Medium Term Financial Analysis October 2020

Purpose and Context

1. The purpose of the Medium Term Financial Analysis ("MTFA") is to provide Members with details of the forecast financial position of the Council for the next 4 years (2021/22 to 2024/25) and to set the financial constraints within which the budgeting and business planning process will need to work to achieve a balanced budget position over the medium term.

   This report includes some critical judgements that need to be made on the use of the reserves that arise from the fact that the Council is currently in better financial shape than some other large authorities. If we use them wisely, then we can continue to support a priority based budget process and additional investments in key areas. However, the next few years are fraught with uncertainty – not least about Government funding and the impact of COVID. Injudicious use of the reserves we have could tip the Council over the edge of the financial cliff that many Councils are already closer to.

2.	**The MTFA sets the financial context and envelope for the Council**	The Council will have to determine the order and speed in which it delivers its priorities, taking account, amongst other things, of its capacity to deliver change and the financial constraints within which it operates. The MTFA assists with this process by setting out the forecast financial envelope for the period 2021/22 to 2024/25. More detailed plans will need to be made that will feed into annual financial budgets.
3.	**COVID brings significant uncertainty**	This MTFA needs to be viewed in the context of the rapidly changing position caused by the COVID pandemic. The Council has moved from the initial response phase of the crisis, and is now in a recovery phase for its services whilst, at the time of writing, operating in the context of increasing national and local infection rates. The final stage is the longer term renewal of Council priorities and activities and the longer-term regeneration of the City. This MTFA sets the financial envelope within which the policy and strategy conversations can be held.

4.	**Key Dates**	MTFA – to Cabinet –	21/10/2020
		Public Consultations completed by	30/11/2020
		Medium Term Financial Strategy to Cabinet	16/12/2020
		2021/22 Budget to Cabinet for approval	17/02/2021
		Budget Council	03/03/2021

Executive Summary

5. **Forecasts have been revised substantially because of COVID-19**

The MTFA sets out the Council's latest financial forecast for the period 2021/22 to 2024/25. It has had to be substantially revised to take account of the impact of the pandemic.

COVID-19 has increased the Council's costs, both in meeting the immediate costs of the crisis, but also expected higher costs in the future e.g. additional longer-term costs of care services, support for leisure providers and reduced council tax and business rates income due to the forecast downturn in the economy.

The pandemic has also delayed the implementation of the Council's medium term change strategy, designed to transform services and save money.

6. **The full impact of the crisis is not yet known and government support is uncertain**

The MTFA has been drafted before the full impacts of the COVID crisis or the path of recovery are clear. The figures will need to be revised, potentially substantially, and this revision could well cause conclusions and recommendations to change as we learn more.

The level of future Central Government support is a material unknown that will have a very significant effect on the Council's future financial position.

The longer-term impacts of the pandemic on income levels and the additional expenditure required by changes in working practices are also still being determined.

7. **The Council has survived 10 years of austerity, by prudent financial management**

The Council has taken a careful and pragmatic approach to managing its finances throughout 10 years of government austerity, whilst ensuring the services that the people of Sheffield depend upon and expect from the Council continued to be delivered. At the same time the Council has also focused on the protection of services to the most vulnerable people, households and communities in the city

This careful, pragmatic and balanced approach has meant that it has not been done in a way that had left the Council's finances in an unsustainable position.

It has enabled the Council to manage the unprecedented consequences of a pandemic from a stable position, but facing severe difficulties in the longer term if the Government is not forthcoming with the financial support it promised at the start of the pandemic.

8. **Careful financial management**

The 2019/20 budget committed £35m of reserves to support

	over the last 10 years means that some reserves and corporate budgets that are no longer needed can be used to give us some flexibility.	future years' budgets. Additional government funding for 2020/21 meant that the budget was set in March 2020 without the need to draw on reserves. This means that the original £35m is still available to support the budget. However, these reserves are not "spare", they will be needed to support the pressures that we know will arise over the next three years, unless other decisions reduce those pressures. Further work done since then has identified a further £18m that could be committed to support the budget - a total of £53m. Balancing 2020/21 would currently require £18m of the Council's reserves – leaving £35m to support future years. Reserves are one-off money that, once spent, are gone. Of course, the 2020/21 in-year position could change in either direction before the end of the year depending on how the pandemic unfolds and whether further government funding is provided. The Council also has some corporate budgets that can now also be used to support the budget. The £9m pension deficit recovery budget is no longer needed following the 2019 Fund Valuation that was completed in March 2020. Central social care budgets of a further £9m could also be released. These, together with others means that a total of £19.4m on a recurrent basis can be used to support the Council's overall budget.
9.	**There is a cumulative budget gap of £72m by 2024/25**	Over the next 4 years, our current view is that the Council's cumulative budget gap will be £71.7m as shown in Figure 1 below. This is clearly less than our available reserves and represents ongoing pressures, whereas reserves are one off. This £71.2m gap takes account of changes to the Council's main sources of income (i.e. central government grant and local taxation), corporate expenditure (e.g. capital financing costs) and pressures on services (COVID related, inflation pressure, demand or legislative changes such as the increase to the minimum wage).
10.	**The budget gap for 2021/22 is £39m**	The 2021/22 budget gap stands at £38.8m, and that is after the £19.4m of corporate budgets that have been used to support the overall position. This gap includes our current forecast of the pressures from COVID in 2021/22.

11.	**This gap cannot be met from reserves alone**	All the reserves we have are not enough to meet the budget gap for 2021/22, and using them in this way would leave the Council in a fragile position going into 2022/23. But some reserve usage could cushion the impact of the higher projected costs and lower income as a result of COVID and give us a little more time to adjust.
12.	**Significant savings are required to balance the budget**	It is clear that, in the absence of further government support, the Council will need to deliver significant savings over the coming years to balance the budget.

13. Figure 1 – Summary of Projected Budget Gap for the 4 years to 2024/25

£m	21/22	22/23	23/24	24/25	Total
Reduction in Central Government Funding (RSG)	0.0	0.0	0.0	0.0	0.0
Business Rates & Council Tax Income	1.8	(6.5)	(6.6)	(6.6)	(17.9)
Corporate Expenditure variations	5.4	1.9	4.4	(4.0)	7.7
Extra funding for Leisure 21/22	10.3	0.0	0.0	0.0	10.3
Social Care pressures*	35.2	17.7	17.4	18.0	88.3
Other service pressures	10.8	2.0	5.0	2.3	20.1
Overall Budget Gap	**63.5**	**15.1**	**20.2**	**9.7**	**108.5**
Proposed Savings / Mitigations**	-24.7	-8.0	-3.3	-0.8	-36.8
Net Gap Still to Find	**38.8**	**7.0**	**16.9**	**8.9**	**71.7**

*** includes longer term impacts of Covid**
**** includes use of £19.4m of corporate budgets**

14.	**Most pressures come from Social Care**	The Council's Social Care services expect significant cost and demand pressures which completely outstrip growth in local taxation. The budget gap before savings is £108m over four years, of which £88m relates to Social Care.
15.	**We have choices about the extent and nature of the consultation we do as part of this…**	We have a statutory requirement to consult as part of the budget process, but there a many ways in which that can be achieved. We can do the minimum necessary, or use the process for wider citizen engagement building, for example, on the Big City Conversation work done before the pandemic.

16. Overall the Executive Director of Resources and Section 151 officer has reviewed

the adequacy of reserves, and, on the basis of the information currently available, he feels the impacts on reserves would only be sustainable for 2021/22. Therefore, the medium to long term financial position is, in his view, not sustainable without further savings or additional funding.

Recommendations

17. **It is recommended that Cabinet**

1. Note the forecast position for the next 4 years;
2. Note, as a planning assumption, core Council Tax increases of 2% each year.
3. Note the additional pressures caused by the COVID crisis, and in response consider what further transformation savings are required, and lobby Central Government for additional financial support;
4. Note that the Council's current level of reserves provides time for action to be taken strategically in response to the COVID crisis and the more general financial position, but that actions will be needed, on current projections, to maintain financial stability in the medium term. These actions will include further co-operation with other key stakeholders, in particular the NHS;
5. Consider the information contained in the capital sections of this report and provide guidance on how to proceed with the programmes highlighted

MTFA Detail

Background

1.	**Statutory requirement to set a balanced budget**	Every year the Council is required by law to set a balanced budget. The approval of the Council's budget in March is the culmination of the annual business planning process. This report seeks Cabinet endorsement of the proposed approach to this year's business planning process. The first step in the business planning process for 2021/22 is to estimate the gap between the Council's resources and expenditure.
2.	**Funding from central government is very uncertain at this stage**	It is difficult at this stage to forecast what Central Government's approach to funding Local Government (LG) will be in either the short or medium term. The Settlement for 2020/21 was, for the first time in ten years, a positive one in terms of increasing in real terms the amount of funding LG received from Central Government (CG). The Spending Round announced on 4th September 2019 highlighted an increase on baseline funding in-line with CPI inflation, and new monies to support adult and children's social care.
3.	**A long planned review of Local Government funding has been delayed further**	At the time CG announced that there would be a full re-assessment of overall LG funding, as part of a four-year Spending Review, as well as a review of the split of this funding between the different parts of LG (known as the Fair Funding Review), and a review of the 50:50 split of business rate retention. These inter-linked series of reviews will present risks to the City Council, particularly if the costs of deprivation were insufficiently recognised, but would give the benefit of providing certainty in funding over the next four years.
4.	**We are assuming that no additional government funding will be provided**	The COVID crisis means these reviews have been delayed, and there is no certainty when or if additional government support for 2021/22 and beyond will be available. For this reason we are assuming that we will receive a one-year funding settlement for 2021/22 instead and that we will receive notification of this very late in the budget cycle. Our planning assumption is that 2020/21 funding levels will be rolled forward into 2021/22, at a cash standstill. For the years 2022/23 to 2024/25 we believe no additional funding will be provided by Central Government and therefore our planning assumption is a cash standstill settlement for the period

of this MTFA.

5. **We have updated our estimates for the usual cost increases**

Our estimates also reflect expenditure variations such as:

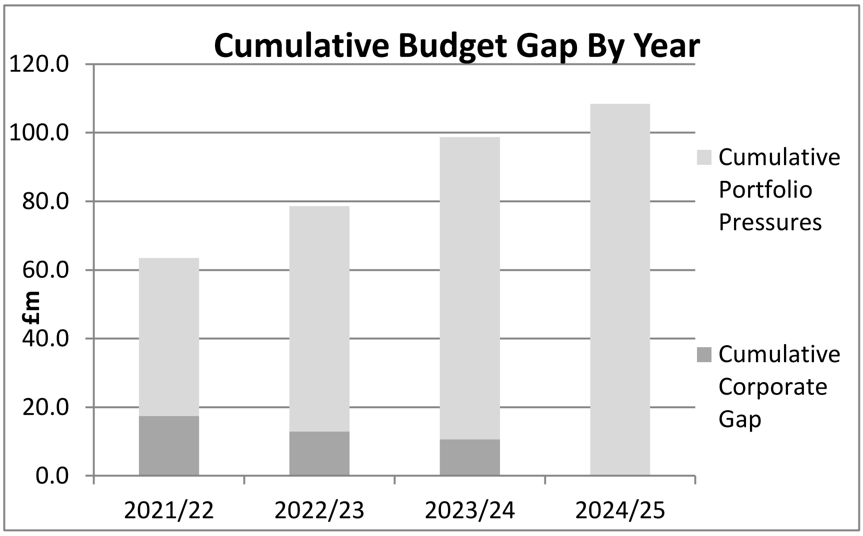
- Capital financing requirements for economic development projects in the city, including Heart of the City
- the estimated cost of pay awards, assumed at 2% p.a. after 2020/21
- contractual inflation on the Streets Ahead contract

The budget challenge before mitigations also takes into account pressures on services arising from inflation, demand or legislative changes such as increases to the minimum wage. These pressures are currently forecast at £61.7m for 2021/22 (includes £4.3m of forecast pressures relating to the longer term impacts of Covid).

Further details on the overall budget challenge before mitigations of £108.5m for 2021/22 to 2024/25 are detailed in **Annex 1** and **2**.

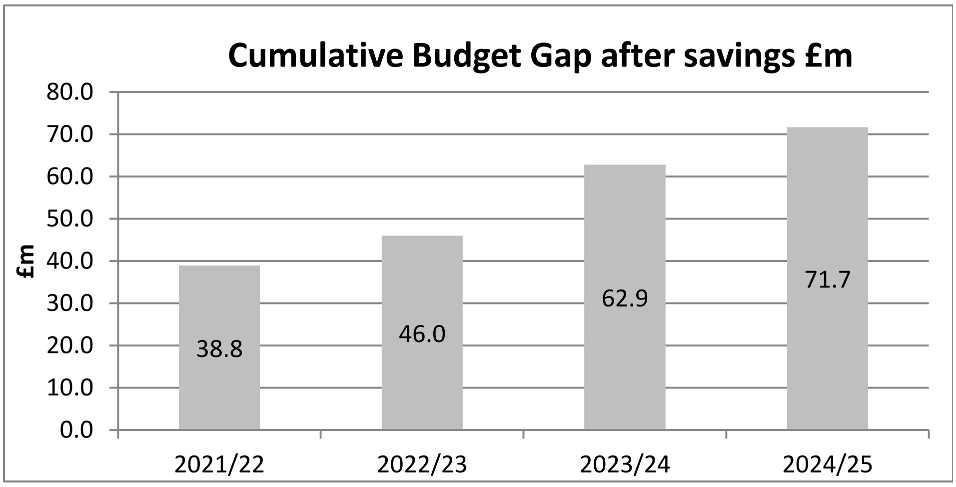
6. **The cumulative gap increases over the next 4 years to £108.5m**

Figure 2 – Cumulative Budget Gap before savings and mitigations



7. **After savings, the gap remains close to £71.7m**

Figure 3 – Cumulative Budget Gap after savings and mitigations



8. **The gap remains despite significant action**

The net gap (the budget gap after planned mitigations) still to find for 2021/22 to 2024/25 now stands at £71.7m (see figures 1 & 3). The 2021/22 net gap is currently forecast at £38.8m despite a release of the £19.4m of corporate contingencies including mainly due to release of social care contingencies and reduced pension deficit costs.

This gap is clearly not sustainable over the medium term. Ensuring ongoing viability will have to involve the prioritisation of resources, identification of additional savings, demand management controls and the effective and prudent utilisation of the Council's reserves.

Assessing the Budget Gap – Base Case

9. As shown in Figure 1, the scale of the budget gap is affected by changes in the Council's resources (Revenue Support Grant - RSG, Business Rates, Council Tax and other specific grants) and expenditure, as well as one-off and exceptional items. **Annex 1** provides a more detailed breakdown of these changes.

Annex 2 details the assumptions applied in reaching the Base Case numbers in figure 1.

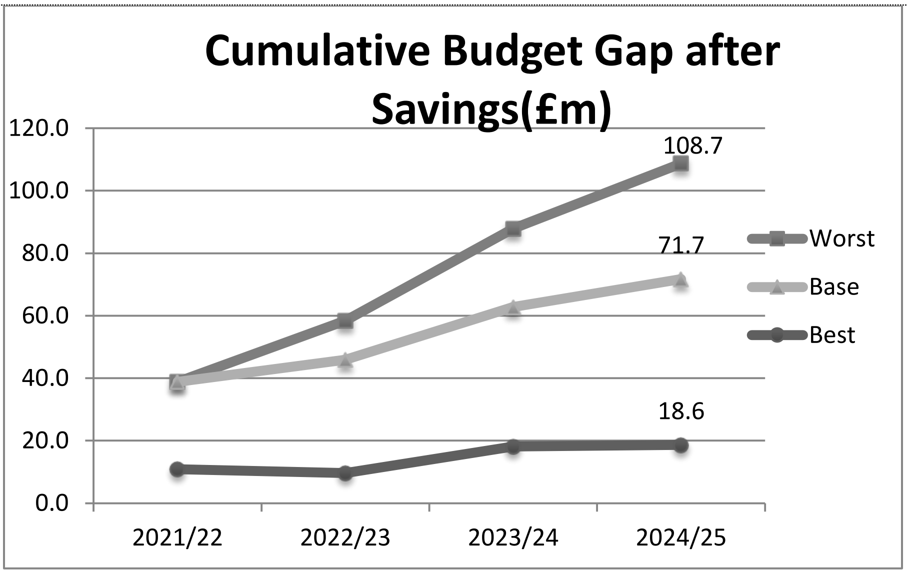
Sensitivity Analysis

10. **Two scenarios have been developed in addition to the base-case**

A **best-case** assumes that SCC will receive inflationary uplifts to its government funding and business rates income, as well as the ability to raise a Social Care Precept in each of the years of the MTFA. It also assumes some additional, above inflation budget support for 2021/22. This reduces the budget gaps significantly, from a 4-year total of £71.7m in the base case to £18.6m.

The **worst-case** assumes that an economic downturn reduces the resources available to Local Authorities. This planning assumption anticipates a reduction in RSG from £37m to zero over the years 2022/23 to 2024/25. This increases the 4-year budget gap to £108.7m.

11. **The sensitivity analysis highlights uncertainty in the forecasts**



12. **To reiterate, COVID makes the forecasts more uncertain than normal**

The full costs and longer term financial impacts of this crisis are unknown.

As discussed above, this crisis has increased the Council's costs, both in meeting the immediate costs of the crisis, but also in the forecast additional longer-term costs to support care and leisure providers. On the income side, we may well face reduced council tax and business rates income due to the forecast downturn in the economy.

The pandemic has also delayed the continuing implementation of the Council's medium term change strategy, designed to transform services but also save money.

In reaching the forecasts used in this report we have used the best information available at early September 2020. We have included estimates of the impact of the crisis on our longer term costs, reduced income and slipped savings. However these impacts are not yet clear, and there is a significant risk that more asks and pressures will arise, which would adversely impact on the forecasts in this report.

Capital Programme

13. **Context**

Capital spending pays for buildings, roads and council housing and for major repairs to them. It does not pay for the day-to-day running costs of council services. Therefore for budgetary purposes, the Capital Programme is kept separate to the General Fund revenue budget. The revenue consequences of

		capital expenditure, in terms of interest payments and allowances for the consumption of capital assets (known as the Minimum Revenue Provision or MRP) have been included however. The next update to the Capital Programme will be presented to Cabinet in February 2021.
14.	**The Council has a significant programme**	As at July 2020 the budget for the Capital Programme for 2020/21 totalled £233m and the five year programme to 2024/25 is £822m. Through the Strategic Commissioning exercise in 2019-2020 Cabinet members have identified key projects (both existing and new) for their respective portfolio areas with lead officers. This is intended to inform the short, medium and long-term demands on the future Capital Programme.
15.	**COVID is causing delays**	Whilst the subsequent impact of COVID-19 raises the possibility of other challenges for the Capital programme, some of which are detailed below, these identified areas of need have not gone away. However, one of the impacts of COVID-19 is likely to be a delay to the implementation of some of these proposals. Also, for context, there is currently only £1m of unrestricted funding in the CIF where SCC has complete discretion over what it can be spent on, plus £12.2m of CIF comprising restricted funds. Clearly, SCC will need to lobby for further funding before many schemes will become viable.
16.	**Some COVID specific funding has become available**	An example where Capital schemes are being brought forward in response to COVID-19 is the Emergency Transport Action Plan. The DfT has released some initial funding to help facilitate the reopening of our high streets and local centres whilst maintaining social distancing. Phase 1 of this scheme comprised £484k revenue and £99k capital, with a bid for further funding for Phase 2 currently under consideration by DfT. The measures will also help facilitate active travel by foot and cycle due to the impact of social distancing on public transport and provide people with alternatives to making those journeys by car.

17. There are five key areas which members need to decide how we take forward detailed below. Getting a steer on these five projects enables us to move on to the next stage of Strategic Commissioning and refine our priorities and begin the process of financial planning.

18.	**Heart of the City 2**	The largest forecast area of capital expenditure is the Heart of the City Two (HotC2) project, which aims to revitalise the City

		Centre with additional high quality office, retail and residential spaces. This project is timetabled to occur over the next six years, and incur up to £400m of capital expenditure, which should be largely recouped by the sale of the redevelopments. This scheme will require cash-flowing by the Council however, with the revenue consequences forecast as peaking at £2.6m in 2022/23. We have allowed for this sum in this MTFA. If the forecasts of asset sales fail to reach expectations, then additional revenue impacts will occur, and consequent reductions in services will have to be made to compensate. This remains a key area of financial risk for the Council. Another key aspect of this programme is ensuring the future of John Lewis Partnership (JLP) in its current location in Sheffield City Centre. The above capital and revenue figures include the impact of the re-gear of the lease with JLP.
19.	**Town Hall**	A number of longstanding essential compliance and maintenance works (ECM) have been identified and require attention. The future role and function of the building needs review before agreeing the investment required. A full reconfiguration would require commitment to a significant investment programme. Our approach needs to be aligned to the wider city centre vision and the Central Library.
20.	**Central Library & Graves Art Gallery**	Options range from ECM to a major redevelopment with estimated costs varying significantly dependent upon preferred option and agreed specification.
21.	**Leisure and Entertain-ment**	Work is underway to develop a new leisure and entertainment strategy for the City. It is likely that significant investment will required as a result. Clearly, COVID-19 has a huge impact on how these venues will operate for at least the short term and the strategy will need to take this and the related Government guidance into account.
22.	**Corporate Estate**	Our strategic approach on the Corporate Estate needs separate review and discussion. The status quo position severely limits our ambitions and the timescales over which they can be delivered. Conversely, disposal of assets can provide income for further investment in strategic priorities (noting the limited amount of funding currently available). Identifying a route that will help us agree some general principles we can then apply to the estate and help with individual decision making needs to be part of the overall approach.

23. It should be noted that of the five areas listed above, only HOTC2 is a fully funded scheme. A funding strategy will have to be developed to progress with the remaining four areas, balanced with the Council's other priorities.

Housing Revenue Account

24. The Housing Revenue Account (HRA) is the statutory financial account of the Local Authority as landlord. The Council owns approximately 39,000 homes that are home to around 45,200 tenants, together with their families or other occupiers. In addition, 4,500 leaseholders also receive housing services from the Council. It is the Council's current and future tenants and leaseholders who are impacted by the decisions made in the HRA Business Plan.

25. For budgetary purposes, the HRA is kept separate to the General Fund, hence any proposed changes to the HRA business plan are not expected to have any impact on the MTFA.

    The HRA is a self-funding account relying on the income from tenants to fund day-to-day operations as well as a long term capital investment plan.to maintain the Council's housing stock at a decent standard. The impact of Covid-19 on the local economy and the introduction of Universal Credit may affect the future income stream. The next update to the HRA Business Plan will be presented alongside the HRA revenue budget for 2021/22 to Cabinet in January 2021.

Reserves

26. The Medium Term Financial Analysis is prepared against a backdrop of increased uncertainty and potential risk. There is nothing new in this, and the Council has been managing significant financial risks for many years. However the COVID crisis has increased the risks faced. In addition, for an organisation of the size of Sheffield City Council, relatively small movements in cost drivers can add significantly to overall expenditure.

27. **£35m of reserves identified to support the budget** In the 2019/20 budget, the Council identified £35m of reserves that it could use to support its programme of transforming services. Additional government funding for 2020/21 means that this £35m remains unused and is still available to support the budget.

28. **A further £18m has been identified** In response to the COVID crisis we have carried out a further review of all the Council's reserves and have identified another £18m of available reserves on top of the £35m identified above.

    However, the current 2020/21 overspend means that, unless further government funding is provided, all these additional reserves will be required to balance the 2021/22 budget.

29. **Balancing the budget using** Balancing the budget over the next 4 years without additional government funding or additional savings / income generation by the Council would require over £200m of reserves – far more

reserves alone is not possible	than is available. The Council's reserves are only sufficient to provide some ability to smooth out the timing of savings that are required. However if savings actions or revised resource allocation processes are not in place, the Council will reach a financially unsustainable position within the next year.

30. Overall the Executive Director of Resources and Section 151 officer has reviewed the adequacy of reserves, and, on the basis of the information currently available, he feels the impacts on reserves would only be sustainable for 2021/22. Therefore, the medium to long term financial position is, in his view, not sustainable without further savings or additional funding.

Implications and Alternative Options

31.	**Financial & Commercial Implications**	This is a revenue & capital financial report, as such all financial and commercial implications are detailed in the main body of the report.
32.	**Legal Implications**	There are no specific legal implications arising from the recommendations in this report.
33.	**Equal Opportunities Implications**	There are no specific equal opportunities implications arising from the recommendations in this report.
34.	**Alternative Options**	A number of alternative courses of action are considered as part of the process undertaken by Officers before decisions are recommended to Members. The recommendations made to Members represent what Officers believe to be the best options available to the Council, in line with Council priorities, given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme

Annex 1- Forecast Revenue Position 2021 - 2025

		2021/22	2022/23	2023/24	2024/25
		£m	£m	£m	£m
Grant variations:					
	Revenue Support Grant (RSG)	**0.0**	**0.0**	**0.0**	**0.0**
Business rate income:					
	Growth in Business rate base	**0.0**	**0.0**	**0.0**	**0.0**
Council Tax income:					
	Growth in Council Tax Income	**-6.4**	**-6.5**	**-6.6**	**-6.6**
	Social Care Precept	**0.0**	**0.0**	**0.0**	**0.0**
Collection Fund surplus:					
	Reversal of the 2020/21 Council Tax surplus	**8.2**	**0.0**	**0.0**	**0.0**
Expenditure variations:					
	Pay Strategy	**2.5**	**1.2**	**1.2**	**1.2**
	Streets Ahead contract	**1.8**	**1.8**	**1.8**	**1.8**
	MSF ongoing increase	**0.5**	**0.5**	**0.5**	**-7.0**
	Heart of the City	**-3.3**	**6.0**	**-0.2**	**-0.2**
	Council Tax Hardship Fund	**0.2**	**0.2**	**0.2**	**0.2**
	Other	**14.0**	**-7.8**	**0.9**	**0.0**
TOTAL	**Year on year movement (excluding service pressures)**	**17.5**	**-4.6**	**-2.2**	**-10.6**
	Social Care Pressures	**35.2**	**17.7**	**17.4**	**18.0**
	Other Service Pressures	**10.8**	**2.0**	**5.0**	**2.3**
	add bf position	**0.0**	**63.5**	**78.6**	**98.8**
	Overall Budget Gap (before savings / mitigations)	**63.5**	**78.6**	**98.8**	**108.5**

Annex 2 – Key Assumptions

Assumption / Scenario	**Base Case**
Income Variations	
RSG	This grant or central government funding will remain at 2020/21 levels.
Business rates	The overall position on Business Rates for the medium term is an anticipated reduction in the early years, with a slow recovery to current levels by 2024/25. This reduction is mainly the result of the anticipated economic downturn resulting from the Covid pandemic. The income reductions will be managed via the collection fund but will also require the utilisation of the specific Business Rates earmarked reserve. For these reasons the impact of reduced business rates income is shown as a nil impact for this MTFA. Further reduction beyond current forecast will result in a revisiting of the impact in the MTFA. Business ratepayers can seek an alteration to the rateable value of a property by appealing to the VOA. However, because of the large volume of appeals, decisions by the VOA can take several years. A prudent provision has been taken for the appeals and as such this should not impact on the MTFA. It is difficult to arrive at a reliable estimate of the potential refunds due on outstanding appeals in addition to any new ones that may be lodged. Based on the most recent data provided by the VOA, it is assumed that the cost of refunds due to appeals will remain at 2019/20 levels. There will be a one off repayment of business rates relating to ATM's however this has been fully provided for and will not impact on the cash position. There are a number of reliefs against business rates liability, including small business rates relief, charitable relief, and deductions for empty properties and partly occupied premises. It is estimated that the total value of these reliefs and deductions will be approximately £49.5m. This includes the Pre-Covid increase of Retail relief to 50% however it does not include the enhanced retail relief of £113m. It is anticipated that if the government repeated the enhanced relief, that local authorities would be fully compensated. Top-up Grant is forecast to rise in line with Government announcements but will used to offset reduction in rates income.
Council tax	The MTFS has a planning assumption of a 2% per annum rise in Core Council Tax from 2021/22 to 2024/25, although the actual Council Tax level will be set by members each year, including any decision to take any future Social Care Precepts which the Government might announce. The tax base for Sheffield is forecast to continue growing, and provides us with enough confidence to forecast an increase of 1,300 new Band D equivalent properties for 2021/22 onwards. It is worth noting the forecast growth levels have been revised down by 200 Band D equivalents from the previously published MTFA, and reflects the anticipated impact of Covid 19 on the house building sector. We are assuming that the number of properties claiming discounts, reliefs and/or the Local Council Tax Support Schemes, will increase in the short term due to the Covid 19 but recover during the MTFA period. Any reductions in income as a result of the above schemes or due to properties falling into

	arrears, will be managed via the collection fund and associated reserves. Local Council Tax Support Scheme stays the same. The current CTSS in Sheffield which was introduced in 2013 requires council tax payers of working age to pay a minimum of 23% of their council tax bills. For financial planning purposes, it has been assumed that the scheme will not be altered in the medium term. However this will be an issue for Members to consider alongside the savings proposals for 2021/22.
Collection Fund surplus/ deficit	The 2020/21 budget reflected an £8.2m collection fund surplus generated in previous years. This surplus was only temporary and is not available for 2021/22, which causes a budgetary pressure.
Specific grants	No additional specific grants are forecast.
Other Income	Rental income from the Heart of the City Development of approximately £3.5m for 2021/22. This reduces during 2022/23 after the anticipated sale of part of the development, but increase again in 2023/24 and 2024/25, as further phases of the development are completed. This income along with the anticipated additional business rates mentioned above offsets the majority of capital financing costs relating to the development highlighted in the expenditure variation section below.
Public Health	The public health grant will remain at 2020/21 levels for the period of MTFA.

Expenditure Variations

Pay inflation	2% per annum from 2021/22, to be absorbed by portfolios
Pay strategy	An estimated £6.1m of pay and reward costs have been included over the period of this MTFA. This is above the 2% pay inflation that portfolios have added to their pressures. It also allows for the cost of increments to be taken corporately rather than by portfolios.
Employers' national insurance	No further changes to NI anticipated.
Pension Contributions	No budget pressure assumed for the MTFA period. The results of the triennial review of the amounts to be paid to South Yorkshire Pensions Authority for years 2020/21 to 2022/23 were announced late in 2019/20. This review concluded the past service deficit on the Fund had significantly reduced, following improved fund performance. Consequently the amounts payable by the Council to the Fund for the years 2020/21 to 2022/23 reduced, and these reductions have supported the Council's financial position. We anticipate that increased contributions will be required for 2023/24 onwards and we have set aside an earmarked reserve to cover these contributions. The Council do not anticipate that recent high-profile national legal cases affecting pension payments, such as the McCloud case, will significantly affect contributions payable, as the impact of these cases was largely anticipated by the actuary in their contribution figures for 2020/21 to 2022/23. Of course the stock market remains uncertain with both the COVID crisis and continuing Brexit negotiations, so falls are possible, which might well necessitate increased pension contributions from the date of the next valuation (currently 2023/24, but may be amended following current CG consultation).
Streets Ahead Contract	The Council investment in the Streets Ahead contract will result in the

Inflation	required amount increasing by approximately £1.8m per annum from April 2017, as planned, taking the total cost in 2021/22 to £87.8m.
MSF	Corporate support for Sheffield City Trust (SCT) debt charges: The additional costs shown against the 'MSF ongoing increase' line in 1. The £7.0m reduction in 2024/25 reflects the finalisation of historic debt payments for the Major Sporting Facilities.
Council Tax Hardship Fund	Hardship Fund increases by £0.2m per annum.
Heart of the City Capital Financing Costs	The MRP and Interest on borrowing for the city centre development will be approximately £5.0m for 2020/21, increasing to £9.1m by 2024/25, albeit with temporary reduction in 2021/22 resulting from the sales of the part of the development. As mentioned above, this additional capital financing requirement is significantly offset by the additional rental and business rates income the scheme is anticipated to generate.
Sheffield International Venues	During the 2020/21 budget process, £2.8m was set aside to cover losses on the Major Sport Facilities. In addition, a specific reserve was created to offset potential further shortfalls in funding. However the impact of the COVID crisis means that we currently forecast that a further £8.2m of subsidy per year is required, and this sum has been included in the above analysis
Portfolio pressure	Are the best estimates of the future costs in relation to demand for services, contract inflation cost pressures and national pay awards.

This page is intentionally left blank