
Care & Support Commissioning	7,662	(4,485)	3,177
Contributions to Care	2,367	(2,367)	0
Learning Disabilities	66,768	(23,496)	43,272
Long Term Support	115,782	(48,488)	67,293
Prepractice Development	470	0	470
Safeguarding Adults	1,503	(162)	1,340
	<b>212,746</b>	<b>(84,194)</b>	<b>128,552</b>
<b>CHILDREN &amp; FAMILIES</b>			
Children & Families - CILS	8,922	(5,019)	3,904
Children & Families Business Support	4,035	(342)	3,692
Children's Disabilities Service	2,173	(110)	2,063
CYP Provider Services	19,525	(6,224)	13,300
Fieldwork Services	18,738	(371)	18,368
Health Strategy	2,570	(334)	2,237
Placements	29,843	(2,532)	27,312
Policy & Service Improvement	912	(269)	643
Prevention & Early Intervention	8,470	(3,702)	4,768
Safeguarding Children	2,739	(1,026)	1,714
	<b>97,928</b>	<b>(19,927)</b>	<b>78,001</b>
<b>COMMISSIONING, INCLUSION AND LEARNING SERVICES (CILS)</b>			
Children's Public Health	14,497	(14,441)	56
CILS Business Support	1,219	(1,033)	185
Early Support & Prevention	3,576	(1,059)	2,517
Inclusion & Schools Services	5,445	(4,765)	680
Schools and Learning	7,753	(7,631)	122
SEN	21,660	(21,160)	500
Supporting Vulnerable People	34,876	(14,921)	19,955
	<b>89,025</b>	<b>(65,010)</b>	<b>24,015</b>
<b>COMMUNITY SERVICES</b>			
14-24 Partnership	1,629	(1,191)	438
Community Services Business Support	366	(232)	135
Employment & Skills	5,221	(3,285)	1,936
Family & Community Learning	4,997	(4,653)	344
Libraries, Information & Archives	5,417	(1,001)	4,416
Locality Management	3,274	(1,310)	1,964
	<b>20,904</b>	<b>(11,672)</b>	<b>9,233</b>
	<b>641,239</b>	<b>(390,657)</b>	<b>250,582</b>

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## People Portfolio Revenue Spend Plan

1. The People Services Portfolio is an integrated service within Sheffield City Council ('the Council') which supports adults and children, young people, families and communities, and has three key areas of focus:
  - Improved management of demand for services by shifting from crisis response to a greater focus on early intervention and **prevention**, ensuring we listen to the people who use our services and work with our partners to do the right thing at the right time.
  - Ensuring that there is **high-quality**, diverse and robust care and support for our customers, providing good value for money for the Council.
  - Developing our **workforce**, making sure we have the right-sized staff groups, enabled by effective systems and supported to develop their skills.
2. Underpinning this is an 'all age' approach to disability-related services across the portfolio which supports individuals from childhood through to old age in a consistent and seamless way, without barriers or difficult transition points.
3. In 2020/21, we are budgeting to spend in the region of £250.6m cash and £28m of Public Health grant on delivering services for People. A further £463.7m of funding was allocated separately by Government for schools and early year providers. The majority of our funding is spent on social care: £128.6m for Adults Care and Support and £78.2m for Children, Young People and Families.
  - In partial recognition of the pressures affecting Social Care the Government announced an extra £1bn of funding. This money will help to support the increasing cost of social care in both Adults and Children's services.
  - The Government also announced it will continue to release Additional Better Care Fund monies to local authorities which was due to end in 2019/20. This money alongside the Winter Pressures Funding and the Adult Social Care Grant will continue to alleviate pressures in Adult Social Care.
  - Whilst these additional pots of money have improved the Council's medium term financial position, the funding will not fully cover the financial pressures in Social Care and unless there is clear information to suggest this funding will be made permanent there exists the real possibility of significant additional budget challenge beyond 20/21.

## Children, Young People and Families

4. 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.
5. We will continue to work together with 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.
6. We will continue to respond to increases in demand for services, our range of statutory duties, and expectations of inspections (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.
7. 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, for example the roll-out and continued use of 'Signs of Safety', a strength-based safety organised approach to child protection casework.
8. 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 services which support children, young people and families, and this will always be a priority for us.
9. 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.

Effective plans are informed by good quality assessments, and 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 to live 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 technical pathways that better connect education and employers, and we are working to redesign the skills and employment systems so that they better meet the needs of the local economy. This has included creating a multi-agency and localised employment service for those facing the greatest barriers to work, integrating support from the Council, Health and Jobcentre Plus to create a jobs and skills brokerage service that makes best use of the apprenticeship levy and the generation of job opportunities for the most vulnerable.

- **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 children's school experiences is fundamental to their later life chances. Children who experience high quality teaching and learning are much more likely to experience positive outcomes, such as sustained employment, good mental and physical health, avoidance of poverty and increased social mobility.

We have a vital role in working in partnership with schools, colleges, Learn Sheffield, 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. In addition, this partnership working enables a focus on raising attainment and



expectation by challenging schools and other education providers when required and supporting them to improve.

10. We are seeing significant and growing demand and need in areas such as special educational needs, emotional health and wellbeing, and child poverty. Alongside this are changes in legislation and policy which impact on the way we operate, and the expectations children, young people and families have of us, including the Children and Families Act 2014 (and the linked Care Act), the National Minimum Wage, and an ongoing shift towards more autonomy for schools. In addition, we are working with the schools in the city to prepare for the implementation of National Fair Funding Formula.
11. One of our biggest challenges is the increase in demand for children's services. We will address this challenge through the 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 continues to be to deliver the right level of support by the right service at the right time.
12. 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 focuses on the delivery of new initiatives to support families and to improve practice, and is structured under three themes.
  - **Demand:** We are working to reduce referrals to social care and the number of children entering the care system by delivering earlier support and the development of several evidence based programmes. This includes working with expectant parents who have already had children taken into care, to prevent repeat removals. We are also delivering targeted parenting programmes to increase resilience and help reduce family breakdown, as well as engaging 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 the care system.
  - **Supply:** We are redesigning and investing to ensure the right resources are available so that children taken into care in Sheffield are able to stay within the city. We are also working to ensure appropriate sufficiency of placements to meet changing needs. Our focus is on increasing the number of local authority foster carers through development of a comprehensive package of support, including wraparound support and ongoing training packages for foster carers.

- **Performance:** Having the right number of appropriately-trained staff is critical to improving the quality of service delivery. We are committed to children and families receiving support in a timely manner, and we are investing in staff training and development to ensure strong and consistent social care work practices and good quality risk management.

### **Dedicated Schools Grant (DSG)**

13. The provisional 2020/21 DSG settlement amounts to £463.7m for Sheffield, of which it is estimated that £354.7m will be earmarked for mainstream schools. The remaining funding is used to provide Early Years activities (£35.4m), services for children and young people with Special Education Needs and/or Disabilities (£66.7m), and statutory educational services (£6.9m). The final settlement for DSG will be received in spring 2020.
14. In recent years, the national Government has been implementing the National Funding Formula (NFF), with the aim of providing 'fairer funding' for all schools. As a result, Sheffield Schools will receive a DSG increase of an estimated £22m (Schools Block) in 2020/21, all of which will be transferred directly to schools.
15. We have agreed with Sheffield Schools Forum to implement a transitional model in 20/21 towards the NFF by prioritising the use of new funding allocation to deliver it. The reason we are making the decision to transition towards the national funding is to protect Sheffield schools from the sudden impact of a hard national funding formula in the future.
16. The effects of the changes for 20/21 are an overall increase in available funding in the Early Years sector to enable readiness for school, and an increase in Schools Block Funding. This latter point is good news and recognition of our historical funding. This increase should enable some schools to provide excellent learning support and to reduce some pressure on budgets.
17. It is also expected that the amount of DSG held centrally to fund services delivered by the Council on behalf of schools will come under increasing pressure from 2020/21 and beyond.

### **Adult Services**

18. Adult social care supports thousands of people every year in Sheffield, and our vision is to keep people healthy, safe and well, and to support them to live the lives they want to live.

19. We do this by having the right conversations with people to ensure they receive the right support from the right person at the right time, focussed on three different kinds of need:
  - 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.
20. The financial pressures facing adult social care are well publicised. Nationally, the LGA has estimated that there will be a national social care funding shortfall of £3.5bn by 2025 just to maintain existing standards of care. In Sheffield, the Council's financial pressures can broadly be defined in two categories: rising provider costs (predominantly the costs associated with the crucial investment in staff wages to meet the National Minimum Wage) and an increasing demand for care and support services - increasing numbers of people are requiring higher levels of support in the community for longer. A significant element of these demand pressures is associated with supporting increasing numbers of people out of hospital and other restrictive health related settings, to care in or nearer the home.
21. In partial recognition of these pressures, the Council received some additional one-off Government funding through the Improved Better Care Fund (iBCF) for the three years from 2017/18, which continues into 20/21. Whilst this has improved the Council's medium term financial position, unless there is clear information to suggest this funding will be made permanent, there exists a real possibility of significant additional budget challenge beyond 2020/21.
22. It should be noted that the Council also received funding to support emergency winter planning, which has now been confirmed for 20/21.
23. The scale of the financial challenge facing adult social care remains significant. As a result, our Adult Social Care Improvement Plan is updated annually and sets out how we will seek to meet the financial challenges ahead whilst ensuring that Sheffield people can stay healthy, stay out of hospital and live independently at home for as long as possible. The budget proposals for 20/21 form a part of this plan.

24. The Adult Social Care Improvement Plan is structured under five themes:
- **Increasing the shift to prevention.** The strategic intention of Adult Social Care in Sheffield is to support a shift into prevention and wellbeing. This means we are increasingly moving our focus to early help and preventative support by developing resilient communities, better use of online resources, equipment and adaptations. This approach to supporting people earlier in their community, including those with dementia, is improving outcomes for local people whilst promoting better usage of adult social care resources.
  - **Increasing the independence and inclusion of adults of working age.** A continued focus within the plan is to improve the support provided to existing recipients of adult social care services. We value people for the strengths and motivations they bring, and work with people of all ages to help them get the best possible life, not the best possible service. Over 20/21 we will further develop our all-age approach to disability including:
    - Helping young people as they prepare for adulthood to access social and community activities, employment and universal services in order to provide better outcomes for individuals and their communities
    - A reablement-focused approach to review and support planning with a focus on moving people from static long-term care to greater independence.
  - **Developing a sustainable provider market.** The development of the Council's relationship with its providers is key to providing a consistent focus on outcomes, prevention, quality and value for money. We have continued to oversee significant provider fee rate uplifts in recent years in recognition of the cost of providing quality care through a properly remunerated and resilient workforce. 20/21 will see a continued focus on the Council's commercial relationship with its external contractors to ensure value for money and consistency. This will be achieved through contract management, review and negotiation, efficient use of provision, making better use of in-house services, by improving support to people with direct payments, and through continued growth in approaches such as Shared Lives and Short Breaks.
  - **Increasing the proportion of adults who are able to live at home.** Better preventative support means that people are able to live in their

own homes and remain active in their communities for longer. A new supported living scheme is set to open in 20/21 which will increase opportunities for adults of working age to live independently. We continue to work closely with our NHS partners to ensure people are able to return home from hospital in a timely way and to avoid unnecessary care home admissions. Together we will continue to develop new preventative approaches to ensure that people are better supported to remain healthy and safe at home, avoiding the need for hospital admission in the first place, for example through the recently launched joint multi-disciplinary team, based at Shortbrook.

- **Fairer charging.** It is crucial that we ensure people do not have financial worries or concerns about being supported properly, but also that we charge fairly and consistently for social care. In 20/21 we will continue with our programme of change to improve the way we support service users to access benefit income, pay their contributions for care and avoid accruing debt. We will also continue to ensure uplifted fee rates, benefit income and capital asset information is used to inform our contribution calculations. We are continuing to work with health colleagues to ensure that the allocation of Continuing Health Care funding in Sheffield is balanced and equitable.

25. The Sheffield Mental Health Transformation Programme is a collaborative programme of work that has been jointly developed and is being jointly delivered by the Council and our NHS partners. The projects which make up the programme have a focus on prevention, reablement and progression, reduced use of restrictive settings, the development of alternative models of provision, seeking best value and more efficient ways of delivering services. This collaborative approach has already delivered better value for money across the partnership, and we will continue to focus our efforts on it in 20/21. In particular we will develop our approach to integrating and streamlining support for children, young people and adults encompassing health, social care, education and employment.
26. In 2019 the Council and the Clinical Commissioning Group (CCG) established a new Joint Commissioning Committee (JCC) which builds on health and social care integration through the Better Care Fund, to bring together the planning and budgets of the two commissioning organisations and allow for joint decision making and a single commissioner voice for the city. Closer integration of the system is essential to the delivery of a financially sustainable

future and to improve the quality of experience of the thousands of people accessing health and social care services in Sheffield.

### **Services in Sheffield's communities**

27. Our aim is that Sheffield's communities thrive and are positive places for people to live and be 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.
28. Funding for the core service of Council-run hub libraries, the Home Library service and Central Library will continue at current levels in 20/21. In addition the Council will also continue to support the co-delivered and associate libraries which are run by volunteers, as well as a range of schemes to support people in their local communities. We plan to review the way our libraries and communities teams are structured to ensure that they are as effective as possible.
29. A decision was taken by cabinet in November to extend the majority of existing Grant Aid funding arrangements for 12 months to 31 March 2021, to allow for a full and thorough review of Voluntary Sector Grant Aid to be undertaken.

### **Learning and Skills**

30. We will continue to support the development of thriving communities where citizens are supported to develop the skills, confidence and ambition for life, active citizenship and work. The Lifelong Learning and Skills Service works to ensure people are supported and enabled to achieve their learning, skills and employment outcomes and develop their careers through high quality, locally-led learning and employment opportunities.
31. This work includes the delivery of a localised employment service for those facing the greatest barriers to work, jobs and skills brokerage, making best use of the apprenticeship levy, the generation of job opportunities for the most vulnerable, and the redesign of a devolved skills system.
32. In addition, this includes the delivery of a wide range of learning programmes including Family, Adult and Community learning to improve the life chances and opportunities of adults and their families, and provision for young people including those with Special Education Needs and Disabilities via our specialist training centres. The service also leads on brokerage of education provision, support and progression planning within the 14-25 education arena.

### **Cross-portfolio**

33. We have a number of teams which provide crucial support for our front-line services. Over 20/21 we will continue to find ways to deliver this support efficiently and effectively in as streamlined a way as possible. Part of this will involve reducing premises costs where we can, and in a small number of areas we will carry out reviews of staffing.
34. In 2019/20 we renewed our focus on the support we provide to our workforce in order to increase the number of people who are active and healthy at work and reduce our reliance on agency staff. This work will continue into 20/21.

### **Public Health**

35. Across People Services we continue to deliver our distributed public health model, ensuring that all service delivery is evidence based and meets need. We will continue to ensure that the Public Health grant is allocated where it will have the greatest impact in improving people's health and wellbeing and reducing inequalities. Despite significant challenges with the Public Health Grant being reduced nationally we have prioritised service delivery particularly focusing on ensuring children and families have the best start in life. Priority services including Substance Misuse services and Sexual Health services have recently been recommissioned through robust tendering processes.

We continue to prioritise working with NHS partners including Sheffield Clinical Commissioning Group, Sheffield Teaching Hospitals, Sheffield Health and Social Care Trust, Primary Care Sheffield and Sheffield Children's NHS Foundation Trust to redesign and remodel services including Emotional Wellbeing and Mental Health Services and the 0-19 Healthy Child Programme. The Public Health Grant continues to fund a range of services provided by the Voluntary, Community and Faith sector working to support the needs of the most vulnerable.

36. Overall People Services is prioritising through the use of the Public Health grant a model which ensures prevention and early intervention is focused on ensuring that older people, adults, children, young people and families are supported to maintain their health and wellbeing.

## Place

	<u>Gross Expenditure</u>	<u>Income</u>	<u>Net Expenditure</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
City Growth	43,000	(23,883)	19,118
Culture & Environment	22,983	(14,183)	8,801
Housing General Fund	9,939	(5,661)	4,277
Major Projects	132	(39)	93
Operational Services	120,641	(23,205)	97,436
Place Strategy & Change	1,356	(670)	687
Transport & Facilities Management	77,055	(60,859)	16,195
	<b>275,106</b>	<b>(128,500)</b>	<b>146,606</b>



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## Place Portfolio Revenue Spend Plan

1. In discussion with Members the Place portfolio has five main priorities to deliver:
  - **A Growing Economy** that is inclusive and ambitious helping businesses thrive providing good quality jobs;
  - **Housing** that provides affordable homes for all and protects the vulnerable in society;
  - **Sustainability** to ensure that the city is resilient for the future and moving it towards being Carbon Neutral;
  - **Quality of life** so that people feel proud of the place where they live with clean green spaces and a sustainable transport network;
  - **Good Customer Service and Access** to the portfolio's services which are joined up to require minimum contact from the customer.

These priorities are explained in more detail below.
2. The portfolio works to further develop and strengthen Sheffield's economy by helping existing and new businesses to grow, and provide more, and better, jobs. The successful attraction of Boeing and McLaren to the Advanced Manufacturing Park are two examples of helping businesses thrive. We also recognise the need to develop small businesses (which of course have the potential to grow into larger employers) through initiatives like our Launchpad programme which provides practical technical advice and support.
3. Alongside this, Place will proactively lead the initiatives required to meet the city's housing needs across all sectors and areas. Both of these two priority objectives can only be delivered if the city has an efficient transport infrastructure which supports journeys for work and leisure.
4. The Council's commitment to environmental responsibility is demonstrated by our Green agenda. 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. Transport and Sustainability priorities will be further aligned through plans to improve air quality by developing a Clean Air Zone where planning is well advanced. Our Parks and Countryside service works to preserve and develop Sheffield's woodlands which hold approximately 2.1 million trees.
5. We also want to continue to offer a vibrant mix of cultural, leisure 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. The city is one of the greenest in the country with extensive local parks.

6. 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 creating a pedestrian area around the University of Sheffield campus. Much of our work in this area relies on large one-off project funding, and large scale projects, such as Heart of the City 2 (formerly 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. Construction work adjacent to this building is well underway to develop the next phases of this project.
7. Construction work to improve the public realm has also begun to encourage 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. This is also leading to regeneration of the area around the park as shown by the opening of the National Centre of Excellence for Food Engineering, developed by Sheffield Hallam University.
8. 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.
9. 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.
10. 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.
11. 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 responsibilities for Public Health. We have dedicated teams running weight management, smoking cessation and campaigns against illicit alcohol and tobacco supplies. 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.

12. 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.
13. The portfolio spends around £500m per year providing these services. This is funded by the Housing Revenue Account, external income and recharging internal services for those activities Place provides as the professional expert of the Council e.g. project management. The remainder (approximately £146m comes from the Council's General Fund. Of this support, around £122m (84%) is expended on four key items – the Streets Ahead and Waste Management contracts, the PFI contract for some of the Council's accommodation, and, payments to the South Yorkshire Passenger Transport Executive for the provision of transport interchanges, concessionary fare schemes and tendered bus services.
14. The remaining amount of around £24m supports the rest of the vast range of services which Place provides. We spend approximately £200m providing these services and the gap is made up by charging the (internal and external) users for the service.
15. In 2020/21, we need to reduce our portfolio budget by a further £1.3 million to meet the reduced central government funding, inflationary and demand pressures and make a £0.2m contribution to the pressures faced by the Council. Not only do we need to reduce how much we spend; we need to do it quickly. The level and pace of change is not easy so we will make sure that we keep a close eye on how any changes affect different groups of people in the city.
16. 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, or earning 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.

17. We will be seeking to drive additional value from our key contracts and our external partners who operate as trusts providing services once delivered by the Council.
18. So, given the importance of income from external users of our services, we are proposing therefore that we review charges for services to ensure we recover the full cost of providing these services reflecting the inflationary pressures the Council faces. Those charges that do increase will be benchmarked against market rates.
19. Approximately one third of the planned savings will come from improving our use of resources by setting targets for those services which are essentially trading activities to make a small return on sales.
20. Finally, we have developed a new funding model to align Council services to the nature of their activities. So, where allowed by statute, those activities providing services to the public or business will be funded from fees and charges. Statutory responsibilities will be paid for by the General Fund, and, those activities developing the Housing and Economic Growth priorities will be funded by external development grants or the rewards from growth such as New Homes Bonus or capital receipts from the sale of land which has been developed by the Council.
21. As in 2019/20 we plan to transfer approximately £3.1m of growth type activities from the General Fund to the Growth Investment Fund. These activities will be subject to review to ensure they do meet the criteria before funding is allocated.

## Resources

	<u>Gross Expenditure</u> <u>£'000</u>	<u>Income</u> <u>£'000</u>	<u>Net Expenditure</u> <u>£'000</u>
Business Change & Information Solutions	3,419	(1,930)	1,489
Contract Rebates & Discounts	0	(851)	(851)
Customer Services	7,185	(1,699)	5,486
Finance & Commercial Services	9,730	(3,272)	6,458
Human Resources	6,502	(1,384)	5,118
Legal & Governance	7,133	(3,120)	4,013
Resources Management & Planning	244	0	244
	<u>34,213</u>	<u>(12,255)</u>	<u>21,957</u>
Central Costs	14,954	(18,037)	(3,083)
Central Costs - CAPITA	20,674	0	20,674
Housing Benefit	179,465	(179,309)	156
	<u>215,093</u>	<u>(197,346)</u>	<u>17,747</u>
	<u><b>249,305</b></u>	<u><b>(209,601)</b></u>	<u><b>39,704</b></u>

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## Resources Portfolio Revenue Spend Plan

1. We have a number of corporate services which support Sheffield residents in their day to day lives directly through the Council's Customer Service function, our service for assessing and paying benefits, and collecting Council Tax and Business Rates.
2. The Council is, a large and complex organisation, where we rely on effective professional support to run our business and the services we provide to Sheffield people. This indirect support from the Resources portfolio includes:
  - helping our teams to manage their budgets and staff;
  - providing and maintaining the information technology systems which are essential to delivering Council savings in an efficient and cost effective way;
  - helping our teams with legal advice ensuring our activities are lawful and transactions are effected;
  - making sure we get the best value for money when we buy goods and services; and
  - helping us as a whole Council to manage our performance, financial and human resources, contracts and our plans for the future.
3. The Resources and PPC portfolios can help deliver savings across the Council by changing the way the Council works. In 2020/21 directors from these portfolios will lead five broadly themed initiatives aimed at delivering better value for money user satisfaction. This is part of the Council's SCC 2020 programme to transform and deliver better and more sustainable council services for the future. These initiatives are:
  - ensuring we deliver value for money services to Sheffield;
  - preparing the Council for future technology changes and ensuring there are business planning procedures which deliver member priorities;
  - develop talent and skills within the workforce to ensure high quality performance in everything the Council does;
  - redesign, reform and improve our public services through citizen involvement, customer insight and business intelligence; and
  - review of the Council's governance and assurance framework to ensure open and transparent decision making is enabled.



4. Resources portfolio has just completed a major change project insourcing 250 locally based staff employed by the current contractor to deliver ICT and Revenues and Benefits services in order to ensure we have a service that can deliver change efficiently and effectively.
5. We have already made substantial savings for example we have reduced the number of offices we occupy: consolidating 27 locations into three city centre sites, thereby avoiding expenditure of £34 million over 10 years.
6. For 2020/21, further reviews to streamline process and concentrate on the priority tasks will allow us to meet the predominantly salary based inflationary pressures of £0.7m faced by the portfolio without drawing on additional support from the General Fund budget.
7. Many corporate services have small core budgets and are increasingly reliant on trading income (some are fully traded, so receive no budget allocation) – this trading income is effectively subsidising the strategic functions that would need to exist irrespective of general services to Council departments, such as Legal Services. The resources portfolio leadership team has concluded that it would be high risk to reduce the net budgets of those services much further by assuming additional speculative income.

## Policy, Performance & Communications

	<u>Gross Expenditure</u> <u>£'000</u>	<u>Income</u> <u>£'000</u>	<u>Net Expenditure</u> <u>£'000</u>
Policy, Performance & Communications	4,884	(2,591)	2,293
Public Health (PPC)	1,488	(1,623)	(135)
	<b>6,373</b>	<b>(4,215)</b>	<b>2,158</b>

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## **Policy, Performance and Communications Portfolio Revenue Spend Plan**

1. Policy, Performance and Communications provides a number of strategic support services for the Council, including policy advice, performance management, partnership development, research and analysis, equalities and consultation advice, communications support, and web and intranet services. It is also responsible for supporting the Council's statutory Scrutiny function and running electoral services.
2. Sheffield City Council is a democratically elected organisation. This means we have specific additional responsibilities associated with running elections, ensuring that the public can engage with the council and have their say on important decisions, and supporting Councillors who make these decisions on behalf of the people of Sheffield. We are also responsible for ensuring people are registered to vote, and for running parliamentary and regional elections.
3. The majority of the service's Revenue Budget funded expenditure is incurred on core democratic services (elections, electoral registration, and Scrutiny), and the provision of policy, equalities, and analytical advice and support to the organisation. The Communications service generates a net surplus to the Council, through a range of income sources, including through external trading and the management of the Council's external advertising.

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## **Reserves Strategy**

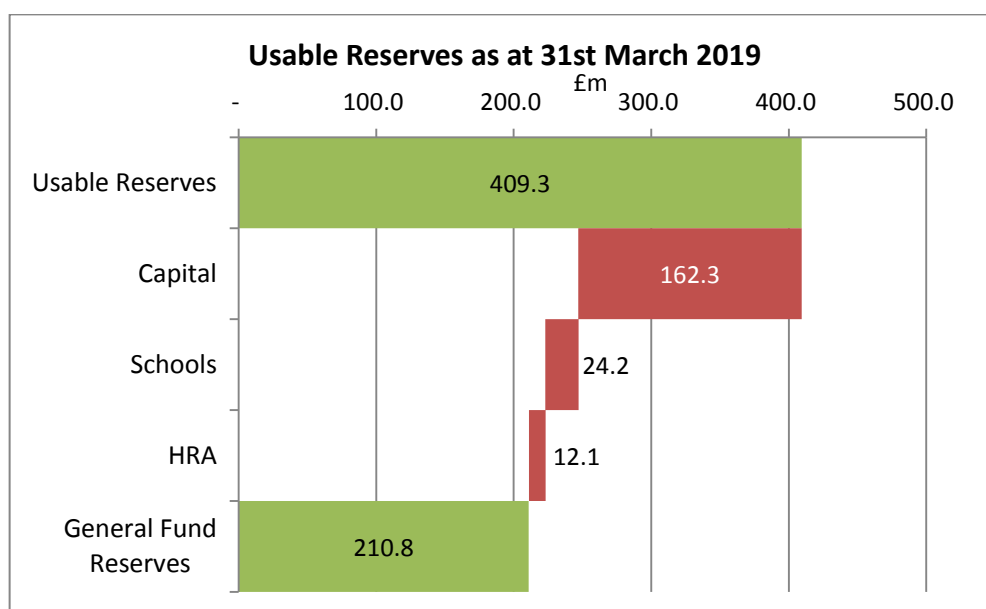
### **Introduction**

1. This appendix reports on the latest position in relation to the level of the Council's reserves. Section 25 of the Local Government Act 2003 requires the statutory Chief Finance Officer (the Executive Director of Resources) to present to the authority a report assessing the adequacy of unallocated reserves in the context of corporate and financial risks facing the Council and in determining council tax levels.
2. The Council 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.
3. This Reserves Strategy therefore needs to be considered and agreed by the Council in setting its 2020/21 budget, capital programme and council tax.
4. This assessment of reserves is even more important in the context of the significant cuts in central government funding over recent years and the cost pressures faced by the Council in some areas (e.g. Social Care). In addition, there is pressure on the capital programme and ultimately any deficit on the programme would have to be charged to revenue reserves.
5. Reserves can be used temporarily to fund services, and this approach is reviewed as part of the budget strategy. However:
  - they 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 and emergencies (e.g. the 2007 and 2019 floods) 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**

6. The [Council's Statement of Accounts for 2018-19](#) shows a figure for "usable" reserves in the balance sheet at page 24 of £409.3m as at 31<sup>st</sup> March 2019. However, this figure is a technical accounting one and is not relevant for the purposes of setting the General Fund revenue budget.

7. The Council’s total spending and reserves is legally separated in to four main blocks:
- Capital - committed to funding schemes planned over a number of years, e.g. highways, major repairs or rebuilding;
  - Schools - held in trust and only usable for schools spending;
  - Housing Revenue Account (HRA) - spend on council housing, funded by rents;
  - General Fund - spend on all other services not in the above three categories, funded from government grants, the local share of business rates and council tax.
8. For the purposes of setting the budget and this reserves strategy, £198.5m of the “usable reserves” are irrelevant as below:



9. This leaves around £210.8m of General Fund reserves as at 31<sup>st</sup> March 2019. However, as part of the assessment of the adequacy of reserves referred to above, a number of reserves are “earmarked” i.e. committed to cover liabilities for expenditure which is already committed but not yet paid for.

**Estimate of reserves going forward**

10. The table below highlights the split of earmarked and non-earmarked reserves forecast at 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2021.
11. Of the £221.0m total reserves forecast as at 31 March 2020, all but £12.6m is set aside as earmarked reserves for future liabilities.

12. Reserves levels are planned to increase by £7.1m during 2020/21. This is primarily a cash flow movement as a result of repayments to reserves following their temporary use to fund the early pension deficit payment made to South Yorkshire Pensions Authority (SYPA) during 2016/17. This early payment attracted a significant discount, and so enabled the delivery of savings over the following three years.

### **Estimate of reserves at 31 March 2020 & 31 March 2021**

<b>Description</b>	<b>Balance at 31/03/20 £000</b>	<b>Movement in 2020/21 £000</b>	<b>Balance at 31/03/21 £000</b>
<b>Non-earmarked Reserves</b>			
General Fund Reserve	12,616	0	12,616
	<b>12,616</b>	<b>0</b>	<b>12,616</b>
<b>Earmarked Reserves</b>			
PFI Reserve	31,974	(2,041)	29,933
Highways PFI Reserve	4,465	(2,614)	1,851
Total PFI Reserve	36,440	(4,655)	31,784
Invest to Save Post 2015	7,046	1,642	8,688
Insurance Fund Reserve	9,564	0	9,564
New Homes Bonus	15,113	0	15,113
Major Sporting Facilities	28,647	(4,619)	24,028
Business Rates Appeals	19,595	0	19,595
Public Health	807	0	807
Service Area Reserves	16,041	500	16,501
Other earmarked	75,163	14,214	89,377
<b>Total Earmarked Reserves</b>	<b>208,416</b>	<b>7,082</b>	<b>215,458</b>
<b>Total Revenue Reserves</b>	<b>221,032</b>	<b>7,082</b>	<b>228,114</b>

### **General (non-earmarked) revenue reserves**

13. The purpose of general revenue reserves is to provide funding for any unforeseen risks and expenditure which may arise during the year. The Council will always need a minimum level of emergency reserves. 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 backed reserves and other working capital generate interest which is used in the funding of the budget.

14. Non-earmarked General Fund Reserves are estimated to be £12.6m at 31 March 2020, representing 3.0% of the 2020/21 budget (at the maximum net budget requirement of £420.2m). It should be noted that, during the year 2019/20, the General Fund balance was increased by £4.5m to £12.6m. This decision was taken in order to replenish the reserve to the minimum level that would be considered prudent.
15. 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...”*

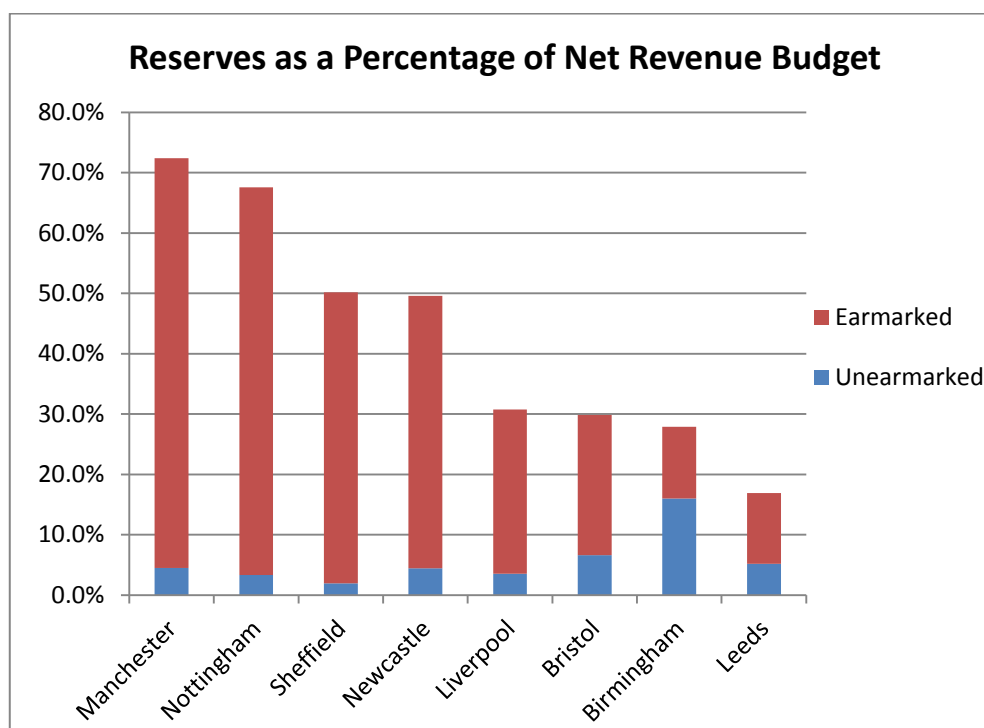
16. Sheffield’s forecast level of General Fund reserves as at 31 March 2020 meets this benchmark. However, it is low in comparison to most other major cities. The table below shows that Sheffield had the lowest levels of General Fund reserves as at 31 March 2019 as a percentage of its 2019/20 net revenue budget when compared to similar councils. This was before it was topped up to remain within the boundaries discussed above.

	Un-earmarked Reserves at 31/3/19, (£m)*	Un-earmarked Reserves as % of Net revenue Budget 2019/20, (£m)**
Birmingham	144.0	16.0%
Bristol	23.3	6.6%
Leeds	28.0	5.2%
Manchester	22.0	4.5%
Newcastle	10.1	4.5%
Liverpool	16.3	3.6%
Nottingham	8.0	3.3%
Sheffield	8.1	1.9%

\* Based on 2018-19 Statement of Accounts

\*\* Based on 2019-20 RA data

17. The graph below shows a comparison of both earmarked and un-earmarked reserves as a percentage of Net Revenue Budget in relation to other major cities;



### Earmarked Reserves

18. A list of earmarked reserves, their purpose and proposed use are set out below. Figures in brackets represent their anticipated balance at 31/3/20.
19. 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.

### **Private Finance Initiative (PFI) Reserve (£36.4m)**

20. 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 these sums aside in a reserve until they are needed. If we did not do so, there would be insufficient funds to cover the cost of contracts in future years. These reserves are therefore firmly committed in the medium to long term.
21. The PFI reserve balance is forecast at £36.4m as at 31st March 2020 and is expected to reduce by £4.7m over the course of 2020/21 in line with the established PFI spend profile.

### **Invest to Save Projects (£7.0m)**

22. 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 £9m of permanent savings, which have been used to help offset budget pressures over the last few years.

23. 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.

### **Insurance Fund (£9.6m)**

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

### **New Homes Bonus (£15.1m)**

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

### **Major Sporting Facilities (MSF) (£28.6m)**

26. The remaining funds are required for the future costs of the Major Sporting Facilities debt (Ponds Forge, Hillsborough Leisure Centre, etc.). £4.6m will be used in 2020/21 to service the outstanding MSF debt in line with the established spend profile. The remaining balance will reduce over the remaining life of the contract ending in 2023/24.

### **Business Rates Appeals (£19.6m)**

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

### **Public Health (£0.8m)**

28. Public Health grant funding is given to the Council on a yearly basis. The conditions of the grant specify that these funds are restricted to public health functions and that any surpluses must be carried to a reserve for use in future years. This balance therefore represents underspends in prior years.

### **Service Area Reserves (£16.0m)**

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

### Other Earmarked Reserves (£75.2m)

30. This includes various specific earmarked reserves including:
- pension deficit payments;
  - children's and adults social care;
  - redundancies;
  - contingencies for potential budget deficits, including interest rate risk;
31. There is a forecast net in-year increase on these reserves totalling £14.2m in 2020/21. This is largely due to a repayment to the pension reserve following the early payment in 2016/17.

### Assessment of levels of reserves

32. The Section 151 officer has carried out an assessment of the adequacy of the level of reserves held by the Council 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.
33. The Executive Director of Resources recommended during the 2020/21 budget process that:
- The General Fund Balance be maintained at around £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 over spend position against the 2019/20 revenue budget, and the possibility of an over spend at year end, the General Fund balance will be charged with the amount of any over spend. 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 2020/21 Revenue Budget with an alternative savings plan.
  - The most significant ongoing risk is the delivery of financial savings from the social care recovery plans. 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.

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# CORPORATE RISK REGISTER

## AS AT 1<sup>st</sup> April 2020

1. This Appendix provides a brief overview of the main financial risks facing the Council in 2020/21 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

#### Capital financing costs

2. The Council currently maintains a substantial but manageable under borrowed position (i.e. The Council has used reserves to cash-flow capital spend, rather than borrow externally) to help support the revenue budget and mitigate residual counterparty default risk on cash investments. In operating with an under borrowed position the Council exposes itself to interest-rate risk. This risk is exacerbated by the uncertainty created by the on-going Brexit negotiation. 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

3. 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.
4. There is a current effort by the Valuation Office Agency to clear all outstanding appeals relating to the 2010 list by the end of September 2019. As at 31st December 2019, there are around 330 properties relating to the 2010 valuation list with a rateable value of approximately £45m under appeal in Sheffield.
5. Not all of the above rateable value noted above is at risk and not all the appeals will be successful. However due to uncertainty around these factors prudent provisions are taken whenever appropriate to mitigate the loss of income as a result of successful appeals.
6. Of the properties outstanding, the majority are either ATM's or related and approximately 50% are ATM's. There is a longstanding legal case concerning the right to charge Business Rates on ATM's. The case has currently been decided in favour of the supermarkets bringing the case however the VOA has been given the right to appeal this ruling by the Supreme Court. Sheffield City Council has fully provided for the risk of losing this appeal.

7. The appeals process following the 2017 Revaluation has also changed and is now known as Check, Challenge, Appeal. The aim of this system is to reduce the number of spurious and speculative appeals and reduce the time taken to process genuine appeals.
8. To date, the number of Check, Challenges and Appeals processed appears to have reduced on previous years. Data released by MHCLG in September 2019 show that there were only 90 checks outstanding for Sheffield and 150 challenges outstanding. A review of the appeals provision has been conducted to ensure that it remains adequate to cover all outstanding checks and challenges.
9. Up to the point at which the General Election was called for June 2017, the local government sector was working on the assumption that 2019/20 would see the implementation of 100% business rates retention, the implications of which were covered in significant detail in last year's MTFS.
10. Subsequently 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 was set to be implemented in 2020/21 however following the Spending Round in September 2019, it was confirmed that this was now delayed until 2021/22 due to the complexities of the current political landscape. The Council still expects this increase to replace existing grants such as RSG and the Public Health grant, and as such we expect this to have no overall impact on the Council's net financing position
11. The Council's financial position is significantly determined by the level of Business Rates and Council Tax income. Each of these may be subject to considerable volatility, especially give the legislative changes above, and will require close monitoring and a focus on delivering economic growth to increase our income and on delivering outcomes jointly with other public sector bodies and partners.

### **Medium Term Financial Analysis**

12. On 9<sup>th</sup> October 2019, Cabinet considered a report of the Executive Director of Resources entitled Medium Term Financial Strategy (MTFA) 2020/21 to 2023/24<sup>1</sup>. This report provided an update on the Medium Term Financial Strategy and the financial position of the Council for the next 4 years. This report established the budget planning scenarios for the medium term.
13. The MTFA position is regularly reviewed, and since publication the underlying position has changed. The Council now faces an estimated £73.1m budget gap over the next 4 years. This reduces to £37.0m if £36.0m of identified savings are delivered successfully.

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<sup>1</sup> [Item 9, October 2019 Cabinet meeting](#)

14. The future funding environment for the medium term is very uncertain (see below). For the first time since 2010/11, the Council is expecting a real terms increase in funding from Central Government, but the Council nonetheless faces a £73.1m budget gap over the next 4 years. The Council undertakes an ongoing business planning process to identify mitigations to these pressures and develop demand management strategies.

### **Future funding uncertainty**

15. The Government is currently reviewing the basis on which funding is distributed to local authorities ('Fair Funding review'). This is contemporaneous with the introduction of 75% retention of business rates described above, and also with the wider Spending Review, and allocating budgets to central Government departments. The Fair Funding Review has been subject to considerable delay and there is extensive consultation already complete with more still to do. This was originally scheduled to be in place by 1<sup>st</sup> April 2020 – the Council is planning on the basis that this will be introduced 1<sup>st</sup> April 2021 at the earliest.
16. There is a potential risk of net loss in terms of revenue funding, either in terms of how funding is distributed within the system or the amount of funding being distributed by whatever mechanism. Currently the MTFs forecasts an overall nil effect of the Fair Funding Review. Any loss therefore would have an immediate impact on service delivery and financial sustainability. This also creates uncertainty for business planning purposes. 2019/20 is the last year of a four year funding settlement, and there is a lack of information from government about future plans for the sector. Financial planning for 2020/21 and beyond is currently proceeding on uncertain and cautious footing. Late announcements of temporary, one-off funding do not create a safe foundation for business planning and investment.<sup>2</sup>
17. The current planning assumption is that the net effect of these changes will be fiscally neutral, and this is being closely monitored by business planning functions and the Strategic Finance team. These teams are able to respond quickly to consultations and communicate with colleagues in other authorities to effectively communicate our position, to argue for a fair financial settlement and to formulate a sustainable plan for future years' budgets.

### **Implementation of savings proposals**

18. The MTFs described a net revenue funding gap, after identified mitigations, of £34.6m by 2023/24. As described in the main report, this has since changed to a £37.0m net gap. This position assumes the delivery of £36.0m of savings in that term. The risks

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



of delivery of savings in all years specific areas such as adults' and children's social care is considerable, given the increasing demand pressures and the levels of savings that have been achieved in previous years. These risks are underscored by the need for the Council to identify and deliver additional savings to be able to address the £37.0m gap. The risk is that non-delivery of budgeted savings will create a threat to the medium term financial sustainability of the Council.

19. To mitigate this, officers are working on the safe and legal implementation of budget proposals by:
  - (a) Ensuring that there is a thorough understanding of the impact of proposals on different groups and communities, including undertaking Equality Impact Assessments for budget proposals and discussed with Cabinet Members;
  - (b) Carrying out appropriate, meaningful consultation activity with affected communities and stakeholders, and ensuring that where the proposal affects a supplier or provider, that they undertake appropriate consultation and equalities work with service users; and
  - (c) Discussing budget proposals with affected members of staff in advance of them being made public, and putting in place MER processes where required, in consultation with HR.

### **Pension Fund**

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 covered the 2017-20 period, highlighted the total liabilities being underwritten by the Council for external bodies at £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. The results of the latest Triennial Review covering the three-year period from April 2020 are still awaited, however, based on the initial fund performance figures for the Council itself, it is expected that there will also be a significant improvement for the external bodies.
22. To mitigate these risks, agreement has been reached with South Yorkshire Pensions Authority to subsume the assets/liabilities within the Council's own fund on an ongoing basis where appropriate. This avoids the significant costs associated with a crystallisation event.

## 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.

## Taxation

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

30. The Council took advantage of its partial exemption position when making an exempt lease to a strategic partner as part of the Heart of the City development, delivering substantial savings. The Council has agreed a 7-year average partial exemption calculation with HMRC due to the spikes in construction costs which result in a breach in a couple of individual years. Any breach of the agreed threshold over the term would lead to substantial VAT recovery by HMRC.
31. Building the lease into the Authority's 7-year average partial exemption calculation leaves us at just below 4% in terms of the 5% limit, i.e. headroom of just over 1%. As a result, continual monitoring of our partial exemption position is vital in ensuring that we do not breach and also to inform decision-making on future projects being undertaken by the Authority.
32. Land and property transactions potentially pose one of the greatest risks of partial exemption breach. The Tax Team currently engages with colleagues in the Property Services team on at least a monthly basis to establish whether planned land and property transactions are likely to cause any partial exemption issues. In addition to this, communications are due to be issued in the next month to Heads of Service in portfolios making exempt supplies, which will further raise awareness of the partial exemption issues currently being faced by the Authority. Furthermore, systems have been developed internally to enable effective monitoring.

### **Sheffield City Trust**

33. Sheffield City Trust (SCT) was set up in 1987 to oversee running City's sport and leisure facilities, linked to the Major Sporting Facilities (MSF) that were built for the 1991 World Student Games. The MSF are Ponds Forge, Hillsborough Leisure Centre and the FlyDSA Arena.
34. The Council has faced almost 10 years of austerity, with significant funding cuts and a consequent increase in the maintenance backlog across the Council's asset base, including the Council-owned facilities that are leased to SCT. In 2018 a 6 year business plan was received from SCT that proposed a zero subsidy by 19/20. This proposal was agreed by the Council, but has not been achieved to date by SCT.
35. In late June 2019 SCT requested, and was given, a cash-flow loan of £1m from the Council to alleviate a cash shortfall, and to avoid any risk of default on the bond that was used to finance the MSF. In July 2019 the Council commissioned Grant Thornton to report on SCT's cash position. On 20th November 2019, Cabinet approved an additional £3.7m of in-year funding for SCT.<sup>3</sup>
36. The existing relationship with SCT may naturally come to an end in 2024 with the end of the MSF debt. However, the process is not simple with a number of transactions

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<sup>3</sup> [Item 11, November 2019 Cabinet](#)

that will need to be completed. It is also clear that the best outcome will require the Council and SCT to work together in partnership.

37. Consequently there are a number of risks around the future financial position of SCT, and around the level of funding required to support future sporting and leisure facilities within the City. These risks will be considered and mitigated by longer-term planning for leisure facilities within the City.

### **Treasury Management**

38. The Council proactively manages its counter-party risk. Counterparty risk arises where we have cash exposure to bank and financial institutions who may default on their obligations to repay to us sums invested. Counterparty risk continues to diminish 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 a substantial proportion of surplus cash in AAA-rated, highly diversified and liquid funds and the remainder with counterparties with investment grade ratings.
39. As part of the 2020/21 budget process, we are developing a 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 planned 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 2020/21 to ensure we have the ability to respond appropriately to market volatility.
40. The Council is also actively managing its longer term need for cash. Cash flow requirements show that the Council will require new borrowing in the coming years to finance capital investment (current, future and past unfunded expenditure). This is intensified by the size and timing of investment requirement arising from the development of the Heart of the City II project and the timing of any divestment. Added to this are the uncertainties caused by the UK exit from the EU will require the Council to remain vigilant to interest-rate risk, and will draw down loans in a timely manner to militate against borrowing costs rising above our target rates – especially following the recent change in margin applied to PWLB loans by HM Treasury and the longer timeframe for arranging alternative funding sources. However we will use our Treasury advisors to ensure this is undertaken efficiently and effectively

41. IFRS 9 introduced a new expected credit loss model which broadened the range of information the Council is required to consider when determining its expectations in terms of credit losses; and resulted in an increased level of provision during 2018/19. On the positive side, when making new loans to third parties, the new expected credit loss model ensures the Council undertakes effective due diligence and understands the potential financial implications at the outset of the loan and annually thereafter.

### **Welfare Reforms including Universal Credit**

42. 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.
43. The most significant reform, the introduction of Universal Credit (UC) which replaces HB for those of working age, is being rolled out in Sheffield with full take up expected in 2023 or later.
44. UC poses a significant financial risk to the Council as support towards housing costs, which is currently paid through HB direct to the Housing Revenue Account will in most cases, under UC, be paid directly to individuals. It is estimated that this could double or even treble the cost of collection and increase rent arrears to £15m by the end of 2020/21. However, impacts are uncertain at present as there is limited data available therefore estimates will be reviewed as we learn from the roll out.
45. 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. 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.
46. 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**

47. 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. In 2020/21 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.
48. 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 2020/21 this cost

to the Council is estimated at around £500k and remains a risk for any future conversions, especially with the continuation of the academy conversion programme.

49. As part of transition to a National Funding Formula, when all funding allocations to schools will be directly managed by Education Funding Agency, Sheffield school forum is expected to review and approve all previously 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. The funding announcements for 2020/21 have confirmed that the central school block will reduce by 20%, which is £1.1m for Sheffield and is likely to continue to reduce over the next few years.

### **Children's Social Care**

50. There continues to be an increase in demand and costs for services for children social care both in terms of placement costs, fieldwork costs and support costs.
51. There are a number of ongoing transformational projects in place to manage the increasing demand and costs within available resources. These include preventing children coming into care and ensuring appropriate family based services, thereby avoiding the need for high cost, out of city placements. Implementation of these programmes is contingent upon cross service and cross portfolio working.

### **Special Educational Needs and Disabilities (SEND)**

52. There continues to be an increase in demand and costs for children with special educational needs and disabilities. This includes increasing demand for Special School Autistic Spectrum Disorder (ASD) places and pressures on mainstream schools to support increasingly complex needs, with increasing statutory assessment pressure reforms.
53. The Government has announced additional Dedicated Schools Grant (DSG) of £9m for High Needs Funding and there are a number of ongoing transformational projects in place to manage increasing demand and costs within available resources. Delivery of these programmes is contingent upon cross service, cross portfolio and cross partnership working with Health and Schools.

### **People Risks – Adult Social Care**

54. In 2020/21 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.

55. The new year will see a continuation of the pooled budget arrangement with the Clinical Commissioning Group and the Sheffield Health and Social Care Foundation Trust to manage Mental Health services jointly within the Better Care Fund and identify savings through a new joined up approach to delivering services. Work needs to strengthen within the arrangement to ensure that all partner organisations benefit from the joint working and that the clients receive the right level of support irrespective of where the funding of the service happens.
56. For 2020/21 we have put in measures to address the budget gap on all Adult Social Care Purchasing ( Older People, Physical Disabilities and Learning Disabilities) however the risk remains that continued demand pressures increasingly affect our position to balance. Demand management plans within service should address some of the continued pull on resources and potentially redress some of the continued increases seen over the last two years.
57. The Government announced a higher National Living Wage threshold for April 2020 than had previously been published. This has the potential to increase costs of externally procured services over and above that assumed in the pressures calculated during business planning. This places an additional pressure on all delivery of Adult Social Care and could impact on clients in terms of their contributions.
58. For 2020/21 there is a risk that providers will seek to increase their fees above the level of pressure that the Council has allowed which could increase the potential overspend beyond that created by the additional increase to National Living Wage.

## **Place Portfolio**

### **Revenue Budget savings**

59. The Place budget comprises five significant contractual commitments - Streets Ahead programme, Waste Management, the South Yorkshire Passenger Transport Levy, repayment of Major Sporting Facilities debt and the Private Finance Initiative costs of some buildings – which together absorb the major part of the portfolio's 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 the first three of these contracts to preserve the other services. The PFI cost is fixed and cannot be reduced without buying out the provider.
60. The South Yorkshire Transport Levy and Waste Management contracts have been successfully reduced. Officers continue to review the opportunities to realise further benefits from the Streets Ahead contract and this forms a significant part of the future cost reduction plans.

61. The Portfolio has also developed further strategic interventions planned over the next four years including reducing the level of support to Sports Trusts, and has embarked on the Place Change Programme to review all the other services seeking a business-like approach to service delivery to maximise efficient and effective delivery whilst understanding the full cost of operational decisions. This knowledge can then be used to set fees and charges to recover the full cost of the service. Realising the efficiencies and opportunities within these reviews are crucial to the Portfolio delivering a sustainable balanced position going forward. Delivery of the Sports Trusts savings will be dependant on the performance of the Council's partners and the general leisure market conditions. This is proving to be very challenging and is being carefully monitored.
62. The portfolio's future financial strategy is to reduce its dependence on General Fund support by replacing it with funding from third parties or fees and charges. Raising additional income will be dependent on the performance of the overall economy and the competitive position of the services in the market place.
63. The Portfolio undertakes a number of complex, high profile capital projects which require strong cost control from the sponsor and project manager. Experience has shown that this discipline is not present in all projects and has exposed the portfolio on occasions to find funding from the Revenue Budget to fund overspends. 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

64. There are a number of future risks and uncertainties that could impact on the 30 year HRA business plan. Work is continually ongoing to assess the financial impact of these. Identified risks to the HRA are:
  - **Welfare Reform /Universal Credit:** the Government's welfare reform continues to be a significant risk to the HRA. The risk to income collection will continue to become increasingly difficult as Universal Credit and continues to be rolled out. Mitigations are in place such as funding additional officers to manage the impacts of welfare changes on affected tenants. Work is continually ongoing analysing the financial risk to the business plan.
  - **Interest rates:** fluctuations in the future levels of interest rates have always been recognised as a risk to the HRA. These are managed through the Council's Treasury Management Strategy.
  - **Repairs and Maintenance:** existing and emerging risks within the revenue repairs budget include unexpected increased demand (for example due to adverse weather conditions) and increases in construction costs due to inflation.



## Capital Programme Risks

### Project Cost Control

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

### Housing Growth

66. There is a risk to delivering the full scope of major schemes such as Park Hill and other housing growth schemes because of the instability in the housing market. This could result in schemes 'stalling', leading to increased costs of holding the sites involved and delayed realisation of the projected benefits including Community Infrastructure Levy which along with capital receipts form a key element of the Corporate Investment Fund. Any reduction in these funding streams will limit the Council's investment capacity.
67. It is now anticipated that New Homes Bonus funding (central Government funding to incentivise house building) will not continue beyond 2020/21. This funding stream was also a key element of the Corporate Investment Fund and could therefore negatively impact on the council's investment capacity.

### Heart Of the City 2 (formerly Sheffield Retail Quarter)

68. The route for delivery of the remainder of the Heart of the City 2 (HoC2) programme is now being done on an incremental measured block by block basis, working within the approved masterplan, which can be delivered comprehensively over time but not necessarily by a single developer and/or the Council. This approach mitigates the Council's risk and financial exposure and delivers momentum.
69. The Council has committed significant funding for the delivery of the HoC2. This is made up of a number of phases:
- (a) £62m - To acquire land and carry out initial feasibility work
  - (b) £27m - For the appointed development manager to take forward the pre-construction phases of the scheme.
  - (c) £89m - For the construction of the first building and associated public realm. The office accommodation of the building has been pre-let to HSBC on a 25 year lease, with options to exit at years 10 and 15. This means the Council carries the longer term vacant property risk on the office and also on a more periodic basis for retail and food and beverage units created as shorter leases

expire. This building is now complete and the letting activity is in progress to secure tenants for the remaining office, retail and F&B units.

- (d) £35m - For the development of blocks B & C of the scheme. These blocks are being built speculatively and so the Council carries the letting risk for the Office, Residential and Retail space being created.
- (e) £63m – For the development of block H. The block is being sub divided to deliver a food hall and separate office building. A food hall operator will be secured before construction costs are committed. In addition the construction appointment will be split into two distinct phases so that the office building and food hall could be delivered to different programmes as required to meet market demand if necessary.

- 70. There are a further blocks (A, G, I) which are at design review stage.
- 71. This phased approach to delivery also allows for future changes in the scheme to reflect changes in shopping habits/behaviours and the expectations of shoppers and users of the city centre and to reflect on Council priorities such as the Climate Emergency.
- 72. Creating confidence in the City through the successful delivery and letting of the early phases, stimulates more market interest in the later phases and where appropriate third party development may be considered for some blocks.
- 73. The scheme is being funded through prudential borrowing which will be repaid primarily from the rental value created from the various types of property and from the increased Business Rates that the completed scheme will produce (known as Tax Incremental financing (TIF)). The financing costs are being capitalised while the scheme is in development. There is a risk that if the scheme ceases to be active that the financing costs of circa £4m pa will have to be provided for from existing budgets. The long term impact of the phased delivery has been built in to the Medium Term Financial Strategy.
- 74. A programme of development of this size carries with it significant levels of risk across a number of areas. These risks are amplified because of the length of the development programme and because of the uncertainties caused by the rapidly changing retail landscape and the unknown effects of Brexit.
- 75. In order to mitigate those risks stringent governance will be exercised over the progression of the scheme so that additional cost commitments will only be made if there is tangible evidence that scheme has positively achieved its pre-conditions and that the demand, rental levels and costs can be evidenced to be in line with or an improvement on base assumptions.

**Schools' Expansion programme**

76. 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 required the Council to commit funds ahead of receipt from Central Government. The actual funding gap between expenditure incurred and funds received at 2018/19 year end was £13.5m. Future confirmed allocations of funding total £13.1m, with a further £8.4m expenditure committed. Therefore, the current amount at risk (i.e. expenditure committed without confirmed funding allocation) is £8.8m.
77. An announcement is now expected in spring 2020 of the grant allocation for 2021/22. If the amount granted is less than £8.8m or is not announced until after 31 March 2020, this will require a further application of council resources in lieu of further funding.
78. Initial estimates by the School Organisation Team indicated the 2021/22 allowance could be up to £11m. However, changing government methodologies over the calculation of the grant mean this cannot be relied upon. This therefore remains a risk to the Council. That said, robust monthly monitoring of the Schools Places Expansion Programme has ensured that the level of potential risk has been quantified and work on the accounting treatment has significantly reduced the potential draw on corporate resources.
79. In the event of a change of government policy which further reduced the financial support available to local authorities' capital programmes, the Council would very probably be faced with a greater affordability gap in the schools' capital programme than has already been identified above, requiring it to contribute its own capital resources.
80. 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.

**CITY OF SHEFFIELD**  
**CALCULATION OF RECOMMENDED COUNCIL TAX FOR 2020/21 REVENUE BUDGET**

The Council is recommended to resolve as follows:

1. It be noted that on 15th January 2020, the Council calculated the Council Tax Base 2020/21
  - (a) for the whole council area as:  
**140,243.9406** (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 2020/21 (excluding Parish precepts) is:  
**£ 227,390,937 .**
3. That the following amounts be calculated for the year 2020/21 in accordance with Sections 31 to 36 of the Act:
  - (a) **£ 1,434,699,940** 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) **£ 1,206,655,000** being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) **£ 228,044,940** 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) **£ 1,626.0591** 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) **£ 654,003** 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) **£ 1,621.3958** 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 Commissioner 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. **£ 19,776,453** 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 2020/21 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	1,080.93	1,261.10	1,441.24	1,621.40	1,981.70	2,342.03	2,702.32	3,242.80
South Yorkshire Fire & Rescue Authority	49.73	58.01	66.30	74.59	91.17	107.74	124.32	149.18
South Yorkshire Police and Crime Commissioner	132.03	154.03	176.04	198.04	242.05	286.06	330.07	396.08
Aggregate of Council tax requirements	<u>1,262.69</u>	<u>1,473.14</u>	<u>1,683.58</u>	<u>1,894.03</u>	<u>2,314.92</u>	<u>2,735.83</u>	<u>3,156.71</u>	<u>3,788.06</u>

**Bradfield Parish Council**

	Valuation Band							
	A	B	C	D	E	F	G	H
Sheffield City Council	1,080.93	1,261.10	1,441.24	1,621.40	1,981.70	2,342.03	2,702.32	3,242.80
Bradfield Parish Council	28.49	33.24	38.00	42.74	52.23	61.73	71.23	85.48
South Yorkshire Fire & Rescue Authority	49.73	58.01	66.30	74.59	91.17	107.74	124.32	149.18
South Yorkshire Police and Crime Commissioner	132.03	154.03	176.04	198.04	242.05	286.06	330.07	396.08
Aggregate of Council tax requirements	<u>1,291.18</u>	<u>1,506.38</u>	<u>1,721.58</u>	<u>1,936.77</u>	<u>2,367.15</u>	<u>2,797.56</u>	<u>3,227.94</u>	<u>3,873.54</u>

**Ecclesfield Parish Council**

	Valuation Band							
	A	B	C	D	E	F	G	H
Sheffield City Council	1,080.93	1,261.10	1,441.24	1,621.40	1,981.70	2,342.03	2,702.32	3,242.80
Ecclesfield Parish Council	19.03	22.20	25.37	28.54	34.88	41.23	47.57	57.08
South Yorkshire Fire & Rescue Authority	49.73	58.01	66.30	74.59	91.17	107.74	124.32	149.18
South Yorkshire Police and Crime Commissioner	132.03	154.03	176.04	198.04	242.05	286.06	330.07	396.08
Aggregate of Council tax requirements	<u>1,281.72</u>	<u>1,495.34</u>	<u>1,708.95</u>	<u>1,922.57</u>	<u>2,349.80</u>	<u>2,777.06</u>	<u>3,204.28</u>	<u>3,845.14</u>

**Stocksbridge Town Council**

	Valuation Band							
	A	B	C	D	E	F	G	H
Sheffield City Council	1,080.93	1,261.10	1,441.24	1,621.40	1,981.70	2,342.03	2,702.32	3,242.80
Stocksbridge Town Council	22.57	26.32	30.08	33.84	41.36	48.88	56.41	67.70
South Yorkshire Fire & Rescue Authority	49.73	58.01	66.30	74.59	91.17	107.74	124.32	149.18
South Yorkshire Police and Crime Commissioner	132.03	154.03	176.04	198.04	242.05	286.06	330.07	396.08
Aggregate of Council tax requirements	<u>1,285.26</u>	<u>1,499.46</u>	<u>1,713.66</u>	<u>1,927.87</u>	<u>2,356.28</u>	<u>2,784.71</u>	<u>3,213.12</u>	<u>3,855.76</u>

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 2020/21	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Sheffield City Council	1,080.93	1,261.10	1,441.24	1,621.40	1,981.70	2,342.03	2,702.32	3,242.80
South Yorkshire Fire & Rescue Authority	49.73	58.01	66.30	74.59	91.17	107.74	124.32	149.18
South Yorkshire Police and Crime Commissioner	132.03	154.03	176.04	198.04	242.05	286.06	330.07	396.08
Total charge for non-parish areas of Sheffield	1,262.69	1,473.14	1,683.58	1,894.03	2,314.92	2,735.83	3,156.71	3,788.06
Bradfield Parish Council	1,291.18	1,506.38	1,721.58	1,936.77	2,367.15	2,797.56	3,227.94	3,873.54
Ecclesfield Parish Council	1,281.72	1,495.34	1,708.95	1,922.57	2,349.80	2,777.06	3,204.28	3,845.14
Stocksbridge Town Council	1,285.26	1,499.46	1,713.66	1,927.87	2,356.28	2,784.71	3,213.12	3,855.76

## Parish Council Precepts

Parish Council	2019/20					2020/21					
	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	5,757.78	241,250	41.8998	5,122	246,372	5,838.92	249,542	42.7378	4,098	253,640	2.00%
Ecclesfield	9,238.98	155,374	16.8172	5,141	160,515	9,237.21	263,622	28.5392	4,113	267,735	69.70%
Stocksbridge	3,799.59	124,849	32.8586	3,699	128,548	3,831.33	129,669	33.8443	2,959	132,628	3.00%
Total/average	18,796.35	504,997	27.0581	13,962	535,435	18,907.46	642,833	33.9989	11,170	654,003	25.65%

# APPENDIX 7

## Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and the Annual Ethical Investment Strategy for 2020/2021

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### **Executive Summary**

#### **Introduction**

Treasury Management fulfils a number of key roles that link the Revenue Budget and the Capital Programme. In line with the CIPFA definition of Treasury Management, these roles include:-

- ensuring that cash flow is adequately planned for and cash is available when needed
- investing surplus funds in line with the authority's risk appetite
- the funding of the Council's capital programme
- the effective control of the risks associated with those activities

#### **The 2020/21 Treasury Management Strategy Statement (TMSS)**

In Section 2, we highlight that the TMSS covers both capital issues and treasury management issues as required by the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

This section also reports on the Council's response to requirements under the above codes in relation to training and the use of Treasury Management Consultants.

#### **Capital Prudential Indicators**

In Section 3, we discuss that 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 *Capital Prudential Indicators*, which are designed to assist members' overview and confirm capital expenditure plans.

#### **The Council's Borrowing Need (Capital Financing Requirement)**

In Section 4, we explain that the Council's Capital Financing Requirement (CFR), the second Prudential Indicator, is the total historic capital expenditure that has not yet been paid for; either from revenue or capital resources, and is a measure of the Council's underlying need for borrowing.



Any new capital expenditure not immediately paid for, from grants, capital receipts or revenue contributions, will increase the Council's overall CFR.

The Council's CFR is expected to steadily increase over the next few years based on the Council's capital investment plans; moving from £1.5bn in 2018/19 to £1.6bn in 2023/24.

### **Minimum Revenue Provision**

Section 5 sets out its Minimum Revenue Provision (MRP) policy for the 2020/21 financial year, which outlines how the Council will set aside some of its revenue resources as a provision for reducing the underlying need to borrow (as identified by the CFR). The core requirement is that:

- The Council has an approved policy for calculating MRP (this policy)
- The Council sets aside an amount which is deemed to be prudent, having regard to MHCLG's statutory guidance.

The MRP policy for 2020/21 is largely unchanged from 2019/20. However, changes under the new Accounting Standard IFRS16 to how we recognise leased assets will require the principal elements of lease payments to be treated as MRP.

### **Application of Resources**

Section 6 outlines the Council uses resources other than borrowing temporarily to finance capital expenditure. This allows the Council to remain "under borrowed" - meaning that we have not externally borrowed to fund fully the CFR.

A consequence of being under borrowed is that the Council has less cash available to invest. However as we receive lower interest on our investments than we pay on borrowing, this approach is financially advantageous.

### **Current Debt Portfolio**

In section 7, we explain that the new borrowing forecast to be taken is based on funding expenditure in the Capital Programme whilst broadly maintaining a sustainable under-borrowed position.

In addition to external borrowing we are forecasting PFI Liabilities to fall over the forecast period as payments are made, and in 2020/21 we see the final payment on the transferred debt relating to the old South Yorkshire County Council.

### **Treasury Indicators**

Section 8 sets out the Treasury Indicators assess the affordability of planned capital expenditure and its effect on the Council's overall finances.

This main body of the report details the indicators for:

- Revenue cost as a proportion of net revenue
- Limits to Borrowing activity

Members are asked to approve the Treasury indicators within this section.

### **Borrowing Strategy**

In section 9 we point out that increased borrowing rates and the Council's relatively strong cash balances support continuing the Council's under-borrowed position at current levels.

The capital programme will require new borrowing to be taken to achieve this aim.

It is expected the increased margin on PWLB borrowing will make lending to Local Authorities more attractive to banks, and the Treasury team will seek advice as necessary to assess the value of these sources of borrowing.

### **Treasury Limits on Activity**

Section 10 highlights the boundaries and limits imposed in relation to variable rate exposure and maturity profiles.

### **Debt Rescheduling**

Section 11 notes that during 2019/20, no rescheduling of the Council's debt was undertaken and none is expected in the foreseeable future.

### **Annual Ethical Investment Strategy**

In section 12, we set out the Annual Ethical Investment Strategy that aims to ensure investment decisions comply with its investment priorities (Security, Liquidity and Yield) and do not contradict the Council's ethical values.

### **Investment Strategy**

In Section 13 we highlight the distinction between Treasury and other investment types, the considerations in making short and long term decisions as well as limits for investment over 12 months.

**Section 1 - Introduction****Key Points:**

**Treasury Management fulfils a number of key roles that link the Revenue Budget and the Capital Programme. In line with the CIPFA definition of Treasury Management, these roles include:-**

- **ensuring that cash flow is adequately planned for and cash is available when needed**
- **investing surplus funds in line with the authority's risk appetite**
- **the funding of the Council's capital programme**
- **the effective control of the risks associated with those activities**

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

1.2 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.

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."*

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

**Borrowing:**

- Proposed levels of borrowing are sustainable and affordable
- The expected costs are well-matched to the relevant revenue streams to maximise budgetary certainty
- Financing is readily available when required for major capital

expenditure

- The most economical sources of borrowing for a given situation are identified and made use of.

Investments:

- Security: Public funds are not lost
- Liquidity: Cash is available when required for essential expenditure
- Yield: Returns are maximised to maintain, so far as the above constraints allow, the spending power of public funds held by the Authority.

Effective Balance Sheet Management:

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

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

These reports include:

- Prudential and treasury indicators and treasury strategy (this report) which covers Capital and Treasury Management issues (see 2.1/2.2 below):
- A mid-year treasury management report – This will update members with the progress, amending prudential indicators as necessary, and advise whether any policies require revision.
- Annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

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

## **Section 2 - The 2020/21 Treasury Management Strategy Statement (TMSS)**

### **Key Points:**

**The TMSS covers both capital issues and treasury management issues as required by the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.**

**This section also reports on the Council's response to requirements under the above codes in relation to training and the use of Treasury Management Consultants.**

- 2.1 The TMSS covers capital issues:
- the capital plans and the prudential indicators;
  - the minimum revenue provision (MRP) policy
- 2.2 The TMSS covers treasury management issues:
- the current treasury position;
  - treasury indicators which limit the treasury risk and activities of the Council;
  - prospects for interest rates;
  - the borrowing strategy;
  - the investment strategy;
  - policy on borrowing in advance of need;
  - debt rescheduling;
  - creditworthiness policy; and
  - the Council's policy on use of external service providers
- 2.3 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training. This especially applies to members responsible for scrutiny.

The Cabinet Member for Resources and Finance and the Audit and Scrutiny Committee has been provided with treasury management training from officers during the year. Further internal and external training will be considered as necessary.

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

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

being a CCAB qualified accountant.

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

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

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

### **Section 3 – Capital Prudential Indicators**

#### **Key Points:**

**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 *Capital Prudential Indicators*, which are designed to assist members’ overview and confirm capital expenditure plans.**

- 3.1 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. These plans are approved as part of approving the Capital Budget, so are noted here for information.

Capital Expenditure	2018.19 Actual £'m	2019.20 Forecast £'m	2020.21 Budget £'m	2021.22 Estimate £'m	2022.23 Estimate £'m	2023.24 Estimate £'m
People Capital & Growth	44.5	£15.2	£5.4	£2.4	£2.2	£0.0
Essential Compliance & Maint	4.0	£9.5	£1.4	£0.0	£0.0	£0.0
Economic Growth	10.6	£7.7	£4.9	£1.2	£0.0	£0.0
Housing Investment	48.5	£39.7	£44.1	£56.8	£57.7	£113.5
Quality of Life	20.0	£15.4	£19.2	£17.6	£17.7	£17.9
Transport	4.7	£13.7	£7.2	£0.3	£0.0	£0.0
Housing Growth	11.0	£27.9	£38.9	£76.3	£75.6	£51.0
Heart of the City II	48.2	£23.0	£56.0	£33.4	£22.3	£6.7
Green & Open Spaces	1.2	£1.4	£0.9	£0.2	£0.0	£0.0
ICT	0.0	£0.0	£1.4	£0.0	£0.0	£0.0
Corporate	0.0	£1.3	£0.0	£0.0	£0.0	£0.0
<b>Total</b>	<b>192.7</b>	<b>£154.7</b>	<b>£179.4</b>	<b>£188.2</b>	<b>£175.4</b>	<b>£189.1</b>

The Council's Capital Strategy and Capital Programme provides more detail on the key investment priorities aligned to the Council's overall corporate objectives, and are available from the Council's Website.

- 3.2 In addition to the table above, the Council may also invest up to a limit of £10m per year in loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth.
- 3.3 The Council may also make commercial investments and these will be reported via the Capital Strategy as they are non-treasury investments. There are currently no plans to make investment of this type. The capital strategy establishes a limit on commercial income (currently 3% of net expenditure) to minimise any exposure to the risk associated with commercial investments.
- 3.4 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:	2018.19 Actual £'m	2019.20 Forecast £'m	2020.21 Budget £'m	2021.22 Estimate £'m	2022.23 Estimate £'m	2023.24 Estimate £'m
<b>Capital expenditure:</b>						
Non-housing	£133.2	£87.1	£96.5	£55.2	£42.1	£24.6
Housing	£59.5	£67.6	£83.0	£133.0	£133.3	£164.5
<b>Total</b>	<b>£192.7</b>	<b>£154.7</b>	<b>£179.4</b>	<b>£188.2</b>	<b>£175.4</b>	<b>£189.1</b>
<b>Financed by:</b>						
Capital Receipts	£15.6	£23.8	£26.8	£33.2	£12.0	£18.6
Capital Grants & Contributions	£69.7	£50.0	£30.5	£32.9	£10.3	£18.6
Revenue Contributions	£62.4	£39.3	£47.7	£73.0	£97.7	£110.9
<b>Net borrowing need for the year</b>	<b>£45.1</b>	<b>£41.5</b>	<b>£74.4</b>	<b>£49.0</b>	<b>£55.4</b>	<b>£41.0</b>
<b>Fund Split</b>						
General Fund	£45.1	£41.5	£74.4	£49.0	£38.8	£24.3
HRA	£0.0	£0.0	£0.0	£0.0	£16.6	£16.7
<b>Total</b>	<b>£45.1</b>	<b>£41.5</b>	<b>£74.4</b>	<b>£49.0</b>	<b>£55.4</b>	<b>£41.0</b>

Capital Receipts and grants are anticipated to be an important but declining source of funding for the Council's capital investment programme.

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 and acquisitions to meet the Council's housing ambitions.

As in previous years, judicious use of borrowing to support capital investment remains a prudent financing option whilst borrowing costs remain relatively low (in historical terms).

The above financing need excludes other long term liabilities, such as Public Finance Initiatives (PFI) arrangements, no new PFI assets are expected to be acquired during the term of this strategy.

#### **Section 4 – The Council's Borrowing Need (Capital Financing Requirement)**

##### **Key Points:**

**The Council's Capital Financing Requirement (CFR), the second Prudential Indicator, is the total historic capital expenditure that has not yet been paid for; either from revenue or capital resources and is a measure of the Council's underlying need for borrowing.**

**Any new capital expenditure not immediately paid for, from grants, capital receipts or revenue contributions, will increase the Council's overall CFR.**

**The Council's CFR is expected to steadily increase over the next few years based on the Council's capital investment plans; moving from £1.5bn in 2018/19 to £1.6bn in 2023/24.**

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

<b>Capital Financing Requirement</b>	<b>2018.19 Actual £'m</b>	<b>2019.20 Forecast £'m</b>	<b>2020.21 Budget £'m</b>	<b>2021.22 Estimate £'m</b>	<b>2022.23 Estimate £'m</b>	<b>2023.24 Estimate £'m</b>
CFR non-housing	£1,191.1	£1,203.2	£1,241.6	£1,238.6	£1,243.8	£1,240.1
CFR housing	£345.9	£345.9	£345.9	£360.8	£372.8	£380.8
Total CFR - Year End	£1,537.0	£1,549.1	£1,587.5	£1,599.4	£1,616.6	£1,620.9
<b>In Year Movement in CFR</b>	<b>£34.3</b>	<b>£12.0</b>	<b>£38.4</b>	<b>£11.9</b>	<b>£17.2</b>	<b>£4.3</b>
<u>Movement in CFR represented by:</u>						
Expenditure not funded by grants, receipts, or contributions	£60.7	£41.5	£74.4	£49.0	£55.4	£41.0
Additional PFI liabilities	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0
- MRP/VMRP and other movements	-£26.3	-£29.5	-£36.0	-£37.1	-£38.3	-£36.7
<b>In Year Movement in CFR</b>	<b>£34.3</b>	<b>£12.0</b>	<b>£38.4</b>	<b>£11.9</b>	<b>£17.2</b>	<b>£4.3</b>



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

The CFR also includes other long term liabilities such as PFI arrangements. Whilst these form part of 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 £390.0m (2018/19 £400.8m) of such arrangements within the CFR.

### **Section 5 - Minimum Revenue Provision**

#### **Key Points:**

**Each year the Council sets out its Minimum Revenue Provision (MRP) policy, which outlines how the Council will set aside some of its revenue resources as a provision for reducing the underlying need to borrow (as identified by the CFR). The core requirement is that:**

- **The Council has an approved policy for calculating MRP (this policy)**
- **The Council sets aside an amount which is deemed to be prudent, having regard to MHCLG's statutory guidance.**

**The MRP policy for 2020/21 is largely unchanged from 2019/20. However, changes under the new Accounting Standard IFRS16 to how we recognise leased assets will require the principal elements of lease payments to be treated as MRP.**

**The Council is recommended to approve the following MRP statement:**

- 5.1 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.
- 5.2 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. Going forward, changes to the guidance prevents over provisions arising from change in MRP policy from 2018/19 onwards.

- 5.3 The Council will apply Voluntary Revenue Provisions (VRP) to realign overall charges to the 'regulatory method' where it is considered prudent to do so. From 1st April 2007, the MRP on all unsupported borrowing has been based on the 'asset life method'. This means that MRP is based on the estimated useful life of the assets created.
- Where it is considered prudent to do so, the Council will adopt an annuity profile for MRP charges under the asset life methodology. Adoption of this approach will be considered on a scheme-by-scheme basis, and will only be used where adoption will result in costs being better aligned to the benefit flows that will accrue from the investment.
- 5.4 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.
- 5.5 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.
- 5.6 The Council will also withhold MRP payments related to the acquisition of assets purchased under compulsory purchase orders (CPO) where there is a commitment to pass these assets and their costs onto a development vehicle. Where capital loans are provided by the Council under section 25 of the 'The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003', the Council will, where it is prudent to do so, align MRP profiles to loan repayments. This will ensure the Council does not unnecessarily charge amounts to its revenue budget.
- The Council can at times receive capitalisation directives from the Secretary of State. Where this is the case, the Council's policy will be to provide for MRP as the capitalisation is defrayed, rather than on initial recognition. The 'asset-life' approach will be taken to providing for MRP on capitalized spend, but where there is no discernible asset-life the Council will opt for a 20 year life.
- 5.7 In line with MHCLG guidance and to mitigate the impact of the move to International Financial Reporting Standards (IFRS) on the Council's revenue account, it is the policy of the Council to make an annual MRP charge equal to

the portion of the PFI unitary charge or lease payment taken to the Balance Sheet to reduce the liability.

During 2020/21, the Council will implement the new leasing standard (IFRS16) which will result in more lease assets being recognised on the balance sheet and therefore impact on the Councils CFR. As a result there will be an increased MRP charge (replacing the revenue impact of the principal element of the lease payments so the impact is only presentational).

- 5.8 A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. In the period to 31 March 2020 the total VRP overpayments were £0.3m. Where revenue funds are identified as being available to make VRP payments by a service, advice is to use the surplus to offset in year capital expenditure if possible, before allocating funds to reduce existing MRP costs.

## **Section 6 - Application of Resources**

### **Key Points:**

**The Council uses resources other than borrowing temporarily to finance capital expenditure. This allows the Council to remain “under borrowed” - meaning that we have not externally borrowed to fund fully the CFR.**

**A consequence of being under borrowed is that the Council has less cash available to invest. However as we receive lower interest on our investments than we pay on borrowing, this approach is financially advantageous.**

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

Core Funds and Expected Investment Balances	31/03/19 Actual £'000	31/03/20 Forecast £'000	31/03/21 Budget £'000	31/03/22 Estimate £'000	31/03/23 Estimate £'000	31/03/24 Estimate £'000
<b>Year End Resources:</b>						
Cash backed reserves*	312.7	324.8	305.7	249.4	241.5	235.0
Capital Receipts	136.5	136.5	130.0	124.0	118.0	112.0
Provisions	30.4	25.0	20.0	20.0	20.0	20.0
<b>Total Core Funds</b>	<b>479.6</b>	<b>486.3</b>	<b>455.7</b>	<b>393.4</b>	<b>379.5</b>	<b>367.0</b>
Working Capital	-50.4	-45.2	-35.3	-25.4	-15.4	-5.4
(Under)/over Borrowing	-325.5	-326.1	-314.6	-265.7	-263.6	-265.7
<b>Expected Investments</b>	<b>103.7</b>	<b>115.1</b>	<b>105.8</b>	<b>102.3</b>	<b>100.5</b>	<b>95.9</b>

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

- 6.2 The above table shows that the Council plans to remain 'under-borrowed' throughout the period. This means that we have not yet taken loans to finance all our borrowing needs. Instead, the Council has used its own cash balances that it doesn't need immediately. These balances include grants received in advance, reserves and provisions being held over for future spend, and capital receipts that have yet to be deployed.
- 6.3 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 in historical terms, these costs 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.
- This approach also minimises our counterparty risks, as it reduce the amount of cash we invest in counterparties (i.e. banks and pension funds) Following the financial crash in 2008, we remain cautious about where we invest.
- 6.4 Whilst an under-borrowed position has yielded significant savings over the past few years, it does expose us to a level of risk around interest rates changes. Should interest rates increase markedly from the current, historically low, levels, then we might regret not taking out fixed interest borrowing now. As a counter-incentive, increasing our borrowing before we would use the resulting cash would incur significant interest costs. Ultimately this is a judgement call.
- Accordingly, it is important that we continue to manage this risk, and retain exposure at a level we think is appropriate. To provide a balanced approach to this risk, and to keep the under borrowing position at a sustainable level, the Council intends to take sufficient additional loans over the forecast period to

bring enough cash into the Council to offset the outflows principally associated with our programme of capital investments including, in particular, the HotC II scheme.

- 6.5 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.

### **Section 7 - Current Debt Portfolio**

#### **Key Points:**

**The new borrowing forecast to be taken is based on funding expenditure in the Capital Programme whilst broadly maintaining a sustainable under-borrowed position.**

**In addition to external borrowing we are forecasting PFI Liabilities to fall over the forecast period as payments are made, and in 2020/21 we see the final payment on the transferred debt relating to the old South Yorkshire County Council.**

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

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

7.2

<b>Current Portfolio Position</b>	<b>2018.19 Actual £'m</b>	<b>2019.20 Forecast £'m</b>	<b>2020.21 Budget £'m</b>	<b>2021.22 Estimate £'m</b>	<b>2022.23 Estimate £'m</b>	<b>2023.24 Estimate £'m</b>
<b>External Debt</b>						
Loans at 1st April	799.9	802.9	828.4	897.7	978.4	1018.4
Expected change in Loans	3.0	25.6	69.3	80.7	40.0	21.0
PFI liabilities at 1st April	409.6	400.2	390.0	375.1	355.4	334.6
Expected change in PFI liabilities	-9.5	-10.1	-14.8	-19.8	-20.8	-18.8
Transferred Debt at 1st April	12.2	8.5	4.5	0.0	0.0	0.0
Expected Change in Transferred Debt	-3.7	-4.0	-4.5	0.0	0.0	0.0
Actual Gross Debt at 31st March	1211.5	1223.0	1272.9	1333.7	1352.9	1355.2
The Capital Financing Requirement	1537.0	1549.1	1587.5	1599.4	1616.6	1620.9
<b>Authority Under/(Over) Borrowing</b>	<b>325.5</b>	<b>326.1</b>	<b>314.6</b>	<b>265.7</b>	<b>263.6</b>	<b>265.7</b>
less HRA under/ (over) borrowing	60.9	66.1	53.8	4.8	2.8	4.8
GF Under / (Over) Borrowing	264.5	260.0	260.8	260.8	260.8	260.9
	<b>325.4</b>	<b>326.1</b>	<b>314.6</b>	<b>265.6</b>	<b>263.6</b>	<b>265.6</b>

- 7.3 In order to avoid any increases to the under-borrowed position, new external debt is expected to be needed over the forecast period. The majority of this debt is expected to be needed by 2021/22.
- 7.4 This analysis shows that 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 2020/21 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.

**Section 8 - Treasury Indicators**

**Key Points:**

**The Treasury Indicators assess the affordability of planned capital expenditure and its effect on the Council’s overall finances.**

**This section details the indicators for:**

- Revenue cost as a proportion of net revenue
- Limits to Borrowing activity

**Members are asked to approve the Treasury indicators below.**

- 8.1 **Revenue cost as a proportion of net revenue** is monitored both with and without PFI cost and revenue included.

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.

General fund costs forecast a modest rise proportionally until 2022/23 when disposals in the Heart of the City development are set to reduce MRP and interest costs.

HRA cost also rises over the forecast period due to significant capital expenditure following the lifting of the debt cap. The obvious exception is 2020/21 where accounting adjustments for historic early repayment of debt ends.

Excluding PFI

<b>Ratio of Financing Costs to Net Revenue Stream:</b>	<b>2018.19 Actual</b>	<b>2019.20 Forecast</b>	<b>2020.21 Budget</b>	<b>2021.22 Estimate</b>	<b>2022.23 Estimate</b>
General Fund	7.77%	8.56%	8.36%	8.61%	7.61%
HRA	9.6%	9.7%	9.0%	10.0%	10.0%

Including PFI

Ratio of Financing Costs to Net Revenue Stream:	2018.19 Actual	2019.20 Forecast	2020.21 Budget	2021.22 Estimate	2022.23 Estimate
General Fund	17.6%	17.5%	17.3%	18.3%	17.9%
HRA	9.6%	9.7%	9.0%	10.0%	10.0%

8.2 This reflects three prominent issues:

1. Fluctuations in income and costs arising from PFI arrangements make a significant difference to the above ratios.
2. We anticipate incurring more borrowing costs (interest and MRP costs) in the future than we do now; and,
3. The revenue income streams used for this calculation increase very modestly.

At a very high and unsophisticated level, this means that we are spending more on capital financing, and the rate at which income increases is not keeping pace with it. However, these ratios should not be viewed entirely in isolation from other sources of information; such as the balanced Revenue Budget.

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

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

#### 8.5 Limits to Borrowing Activity

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

8.6 The following table shows the Council's estimates for its operational boundary; which in future years builds in both planned (i.e. known schemes) and makes some allowance for future capital expenditure and an estimate of the likely impact arising from the change to lease accounting due to IFRS 16:

Operational Boundary	2018.19 Actual £'m	2019.20 Actual £'m	2020.21 Proposed £'m	2021.22 Proposed £'m	2022.23 Proposed £'m	2023.24 Proposed £'m
Loans	£1,160	£1,160	£1,240	£1,270	£1,300	£1,320
Other Long Term Liabilities	£440	£440	£400	£380	£360	£340
Lease Arrangements	£0	£0	£10	£10	£10	£10
<b>Total</b>	<b>£1,600</b>	<b>£1,600</b>	<b>£1,650</b>	<b>£1,660</b>	<b>£1,670</b>	<b>£1,670</b>

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

The Council is required to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is acceptable.

The authorised limit reflects the level of external debt which is still affordable though not desirable due to the impact on revenue budgets. External Debt will not rise above this limit without Cabinet approval.

Authorised Limit	2018.19 Actual £'m	2019.20 Actual £'m	2020.21 Proposed £'m	2021.22 Proposed £'m	2022.23 Proposed £'m	2023.24 Proposed £'m
Loans	£1,250	£1,200	£1,280	£1,310	£1,340	£1,360
Other Long Term Liabilities	£440	£440	£400	£380	£360	£340
Lease Arrangements	£0	£0	£10	£10	£10	£10
<b>Total</b>	<b>£1,690</b>	<b>£1,640</b>	<b>£1,690</b>	<b>£1,700</b>	<b>£1,710</b>	<b>£1,710</b>

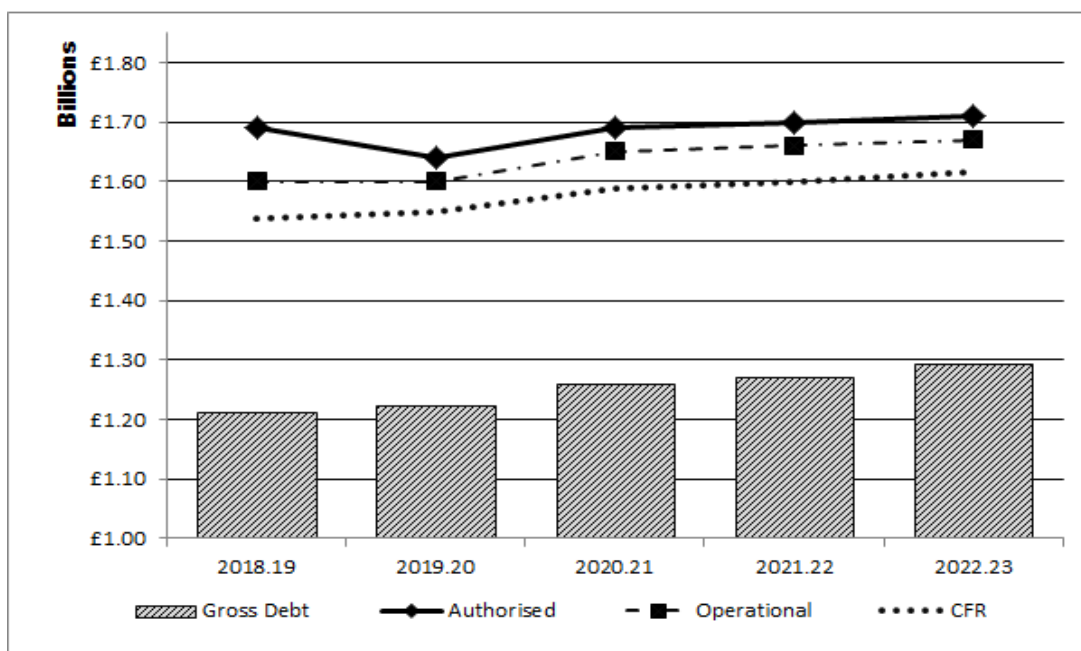
- 8.8 The government removed the HRA debt cap in the October 2018 budget giving the Council more freedom to borrow to help address the city's housing needs. However, as the HRA is self-financed, any additional borrowing must remain prudent, affordable and sustainable. Consequently the operational and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

The HRA's ambition is to add 3,100 new housing units over the next 10 years, 500 of which have already been provided. The limits established below provide headroom to borrow should other sources of income fall short of target.



HRA Debt Limit	2018.19 Actual £'m	2019.20 Actual £'m	2020.21 Proposed £'m	2021.22 Proposed £'m	2022.23 Proposed £'m	2023.24 Proposed £'m
HRA Authorised Limit	£388.3	£384.2	£384.2	£426.3	£479.2	£499.7
HRA Operational Limit *	£388.3	£365.2	£365.2	£403.4	£449.5	£470.6
HRA CFR	£345.9	£345.9	£345.9	£360.8	£372.8	£380.8
HRA Headroom **	£42.4	£38.3	£38.3	£65.5	£106.4	£119.0

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



8.10 The authorised limit is higher than the gross debt to all allow us to deal with both planned capital expenditure, future capital expenditure over and above the current planned capital expenditure and any opportunities that may arise in-year to restructure contracts. However, the projected CFR and gross debt figures represent current planned expenditure only and not potential pipeline projects that have yet to be approved.

## **Section 9 - Borrowing Strategy**

### **Key Points:**

**Increased borrowing rates and the Councils relatively strong cash balances support continuing the council's under-borrowed position around current levels. The large capital programme will require new borrowing to be taken to achieve this aim.**

**It is expected the Increased margin on PWLB borrowing will make lending to locals more attractive to banks and Treasury will seek advice as necessary to assess the value of these sources of borrowing.**

- 9.1 The Council is currently maintaining an under-borrowed position and plans to do so while it remains prudent. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loans and other credit arrangements (such as PFI arrangements). Instead cash supporting the Council's reserves, balances and working capital has been used as a temporary measure. However, these balances are expected to fall gradually, which in turn increases our exposure to interest rate risk.
- 9.2 However, in accordance with the view taken in previous years, the Council recognises the inherent risk in operating to this strategy. Where there is an extension to the current low borrowing rate period, then the Council's plans for its level of the internal borrowing position would be reviewed, with consideration being given to maintaining the position at its current levels, or modestly increasing it.
- 9.3 Conversely, if it was felt that there was a significant risk that the cost of borrowing was likely to increase beyond that currently, 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.
- 9.4 The Borrowing strategy may be impacted by changes in the economic environment. For example borrowing may be taken earlier if the chance of interest rates increasing rises. A detailed economic review can be seen in the end of this appendix in **Note 1**. Additionally, the risks impacting on interest rates can be seen in **Note 2** alongside the forward forecast for a number of relevant interest rates.
- 9.5 The Municipal Bond Agency is aiming to issue bonds for local authorities in the near future and borrowing rates should be lower than those offered by the Public Works Loan Board. The Council may consider making use of this new source of borrowing; as and when appropriate.

### **Section 10 - Treasury Limits on Activity**

#### **Key points:**

**This section highlights the boundaries and limits imposed in relation to variable rate exposure and maturity profiles.**

- 10.1 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:
- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of

investments;

- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

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

10.2	Limits on interest rate exposure based on net debt	2019.20	2020.21	2021.22	2022.23	2023.24
		Forecast	Budget	Estimate	Estimate	Estimate
		<b>Upper</b>	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
	Fixed interest rates (%)	100%	100%	100%	100%	100%
	Variable interest rates (£'m)	£110	£120	£145	£160	£160

The above table indicates our desire not to increase the number of variable rate loans we have beyond our current floating-rate lender option buyer option (LOBO) bank loans. The increases in variable rate limits above are exclusively from existing LOBO loans that are entering their call period.

10.3

Maturity structure of fixed interest rate borrowing:	2020.21	
	Lower	Upper
Under 12 months	1%	5%
12 months to 2 years	3%	5%
2 years to 5 years	5%	8%
5 years to 10 years	13%	15%
10 years to 20 years	13%	20%
20 years to 30 years	13%	20%
30 years to 40 years	24%	30%
40 years to 50 years	16%	20%
Over 50 years	9%	15%

The above table shows the Council's desire to avoid having too many loans maturing in any one period; but retain flexibility over the term of any new borrowing to take advantage of the yield curve. The Council currently expects the majority of its loans to mature in the medium term, supporting the HRA business plan and aligning maturities to our CFR profiles to avoid over-borrowing situations.

10.4

Maturity structure of variable interest rate	2020.21	
	Lower	Upper
Under 12 months*	0%	100%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years +	0%	0%

The above table is reflective of our floating-rate LOBO bank loans. The bank has the option to re-set the interest rate on these loans, typically every six months. As the Council then has the option to accept the rate or repay these loans, we are required to show them as maturing within 12 months for the purposes of this indicator.

- 10.5 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.
- 10.6 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.

### **Section 11 - Debt Rescheduling**

#### **Key Points:**

**During 2019/20, no rescheduling of the Council's debt was undertaken and none is expected in the foreseeable future**

- 11.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur during 2020/21 due to the 100 bps increase in PWLB rates applies to new borrowing. Consequently any principal and premiums paid to repay existing loans would have to be refinanced at higher rates.

Approval of the Head of Service would be sought prior to any rescheduling.

### **Section 12 Annual Ethical Investment Strategy**

#### **Key points:**

**This Strategy ensures investment decisions comply with its investment priorities (Security, Liquidity and Yield) and do not contradict the Council ethical values.**

- 
- 12.1 The Council's investment policy has regard to the government's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code").

The Council's investment priorities will be security first, portfolio liquidity second and then return (yield). This ensures we do not chase yield at the expense of the security of our investment.

- 12.2 The Council only invests in a limited number of financial institutions, and does not hold equities (shares) or other forms of investments in listed companies. Investment of the Council's pension contributions to the Local Government Pensions Scheme is carried out by South Yorkshire Pensions Authority in accordance with its own rules for investing, and the Council has no direct control over these decisions. In any event 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.

- 12.3 In accordance with the above guidance from Central 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. The Criteria applied can be seen in **Appendix 4**. This approach also enables diversification of counterparties and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets.

The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or Equivalent). These are included in Note 5 at the end of this appendix.

- 12.4 The creditworthiness methodology (see section 16 below) used to create the counterparty list fully accounts for the ratings, watches, and outlooks, published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using these ratings services, potential counterparty ratings are monitored on a real time basis with knowledge of any changes

notified electronically.

- 12.5 The intention of the strategy is to provide security of investment and minimisation of risk. The strategy also enables the Council to operate a diversified investment portfolio to avoid an over concentration of risk.

Investment instruments identified for use in the financial year are listed under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices.

### **Section 13 - Investment Strategy**

#### **Key Points:**

**Highlights the distinction between Treasury and other investments, the considerations in making short and long term decisions as well as limits for investment over 12 months.**

- 13.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

- 13.2 When considering its investments the Council will consider:

- Its longer term cash balances. This is cash available for use in the medium to long term, and comes from reserves, grants and receipts that are yet to be spent;
- Short term cash flow requirements that arise on a daily or weekly basis; and,
- Expectations on interest rates. Important when determining a required rate of return on the Council's investments.

Bank Rate is forecast to increase steadily but slowly over the next few years to reach 1.25% by quarter 1 2022. Base rate forecasts can be see above in section 10.1.

- 13.3 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	2019.20	2020.21	2021.22	2021.23	2023.24
Proposed Returns	0.75%	0.75%	1.00%	1.25%	1.50%

- 13.4 The Council does not typically 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	2019.20 £'m	2020.21 £'m	2021.22 £'m	2022.23 £'m	2023.24 £'m
Maximum Amount	£30	£30	£30	£30	£30

- 13.5 **The Council is asked to approved the above treasury indicator and limits**
- 13.6 The Coucil will continue to use the un compounded 3 month LIBID rate as a benchmark for its investment returns.
- 13.7 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Outturn Report.

## Note1 – Economic Backdrop

**UK. Brexit.** 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the **general election** on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

**GDP growth** has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

While the Bank of England went through the routine of producing another **quarterly Inflation Report**, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

The **MPC meeting of 19 December** repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that domestic "unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".



If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market**, growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000 which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44 year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

**USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However; CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

**The Fed** finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing

but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy \$60bn, whereas it had been reducing its balance sheet by \$50bn per month during 2019. As it will be buying only short-term (less than 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

**EUROZONE. Growth** has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

**The European Central Bank (ECB)** ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period**; (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this

loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments will need to help stimulate growth by 'growth friendly' fiscal policy.

There were no policy changes in the December meeting which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

**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 shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

**JAPAN** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

**WORLD GROWTH** - Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. **Central banks are, therefore, likely to come under more**

**pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.**

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

## INTEREST RATE FORECASTS

Link Asset Services Interest Rate View													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The interest rate forecasts provided by Link Asset Services are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU**. On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help

economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

**Note 2 - The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments**. Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.

- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some \$19trn of corporate debt in major western economies**, if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is \$15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

### Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

### **Note 3 - Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management**

#### **SPECIFIED INVESTMENTS:**

All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

The following specified investment instruments, along with their minimum credit rating, have been outlined below:

	<b>* Minimum credit criteria / colour band</b>	<b>** Max % of total investments / £ limit per institution</b>	<b>Max Maturity Period</b>
DMADF – UK Government	UK sovereign rating	100%	6 months
UK Government Gilt	UK sovereign rating	100%	12 months
UK Government Treasury Bills	UK sovereign rating		12 months
Bonds issued by multilateral development banks	AAA	100%	6 months
Money market funds CNAV	AAA	100%	Liquid
Money market funds LVNAV	AAA	100%	Liquid
Money market funds VNAV	AAA	£30m	Liquid
Ultra-Short Dated Bond funds with a credit score of 1.25	AAA	100%	Liquid
Ultra-Short Dated Bond funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	5 years
Term deposits with banks and building societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use



	<b>* Minimum credit criteria / colour band</b>	<b>** Max % of total investments / £ limit per institution</b>	<b>Max Maturity Period</b>
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:

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

#### Note 4 - Creditworthiness approach

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

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

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

Colour Band	Duration
Yellow	5 years *
Dark pink	5 years for Ultra-Short Dated Bond Funds, credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds , credit score of 1.5
Purple	2 years
Blue	1 year (applies to nationalised or semi-nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

Whilst the above gives the council scope to invest for periods in excess of 12 months, the Council does not expect to do so during 2019/20. Should it choose to do so, the action will be reported to the Cabinet Member for Finance at the earliest available opportunity.

Link Asset Services' creditworthiness service uses a wide array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it

does not give undue significance to just one agency's ratings.

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

	Colour (and long term rating where applicable)	Money and / or % Limit	Time Limit
Banks *	Yellow	100%	5 years
Banks	Purple	£30m	2 years
Banks	Orange	£30m	1 year
Banks – part nationalised**	Blue	£50m	1 year
Banks – UK only	Red	£20m	6 months
Banks – non UK	Red	£15m	6 months
Banks	Green	£10m	100 days
Banks	No colour	Not to be used	
Council's banker in the event of the bank being 'no colour'	-	100 %	5 days ***
DMADF	UK Sovereign Rating	100%	6 months
Local authorities	n/a	£30m	5yrs
Money market funds CNAV****	AAA	100 %	liquid
Money market funds LVNAV*****	AAA	100 %	liquid
Money market funds VNAV*****	AAA	£30m	liquid
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 stable Net Asset Value to two decimal places, provided the fund is managed to certain restrictions*

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

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings, the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. The Council will also use market data and market information, information on government support for banks, and the credit ratings of that supporting government.

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

**Note 5 - 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 & Pools.

**AAA**

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A

**AA+**

- Finland
- Hong Kong
- Austria

**AA**

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

**AA-**

- Belgium
- Qatar

## Pay Policy Statement

### Background

1. Sheffield City Council is required under Sections 38–43 of the Localism Act 2011 to publish its pay policy. Sheffield City Council has routinely, on an annual basis, published data on all posts which have remuneration above £50,000.
2. The Council continues to monitor closely its senior management posts and keeps the structure under review to ensure it continues to be fit for purpose.
3. This policy statement does not cover or include staff employed by schools and is not required to do so.
4. This policy statement is required to be considered and approved by full Council at the Council meeting.

### Definition of Officers Covered by this Policy Statement

5. This policy statement covers the following posts, 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 (required by Local Government & Housing Act 1988).
  - b) **Statutory Chief Officers**, which in Sheffield City Council are the posts of:
    - i) Director of Adult Services (under Local Authority Social Services Act 1970)
    - ii) Executive Director of People (Director of Children's Services under Children's Act)
    - iii) Director of Legal and Governance (Monitoring Officer, required by Local Government & Housing Act 1988)
    - iv) Executive Director of Resources (Chief Finance Officer under Section 151 of Local Government Act 1972)
    - v) Director of Public Health (required by National Health Service Act 2006).
  - c) **Non-statutory Chief Officers** (those who report to the Head of Paid Service or Statutory Officer)
  - d) **Chief Officers** (those who report to Non Statutory Chief Officers)

## Pay Policy Statement

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

## Policy on Remunerating Chief Officers

7. Sheffield City Council's policy is to pay Chief Officers' basic annual salary; Chief Officers' salaries do not attract enhancements or bonus of any kind. There are no additional enhancements to redundancy payments, pension contributions or pension payments outside of the Council's normal arrangements for all Sheffield City Council employees. Travel and other expenses are paid through the normal authority procedures.
8. It is the policy of this authority to establish a remuneration package for each Chief Officer post that is sufficient to attract and retain staff of the appropriate skills, knowledge, experience, abilities and qualities that is consistent with the authority's requirements of the post in question at the relevant time. Grading decisions are determined through a process of Job Evaluation which assesses the key factors of each role. The Chief Officer Grading Structure is attached as **Annex 2**.
9. Recruitment to a Chief Officer post is undertaken by the Senior Officers Employment Committee which is a sub-committee of the Council; membership is agreed by Council on an annual basis. All recommendations for appointment at this level are ratified by Cabinet.
10. All posts will be advertised and appointed to at the appropriate approved salary for the post in question, unless there is good evidence that a successful

appointment of a person with the required skills, knowledge, experience, abilities and qualities cannot be made without varying the remuneration package. In such circumstances a variation to the remuneration package may be appropriate under the authority's policy and any variation will be approved through the appropriate authority decision making process.

11. The authority will apply any pay increases that are agreed by relevant national negotiating bodies and/or any pay increases that are agreed through local negotiations. The authority will also apply any pay increases that are as a result of authority decisions to significantly increase the duties and responsibilities of the post in question beyond the normal flexing of duties and responsibilities that are expected in senior posts.
12. The authority will not make additional payments beyond those specified in the contract of employment unless varied by the appropriate authority decision making process
13. The Council sets and makes payment to the Returning Officer for the management and administration of local elections. The Returning Officer will make payments to those officers who undertake specific duties in relation to the elections (including Chief Officers) dependent on their role.
14. It should be noted that any fees payable for duties in connection with Parliamentary and European elections, election for Police Commissioners or referenda are recouped from Central Government subject to a prescribed aggregate maximum amount, and are not funded by the Council.
15. The authority does not operate a performance related pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.
16. The authority does not operate an earn-back pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.

#### **Policy on Remunerating the Lowest Paid in the Workforce**

17. The authority applies terms and conditions of employment that have been negotiated and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of authority decisions, and these are incorporated into contracts of employment. The lowest pay point in this authority is Grade 1, point 1. This relates to an annual salary of £17,346 and can be expressed as an hourly rate of pay of £9.00 (April 2019 to March 2020).



18. A decision was taken at Cabinet on 16 January 2013 to uplift the pay of employees earning less than the nationally recognised Living Wage and align this with the Living Wage Foundation rate.
19. From April 2020 this will increase to £9.30 per hour. The payment will be made as a supplement which will be reviewed on an annual basis.
20. Pay rates are increased in accordance with any pay settlements which are reached through the National Joint Council for Local Government Services.

**Remuneration ratios**

21. The requirement for the Policy also reflects the concerns over low pay highlighted in Will Hutton's 2011 Review of Fair Pay in the Public Sector. This stated that the ratio between the highest paid salary and the median average, should provide a pay multiple of no more than 20:1. It is not a requirement to publish this ratio as part of the Council's Pay Policy Statement, but is a requirement of the Local Government Transparency Code 2014. Currently in this authority the ratio between the highest salary (£195,905) and the median average salary (£25,801) is 7.59:1. 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 plus 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 2020 to the end of March 2021, 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 & Customer Services**  
**January 2020**

## 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. The following table sets out pay as of 1/4/20 using the Chief Officer pay scale as of 1/4/20. Any pay award during 20/21 would be applied as agreed.

<b>Status</b>	<b>Post</b> <i>(relevant statute, if any, given at paragraph 5, above)</i>	<b>Base Salary (£)</b>	<b>Other relevant payments, and notes</b>
<b>Head of Paid Service</b>	Chief Executive	195,905	
<b>Statutory Chief Officers which in Sheffield City council are the posts of:</b>	Executive Director of People (Director of Children's Services)	150,192	
	Director of Adult Services	102,165	
	Director of Legal and Governance (Monitoring Officer)	88,384	Election duty fees are in accordance with normal authority procedures.
	Executive Director of Resources (Chief Financial Officer)	150,192	
	Director of Public Health	123,247	
<b>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:</b>	Executive Director of Place	150,192	
	Director of Policy and Performance	88,384	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.
	Director of Children and Families (People)	107,338	
	Director of Business Strategy (People)	88,384	
	Director Libraries Learning Skills & Communities (People)	88,384	
	Director of Culture (Place)	85,258	The post is currently vacant
	Director of Commissioning Inclusion & Learning (People)	88,384	

	Director of Human Resources & Customer Services (Resources)	88,384	
	Director of Finance & Commercial Services (Resources)	97,245	
	Director of Business Change and Information Solutions (Resources)	97,245	
	Director of Transport and Facilities Management (Resources)	88,384	
<b>Chief Officers (those who report to Non Statutory Chief Officers) which in Sheffield City Council are the posts of:</b>	Director of Housing Services (Place)	97,245	
	Director of City Growth (Place)	97,245	
	Director of Business Strategy (Place)	88,384	
	Director of Capital & Major Projects (Place)	97,245	
	Assistant Director of Legal & Governance x2 (Deputy Monitoring Officer) (Resources)	60,166 & 63,032	Directors in same post - only one of these acts as Deputy Monitoring Officer

## Annex 2 - Chief Officer Grading Structure

Grade Desc	Spinal Pt	01/04/2019
DG 7	1	58,729
	2	60,166
	3	61,599
	4	63,032
DG 6	1	69,091
	2	70,772
	3	72,452
	4	74,137
DG 5	1	79,295
	2	81,284
	3	83,271
DG4	1	85,258
	2	87,242
	3	88,384
DG3	1	90,597
	2	92,814
	3	95,029
	4	97,245
DG2	1	99,673
	2	102,165
	3	104,720
	4	107,338
DG 1	1	111,963
	2	114,597
	3	117,535
	4	120,359
	5	123,247
Executive Director	1	124,070
	2	130,612
	3	137,139
	4	143,668
	5	150,192
Chief Executive		195,905

## Budget 2020-21

### Equality Impact Assessment

#### Purpose

1. The purpose of the Revenue Budget report is to:
  - Approve the City Council's revenue budget for 2020/21, including the position on reserves and balances;
  - Approve a 2020/21 Council Tax for the City Council, and;
  - Note the levies and precepts made on the City Council by other authorities.

#### Background

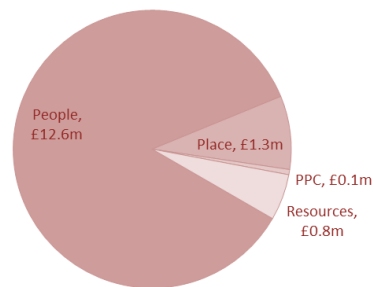
2. Section 149 of the Equality Act 2010, the Public Sector Equality Duty states that a Public Authority must, in the exercise of its functions, have due regard to:
  - Eliminating discrimination, harassment, and victimisation.
  - Advancing equality of opportunity.
  - Fostering good relations.
3. Having 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 people who use services to consider the impact of Council activity and actions on the people who share protected characteristics. One of the ways we do this is through conducting Equality Impact Assessments (EIAs).

5. The Council-wide EIA and the individual service EIAs on budget proposals that underpin it are focused on the impact on the protected characteristics in the Equality Act 2010. These are age, disability, race, marriage and civil partnership, sex, sexual orientation, religion/belief, gender reassignment, pregnancy and 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 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.

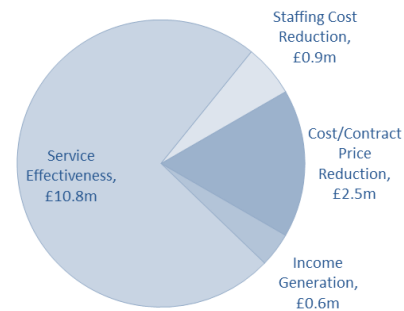
11. It is possible that some decisions will have a disproportionate impact on some groups in comparison to others. The impact assessments help us identify, and avoid or mitigate, these impacts. There could, for example, be disproportionate impacts on certain geographic locations or different parts of the population, such as younger or older people, women or men, disabled people, Black, Asian and Minority Ethnic (BAME) communities or lesbian, gay, bisexual, and transgender (LGBT) communities etc. It's also important that we consider the cumulative effect of any decisions made on these groups. This could be cumulative, year on year or different proposals on the same group. EIAs also help us identify and make positive changes wherever possible.
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 and Tackling Poverty and Social Exclusion Partnership and the [Making Sheffield Fairer](#) Campaign. The Fairness and Tackling Poverty Partnership, of which the Council is a part of, has produced a Sheffield wide [Tackling Poverty Strategy](#). The Fairness Framework and campaign, as well as our Corporate Plan and Tackling Poverty Strategy, have influenced our priorities and decision making across the Council.
13. In the last year, we have launched our new [Equality Objectives 2019-23](#) which demonstrate our commitment to challenging inequality and promoting a fair and inclusive Sheffield. Our Equality Objectives are based on evidence and feedback that we collect from residents, customers and our staff. They also reflect and help address areas of persistent inequality, as outlined in our [Annual Equality Report 2017-18](#). The four Objectives are:
  - Strengthen knowledge and understanding of our communities
  - Ensure our workforce reflects the people that we serve
  - Lead the city in celebrating diversity and promoting inclusion
  - Break the cycle of inequality and improve life chances
14. The total amount of Portfolio savings we are required to make in 2020/21 amount to £14.7m, mainly focusing on service effectiveness, cost reductions and staff savings.



**Portfolio Savings, by Portfolio**  
Total = £14.7m



**Portfolio Savings, by Category**  
Total = £14.7m



15. As set out in the full Revenue Budget report, the Government's Spending Review in September 2019 allocated a small increase in local government funding for 2020/21 which addresses the in-year cost pressures that the Council faces but does not reverse the reductions in funding we have seen over the last nine years.
16. In addition to the budget reductions that we have seen, all of the Council's services are affected by demand, pay or price inflation, as well as by legislative changes. One of our biggest cost pressures arises from the need to continue to provide key services for the growing and ageing population of Sheffield, particularly in social care and children's social care.
17. In line with the priorities of citizens in our budget engagement, the Council has prioritised support for social care with a proposed (subject to Council approval) investment of £17.9m, the third successive year of investment totalling approximately £53m. This has been funded by in the Social Care Grant of £12.2m and the increase in council tax, including the Adult Social Care precept. This demonstrates the focus on protecting the most vulnerable in the city but again does not compensate for the reductions in funding from Government over previous years.
18. As shown elsewhere in the report, inequality is widening,(see below?) and growing numbers of people are experiencing financial insecurity following a decade of austerity. We are also aware of our need to meet the needs of an increasingly diverse population, in a context of public services austerity and a continuing to attract and retain diversity. Our approach aims to ensure that different groups of people get services that are appropriate and meet their needs, such as older people accessing timely care and support and also that groups, including disabled people, people from BAME backgrounds, young people and women are more able to access better quality employment.

19. The issue of inequality is fundamental to the Council and is considered throughout our proposals. One of the strongest mitigations is that we continue to prioritise those in greatest and complex need, targeted solutions, prevention and an inclusive economy.
20. 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 have been cut year on year that there is an impact on the services we deliver, including some of the work we do with people who are most vulnerable. As far as practically possible within the confines of a cumulatively reduced financial settlement, we have tried to minimise the impact on those in greatest need and most at risk. However, these are extremely challenging choices and difficult decisions have to be made.
21. 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.
22. We have tried as far as possible to achieve any savings through changes to the way we work, including by working 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.
23. The size and pace of the financial challenge over the last decade means that a number of the reductions or changes in service provision began in previous years will continue although in 2020/21, reductions are smaller and we are again seeing more investment in social care. The impacts on individuals and groups will be monitored to ensure that any potential negative impact is reduced as far as possible.
24. 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.

25. We are confident that our budget proposals mean that services for those that most need our help and support will be prioritised. However this may mean reductions and changes in universal provision could impact on those households who, although not in the greatest need, are still struggling financially and may not be able to pay for alternative provision.

### **Evidence: what we already know – Sheffield demographics**

26. As well as evidence from consultations, 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 and we have used [2011 Census](#), [Sheffield Facts and Figures](#), [State of Sheffield](#), and [Community Knowledge Profiles](#) to support our EIA. In summary, these 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 582,500 by 2018. This has resulted from increases in births, net inward migration, and longer life expectancy.
- Sheffield is a diverse city and the ethnic profile continues to change. The proportion of residents classifying themselves as BAME (Black, Asian and Minority Ethnic includes everyone except for those who classify themselves as White British) has grown from 11% in 2001 to 21% in 2017. BAME adults make up 18% of the population and BAME children 36% (based on reception to Year 11 pupils, Feb 2020).
- 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 23.8%.
- Sheffield has a higher proportion of its population aged 65 years or over (16%, or 93,600 people) than the other English Core Cities. This is projected to increase to 19.2% by 2034, with the largest increase in the

number of people aged over 85.

- The age group that has increased the most from 2011 to 2018 is 25-34 year olds, with 15.5% of our population being in this group. 18.1% of the population 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 46,600 households who receive Council Tax Support, and of these approximately 27,900 are of working age.
- Sheffield has around 25,522 households (10.7%) in fuel poverty, which is slightly lower than the percentage for all England (10.9%). Nationally, there is a large difference in the proportion of households that are fuel poor between those that are working, full-time or part-time, or are retired (8%, 17.3% and 7.6%, respectively) compared to those that are unemployed or in full-time education (31.9% and 24.4% respectively).
- Sheffield is the seventh least deprived of England's eight core cities, however almost a quarter (23.8%) of Sheffield LSOAs (lower-layer super output areas) are in the most deprived decile nationally, with 9.9% being in the least deprived decile.
- The broad pattern of deprivation in Sheffield has changed relatively little between 2015 and 2019; there is one more LSOA in the most deprived decile, and one fewer in the least deprived decile. There were larger changes in the second most deprived decile (three fewer) and the second least deprived decile (four more).
- In 2019, median gross weekly earnings of full time workers were £572.70 for males, and £485.10 for females. For all males, median annual pay was £27,922 compared with £18,865 for all females, a pay gap of £9,057.
- For all males, median annual pay was £27,922, compared with £18,865 for all females; a pay gap of £9,057.
- 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 disproportionately affected by disadvantage and inequality. For example, children are more likely to live in poverty if they are from a BME background; 40.4% of Somali, 44.5% of Yemeni and 56.1% of Roma children in Sheffield are eligible for Free School Meals compared to 22.7% of all children in Sheffield. Children with SEN are also more likely to live in poverty; 38.4% of children with SEN Support, EHC Plan or Statement in Sheffield are eligible for Free School Meals compared with 19.7% of those without support (SCC, January School Census 2019)
- 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 for men in Sheffield is 79.4 years (slightly above the national average of 79.3 years) and 82.3 years for women (below the national average of 82.9 years). However, healthy life expectancy for women in Sheffield is lower, at 60.2 years, than it is for men, at 61.8 years. This compares with national healthy life expectancies of 63.6 years for women and 63.1 for men.

### **Evidence: what we already know – Welfare Reform and poverty**

27. Although not within the scope of our budget proposals, the impacts of the UK government's programme of welfare reform, including the roll-out of Universal Credit (UC), are having a profound impact on financial insecurity, over-indebtedness and poverty in the city..
28. Universal Credit represents one of the biggest changes to the welfare system since the 1940s. UC 'Full Service' started rolling out in Sheffield from November 2018. Most new *claims* for – or certain changes to – 'legacy' benefits, now require an application instead for UC. Eventually Universal Credit will replace all working age income-related benefits. The default position with UC is one monthly payment to a household, including housing costs, paid in arrears. People then pay their rent, bills and other costs from that payment. UC is applied for and managed

online. Different arrangements can be made for vulnerable people, including disabled people, although evidence suggests that these do not always work smoothly.

29. Sheffield City Council and its partners are measuring the impact of UC on the city, both through quantitative measures and the collection of case studies. We know for example that, in common with many other parts of the country where it has been rolled out, rent arrears for people on UC has increased. We also have anecdotal evidence that loan sharks are increasingly active in the city. Whilst many people find UC straightforward, our anecdotal evidence shows that there are still people struggling on UC in Sheffield. This is particularly those whose lives are more complex or who have vulnerabilities that make managing the system harder. We have found that this is more likely to include people from BAMER communities, care leavers, people experiencing domestic abuse, tenants in private-rented accommodation, people with disabilities or health conditions, and carers.
30. It should be noted that UC has been introduced within the context of wider welfare reform changes that have had a significant impact on the city. These changes include Over-occupancy rules, Benefit Cap, Personal Independence Payments and Council Tax Support changes. Sheffield Hallam University<sup>1</sup> has estimated that, once completed, the government's programme of welfare reforms will lead to the city losing nearly £170m a year in benefits and tax credits. This is the equivalent to £460 a year for every adult of working age in the city, but some communities will see five times the level of reductions than others.
31. Indices of Deprivation, a relative measure of deprivation in small areas of England (known as Lower Super Output Areas or LSOAs) ranks nearly a quarter of Sheffield's LSOAs as within the most deprived 10% nationally. Five LSOAs in Sheffield are within the 1% most deprived in England, an increase from three in 2015.
32. 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

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<sup>1</sup> <https://www4.shu.ac.uk/research/cresr/impact-welfare-reform-communities-and-households-sheffield-pdf-273-mb>

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.

33. 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

34. 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, 2019-23 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

35. As throughout austerity, our overall approach has been 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.
36. The year on year reductions over the last nine years have impacted on 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 carers, 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.
37. We are:
  - Investing in social care, reflecting the scale of the challenge facing social care services and our commitment to protect the most vulnerable in Sheffield
  - Continuing to invest in prevention, early intervention and delivering targeted support for those most vulnerable.
  - Working to increase our income through fees and charges, debt collection, full cost recovery, and increased trading of our services.
  - Assessing all proposals in line with the Fairness Framework and the cities Tackling Poverty Strategy.
  - Working with the private sector to encourage the support of activities/ events to promote Sheffield.
  - 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 to deliver better health to strengthen our preventative and community based services to provide the best outcomes we can for the people of Sheffield
  - 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.
  - Supporting the Voluntary and Community Sector through Grant Aid, although at a reduced level, by recognising the value of frontline organisations that help tackle inequality.
  - 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.
38. 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**

39. 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.
40. 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.
41. To inform, develop and enable citizens to have their say on options for the 2020/21 budget, the Council ran a budget survey between 20 December 2019 and 24 January 2020, in addition to wider engagement with citizens, and partner organisations over the last year.
42. This has helped us to ensure that our budget proposals 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.
43. To inform longer term thinking and Equality Impact Assessments our budget consultation consisted of two main strands:
- An online survey supported by social media promotion activity that looked at the financial position and the Council-wide approach. This provided opportunities for residents to have their say on priorities, investment in services and capital projects, our proposals for Council Tax, and provide suggestions on areas for further savings or generating income.
  - On-going conversations on particular topics and specific proposals, including meetings with the VCF and Businesses and key partner agencies.
44. Over a 5 week period during December and January we ran an online survey that received **313** responses through the Council's Citizen Space consultation portal (<https://sheffield.citizenspace.com>).
45. In addition, the consultation on our 2020/21 budget proposals has taken place alongside the [Big City Conversation](#). This has been a citywide consultation exercise, talking to citizens from across the city's neighbourhoods about the issues that matter most to them, what they would like to see change in Sheffield and how they want to get involved in the decisions that affect their communities and their city. There is a clear

link between how the City Council invests its budget and the issues and priorities that Sheffielders have talked to us about in the Big City Conversation.

46. The findings from the budget consultation are set out in the Revenue Budget report Key findings include:
- As in the consultation on our 2019/20 budget, Adult Social Care, Children's Social Care and Public Health/Education were highlighted as the top three priorities that the Council should fund more
  - Respondents cited leisure and culture, Environmental Health/Waste and Recycling, and Housing as areas where spending levels should stay the same. Respondents were more likely to say that the Sheffield City Council should spend less on the cost of borrowing, central costs and housing benefits. The majority of respondents supported raising Council Tax. Of those that gave a reason as to why they felt that Council Tax should be raised, the most common reason given was that a slight increase would be worth it to have improved public services
  - Over half of respondents said that they did not want to see an increase in fees and charges and that the levels should stay the same. Many thought that fees and charges are high enough, that increases would be deemed unacceptable and likely to have most impact on poorer residents of the city
  - Respondents mainly suggested that it was important for the Council to invest in transport, green and open spaces and quality of life. When asked why, people tended to suggest that investment is important to promote regeneration and the need for a fair and improved transport infrastructure to support both business and leisure.
  - Transport was seen as a very important area for investment, and noted that we need a far more accessible service which can run on an upgraded infrastructure. Comments also noted that currently people who do not live in the city centre find it very difficult to travel across the city. A proportion of people felt much more investment was needed to support more environmentally friendly travel for bikes and pedestrians. A good transport network was commented on as essential for the city's regeneration along with regular and clean public transport.
  - We received an extensive range of comments and suggestions on how the Council could increase income, reduce costs or make savings to support the budget. In terms of raising income these included collecting

owed Council Tax and raising Council Tax; increasing car parking charges and business rates; and lobbying central Government for more money.

47. 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 proposals have implications for employees.
48. In **People Services**, proposals are based on a range of approaches, including: investments in Children's Social Care and Inclusion; risk and benefit sharing through integration with health partners; negotiation with fundholders and service-providers; individual support and casework; and general efficiencies. Some proposals have been informed by consultation feedback relating to dementia services; drugs and alcohol services; Adult Social Care payment processes; and Grant Aid to voluntary, community and faith sector organisations. Changes to fees and charges have been communicated. Other proposals will require communication with individuals and forms of co-production to develop ideas further. Consultation has been, or will be, carried out where proposals affect employees.
49. In **Place Portfolio**, the 2020/21 proposals are a mix of internal change and efficiencies, renegotiation of contract arrangements with partners and inflationary increase in charges/fees. A range of data has been used to help inform if there are any potential differential equality impacts and these will be considered as part of the decision making process for the proposals.
50. Across the Council, consultation on proposals will not stop once the budget has been agreed with Members. Further consultation with those affected individuals, groups, organisations and staff will take place throughout the forthcoming year as decisions are taken through the Council's governance process. Where appropriate, equality impact assessments on specific budget proposals include details about our approach to consulting people and further work that may be required.
51. 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.

### Overall impact analysis

52. Inevitably, funding reductions at the scale and pace that we have experienced over the last nine years does have implications for 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.
53. 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.
54. The substantial reductions in funding over the last nine years mean that progress on work to tackle inequality is much more focused on ensuring fairness and that we do not slide backwards and lose ground in tackling persistent areas of inequality.
55. We have tried to minimise the impact on front line services to customers as far as possible by finding more efficient ways to deliver services, including by reducing costs of:
  - Management, offices and corporate services such as legal services.
  - Renegotiating contracts, and increased partnership working.
  - Focusing on prevention and early intervention.
  - Transformational projects/creative and innovative change.
  - We know that working with people to help them avoid a crisis in their life (such as going into hospital), or intervening early when we spot an issue is better for the individual and costs us less.
56. To do this means continuing to shape and redesign 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.
57. Our approach to the budget is in Portfolio Areas which correspond to the way Council is structured:
  - People
  - Place
  - Resources and

- Chief Executive's (Policy, Performance and Communications, or PPC).
58. **People Services** is the largest portfolio and has had a £17.9m increase in budget. The portfolio covers Children, Young People and families; social care, youth scheme, Education Lifelong and Community Learning Skills and employment; care and support for Adults; Housing & Neighbourhood services and Libraries & Community Services. The majority of funding is spent on social care.
59. **Place** has had a £1.2m in 2020/21 budget increase including £1.3m of planned savings. Work to address this affects the following services: sports & culture; highways maintenance; growth & investment; Place Hub and facilities management.
60. **Resources** is the second smallest Portfolio and together with **PPC**, has seen a £80k budget reduction. **Resources** covers: information technology; finance and commercial services; customer services; human resources and legal & governance.
61. **Policy, Performance and Communications** (inc **Public Health**, hereinafter **PPC**) has less than 100 staff and covers the corporate services of Policy; Research; Communications; Public Health Intelligence; Elections, Equalities and Involvement and Scrutiny. Public Health is distributed across the Council with the addition of a Director and small central team in PPC.
62. In line with their longer term plans Portfolios have undertaken an initial impact analysis on all budget proposals. Where the risk of disproportionate impact has been identified an in-depth impact assessment has been undertaken and mitigations sought. The impact analysis shapes proposals which do not make it forward into the budget proposals as well as those that do. See the website for more detail on the Council budget and how we spend it.

### Place Portfolio

63. The **Place** Portfolio has completed 11 Budget EIAs on savings totalling £1.3m for 2020/21. 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. Streets Ahead.

- Inflationary increase on fees and charges
  - Reduction in subsidy for sports and culture partners
64. A range of data and consultation through pilot schemes where appropriate, will be used to identify if there are any differential impacts of the proposals.
65. Two of the proposals will result in a reduction in posts in the Portfolio and the usual Council employee consultation framework will apply. Support and guidance through the process will be in accordance with agreed SCC policies and procedures.

### **Equalities impacts**

66. As identified in previous years, the year on year key equalities impacts remain in relation to financial inclusion/poverty.

### **People Services**

67. In the **People Portfolio**, 44 Equality Impact Assessments have been carried out in relation to the business planning savings proposals, including public health.
68. Some EIAs cover more than one proposal where there are close links. EIAs may also describe a larger project of work that contributes to business planning (savings). EIA titles therefore may not precisely match the names of proposals but reference is made between them.

### **Supporting children, young people and families**

69. Through our Strengthening Families programme, we aim to reduce the number of children entering the care system and to help reunite families where it is safe to do so. We will also work with survivors and perpetrators of domestic and sexual abuse regardless of gender, with a focus on early intervention and prevention.
70. Our Fresh Start Project continues to work with those most at risk of having a child removed – including women with substance misuse issues and mental health problems, and teenage mothers. Our Parenting Project provides specific help to fathers and families in need of support.
71. We are working to increase more local foster carers. We will also consider ways that we can use resources differently to enable more children to live locally.

72. We are developing an 'all age disability' approach to ensure services work together to support children and young people at key transition points in their lives – including in preparation for adulthood.

### **Inclusive education**

73. To increase the inclusion of children and young people with additional needs, the Strengthening Inclusion Programme is working to give Sheffield sufficient quality placements in mainstream settings that meet the needs of the majority of children and young people with special educational needs and disabilities (SEND) aged 0-25.
74. For children with the most complex needs, we are working to ensure there is the right amount of quality specialist provision as close to home as possible. As part of these investments, two new special schools will be built in Sheffield.

### **Making Conversations Count**

75. Our social care teams are working to the principle that '*Conversations Count*' – an approach that focuses on the goals, strengths and needs of people rather than an assessment form or process based on 'deficits'. The First Contact team will continue its successful work helping people to find the right opportunities and support when they get in touch. By having conversations with people that explore personal interests and goals, First Contact is introducing more (and quicker) options for people.
76. The major focus for our Home First team will continue to be prompt support for people who are: at risk of being admitted to hospital unnecessarily; in hospital but need things sorting at home before they can leave; or have already been discharged from hospital and need some short-term help to avoid longer-term care.
77. Our locality teams are benefiting from being based in the communities they serve, helping people to connect to the opportunities around them. This will help us to keep people independent, safe and well; and address the financial pressure on Adult Social Care.

### **Helping people to live in their home and community**

78. We will take forward our plans for people to live in new, purpose-built supported living schemes. In 2020-21, we expect a new site at Wordsworth Avenue to become available and we hope to receive planning permission for another scheme elsewhere. Supported living in Sheffield offers a more progressive option than other types of care and services that are out of the



city.

79. We will continue to focus on making use of more effective night time support and assistive technology for people with learning disabilities in supported living. Our Future Options Service (FOPS) will offer 'enablement' support to help people develop domestic and financial skills, and increase their confidence to live more independently.
80. This support will be extended into our day services to help people to gain more confidence and new skills – with a focus on work readiness and experience. FOPS will also be available for people using our short breaks services to develop their personal skills while carers are able to have a break.
81. At the same time, we will encourage more people to sign-up to Shared Lives as hosts/carers and as people who could benefit from this positive option for family-based support.

### **Supporting health and wellbeing**

82. Through working closely with our health partners in Sheffield on the Mental Health Transformation Programme, we will continue to address the care people receive after leaving hospital and promote supported living where this is a positive alternative to residential care for people.
83. We are committed to helping more people to receive care closer to home and away from restrictive care settings under the Transforming Care programme. In 2020-21, we will work closely with NHS England and local health partners to secure a share of funding that enables us to achieve this. We will prioritise the mental health of children and young people, including focusing on eating disorders.
84. Our Public Health commitments will continue to address root causes of ill health by supporting community groups that help improve people's health and wellbeing. Additional Public Health Grant funding will help the recently redesigned Sexual Health contract to meet the needs of people with different protected characteristics, some of whom may be under-represented and others over-represented in accessing sexual health services.

### **Making our processes less complicated**

85. We know the processes that must be navigated by people who need care and support can be too complex and we are determined to tackle this in 2020-21. We will further develop our joint ways of working with NHS

Sheffield Clinical Commissioning Group so that more people are able to benefit from Continuing Healthcare funding. We have listened to what people have told us to make improvements to the information and advice available to people who need to pay for their care and support.

### **Supporting the voluntary, community and faith sectors and libraries**

86. We will extend Grant Aid contracts for most organisations for a further year so we can carry out a wider review. We recognise the essential support that our partners in the voluntary sector provide to diverse communities, and the role Grant Aid plays in this. The contract extensions allow us to continue prioritising frontline service delivery, particularly acknowledging work with vulnerable people living rough and work which addresses poverty and the impact of welfare reform.
87. We will achieve savings to library services that do not affect frontline delivery.

### **Looking for value for money**

88. We are focused on achieving even better value for money in 2020-21. We will talk to organisations who provide care, and people who receive it, to make sure the support that is in place is right and proportionate. We will continue our aim to negotiate a fair cost of care on behalf of people with complex needs living in care homes and people accessing day services.
89. We will establish a new service to see how Direct Payments can most effectively benefit the people who need them and want them, and where administrative costs can be reduced.
90. When contracts come to an end we will check to see if less has been spent than planned and if this means new contracts can be issued at different rates. This would allow us more efficiently to maintain support for vulnerable people – for example, young people with substance misuse issues.
91. Several of the proposals within People Services will see changes to fees and charges as well as generating increased income. This will include increasing income from schools and local authority partners for data and information services. In addition, we are expecting increased income from schools for demand-led services such as the Physical Education, Swimming and Outdoor Learning (PESOL) and English as an Additional Language (EAL).

### Our workforce

92. Where Managed Employee Reductions are required or we look to take advantage of opportunities to reduce premises costs, we will work to minimise the impact on direct provision. Appropriate support and mitigations will be provided for all employees affected by any proposal involving staffing change. We will aim to ensure there is not have a disproportionate impact on any group already under-represented within the staffing profile.

### Equalities impact

93. Across People Services, many of our proposals relate to working with vulnerable people, young people, women, people with disabilities, older people and people with other protected characteristics. With any planned savings, there is a risk of a potential impact. We have sought to ensure, as far as possible, that our proposals are either for improvements that will benefit people or do not have adverse consequences. Full EIAs have been carried out and will continue to be developed and monitored throughout the year ahead.
94. We are also aware of the cumulative impact of changes in services and broader public policy. We will continue to work across the Council and with our partners to develop a shared understanding of the impact of these changes on groups with protected characteristics.

### Public Health

95. There are a number of EIAs which relate to **Public Health** spending, which is approximately £32 million and is integrated throughout the Portfolios. More detail on the use of our Public Health grant is given in the portfolio sections. We continue to carefully monitor the national allocation of the Public Health grant and the impact that this has. We have limited reductions where possible and await further national guidance on the national public health grant allocation. In order to ensure that we are robust in our planning 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.

### Equality Impacts

96. The proposals which involve more cost effective delivery, the retendering of contracts, earlier intervention leading to prevention, internal restructuring, and staff reductions will have fewer equality impacts. We will continue to support advice and information and where possible the delivery of front line services (particularly for vulnerable and at risk groups), so the impact of the overall investment will remain positive on the groups identified to be most in need within the EIAs.
97. 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.
98. 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

99. In the Resources Portfolio there are 14 EIAs which cover all budget proposals for 2020/21. These proposals are predominantly around staff savings through vacancy management or through Managing Employee Reduction (MER) processes. Most services are 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), Customer Service and Human Resources.
100. Alongside the staff savings there are few additional savings being offered:
- Increasing external income in Customer Services
  - Efficiencies within services that will allow for vacant posts to be deleted.
  - To keep the same Council Tax Support (CTS) system this year.
  - An increase in Council Tax of 1.99%. There is also a 2.0% increase attributable to the social care precept for 2020/21.

101. 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

102. 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.
103. A number of Voluntary Severance/Voluntary Early Retirement schemes across **Resources** will result in voluntary staff reductions and changes. There are also some ongoing Managing Employee Reduction processes to achieve non-voluntary staff reductions. In both instances, there is a possibility of wider workforce impact through increased workload and the impact on health and wellbeing of staff.

### Equalities impact

104. The greatest impact will be in relation to the increase in Council Tax. See detail later in the report and mitigation through the increased Hardship Scheme.

### Policy, Performance and Communications

105. In Policy, Performance and Communications (**PPC**) there are less than 100 staff overall and only one EIA. The proposal concerns increasing external income within the Communications service. These changes will not have any workforce or customer impacts.

### Key Themes

106. 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.
  - More commercial approaches and traded services (eg with schools).
  - 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.
  - Focusing 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.
107. We will continue to fund a Local Assistance Scheme and to have a Council Tax Support Scheme which limits support to 77% of the Council Tax liability for working age applicants despite Government funding cuts in these areas. We will also mitigate the impact of the 3.99% increase (80p per week on the majority of households) in Council Tax, by increasing the Council Tax Hardship Scheme in 2020/21 by £200k. There are currently approximately 46,600 households who receive Council Tax Support, and of these approximately 27,900 are of working age.
108. 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 £1.4m in 2019/20. Due to the increase in 2020/21 of Council Tax (1.99%) and Adult Social Care (2%), it is proposed that the budget for the Council Tax Hardship Scheme is increased to £1.4m. The under occupancy rules were introduced in April 2013 in Sheffield; approximately 4,000 households are currently affected by the changes, with approximately 3,300 of these being subject to the 14% reduction, and approximately 700

subject to the 25% reduction. The numbers of those affected in the city are staying quite steady over time.

109. 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.
110. In Sheffield, 294 households are having their Housing Benefit reduced as a result of the benefit cap. The split by tenure is: Council tenants 41%; Housing Association 25%; and private-rented tenants 34%. In total, those households who are affected by the reduced benefit cap contain 1,100 children. The total annual reduction in Housing Benefit for those households is around £680,000 (£13,076 per week). This amounts to an average weekly reduction of £44.48 per household.
111. Sheffield City Council also provides grant funding to several organisations which support the financial resilience of people in the city, including Sheffield Citizens Advice. Much of the work of the Council also impacts on financial inclusion, including that of social work, Housing+ (support for Council Housing tenants), the People Keeping Well Programme and Trading Standards work with the regional Illegal Money Lending Team.
112. 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.
113. Our impact assessments identify and provide mitigations for any potential impacts in services for younger people, older people, disabled people, BAME, women and men, religion and belief, sexual orientation, voluntary community and faith sector, cohesion and financial inclusion/ poverty. There is over representation within this last group of people financially excluded or in poverty of disabled people, carers, young people, some women and some BAME communities. Further details of the impacts are contained in individual service EIAs which are listed at the end.

### **Age – older people**

114. 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.

115. Across all Portfolios impacts on age have been identified; however for older people the impacts are largely in **People Services**.
116. The Home First programme will continue to provide timely interventions and support to help to prevent or shorten lengthy and avoidable hospital stays. The focus remains on sorting out the home environment, community links and access, short-term support and other practical measures to help people recover and regain their independence.
117. When older people need care and support, we will aim to make sure it is right for them and promotes their wellbeing and independence. Through improved information and support, we will do more to make sure paying personal contributions to the cost of care is easier and clearer. As every year, we will raise contributions to reflect increases in national pension and benefit rates for older age people which, over recent years, have risen at a higher rate than benefits for working age adults.
118. When people get in touch for support, our First Contact team will give the time needed to explore the help they need. The service will continue to find people information and better connections to the community where they live. This is in line with our Conversations Count approach in Adult Social Care, which is focusing on people's personal goals and strengths rather than rigidly following an assessment process.
119. We will aim to work with providers to achieve fair cost of care for people who live in care homes. We are also responding to pressures in the Sexual Health contract which has identified meeting the specific needs of older people.
120. We have worked with our partners to develop the Dementia Strategy for Sheffield; in 2020-21, we will take this forward by procuring dementia-appropriate types of support. Our new All Age Disability project will aim to improve support for people at key transition points in their lives, including in preparation for adulthood.
121. Age is considered across the Mental Health Transformation Programme. It aims to commission 'all age' (lifespan) mental health services that focus on emotional wellbeing throughout people's lives. For young people, this includes improving the transition pathways to Adults' Mental Health Services and to/from CAMHS; a specific focus on Eating Disorder Services; and developing Mental Health Support Teams work in schools and colleges.
122. Many 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.

123. **Resources** and **PPC** have few proposals which impact directly on older people.
124. 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- dependent deductions), and this will still be the case if Council Tax increases.

### Age – young people

125. 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.
126. In **People Services**, the proposals that identify impacts are summarised below:
  - We are working through projects which aim to reduce the number of children entering the care system and also to facilitate the reunification of families where it is safe to do so.
  - We are working to increase the number and range of suitable places available within the city. This will help lead to vulnerable young people having a better chance of placement suitability and stability which would lead to better outcomes for the young persons and enhance a sense of belonging and engagement with society.
  - Through the Strengthening Inclusion Programme we are working to ensure that there will be sufficient, quality placements in inclusive mainstream settings (age 0-25) to meet the needs of the majority of children and young people with SEND. For the most complex children we will have a range of sufficient, quality specialist provision as close to home as possible. As part of these investments, two new special schools will be built in Sheffield.
  - We are responding to pressures in the Sexual Health contract which

has identified specific needs including those of younger people due to Sheffield's sizable student population.

- We continue to commission a service to provide support to Children and Young People who are vulnerable to the impact of substance misuse on their neurological development, physical and mental health.

127. 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.
128. 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 46,600 households who receive Council Tax Support, and of these approximately 27,900 are of working age.
129. 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 introduced the hardship scheme in 2013/14, and the Council made awards totaling £410,000. The hardship fund has increased steadily each year and was £1.4m in 2019/20. Due to the increase in 2020/21 of Council Tax (1.99%), and Adult Social Care precept 2% it is proposed that the budget for the Council Tax Hardship Scheme is increased to £1.6m.
130. In **Place**, we have worked closely with Cultural Trusts to identify a level of subsidy reduction that is manageable and has minimal impact on visitors. This includes continuing with a pricing policy that encourages participation

from the widest possible range of audiences e.g. work with schools across the city & the Peoples Theatre and free entry for students of Drama.

### Disability

131. There are over 110,000 adults with a long term limiting illness or disability in Sheffield, equivalent to around 20% of the population, with 9% saying this limits their activity a great deal. Service EIAs have identified a potential risk of negative impact on disabled people, both directly and indirectly, through impacts on people on a low income and noted mitigations to be put in place. Over a third of disabled people in Sheffield live in areas which are in the 10% of the most deprived areas in the country, which is 10% higher compared to 23% which is the overall average in Sheffield. For further information, please see [Community Knowledge Profiles](#).
132. 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.
133. In **People Services**, our work in relation to people with disabilities will be taken forward within some major programmes of work.
134. We have worked with partner organisations to develop the Dementia Strategy for Sheffield. In 2020-21, we will focus attention on procuring the right support, including: dementia-appropriate day care; a specialist advice service; a pilot project to test the need for short term early help; community-based activities, information/advice and peer support; improved access to short term reablement.
135. The Mental Health Transformation Programme (MHTP) is jointly developed and delivered by Sheffield City Council (SCC), NHS Sheffield CCG (SCCG) and Sheffield Health and Social Care NHS Foundation Trust (SHSC). Its areas of work include Crisis Care, Physical Health, Primary Care, Children's and Young People's Mental Health, Transforming Care and employment.
136. We will also develop an All Age Disability project, focusing on transition points at different stages in people's lives and the need for integrated support services. We will aim to work with providers to ensure fair cost of care in day services and care homes.
137. When people with a disability come into contact with Adult Social Care, our teams, including First Contact, will continue to use a more personalised conversation-based approach, focusing on personal goals and strengths to help people find the right support and opportunities.

138. When people need to pay contributions to their care, they will be offered improved information and support to help make payments and manage their finances. We will continue to take account of the actual inflationary cost of people's disability related expenditure.
139. We will continue to promote supported living for people with learning disabilities, looking for assistive technology options where appropriate to support people at night. Purpose-built supported living accommodation will become available to support people with complex needs to move into from more restrictive care settings. It will provide self-contained homes with opportunities for peer support and shared staff support.
140. More help will be offered for people using Council-delivered supported living and day care services to maximise their skills and independence as they work towards independent living, social inclusion, education and/or employment.
141. Our proposal to extend Grant Aid contracts by a further year to enable a wider review to be carried out recognises in part that a significant minority of people who benefit from support from voluntary sector organisations as a result of Grant Aid funding describes themselves as disabled. In 2020-21, pending the review, we are applying a small equitable reduction in funding. Although, following consultation with the organisations, we believe this is manageable with minimal impact on services, we will monitor the position closely throughout the year ahead.
142. Through the Strengthening Inclusion Programme we are working to ensure that there will be sufficient, quality placements in inclusive mainstream settings (age 0-25) to meet the needs of the majority of children and young people with SEND. For the most complex children we will have a range of sufficient, quality specialist provision as close to home as possible. As part of these investments, two new special schools will be built in Sheffield.
143. We are responding to pressures in the Sexual Health contract and identified the need to promote improved access to sexual health services for disabled people.
144. There are low impacts on disabled people in **Resources**. Most changes are internal restructures or relate to contracts, which will not impact directly on customers except for Council Tax. The Council recognises that changes to Council Tax may cause hardship for some customers in this group as there are there are in excess of 10,000 taxpayers, (working age and pensioners), 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 working age in receipt of disability benefits will continue to receive the highest possible level of CTS. Pensioners with a disability will continue to be protected under the CTS scheme.

145. 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.
146. In recognition of the impact that the change to CTS has on disabled taxpayers the Council introduced, and in 2020/21 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 £200k this year.
147. Analysis of the CTHS shows that approximately 55% of all awards are made to customers in receipt of Employment and Support Allowance.
148. 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

149. Sheffield is a diverse city and the ethnic profile continues to change, with the proportion of residents of working age classifying themselves as BAME (Black, Asian and Minority Ethnic which includes everyone except for those who classify themselves as White British) growing from 11% in 2001 to 19.2 % in 2011. BAME adults make up 16% of the population and BAME children make up 29% of the BAME population as a whole. The largest group is the Pakistani community and the biggest proportional increases are occurring in the Arabic, East European, Indian and Chinese communities. Sheffield's BAME population is increasingly dispersed across the city, although there remain geographical areas of the city with high proportions of BAME people, these tend to correlate with areas of higher deprivation. For further details, we refer to the [Community Knowledge Profiles](#).

150. 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.
151. In **People Services**, almost half of Grant Aid beneficiaries describe themselves as Black, Asian and Minority Ethnic (BAME). After consulting with organisations receiving Grant Aid we propose to extend contracts by a further year with a small equitable reduction to enable a wider review to be carried out. We will monitor the position closely throughout the year ahead.
152. Work on the Strengthening Families projects will engage with wider families and the community by delivering restorative practice techniques (Family Group Conferences, Multi Systemic Therapy) for young people to stay with their families wherever possible instead of entering into the care system. This will positively impact on BAME backgrounds where a gradual increase in all children in care has been noted, though there has been an increase in BAME children in the general population as well.
153. The Strengthening Inclusion Programme will mean that children, young people and families from BAME groups will be able to access a range of local and flexible support to meet their needs.
154. There is ongoing progress to recruit more diverse foster carers.
155. We are responding to pressures in the Sexual Health contract and will promote improved access to sexual health services for BAME groups. Some BAME communities can be harder to engage with on sexual health services, this includes some of the overseas student population in Sheffield.
156. 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. .
157. 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.

158. 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

159. According to the 2011 Census the largest religion/belief held in the city is Christian (52.5%), followed by no religion (31%), Muslim (7.7%) and no religion stated (6.8%). Few service impact assessments have detailed any disproportionate impacts in this area.
160. There are no identified disproportionate impacts in **People Services (Children, Young People and Families or Adults), Place Services, Resources, or PPC.**

### Sex – including men, women, pregnancy and maternity

161. Sheffield has a population overall which is approximately 51% female and 49% male with some variations at different ages. Women account for 58% of carers and 89% of lone parents. While the pay gap between men and women has been reducing, there is still evidence that, in general, men are paid more than women; the gender pay gap in Sheffield is 17.5%. 55% of women are economically active compared to 65% of men. See Community Knowledge Profile for more information on this.
162. 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.
163. In **People Services**, the Strengthening Families projects continue to work with survivors and perpetrators of abuse regardless of gender, with a focus on early intervention and prevention. However as most victims of domestic and sexual abuse are female this will have a disproportionate impact. The Fresh Start Project continues to work with those most at risk of having a child removed and this will include women with substance misuse issues, mental health problems and teenage mothers. The project primarily works

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.

164. The Parenting Project highlights increasing areas of support specific to fathers and works with those families in need of support.
165. The Strengthening Inclusion Programme is supporting more boys and girls. Boys are disproportionately represented in SEN and EHCP plans.
166. We are responding to pressures in the Sexual Health contract and will promote improved access to sexual health services. We will work to engage with difficult to reach service users who often have particular needs and service requirements.
167. In **People Services** there may be indirect impacts on women, who are in the majority of older people, carers and those who either use, or work in Adult Social Care services. Higher proportions of women also volunteer and work in the VCF sector.
168. There are no identified direct impacts on gender in **PPC or Place**. However, across Portfolios, women are more likely to be unemployed and have lower incomes. Any changes impacting on people on a low income, will indirectly impact on women.
169. In **Resources**, pregnant customers claiming CTS have their award based on 77% rather than 100% of their Council Tax Liability. By continuing to closely align our CTS scheme with the principles of the revoked CTB scheme, once these customers give birth their change in circumstances will be positively reflected in the level of CTS that they will receive. The Council will also continue to disregard child benefits as income when assessing a customer's eligibility to CTS. In recognition of the impact that the CTS has on pregnant taxpayers or new parents the Council proposes to maintain with increased funding of £200k, the Council Tax Hardship Scheme (CTHS) to offer additional support to those in severe financial need. By maintaining the scheme in its present format, it will continue to include in calculating entitlement to support, the family premium for working age customers, which the Government removed from Housing Benefit entitlement decisions in 2016.
170. Further, the Government proposed to reduce Housing Benefit entitlement for families or single parents who have a third child after April 2017. We could also have incorporated this change into our CTS scheme and reduce support for working age customers , but by choosing not to do so we will continue to be able to offer the maximum possible support to families with



more than 2 children. This is particularly relevant given that the second phase of the Government's "Benefit Cap" was introduced in 2017. Unlike the first phase, which predominantly affected families with 4+ children, the reduced benefit income allowed under this phase of the cap will affect households with 3 children and some with 2 children.

171. In Sheffield, there are currently just over 400 households who are affected by the benefit cap. The benefit cap, until a household moves on to Universal Credit, reduces the weekly Housing Benefit received, thus increasing the amount of rent these households have to pay. The average Housing Benefit reduction in Sheffield is £47.05 per week. By increasing the funding available for the CTHS we will increase our ability to offer, where appropriate, priority financial assistance to these families, as demand for assistance from this group of customers increases.
172. It is recognised that lone parents in receipt of CTS, the majority of whom tend to be female, are likely to be affected not just by the advent of CTS but by other welfare reforms, such as the removal of the family premium in Housing Benefit calculations, which we are proposing not to replicate for working age CTS customers, and the benefit cap. As such, by maintaining the CTS scheme in its present format and proposing to maintain and increase the funding for the CTHS, the Council will continue to offer financial assistance to single parents.

### Sexual orientation

173. 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.
174. In **People Portfolio** the Strengthening Families projects on domestic abuse have a positive impact on people who are in a same sex relationship and who need support.
175. We are responding to pressures in the Sexual Health Contract and we will work to engage with difficult to reach service users who often have particular needs and service requirements.
176. 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.

177. In **Resources** there is no evidence to suggest that assessing CTS based on 77% of Council Tax liability has had a greater or lesser impact on customers purely as a result of their sexual orientation. It is clear from analysing overall collection rates that some households from across the City have found (and will continue to find) it more difficult to meet their Council Tax liability. As the CTS caseload is representative of the City's differing make up, it is reasonable to assume taxpayers of different sexual orientation will form part of the overall group of CTS taxpayers who are struggling financially. Therefore the CTHS will help to mitigate the impact of CTS amongst the most financially vulnerable regardless of sexual orientation.

### Trans

178. There are nationally approximately 0.6% of the population that are trans, and so we would expect there to be similar numbers in Sheffield, which equates to 3,300 people.
179. Service impact assessments have not detailed any impacts in this area except in the **People Services** The Strengthening Families projects on domestic abuse has a positive impact and recognises that trans people also face domestic abuse within a relationship.
180. We are responding to pressures in the Sexual Health contract and will continue to support those individuals who are difficult to reach or have particular needs, for example, transgender people or those identifying as non-binary.
181. 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

182. The Indices of Deprivation, a relative measure of deprivation in small areas of England (known as Lower Super Output Areas or LSOAs) ranks nearly a quarter of Sheffield's LSOAs as within the most deprived 10% nationally. Five LSOAs in Sheffield are within the 1% most deprived in England, an

increase from three in 2015.

183. Sheffield's Child Poverty report in 2017 shows the proportion of children living in families in receipt of out of work benefits, or in receipt of tax credits where their reported income is less than 60% of UK median, has increased. In line with other Core Cities and national trends, the most up-to-date data shows 31.3% (35,820) children are living in poverty in Sheffield after housing costs (AHC). However, the figure masks the wide and well-documented variation between different parts of Sheffield. In Ecclesall ward, 7.8% (AHC) of children were living in poverty, whilst in Burngreave the figure was much higher at 51.19% and Central and Firth Park at 49% in poverty.
184. 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.
185. Joseph Roundtree Foundation (JRF) research ([Monitoring poverty and social exclusion 2016 report](#)) notes 'While overall levels of poverty have remained fairly static over the last 25 years, risks for particular groups have changed. Income poverty among pensioners fell from 40% to 13%, while child poverty rates remain high at 29%, and poverty among working-age adults without dependent children has risen from 14% to around 20%. The number of people in poverty in a working family is 55%. Four-fifths of the adults in these families are themselves working, some 3.8 million workers. Those adults that are not working are predominantly looking after children.
186. 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 (see below) 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.
187. As stated above, Government's rollout of Universal Credit (UC) is having significant implications for communities in Sheffield, particularly people with more complex lives or who have vulnerabilities that make managing the system harder. This is more likely to include people from BAMER communities, care leavers, people experiencing domestic abuse, tenants in private-rented accommodation, people with disabilities or health conditions, and carers.
188. UC has been introduced within the context of wider welfare reform changes which, once completed, may lead to the city losing nearly £170m a year in benefits and tax credits. This is the equivalent to £460 a year for every adult of working age in the city, but some communities will see five times the level of reductions than others (research by Sheffield Hallam University<sup>2</sup>).
189. 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.
190. 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.
191. 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:

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<sup>2</sup> <https://www4.shu.ac.uk/research/cresr/impact-welfare-reform-communities-and-households-sheffield-pdf-273-mb>

- 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).
192. In **People Services**, our Grant Aid funding arrangements for 2020-21 prioritise support that helps to alleviate poverty, manage debt and maximise income. In particular, our funding proposals respond to ongoing concerns about the impact on people in Sheffield of the introduction of Universal Credit and wider welfare reform.
193. Our Income and Payments Programme aims to improve the information, financial advice and support available to people making contributions to the cost of their Adult Social Care. The goal is to help people to maximize their income, minimize and manage debts and find it easier to keep on top of their contributions.
194. A new service to be set up will support people to get the most out of their Direct Payments, reduce administrative costs and consider other options.
195. Various proposals in **People Services** are based on the principle of promoting greater independence – for example, through supported living and the development of work-related skills – and the potential for higher disposable income.
196. Improving rates of pay to foster carers, will over a period of time will bring them in line with the rate paid in the local region.
197. 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.
198. Our Strengthening Families Programme continues to work with children, young people and families to prevent the flow of children and young people into care through a range of funded initiatives such as Edge of Care Adolescents, Growing Futures, Parental Development, Integrated Front Door, Fresh Start and Fostering. Going into care impacts on the outcomes

for children and young people, one of which is increased poverty and financial exclusion.

199. These projects also work with those most at risk of having a child removed, this includes teenage mothers. In addition, projects work with care leavers and young parents who are amongst those most vulnerable to poverty.
200. By having the right support at the right time and in the right place for children and young people, we are preparing the young person for transition into independence and employment. By preparing the young person for independence and employment, we are mitigating against one of the key determinants of financial exclusion and poverty.
201. We are responding to pressures in the Sexual Health contract as sexual health inequalities are the starkest for people who are financially excluded and will contribute in meeting the needs of this vulnerable group.
202. In **Place** there are a couple of proposals with a potential impact on financial inclusion and poverty:
  - The inflationary increase in fees and charges for services provided by the Place portfolio. These services are wide-ranging with a daily and citywide impact on the lives of most people and businesses in Sheffield. This includes a number of statutory obligations for managing and maintaining the development, safety, and cleanliness of the city, as well as some discretionary activities that we choose to provide because of the benefits for the city. By keeping overheads as low as possible and providing services more efficiently, Place strives to mitigate inflation.
  - We have worked with our Sports and Culture trusts partners, to identify ongoing subsidy reductions that are manageable. This involves a minimal impact on visitors, which includes a pricing policy that encourages participation from the widest possible range of audiences e.g. reduced prices for particular groups, work with schools across the city & the Peoples Theatre, free entry for students of Drama etc.
203. The Council administers the following schemes which have an impact on financial inclusion, including:
  - Local Assistance Scheme (LAS) provides grants for those in greatest need as a result of an emergency or crisis, or in order to establish

themselves in the community (after, for example, a lengthy hospital stay).

- Council Tax Support Scheme (CTS) – this was established in April 2013, when the Government abolished Council Tax Benefit. It provides some support for people to pay their Council Tax who are eligible due to low income or being in receipt of particular benefits.
- Council Tax Hardship Scheme (CTHS) – this scheme helps people who receive Council Tax Support and who are in severe hardship.
- Discretionary Housing Payments – funded by the DWP these payments provide assistance to households who are receiving Housing Benefit and who are experiencing financial hardship as a result of a shortfall between their Housing Benefit and Rent.

204. 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.

205. The Council recognises however that requiring all working age customers to pay a minimum of 23% of their Council Tax may cause financial hardship amongst these households. Therefore the Council is proposing to continue to operate the Council Tax Hardship Scheme (CTHS) in 2019/20 and to increase the assistance available under the scheme by £200k, in order to continue to offer assistance to the most financially vulnerable households. By doing so we will be able to target assistance to those customers in the greatest financial need. Further the Council also maintains a Local Assistance Scheme which can provide additional financial support to certain CTS taxpayers in financial difficulties.

206. However we will increase Council Tax by 2.99% (approx. 58p per week for most households) to enable us to continue to protect services to those who are in greatest need and at risk.

207. 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.

208. 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).

209. The Council provides funding to Sheffield Citizens Advice as well as providing other organisations with grants to support people who are living in poverty or who are at the risk of poverty. The Revenues and Benefits service also has close links with this sector, particularly with advice agencies and supported housing providers. The service will continue to engage with them where appropriate to review and refine the scheme in order to ensure that it continues to be fit for purpose. By proposing to maintain the scheme in its current format and therefore not making it less generous, the Council is ensuring that during a challenging period of change for many low income households, it will provide continuity for those already claiming CTS.

### Carers

210. According to the Carers Community Profile (see Community Knowledge Profiles) and 2011 Census there are 57,373 residents who provide unpaid care, including 4,559 young people under age 25. 58% of carers are women. Few impact assessments have noted clear direct negative impacts on carers. However, as carers overall have lower incomes and, by definition, care for a large proportion of adult social care service users, there will be an indirect impact from multiple proposals.

211. In the sections on older people and disability, some proposals put forward by **People Services** could have an indirect impact on carers due to multiple



disadvantages this group faces. The portfolio is taking forward plans to review the best use of its in-house short break facilities – potentially, to help more when there is an emergency or carers face a crisis. A minority of carers may be negatively impacted as we look for more consistency in the take-up of short break services; but there will be wider benefits for the majority of carers. We will also continue to develop both short-term and long-term use of our Shared Lives service, enabling people to live ordinary lives in the community, with benefits for them and their host.

212. The Better Care Fund partnership with the NHS CCG will continue, with the aim to deliver better joint commissioning, to ensure people get the right care when and where they need it. This should also lead to more effective and efficient services which will lead to positive impacts for disabled people and their carers. However the Better Care Fund is not enough to support both adult social care and the NHS to work differently. There is still a need to deliver significant change in how services are planned, commissioned and delivered in Sheffield.
213. In **People Services**, various proposals aim to have an indirect benefit for carers: the procurement of dementia-friendly support; work with health partners throughout the Mental Health Transformation Programme; improvements to Adult Social Care payment processes, support and information; the development of Council-delivered services; Home First support provided to people to prevent or end an avoidable hospital admission.
214. 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.
215. The Strengthening Inclusion programme positively impacts on carers as children, young people and families will be able to access a range of local, flexible support at the right time and in the right place, that meets their needs and enables them to be prepared for transition to independence, employment, to access the community and manage their health needs.
216. In **People Services**, there are also 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.
217. In **Place** there are no impacts identified.

218. In **PPC** there are few impacts on carers highlighted.
219. 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**

220. 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.
221. In **People** Services, we will extend Grant Aid contracts for most organisations for a further year so we can carry out a wider review. The contract extensions allow us to continue prioritising frontline service delivery, particularly acknowledging work with vulnerable people living rough and work which addresses poverty and the impact of welfare reform.
222. After consulting with each organisation receiving Grant Aid, a small equitable reduction is being applied. We recognise the important role the organisations have and the potential impact of any funding reduction. Although we believe the contract value will be manageable for each organisation with minimal impact on services and staffing, we will monitor this closely in the year ahead. People with protected characteristics – including disability (and mental illness), race, age and sex – are heavily represented amongst people who use these services. Our proposals also consider alternative sources of funding that organisations have in place.

223. 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.
224. 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. As stated above, we are introducing a small equitable reduction in Grant Aid this year but, having consulted with the organisations concerned, we believe the impact will be manageable. We will continue to monitor the impact over the coming year.
225. There are no identified disproportionate impacts in **Place** or **PPC**.
226. 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.
227. 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. We are continuing to review
228. 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.
229. 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

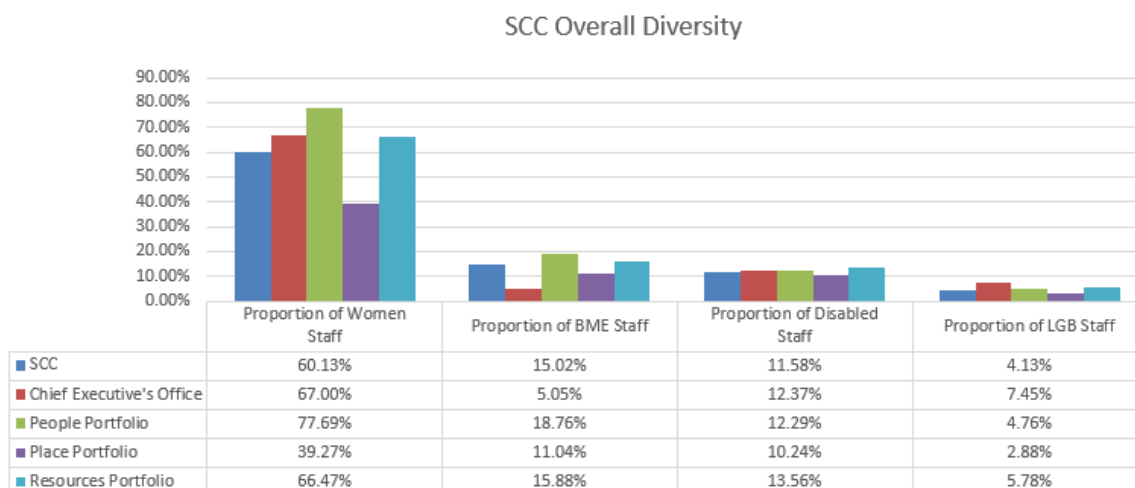
- To protect people from preventable infections and environmental hazards to health
  - To reduce health inequalities
  - To support people to live healthier lives
230. Overall however as we target the households in most need there will be an inevitable impact on those who are still struggling financially 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**

231. In all Portfolios the budget proposals include some 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.
232. 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. As a consequence of this year's budget planning process managers have put a greater emphasis on delivering services in a different way which has meant that anticipated number of employee reductions is low however unfortunately, despite all our efforts and mitigations, there may be the need for compulsory redundancies, although this has been limited to five in the last 12 months.
233. There were a further **69** employees left on voluntary redundancy schemes (including Voluntary Early Retirement).
234. We continue to promote employee led measures such as voluntary reductions in hours, career breaks and annual leave purchase schemes to further contribute to savings on staffing budgets and we have seen an increase in the popularity of these options each year. We are committed to continue to pay a 'Living Wage' to Council employees and to extend this to our contracted providers where possible. We are also now a member of the Living Wage Foundation.
235. The Council believes that the composition, skills and commitment of the workforce are vital factors in our ability to deliver effective,

efficient responsive and personalised services. We continue to monitor workforce issues within Portfolios and across the Council, and are aware of the need to address:

- The degree of occupational segregation within the workforce, such as a high proportion of women in the **People** workforce and a slightly higher proportion of men in the **Place** portfolio.
- That there is still an under-representation of disabled, BAME and lesbian, gay, bisexual (LGB+) people in the workforce compared to the city average.
- There is also an under-representation of disabled, women, LGB+ and BAME staff at Chief Officer grades



236. Given the amount of internal restructuring as a result of the budget proposals and other significant drivers, for example the change programmes linked to SCC2020, and possible staff reductions of up to a further 34 FTE positions 2020/21, a significant number of workforce EIAs within Portfolios have been completed.
237. The monitoring of the MER and VER/VS schemes in 2018/19 period shows that there are no negative disproportionate impact on BAME, 3.33% of VER/VS leavers compared to SCC Workforce of 15.02%, or on LGB 0% of VER/VS leavers compared to SCC Workforce of 4.13%. However it shows a disproportionate impact on employees with a disability who left the organisation, 14.81% VER/VS leavers compared to We will continue to work within our Recruitment and Selection policy and associated procedures to promote workforce diversity to reflect the demographics of the city. We currently hold Disability Confident at Level 2 with a view to apply and be successful for Level 3 Disability Confident this

- year. We are a Stonewall Diversity Champion.
238. We are also working with managers, staff and trade unions to ensure the workforce is viable and appropriate to the council's future operating and service needs, with a balance of skills and experience. This has included the implementation of the Organisational Workforce and OD Strategy that acts as one of the enablers to ensure the programme delivery for SCC2020 SCC Workforce of 15.02%.
239. For the year 2018/19, monitoring shows that for 44.93% of VER/VS Leavers were female. The majority being people who volunteered to leave on enhanced schemes. We will continue to measure this. Workforce diversity has decreased this year in all areas but some more than others. However overall trend over 5 years is still positive. The gender split has remained relatively same as last year, with BAME, Disability and LGB increasing again continuing the long term trend.

### **Cumulative impact**

240. As in previous years, we have regard to the cumulative impact of changes over recent years to inform our decision making this year. Whilst there are fewer implications this year and important investments in key services like social care, we should recognise the impact that almost a decade of austerity has had on communities and public services. We have 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.
241. 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.
242. 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.
243. We are continuing to work with partners, such as the NHS, to deliver better, joined up services for people in Sheffield. We are also continuing to work

across the region where appropriate to help save costs and to enable better joined up services.

244. 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.
245. There has been a significant impact on the Council's workforce over the last decade due to restructuring and reductions but this is likely to be more limited this year (possible staff reductions of up to a further 34 posts in 2020/21).
246. 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.

**EIA Action Plan**

<b>Area of impact</b>	<b>Action and mitigation</b>	<b>Lead, timescale and how it will be monitored/reviewed</b>
<p>Overall and for specific issues relating to communities sharing characteristics under the Equality Act 2010</p>	<p>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.</p> <p>In some cases as proposals are developed further and implemented alongside consultation, some impact assessments will be revisited or updated.</p> <p>Continued focus on applying corporate priorities, the Fairness Framework</p> <p>Randomly sample 10% of EIAs in the year across portfolios to assess progress and effectiveness.</p>	<p>Service Managers within Portfolios as noted in EIAs.</p> <p>Performance monitoring within Portfolios - Directors of Business Strategy.</p> <p>Strategic Equality and Inclusion Board to examine in more detail the cumulative impact of the budget cuts made on Sheffield over the last 9 years.</p>
<p>Poverty and financial exclusion</p>	<p>Analyse, assess and monitor:</p> <ul style="list-style-type: none"> <li>• The impact and effectiveness of the Fairness Principles and poverty proofing as part of the EIA budget process.</li> <li>• The impact of the reduction in universal provision especially in culture, leisure, sport and young people.</li> <li>• The use and impact of the Council Tax Hardship Scheme.</li> </ul>	<p>The Tackling Poverty Group to develop further monitoring and analysis arrangements within the year which seek to assess the issues highlighted.</p>
<p>Workforce</p>	<p>The corporate workforce EIAs will be monitored annually.</p>	<p>Director of HR, annually at the Strategic Equality and Inclusion Board.</p>

**Approved (Lead Officer):**  
**James Henderson, Director of Policy, Performance and Communications**  
**6<sup>th</sup> February 2020**

**Approved (EIA Lead Officer):**  
**Laurie Brennan, Head of Policy and Partnerships**  
**6<sup>th</sup> February 2020**



## Equality Impact Assessment List 2020-21

[www.sheffield.gov.uk/equality](http://www.sheffield.gov.uk/equality)

EIA No.	Title	Portfolio
	<b>People – 44 EIA's</b>	
119	Strengthening Families Placement Mix	People Services
187	First Contact (covering First Contact Approach to Prevention in Adult Social Care)	People Services
194	Strengthening Families: Managing Growth in Demand	People Services
223	Collaborative Approach to Continuing Healthcare (CHC)	People Services
381	Strengthening Inclusion	People Services
403	Conversations Count (covering Improved Social Work Practice through Strengths-Based Reviews)	People Services
411	Home First (part of ASC Health and Social Care System Change)	People Services
501	RFID (Radio Frequency Identification Device) end of lease	People Services
506	Strengthening Families -Fieldwork Non-staffing	People Services
510	New Builds to Support People to Live Independently at Home	People Services
514	Residential rehab (drug and alcohol)	People Services
559	Substance Misuse Services re-tender	People Services
589	Young People Substance Misuse Services re-tender in Sheffield (covering Drug and Substance Misuse Budget Realignment)	People Services
617	Procurement of support for people with dementia (part of ASC Health and Social Care System Change)	People Services
632	Reduction in Premises Costs	People Services
635	Tackling inequalities through Grant Aid	People Services
643	Income and Payments Change Programme (includes Business Strategy - Review in Social Care and Payments Team)	People Services
665	Service Review of Libraries, Archives and Information Management	People Services
668	Adult Social Care Direct Payments support service	People Services
671	Operational Commissioning Approaches	People Services
675	Mental Health Transformation Programme	People Services
679	Business Strategy - Resources and Strategy	People Services
684	Additional DSG Income	People Services
685	Council-Delivered Services Development Programme	People Services
687	Commissioning Inclusion and Learning Service- Teachers Pension Grant	People Services

## Appendix 9

688	Business Strategy- Increased income from Regional Partners	People Services
693	PH- Additional Public Health	People Services
696	Commissioning and Inclusion Learning Service - Increased Income	People Services
699	Commissioning Inclusion and Learning Service- Youth Re commission	People Services
704	Business Strategy - Business Support Staff Savings	People Services
706	Joint working with NHS England and Sheffield CCG	People Services
710	Business Strategy- Joint Web Platform Project with Corporate Digital Services	People Services
713	PH - Early Years Contract Realignment	People Services
714	Commissioning Inclusion and Learning Service - Commissioning Support	People Services
715	Business Strategy- Reduced Management Costs in Information Systems	People Services
716	Business Strategy- Increased Income in Information Systems from Schools	People Services
717	Business Strategy- Reduction in Insurance Premiums	People Services
719	Strengthening Families - Gibson House	People Services
721	All Age Disability (covering ASC Preparation for Adulthood)	People Services
724	Commissioning Inclusion and Learning Services- Schools and Learning Increased Income	People Services
728	SF- Strengthening Families- Field Work Staffing-Delivery of an Integrated Social Work Model	People Services
730	Community Services Review	People Services
731	Business Strategy - Review of structure in Planning Strategy and Improvement	People Services
735	Business Strategy - Business Architecture & Infrastructure Mitigations	People Services
	<b>Place – 11 EIA's</b>	
200 (continuous from 18/19)	Cultural Trusts - Reduction in subsidy	Place
202 (continuous from 18/19)	Reduction in subsidy to Uppertorpe Healthy Living Centre (UHLC)	Place
437 (continuous from 19/20)	Streets Ahead Contract – Customer Experience performance requirements	Place
439 (continuous from 19/20)	Streets Ahead Contract – Urgent Defects and Category 1 Defects	Place
443 (continuous from 19/20)	Streets Ahead Contract - Review Management Information System (MIS) requirements	Place
462 (continuous from 19/20)	Traded Return - Electric Works	Place
463 (continuous from 19/20)	Traded Return – Marketing Sheffield	Place

## Appendix 9

507 (continuous from 19/20)	Traded Return - Facilities Management	Place
523 (continuous from 19/20)	Inflation on existing charges	Place
725 (continuous from 2019/20)	Streets Ahead Contract – Street lighting – Distribution Network Operator	Place
742	Place Hub	Place
	<b>PPC &amp; Resources – 14 EIA's</b>	
626	FCS MER	
646	Increased Registry Office Income	
647	Savings in out of hours Contact Centre	
649	Improved on-line and web chat offer staffing efficiencies	
676	Members Allowances	
681	Increased out of Hours income generation	
690	Register Office - additional income	
692	Repairs Changes – staffing efficiencies	
695	HR Contracts	
697	HR Operational Structure	
698	Learning & Development Service Delivery Model	
707	BCIS – Non Staffing Savings	
708	BCIS – Staffing Savings	
740	Council Tax and Adult Social Care Precept	

Glossary	
Term	Definition
<b>Abbreviations</b>	The symbol 'k' following a figure represents £thousand. The symbol 'm' following a figure represents £million. The symbol 'bn' following a figure represents £billion.
<b>Capital Expenditure</b>	Expenditure that is incurred to acquire, create or add value to a non-current asset.
<b>Capital Financing Requirement</b>	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.
<b>Capital Receipts</b>	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.
<b>Collection Fund</b>	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 MHCLG) in the following financial year. Conversely, any estimated deficit on the Fund must be reclaimed from the aforementioned parties.
<b>Contingency</b>	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.
<b>Council Tax</b>	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.
<b>Council Tax Support</b>	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.
<b>Credit Risk</b>	The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.
<b>Designated Areas</b>	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.
<b>Equality Impact Assessment (EIA)</b>	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.
<b>General Fund</b>	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.
<b>Hereditament</b>	A non-domestic property occupied by a business that is liable for business rates.
<b>HR1</b>	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.
<b>LAC</b>	Looked After Children
<b>Least risk basis calculation</b>	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.
<b>Mazars</b>	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.
<b>MHCLG</b>	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.
<b>Minimum Revenue Provision (MRP)</b>	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.
<b>National Non-Domestic Rates (NNDR)</b>	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.
<b>Precepts</b>	The amount levied by another body such as the South Yorkshire Police Authority that is collected by the Council on their behalf.
<b>Private Finance Initiative (PFI)</b>	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.
<b>Provisions</b>	Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.
<b>Public Works Loan Board (PWLB)</b>	A government agency, which provides loans to authorities at favourable rates.
<b>Remuneration</b>	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.
<b>Reserves</b>	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.
<b>Revenue Expenditure</b>	Expenditure incurred on the day-to-day running of the Council, for example, staffing costs, supplies and transport.
<b>Revenue Support Grant (RSG)</b>	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.
<b>Specific Government Grants</b>	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.
<b>Spending power</b>	<p>MHCLG 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.</p> <p>NB: in a press release from the Chartered Institute of Public Finance &amp; Accountancy (CIPFA) following the Local Government Finance Settlement, CIPFA made the following notable comment:</p> <p><i>"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)."</i></p>
<b>Under-borrowed</b>	The Council's use of its own cash surpluses rather than external debt, resulting in a level of external debt below the authorised limit.
<b>Unsupported (Prudential) Borrowing</b>	Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.
<b>VCF</b>	Voluntary, Community and Faith Sector



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