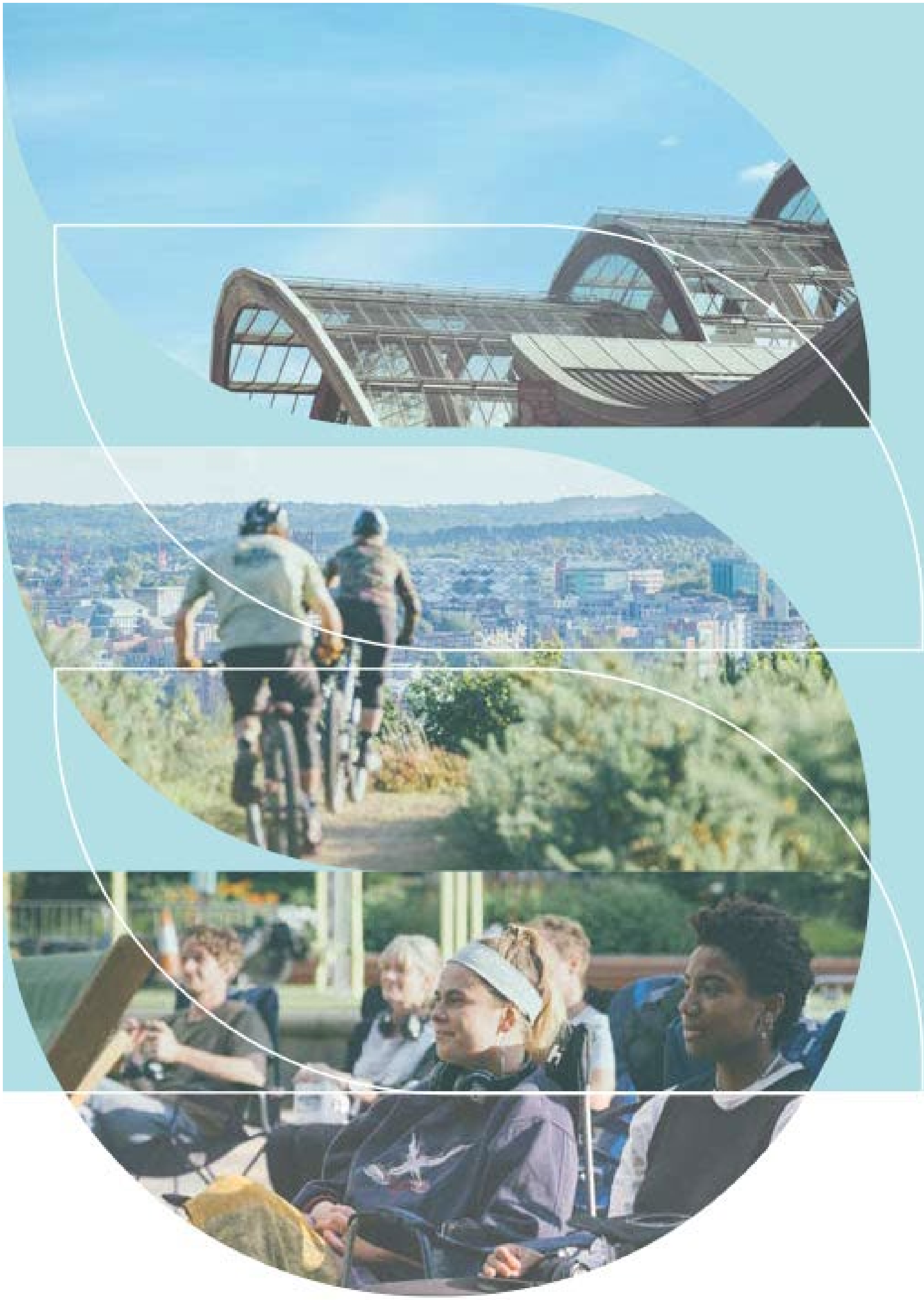

Revenue Budget 2025/26

05/03/2025

Foreword

Sheffield City Council is committed to making our city a better place for everyone. In 2024, we set out our four-year Council Plan with a clear mission – *together we get things done* – and a commitment to focus everything we do on getting the best outcomes for the people of Sheffield and driving the city's prosperity while protecting our environment for future generations. Our budget for 2025/26 reflects our Council Plan commitments, focused our resources on our strategic outcomes, priorities and delivering essential services for the city.

The Council is required by law to set a balanced budget each year, which means that the budget must be based on realistic assumptions and show how income will match spending over both the short and medium term. This includes achievable cost savings, local income growth strategies, and the use of available reserves. However, a budget is not considered balanced if it reduces reserves to an unacceptably low level.

The budget is made up of key building blocks:

- The cost of delivering services and the corporate cost of council operations
- Reductions in cost through identified savings
- Income from fees & charges and government grants
- Council Tax income

We are facing financial pressures due to rising demand for services and economic challenges. Included within the budget for 2025/26 are £71.7m of additional cost pressures, £54m of which are within social care services including funding for high cost placements. Corporate cost pressures include increased Employer National Insurance contributions (ENICs) and investments in the Future Sheffield and Strategic Role Review programmes.

However, we have identified £15.6 million in savings through innovative approaches like promoting independence for clients, using technology, and improving service commissioning. Our approach to budget setting for 2025/26 has been to start to match our budgets with the Council Plan through Priority Based Budgeting. These efforts will help us manage our budget effectively.

To achieve these savings, the Council needs to stay dedicated and use resources wisely. It's crucial to take strong actions to meet the savings targets and manage financial pressures over the next year. So, if there are any unexpected overspends, the Strategic Leadership Team will need to come up with and implement plans to fully address any extra spending within the 2025/26 financial year, in consultation with elected members.

To support our community, we are proposing to increase Council Tax by 4.99%, which will generate approximately £17.2 million (this includes the Adult Social Care precept). This recommendation is not proposed lightly, but it is necessary to maintain vital services. Most households will see an increase of £1.23 per week. We are also adding £200,000 to the Council Tax Hardship fund, bringing the total to £2.6 million, to help our most vulnerable families.

Increases in Business Rates income and associated grants, uplifts to sales fees and charges where appropriate, additional funding from government (mainly ringfenced to social care funding and a new one year Recovery Grant), along with the difficult decision to increase Council Tax by 4.99%, means we are able to set a balanced budget for 2025/26.

We are also focusing on long-term sustainability by using our reserves for one-off investments that will save money in the future. This approach will help us address challenges and seize opportunities in the coming years. We cannot continue to rely on reserves to fund council operations as we have done over the past few years.

Sheffield City Council is dedicated to supporting our residents and ensuring a bright future for our city. Together, we can overcome challenges and continue to make Sheffield a great place to live.

BUDGET REPORT 2025/26

Contents

List of Appendices

2025/26 REVENUE BUDGET

REPORT OF THE CHIEF EXECUTIVE AND DIRECTOR OF FINANCE AND COMMERCIAL SERVICES

Purpose of the Report

1. The purpose of this report is to:

- recommend to Full Council the City Council's revenue budget for 2025/26, including the position on reserves and balances;
- recommend to Full Council to approve a 2025/26 Council Tax for the City Council; and
- recommend to Full Council to note the levies and precepts made on the City Council by other authorities.

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

Key messages

The Section 151 Officer (Director of Finance and Commercial Services) 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.

He has concluded that reserves remain adequate and estimates robust. However, the Council's financial position is deteriorating during 2024/25 due to funds required to support the in-year overspend of £26.9m (£34.8m less £7.9m provision).

In addition, the Council requires the delivery of £15.6m of savings schemes to balance the 2025/26 budget. In practice some of these schemes might prove difficult to implement in whole or part following consultation, and a number are unlikely to deliver a full year of savings during 2025/26. These challenges mean that further reserves might be needed to secure the 2025/26 financial position should a forecast overspend emerge.

It is therefore imperative that robust action is taken to deliver planned savings and contain financial pressures over the next year. The Council cannot continue mitigating overspends from reserves indefinitely, or it will become financially unsustainable. Consequently, if overspends emerge, then the Council's Strategic Leadership Team (SLT) will be required to develop and implement plans to mitigate fully any overspend, within 2025/26, in consultation with elected Members.

2. The Chartered Institute of Public Finance & Accountancy (CIPFA) published the Financial Management Code in October 2020, which included 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 (Director of Finance and Commercial Services) 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

3. **Appendix 5** 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 against future liabilities (earmarked reserves). Our overall reserves levels are in line with other major cities in the country. However, unearmarked reserves set aside to deal with unknown emergencies, at £15.1m, benchmarks low compared to other authorities.

4. The Council maintains a Medium Term Financial Strategy (MTFS) to assess the risks within the Council's financial position. The MTFS is reviewed alongside the Reserves Strategy to assess the level of future sustainability.

5. This section, read together with Appendix 5, satisfies the requirement to review reserves balances and confirms them as adequate in the medium term. However, this year the risks to the Council's reserve position have increased and there are a number of challenges that have the potential to threaten the sustainability of the Council's budget into the medium-term.

6. The main challenge for 2025/26 as with prior years, is the Council's ability to continue to deliver savings and manage increasing pressures. The Council has a good track record of delivery, but over ten years of reductions during austerity and growing demand for services make it harder to find more savings every year. For 2025/26, the Council needs to make £15.6m of savings. Whilst savings of this value have been proposed as part of balancing this budget, it is likely a proportion may not have a full-year impact in 2025/26 (i.e. the time needed to implement the underpinning service changes means that savings will not start to accrue from 1st April, but will start later in 2025/26) In addition, it is inevitable there will be unforeseen difficulties in implementing some schemes, or these schemes will not deliver the full amounts expected.

7. To support the delivery of savings and offset any potential slippage in the total amount of expenditure reductions during 2025/26, the Council has set aside £9.1m of contingency and transformation funding within its budget.

8. If the contingencies detailed above and/or the management action set out in paragraph 9 below, prove insufficient to fully offset any in year budget gap, the Council will have limited remaining reserves within the Budget Contingency Reserve to support this position. However, during the 2024/25 review of earmarked reserves, funds were set aside to support targeted action to help deal with unforeseen demand and inflation pressures. This will help ensure the Council continues to deliver a balanced financial outturn.

9. It is imperative that the Council's agreed savings schemes deliver in full, with any further cost pressures that occur during 2025/26 being fully controlled and mitigated. If this does not happen, the Council will have to use its remaining reserves in a more risky and less sustainable manner to resolve its budget gaps. Such a strategy would mean that the s151 Officer might not be able to conclude that the Council's Budget is sustainable, or its level of reserves is adequate. Consequently, if overspends emerge, then SLT will be required to develop and implement plans to mitigate fully any overspend, within 2025/26, in consultation with elected Members.

The robustness of estimates behind the budget requirement

10. This Report proposes a budget requirement of £563.8m, and a Band D Council Tax charge of £2,028.99 for the year 2025/26. 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 record of establishing realistic and robust balanced budgets, relying on its specialist functions of business partnering and financial planning.

11. The Business Planning Process is described below at paragraph 14 and informs the Committee Budget Implementation Plans [1].

12. The Council's main sources of income when setting its budget are Council Tax, retained Business Rates and specific grant funding. These income streams can be subject to considerable variation year on year. The Business Rate position is discussed at paragraph 28, and the grant funding position is discussed at paragraph 27.

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

13. 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.

Business Planning for 2025/26

Key messages

The Council's financial management strategy for the medium term is guided by the Business Planning process, which began alongside the development of the Council's Medium Term Financial Strategy (MTFS) published in July 2024. The MTFS identified a budget gap of £31.4m for 2025/26.

Unlike previous years where Policy Committees were given savings targets, the 2025/26 budget focuses more on aligning resources with the Council Plan's strategic outcomes.

Investment decisions and savings proposals are assessed against these strategic outcomes and priorities to ensure effective resource allocation. The effectiveness of delivery and value for money have also considered. This approach marks the beginning of priority-based budgeting, with plans for further refinement in the coming years.

The new resource allocation approach, combined with higher-than-expected government funding, has enabled the Council to set a balanced budget for 2025/26.

14. The Council's approach to managing its financial position in the medium term is controlled through the Business Planning process. This process began alongside the development of the Council Medium Term Financial Strategy[2] (MTFS) published in July 2024. The MTFS highlighted a budget gap for 2025/26 of £31.4m.

15. This budget gap was made up of an assessment of the inflationary and demand pressures facing the Council, offset by the level of anticipated income from Central Government, local taxation increases and uplifts sale, fees and charges income to reflect the increasing cost of delivery.

16. In previous years the approach to closing this budget gap has been to set each Policy Committee a savings target to ensure a balanced budget. However, the 2025/26 budget has developed to ensure Sheffield's Council Plan[3] is at the heart of decision making when allocating resources. The figure below sets out

[2] Medium Term Financial Strategy https://democracy.sheffield.gov.uk/documents/s69731/MTFS%202526%20to%202829%20draft%20V3%20clean.pdf

[3] Council Plan - https://council-plan.sheffield.gov.uk/

the Strategic Outcomes agreed by the Council and the target for delivery within the budget envelope.

Figure .1

17. Investment decisions and savings proposals set out by Council services have been assessed against these Strategic Outcomes and the underlying priorities to ensure we are allocating resources to the right activities.

18. In addition, assessments were made with regards to the effectiveness of delivery against the assigned outcomes and priorities, as well as the value for money impact of agreeing any investments or savings.

19. The overall assessment by officers of these factors was presented alongside each investment or savings proposal to inform Members decision making.

20. This has been a critical first step in the delivery of priority-based budgeting. However, further developments to this approach are planned in the coming years to refine the process, and ensure the Council is targeting its limited resources at the activities that will best deliver the services residents need, in the most cost-effective way.

21. This new approach to resources allocation, coupled with a greater than expected level funding from Government has allowed the Council to set a balanced budget for 2025/26.

Formulation of the Budget for 2025/26

Key messages

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

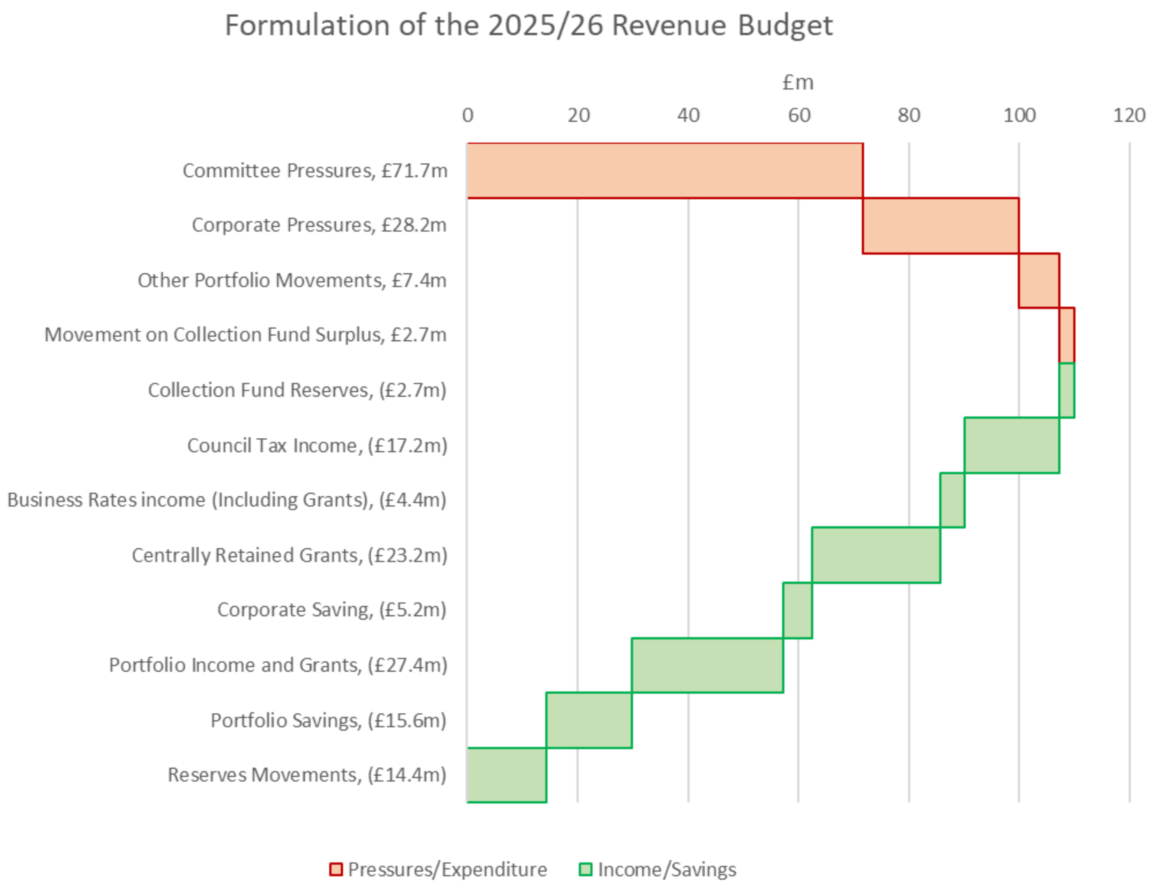
- the assessment of likely increases or reductions to income sources such as Central Government grants, Council Tax and Business Rates.
- assessment of increased expenditure for both Corporate funded items and cost pressures within Committees resulting from increased demand for services, cost inflation and planned investments.
- the resulting Budget Gap from the above two stages have to be met by delivery of budget savings. Should the level of savings be insufficient to meet this Gap, the Council's reserves must be used.

The 2025/26 budget has been set without the use of unplanned draws from reserves.

The following sections provide details of the assessments undertaken and the processes followed to ensure the 2025/26 budget is balanced.

22. In formulating the Budget for 2025/26, 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 and/or the Council's priorities.
23. The following sections show those 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 2025/26 has been balanced.

Figure 2 - Formulation of the 2025/26 Revenue Budget



Local Government Finance Settlement

Key messages

The annual Provisional Local Government Finance Settlement was announced on 18th December 2024 and confirmed on 5th February 2025. The Financial Settlement sets out funding allocations from Central Government for the year 2025/26.

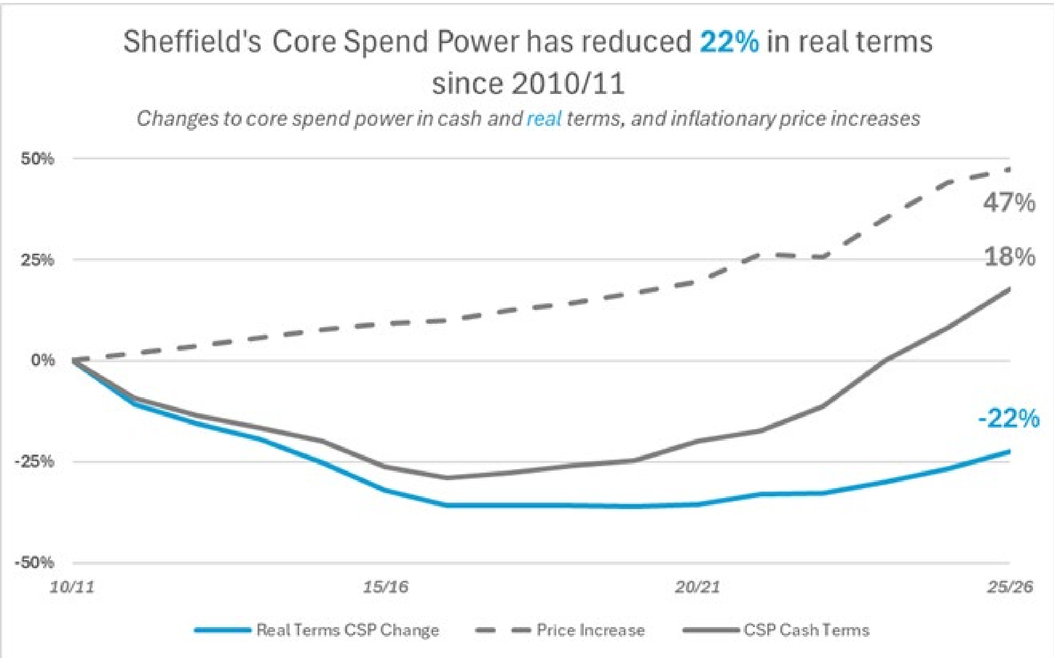
This confirmed, among other things, various grants payable to the Council for the year such as additional Social Care funding, the new one-year Recovery Grant, a Children's Social Care Prevention Grant and additional New Homes Bonus funding. It also detailed the abolishment of the remaining Services Grant, the level of Business Rates compensation funding to expect, as well as, the referendum threshold for Council Tax.

24. The Government announced details of the Provisional Local Government Finance Settlement for 2025/26 on 18th December 2024, with the Final Settlement allocations being presented to the House of Commons on the 5th February 2025.

25. The Settlement included growth in Core Spending Power (CSP) for Sheffield City Council of 9.4%, above the national average of 6.8% (in cash terms not taking into account inflation). CSP includes Council Tax income, Business Rates income and Government Grant income. This increase in CSP was mainly the result of the Government acknowledging the differences between councils' ability to raise council tax, and a greater emphasises on support for those councils with the highest needs, who had suffered disproportionate levels of cuts during the 2010's. This greater than expected settlement has allowed the Council to set aside funding to protect its financial sustainability, make some strategic investments in priority services and support the acceleration of the Future Sheffield programme to delivery longer term transformation within the organisation.

26. The graph below shows the growth in the 2025/26 settlement but also highlights there is still some way to go in order redress the real terms impact of the austerity funding cuts. The real terms funding reduction still stands at 22% for Sheffield. This is compared to a national average reduction of 16%. Sheffield will continue to make representation to the Government in the upcoming spending review consultation(s) to stress this unfairness and the need for a more equitable distribution of Local Government resources.

Figure .3 – Core Spending Power Changes since 2010/11



27. Below is a summary of the key points set out in the Final Settlement which impact on the 2025/26 budget for the Council:

Centrally Retained Grants

- Revenue Support Grant (RSG) for Sheffield will increase in 2025/26 by £1.1m. £0.8m of this increase is a result of inflation in line with CPI as of September 2024. The remaining £0.4m is due to the 'rolling in' to RSG of four previously separate grants including Electoral Integrity, Extended Rights to Home to School Transport, Tenant Satisfaction and Transparency Code funding.
- A new one-year grant called the Recovery Grant was confirmed in the Provisional Settlement. The Recovery Grant is being distributed based on a new formula taking into account 2023 mid-year population estimates, deprivation and a weighting on council tax raising ability. The grant is intended to be highly targeted and seeks to redress the disproportionate cuts made to high need Councils during austerity, and the continuing unfairness the reliance on Council tax increases creates between authorities. Sheffield is due to receive £16.5m of this grant.
- An additional 1-year award of New Homes Bonus funding results in an increase to SCC of £1.2m. This is due to increased house building during 2023/24 following sluggish growth during 2022/23. No legacy payment will be due on this award in future years.
- Funding towards the increased cost of Employers National Insurance Contributions (NIC's), for Council staff, has been awarded at £5.5m. This is insufficient to cover the £7.6m costs of the change to employers NIC's for 2025/26 related to council employed staff.
- As part of the 2022/23 Financial Settlement a new grant titled '2022/23 Services Grant' was announced. SCC's share of the grant was £10.0m but was cut by £4.4m in 2023/24. This grant was further reduced in 2024/25 by £4.6m to £1.0m. This grant has now been abolished reducing income to SCC by £1.0m. This reduction is being used by Government to fund other increases in the Settlement Funding Assessment (SFA).

Service Grants

- The Provisional Settlement announced additional Social Care Support Grant (SCSG) of £11.2m for 2025/26. This was higher than expected due to equalisation of the grant to consider Local Authorities differing abilities to raise social care funding via the ASC precept.
- A new Children's Social Care Prevention Grant of £250m was announced in the written statement on 28th November 2024 by Minister of State Housing, Communities and Local Government, Jim McMahon. At that stage it was estimated Sheffield would receive £2.5m based on the updated Children's relative needs formula. The Provisional Statement confirmed the 2025/26 allocation at £3.9m. The increase was a result of allocating £75m of the grant based on a council's ability to raise council tax income.
- Extended Producer Responsibility for Packaging grant has not been included in this budget as we still await final allocations and confirmation of any new burdens that will accompany the grant. Once further information has been received, a report will be submitted to the relevant committee detailing the planned use of the funding.

Collection Fund

- The Settlement also confirmed the overall referendum trigger for Council Tax increases has been set to 5% and will accommodate authorities' ability to raise a 'Social Care Precept' of up to 2%. The threshold for Core Council Tax before a referendum is triggered remains 2.99% for 2025/26. Full details of the anticipated increase to Council Tax income for 2025/26 are reported later in this report.

Business Rates Income

Key messages

The Council retains 49% of business rates collected within the authority (remainder paid to Government and South Yorkshire Fire & Rescue Authority). The Council also receives grant income, to top up this income to the level of a set 'baseline' need and to compensate for reliefs.

For 2025/26, the Council will receive £205.2m of income from business rates and associated grants. This is £4.4m more than budgeted for in 2024/25.

28. The Council collects all of the business rates in its area, but only retains a set portion (49%). The remainder is paid over to Government (50%) and South Yorkshire Fire & Rescue Authority (1%).

<u>Overall Business Rates Estimate for 2025/26</u>

29. The net business rates allocated to the Council is £96.9m (£94.4m in 24/25).

30. The Council may retain the business rates collected from designated renewable energy hereditaments and the designated New Development Deal (NDD) hereditaments (including some of the Heart of the City 2 development). This is shown in the table below and brings the Council's share of business rates income to a total of £100.9m. Additionally, the Council will receive £104.3m of related grant income (£102.8m in 24/25) and overall, business rates-related income will increase by £4.4m.

Table 1

All figures in £k	**2024/25**	**2025/26**	**Change (+/-)**
Net Business Rates	(94,415)	(96,884)	(2,469)
Designated Area Business Rates (NDD)	(1,696)	(2,135)	(439)
Renewable energy amounts	(1,810)	(1,839)	(29)
South Yorkshire Investment Zone	(28)	0	28
Total Income from Business Rates	**(97,949)**	**(100,858)**	**(2,909)**
Business rates top up grant	(55,654)	(55,215)	439
NNDR1 grants incl. small rate relief	(8,717)	(7,942)	775
Business Rate Inflation Cap (BRIC) grant	(32,181)	(34,298)	(2,117)
Retail Hospitality and Leisure Relief	(6,266)	(6,888)	(622)
Total related grant income within NNDR1	**(102,818)**	**(104,343)**	**(1,525)**
Total income from Business Rates in 25/26 Budget	**(200,767)**	**(205,201)**	**(4,434)**

31. The Council is estimated to retain £96.9m of business rates in 25/26 (increase of £2.5m from 24/25). This is mainly to do with the uplift of the 'standard' multiplier (payable when a ratepayer occupies premises with Rateable value over £51k) in line with CPI inflation of 1.7% at September 2024.

32. The Council will also receive £104.3m of grant income, which is an increase of £1.5m from the 24/25 value. This is mainly due to compensation for the decision to freeze the small multiplier, offset by an estimated lower demand for other reliefs (thus, lower compensation) as well as an overall reduction in top up grant level. Top up grant was artificially high within the 24/25 Budget due to a retrospective, one-off adjustment, so this adjustment falling out creates a net reduction in top up grant value.

Council Tax income

Key messages

Subject to Council approval, the Council Tax rate will increase by 4.99%, comprising 2.99% for the Core Council Tax and 2% for the Adult Social Care Precept.

The majority of dwellings in the Council's area are Band A, and as such will see an increase of the equivalent to £1.23 per week.

There are approximately 148,476 Band D equivalent properties on which to charge Council Tax, an increase of approximately 1.0% from 2024/25.

The Council will therefore receive £301.3m of income via Council Tax, which is £17.2m greater than 2024/25.

This Report recommends the 4.99% increase to Council Tax.

Council Tax base for 2024/25

33. It is proposed to set a Council Tax Requirement of £301.3m for 2025/26 based on a 4.99% increase. This includes the application of the 2% increase for Adult Social Care precept. This results in a Band D tax charge of £2,028.99 including the Adult Social Care precept, without any discounts or exemptions. The Core Spending Power assessment by Government assumes that the Council will increase Council Tax by 4.99%.

34. This includes a determination that the Council Tax base – the number of properties on which a tax can be charged – will be 148,476 Band D equivalent properties, compared to 146,975 in 2024/25. This increase in tax base is due to continued growth in the number of dwellings within Sheffield, as well as the impact of the decision taken at Finance Committee in February 2024[4] to introduce the new Second Home Premium and modify the existing Long Term Empty Premium charges.

35. 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 12**.

[4] Finance Committee, 19th February 2024 – report on premium Council Tax charges.

36. Nearly 60% of dwellings in the Council's area are within Band A, and as such this charge is calculated at 6/9ths of the Band D charge, or £1,352,66 for 2025/26 (£1,288.37 for 2024/25), the equivalent to a £1.23 per week increase before any applicable discounts/exemptions. More information on discounts and exemptions can be found here - https://www.sheffield.gov.uk/council-tax

37. The Council recognises that any increase in Council Tax can impact on vulnerable people and families. To mitigate the increase in Council Tax, the Council Tax Hardship Fund has been increased by a further £200k in 2025/26. The Hardship Fund will total £2.6m and is reviewed on an annual basis.

38. A summary of the Council Tax levels by band can be found in Table 5 in the 'Financing the 2025/26 Budget Requirement' section of this report. Further details can also be found in **Appendix 6.**

Council Tax referenda

39. 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 per the Act, a referendum is required in respect of that amount.

40. The Secretary of State for Housing, Communities and Local Government has proposed[5], subject to consultation and confirmation by vote in the Commons, that an authority's relative basic amount of Council Tax for 2025/26 is excessive if the authority's relevant basic amount of Council Tax for 2025/26 is 3% more than its relevant basic amount of Council Tax for 2024/25 or its Adult Social Care precept increase for 2025/26 is greater than 2% of the relevant basic amount of Council Tax for 2024/25. This Budget report does not include increases that would be considered 'excessive' by this definition, thus no referendum is required.

[5] Draft Referendum Principles, LGFS 2025/26

Collection Fund Deficit / Surplus

Key messages

For 2025/26, the Revenue Budget includes an overall Collection Fund surplus allocation of £9.8m. This is a reduction of £2.7m when compared to last year's figure.

This surplus will be transferred in full to the Council's Collection Fund reserve to cover risks relating to future collection.

41. The below table shows the detail behind the overall £9.8m surplus allocation.

Table 2

All figures £m	Council Tax	NNDR	Total
Reconciliation of prior year (surplus)/deficit	(0.4)	0.4	0.0
Estimate of 24/25 (surplus)/deficit	(6.9)	(2.9)	(9.8)
Total Collection Fund (Surplus)/Deficit Payments in 25/26	**(7.3)**	**(2.5)**	**(9.8)**
Surplus funding applied to General Fund reserves	7.3	2.5	9.8
Remaining (surplus)/deficit payments in 25/26	**0.0**	**0.0**	**0.0**

42. The Council Tax side of the Fund is in a healthy position. The 23/24 financial year closed in a better position than was anticipated, leading to additional surplus relating to 23/24. The in-year surplus relates mainly to a detailed review of the expected credit loss provision and is not expected to recur.

43. The NNDR position is similarly healthy. The main driver of the surplus here is the settling of appeals against the now-defunct 2017 Ratings List (a new Ratings List began on 1 April 2023). As these appeals are decided, the Council can release the amounts it held against the risk of loss when these appeals are decided in our favour, or at a lower reduction than was estimated, whilst also maintaining a prudent level of protection going forward.

44. The Council Tax and NNDR outturn estimates for 2024/25 must be reconciled within the 2025/26 Revenue Budget. This balance is set to be transferred to the Collection Fund reserves to cover risks relating to future collection.

Balances and Reserves

Key messages

2025/26 sees a £17.1m increase in the use of / reduced contributions to reserves when compared to 2024/25. This is mainly the result of a £16.7m increase in reserves required to support the Leisure Strategy and a reduced contribution of £2.7m to collection fund reserve. This increased use and decreased contribution to reserves is partly offset by planned repayments to the Invest to Save Reserve.

Attached to this report as **Appendix 5** is the Council's Reserves Strategy showing details of the reserves held and planned uses.

45. 2025/26 sees a £17.1m increase in the use / reduction in contributions to reserves when compared to 2024/25. This is mainly due to:

- A £16.7m increase in the use of reserves is required to support the Leisure Strategy. Short term investment is required for backlog maintenance issues and associated costs from the transition to new service providers. It should be noted these reserves are repaid in the medium term from savings delivered via the re-contracting of the services.
- As detailed in the Collection Fund section, the net surplus/deficit is carried to/funded by reserves in order to protect the revenue budget from fluctuations in local taxation. The overall surplus of £9.8m is a £2.7m decreased contribution to reserves for 2025/26 when compared to 2024/25.
- A repayment of £2.3m to the Invest to Save reserve is budgeted for in 2025/26. These repayments come from investment in prior years into the Accommodation Strategy and Transformation Fund.

46. The Director of Finance and Commercial Services has reviewed the position relating to Reserves and has produced a Reserves Strategy which is attached at **Appendix 5**. This sets out the estimated requirement for Reserves to meet expenditure in 2025/26, 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 Director of Finance and Commercial Services on the sustainability of reserves and the budget.

Corporate Contingencies & Expenditure / Savings

Key messages

The Corporate budgets support Council wide spending and investments. These include items such as the Capital Financing budget, redundancy provision, business change budgets and contingencies to support Committee spend / saving delivery. These budgets are set to increase by £28.2m for 2025/26. It should be noted the vast majority of these increases are for one-off investments in 2025/26 and are funded by the one-year Recovery Grant or reserves contributions.

Corporate savings agreed totalling £5.2m partly offset this increase but creates an overall pressure for the corporate budgets of £2.1m for 2025/26.

47. There are a number of proposed one off additions to the budget for 2025/26, which are to be held corporately. The most significant additions are as follows:

- Leisure Strategy - £9.2m has been set aside to fund the ongoing implementation of the Leisure Strategy. This funding will cover the costs associated with transfer of the Councils' leisure services to new providers, and support backlog maintenance on the assets to ensure safety compliance and operational functionality are maintained.
- £5.1m of funding towards unplanned high-cost placements that arise in 2025/26. In both Adult Care & Wellbeing and Children's Services, growth and inflation costs are built into budgets annually based on trend data, however in both services, it is common for overspends to occur due to unforeseen costs of individuals requiring high cost placements. This funding will not be used as general contingency against Adults & Childrens budgets, it will be drawn down on a case by case basis and kept under review. With the Budget Contingency reserve being almost fully utilised by the end of 2024/25, this should help the Council limit overspends occurring in 2025/26.
- In 2024, The Council embarked on a Strategic Role Review Programme in response to equal pay claims. The programme will review all roles across the Council's workforce to determine whether staff have been paid equally. £4.7m of temporary funding has been set aside towards the financial liability of either settling historic claims or towards ongoing costs as a result of job evaluation.
- Future Sheffield is the Council's Transformation Programme, which sets out its ambition, over the next four years, to be one of the best

performing Councils in the country. In 2024, the Strategy & Resources Committee received a report that set out an estimated £14m of costs to deliver on the ambitious roadmap of activity throughout 2025 and beyond. Longer term, the Council plans to utilise the option of using capital receipts to fund some of its transformation, however it is anticipated that insufficient receipts will be generated to fund the activity planned in 2025/26. £4.0m of funding is proposed to support the programme on an invest to save basis through 2025/26 to ensure planned savings can start being delivered without unnecessary delays due to funding constraints.

- Heart of the City 2 - £3.8m: additional funds are required to support the Heart of the City 2 project capital financing costs. This increase is partly offset by an additional £2.1m of rental income. It is worth noting these capital financing charges are expected to be reduced and/or mitigated in the medium term as properties are either disposed of or tenanted.
- £1.3m has been set aside from Government funding for the increase to Employers National Insurance for Housing Revenue Account (HRA) staff.
- Council Tax Hardship - £0.2m: these funds have been set aside to increase the amount of support provided to those least able to cope with the cost of Council Tax. The Council's Hardship fund will be a total of £2.6m for 2025/26.

48. There is also a proposed corporate reduction in spending totalling £5.2m to party offset the pressure detailed above. The details are as follows:

- Capital Financing - £5.2m: The general capital financing budget has been maintained at an artificially low level due to high cash balances reducing the level of borrowing the Council has made to support its capital programme. This is not a sustainable position and therefore a planned increase was set out within planning assumptions. This increase is offset by an anticipated change to the Council's Minimum Revenue Provision (MRP) policy to better reflect the time value of money and smooth the impact of borrowing over the life of the asset.

Development of Committee Budgets

Key messages

Changes to Committee budgets are the result of pressures identified in services, offset by savings proposed, additional income, and changes resulting from technical adjustment and/or planned draws to/from reserves.

In line with the 2024/25 budget, all Committees will receive additional core funding to support service delivery during 2025/26.

49. The following table (table 3) shows how the Committee budgets (excluding Corporate items) are proposed to change from 2024/25 to 2025/26. The four main reasons for changes to Committee budgets are:

- Pressures £71.7m – 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/your-city-council/budget-spending
- Savings £15.6m – 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/your-city-council/budget-spending;
- External Income £27.4m – this is external income from Sales, Fees and Charges but also increases to service specific grants. further details can be found in the External Income Summary in **Appendix 3** of this report and /or the budget implementation plans at the following link: https://www.sheffield.gov.uk/your-city-council/budget-spending
- Other movements / Investments of £7.4m includes virements to/from corporate items to Committee budgets and are detailed below table 3.

Table 3

	Restated Budget 2024/25	Pressures '2025/26	Savings '2025/26	Income '2025/26	Investments / Other Movements '2025/26	Budget '2025/26	Budget Movement
	£000	£000	£000	£000	£000	£000	£000
Committee budgets:							
Adult Health & Social Care	146,745	33,387	(10,924)	(13,687)	1,123	156,643	9,899
Communities, Parks & Leisure	26,828	2,300	(20)	(444)	1,679	30,342	3,515
Economic Development & Skills	8,433	1,038	0	0	205	9,677	1,243
Education, Children & Families	118,596	20,926	(3,440)	(12,654)	2,885	126,313	7,717
Finance and Performance	51,861	2,635	0	0	1,908	56,404	4,543
Housing	9,226	1,155	0	(28)	169	10,522	1,296
Strategy & Resources (Excluding Corporate)	15,975	2,912	0	0	(1,403)	17,484	1,509
Transport, Regen & Climate	25,545	3,863	0	0	557	29,965	4,420
Waste & Street Scene	68,557	3,516	(1,200)	(584)	316	70,605	2,048
	471,765	**71,731**	**(15,584)**	**(27,397)**	**7,439**	**507,955**	**36,190**

Note **Appendix 4** will reconcile between the figure above, and the Net Budget requirement of £563.8m shown in the Financing the 2025/26 Budget Requirement section of this report.

Investment and Other Movements

50. The vast majority of these adjustments (£6.2m) are the corporate transfers of funding to cover the increase to ENIC's, which the Council has been partly compensated for and detailed in the Finance Settlement section above. Details of the other most significant transfers are as follows:

- Education, Children & Families Committee – Mainly Dedicated Schools Grant (DSG) £1m; to support services historically funded by DSG where the grant is no longer available, but the service continues to be vital to the city's young people. Also, receives £0.1m of core funding due to the Government rolling the Extended Right to Home to Schools Transport Grant into RSG.
- Strategy and Resources Committee – A 2.1m budget reduction to reflect the additional rental income target for the Heart of the City 2 Development.

Changes to overall Core Funding to Committees

51. As can be seen from table 3, all Committee's budgets are increased for 2025/26. The total budget uplift excluding corporate budgets is £36.2m.

52. The following section sets out the details of some of the major movements within the Committees. The details are as follows:

- Adults Health and Social Care Committee will see an increase of £9.9m or 7% of Net Revenue Budget (NRB) in core funding for 2025/26. This excludes the 9% of NRB or £13.7m of additional external income provided through the Social Care Grants (£7.1m), additional income from Partners of (£2.9m) and Sales Fees and Charges (£3.7m). Despite this increase in core funding and external income, the Committee still needs to deliver £10.9m of savings to help offset more than £33m worth of pressures. These pressures are predominantly arising from annual inflation uplifts on care fees and pay, in addition to increasing demand for services, particularly for people with learning disabilities and complex care needs. Additional staffing in response to higher demand and improvement to services has further increased cost pressures into 2025/26. The main focus of the savings identified for this Committee are centred around promoting independence for clients, technology enabled services and improved commissioning of services.

- Communities Parks and Leisure shows an increase in core funding of £3.5m or 13% of NRB. The main reason for this increase is the funded pay award and increase to ENIC's. The Committee has also received £1.1m of investments to support city centre events, invest in local community services, additional support for Ash Die Back works and funding to offset grant funding losses.
- The Economic Development & Skills Committees core funding shows an increase of £1.2m or 15% of NRB. Only £0.4m of this funding is for pay related costs with the majority of the rest being a pressure for the delivery of the 10-year events strategy.
- The Education, Children & Families Committee will see an increase in core funding of nearly £7.7m or 7% NRB. This excludes the 11% of NRB or £12.7m of additional external income provided mainly through the Social Care Grants of £9.6m and £2.9m of fees and charges from to the development of a secure accommodation provision in Sheffield. There has been a nationally acknowledged upward pressure on children's services in recent years. This is no different in Sheffield, with significant pressures of over £20.9m materialising across the service. These pressures are mainly within placement budgets, SEND Transport, additional support for Kinship Carers and staffing costs required to support the city's young people. Savings against this committee's budget total £3.4m, with the majority being linked to reviews of Home to School Transport.
- The Finance and Performance Committee will see a budget increase of £4.5m or 9% of NRB. The majority of this increase is linked to forecast pay awards and ENIC's. Other pressures for the committee include

£0.3m increase in external audit fees and £0.2m increase in merchant banking fees.

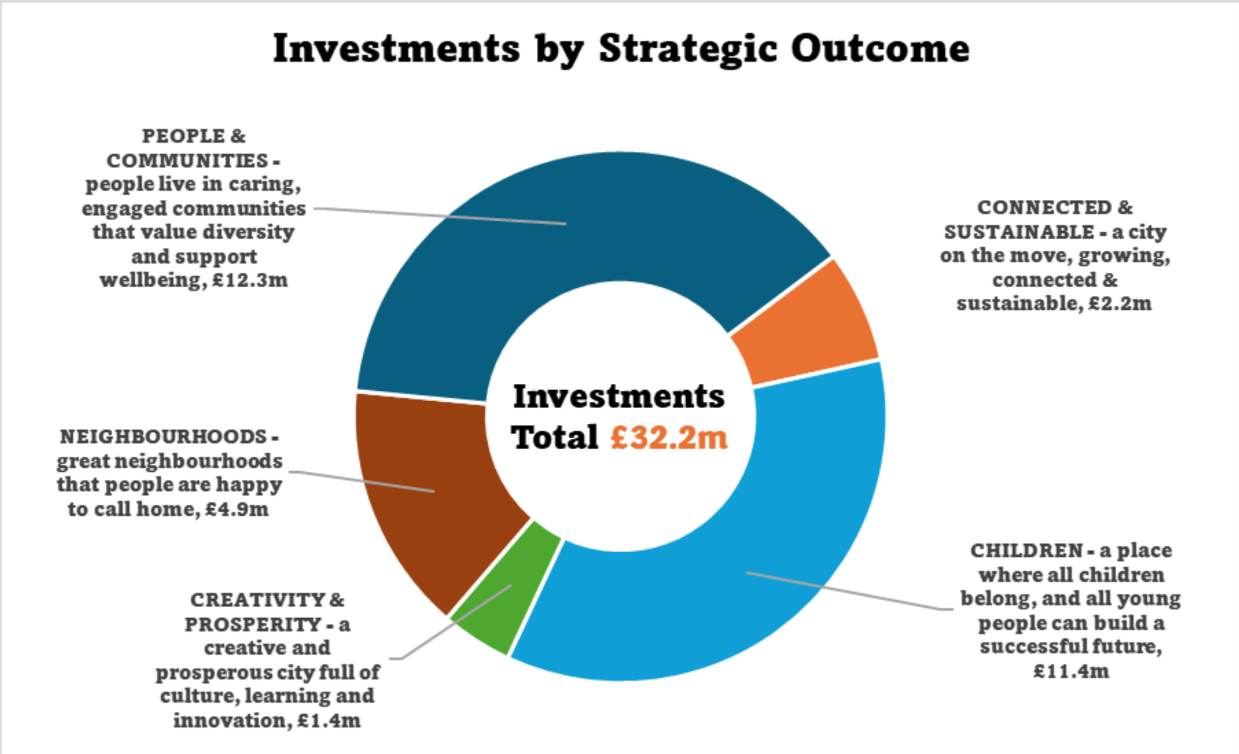
- The Housing Committee will increase by £1.3m or 14% of NRB. The majority of this increase is linked to forecast pay awards and ENIC's. The other major pressures for the committee include is £0.5m one-off funding to support the Gleadless Valley regeneration.
- Strategy and Resources Committee (excluding Corporate) in table 3 is showing a core funding increase of £1.5m or 9% of NRB. However, if the technical adjustment in relation to Heart of the City 2 rent increases is ignored, the core funding increase is £3.6m. £2.3m of the £3.6m total pressures relates to forecast pay awards and ENIC's, with the rest being set aside for facilities management and essential compliance on Council buildings.
- The Transport, Regeneration and Climate Committee budget will increase by £4.4m or 17% of NRB for 2025/26. The main reasons for this increase is the funded pay award of £0.8m, the Integrated Transport Levy of £1m to cover increases in 2024/25 & 2025/26, the loss of grant funding £0.4m and investments totalling £1.8m to support transport planning and climate resource.
- Waste & Street Scene Committee core funded budget will increase by £2.0m or 3% NRB for 2025/26. This increase is mainly the result of the planned Council investment in the Streets Ahead programme and Waste contract costing £1.5m and £0.8m respectively. These increases are based on a forecast January RPIX rate of 2.5%. The committee also has £0.8m of additional pay relate pressures for 2025/26. The pressures are offset by a negotiated savings of £1.2m against the Amey contract.

53. **Appendix 4a** sets out summaries of total gross and net (core funding) expenditure by Committee. This appendix also includes a breakdown of services within these Committees to identify where the Council's money is spent.

Budget Movements by Strategic Outcome

54. As well as setting out the budget by committee the information below identifies the budget movements by Strategic Outcome in line with the Council's Plan.

Figure .4 – Additional Investment in Strategic Outcomes



55. In total SCC's priorites will see an investment of £32.2m for 2025/26, with an additional £4.0m being spent to support these activities. The following section sets out the total budget, pressure, investment and any savings for each Strategic Outcome.

Great neighbourhoods that people are happy to call home

- **Budget** - proposing a net budget increase of over £4.9m in Great Neighbourhoods in 2025-26, taking the total budget to over £90m.
- This will include:
  - Continuing to support our parks and green spaces to ensure we can maintain them at a high quality
  - Supporting our network of libraries across the city
  - Investing in the quality of our neighbourhoods (e.g. regeneration of Gleadless Valley).
- **Pressures** - demand on services and staffing
- **Measures** – include proposing to increase some fees and charges in some of the services we provide

A creative and prosperous city full of culture, learning, and innovation

- **Budget** - continuing to invest in our city's prosperity and are proposing a net budget increase of over £1.3m to continue to support vital economic and cultural opportunities in our city. This takes the overall budget to over £3.75m.
- The additional budget reflects financial pressures, as well as prioritisation and inflation-related costs
- **Pressures** - maintaining staffing capacity to enable us to take new opportunities and to work to secure new long-term investment

People live in caring, engaged communities that value diversity and support wellbeing

- **Budget** - proposing a net budget increase of over £12.3m for 2025-26, taking the total budget to over £170m.
- The additional budget reflects financial pressures on ASC, as well as prioritising extra investment in safeguarding/ safety, support to carers, technology enabled care and frontline workers supporting vulnerable people.
- **Pressures** - demand for care, ensuring staffing resources and costs are in place to meet demand and continue the transformation of our services.
- **Measures** - continuing to support people to greater independence, offering a range of support options to best suit need, and working hard to increase the use of technology

A place where all children belong and all young people can build a successful future

- **Budget** - proposing a net budget increase of over £11.4m for 2025–26. This takes the total budget to over £135m
- The additional funding reflects financial pressures, as well as prioritisation and extra investment for looked-after children and families who face barriers to access the support they need
- **Pressures** - increased demand on services and maintaining staffing resources support, services and changes needed
- **Measures** - enabling more independent travel to school and improving our accommodation options available for young people in and leaving care

A city on the move – growing, connected and sustainable

- **Budget** - continuing to invest in growing our city's economy and are proposing a net budget increase of over £2.2m 2025-26. The proposed overall budget for this outcome is £26m.
- This will enable us to continue to invest in our priorities, supporting our long-term plans to transform Sheffield's infrastructure, our pipeline of key transport projects for the priorities covering net zero and supporting climate resilience.
- **Pressures** - our main pressures are driven by inflation and the need to maintain staffing to support the delivery of our priorities.

Making it happen – Strategic Enabling Services

- **Budget** - We are proposing a net budget increase of £3.9m for Strategic Enabling Services to ensure we have the staffing capacity, IT and systems that a modern major organisation needs to deliver for one of the biggest cities in the country. The proposed overall budget for this area next year is £80.4m.
- In addition to supporting the transformation of Sheffield City Council, Strategic Support Services include vital services such as the Council's IT infrastructure, its Human Resources function, finance, audit, democratic services. But it also includes key public services such as Revenues and Benefits.
- **Pressures** - driven by inflation, the need to maintain staffing capacity to ensure we have the people to deliver for the city.

Savings Proposals for 2025/26

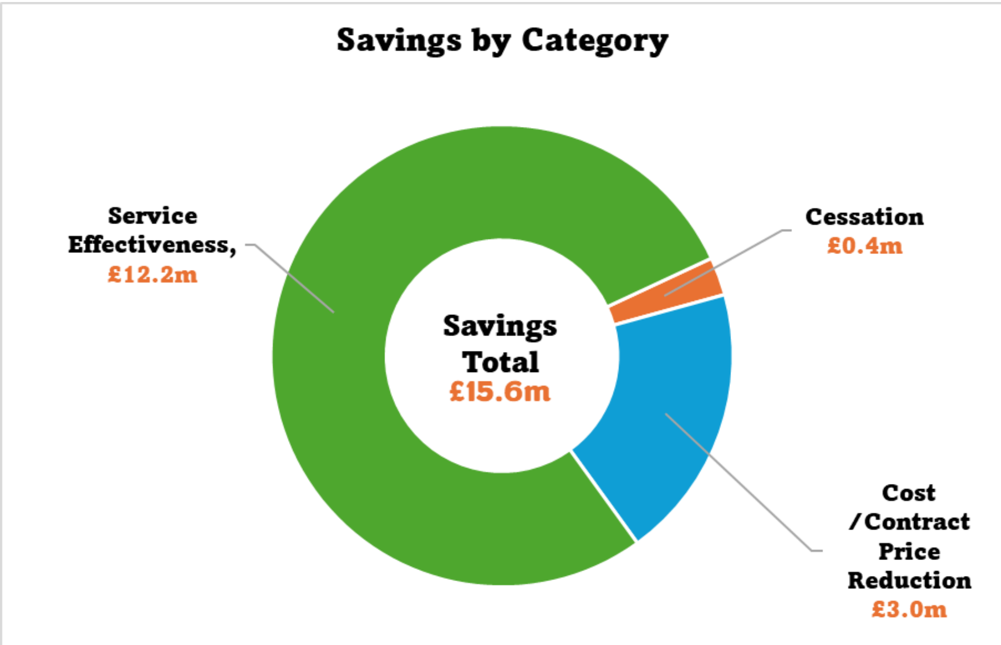
Key messages

The total level of savings proposed for 2025/26 is £15.6m and covers categories such as services effectiveness, cost reduction and cessation of services.

The 2025/26 saving target is twice the amount planned for 2024/25 but is still relatively modest in comparison with previous years. However, it is still likely to be difficult to deliver due to the cumulative impact of continuous savings delivery since 2010.

56. Discussions with Members have taken place to agree a set of savings proposals to be delivered during 2025/26. The proposals set out in this report form the basis of a balanced budget and a recommendation to Council on 5th March 2025. The total amount of savings are £15.6m. 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.

Figure.5 – Savings By Category



External Income for 2025/26

Key messages

The total additional external income for Committees, excluding Corporate, for 2025/26 is £27.4m and covers additional service grants, increased contributions from partners and sales fees and charges.

Over 60% or £16.6m of the increase in income will come is from addition Social Care grant funding. Inflationary uplifts to sales, fees and charges will account £7.9m or 29%, with the majority (£3.7m) of this coming from inflation increases to individual's contributions to care.

57. The external income included in this budget falls into 3 categories as follows:

- Services grants £16.6m – these are ringfenced grants received by services for a set purpose. The Social Care Grant is set to increase by £11.2m, The Market Sustainability Investment Fund (MSIF) is set to continue at 2024/25 levels providing an increase to budgets of £1.5m and a new Childres Social Care Prevention Grant will provide £3.9m of additional funding for 2025/26.
- Sales fees and charges £7.9m – This income is mainly the result of increased charges for social care client contributions totalling £3.7m and £2.9m of fees and charges from to the development of a secure accommodation provision in Sheffield. The remaining increase to SFC are spread across most Committees and reflect the need to increase charges, where suitable, to reflect the inflationary costs of delivering those services and supporting activity. More details can be found in **Appendix 3** of this report.
- Income from partners £2.9m – Adults social care services are anticipating additional funding from their strategic partners in order to support service delivery and increasing costs.

Financing the 2025/26 Budget Requirement

Key messages

In accordance with sections 31A and 31B of 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") = £563.8m
- a Council Tax Requirement (a section 31A(4) calculation) = £301.3m
- a basic amount of tax (Band D equivalent) = £2,028.99

58. 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 2024/25. 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

59. After taking account of the Revenue Support Grant and Business Rate income (including related grants) for 2025/26, the total amount to be raised from Council Tax amounts to £301.3m: this is the Council's Council Tax Requirement.

Collection Fund

60. 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. Taking these factors into account, the estimate for this Budget is that the Collection Fund is in a surplus position of £9.8m.

Council Tax Base

61. On 14th January 2025, the Assistant Director, Finance Business Partnering, under delegated authority as Deputy s.151 Officer, approved the calculation of the Council Tax Base for the 2025/26 financial year. The amount of the Tax Base is 148,475.7826 Band D equivalent properties.

Budget Requirement for 2025/26

62. If the Council votes in favour of increasing the Council Tax by 4.99% the Budget Requirement for 2025/26 will be £563.8m, as shown in the table below.

63. The Budget Requirement will be financed by a combination of Revenue Support Grant, Business Rates income (including related grants) and Council Tax income.

Table 4

	2023/24 £'000	2024/25 £'000	2025/26 £'000
Service Expenditure	500,762	543,815	563,842
Total Expenditure	**500,762**	**543,815**	**563,842**
Financed by:			
Revenue Support Grant	-43,611	-46,500	-47,556
Business Rates (including Grants)	-185,047	-200,767	-205,201
Council Tax	-267,801	-284,037	-301,256
Collection Fund Surplus	-4,303	-12,511	-9,829
Budget Requirement	**-500,762**	**-543,815**	**-563,842**
Band D Council Tax (City Council)	£1,840.69	£1,932.56	£2,028.99

Council Tax Levels

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

Table 5

Band	Multiplier	1991 Value Band	Dwellings as % of total	Tax Charge (£)*
A	6/9	Up to £40k	58.1%	1,352.66
B	7/9	£40k to £52k	16.2%	1,578.10
C	8/9	£52k to £68k	12.7%	1,803.55
D	9/9	£68k to £88k	6.4%	2,028.99
E	11/9	£88k to £120k	3.7%	2,479.88
F	13/9	£120k to £160k	1.7%	2,930.76
G	15/9	£160k to £320k	1.1%	3,381.65
H	18/9	Over £320k	0.1%	4,057.98
			100.0%	

** - before any discounts, exemptions or other reductions*

Precepts

Major preceptors

65. The budget proposals for the South Yorkshire Mayoral Police and Crime Commissioner and the South Yorkshire Fire and Rescue Authority were approved on 3rd February and 17th February respectively. The approved precept levels are given below:

Table .6

	2024/25		2025/26			
Major Preceptors	**Precept £**	**Band D £**	**Precept £**	**Band D £**	**Band D Increase %**	**Band D Increase £**
South Yorkshire Fire & Rescue Authority	12,500,192	85.05	13,370,244	90.05	5.88%	5.00
South Yorkshire Mayoral Police and Crime Commissioner	36,896,512	251.04	39,352,021	265.04	5.58%	14.00

Parishes & Town Councils

66. 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 are set out in the table below:

Table 7

	2024/25		2025/26			
Parish Council	Precepts (£)	Council Tax Band D (£)	Precepts (£)	Council Tax Band D (£)	Band D Increase £	Band D Increase %
Bradfield	258,162	42.7378	258,931	42.7378	0.00	0.00%
Ecclesfield	287,111	30.5712	298,807	31.7940	1.22	4.00%
Stocksbridge	131,494	33.8443	136,902	34.8597	1.02	3.00%
Total	676,767	107.1533	694,640	109.3915		

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

67. 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.

68. 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 5**. The view of the Director of Finance and Commercial Services is that Reserves are adequate to cover the medium-term financial risk.

69. 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**.

70. The Local Government Finance Act 1992 specifies that the City Council determines its Revenue Budget before 11th 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.

71. 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.

72. Each billing authority and precepting authority must determine whether its relevant basic amount of council tax (in essence, the average band D council tax, excluding local precepts) for a financial year is excessive. If it is excessive a referendum must be held in relation to that amount. The question must be decided in accordance with a set of principles determined by the Secretary of State for Levelling Up, Housing and Communities. The Secretary of State has proposed that for a local authority such as Sheffield City Council the relevant basic amount of council tax for 2025/26 is excessive if it is 5% (comprising 2% for expenditure on adult social care, and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2024/25.

73. 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.

74. 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 further decisions made in accordance with the Council's Constitution and any further

delegations (e.g. from a Policy Committee to an officer made in accordance with the Constitution). 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.

75. 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 8.**

76. 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.

77. 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.

78. In accordance with the Localism Act 2011 the Council must also approve a Pay Policy Statement (as prescribed by the Act) each year before the end of 31st March. While not part of the budget setting process, the timescale means that approval may be given at the same time as budget decisions are made. The Pay Policy Statement for 2025/26 is set out in **Appendix 11.**

Levies

79. The Council currently has approximately £24.5m in its revenue budget for levies. This includes the following:

- South Yorkshire Mayoral Combined Authority (SYMCA) transport levy; the SYMCA Board approved the transport levy for 2025/26 on 28th January 2025. The transport levy payable is increased by 2% for 2025/26 to £24.1m.
- Payments to the South Yorkshire Pensions Authority and to the Environment Agency are forecast to be £140k and £245k respectively.

Housing Revenue Account (HRA) Budget

80. 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 at Full Council on the 5th February 2025.

Treasury Management Strategy

Key messages

As part of its budget decision, the Council is required to approve a Treasury Management Strategy for 2025/26. Treasury Management relates to the management of the Council's investments, borrowings and banking operations. This is set out in detail in **Appendix 7.**

81. 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.

82. 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.

83. The Sheffield City Council Treasury Management Strategy for 2025/26, 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 Accounting, and it is recommended that authority for undertaking treasury management activity and relevant reporting continue to be delegated to the Head of Accounting.

84. 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.

Tax Strategy

Key messages

- In line with the Council's governance framework and consistent with its wider values, the Council is committed to being fully compliant with all tax laws, rules and regulations.
- It will conduct its tax affairs in an open, honest and timely fashion.
- The Council has a low-risk attitude to tax planning and risk.

85. The Tax Strategy of Sheffield City Council sets out the overall framework for the Council's management of its tax affairs, including compliance, policies and procedures, tax risk, tax planning and relationship with the tax authorities.

86. The Council is a Local Government body. It is exempt from Corporation Tax and is a Section 33 Body under the VAT Act 1994, which entitles it to recover VAT attributable to non-business activities and to exempt business activities, providing this is an insignificant proportion of the total tax incurred.

87. Whilst not required to publish its Tax Strategy, the Council chooses to do so, as it wishes to demonstrate transparency in its commitment to managing its tax affairs, taking into consideration its public purpose and balancing the interests of its stakeholders. Full details of the Council's Tax Strategy are attached to this report as **Appendix 9**.

Financial Implications

88. 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 budget pressures and recommended savings proposals to set the 2024/25 budget, equates to an increase of approximately 58 full time equivalent (FTE) posts. This Council has approximately 5700 FTE's supported by General Fund and therefore this equates to approximately 0.9% of the current workforce

89. The increase in staffing numbers mainly relates to investments within Adults Social Care, where it is planned that approximate 33 new posts will be created and recruited for in 2025/26. This recruitment is being made in order to

directly deliver new and recovery savings of a higher value (invest to save) which will make Adult Care and Wellbeing more financially sustainable in the short and medium term. The recruitment is also to ensure full compliance in the delivery of our statutory duties in anticipation of CQC regulation, deliver better outcomes to people and make Adult Care and Wellbeing more financially sustainable over the longer term.

90. Other minor recruitments are planned across other committees to build capacity and deliver on some of the priorities approved by the Council. Examples include staff to deliver the Events Strategy, support for the Castlegate project and additional resource for transport planning projects.

Pay Policy

91. In accordance with the Localism Act the Council is required to publish a Pay Policy for 2025/26. Details of this can be found in **Appendix 11**.

92. When producing the Pay Policy Statement, the Council had regard to the relevant Government guidance, including the Openness and Accountability in Local Pay: Guidance under section 40 of the Localism Act (issued February 2012) and the Supplementary Guidance (issued February 2013).

Members' Allowances

Key messages

Each year, the council must agree a Members' Allowances Scheme. The most recent review of the scheme was completed in January 2025.

93. Prior to 1st April each year, the Council must 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.

94. The most recent review of the scheme by the Panel was completed in January 2025. The Panel's recommendations were considered by Council in February 2025.

95. Prior to that, the scheme as whole was last reviewed in 2022 and changes were made to make sure that it was fit for purpose when the Council moved from a Leader and Cabinet model to a Committee system in May 2022. A

limited review concerning the allowance for the chairs of sub-committees took place in February 2023.

96. The scheme contains provision for the allowances to be adjusted on an annual basis in line with an agreed index, which is linked to the annual pay award for local government employees. The Council has agreed to implement the annual increase in each year from 2017/18 having previously agreed not to apply the annual increase each year from 2010/11, including in four years when Council employees received a pay rise.

97. The impact on the Members' Allowances budget arising from the recommendations of the Panel and any further changes to the Council's governance arrangements will be assessed as part of any further recommendations to Full Council.

The Climate Challenge

Key messages

Budget proposals for 2025/26 have been assessed by services as having no negative impact on the climate. 7% of proposals reviewed are considered to have a positive impact on the climate.

98. This year's budget process has included a high-level Climate Impact Assessment of the budget proposals, assessed by lead officers within each service, 93% have been initially assessed as neutral and 7% as positive, with no negative impacts from the budget proposals anticipated.

99. During 2024 the Council published a further two decarbonisation routemaps. In March 2024, the Council approved its Energy Generation and Storage Routemap, setting out the strategic framework for actions to decarbonise the city's energy during 2023-2025. This includes how Sheffield will transition to a smart and decentralised clean energy system with the capacity to meet changing energy demands in the future by 2030.

100. The Land Climate Routemap was approved in October 2024, setting the framework for action to both reduce emissions from the city's land and to enable it to support city's adaptation to the changing climate.

101. Sheffield has been chosen by UK Government as one of six UK cities to go through to the next round of the Advanced Zoning Programme to expand heat networks. Funding has also been allocated to increase capacity to accelerate

the roll out of energy efficiency, renewables and heat network expansion across the city

102. As noted in last year's report, as well as working to decarbonise we must also adapt now to the change that is already upon us and is predicted to increase the short and medium term, such as more frequent weather events.

103. In recognition of this, and following climate resilience workshops with service areas, a training package and template has been developed and delivered to support council services to plan and adapt to demands and opportunities created by the changing climate.

104. £500k has been identified to support at least ten schools to develop climate adaptation plans and support the health and wellbeing of children by reducing climate change impacts such as heat or flooding.

105. Looking forward, increasing access to finance will be key. The lack of access to predictable funding and the requirement to compete for limited funding pots has been a significant challenge, so we are working closely with the South Yorkshire Mayoral Combined Authority to agree a favourable integrated settlement with a strong focus on decarbonisation, resilience and nature recovery from central government for 2026/7 and beyond.

106. The Strategy and Resources Policy Committee has committed to launching a local climate bond during 2025, which will enable local people and organisations to invest in local climate action.

107. Our Local Area Energy Plan which will be developed this coming year with the support of wider city stakeholders will include market-facing investment propositions to attract investment into the city, from both public and private sources.

108. We will investigate the potential for a strategic energy partnership which would unlock private sector investment and allow for the scaling up of activity.

Budget Conversation 2025/26

Budget consultation

109. A consultation was run between 21 December 2024 and 19 January 2025. As in previous years, the consultation focused on an online survey, alongside consultation sessions held with organisations from the voluntary, community and faith sector and members of Sheffield Chamber of Commerce.

Response rate

110. The online survey had 495 responses. 975 people clicked on the survey or other links/information and 1,555 people made at least one single visit to the site. The online survey was supported by a social media campaign and e-newsletter alerts to citizens that are registered to receive them.

Profile of respondents

111. More detailed information is shown in **Appendix 10**. In summary, this shows:

- A high response rate from people in older age groups – 46% of all online respondents were aged 65 and over (compared to around 17% aged 65 and over living in Sheffield according to the 2021 Census)
- An above average response rate from unpaid carers – 19% of all online respondents were unpaid carers (compared to 10% in the 2021 Census)
- An above average response rate from disabled people – 29% of all online respondents had a disability (compared to 21%)

112. There is a correlation between each of the above, (i.e. statistically, more older people have a disability and/or caring responsibilities).

113. The figures also showed:

- A low percentage of people from Asian/Asian British, Black/Black British, Mixed/Multiple Heritage and other ethnic groups – 3% or under of online respondents (compared to 2021 Census population data of 21%).
- An above average response rate for Lesbian, Gay and Bi (LGB) respondents of 10% (compared to 4% in the 2021 Census).
- Other response rates were broadly in line with Census population data.

Responses

Council Plan outcome spending priorities

114. A majority of respondents either fully agreed or mostly agreed with each Council Plan outcome's spending priorities – agreement varied from between just under three in five for our approach to making it happen through the Future Sheffield Programme and our use of strategic enabling services, and nearly three-quarters for aligning and focusing our budget on the commitments that we made in the Council Plan to deliver them for the city.

115. The proportion of respondents who either fully disagreed or mostly disagreed varied from just over one in four (making it happen through the Future Sheffield

Programme and our use of strategic enabling services) to around one in eight (moving to a priority-led budget).

116. For all Council Plan outcome spending priorities, a relatively high minority (over one in ten) of respondents said they either didn't know if they agreed with the spending priorities or neither agreed nor disagreed. Feedback comments suggested this was partly due to some respondents seeking more detail, while others felt the information provided was too vague and general to make a judgement.

Budget Management Approach

117. Almost three quarters of people agreed with the budget management approach. There were a lot of comments about what people would like to see in our strategic outcomes, including:

- Improving public transport, pedestrian safety, and maintaining roads for those who use cars,
- Making sure services including education/training, social care, and SEND provision are available to the city's residents across all backgrounds and localities,
- Supporting the city to have more affordable housing that is both suitable for different demographics and are environmentally sustainable.

Key equality findings and differences:

- 81% of respondents with a disability agreed with the budget management response, compared to 73% with no disability
- However, unpaid carers (71%) were less likely to agree than non-carers (76%) – this pattern was repeated throughout the survey
- The least likely age bracket to agree were respondents aged 18-34 (39%), compared to the most likely, aged 75-84 (82%)
- 62% of respondents from Black, Asian and Minoritised Ethnic communities agreed (compared to 78% White British)
- LGB+ respondents (66%) were less likely to agree than heterosexual respondents (76%)

Children and Young People

118. 67% of respondents agreed with the Children and Young People Strategic Outcome approach.

119. Comments included a desire for services to be accessible across different areas of the city for children and young people with disabilities and those who require SEND support.

Key equality findings and differences:

- Younger aged respondents (71% aged 18-34, 74% aged 35-44) and older age respondents (71% aged 65 and over) were most likely to agree with this strategic outcome, the least likely to agree were aged 55-64 (61%)
- Disabled respondents (73%) were more likely to agree than non-disabled respondents (67%)

Great Neighbourhoods

120. 71% supported the Great Neighbourhoods Strategic Outcome approach.

121. Respondents valued a clean environment and their parks and green spaces. People were keen there was attention to all parts of the city and also highlighted the importance of the council working alongside communities.

Key equality findings and differences:

- 74% of respondents aged 65 and over (and 86% aged 75-84) agreed, compared with 65% of respondents aged 18-34
- Black, Asian and Minoritised Ethnic respondents (63%) were less likely to agree than White British respondents (75%)
- 69% of respondents with a disability agreed, compared to 75% with no disability
- Only 56% of unpaid carers agreed, whereas 76% of non-carers agreed
- LGB+ respondents (63%) were less likely to agree than heterosexual respondents (74%)

Caring, Engaged Communities

122. 63% supported the Caring, Engaged Communities Strategic Outcome approach.

123. Respondents wanted to make sure there was good value for money, with minimal waste and inefficiency. There was a desire for social care and the council to engage with the community sector in an inclusive manner.

Key equality findings and differences:

- Respondents aged 65 and over (69%) and 18-34 (65%) were more likely to agree compared to respondents in all age brackets between 35 and 64 (58%-59%)

Creative and Prosperous City

124. 61% supported the Creative and Prosperous City Strategic Outcome approach.

125. Respondents were keen that all areas of the city have economic development. People wanted the city centre to have a balance of different offerings, such as retail, food and entertainment.

126. Other comments covered areas including public parking, cycle lanes and public transport routes to the city centre. People also expressed a desire for the council to offer business support to local organisations and independents.

Key equality findings and differences:

- Black, Asian and Minoritised Ethnic respondents (67%) were more likely to agree than White British respondents (63%)
- 60% of unpaid carers agreed, compared with 64% of non-carers
- Respondents least like to agree were aged 45-54 (56%), while most likely were aged 75-84 (80%)

City on the Move

127. 62% supported the City on the Move Strategic Outcome approach.

128. Respondents were keen to see an improvement to transport and environmental sustainability. Many responses made comments, including some concerns, about various aspects of transport, including the quality of tram and bus services, a lack of integration in the public transportation system and the Clean Air Zone.

129. Some people questioned how affordable the net zero agenda is for the council's finances but others were very happy to see us perusing this area

130. Respondents wanted to see more affordable accommodation, different types of new accommodation and energy efficiency in new homes as well as existing ones.

Key equality findings and differences:

- 66% of respondents with a disability agreed, higher than non-disabled respondents (62%)

- 67% of respondents aged 65 and over (and 79% aged 75-84) agreed, compared to 59% (aged 45-54) and 58% (55-64)
- LGB+ respondents (67%) were more likely to agree than heterosexual respondents (64%)

Future Sheffield Programme and of Strategic Enabling Services

131. 58% supported the proposal, with a quarter neither agreeing or disagreeing and around a sixth of people opposing these proposals.

132. Comments showed a range of opinions on the quality of the service council offers. These included the need to invest in IT, making sure staff have the appropriate tools and skills to carry out their job effectively, financial monitoring and transparency.

133. Many comments spoke about the need to keep services accessible to those who do not use IT.

***Key equality findings and differences**:*

- 67% of respondents aged 35-44 agreed, compared to 52% of respondents aged 55-64
- Otherwise, comparison scores were similar – e.g. between Black, Asian and Minoritised Ethnic and White British respondents (both 61%) and between respondents aged 18-34 and over 65 (both 63%)

Council Tax and Adult Social Care Precept

134. 62% agreed with Council Tax increase to reduce the need for further budget reductions, and 61% agreed with an increase in the Adult Social Care Precept to protect adult social care services. Around a quarter disagreed in both cases.

135. There were a range of comments, including concern about affordability and the cost-of-living crisis, value for money, the performance of council services and the council tax system as a whole. Other respondents were willing to support a higher increase in both proposals, while there was also some feeling that a rise was needed and inevitable necessity to avoid budget reductions.

136. Some people disagreed that the burden should fall on Council Tax payers, while others noted how this area has increasing demand due to demographic changes from an aging population.

Key equality findings and differences:

- There were large disparities between comparative groups of respondents

- Black, Asian and Minoritised Ethnic respondents agreeing with a Council Tax increase (48%) and Adult Social Care Precept rise (52%) was much lower than the proportion of White British respondents agreeing (67% and 68%)
- Younger respondents were similarly less likely to agree than older respondents – the rate agreeing with a Council Tax increase was 58% for the age bracket 18-34 and 40% for 35-44, compared to 71% for 65 and over and 80% for 75-84
- The biggest difference between age groups agreeing with a Precept rise was 42% for 35-44 year olds and 79% for 75-84
- 55% of LGB+ respondents agreed to a Council Tax and a Precept increase, compared to 64% and 65% for heterosexual respondents
- Unpaid carers were less in agreement for either rise (60% and 61%) than non-carers (65% for both increases)

Fees and charges

137. 58% agreed with the approach to fees and charges, while almost a quarter disagreed with increases.

138. Some people were concerned about how increases could affect availability to services, and a few people felt incomes from fees and charges should support the related area, e.g. parking fines should be used to maintain and repair car parks, or library fees should support the service instead of going into a general fund.

Key equality findings and differences:

- Large differences between comparative groups agreeing with the approach to fees and charges were seen between Black, Asian and Minoritised Ethnic respondents (46%) and White British respondents (63%), and between respondents who were LGB+ (48%) and heterosexual (62%)
- Unpaid carers (49%) were less likely to agree than non-carers (61%)
- The biggest gap between age cohorts agreeing was 53% (35-44 year olds) and 62% (55-64)
- The oldest age cohorts of respondents (65 and above) had a lower agreement rate for the approach to fees and charges (59%) when compared with their responses to the Council Tax and Precept rises

Voluntary, Community, Faith and Social Enterprise Sector

139. On the 21st January 2025, the Chair and spokespeople from the Finance and Performance Policy Committee and the Director of Finance and Commercial Services met with the Voluntary, Community, Faith and Social Enterprise (VCFSE) Leaders' Forum to discuss the 2025/26 budget proposals. The session was held on Microsoft Teams and chaired by Olivier Tsemo from SADACCA as part of the VCFSE Leaders' Forum's regular meeting.

140. The Director of Finance and Commercial Services presented a short set of slides which set out:

- **Council Plan** – the Council's strategic context and our development of a priority-led budget that aligned to our Council Plan priorities and the underpinning Tier 1 strategies in our strategic framework.
- **Financial context for local government** – the changing landscape of local government finance following the provisional funding settlement in December, the Government's move to bring greater focus on deprivation and need in the Local Government Finance Settlement and the proposed move to multi-year settlements for councils in 2025 (likely 3 years)
- **Sheffield City Council's budget proposals for 2025/26** – outlining our proposals by strategic outcome area, setting out the proposed change in the relevant budget, the proposed total budget in that outcome for the year ahead, the changes we want to make and the pressures impacting on our budgets and services.
- **Developing the Communities Strategy** – connected to our plans for the year ahead, the Director of Customer Experience and Communities outlined the work that we would like to do with the VCFSE sector and other partners in the coming months to co-create a Communities Strategy.

Discussion

141. **Important of a clear story that demonstrates impact** – VCFSE partners emphasised the importance of citizens being part of everything that SCC does but also that the council is effective at communicating with communities, demonstrating where decisions made through the budget and how we are delivering the commitments we have made. We also need to make sure that we provide clarity on how the council is investing and contributing to citywide commitments, including City Goals and the Race Equality Commission.

142. **Importance of prevention** – VCFSE partners emphasised the importance of fully understanding the root causes of the challenges we face – such as poverty and health inequalities – which ultimately drive demand and budget pressures. We need work hard to tap into the shared capacity of the city and the assets of communities to focus more on prevention, early help and community-based solutions.

143. **Collaboration and collectively finding solutions** – the work on Communities Strategy represents an opportunity to consider how the Council and the VCFSE sector work together, particularly to develop solutions to some of the key challenges and opportunities that underpin out City Goals and Council Plan. VCFSE and SCC are partners with shared ambitions - we all want the same thing so how do we do it together – including by keeping regular communication channels open, having good processes not 'events'.

144. **Empowering people and places** – the Council Plan sets out that SCC recognises that it isn't always best placed to lead. VCFSE have a unique view of the council and the city from hyperlocal level which is vital to achieve the priorities set out in the Council Plan and underpinning strategies. How can SCC do more to enable VCFSE and communities to lead for themselves?

145. **Medium term view on commissioning** – the move to multiyear budgets for local government is welcome and there is an opportunity to model the same approach in commissioning approaches with local VCFSE partners, unlocking greater certainty and reducing risk.

Sheffield Chamber of Commerce – Chamber Council

146. On the 3rd February, the Members from the Finance and Performance Committee and the Director of Finance and Commercial Services met with representatives from Sheffield Chamber of Commerce's Chamber Council. The session was held on Microsoft Teams and chaired by Chris Bailey.

147. The Director of Finance and Commercial Services presented an outline of the Council's budget position:

- **Council Plan** – the Council's strategic context and our development of a priority-led budget that is increasingly directed towards our Council Plan priorities and the underpinning Tier 1 strategies in our strategic framework, including the development of our new Housing Strategy and the Growth Plan
- **Financial context for local government** – the changing landscape of local government finance following the provisional funding settlement in December, the Government's move to bring greater focus on deprivation

and need in the Local Government Finance Settlement and the proposed move to multi-year settlements for councils in 2025 (likely 3 years)

- **Sheffield City Council's budget proposals for 2025/26** – outlining our proposals by strategic outcome area, setting out the proposed change in the relevant budget, the proposed total budget in that outcome for the year ahead, the changes we want to make and the pressures impacting on our budgets and services.

Discussion

148. **Potential for addressing budget pressures and overspends to impact on local services** – discussed the main areas which have impacted on our overspend this year (eg. homelessness; social care for children and adults; and home to school transport) which were pressures that developed over the year. The Director of Finance set out that there is a significant opportunity for the Council to establish a sustainable budget position while delivering major improvements to the user experience for customers, maximising the way we use technology and delivering our Customer Strategy.

149. **We are aiming for stability and sustainability** – with the likely move to multi-year settlements, we have the opportunity to have greater certainty and take decisions for the medium term, better positioning us to live within our means.

150. **Managing risk and contingency to deal with challenges** – business leaders asked about the Council's ability to deal with risks considering the nature of the challenges (eg demand in key services). The Director of Finance set out that from our net budget, we will keep around 5% for contingencies and funding for other potential costs (eg. our Role Review Programme)

151. **Increasing role of Council Tax in local government finance** – business leaders asked about the role of Council Tax in our budget and local government finance. The Director of Finance set out that the current limit (referendum threshold) for Council Tax increases is 5% and Government factor that level of increase into their Local Government Settlement calculations. Over the last decade, Council Tax has played an increasingly vital role in funding local services as core resource from central government has significantly reduced. The Government's approach to the Settlement this year has sought to address some of the inequity that the emphasis on Council Tax creates (ie. places with more houses in higher Council Tax bands generate more income per 1% increase).

152. **Balance of transformation and savings** – business leaders were interested in the Council's transformation programme and how much of our change was

based on savings. The Director of Finance set out that we are expecting to make savings in region of £10m-£15m a year and whilst we will need to be a smaller organisation, there is a vital emphasis on doing things differently to transform the experience of our customers using new technology including AI and automation.

153. **Opportunities for collaboration** – business leaders discussed the opportunity to connect business innovation and insight into how we collectively deliver for the city, particularly in our Tier 2 strategies and delivery plans. We also need to consider how we can harness the procurement powers to create economic opportunities and invest and keep more resource in the city.

154. **Strong support for increasing focus on prevention, upstream investment and public service reform** – business leaders talked about the potential for seeing a greater shift in funding towards prevention, recognising that it can be hard to build and make the business cases. Sheffield seen as having a good opportunity with the Test / Learn / Grow programme with Government and strong recognition for the community-focused project on health inequalities in the North East of Sheffield with the NHS.

155. **Economic investment and leveraging grants** – business leaders discussed the approach to economic investment to support the 'prosperous city' and 'city on the move' outcomes. The Director of Finance stressed the importance of our strong partnership with South Yorkshire Combined Authority and our focus on developing robust business cases and feasibility studies to put us in good positions to leveraging grants and wider investment.

Equality Impact Assessment Summary

Our commitment to equality

156. The Council in its annual budget-setting process must consider the Equality Act 2010 and the Public Sector Equality Duty. This requires the Council, in the exercise of its functions, to have due regard to:

- Eliminating discrimination, harassment, and victimisation,
- Advancing equality of opportunity, and
- Fostering good relations

157. Having due regard to these involves:

- Removing or minimising disadvantage suffered by people,
- Taking steps to meet the needs of people 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.

158. Over the last year, following consultation, we have introduced two key policies to strengthen our commitment to tackling inequality and promoting fairness and opportunity, over and above our legal duties under the Equality Act – the Council Plan (2024-28) and our new Equality Objectives (2024-28). We have also continued to be committed leaders and partners in the Race Equality Partnership, Disability Confident scheme, White Ribbon campaign and other initiatives.

159. We seek to understand the impacts of our policies and practices on different groups of people. To do this, we consider the protected characteristics that people share and which the Act defines as: age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race (including colour, nationality, ethnic or national origin), religion and belief, sex and sexual orientation.

160. We also assess any effects on unpaid carers, health & wellbeing, poverty & financial exclusion, care experience (of children’s care services), the Voluntary, Community & Faith Sector (VCFS), cohesion and armed forces.

161. We examine available evidence and work with our employees, residents and people who use services, and with equality partner organisations. We also carry out Equality Impact Assessments (EIAs), which, although not a legal requirement, enables a rigorous equality analysis of decision-making and identifies any negative and positive impact on people.

Our equality assessment of the budget

162. Throughout the years of austerity, we have sought to protect services for those in greatest need, and develop preventive solutions for the longer term. We have aimed to make savings by changing how we manage and deliver services, and using investment and funding opportunities. We are seeking to continue to do this but, inevitably, further funding reductions on top of those seen for more than a decade, during a cost-of-living crisis and while impacts from the pandemic are still felt, will have implications for people and for services.

163. As far as possible, we will seek to minimise the impact on the most vulnerable, people in greatest financial hardship and communities experiencing deprivation. However, people most likely to need support are likely to be affected by the savings proposals. This includes those on low income, who are also more likely to be disabled people, older and young people, women,

unpaid carers, lone parents and some people from Black, Asian and Minoritised Ethnic communities.

164. The Council will continue to mitigate impacts of the proposals where possible. We are committed to tackling inequalities and ensuring inclusivity, and will continue to try to make it easier for individuals and communities to overcome barriers and achieve their potential.

165. We will work with our partner organisations to seek fair treatment for individuals and groups, taking account of disadvantages and barriers that people face. We use various evidence sources and data, including demographic analysis from the Census, the Joint Strategic Needs Assessment, Open Data, Community Knowledge Profiles, welfare and poverty data and health impact analysis.

166. We also consider the outcomes of current and previous consultations or engagement activity to inform the proposals. The Council's principal source of online engagement is Have Your Say Sheffield, although different methods are used across the organisation, including face-to-face engagement.

167. When the Council needs to reduce staffing levels and costs, we will try to do this where there is likely to be less impact on customers, although there may be service chances and disruption. We also seek to achieve this through the deletion of vacant posts and voluntary employee schemes, although this does have an impact and pressure on staff who remain.

168. We have undertaken an initial EIA on every savings proposal for the budget but only a full one when it is indicated that the proposal will have a significant impact (more than minor). The EIA process has helped to shape proposals, both which were in the end not accepted and not included in the budget and those that were.

169. The EIAs are 'live' documents, ensuring that they evolve over time as the budget proposals develop. Through this process, we will be monitoring closely any adverse equality impacts as reductions and changes in provision occur during the next year.

170. Some EIAs start out as exploratory in nature, setting out a broad intention and committing to further development as more detail and information becomes known and proposals take shape. Some proposals may be subject to the outcome of consultation or the further analysis of other evidence. Each EIA should be a record of the process and not just the ultimate outcome.

171. As a consequence, not all EIAs are currently complete, and this summary should therefore be seen as reflecting our initial understanding of impacts and

not necessarily how they may look in three- or nine-months' time. It is important to ensure that all equality impacts are further considered when services report on the specific implementation plans for their budget saving proposals.

172. It is possible that some decisions will have a disproportionate impact on some groups of people in comparison to others. EIAs help us to identify, avoid or mitigate any negative impacts and promote positive ones where possible.

173. It is also important that we consider the cumulative effect of our proposals – i.e. whether there are year-on-year impacts from a single proposal or impacts from more than one source. It can be difficult to quantify the cumulative impact because mitigations have been highlighted in individual EIAs and external factors, beyond the Council's control, may also affect some of the same groups of people.

174. The following section briefly considers savings proposals under each theme and policy committee:

Income generation

175. Raising income by increasing fees and charges enables the Council to offset inflationary costs, and is a method being proposed across policy committees in 2025-26. However, asking people to pay more for services during a cost-of-living crisis will inevitably have an impact.

176. Some fees and charges have not been raised for some time, which has helped to limit household financial burdens to some extent. However, this means that the effect of increases in 2025-26 may be felt all the more, including for people least able to afford to pay more. Wherever possible, compensatory schemes and other concessions are in place to mitigate impacts for people.

177. We are proposing to increase Council Tax, including the adult social care precept, to reduce the need for further budget reductions and to protect adult social care services. This would have a financial impact on people. The council tax reduction scheme provides some mitigation, particularly for pension-age households. The hardship scheme provides additional financial support for working-age households on lower incomes.

178. Some proposals would have a direct/specific impact for certain groups of people – for example, increases in attendance fines (Education, Children & Families) and care contributions income (Adult Health & Social Care) – although this is mitigated in part by annual benefit uplifts, income-maximisation measures and signposting to debt/financial support. Higher contribution income also indicates people receiving care at home instead of in

more restrictive care settings, and it helps to meet the cost of the National Living Wage for social care staff.

179. Other plans would have a more general impact – fee increases in library services and parks (Communities, Parks & Leisure).

180. There is the potential for fee and charge increases to have a cumulative impact, meaning that people in certain circumstances may be affected by more than one increase. Some income generated from other sources is less likely to have an impact on people.

Additional grant income

181. Policy committees are seeking to maximise opportunities for funding from external grants and other sources. In many cases, there is no impact on people.

182. Adult Health & Social Care is accessing the market sustainability funding and social care grants, and is seeking financial arrangements with NHS partners for Continuing Healthcare and Section 117 Funding. The committee's proposed annual contribution uplift would affect people using social care service, although with some mitigations to reduce the impact, as noted above. The charging and debt recovery proposal represents a tightening up of existing processes rather than a change of policy and may affect people.

Staff cost reductions

183. Some proposals focus on reducing staff costs, with the aim of minimising disruption to services and on staff themselves. The impact of such proposals needs closely monitoring.

184. Currently, there is a single proposal under this theme – Review of Services to Schools (Education, Children & Families).

Cost and contract price reduction

185. Reductions in costs and contract payments are sought where possible and reasonable to do so. Adult Health & Social Care has the large majority of these proposals, covering areas including review of fee rates for non-framework (contract) providers and value for money in complex residential care. These aim for greater consistency and fairness in fee payments and are not assessed as having direct impacts on people.

186. The policy committee is also proposing cost reductions that would support the intention for people to live as independently as possible – for example, tech-enabled care and the Home First model. For people with mental health support needs, the Promoting Independence Project and mental health

enablement proposals intend to support this through regular reviews and encouraging community access. A further proposal would aim to identify other service efficiencies, which could have impacts.

Reducing or stopping services

187. Proposals to end or to change services would have implications for people and would need monitoring very closely. At this stage, no proposals covered by this EIA have been identified under this theme.

Service effectiveness

188. A proposal to enable personal travel budgets as an alternative option to post-16 home-to-school transport, and the associated SEND transport proposal, would impact children and young people with special educational needs. This is being consulted on.

189. As budgets become more difficult, services may need to adjust their provision to statutory levels. As an example, the proposal to reduce peripheral contract spending (Adult Health & Social Care) would focus on the statutory need within care packages and reduce expenditure on shopping and cleaning.

190. **Appendix 8** shows the Council's overall 2025-26 Revenue Budget Equality Impact Assessment.

Recommendations

191. Council is recommended:

a) To approve a net Revenue Budget for 2025/26 amounting to £563.842m;

b) To approve a Band D equivalent Council Tax of £2,028.99 for City Council services, i.e. an increase of 4.99% (2.99% City Council increase and 2% for the social care precept);

c) 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 5** and within the Section 25 Statutory Statement on Sustainability of Budget and Level of Reserves from paragraph 2;

d) To note that, if overspends against the agreed budgets emerge, then Executive Directors and Directors will be required to develop and implement plans to mitigate fully any overspend, within 2025/26, in consultation with elected Members;

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 **Appendix 4a**

g) To note that, based on the estimated expenditure level set out in **Appendix 4** to this report, the amounts shown in part B of **Appendix 6** would be calculated by the City Council for the year 2025/26, 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 Mayoral 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 note the precepts issued by local parish councils which add £694,640 to the calculation of the budget requirement in accordance with Sections 31 to 36 of the Local Government Finance Act 1992;

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 2025/26 onwards;

l) To agree that authority be delegated to the Director of Finance and Commercial Services 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 2025/26 as set out in **Appendix 11**;

n) To agree that (a) the Members allowances scheme introduced in 2022/23 and reviewed in 2024/25 be implemented for 2025/26 and (b) to note that the Independent Remuneration Panel will review the Scheme each year, to make sure the scheme supports the governance structure and the roles and responsibilities of elected members; and

o) Except where the decision is to be taken by the Council as a Charity Trustee, delegates authority to the relevant Director to increase fees and charges where they have been considered by a Policy Committee as part of the budget process and are included in **Appendix 3** - Committee External Income of the Sheffield City Council Revenue Budget 2025/26.

Kate Josephs CB	Philip Gregory
Chief Executive	**Director of Finance & Commercial Services**

Committee Pressures

	BIP Reference*	Contract Inflation	Increasing Demand on Services	Loss of Funding / Income	Pay & Price Inflation	Total
		£'000	£'000	£'000	£'000	£'000
Adult Health & Social Care						
Bad Debt Provision	6.E4				232	232
Client Growth	1.E2 / 2.E2 / 4.E6 / 6.E2		7,988			7,988
Contract Inflation	2.E5 / 4.E3 / 4.E4 / 4.E5 / 4.E7 / 5.E3		667			667
Pay Inflation	1.E3 / 2.E3 / 3.E1 / 4.E1 / 5.E1 / 6.E3 / 7.E1 / 8.E1 / 10.E2				1,631	1,631
Price Inflation	1.E1 / 2.E1 / 2.E6 / 6.E1				17,607	17,607
Staffing Costs	E4 / 1.E5 / 1.E6 / 2.E4 / 4.E2 / 4.E8 / 5.E2		2,501			2,501
Undelivered BIPs	2.E7		2,100			2,100
Additional MISF Grant	3.E2 / 3.E3			411		411
Technology Enabled Care Investment	6.E5		250			250
			13,506	411	19,470	33,387
Communities, Parks & Leisure						
IT Software Costs	11.E4 / 18.E1		75			75
Loss of Grant Funding	15.E1 / 15.E2			850		850
Pay Inflation	12.E1 / 13.E1 / 17.E1 / 22.E1				988	988
Price Inflation	11.E3 / 16.E1 / 21.E1		165			165
Investment in Lodges	11.E1		45			45
Business Rate Increases	11.E2		52			52
Ash Die Back -Countryside & Environment	19.E1		125			125
			462	850	988	2,300
Economic Development & Skills						
Pay Inflation	26.E1 / 29.E1				128	128
Staffing Costs	25.E1 / 25.E2		230			230
Invest in 10 year events Plan	25.E3		500			500
Resourcing the International Strategy	27.E1		180			180
			910		128	1,038
Education, Children & Families						
Client Growth	35.E3 / 44.E4		1,700			1,700
Contract Inflation	51.E4				8	8
Increased Resource Required	45.E1		1,764			1,764
IT Software Costs	32.E2		50			50
Loss of Grant Funding	48.E3			85		85
Pay Inflation	30.E1 / 31.E1 / 32.E1 / 33.E1 / 34.E1 / 35.E1 / 37.E1 / 38.E1 / 40.E1 / 40.E2 / 40.E3 / 40.E4 / 42.E1 / 44.E1 / 44.E2 / 44.E3 / 46.E1 / 47.E1 / 47.E2 / 47.E3 / 47.E4 / 47.E5 / 48.E1 / 48.E2 / 50.E1 / 51.E1 / 39.E1 / 41.E1				1,887	1,887
Price Inflation	37.E3 // 35.E2 / 35.E4 / 37.E2 / 37.E4 / 40.E5 / 44.E5 / 45.E2 / 45.E3		149		1,412	1,561
Staffing Costs	39.E2 / 51.E2 / 51.E3		593			593
Development of Aldine House	37.E5		2,106			2,106
Kinship Carer Allowance	45.E4		2,600			2,600
Slippage on BIP Delivery	45.E5		2,000			2,000
Home to School Transport	46.E2 / 46.E3		6,359		213	6,572
			17,321	85	3,520	20,926
Finance & Performance						
Pay Inflation	54.E1 / 55.E3 / 56.E1 / 58.E2 / 59.E2 / 59.E1 / 60.E2				1,489	1,489
Price Inflation	52.E1 / 52.E2 / 58.E1 / 60.E1				1,146	1,146
					2,635	2,635
Housing						
Pay Inflation	61.E1 / 62.E3 / 63.E1 / 64.E2				269	269
Gleadless Valley Masterplan	62.E1		500			500
Sheffield Housing Market Assessment (SHMA)	62.E2		60			60
Reallocation of Income to HRA	64.E1			326		326
			560	326	269	1,155

Appendix 1

	BIP Reference*	Contract Inflation	Increasing Demand on Services	Loss of Funding / Income	Pay & Price Inflation	Total
Strategy & Resources						
Pay Inflation	65.E1				1,599	1,599
Price Inflation	66.E2				150	150
Building Maintenance	66.E3		1,000			1,000
Moorfoot Exit	66.E1			163		163
			1,000	163	1,749	2,912
Transport, Regen & Climate						
Increased Resource for Transport / Infrastructure	77.E1 / 79.E3 / 79.E4 / 79.E5 / 79.E9 / 79.E10		1,902			1,902
Public Rights of Way review **	79.E6		125			125
Bus Development Officer **	79.E7		60			60
Strategic Communications Budget **	76.E1		80			80
Investment Partnership Assistant Director **	74.E3 /		127			127
Pay Inflation	74.E1 / 75.E1				501	501
Staffing Costs	74.E2 / 79.E1 / 79.E2		366			366
River/Flood Maintenance	71.E1 / 71.E2		87			87
Tram Vision **	79.E8		615			615
			3,362	-	501	3,863
Waste & Street Scene						
Client Growth	84.E1		82			82
Contract Inflation	86.E1 / 91.E1 // 84.E2	2,258			20	2,278
Increased Resource for Transport / Infrastructure	80.E1 / 88.E2 / 88.E3		97			97
Pay Inflation	82.E1				500	500
Price Inflation	80.E3				27	27
Reduction in Income	88.E1		260			260
Funding for City Centre Green Spaces	80.E2		234			234
Child Safeguarding in Licensing	87.E1		38			38
		2,258	711		547	3,516
Total Pressures		2,258	37,832	1,835	29,808	71,733

* - Full Budget Implementation Plans (BIPs) available here: https://www.sheffield.gov.uk/your-city-council/budget-spending.

** - Please note these pressures received majority support but not a cross-party consensus.

Committee Savings

	BIP Reference*	£'000 Cost /Contract Price Reduction	£'000 Service Effectiveness	£'000 Cessation	£'000 Total
Adult Health & Social Care					
Efficiencies in Learning Disability Service and Hospital Discharge	2.B4 / 6.B8		(3,000)		(3,000)
Promoting Independence Project	1.B1 / 1.B2/1.B4		(1,500)	(324)	(1,824)
Efficiencies in Sourcing of Crisis Accommodation	1.B5 / 2.B3 / 6.B5	(34)	(466)		(500)
Development of Direct Payment Processes	2.B1		(500)		(500)
Optimised Care and Home First Model	6.B3		(1,000)		(1,000)
Development of Technology Enabled Care	2.B2 / 6.B1		(1,500)		(1,500)
Review of Non-Framework Rates	6.B2 / 6.B4	(500)	(1,000)		(1,500)
Payment Controls	6.B6		(1,000)		(1,000)
Reducing Contract Spend	6.B7	(100)			(100)
		(634)	(9,966)	(324)	(10,924)
Communities, Parks & Leisure					
Business Rate Reduction for Co-Delivered Libraries	18.B1	(20)			(20)
		(20)	0	0	(20)
Education, Children & Families					
Discontinuing Functions	50.B1			(94)	(94)
Process Improvement of SEND Transport Service	46.B1		(1,306)		(1,306)
Process Improvement of Post 16 Home to School Transport Service	46.B2		(875)		(875)
Reviewing NRPF Accommodation Spending	44.B1	(500)			(500)
Developing In-House Supported Accommodation	45.B1	(665)			(665)
		(1,165)	(2,181)	(94)	(3,440)
Waste and Street Scene					
Streets Ahead Contract Savings	86.B1	(1,200)			(1,200)
		(1,200)			(1,200)
Total Savings		(3,019)	(12,147)	(418)	(15,584)

* - Full Budget Implementation Plans (BIPs) available here: https://www.sheffield.gov.uk/your-city-council/budget-spending

Committee Additional Income

	BIP Reference*	Grants £'000	Internal Funding / Income Generation £'000	Service, Fees & Charges £'000	Total £'000
Adult Health & Social Care					
Budget Adjustments	6.C1 / 6.C2		(2,710)		(2,710)
Debt Recovery	6.C3		(990)		(990)
Market Sustainability and Improvement Fund (MSIF)	2.C3 / 3.C2 / 3.C3	(1,471)			(1,471)
Social Care Grant	1.C3 / 2.C4 / 6.C5	(5,616)			(5,616)
External Funding - Other	1.C1 / 2.C1 / 3.C1	(2,900)			(2,900)
		(9,987)	(3,700)		(13,687)
Communities, Parks & Leisure					
Charging Review	11.C1 / 18.C1 /			(144)	(144)
Reserves Movement	17.C1		(300)		(300)
			(300)	(144)	(444)
Education, Children & Families					
Children's Services Prevention Grant	34.C1	(3,934)			(3,934)
Legislation Change	31.C1			(200)	(200)
Operational Efficiencies	37.C1		(2,904)		(2,904)
Social Care Grant	45.C1	(5,616)			(5,616)
		(9,550)	(2,904)	(200)	(12,654)
Housing					
Inflation	64.C1			(28)	(28)
				(28)	(28)
Waste and Street Scene					
Bus Lane Enforcement Income	88.C2			(407)	(407)
Charging Review	82.C2 / 84.C1 / 85.C1 / 88.C1			(177)	(177)
				(584)	(584)
Total Additional Income		(19,537)	(6,904)	(956)	(27,397)

* - Full Budget Implementation Plans (BIPs) available here: https://www.sheffield.gov.uk/your-city-council/budget-spending

Restated 2024/25	Summary Revenue Budget	2025/26
£000		**£000**
	Committee Budgets:	
146,745	Adult Health & Social Care	156,643
26,828	Communities, Parks & Leisure	30,342
8,433	Economic Development & Skills	9,677
118,596	Education, Children & Families	126,313
51,861	Finance and Performance	56,404
9,226	Housing	10,522
15,975	Strategy & Resources (Excluding Corporate)	17,484
25,545	Transport, Regen & Climate	29,965
68,557	Waste & Street Scene	70,605
471,765		**507,955**
	Corporate Budgets:	
	Specific Grants	
-1,097	New Homes Bonus (CIF)	-2,273
-1,011	22/23 Services Grant	0
0	Recovery Grant	-16,452
0	Employers NI Grant	-5,529
	Corporate Items	
5,500	Redundancy Provision	5,500
4,300	Change Budget	2,916
703	Budget Inflation Contingency	1,625
0	HRA Employers NI Costs	1,330
0	Leisure Strategy Costs	9,185
7,900	Housing Benefits Subsidy Loss	7,900
0	Placement Costs	5,100
0	Future Sheffield	4,000
0	Strategic Role Review Programme	4,700
1,036	Other	1,588
	Capital Financing Costs	
38,116	Capital Financing Costs	36,753
	Reserves Movements	
16,603	Contribution to / (from) Reserves	-456
543,815	**Total Expenditure**	**563,842**
-46,500	Revenue Support Grant	-47,556
-200,767	Business Rates Income (Including Grants)	-205,201
-243,096	Council Tax income	-254,158
-12,511	Collection Fund (Surplus)/Deficit	-9,829
-40,941	Social Care Precept	-47,098
-543,815	**Total Financing**	**-563,842**

	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
Adult Health & Social Care Policy Committee			
Adults, Care & Wellbeing	354,436	(201,516)	152,921
Integrated Commissioning	20,651	(16,929)	3,722
	375,088	**(218,445)**	**156,643**
Communities, Parks & Leisure Policy Committee			
Business Improvement	1,159	-	1,159
Children & Families	5,773	(82)	5,691
Community Services	390	40	430
Customer Exp & Communities	3,963	(1,408)	2,555
Education & Skills	5,395	(2,870)	2,525
Integrated Commissioning	1,928	(1,049)	879
Parks, Leisure & Libraries	32,541	(15,437)	17,104
Public Health	2,746	(2,746)	-
	53,894	**(23,551)**	**30,342**
Economic Development & Skills Policy Committee			
Education & Skills	8,234	(7,311)	923
Economy, Culture & Skills	12,257	(3,503)	8,754
	20,491	**(10,814)**	**9,677**
Education, Children & Families Policy Committee			
Education & Skills	332,234	(310,921)	21,313
Children & Families	152,278	(50,211)	102,067
Integrated Commissioning	26,026	(23,093)	2,933
	510,538	**(384,225)**	**126,313**
Finance & Performance Policy Committee			
Central Costs	13,533	(18,088)	(4,554)
Contract Rebates & Discounts	500	(723)	(223)
Digital Innovation & ICT	18,474	(2,112)	16,362
Finance & Commercial Services	71,656	(48,534)	23,122
General Counsel	6,806	(3,220)	3,586
Housing Benefit	125,465	(125,309)	156
People & Culture	8,163	(1,405)	6,758
Policy & Democratic Engagement	11,285	(3,119)	8,167
Transformation Service	3,248	(218)	3,030
	259,130	**(202,727)**	**56,404**
Housing Policy Committee			
Housing General Fund	22,147	(12,147)	10,000
Regeneration & Development	952	(430)	522
	23,099	**(12,578)**	**10,522**
Strategy & Resources Policy Committee (Excluding Corporate)			
Community Services	2,440	-	2,440
Customer Exp & Communities	53,963	(30,378)	23,585
Public Health	3,389	(3,389)	-
Regeneration & Development	4,374	(12,915)	(8,541)
	64,166	**(46,682)**	**17,484**
Transport, Regen & Climate Policy Committee			
Regeneration & Development	7,577	(6,775)	801
Street Scene & Regulation	6,409	(6,390)	19
Planning, Investment & Sustain	38,228	(9,083)	29,144
	52,213	**(22,249)**	**29,965**
Waste & Street Scene Policy Committee			
Street Scene & Regulation	143,234	(72,709)	70,525
Customer Exp & Communities	81	-	81
	143,315	**(72,709)**	**70,605**
	1,501,934	**(993,979)**	**507,955**

Reserves Strategy

Introduction

1. This report analyses 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 Director of Finance and Commercial Services) to present to the authority a report assessing the adequacy of unallocated reserves in the context of corporate and financial risks facing the Council.

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. Reserves can be used temporarily to fund services, and this approach is reviewed as part of the budget strategy. However, they are:

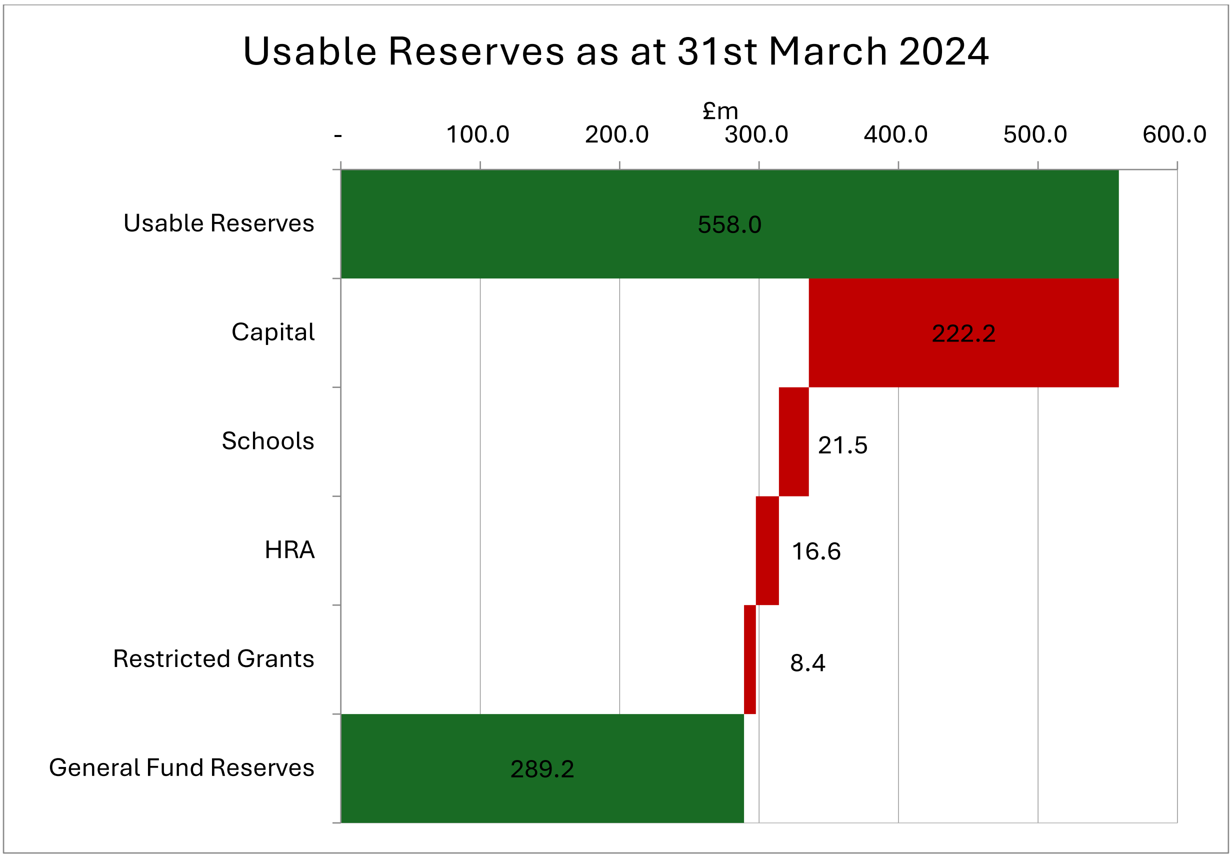
   - one off funds and using them in the budget will only delay the need to make savings. Once used, they are not available to support future years.
   - most suited to covering one off, unexpected costs and emergencies or costs that are likely to be incurred in the future, but the timing is uncertain.

Total Reserves at 31st March 2024

4. The Council's Un-Audited Statement of Accounts for 2023-24 shows a figure for "usable" reserves of £558m as at 31st March 2024 (Balance Sheet, page 34). However, this figure is a technical accounting one and is not relevant for the purposes of setting the General Fund revenue budget.
5. The Council's total spending and reserves is separated into five main blocks:
   - Capital - Sums set aside to provide funding for the capital programme or to manage the impact of new capital schemes.
   - Schools - funds that have been allocated to, and held in trust for, schools, and which remains unspent at the year end. This reserve is only available to support schools' expenditure.
   - Housing Revenue Account (HRA) - amounts specifically required by statute to be set aside and ring-fenced for future investment in HRA;
   - Restricted Grants – funding received for specific projects;

- General Fund - spend on all other services not in the above four categories, funded from government grants, the local share of business rates and council tax.

6. For the purposes of setting the budget and this reserves strategy, £268.8m of the "usable reserves" are irrelevant as below:



7. This leaves around £289.2m of General Fund reserves as at 31st March 2024. However, £274.2m of this is "earmarked" i.e. committed to cover liabilities for expenditure which is already committed but not yet paid for.

8. Therefore £15.1m remains in un-earmarked reserve. If this reserve is used, it will be replenished to the stated minimum level as soon as practically possible.

<u>Estimate of reserves at 31 March 2025 & 31 March 2026</u>

9. Table 1 below shows the movement since March 2024 and the forecast reserves for 31st March 2025 and 31st March 2026. The forecast for 31st March 2025 shows a decline in reserves of £35.0m. This equates to 12% of all General Fund reserves.

10. The Budget Contingency reserve is expected to reduce by £14.4m, made up of £27.9m forecast 2024/25 overspend (as at Q3), offset by a £12.5m contribution from the Collection Fund. There are further large reductions in relation to the Major Sports Facilities (MSF) of £7.0m and contributions to transformational activity through Invest to Save (I2S) of £5.7m. More details on these movements and others can be found below.

11. The forecast for 2025/26 currently shows as broadly balanced with a slight reduction in reserves of £0.5m. the £9.8m Collection Fund Surplus for 2025/26 is being set aside in reserves to cover risks in relation to future tax income collection. Offsetting this is an £8.8m reduction in the Major Sporting Facilities reserve for the short term investment in the Leisure Strategy to cover backlog maintenance and costs associated with the transition to new service providers.

12. No allowance is made for further overspends in the 2025/26 forecast. However, recent history shows us that achieving a balanced position without resorting to drawdowns from reserves might be challenging.

Table 1

Description	Balance at 31/03/24 £000	*Forecast Movement in 2024/25 £000*	Balance at 31/03/25 £000	*Forecast Movement in 2025/26 £000*	Balance at 31/03/26 £000
Non-earmarked Reserves					
General Fund Reserve	15,051	0	15,051	0	15,051
	15,051	**0**	**15,051**	**0**	**15,051**
Earmarked Reserves					
Major Sporting Facilities	28,612	(6,978)	21,634	(8,868)	12,766
Collection Fund	35,594	(10,876)	24,718	9,782	34,500
Capital Charges	30,985	0	30,985	0	30,985
Service Area Reserves	22,375	(534)	21,841	0	21,841
PFI Reserve	19,515	(55)	19,460	(3,614)	15,847
New Homes Bonus	17,384	(2,794)	14,590	0	14,590
Budget Contingency	15,136	(14,396)	740	0	740
Insurance Fund	10,857	0	10,857	0	10,857
Heart of the City II	5,740	(2,000)	3,740	0	3,740
Children's and Adults Social Care	1,805	(1,805)	0	0	0
Invest to Save	310	(5,662)	(5,352)	2,246	(3,106)
Public Health	7,867	0	7,867	0	7,867
Other earmarked	77,983	10,070	88,053	0	88,053
Total Earmarked Reserves	**274,162**	**(35,030)**	**239,132**	**(454)**	**238,678**
Total Revenue Reserves	**289,213**	**(35,030)**	**254,183**	**(454)**	**253,729**

Earmarked Reserves

13. 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.

14. A list of earmarked reserves, their purpose and proposed use are set out below. Figures in brackets represent their forecast balance at 31/03/2025.

Major Sporting Facilities (MSF) (£21.6m)

15. Required for investment in the new Leisure Strategy. This reserve is forecast to reduce by £8.9m in 2025/26 for the short term investment in the Leisure Strategy to cover backlog maintenance and costs associated with the transition to new service providers. Future savings delivered from the re-letting of the leisure service contracts will repay the initial investment and provide support for future service developments.

Collection Fund (£24.7m)

16. This reserve is required to cover potential reductions in Business Rates and Council Tax income, ensuring any short-term fluctuations in collection rates don't have a direct impact on budget setting and/or cause additional financial pressures across committees.

Capital Financing Charges (£31.0m)

17. As highlighted within the 2024/25 Budget Report, the Capital Financing Budget is operating at an artificially low base. This is due to the council holding high cash balances, removing the need to borrow external funds but also generating high returns on the investment of these balances, due to current interest rates. As cash balances and interest rates begin to fall, the council will need to borrow funds and service the debt. This reserve is set aside to smooth the transition back to a sustainable budget with minimal impact on budget planning in the medium term.

Service Area Reserves (£21.8m)

18. These are a variety of service specific reserves set aside for long term projects or plans, examples include the Workplace Accommodation Strategy, the Flexible Development Fund, Clean Air Zone, Electric Works and an Elections reserve.

Private Finance Initiative (PFI) Reserve (£19.5m)

19. This PFI grant is received from Government in advance to pay future liabilities, so these sums are set aside in a reserve to cover the cost of contracts in future years. The PFI reserve is expected to reduce by £3.6m in 2025/26 in line with the established PFI spend profile.

New Homes Bonus / Corporate Investment Fund (£14.6m)

20. 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.

Budget Contingency (£0.7m)

21. The original £70.0m budget contingency has been reduced by £54.8m by March 2024 as below. This has been bolstered by £12.5m from the Collection Fund surplus for 2024/25. A further £26.9m is forecast to be needed to cover the 2024/25 deficit, leaving just £0.7m in reserve. The Council is not proposing to 'top up' this contingency reserve to help balance the MTFS gap or to cover any future overspends.

Budget Contingency Reserve	
-	£m
Balance at March 2021	**70.0**
21/22 Overspend	-19.8
Balance at March 2022	**50.2**
22/23 Budget Gap	-14.5
22/23 Overspend	-5.0
Balance at March 2023	**30.7**
23/24 Overspend	-15.5
Balance at March 2024	**15.2**
Collection Fund Surplus	12.5
24/25 Overspend	-26.9
Balance at March 2025	**0.7**

Insurance Fund (£10.9m)

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

Heart of the City II (£3.7m)

23. Funds set aside for future costs in relation to the city's Heart of the City II regeneration scheme. There is a forecast reduction of £2m in 2024/25 for the loss of rental income and further development works.

Childrens and Adults Social Care (£0m)

24. Social Care reserves are held to deal with transforming Social Care in Sheffield to better meet the much-publicised challenges facing the sector and

to deal with unforeseen costs. This reserve is forecast to be utilised in full by March 2025.

Invest to Save Projects £5.4m

25. The Council has delivered a number of business transformation projects that are essential to the future success of the Council's operations, and which have been used to help offset budget pressures over the last few years. This reserve will continue to provide upfront support to deliver future savings, including a number of strategic reviews. Repayment of this reserve is expected by 2028/29 in line with the delivery of the Future Sheffield programme.

Public Health (£7.9m)

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

Other Earmarked Reserves (£88.1m)

27. This includes various specific earmarked reserves. These include:

- Employment related reserve
- Inflation & Demand Reserve
- Bad Debt Adjustment
- Accommodation Review/Workplace
- Green initiatives
- Major Events

<u>Assessment of levels of reserves</u>

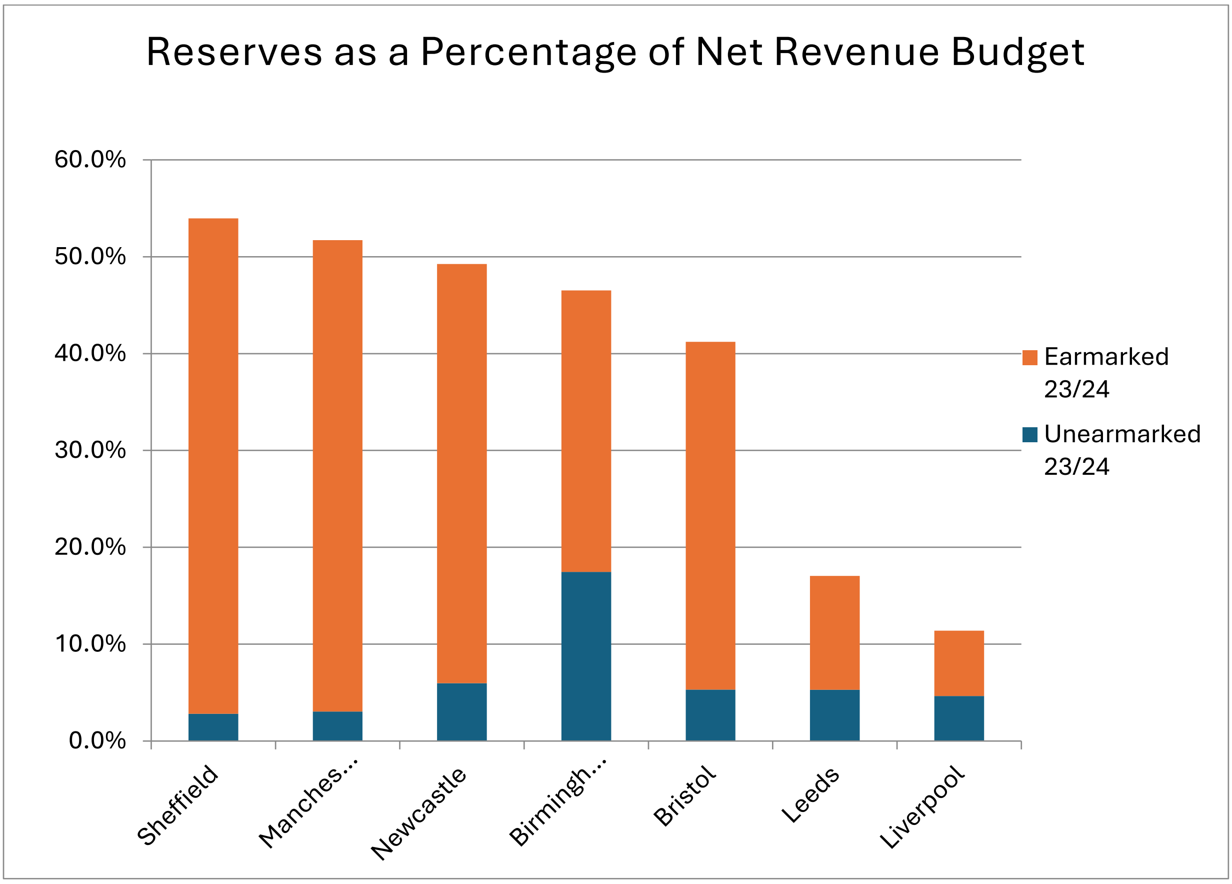
28. The purpose of general revenue reserves is to provide funding for any unforeseen risks and expenditure which may arise during the year. The Council will always need a minimum level of emergency reserves.

29. 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. 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.

30. 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.

31. 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.



N.B Reserve levels based on the latest published Statement of Accounts - Nottingham (2022/23), Birmingham (2021/22) and everyone else (2023/24). NRB data based on 2024-25 RA data.

32. Based on the latest data available SCC has the lowest un-earmarked reserves of all core cities at 2.8% of Net Revenue Budget (NRB). However, once Earmarked Reserves are added, SCC has the highest level of the 8 core cities with 54.0% of NRB.

33. Sheffield's reserves fell by £15.5m last year (2023/24) and the Net Revenue Budget continues to rise year on year, driven by inflation and other cost pressures. SCC had reserves totalling 60.8% of NRB at this stage last year so this is an 6.8% reduction.

34. The same trend can be seen across almost all Local Authorities. The evidence shows that whilst Sheffield's 'reserves to NRB' ratio is falling, it is at a similar rate as other Core Cities in similar situations. This is due to the prudent financial management of reserves over the past few years and a commitment to minimising the use of reserves to fund day to day activity.

35. Despite having the highest reserves to NRB ratio amongst core cities this does not mean that Sheffield is necessarily in a stronger financial position. There are now clear divides in authority types when it comes to reserves levels. Shire District Councils (who have suffered far fewer cuts than Metropolitan Districts over the last 15 years) on average held reserves at 115% of their NRB in 2023/24.

36. Overspends and budget gaps have seen the Council use £69.3m of reserves over the last 4 years, of which £26.9m relates to 2024/25. Future overspends or budget gaps would require further use of earmarked reserves, leaving the Council exposed to greater risk.

37. Sheffield City Council is not at imminent risk of a section 114 notice, but the Council will need to continually assesses its reserves position, to ensure it retains sufficient reserves to meet future risks.

Recommendations

38. The Director of Finance & Commercial Services recommended during the 2025/26 budget process that:

- The General Fund Balance be maintained at £15.1m, and broadly in line with the recommended minimum level of 3% 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. This will be reviewed in 2025/26 as the Councils Net Revenue Budget increases.

- Notice must be given to the significant external risks to Local Authorities budgets for example, the cost pressures in social care, insufficient subsidy to cover Housing Benefit payments and the continuing impact of high inflation on council wide expenditure.

- The position is not yet critical, but stringent monitoring will be essential to ensure that reserve levels are adequate to cover future expected pressures in the medium term.

Appendix 6

CITY OF SHEFFIELD
CALCULATION OF RECOMMENDED COUNCIL TAX FOR 2025/26 REVENUE BUDGET

The Council is recommended to resolve as follows:

1. It be noted that on 14th January 2025, the Council calculated the Council Tax Base 2025/26

(a) for the whole council area as:
148,475.7826 (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 2025/26 (excluding Parish precepts) is:

£ 301,255,922

3. That the following amounts be calculated for the year 2025/26 in accordance with Sections 31 to 36 of the Act:

(a) **£ 1,788,173,781** 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) **£ 1,486,223,219** being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) **£ 301,950,562** 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) **£ 2,033.6688** 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) **£ 694,640** being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix 5b).

(f) **£ 2,028.9903** 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 Mayoral Police and Crime Commisssioner and the Fire and Rescue Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table overleaf.

5. **£ 47,097,792** 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 2025/26 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	1,352.66	1,578.10	1,803.55	2,028.99	2,479.88	2,930.76	3,381.65	4,057.98
South Yorkshire Fire & Rescue Authority	60.03	70.04	80.04	90.05	110.06	130.07	150.08	180.10
South Yorkshire Mayoral Police and Crime Commissioner	176.69	206.14	235.59	265.04	323.94	382.83	441.73	530.08
Aggregate of Council tax requirements	1,589.38	1,854.28	2,119.18	2,384.08	2,913.88	3,443.66	3,973.46	4,768.16

Bradfield Parish Council

	Valuation Band							
	A	B	C	D	E	F	G	H
Sheffield City Council	1,352.66	1,578.10	1,803.55	2,028.99	2,479.88	2,930.76	3,381.65	4,057.98
Bradfield Parish Council	28.49	33.24	37.99	42.74	52.24	61.73	71.23	85.48
South Yorkshire Fire & Rescue Authority	60.03	70.04	80.04	90.05	110.06	130.07	150.08	180.10
South Yorkshire Mayoral Police and Crime Commissioner	176.69	206.14	235.59	265.04	323.94	382.83	441.73	530.08
Aggregate of Council tax requirements	1,617.87	1,887.52	2,157.17	2,426.82	2,966.12	3,505.39	4,044.69	4,853.64

Ecclesfield Parish Council

	Valuation Band							
	A	B	C	D	E	F	G	H
Sheffield City Council	1,352.66	1,578.10	1,803.55	2,028.99	2,479.88	2,930.76	3,381.65	4,057.98
Ecclesfield Parish Council	21.20	24.73	28.26	31.79	38.86	45.92	52.99	63.59
South Yorkshire Fire & Rescue Authority	60.03	70.04	80.04	90.05	110.06	130.07	150.08	180.10
South Yorkshire Mayoral Police and Crime Commissioner	176.69	206.14	235.59	265.04	323.94	382.83	441.73	530.08
Aggregate of Council tax requirements	1,610.58	1,879.01	2,147.44	2,415.87	2,952.74	3,489.58	4,026.45	4,831.75

Stocksbridge Town Council

	Valuation Band							
	A	B	C	D	E	F	G	H
Sheffield City Council	1,352.66	1,578.10	1,803.55	2,028.99	2,479.88	2,930.76	3,381.65	4,057.98
Stocksbridge Town Council	23.24	27.11	30.99	34.86	42.61	50.35	58.10	69.72
South Yorkshire Fire & Rescue Authority	60.03	70.04	80.04	90.05	110.06	130.07	150.08	180.10
South Yorkshire Mayoral Police and Crime Commissioner	176.69	206.14	235.59	265.04	323.94	382.83	441.73	530.08
Aggregate of Council tax requirements	1,612.62	1,881.39	2,150.17	2,418.94	2,956.49	3,494.01	4,031.56	4,837.88

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.

Council Tax Schedule 2025/26	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Sheffiled City Council	1,352.66	1,578.10	1,803.55	2,028.99	2,479.88	2,930.76	3,381.65	4,057.98
South Yorkshire Fire & Rescue Authority	60.03	70.04	80.04	90.05	110.06	130.07	150.08	180.10
South Yorkshire Mayoral Police and Crime Commissioner	176.69	206.14	235.59	265.04	323.94	382.83	441.73	530.08
Total charge for non-parish areas of Sheffield	1,589.38	1,854.28	2,119.18	2,384.08	2,913.88	3,443.66	3,973.46	4,768.16
Bradfield Parish Council	1,617.87	1,887.52	2,157.17	2,426.82	2,966.12	3,505.39	4,044.69	4,853.64
Ecclesfield Parish Council	1,610.58	1,879.01	2,147.44	2,415.87	2,952.74	3,489.58	4,026.45	4,831.75
Stocksbridge Town Council	1,612.62	1,881.39	2,150.17	2,418.94	2,956.49	3,494.01	4,031.56	4,837.88

Appendix 6c

Parish Council Precepts

	2024/25			2025/26			
Parish Council	Tax Base	Council Tax Income (£)	Council Tax Band D (£)	Tax Base	Council Tax Income (£)	Council Tax Band D (£)	Council Tax Band D Increase as %age
Bradfield	6,040.61	258,162	42.7378	6,058.59	258,931	42.7378	0.00%
Ecclesfield	9,391.56	287,111	30.5712	9,398.20	298,807	31.7940	4.00%
Stocksbridge	3,885.25	131,494	33.8443	3,927.23	136,902	34.8597	3.00%
Total	19,317.42	676,767	107.15	19,384.02	694,640	109.39	

Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and The Annual Ethical Investment Strategy For 2025/26

Executive Summary

Introduction

Treasury Management fulfils several 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 2025/26 Treasury Management Strategy Statement (TMSS)

Section 2, highlights that the TMSS covers both capital issues and treasury management issues as required by the Local Government Act 2003, the CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential Code, Ministry of Housing, Communities and Local Government (MHCLG) Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and DLUHC 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

Section 3 shows how 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)

Section 4 explains the Council's Capital Financing Requirement (CFR), the second Prudential Indicator, being 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 remain stable over the next few years based on the Council's approved capital investment plans; moving from £1.59bn in 2024/25 to £1.57bn in 2028/29. The narrative behind this is that General Fund CFR reduces and the HRA CFR increases reflecting the forecasts for future capital expenditure. See section 4.1.

Minimum Revenue Provision (MRP)

Section 5 sets out the MRP policy for the 2025/26 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 deems to be prudent, having regard to MHCLG's statutory guidance.

Changes to the MRP policy for 2025/26 are highlighted in section 5, approval is also sought to apply these changes to 2024/25. Under International Financial Reporting Standards (IFRS) 16, the requirement to show the principal elements of leases as MRP will be applied from 2024/25.

Application of Resources

Section 6 outlines how 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 yet fully externally borrowed sufficiently to fund 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

Section 7 explains that the new forecast for borrowing 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, PFI Liabilities are forecast to fall over the forecast period as payments are made.

Treasury Indicators

Section 8 sets out the Treasury Indicators that 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.

Full Council are asked to approve the Treasury indicators within this section.

Borrowing Strategy

Section 9 covers borrowing rates and the Council's relatively strong cash balances support continuing the Council's under-borrowed position in anticipation of lower rates in future.

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 2024/25 two of the Council's LOBO loans were repaid totalling £24.5m, no other rescheduling of the Council's debt was undertaken, though the risk of further calls on LOBOs is elevated.

Annual Ethical Investment Strategy

Section 12 covers Council's 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

Section 13 explains 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 Messages

Treasury Management fulfils several 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. 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).

2. Another primary function of 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."

3. Accordingly, this document provides 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.

4. The Council is currently required to receive and approve several 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 section 8).
- A quarterly Treasury Management report –to 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.

5. The above reports are required to be adequately scrutinised before being recommended to Full Council. This role is undertaken by the Strategy & Resources Policy Committee and the Finance & Performance Committee.

Section 2 - The 2025/26 Treasury Management Strategy Statement (TMSS)

Key Messages

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

1. The TMSS covers capital issues:
    - The capital plans and the Prudential Indicators.
    - The Minimum Revenue Provision (MRP) policy.
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.
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.
4. The Finance & Performance Committee and Chairs / Spokespeople for all other Committees will be offered treasury management training. This may be delivered by officers or the Council's treasury advisors, Link, during the year. Further internal and external training will be considered as necessary.
5. 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.
6. The Council uses Link Asset Services as its external treasury management advisors.
7. The Council recognises that responsibility for treasury management decisions always remains with the Council and will ensure that undue reliance is not placed upon our external service providers.
8. It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources.

9. 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 Messages

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.

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. The table below shows total capital expenditure. The comparison to last year's TMS figures shows material slippage in the 2023/24 actual programme. lower expenditure is forecast in most years.
2. The figures below are for approved capital schemes only and as such represent the minimum expected expenditure.

Capital Expenditure	2023.24 Actual £'m	2024.25 Forecast £'m	2025.26 Budget £'m	2026.27 Estimate £'m	2027.28 Estimate £'m	2028.29 Estimate £'m
ADULT HEALTH & SOCIAL CARE	5.8	5.4	0.0	0.0	0.0	0.0
COMMUNITIES, PARKS & LEISURE	24.3	5.3	1.3	0.5	0.5	0.5
ECONOMIC DEVELOPMENT & SKILLS	1.0	2.8	0.0	0.0	0.0	0.0
EDUCATION, CHILDREN & FAMILIES	17.6	14.6	2.2	0.0	0.0	0.0
HOUSING	53.4	48.4	113.5	133.2	125.2	127.3
STRATEGY & RESOURCES	3.7	5.0	3.1	0.0	0.0	0.0
TRANSPORT, REGEN & CLIMATE	88.7	78.1	40.0	0.0	0.0	0.0
WASTE & STREET SCENE	0.3	0.4	0.0	0.0	0.0	0.0
CORPORATE TRANSACTIONS	0.0	0.0	0.0	0.0	0.0	0.0
Total	**194.7**	**160.0**	**160.2**	**133.7**	**125.7**	**127.8**
Previous TMS (23/24)	224.3	182.1	150.7	159.0	129.2	
Change	-29.6	-22.1	9.4	-25.3	-3.5	

3. 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.
4. 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.
5. 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, not least because following recent Central Government rule changes, making these investments potentially limits our ability to access PWLB borrowing.
6. The table below summarises our capital expenditure plans and how these plans are being financed by capital or revenue resources.

7. Any capital expenditure not funded by grants, receipts, or revenue contributions, results in a need for borrowing.

Capital Expenditure:	2023.24 Actual £'m	2024.25 Forecast £'m	2025.26 Budget £'m	2026.27 Estimate £'m	2027.28 Estimate £'m	2028.29 Estimate £'m
Capital expenditure:						
Non-housing	£141.3	£111.6	£46.6	£0.5	£0.5	£0.5
Housing	£53.4	£48.4	£113.5	£133.2	£125.2	£127.3
Total	**£194.7**	**£160.0**	**£160.2**	**£133.7**	**£125.7**	**£127.8**
Financed by:						
Capital Receipts	£6.4	£14.3	£26.2	£14.2	£1.1	£11.7
Capital Grants & Contributions	£72.3	£97.1	£43.5	£7.9	£8.2	£3.4
Revenue Contributions	£62.2	£21.0	£46.8	£65.6	£68.8	£72.1
Net borrowing need for the year	**£53.9**	**£27.6**	**£43.7**	**£46.1**	**£47.6**	**£40.6**
Fund Split						
General Fund	£53.9	£13.1	£0.4	£0.0	£0.0	£0.0
HRA	£0.0	£14.4	£43.3	£46.1	£47.6	£40.6
Total	**£53.9**	**£27.6**	**£43.7**	**£46.1**	**£47.6**	**£40.6**
Previous TMS (23/24) General Fund	£57.5	£10.6	£0.4	£0.0	£0.0	N/A
Previous TMS (23/24) HRA	£16.1	£29.4	£35.4	£42.0	£19.9	N/A
Change General Fund	-£3.6	£2.5	£0.0	£0.0	£0.0	-
Change HRA	-£16.1	-£15.0	£8.0	£4.1	£27.7	-

8. Capital Receipts and grants are anticipated to be an important but declining source of funding for the Council's capital investment programme.
9. Forecast borrowing is materially down on 23/24 forecasts, General Fund appears due to slippage, with HRA slipping to next year and beyond.
10. 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.
11. As in previous years, judicious use of borrowing to support capital investment remains a prudent financing option however borrowing costs currently well above recent averages.
12. The above financing need excludes other long-term liabilities, such as Public Finance Initiatives (PFI) arrangement. 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 Messages

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 overall CFR is expected to fall in each year of the forecast based on the Council's capital investment plans. However General Fund CFR is forecast to reduce from 26/27 due to lower levels of capital expenditure and receipts expected from Heart of the City Phase II, whilst the CFR for the HRA is due to increase materially as more debt is used to finance its capital programme.

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

Capital Financing Requirement	2023.24 Actual £'m	2024.25 Forecast £'m	2025.26 Budget £'m	2026.27 Estimate £'m	2027.28 Estimate £'m	2028.29 Estimate £'m
CFR non-housing	£1,262.88	£1,228.01	£1,178.62	£1,130.65	£1,082.40	£1,032.97
CFR housing	£345.78	£360.17	£403.47	£449.50	£497.12	£537.65
Total CFR - Year End	£1,608.66	£1,588.18	£1,582.09	£1,580.16	£1,579.51	£1,570.62
In Year Movement in CFR	**£16.79**	**-£20.48**	**-£6.09**	**-£1.94**	**-£0.64**	**-£8.90**
Movement in CFR represented by:						
Expenditure not funded by grants, receipts, or contributions	£53.88	£27.55	£43.74	£46.06	£47.64	£40.56
- MRP/VMRP and other movements	-£37.09	-£48.03	-£49.84	-£48.00	-£48.28	-£49.45
In Year Movement in CFR	**£16.79**	**-£20.48**	**-£6.09**	**-£1.94**	**-£0.64**	**-£8.90**

2. The CFR does not increase indefinitely. Statute requires the Council to charge an amount each year in its revenue 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. This is why the non-housing figure above reduces (MRP is higher than new expenditure).

3. 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 borrow separately for these schemes. At the end of 2025/26, the Council will have £262.1m (2024/25 £282.3m) of such arrangements within the CFR.

Section 5 - Minimum Revenue Provision

Key Messages

Each year the Council sets out its 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 deems to be prudent, having regard to the MHCLG's statutory guidance.

Material changes to the MRP policy for 2025/26 are highlighted in point 1 below. Changes under Accounting Standard IFRS16 to show principal elements of leases as MRP are adopted for 2025/26, but the impact of this is presentational, having immaterial impact at a strategic planning level.

This report recommends the Council approves the MRP statement in this section.

1. Following regulation changes to how Local Authorities are required to prudently provide for MRP from April 2025, SCC has carried out a review of our MRP policy and commissioned our treasury advisors, Link, to conduct an external review. The policy below has been changed to reflect some of these findings. While most will not affect how the council calculates MRP, it is felt that a change to how the council applies asset life methodology should be made primarily to ensure a more even spread of MRP cost in the future. The changes below are expected to reduce MRP in the near term, the table below shows the impact across all years.

   These changes are to:

   - Provide MRP on Supported Borrowing (borrowing Prior to 2008) on an annuity basis rather that equal instalments, see point 2 below.
   - Make wider use of the Annuity methodology on Unsupported Borrowing (borrowing after 2008), this methodology is already approved in the current MRP policy, see Point 8 below.

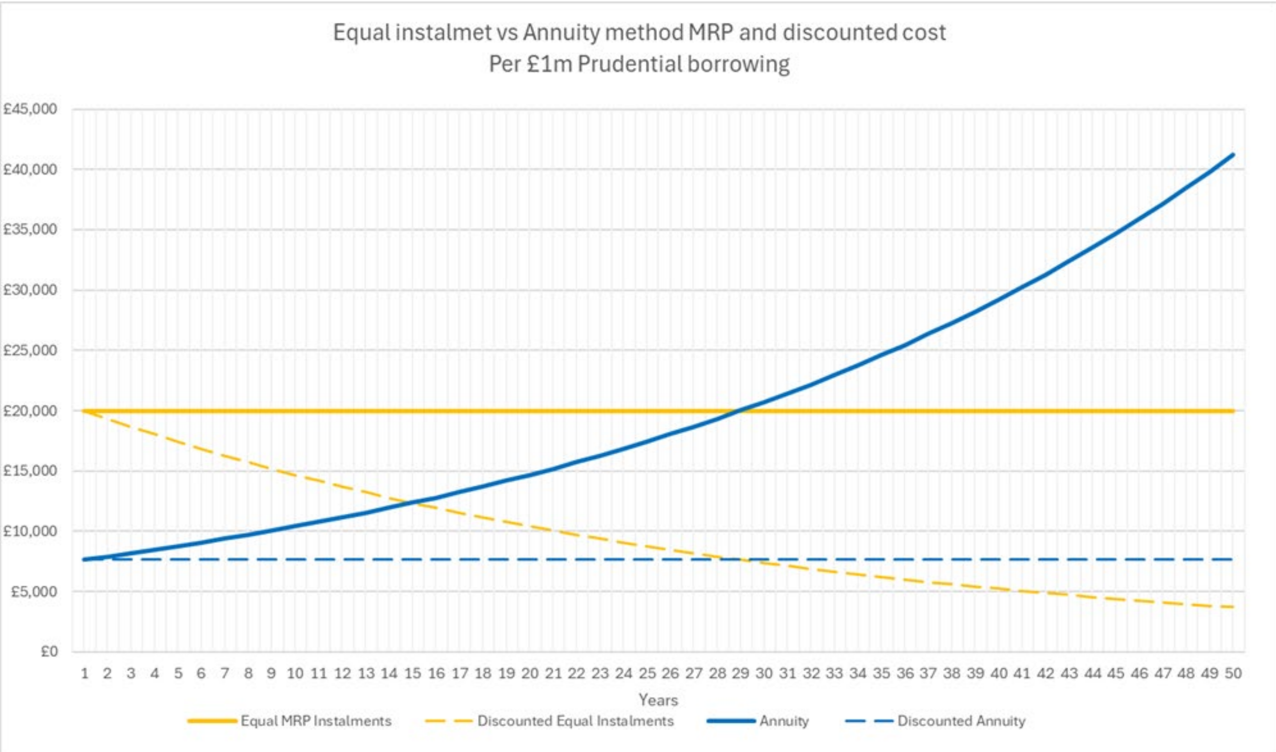
	1-10 Years £000	11-20 Years £000	21-30 Years £000	31-40 Years £000	41+ Years £000	Total £000
Current Policy	£269,539	£239,072	£225,398	£109,287	£7,556	£850,852
Revised policy	£189,470	£208,784	£274,395	£166,893	£11,310	£850,852
Difference	£80,069	£30,288	-£48,997	-£57,606	-£3,754	£0
Present value difference	£69,669	£19,699	-£20,060	-£18,254	-£924	£50,131

<u>Annuity Methodology explanation</u>

The annuity method provides a more equitable charge in future as the time value of money is taken account of. The chart below shows a flat discounted MRP cost under the annuity method, Taxpayers will all pay an equal amount in relative terms. Taxpayers under the equal instalment method pay comparatively more in the near term than those in the future. This methodology is not suitable for all borrowing requirements, for example, vehicle purchases, where the value of the asset is mostly consumed early in its useful life. The Annuity methodology will only be applied where appropriate and prudent to do so, with equal instalments used where relevant.

CIPFA puts forward the following reasoning for using the annuity method in their publication 'The Practitioner's Guide to Capital Finance in Local Government' (2019) which states:

'The annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now.



2. 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 is charged on an annuity 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 by government within fifty years. This methodology has been chosen as the reducing balance method would see MRP written down over a much longer period.

3. 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.

4. The above approach is a prudent way of ensuring the Council pays down debt in good time. If 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.
5. Going forward, changes to the guidance prevents over-provisions arising from the change in MRP policy from 2018/19 onwards.
6. The Council will apply Voluntary Revenue Provisions (VRP) where it is prudent to do so.
7. 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.
8. The Council may adopt an annuity profile for MRP charges where it is more reflective of how the acquired assets depreciate. This method still charges full MRP over the asset life, but cost will be calculated to account for time value of money meaning a more equal cost distribution of cost in the future.
9. 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.
10. There is no requirement for the HRA to make a minimum revenue provision, but there is a requirement for a depreciation charge to be made. The HRA may opt to make voluntary revenue provisions where it is prudent to do so.
11. MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for asset under construction where the MRP will be deferred until the year after the asset becomes operational.
12. For capital loans which are classed as non-commercial and have not been subject to a recognised credit loss in the current or any previous financial year the Council has chosen not to provide MRP.
13. For capital loans which are classed as commercial and have not been subject to a recognised credit loss in the current or any previous financial year then the Council will provide MRP over the useful life of the assets purchased by the third party.
14. Capital receipts received from the non-commercial and commercial loan repayments in the financial year will be used to reduce the debt liability i.e. the capital receipts will be used in lieu of MRP to reduce the CFR.
15. For capital loans to third parties granted before 7 May 2024 - Where those loans have been subject to an actual or expected credit loss in the current or any previous financial year then MRP will be provided over the useful life of the assets purchased by the third party.
16. For capital loans to third parties granted on or after 7 May 2024 - Where those loans are subject to an expected or actual credit loss, then the MRP charge will be at least the amount of the recognised credit loss for the financial year, after adjusting for any previous MRP or capital receipts applied to the loan.

17. 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 in accordance with the MRP Guidance over a maximum of 20 years.

18. In line with MHCLG guidance and to mitigate the impact of the move to 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.

19. During 2024/25, the Council will implement the new leasing accounting standard (IFRS16) resulting in more leased assets being recognised on the balance sheet which will impact on the Council's CFR. This will lead to, an increased MRP charge (replacing the revenue impact of the principal element of the lease payments), so the impact is presentational) and the impact is expected to be minimal.

20. MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory minimum revenue provision (MRP), i.e. voluntary revenue provision or overpayments, can 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. The amount of VRP overpayments up to 31st March 2024 was nil.

21. For these sums to be reclaimed for use in the budget, each year this policy must disclose the cumulative overpayment.

22. 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.

23. Material capital receipts relating to assets originally financed by prudential borrowing will be used in a method providing maximum benefit to local residents. Paying down MRP early to free up revenue for service provision is one of a number of options to be considered, including but not limited to, service provision, invest to save spend and capital spend.

Section 6 - Application of Resources

Key Messages

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 yet externally borrowed sufficiently 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.

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.

2. Detailed below are estimates of the year end balances for each resource and anticipated cash balances. **This includes the new borrowing forecast in Section 7.** New borrowing is required as reserves are forecast to reduce, and Capital expenditure is incurred.

Core Funds and Expected Investment Balances	2023.24 Actual £'000	2024.25 Forecast £'000	2025.26 Budget £'000	2026.27 Estimate £'000	2027.28 Estimate £'000	2028.29 Estimate £'000
Year End Resources:						
Cash backed reserves*	472.5	447.1	414.8	396.2	380.7	327.8
Capital Receipts	55.6	50.0	45.0	40.5	36.4	32.8
Provisions	21.8	21.8	21.8	21.8	21.8	21.8
Total Core Funds	**549.9**	**518.9**	**481.6**	**458.5**	**438.9**	**382.4**
Working Capital	64.0	64.0	64.0	64.0	64.0	64.0
(Under)/over Borrowing	-444.7	-487.8	-449.9	-412.0	-381.8	-338.3
Expected Investments	**169.1**	**95.2**	**95.7**	**110.4**	**121.1**	**108.1**

**Most of these reserves are earmarked for future spend, and do not represent available surplus for revenue budget purposes.*

3. The above table shows that the Council plans to remain ‘under-borrowed’ throughout the period, but at reducing levels. This means that we have not yet taken loans to finance all our borrowing needs.

4. Instead, the Council has used its own cash balances that it does not 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.

5. Operating in this manner is a good fit for our wider operating environment, it is cheaper to use our own cash balances than use external loans at more expensive rates, this does not provide us with an incentive to hold cash on deposit.
6. This approach also minimises our counterparty risks, as it reduces the amount of cash we invest in counterparties (i.e., banks and pension funds). Following the financial crash in 2008, the Council remains cautious about where it invests.
7. Whilst an under-borrowed position has yielded significant savings over the past few years, it does expose the Council to a level of risk around interest rates changes.
8. Should interest rates increase markedly from the current levels, it could cost the Council more by not taking out fixed interest borrowing now. Interest rates are currently very high but are forecast to fall slightly in coming years. As a counterincentive, increasing our borrowing before we would use the resulting cash, would incur significant interest costs, this is a judgement call.
9. Accordingly, it is important that the Council continues 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, and to reduce the under-borrowed position.
10. 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 Messages

The new forecast of borrowing to be taken is based on funding expenditure in the Capital Programme whilst broadly maintaining a sustainable under-borrowed position. 2023/24 saw larger than average debt repayment due to the £18m Commerzbank LOBO being repaid.

From 2025/26 external debt is expected to increase by £207m (net). PFI Liabilities are expected to fall over the forecast period as payments are made.

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

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

Current Portfolio Position	2023.24 Actual £'m	2024.25 Forecast £'m	2025.26 Budget £'m	2026.27 Estimate £'m	2027.28 Estimate £'m	2028.29 Estimate £'m
External Debt						
Loans at 1st April	900.4	862.4	825.9	877.5	935.9	985.2
Loan Repayments	-48.0	-36.5	-18.4	-11.7	-10.6	-21.6
New Loans Taken	10.0	0.0	70.0	70.0	60.0	70.0
PFI liabilities at 1st April	320.1	301.5	282.3	260.5	239.7	219.3
Expected change in PFI liabilities	-18.6	-19.2	-21.9	-20.8	-20.3	-19.9
Actual Gross Debt at 31st March	1163.9	1108.2	1138.0	1175.5	1204.6	1233.1
The Capital Financing Requirement	1608.7	1596.0	1588.0	1587.6	1586.4	1571.4
Authority Under/(Over) Borrowing	**444.7**	**487.8**	**449.9**	**412.0**	**381.8**	**338.3**
HRA under/ (over) borrowing	85.8	120.2	135.1	115.7	105.9	81.4
GF Under / (Over) Borrowing	358.9	367.5	314.8	296.4	275.9	256.9
	444.7	**487.8**	**449.9**	**412.0**	**381.8**	**338.3**

3. To reduce the risks associated with under borrowing, new external debt is expected to be needed over the forecast period. Interest rates are expected to begin easing by mid-2025 therefore it remains prudent to delay borrowing where possible.

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 or the estimates of any additional CFR for 2024/25 and the following two financial years.

5. 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 Messages

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

This report recommends the Council approves the Treasury indicators.

1. Revenue cost as a proportion of net revenue is monitored both with and without PFI cost and revenue included.
2. The net revenue for the General Fund consists of the money we have available from grants, Council Tax, and other sources that are without restriction. and can be spent as the Council sees fit.
3. The General Fund Ratio forecasts to peak in 2024/25 then fall over the period as debts are repaid and net revenue increases (ignoring effect of inflation).
4. HRA cost rises over the forecast period due to significant capital expenditure.
5. Including PFI:

Ratio of Financing Costs to Net Revenue Stream:	2023.24 Actual	2024.25 Forecast	2025.26 Budget	2026.27 Estimate	2027.28 Estimate	2028.29 Estimate
General Fund	15.3%	15.7%	14.7%	13.8%	13.1%	12.5%
HRA	6.6%	5.6%	6.3%	7.8%	8.9%	10.1%

6. Excluding PFI:

Ratio of Financing Costs to Net Revenue Stream:	2023.24 Actual	2024.25 Forecast	2025.26 Budget	2026.27 Estimate	2027.28 Estimate	2028.29 Estimate
General Fund	7.2%	8.4%	8.2%	7.7%	7.3%	6.9%
HRA	6.6%	5.6%	6.3%	7.8%	8.9%	10.1%

7. This reveals several issues:
   - Fluctuations in income and costs arising from PFI arrangements make a significant difference to the above ratios.
   - We anticipate incurring higher borrowing costs (interest and MRP costs) in the future than we do now. But for General fund this is proportionally lower than revenue increases.
   - The revenue income streams used for this calculation increase very modestly.

- General Fund sees a significant jump in cost in 2024/25 as the reduction for reprofiling MRP ends (adding £5m to MRP cost) and significant elements of the HOTC programme begin to charge MRP.

8. These ratios should not be viewed in isolation from other sources of information, such as the balanced Revenue Budget and Capital Strategy.
9. The increase in General Fund financing costs primarily relates to the Council's investment in the HOTC II scheme.
10. 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.
11. Despite this indicator showing borrowing costs increasing as a proportion of net revenue (when excluding PFI), the forecast level of borrowing remains affordable and is indicative of sound long-term strategic decisions taken by the Authority.

Limits to Borrowing Activity

12. 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.
13. 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 impact arising from the change to lease accounting due to IFRS 16:

Operational Boundary	2023.24 Actual £'m	2024.25 Actual £'m	2025.26 Proposed £'m	2026.27 Proposed £'m	2027.28 Proposed £'m	2028.29 Proposed £'m
Loans	£1,320	£1,400	£1,400	£1,420	£1,450	£1,460
Other Long Term Liabilities	£321	£302	£280	£260	£240	£219
Lease Arrangements	£10	£10	£10	£10	£10	£10
Total	**£1,651**	**£1,712**	**£1,690**	**£1,690**	**£1,700**	**£1,689**

14. 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.
15. The Council is required to ensure that total capital investment remains within sustainable limits and that the impact upon its future council tax and council rent levels is acceptable.
16. The CFR is deemed affordable as any increases to it come through the Capital Programme where affordability is assessed on each scheme approved. Limits are set slightly above this to allow some contingency for new schemes or increases to costs for existing ones. It remains unlikely that external loans would reach these limits as this would assume all capacity to borrow internally from reserves was gone.

17. 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 approval.

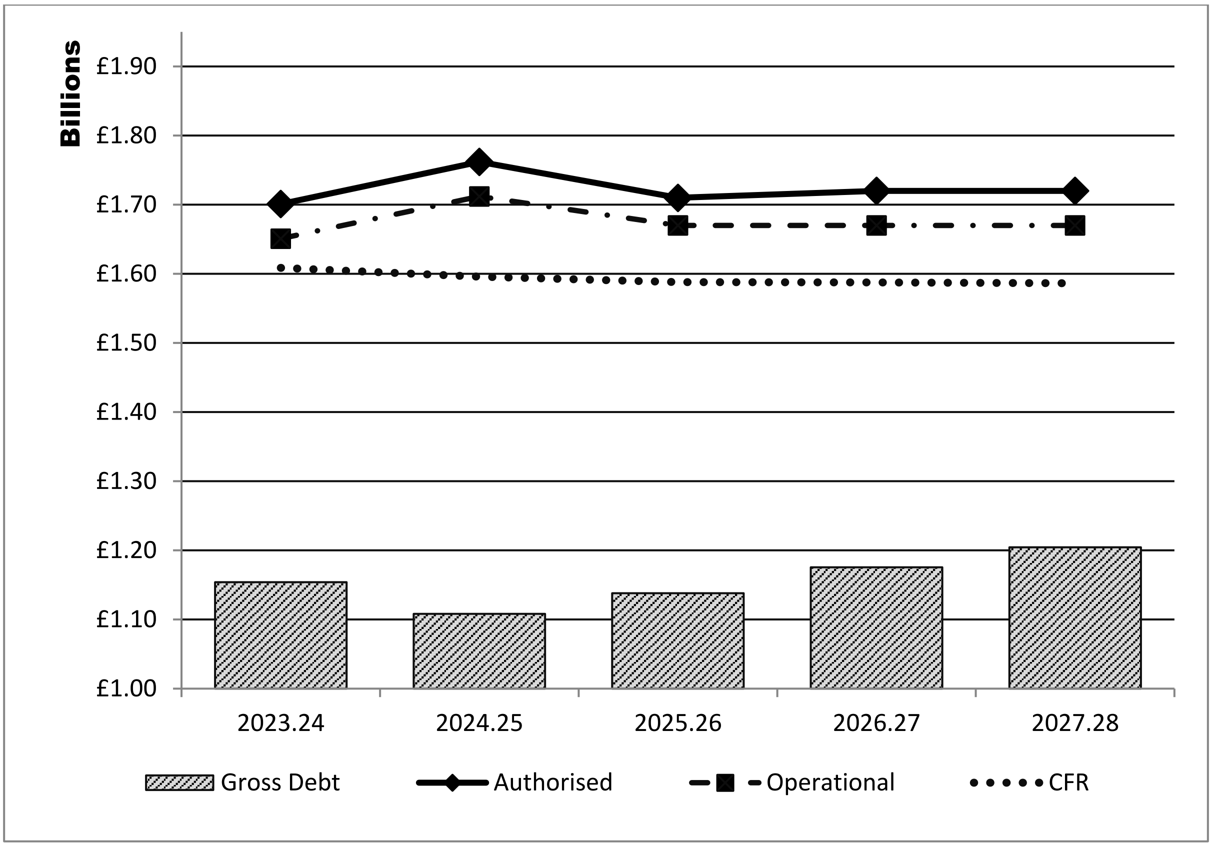
Authorised Limit	2023.24 Actual £'m	2024.25 Actual £'m	2025.26 Proposed £'m	2026.27 Proposed £'m	2027.28 Proposed £'m	2028.29 Proposed £'m
Loans	£1,370	£1,450	£1,450	£1,470	£1,500	£1,510
Other Long Term Liabilities	£321	£302	£280	£260	£240	£219
Lease Arrangements	£10	£10	£10	£10	£10	£10
Total	**£1,701**	**£1,762**	**£1,740**	**£1,740**	**£1,750**	**£1,739**

18. 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.

19. The Housing Service has ambitious plans to expand housing stock over the term of the HRA Business plan. The limits below provide headroom to borrow should other sources of income fall short of target or costs rise significantly, and the CFR end up being higher than anticipated.

HRA Debt Limit	2023.24 Actual £'m	2024.25 Actual £'m	2025.26 Proposed £'m	2026.27 Proposed £'m	2027.28 Proposed £'m	2028.29 Proposed £'m
HRA Authorised Limit	£388.3	£425.0	£530.0	£550.0	£600.0	£630.0
HRA Operational Limit *	£388.3	£410.0	£515.0	£530.0	£580.0	£610.0
HRA CFR	£345.8	£365.7	£409.1	£458.4	£506.0	£539.0
HRA Headroom **	**£42.5**	**£59.3**	**£120.9**	**£91.6**	**£94.0**	**£91.0**

20. The above limits, the CFR and the underlying gross debt can be compared on the graph below:



21. The authorised limit is higher than the gross debt to allow us to deal with 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.

22. However, the projected CFR and gross debt figures represent current planned expenditure only and not potential pipeline projects that have yet to be approved.

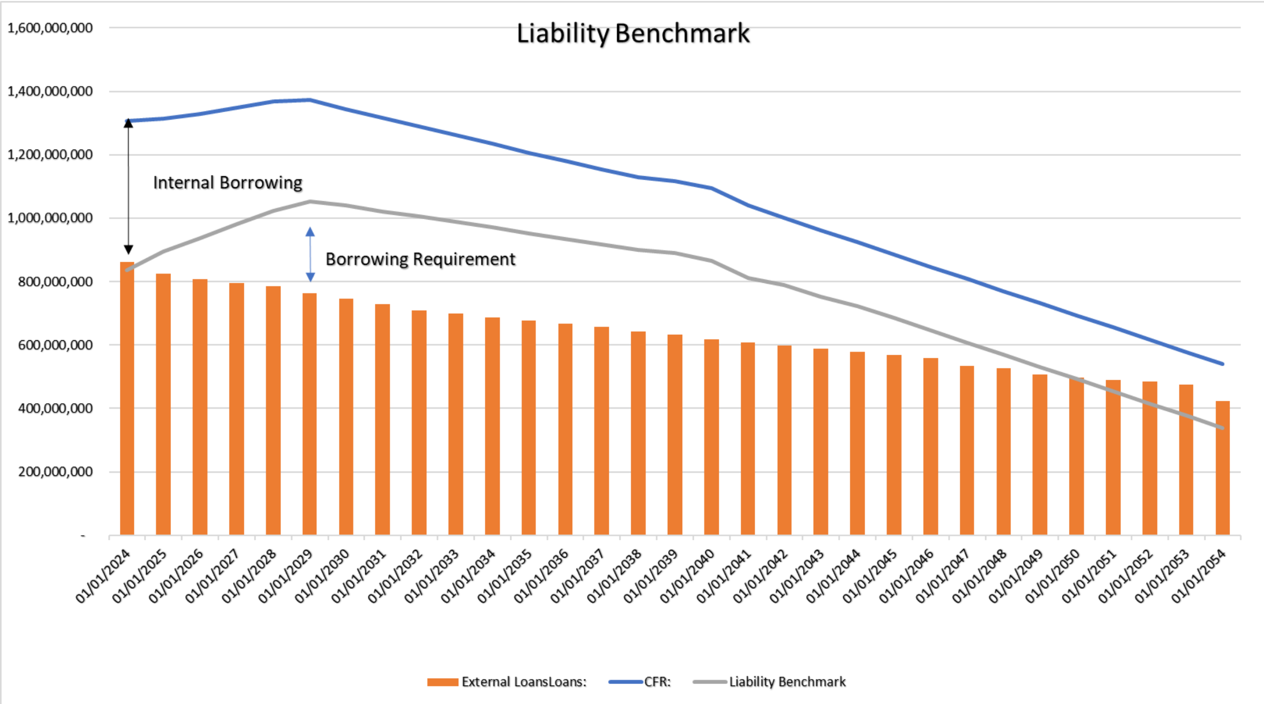
23. Debt will not exceed the CFR, the limits above allow scope for the CFR to increase, as new schemes are approved and to cover some risk that existing ones may see cost increases.

Liability Benchmark

24. This is a new reporting requirement and is used to demonstrate how effectively we are using internal resources to replace borrowing. It works by assuming all reserves should be used in place of external borrowing. The benchmark is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

25. Where the Liability Benchmark line is less than the external loans column (e.g. 2023/24) we have theoretically over borrowed, in this case due to strong reserves.

26. Where the Liability Benchmark exceeds the External Loans there is a need to borrow, reserves are no longer sufficient to cover the under-borrowing position. This chart intentionally excludes the new borrowing identified in Section 7.1 to further demonstrate the need for external loans.



Section 9 - Borrowing Strategy

Key Messages

Increased borrowing rates and the Council's strong cash balances support continuing the Council's under-borrowed position around current levels.

The HRA has an ambitious capital programme that will require borrowing for.

1. The Council is currently maintaining an under-borrowed position and plans to do so while this position remains prudent. This means that the capital borrowing need (CFR) has not been fully funded with loans and other credit arrangements, such as PFI arrangements.
2. 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.
3. In accordance with the view taken in previous years, the Council recognises the inherent risk in operating this strategy. Whilst the current low borrowing rate period continues, the Council intends to maintain the position at its current levels, or to modestly increase it.
4. Conversely, if there is a significant risk that the cost of borrowing is likely to increase beyond that currently, then the Director of Finance & Commercial Services will consider taking on more fixed-rate loans whilst interest rates are still lower than they would be in future years.
5. 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 at the end of this appendix in Note 1.
6. Additionally, the risks impacting on interest rates can be seen in Note 2 alongside the forward forecast for several relevant interest rates.
7. The approved sources of long-term and short-term term borrowing are:
    - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
    - Any institution approved for investment (see Below)
    - Any other bank or building society authorised to operate in the UK
    - Any other UK public sector body
    - UK public and private pension funds (except our local pension fund)
    - Capital market bond investors
    - UK Municipal Bonds Agency
    - Community Municipal Investments (Bond or Loan) raised from the public (including a climate change investment opportunity).
8. The use of a variety of financing sources is not a means to increase the total the council can borrow. The rationale for choosing between various sources would include considerations such as, interest rates on offer and the repayment period sought.

Section 10 - Treasury Limits on Activity

Key Messages

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

1. There are three debt related treasury activity limits. The purpose of these limits is 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.

2. 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 like 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.

3. The Council is asked to approve the following Treasury Indicators and limits:

Limits on interest rate exposure based on net debt	2024.25 Forecast	2025.26 Budget	2026.27 Estimate	2027.28 Estimate	2028.29 Estimate
	Upper	**Upper**	**Upper**	**Upper**	**Upper**
Fixed interest rates (%)	100%	100%	100%	100%	100%
Variable interest rates (£'m)	£128	£128	£128	£128	£128

4. 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. LOBO have been repaid over the last two years and this indicator has been reduced accordingly. There is risk that further LOBS will be called and repaid in late 2025/26 and early 2026/27 due to higher the high interest rate environment.

Maturity structure of fixed interest rate borrowing:	2025.26 Lower	Upper
Under 12 months	1%	10%
12 months to 2 years	1%	10%
2 years to 5 years	5%	10%
5 years to 10 years	10%	20%
10 years to 20 years	10%	20%
20 years to 30 years	10%	20%
30 years to 40 years	20%	30%
40 years to 50 years	20%	30%
Over 50 years	1%	5%

5. 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 upper limit for short loans has been increased to account for material risk of lobo repayments. Debt is very high and if replacement loans are required, they will be taken on short durations in expectation of being able to refinance at better rates in the near future.

6. The Council currently expects most of its loans to mature in the longer term, supporting the HRA business plan and aligning maturities to our CFR profiles to avoid over-borrowing situations.

Maturity structure of variable interest rate	2024.25 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%

7. 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) at which point we have the option to repay early. Two lobos have been repaid in 2025/26 (as at Dec 24) totalling £24.5m, each opportunity to repay comes with benefits and associated cash flow and borrowing implications.

8. As the Council then has the option to accept the rate or repay these loans without penalty, we are required to show them as maturing within 12 months for the purposes of this indicator. The actual contracted term of these loans is more than 40 years.

9. The Council will not borrow more than, or in advance of, its needs purely to profit from the investment of the extra sums borrowed.

10. Any decision to borrow in advance will be within forward approved CFR 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.
11. 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 Messages

No Loans have been rescheduled however, during 2025/26 two LOBO loans have been repaid early. The repayments totalled £24.5m and because the loans were 'called' by the lender, no premium was due on repayment. No Further rescheduling has taken place.

1. Rescheduling generally is the lengthening of terms on existing debt. This remains unlikely in the near future. However, changes to the debt profile have taken place in 2024/25 with the repayment of the LOBOs mentioned above. The lender offered rates with an increase of over 1% which enabled us to repay without penalty. Repayments were made from cash balances, as new loans are currently expensive and expected to fall in coming years.
2. Approval by the Assistant Director, Finance & Accounting would be sought prior to any rescheduling or repayments, or further repayment of LOBOs.

Section 12 - Annual Ethical Investment Strategy

Key Messages

This section sets 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.

1. The Council's investment policy has regard to Central Government's Guidance on Local Government Investments ("the Guidance"), the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code") and internal policies such as the Ethical Procurement policy.
2. 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.
3. 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.
4. 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.
5. In any event the Council will not knowingly invest directly 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, arms companies or, to the best of our knowledge, companies involved in tax evasion or grave misconduct.
6. In accordance with the above guidance from Central Government and CIPFA, and to minimise the risk to investments, the Council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties for inclusion on the lending list.
7. The criteria applied can be seen in Note 4.
8. 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.
9. 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.
10. The assessment will also take account of information that reflects the opinion of the markets.
11. 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. 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.

13. Using these ratings services, potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically.

14. 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.

15. 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.

    Environmental, Social and Governance (ESG) measures on investments is considered but priority is still given to Security, Liquidity and Yield. Quantifying ESG is difficult as there are no industry standards to compare against or assess the impact.

Section 13 - Investment Strategy

Key Messages

This section 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.

1. 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, the purchase of income yielding assets, are covered in the Capital Strategy.

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.
   - Expectations on interest rates. Important when determining a required rate of return on the Council's investments.

3. The Bank Rate is forecast to fall from its current level of 4.75% during 2025/26. However, the dramatic increase in UK gilts have reduced expectations cuts to just one, meaning it may take longer for interest rates to normalise.

4. The Council has defined the list of types of investment instruments that the Treasury Management Team are authorised to use. There are two lists in appendix Note 3 under the categories of 'specified' and 'non-specified' investments.

   - Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.
   - Non-specified investments are those with less high credit quality, may be for periods more than one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. 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	2025.26	2026.27	2027.28	2028.29	2029.3
Proposed Returns	4.25%	4.00%	4.00%	3.50%	3.00%

6. 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	2024.25 £'m	2025.26 £'m	2026.27 £'m	2027.28 £'m	2028.29 £'m
Maximum Amount	£60	£60	£60	£60	£60

7. The Council is asked to approve the above treasury indicator and limits.

8. We will use the 3-month SONIA (Sterling Overnight Index Average) rate as a benchmark for its investment returns.

9. At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Outturn Report.

Notes

Note 1 - Economic Backdrop (source: Link Asset Management Services)

The third quarter of 2024/25 (October to December) saw:

- GDP growth contracting by 0.1% m/m in October following no growth in the quarter ending September.
- The rate average earnings growth increase from 4.4% in September to 5.2% in October.
- CPI inflation increase to 2.6% in November.
- Core CPI inflation increase from 3.3% in October to 3.5% in November.
- The Bank of England cut interest rates from 5.0% to 4.75% in November and held them steady in December.
- 10-year gilt yields starting October at 3.94% before finishing up at 4.57% at the end of December (peaking at 4.64%).

- The 0.1% m/m fall in GDP in October was the second such decline in a row and meant that GDP would need to rise by 0.1% m/m or more in November and December, for the economy to grow in Q4 rather than contract. With on-going concern over the impact of the October budget and drags from higher interest rates and weak activity in the euro zone

- The Government's October budget outlined plans for a significant £41.5bn (1.2% of GDP) increase in taxes by 2029/30, with £25bn derived from a 1.2% rise in employers' national insurance contributions. The taxes are more than offset by a £47bn (1.4% of GDP) rise in current (day-to-day) spending by 2029/30 and a £24.6bn (0.7% of GDP) rise in public investment, with the latter being more than funded by a £32.5bn (1.0% of GDP) rise in public borrowing. The result is that the Budget loosens fiscal policy relative to the previous government's plans - although fiscal policy is still being tightened over the next five years – and that GDP growth is stronger over the coming years than had previously been forecasted. By way of comparison, the Bank of England forecasts four-quarter GDP growth to pick up to almost 1.75% through 2025 (previously forecast to be 0.9%) before falling back to just over 1% in 2026.

- December's pay data showed a rebound in wage growth that will add to the Bank of England's inflationary concerns. Average earnings growth increased from 4.4% in September (revised up from 4.3%) to 5.2% in October and was mainly due to a rebound in private sector pay growth from 4.6% to 5.4%. Excluding bonuses, public sector pay stagnated in October.
- CPI inflation has been on the rise this quarter, with the annual growth rate increasing from 1.7% in September to 2.3% in October. Although services CPI inflation stayed at 5.0% in November, the Bank had expected a dip to 4.9%, while the timelier three-month annualised rate of services CPI rose from 5.0% to 5.1%. That shows that there currently is not much

downward momentum. Moreover, the wider measure of core CPI inflation rose from 3.3% to 3.5% in November.

- Throughout the quarter gilt yields have risen. The 10-year gilt yield increased from 3.94% at the start of October to 4.57% by the year end (and has subsequently risen to 4.64% early in 2025). As recently as mid-September 10-year gilt yields were at their low for the financial year, but since then, and specifically after the Budget at the end of October, yields have soared. Overall, the reaction to the UK Budget highlights how bond markets are both fragile and highly attentive to news about the fiscal outlook.

- On 7 November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut, but the language used by the MPC emphasised "gradual" reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.

- At the 18 December meeting, another split vote arose. Members voted 6-3 to keep Bank Rate on hold at 4.75%.

- The MPC again stated that "a gradual approach" to rate cuts "remains appropriate" and that policy will "remain restrictive for sufficiently long."

PWLB RATES

The latest forecast, updated on 11th November, sets out a view that both short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of stubborn inflationary factors and a tight labour market.

Interest Rate Forecasts

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates.

Link provided the following forecasts in November 2024. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Regarding PWLB expectations, the short to medium part of the curve is forecast to remain elevated over the course of 2025, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt creating upward pressure on rates.

Note 2 - The Balance of Risks to the UK Economy

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England acts too quickly, or too far**, over the next year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, Israil/ Palestine, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

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

- **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 and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.
- **The Government** acts too quickly to cut taxes and/or increases expenditure considering the cost-of-living squeeze.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

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 one year, meeting the minimum 'high' quality criteria where applicable.

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

	* Minimum credit criteria / colour band	** Max % of total investments / £ limit per institution	Max Maturity Period
DMADF – UK Government	UK sovereign rating	100%	6 months
UK Government Gilt	UK sovereign rating	100%	12 months
UK Government Treasury Bills	UK sovereign rating	100%	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%	12 Months
Term deposits with banks and building societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use

Non-Specified Investments

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

A maximum of £60m will be held in aggregate in non-specified investments.

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

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

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

Accounting Treatment of Investments

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

Note 4 - Creditworthiness Approach

The 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.
- Credit Default Swaps 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 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 (Y)	5 years *
Dark pink (Pi1)	5 years for Ultra-Short Dated Bond Funds, credit score of 1.25
Light pink (Pi2)	5 years for Ultra-Short Dated Bond Funds , credit score of 1.5
Purple (P)	2 years
Blue (B)	1 year (applies to nationalised or semi-nationalised UK Banks)
Orange (0)	1 year
Red (R)	6 months
Green (G)	100 days
No colour N/C	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 of more than 12 months, the Council does not expect to do so during 2025/26.

There are currently no investments over 1 year, the limits will not be exceeded without updating this Strategy and appropriate Committee approval.

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 or from countries with a minimum sovereign credit rating of AA- from Fitch (or Equivalent).

This is not an appropriate measure for Money Market Funds.

Investments and therefore risk are spread globally in the very highest quality investments, therefore reliance will be given to their credit rating as per the specified investments table in Note 3.

Note 5 - Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AA- or higher, (showing the lowest rating from Fitch, Moody's and S&P) which also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA

Australia

Denmark

Germany

Netherlands

Norway

Singapore

Sweden

Switzerland

AA+

Canada

Finland

U.S.A.

AA

Abu Dhabi (UAE)

AA-

Belgium

U.K.

France

Equality Impact Assessment Number 3043

Proposal name - Sheffield City Council 2025-26 Revenue Budget

Start date 15/01/2025

Part A - Initial Impact Assessment

Brief aim(s) of the proposal and the outcome(s) you want to achieve

- This Equality Impact Assessment (EIA) considers possible areas of impact of savings proposals that contribute towards the Council's 2025-26 Revenue Budget. These are impacts on people interacting with the Council directly or indirectly (referred to generically in current EIA terminology as 'customers') and people employed by and working for the Council (referred to as 'staff').
- This EIA provides a broad overview only, reflecting our initial understanding and assessment of impacts. These assessments may change as proposals develop further and services introduce budget saving implementation plans. Some proposals may be subject to the outcome of further consultation or the further analysis of other evidence.
- This EIA does not cover all proposals and all possible impacts but seeks to highlight some likely areas of impact. It does not include proposals where impacts are considered to be none or very limited at this stage. However, such proposals will also continue to be monitored.
- Individual EIAs are carried out for all savings proposals. These will include specific analysis and detail of proposals. They are iterative, meaning they are subject to development and review as more detail and information becomes known and proposals take shape. A list of individual EIAs is included in Annex B.
- The purpose of individual EIAs is to assess how these proposals could affect people and communities and to identify any ways to reduce (mitigate) any negative impacts. Some mitigations may include:

For proposals to reduce staffing costs:

- Seeking to avoid compulsory redundancies by deleting vacant posts and offering voluntary early retirement (VER) and voluntary severance (VS) schemes, ahead of Managed Employee Reduction (MER), redeployment and employee support schemes.

For proposals to reduce or end service provision:

- Scheduling or delaying the change/closure, if possible, to enable people affected to access alternatives and, where viable, working with individuals to identify other/new options and signposting people.

For proposals to reduce contract fees/prices:

- Dialogue with organisations affected to understand the implications and options for alternative funding; scheduling, or delaying the change, if possible, to manage the impact on organisations, their staff and clients; and signposting to sources of support and advice.

For proposals to increase fees and charges:

- Applying concessions where possible and applicable.

Consultation, and other forms of engagement, provide further mitigation and may enable proposals to be confirmed or developed, or require them to be changed. Proposals to make service improvements will, where possible, aim to benefit from the insights of customers or staff.

Proposal type: Budget **Entered on Q Tier?** Yes

Year of proposal (s): 2025-26

Decision Type: Council

Lead Committee Member: Cllr Tom Hunt

Lead Director for Proposal: James Henderson

Equality Lead Officer: Adele Robinson

Officer filling in this EIA form: Ed Sexton

Equality Objectives covered (all):

Leadership

- Develop knowledge and collaborate to champion Equality, Diversity and Inclusion to build an inclusive and accessible council
- Respected reputation locally and nationally for best practice in EDI
- Working in partnership to make Sheffield an anti-racist city

Service delivery

- Inclusive services that meet the needs of diverse communities
- Accessible, equitable and fair approach to procurement and commissioning
- Services that help to reduce inequalities and make Sheffield a more inclusive city

Communities

- Working together to shape Sheffield as a welcoming and thriving city where people are at the heart of what we do
- Fostering good relationships and understanding between and within communities
- New approach to community engagement so everyone can contribute, participate and influence

Workforce

- An engaged workforce where employees feel safe and valued and have a sense of belonging
- Representative and skilled workforce which reflects, values and understands the cities diversity
- Workforce wellbeing, where everyone feels engaged to champion inclusivity

Portfolio, Service and Team

Lead Portfolio All **Is this Cross-Directorate?** ● Yes

Is the EIA joint with another organisation (e.g. NHS)? ● No

Consultation

Is consultation required?

- Yes

Analysis of consultation

A consultation was run between 21 December 2024 and 19 January 2025. As in previous years, the consultation focused on an online survey, alongside consultation sessions held with organisations from the voluntary, community and faith sector and members of Sheffield Chamber of Commerce.

Response rate

The online survey had 495 responses. 975 people clicked on the survey or other links/information and 1,555 people made at least one single visit to the site. The online survey was supported by a social media campaign and e-newsletter alerts to citizens that are registered to receive them.

Profile of respondents

More detailed information is shown in Annex A. In summary, this shows:

- A high response rate from people in older age groups – 46% of all online respondents were aged 65 and over (compared to around 17% aged 65 and over living in Sheffield according to the 2021 Census)
- An above average response rate from unpaid carers – 19% of all online respondents were unpaid carers (compared to 10% in the 2021 Census)
- An above average response rate from disabled people – 29% of all online respondents had a disability (compared to 21%)

There is a correlation between each of the above, (i.e. statistically, more older people have a disability and/or caring responsibilities).
The figures also showed:

- A low percentage of people from Asian/Asian British, Black/Black British, Mixed/Multiple Heritage and other ethnic groups – 3% or under of online respondents (compared to 2021 Census population data of 21%).
- An above average response rate for Lesbian, Gay and Bi (LGB) respondents of 10% (compared to 4% in the 2021 Census).

Other response rates were broadly in line with Census population data.

Responses

Council Plan outcome spending priorities

- A majority of respondents either fully agreed or mostly agreed with each Council Plan outcome's spending priorities – agreement varied from between just under three in five for our approach to making it happen through the Future Sheffield Programme and our use of strategic enabling services, and nearly three-quarters for aligning and focusing our budget on the commitments that we made in the Council Plan to deliver them for the city.

- The proportion of respondents who either fully disagreed or mostly disagreed varied from just over one in four (making it happen through the Future Sheffield Programme and our use of strategic enabling services) to around one in eight (moving to a priority-led budget).
- For all Council Plan outcome spending priorities, a relatively high minority (over one in ten) of respondents said they either didn't know if they agreed with the spending priorities or neither agreed nor disagreed. Feedback comments suggested this was partly due to some respondents seeking more detail, while others felt the information provided was too vague and general to make a judgement.

Budget Management Approach

- Almost three quarters of people agreed with the budget management approach. There were a lot of comments about what people would like to see in our strategic outcomes, including:
- Improving public transport, pedestrian safety, and maintaining roads for those who use cars,
- Making sure services including education/training, social care, and SEND provision are available to the city's residents across all backgrounds and localities,
- Supporting the city to have more affordable housing that is both suitable for different demographics and are environmentally sustainable.

Key equality findings and differences:

- 81% of respondents with a disability agreed with the budget management response, compared to 73% with no disability
- However, unpaid carers (71%) were less likely to agree than non-carers (76%) – this pattern was repeated throughout the survey
- The least likely age bracket to agree were respondents aged 18-34 (39%), compared to the most likely, aged 75-84 (82%)
- 62% of respondents from Black, Asian and Minoritised Ethnic communities agreed (compared to 78% White British)
- LGB+ respondents (66%) were less likely to agree than heterosexual respondents (76%)

Children and Young People

- 67% of respondents agreed with the Children and Young People Strategic Outcome approach.
- Comments included a desire for services to be accessible across different areas of the city for children and young people with disabilities and those who require SEND support.

Key equality findings and differences:

- Younger aged respondents (71% aged 18-34, 74% aged 35-44) and older age respondents (71% aged 65 and over) were most likely to agree with this strategic outcome, the least likely to agree were aged 55-64 (61%)

- Disabled respondents (73%) were more likely to agree than non-disabled respondents (67%)

Great Neighbourhoods

- 71% supported the Great Neighbourhoods Strategic Outcome approach.
- Respondents valued a clean environment and their parks and green spaces. People were keen there was attention to all parts of the city and also highlighted the importance of the council working alongside communities.

Key equality findings and differences:

- 74% of respondents aged 65 and over (and 86% aged 75-84) agreed, compared with 65% of respondents aged 18-34
- Black, Asian and Minoritised Ethnic respondents (63%) were less likely to agree than White British respondents (75%)
- 69% of respondents with a disability agreed, compared to 75% with no disability
- Only 56% of unpaid carers agreed, whereas 76% of non-carers agreed
- LGB+ respondents (63%) were less likely to agree than heterosexual respondents (74%)

Caring, Engaged Communities

- 63% supported the Caring, Engaged Communities Strategic Outcome approach.
- Respondents wanted to make sure there was good value for money, with minimal waste and inefficiency. There was a desire for social care and the council to engage with the community sector in an inclusive manner.

Key equality findings and differences:

- Respondents aged 65 and over (69%) and 18-34 (65%) were more likely to agree compared to respondents in all age brackets between 35 and 64 (58%-59%)

Creative and Prosperous City

- 61% supported the Creative and Prosperous City Strategic Outcome approach.
- Respondents were keen that all areas of the city have economic development. People wanted the city centre to have a balance of different offerings, such as retail, food and entertainment.
- Other comments covered areas including public parking, cycle lanes and public transport routes to the city centre. People also expressed a desire for the council to offer business support to local organisations and independents.

Key equality findings and differences:

- Black, Asian and Minoritised Ethnic respondents (67%) were more likely to agree than White British respondents (63%)
- 60% of unpaid carers agreed, compared with 64% of non-carers
- Respondents least like to agree were aged 45-54 (56%), while most likely were aged 75-84 (80%)

City on the Move

- 62% supported the City on the Move Strategic Outcome approach.
- Respondents were keen to see an improvement to transport and environmental sustainability. Many responses made comments, including some concerns, about various aspects of transport, including the quality of tram and bus services, a lack of integration in the public transportation system and the Clean Air Zone.
- Some people questioned how affordable the net zero agenda is for the council's finances but others were very happy to see us perusing this area.
- Respondents wanted to see more affordable accommodation, different types of new accommodation and energy efficiency in new homes as well as existing ones.

Key equality findings and differences:

- 66% of respondents with a disability agreed, higher than non-disabled respondents (62%)
- 67% of respondents aged 65 and over (and 79% aged 75-84) agreed, compared to 59% (aged 45-54) and 58% (55-64)
- LGB+ respondents (67%) were more likely to agree than heterosexual respondents (64%)

Future Sheffield Programme and of Strategic Enabling Services

- 58% supported the proposal, with a quarter neither agreeing or disagreeing and around a sixth of people opposing these proposals.
- Comments showed a range of opinions on the quality of the service council offers. These included the need to invest in IT, making sure staff have the appropriate tools and skills to carry out their job effectively, financial monitoring and transparency.
- Many comments spoke about the need to keep services accessible to those who do not use IT.

Key equality findings and differences:

- 67% of respondents aged 35-44 agreed, compared to 52% of respondents aged 55-64
- Otherwise, comparison scores were similar – e.g. between Black, Asian and Minoritised Ethnic and White British respondents (both 61%) and between respondents aged 18-34 and over 65 (both 63%)

Council Tax and Adult Social Care Precept

- 62% agreed with Council Tax increase to reduce the need for further budget reductions, and 61% agreed with an increase in the Adult Social Care Precept to protect adult social care services. Around a quarter disagreed in both cases.
- There were a range of comments, including concern about affordability and the cost-of-living crisis, value for money, the performance of council services and the council tax system as a whole. Other respondents were willing to support a higher increase in both proposals, while there was also some feeling that a rise was needed and inevitable necessity to avoid budget reductions.
- Some people disagreed that the burden should fall on Council Tax payers, while others noted how this area has increasing demand due to demographic changes from an aging population.

Key equality findings and differences:

- There were large disparities between comparative groups of respondents
- Black, Asian and Minoritised Ethnic respondents agreeing with a Council Tax increase (48%) and Adult Social Care Precept rise (52%) was much lower than the proportion of White British respondents agreeing (67% and 68%)
- Younger respondents were similarly less likely to agree than older respondents – the rate agreeing with a Council Tax increase was 58% for the age bracket 18-34 and 40% for 35-44, compared to 71% for 65 and over and 80% for 75-84
- The biggest difference between age groups agreeing with a Precept rise was 42% for 35-44 year olds and 79% for 75-84
- 55% of LGB+ respondents agreed to a Council Tax and a Precept increase, compared to 64% and 65% for heterosexual respondents
- Unpaid carers were less in agreement for either rise (60% and 61%) than non-carers (65% for both increases)

Fees and charges

- 58% agreed with the approach to fees and charges, while almost a quarter disagreed with increases.
- Some people were concerned about how increases could affect availability to services, and a few people felt incomes from fees and charges should support the related area, e.g. parking fines should be used to maintain and repair car parks, or library fees should support the service instead of going into a general fund.

Key equality findings and differences:

- Large differences between comparative groups agreeing with the approach to fees and charges were seen between Black, Asian and Minoritised Ethnic respondents (46%) and White British respondents (63%), and between respondents who were LGB+ (48%) and heterosexual (62%)
- Unpaid carers (49%) were less likely to agree than non-carers (61%)
- The biggest gap between age cohorts agreeing was 53% (35-44 year olds) and 62% (55-64)
- The oldest age cohorts of respondents (65 and above) had a lower agreement rate for the approach to fees and charges (59%) when compared with their responses to the Council Tax and Precept rises

Are Staff who may be affected by these proposals aware of them? ● No

Are Customers who may be affected by these proposals aware of them? ● No

If you have said no to either, please say why:

Notification of the 2025-26 Budget and individual savings proposals is subject to the timing and requirements of the Council's governance processes.

Initial Impact

Under the Public Sector Equality Duty we have to pay due regard to the need to:
• eliminate discrimination, harassment and victimisation
• advance equality of opportunity
• foster good relations

Identify Impacts

Identify which characteristic or interest the proposal has an impact on

[1]Protected characteristics:	[2]Other categories/interests:
● Age	● Armed Forces
● Disability	● Care Experienced
● Gender Reassignment	● Carers
● Pregnancy/Maternity	● Cohesion
● Race	● Health
● Religion/Belief	● Poverty & Financial Inclusion
● Sex	● Voluntary/Community & Faith Sectors
● Sexual Orientation	● Partners

Does the proposal have a cumulative impact? ● Yes

● Year on Year ● Community of Identity/Interest ● Geographical Area

If yes, details of impact:

The 2025-26 Revenue Budget is affected by numerous individual savings proposals, many of which have cumulative impacts:

Year-on-year:

- This includes proposals for further service reductions continuing from previous years or which are expected to have future impacts.

Across a community of identity/interest:

- This includes proposals which are exacerbated by other factors affecting the same groups of people and communities. For example, the cost-of-living crisis has particular equality impacts in relation to poverty and financial inclusion, health and wellbeing, disability, age, race and sex.
- Some proposals involve increasing fees and charges, which will have a cumulative impact on people.

Does the proposal have a specific geographical impact across Sheffield?

● No

All areas of Sheffield are affected by the Revenue Budget. Indirectly, proposals with financial

[1] Marriage & Civil Partnership is a further protected characteristic prescribed by the Equality Act 2010 – however, this applies only in respect of employment and therefore is not included for the purposes of this EIA.
[2] In addition to the protected characteristics covered by the Equality Act, Sheffield City Council also recognises other categories of inequality and impacts.

impacts will have a disproportionate impact on areas of higher deprivation. Individual proposals affecting certain local areas are considered in their own EIAs.

Local Area Committee Area(s) impacted

- All

Initial Impact Overview

As in previous years, our approach to budget savings is, where possible, to begin with areas with the least direct impact on people, and where there are opportunities to re-shape services and any ongoing investment and funding. We are seeking to continue to do this, but it has an impact on what the Council can continue to deliver.

Proposals in 2025-26 with limited expected impacts:

- A large number of savings proposals are based on maximising income from external grants and partner organisations. A further category is reducing staff costs and, where this approach is proposed, this is aimed to be achieved by minimising the impact on current staff.
- Proposals involving the above approaches are generally assessed as having no impact or limited impact on people in 2025-26. However, the development of individual EIAs, and monitoring of all proposals agreed during the year, would be required to provide continual assessment and response.

Proposals with some or high expected impacts:

- Other proposals are based around income generation, including increases in fees and charges, and these will affect people at different levels and in different ways. Increasing household costs during the ongoing cost-of-living crisis will have direct and indirect impacts.
- Reducing costs and contract prices, increasing service effectiveness and service changes will also have impacts for people.
- The full EIA that follows below considers different protected characteristics and equality groups/interests to assess where impacts may be most felt. There will be impacts for those in greatest need. The Council will need to work closely with organisations that provide expertise and representation of different interests – this includes poverty and financial inclusion, disability and race, as well as other protected characteristics quality areas.
- The development of proposals and individual EIAs need to identify ways to mitigate these impacts where possible – for example, concession schemes or supportive debt recovery measures. Monitoring of all proposals agreed during the year is also required to provide continual assessment and response.

Initial Impact Sign Off

Based on the information is a Full impact Assessment required? ● Yes

Has this been signed off by an Equality Lead Officer? ● Yes

Name of EIA lead officer Adele Robinson

Part B - Full Impact Assessment

Poverty & Financial Inclusion

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff are identified. It is initially expected that reductions in staffing levels can be achieved through delaying or reducing recruitment to vacant posts or voluntary employee schemes.

Several customer proposals are likely to have a direct or indirect financial impact, which are being explored further in individual EIAs. This mainly relates to increases in fees and charges.

Raising income by increasing fees and charges:

- This approach is being proposed across policy committees in 2025-26. It enables the Council to offset inflationary costs and to maintain and enhance services. However, asking people to pay more for services during a cost-of-living crisis will inevitably have an impact.
- Some population groups are more likely to be impacted by poverty, such as disabled people, unpaid carers, women and lone parents. Areas of higher deprivation are also more affected, and this disproportionately includes people from Black, Asian and Minoritised Ethnic communities.
- Some fees and charges may not have been raised for some time, which has helped to limit household financial burdens to some extent. However, this means that the effect of increases in 2025-26 may be felt all the more, including for people least able to afford to pay more. Wherever possible, compensatory schemes and other concessions are in place to mitigate impacts for people.
- The proposed increase in Council Tax, including the adult social care precept, to reduce the need for further budget reductions and to protect adult social care services, will have a universal impact. The council tax reduction scheme provides some mitigation, particularly for pension-age households. The hardship scheme provides additional financial support for working-age households on lower incomes.
- Other proposals would also have a general effect across the population – for example, in Communities, Parks & Leisure. Some others have more specific impacts on different protected characteristics – for example, Adult Health & Wellbeing (age and disability).
- Policy committee proposals likely to have a financial impact on people on some level include:

Adult Health & Wellbeing

- Care contributions income
- Charging and Debt Recovery
- Service efficiencies
- Peripheral Contract Spend

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families

- SEND transport
- Mandated increase in attendance fines

Waste & Street Scene

- 5.4% fees and charges increases, including Pest Control customer charges
- Bus Lane enforcement income

The proposed increase in Council Tax (including the adult social care precept) will also have an impact. Some proposals may also have the effect of enhancing individual income. Plans to support more people to live at home with more independence following stays in hospital or other care settings could enable access to benefits and other income sources:

Adult Health & Wellbeing

- Crisis accommodation
- Mental Health Enablement
- Optimised Care through Home First model
- Promoting Independence Project
- Tech Enabled Care

Education, Children & Families

- No Recourse to Public Funds – accommodation spending

Age

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff are identified at this stage. However, staff could experience additional impacts as a result of their age – for example, changes to staff teams or working arrangements that affect younger workers or older workers in different ways. Individual EIAs will need to assess this and identify mitigations. The Employee Equality Network also helps to provide staff with a voice and support.

Customer impacts are identified and explored in individual EIAs. Some proposals are likely to impact in relation to people's disability, either directly or indirectly. Notwithstanding any concessions that may be available, increases in fees and charges could affect older people disproportionately because of lower-than-average earnings and increased costs/bills associated with older age. Younger people and working-age people on lower incomes may also be affected.

Proposals that potentially have an impact include:

Adult Health & Social Care (older people and/or working-age people)

- Care contributions income
- Charging and Debt Recovery
- Continuing Healthcare and Joint Packages of Care
- Crisis accommodation
- Mental Health Enablement
- Optimised Care through Home First model
- Peripheral Contract Spend
- Promoting Independence Project
- Service Efficiencies
- Tech Enabled Care

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families

- No Recourse to Public Funds – accommodation spending
- SEND Transport
- Secure Accommodation – Development to 12 Beds (Aldine House)
- Post 16 Home to School Transport
- Mandated Increase in Attendance Fines
- Review of Services to Schools
- In-House Supported Accommodation Project

Waste & Street Scene

- 5.4% fees and charges increase, including Pest Control customer charges

The proposed increase in Council Tax (including the adult social care precept) will also have an impact.

Disability

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff are identified at this stage. However, staff could experience additional impacts as a result of a disability – for example, changes to staff teams or working arrangements that affect younger workers with different disabilities in different ways. Individual EIAs will need to assess this and identify mitigations. The Employee Equality Network also helps to provide staff with a voice and support.

Customer impacts are identified and explored in individual EIAs. Some proposals are likely to impact in relation to people's disability, either directly or indirectly. Increases in fees and charges could affect disabled people disproportionately because of lower-than-average earnings and increased costs/bills associated with disability, notwithstanding any concessions that may be available.

Proposals that potentially have an impact include:

Adult Health & Social Care (including older people who may also have a condition classified as a disability)

- Care contributions income
- Charging and Debt Recovery
- Continuing Healthcare and Joint Packages of Care
- Crisis accommodation
- Mental Health Enablement
- Optimised Care through Home First model
- Peripheral Contract Spend
- Promoting Independence Project
- Service Efficiencies
- Tech Enabled Care

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families

- SEND Transport
- Secure Accommodation – Development to 12 Beds (Aldine House)
- Post 16 Home to School Transport
- Mandated Increase in Attendance Fines

Waste & Street Scene

- 5.4% fees and charges increase, including Pest Control customer charges

The proposed increase in Council Tax (including the adult social care precept) will also have an impact.

Health

Does the Proposal have a significant impact on health and well-being? ● Yes

Staff ○ No
Customers ● Yes

No specific impacts on Council staff are identified at this stage. However, staff could experience additional impacts as a result of their condition – for example, changes to staff teams or working arrangements that affect workers with different conditions in different ways. Individual EIAs will need to assess this and identify mitigations. The Employee Equality Network also helps to provide staff with a voice and support.

Although it is initially expected that reductions in staffing levels can be achieved through deletion of vacant posts and voluntary employee schemes, the effects of introducing formal schemes and/or reducing capacity can be a source of stress and anxiety for employees. Resources including the Employee Assistance Programme and Mental Health Support Service will need to be made available to employees.

Customer impacts are identified and explored in individual EIAs. Some proposals are likely to impact in relation to people's health conditions, either directly or indirectly. Notwithstanding any concessions that may be available, increases in fees and charges could affect people in poor health disproportionately because of lower-than-average earnings and increased costs/bills associated with their condition.

Proposals that potentially have an impact include:

Adult Health & Social Care (including older people who may also have a condition classified as a disability)

- Care contributions income
- Charging and Debt Recovery
- Continuing Healthcare and Joint Packages of Care
- Crisis accommodation
- Mental Health Enablement
- Optimised Care through Home First model
- Peripheral Contract Spend
- Promoting Independence Project
- Service Efficiencies
- Tech Enabled Care

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families

- SEND Transport
- Secure Accommodation – Development to 12 Beds (Aldine House)
- Post 16 Home to School Transport

- Mandated Increase in Attendance Fines

Waste & Street Scene

- 5.4% fees and charges increase, including Pest Control customer charges

The proposed increase in Council Tax (including the adult social care precept) will also have an impact.

Race

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff are identified at this stage. However, staff could experience additional impacts as a result of their race or ethnicity. Individual EIAs will need to assess this and identify mitigations. The Employee Equality Network also helps to provide staff with a voice and support.

Customer impacts are identified and explored in individual EIAs. Some proposals may have impacts relating to race, either directly or indirectly. This includes proposals to increase in fees and charges – people from Black, Asian and Minoritised Ethnic communities, in very general terms, disproportionately may have lower-than-average earnings and higher risk of not accessing some services:

Adult Health & Wellbeing

- Care contributions income
- Crisis accommodation
- Mental Health Enablement
- Promoting Independence Project

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families

- SEND transport
- Post 16 Home to School Transport
- Mandated increase in attendance fines
- No Recourse to Public Funds – accommodation spending

The proposed increase in Council Tax (including the adult social care precept) will also have an impact.

Sex

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff are identified at this stage. However, staff could experience additional impacts as a result of their sex – for example, changes to staff teams or working arrangements that affect women differently to men. Individual EIAs will need to assess this and identify mitigations. The Employee Equality Network also helps to provide staff with a voice and support.

Customer impacts are identified and explored in individual EIAs. Many proposals may have impacts relating to sex, either directly or indirectly. This includes proposals that have an impact on income, household budget-management or caring responsibilities, which have a disproportionate impact on women:

Adult Health & Social Care (including older people who may also have a condition classified as a disability)

- Care contributions income
- Continuing Healthcare and Joint Packages of Care
- Crisis accommodation
- Optimised Care through Home First model
- Peripheral Contract Spend
- Service Efficiencies
- Tech Enabled Care

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families

- SEND Transport
- Post 16 Home to School Transport
- Mandated Increase in Attendance Fines

Waste & Street Scene

- 5.4% fees and charges increase, including Pest Control customer charges

The proposed increase in Council Tax (including the adult social care precept) will also have an impact.

Carers

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff are identified at this stage. However, staff could experience additional impacts as a result of their caring responsibilities – for example, changes to staff teams or working arrangements. Individual EIAs will need to assess this and identify mitigations. The Employee Equality Network also helps to provide staff with a voice and support.

Customer impacts are identified and explored in individual EIAs. Some proposals are likely to impact in relation to people's unpaid caring responsibilities, either directly or indirectly. Notwithstanding any concessions that may be available, increases in fees and charges could affect carers disproportionately because of lower-than-average earnings and increased costs/bills associated with their caring responsibilities and/or with the people they care for.

Proposals that potentially have an impact include:

Adult Health & Social Care (including older people who may also have a condition classified as a disability)

- Care contributions income
- Charging and Debt Recovery
- Crisis accommodation
- Mental Health Enablement
- Optimised Care through Home First model
- Peripheral Contract Spend
- Promoting Independence Project
- Service Efficiencies
- Tech Enabled Care

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families

- SEND Transport
- Secure Accommodation – Development to 12 Beds (Aldine House)
- Post 16 Home to School Transport
- Mandated Increase in Attendance Fines

Waste & Street Scene

- 5.4% fees and charges increase, including Pest Control customer charges

The proposed increase in Council Tax (including the adult social care precept) will also have an impact.

Sexual Orientation

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff are identified at this stage. However, staff could experience additional impacts as a result of their sexual orientation. Individual EIAs will need to assess this and identify mitigations. The Employee Equality Network also helps to provide staff with a voice and support.

Customer impacts are identified and explored in individual EIAs. Some proposals may have impacts relating to sexual orientation, either directly or indirectly. In very general terms, studies have highlighted that people from LGB+ communities can have lower than average levels of earnings/income and health and wellbeing.

Proposals that potentially have an impact include:

Adult Health & Wellbeing

- Care contributions income
- Charging and Debt Recovery
- Crisis accommodation
- Mental Health Enablement
- Peripheral Contract Spend
- Promoting Independence Project
- Service Efficiencies

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families

- Mandated increase in attendance fines

The proposed increase in Council Tax (including the adult social care precept) will also have an impact.

Gender Reassignment

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff are identified at this stage. However, staff could experience additional impacts as a result of their gender identity. Individual EIAs will need to assess this and identify mitigations. The Employee Equality Network also helps to provide staff with a voice and support.

Customer impacts are identified and explored in individual EIAs. Some proposals may have impacts relating to sexual orientation, either directly or indirectly. In very general terms, studies have highlighted that transgender people can have lower than average levels of earnings/income and health and wellbeing.

Proposals that potentially have an impact include:

Adult Health & Wellbeing
- Care contributions income
- Charging and Debt Recovery
- Crisis accommodation
- Mental Health Enablement
- Peripheral Contract Spend
- Promoting Independence Project
- Service Efficiencies

Communities, Parks & Leisure
- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families
- Mandated increase in attendance fines

The proposed increase in Council Tax (including the adult social care precept) will also have an impact.

Pregnancy/Maternity

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff are identified at this stage. However, staff could experience additional impacts as a result of pregnancy or maternity – for example, changes to staff teams or working arrangements. Individual EIAs will need to assess this and identify mitigations. The Employee Equality Network also helps to provide staff with a voice and support.

Customer impacts are identified and explored in individual EIAs. Some proposals may affect women who are pregnant or new mothers, either directly or indirectly. Factors including maternity costs, reduced earnings and/or single parenthood, could all have an exacerbating affect:

Adult Health & Social Care
- Crisis accommodation

Communities, Parks & Leisure
- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families
- SEND Transport
- Post 16 Home to School Transport
- Mandated Increase in Attendance Fines

Waste & Street Scene

- 5.4% fees and charges increase, including Pest Control customer charges

The proposed increase in Council Tax (including the adult social care precept) will also have an impact.

Religion/Belief

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff are identified at this stage. However, staff could experience additional impacts as a result of religion or belief (or none) – for example, changes to staff teams or working arrangements. Individual EIAs will need to assess this and identify mitigations. The Employee Equality Network also helps to provide staff with a voice and support.

Customer impacts are identified and explored in individual EIAs. Some proposals are likely to affect people on grounds of religion or belief, either directly or indirectly. These include proposals impacting community inclusion:

Adult Health & Wellbeing

- Crisis accommodation
- Mental Health Enablement
- Promoting Independence Project

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families

- Mandated increase in attendance fines
- No Recourse to Public Funds – accommodation spending

Cohesion

Staff ○ No
Customers ● Yes

No specific impacts on Council staff. Customer impacts are identified and explored in individual EIAs. Some proposals may affect cohesion, either directly or indirectly, including:

Adult Health & Wellbeing

- Crisis accommodation
- Mental Health Enablement
- Promoting Independence Project

Education, Children & Families

- No Recourse to Public Funds – accommodation spending

Voluntary, Community & Faith sectors

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff. Customer impacts are identified and explored in individual EIAs. Some proposals are likely to affect the organisations in the VCF sector, either directly or indirectly, including some proposals that may have a financial impact on people or increased demand within the VCF sector, including:

Adult Health & Social Care (older people and/or working-age people)

- Crisis accommodation
- Mental Health Enablement
- Peripheral Contract Spend
- Promoting Independence Project
- Service Efficiencies

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families

- No Recourse to Public Funds – accommodation spending
- SEND Transport
- Post 16 Home to School Transport

Waste & Street Scene

- 5.4% fees and charges increase, including Pest Control customer charges

Armed Forces

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff. Customer impacts are identified and explored in individual EIAs. Some proposals may have indirect impacts on serving or ex members of the forces. More work needs to be done across the Council to improve customer monitoring for this population group. However, in very general terms, veterans may have lower than average levels of earnings/income and health and wellbeing. Some proposals may be more likely to have an impact, including:

Adult Health & Social Care

- Crisis accommodation
- Mental Health Enablement
- Promoting Independence Project

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

The proposed increase in Council Tax (including the adult social care precept) may also have an impact.

Care Experienced

Impact on Staff ○ No
Impact on Customers ● Yes

No specific impacts on Council staff. Customer impacts are identified and explored in individual EIAs. This category of inequality relates to people's experience of children's care services – either in the present or as a recent or previous experience, which may have a longer-term impact. In very general terms, children, young people and adults with this experience may have lower health and wellbeing and lower levels of income. Some proposals may have impacts relating to care experience, either directly or indirectly, which include:

Adult Health & Social Care (older people and/or working-age people)

- Crisis accommodation
- Mental Health Enablement
- Peripheral Contract Spend
- Promoting Independence Project

Communities, Parks & Leisure

- 5% increases in sales, fees and charges affecting bereavement services, library services and parks and countryside services

Education, Children & Families

- In-House Supported Accommodation Project
- SEND Transport
- Secure Accommodation – Development to 12 Beds (Aldine House)
- Post 16 Home to School Transport
- Mandated Increase in Attendance Fines

Waste & Street Scene

- 5.4% fees and charges increase, including Pest Control customer charges

The proposed increase in Council Tax (including the adult social care precept) will also have an impact.

Partners

Potential effects of the proposals on partner organisations are identified in individual EIAs. These are likely to include:

- Providers of social care and/or accommodation services, and NHS organisations (Adult Health & Social Care)
- Independent traders and leisure providers (Communities Parks & Leisure)
- Organisations paying business rates (Economic Development & Skills)
- Schools, transport providers and accommodation providers (Education, Children & Families)
- Bus companies (Waste & Street Scene)
- Organisations subject to fees (Waste & Street Scene)

Action Plan and Supporting Evidence

What actions do you need to take following this EIA?

Feedback from the consultation will be analysed and used to inform final decision-making in relation to the 2025-26 Revenue Budget.

This EIA will be reviewed and updated to reflect the final decision. The detail of further equality analysis and development will take place through individual EIAs.

What evidence have you used to support the info in the EIA?

- Ongoing analysis which is informing individual proposals
- Sheffield City Council workforce profile data
- External sources of data of Sheffield, including 2021 Census data

Detail any changes made as a result of the EIA

The impact and changes as a result of EIAs are more likely to be demonstrated in the individual EIAs which sit beneath this overarching document.

Following mitigation is there still significant risk of impact on a protected characteristic?

● Yes ○ No

People living in poverty and financial hardship

Sign Off

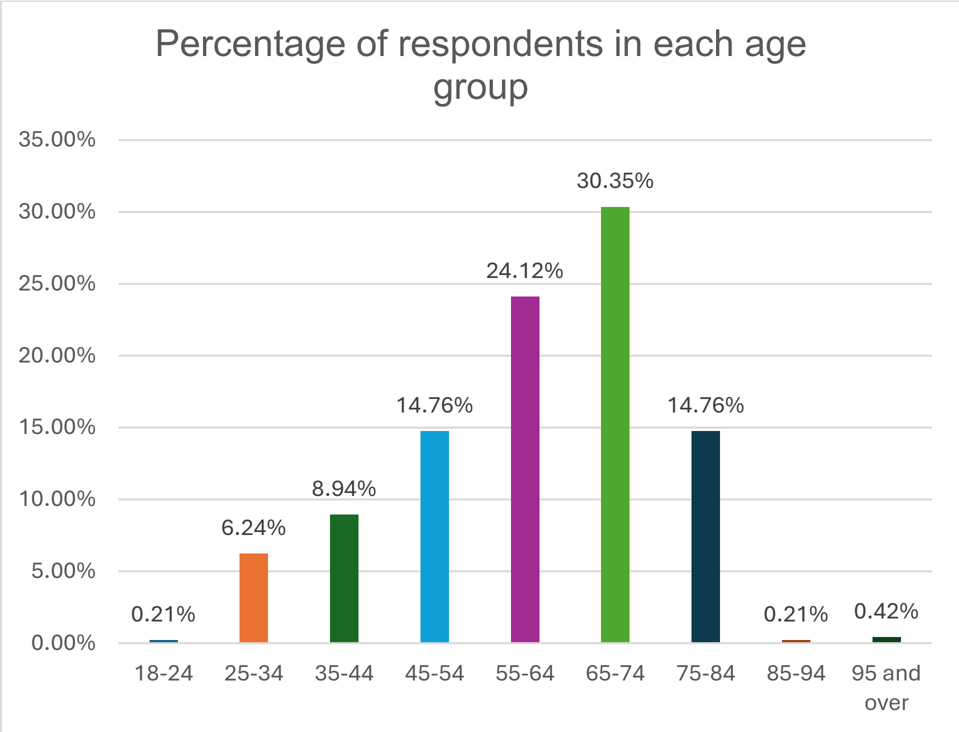
EIAs must be signed off by an Equality lead Officer. Has this been signed off? ● Yes ○ No

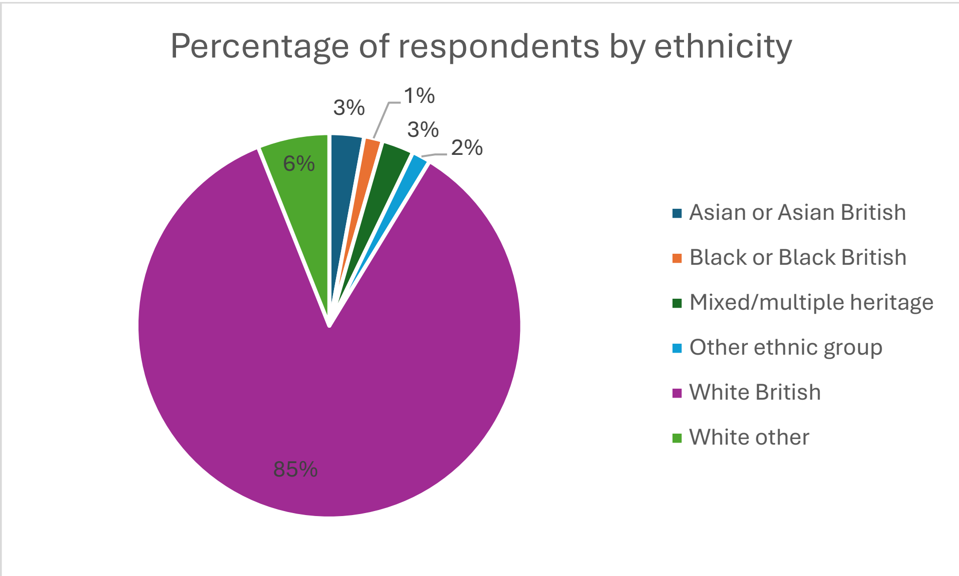
Name of EIA lead Officer Adele Robinson

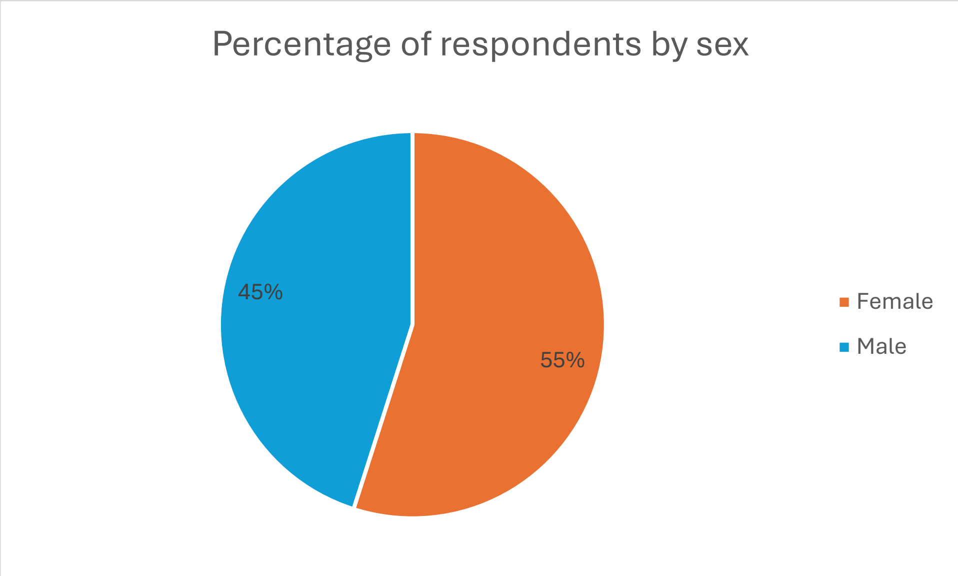
Review Date 15.04.25

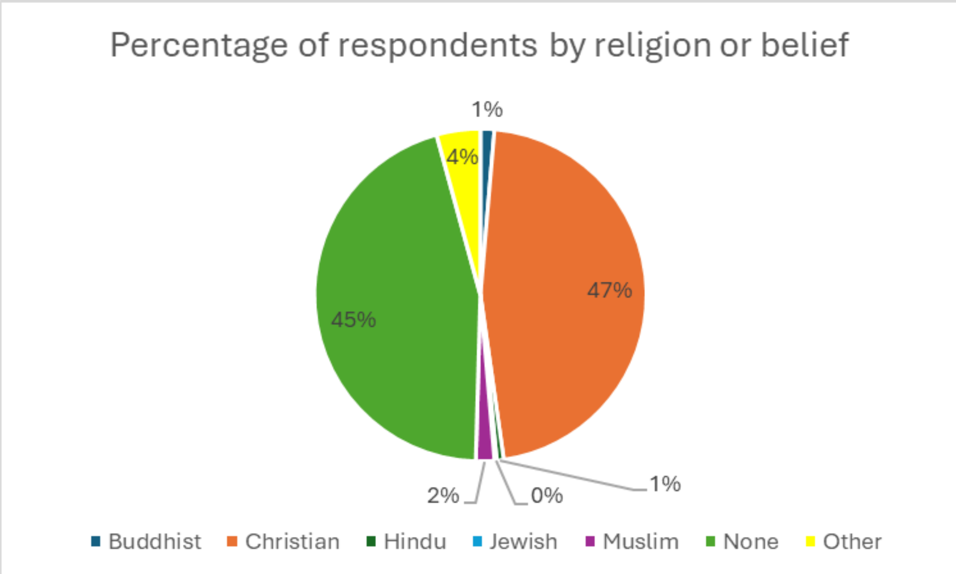
ANNEX A

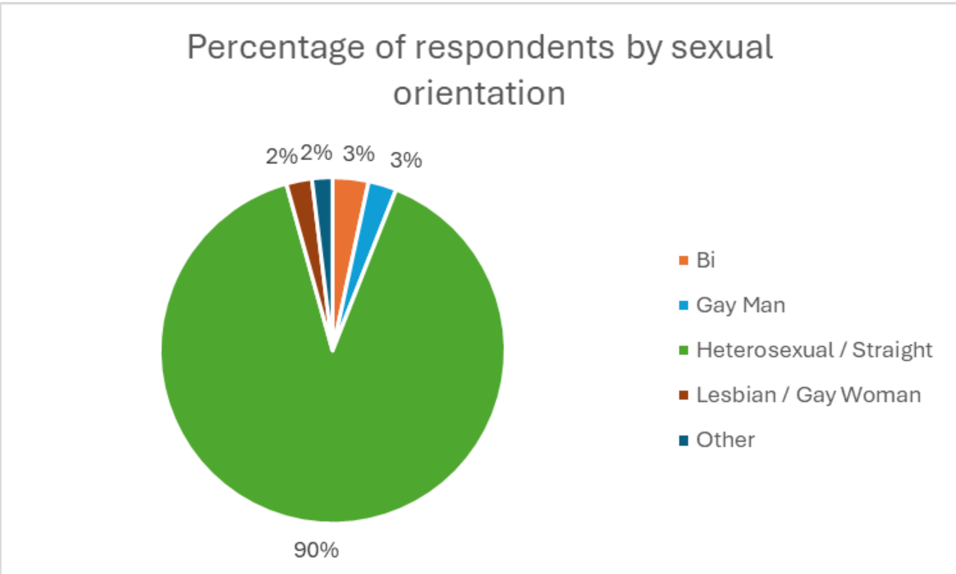
Equality profile of 2025-26 Budget consultation respondents

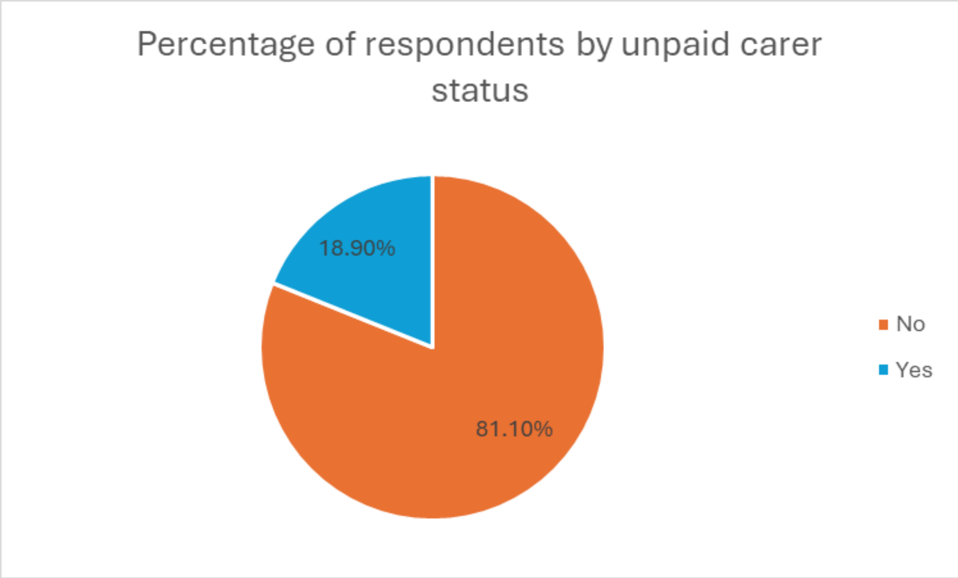


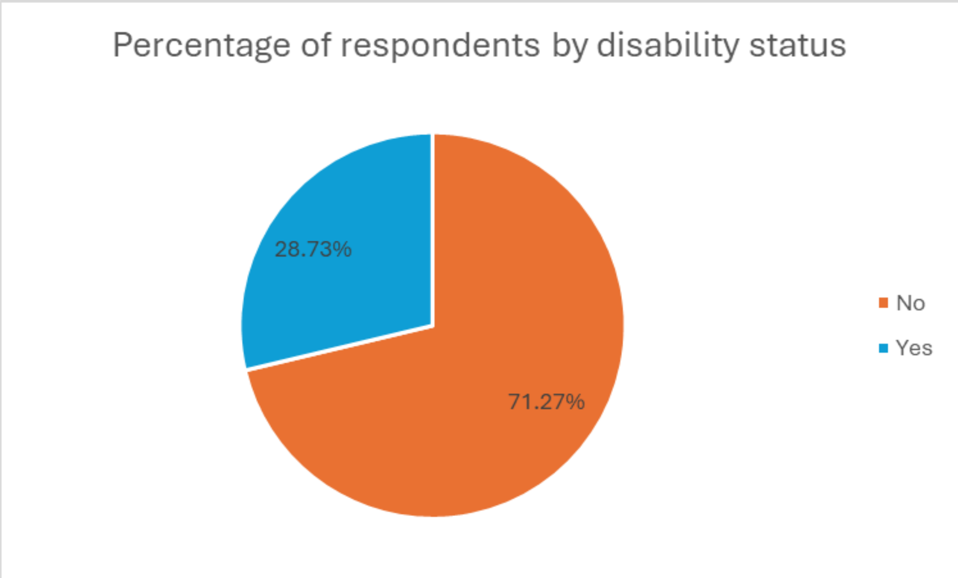



Percentage of respondents by sex
45%
55%
Female
Male


Percentage of respondents by religion or belief
1%
4%
47%
45%
2%
0%
1%
Buddhist
Christian
Hindu
Jewish
Muslim
None
Other


Percentage of respondents by sexual orientation
2%
2%
3%
3%
90%
Bi
Gay Man
Heterosexual / Straight
Lesbian / Gay Woman
Other


Percentage of respondents by unpaid carer status
18.90%
81.10%
No
Yes


Percentage of respondents by disability status
28.73%
71.27%
No
Yes

ANNEX B

2025-26 Revenue Budget savings proposals and Equality Impact Assessment references

ID	Saving proposal	EIA
1003	5.4% increase in Pest Control customer charges	2869
1004	Highways Records fee increase	2595
1005	Increase of charges to contribute to traffic management objectives	3045
1006	Bus Lane enforcement income for environmental improvement in the city centre	2302
1011	Review of Services to Schools	2992
1012	In-House Supported Accommodation Project	2995
1013	No Recourse to Public Funds – Accommodation Spending	2993
1017	Annual Contribution Uplift	3026
1018	Charging and Debt Recovery	3021
1019	Income Generation – practice development team	3022
1020	Continuing Healthcare and Joint Packages of Care	3023
1021	Section 117 Funding Agreement	3024
1022	Review of non-framework fee rates	3003
1023	Tech Enabled Care – learning disability services	3007
1024	Tech Enabled Care – older people services	2263
1025	Optimised Care through Home First model	3008
1026	Peripheral Contract Spend	3015
1028	Promoting Independence Project	3014
1029	Mental Health Enablement	3009
1030	Value for Money on complex residential care	3010
1031	Crisis accommodation	3011
1032	Payment Controls	3012
1033	Direct Payments	2412
1034	Service Efficiencies	3013
1035	Inflationary increase on Yorkshire Water contract	2943
1043	SEND Transport	2889
1044	Secure Accommodation – Development to 12 Beds (Aldine House)	2990
1057	Adjustment to business rates for co-delivered libraries	3046
1058	Parks & Countryside Services 5% sales, fees and charges increase	2101
1059	Libraries, Archives & Information Services 5% sales, fees and charges increase	2542
1060	Bereavement & Coronial Services 5% sales, fees and charges increase	2512
1061	Reprofiling of pre purchased graves income to offset in year pressures	3048
1062	Fees and Charges Increase 5.4%	2595
1063	PIP Outcome Payments Reversing Out	3002
1064	Care contributions income	3026
1075	Post 16 Home to School Transport	2996
1076	Mandated Increase in Attendance Fines.	2991
1079	Additional MSIF grant to support workforce development team	3016
1080	Additional MSIF grant	3016
1086	Social Care Grant (Adult Health & Social Care)	3016
1087	Social Care Grant (Education, Children & Families)	3041
1088	Children's Services Prevention Grant	3041
1089	Streets Ahead Contract Savings	3051

Tax Strategy

Introduction

Whilst not statutory, it is good practice for the Council to have a strategy for managing its tax affairs	The Tax Strategy of Sheffield City Council sets out the overall framework for the Council's management of its tax affairs, including compliance, policies and procedures, tax risk, tax planning and relationship with the tax authorities. The Council is a Local Government body. It is exempt from Corporation Tax and is a Section 33 Body under the VAT Act 1994, which entitles it to recover VAT attributable to non-business activities and to exempt business activities, providing this is an insignificant proportion of the total tax incurred. Whilst not required to publish its Tax Strategy, the Council chooses to do so, as it wishes to demonstrate transparency in its commitment to managing its tax affairs, taking into consideration its public purpose and balancing the interests of its stakeholders. This strategy will be reviewed on an annual basis and presented to the Director of Finance and Commercial Services for approval.

Governance

The Council has a governance framework which should minimise the tax risk.	The Council's governance framework and overall management of tax risk is the responsibility of the Director of Finance and Commercial Services. The Council's governance framework comprises the systems, processes and values by which the Council is directed. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically. Specific controls and procedures are in place at an operational level, to ensure compliance with relevant tax legislation and to mitigate tax risk.

	Internal Audit provide an independent assurance that underpins good governance. Internal Audit are required to undertake an effective internal audit to evaluate the effectiveness of its risk management, internal control and corporate governance processes.

Overriding Principles

We will manage our tax affairs efficiently and will follow the letter and spirit of the law.	In line with the Council's governance framework and consistent with its wider values, the Council is committed to being fully compliant with all tax laws, rules and regulations. It will conduct its tax affairs in an open, honest and timely fashion. The Council will not seek to gain a tax advantage through tax avoidance but will seek to manage its tax affairs in an efficient manner, whilst following both the letter and the spirit of the law. In order to achieve this, the Council undertakes to: • Take all reasonable steps to ensure that it is fully compliant with tax legislation and pays the right amount of tax at the right time. • Lead by example and demonstrate good practice in our tax conduct across our activities. • Ensure that all tax returns to HMRC shall be completed accurately and in a timely manner within the defined timescales established by HMRC. • Maintain an open, honest, and collaborative relationship with HMRC. • Respond to all queries and enquiries in a timely fashion. • Where the correct tax treatment is ambiguous and where it is appropriate to do so, take the appropriate external advice and act in accordance with that advice, making disclosures to the tax authorities as appropriate. Where there are potential financial implications, these will be reported back to Finance and Performance Policy Committee. • In cases of dispute, act transparently and fairly, aiming to resolve the dispute in a manner that preserves good working relationships.

Management of Tax Risk

There are three broad categories of tax risk which are impossible to completely eliminate.	Tax risk falls into three broad categories: Compliance Risk • Procedures or processes are deficient in ensuring that the right amount of tax is paid at the right time. Transactional Risk

- Transactions are entered into without fully considering and evaluating the immediate or wider tax implications.

Reputational Risk

- The wider damage that risks may have on the Council's relationship with its stakeholders, including the tax authorities, staff, and the general public.

It is impossible to completely eliminate tax risk in an organisation of this size and complexity. With careful management, the incidence and impact of tax risks can be significantly reduced.

Policies and Procedures

The Council has established policies and procedures to ensure effective tax management.	The Council has a number of policies and procedures covering various aspects of its financial management. All such policies and procedures are formulated to ensure that the Council is fully compliant with its tax obligations. Such procedures are subject to regular review to ensure that they are, and remain, fit for purpose. These policies and procedures are detailed within the Financial Regulations (Link to be amended when Full Council agenda published) and are reviewed on an annual basis The Council has regular support from its external tax advisor PricewaterhouseCoopers, which includes access to a fast response helpline, as well as regular VAT and Employment Taxes Forums for Local Government. For large, complex or unusual transactions the Council will engage additional specialist legal and tax advice when required, to ensure that the tax implications are identified and fully considered before approval is given. Sheffield City Council has engaged the services of PricewaterhouseCoopers to assist in specialist advice. Sheffield City Council recognises fraud is extremely difficult to eliminate even in a low-risk environment. To tackle this, all middle managers and above are required to do mandatory Fraud prevention training which is reviewed on a regular basis to ensure that it is relevant, appropriate and comprehensive.

Attitude to Tax Planning and Tax Risk

The Council has a low-risk attitude to tax planning and risk	The Council will claim such reliefs and incentives as it is properly entitled to and will take reasonable steps to minimise its tax liabilities, where it is appropriate and responsible to do so. The Council has a low risk appetite in relation to tax matters and does not use artificial tax structures or undertake

	transactions whose sole purpose is to create an abusive tax result. When evaluating tax planning the Council's reputation and corporate and social responsibilities are always considered. As a Council we will not use offshore vehicles for the purchase of land and property to reduce stamp duty payments. We are committed to ethical procurement within Sheffield City Council and will use our spending power to drive ethical standards and social outcomes with our procurement.

Corporate Criminal Offence (CCO)

The CCO legislation is designed to prevent tax evasion	The Criminal Finances Act 2017 introduced new corporate criminal offences of failing to prevent facilitation of UK and foreign tax evasion. These new offences came into effect in on September 30, 2017. Sheffield City Council has numerous policies and processes in place to protect against CCO. There are procurement and purchasing policies such as the Financial Regulations and standing orders as well as other organisational policies such as the Officers Code of Conduct. Sheffield City Council and its appropriate officers will take all reasonable precautions to prevent the facilitation of UK and foreign tax evasion and will report where necessary to the appropriate authorities.

Relationship with Tax Authorities.

We will be open, honest and transparent in all dealings with HMRC	The Council is transparent about its approach to tax and where it is appropriate to do so will discuss the interpretation of tax legislation with HMRC, in real-time, particularly where the tax treatment is unclear. HMRC will be kept up to date regarding major changes or transactions within the business, so that any potential tax risks can be addressed at an early stage.

Monitoring and Review

The strategy will be reviewed on an annual basis.	The Tax Strategy is subject to annual review by Officers and submitted to the Director of Finance and Commercial Services when a significant change in policy is proposed. Regular Internal and External Audits of all systems and policies takes place. Improvements to policies and procedures are made where necessary. This document will be reviewed in line with the financial regulations and published as part of the annual budget process.

Sheffield City Council 2025-26 Budget Consultation

People responding to the consultation

1. The consultation took place between 21 December 2024 and 19 January 2025 and covered next year's Budget. It centred around an online survey.

2. Figures showed that:
   - 1,555 people were aware of the survey (made at least one single visit to the site),
   - 975 people became informed about the survey (e.g. viewed the video and/or clicked on the survey), and
   - 495 submissions were received, and
   - 484 people engaged[1] in the survey.

3. An equality profile of respondents is shown at the end of the report. This shows that the consultation was particularly successful at reaching older age groups, (around a third of respondents were aged 65 to 74) but less so for younger age groups and particularly those under 25. Only a single respondent reported their gender identity as differing from the sex assigned at birth. Several people who identified as having a disability responded, and a range of disabilities was represented within this group.

4. Organisations were able to send their own submissions through if they wished. Specific engagement sessions were arranged with organisations from the voluntary, community and faith sector and members of Sheffield Chamber of Commerce.

5. The questions covered the:
   - Budget management approach
   - Council Plan outcome spending priorities
   - Proposals to increase Council Tax to reduce the need for further budget reductions and to protect adult social care services, and
   - approach to fees and charges.

Council Plan outcome spending priorities

6. A majority of respondents either fully agreed or mostly agreed with each Council Plan outcome's spending priorities – agreement varied from between just under three in five for our approach to making it happen through the Future Sheffield Programme and our use of strategic enabling services, and nearly three-quarters for aligning and focusing our budget on the commitments that we made in the Council Plan to deliver them for the city.

7. The proportion of respondents who either fully disagreed or mostly disagreed varied from just over one in four (making it happen through the Future Sheffield Programme and our use of strategic enabling services) to around one in eight (moving to a priority-led budget).

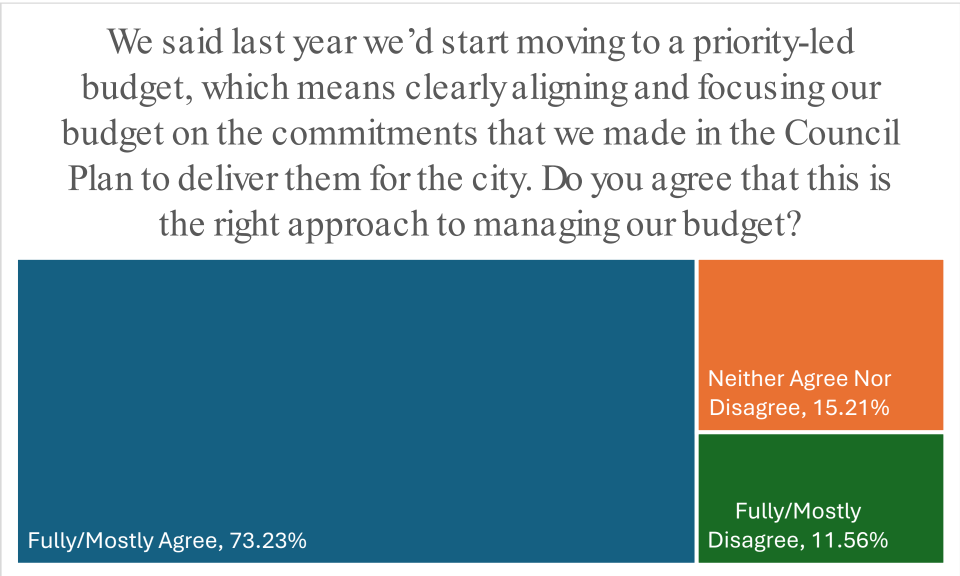
8. For all Council Plan outcome spending priorities, a relatively high minority (over one in ten) of respondents said they either didn't know if they agreed with the spending priorities or neither agreed nor disagreed. Feedback comments suggested this was partly due to some

[1] The survey platform records separate figures for the number of people who have participated and who have submitted a response. This could be multiple people have submitted a response on a shared device.

respondents seeking more detail, while others felt the information provided was too vague and general to make a judgement.

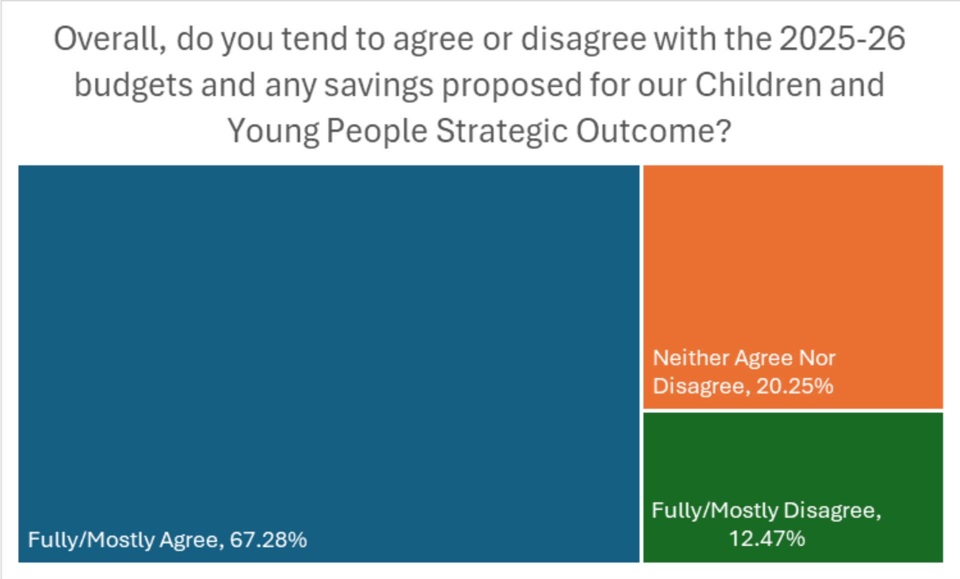
9. The format of the survey may have influenced the responses. Common themes of comments included but were not limited to
    - Anti-social behaviour, crime, and community safety
    - Community development
    - Regeneration, transport and accommodation
    - Economic opportunities, including education and skills development
    - Loneliness and mental health
    - Parks, green spaces and city heritage
    - The local environment and the city centre
    - Spending money on short-term preventative measures to save money long-term
    - High-quality Council services and Council collaboration in partnership working
    - Publicly available data and visible performance monitoring
    - Keeping services available (despite budget pressures)
    - Making services accessible to all across the city – particularly the most vulnerable and most in-need
    - Value for money, efficiency and cost-effective Council structures
    - Staff training and tools to carry out roles effectively
    - Youth work and young people, diversity and cultural offerings

10. Budget management approach



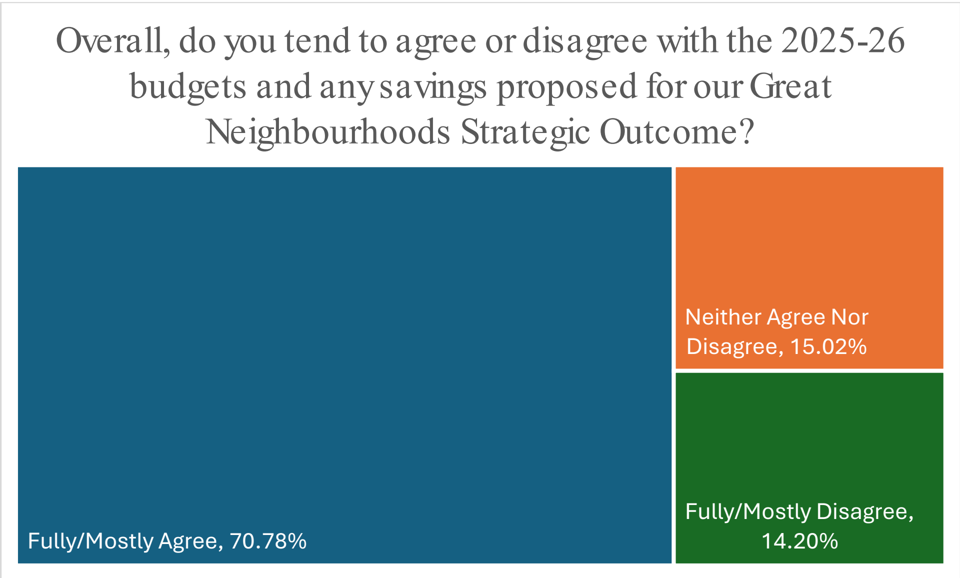
- Almost three quarters of people agreed with the budget management approach. There were a lot of comments about what people would like to see in our strategic outcomes, including:
- Improving public transport, pedestrian safety, and maintaining roads for those who use cars,
- Making sure services including education/training, social care, and SEND provision are available to the city's residents across all backgrounds and localities,
- Supporting the city to have more affordable housing that is both suitable for different demographics and are environmentally sustainable.

11. Children and Young People



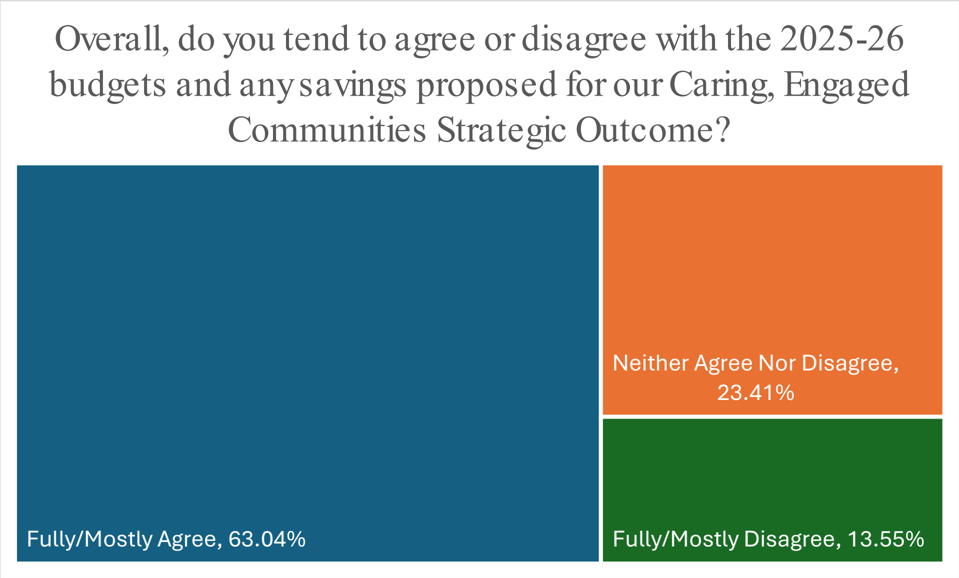
- 67% of respondents agreed with the Children and Young People Strategic Outcome approach.
- Comments included a desire for services to be accessible across different areas of the city for children and young people with disabilities and those who require SEND support.

12. Great Neighbourhoods



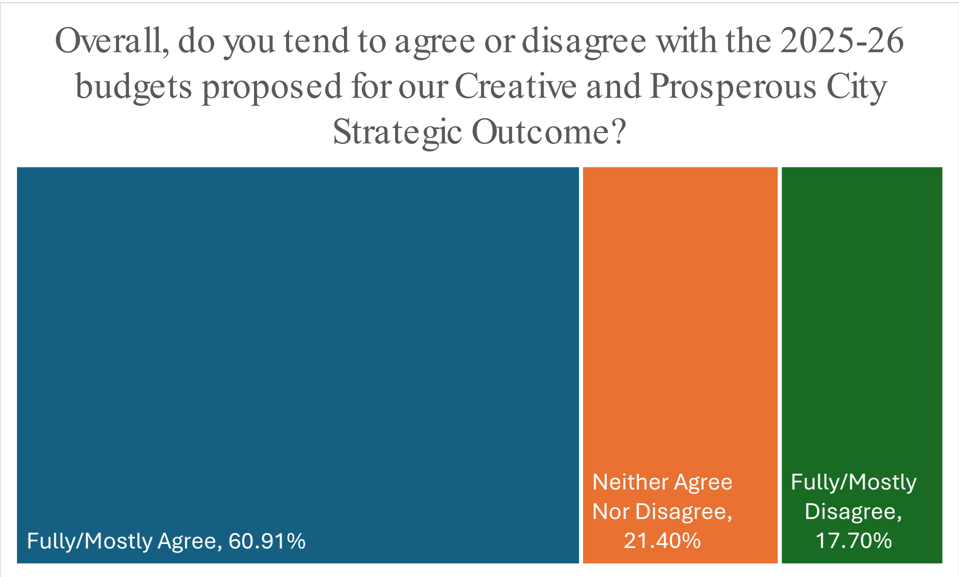
- 71% supported the Great Neighbourhoods Strategic Outcome approach.
- Respondents valued a clean environment and their parks and green spaces. People were keen there was attention to all parts of the city and also highlighted the importance of the council working alongside communities.
- The importance of the council working alongside the community was put forward by respondents.

13. Caring, Engaged Communities



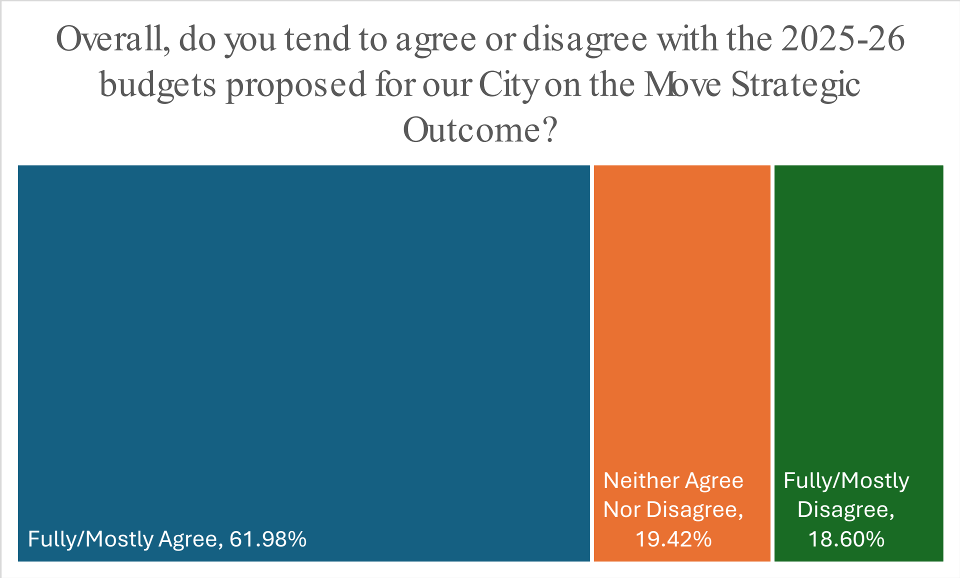
- 63% supported the Caring, Engaged Communities Strategic Outcome approach.
- Respondents wanted to make sure there was good value for money, with minimal waste and inefficiency. There was a desire for social care and the council to engage with the community sector in an inclusive manner.

14. Creative and Prosperous City



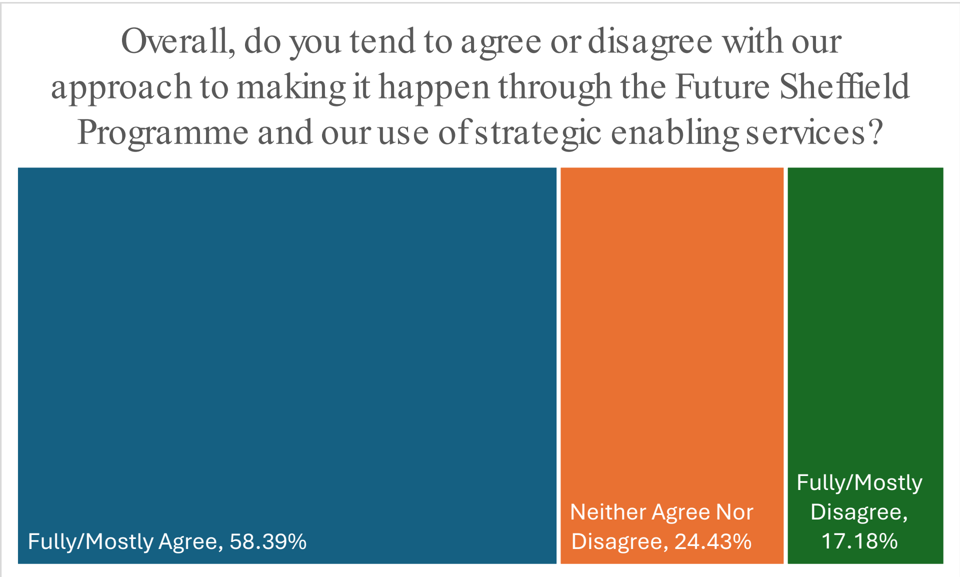
- 61% supported the Creative and Prosperous City Strategic Outcome approach.
- Respondents were keen that all areas of the city have economic development. People wanted the city centre to have a balance of different offerings, such as retail, food and entertainment.
- Other comments covered areas including public parking, cycle lanes and public transport routes to the city centre. People also expressed a desire for the council to offer business support to local organisations and independents.

15. City on the Move



- 62% supported the City on the Move Strategic Outcome approach.
- Respondents were keen to see an improvement to transport and environmental sustainability. Many responses made comments, including some concerns, about various aspects of transport, including the quality of tram and bus services, a lack of integration in the public transportation system and the Clean Air Zone.
- Some people questioned how affordable the net zero agenda is for the council's finances, but others were very happy to see us perusing this area.
- Respondents wanted to see more affordable accommodation, different types of new accommodation and energy efficiency in new homes as well as existing ones.

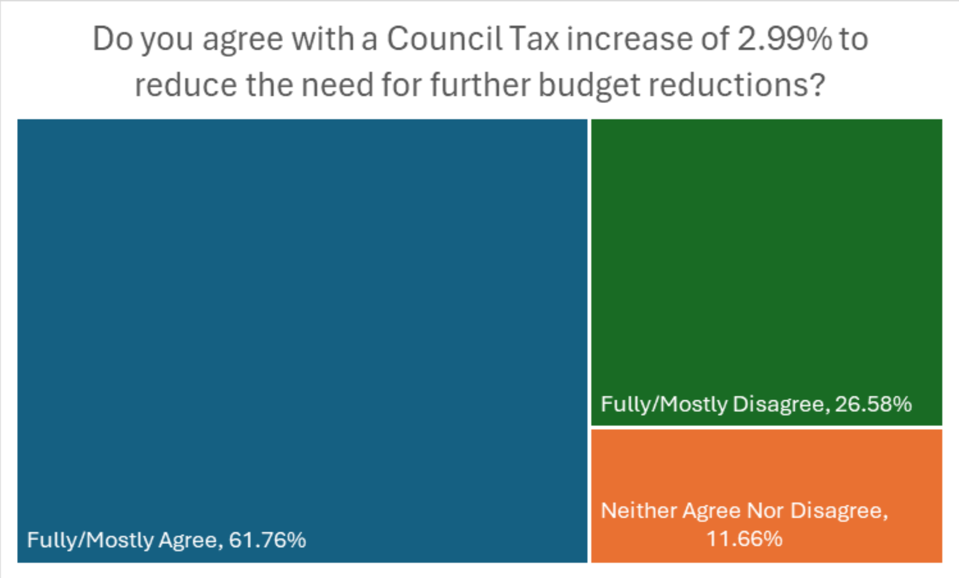
16. Future Sheffield Programme and Strategic Enabling Services



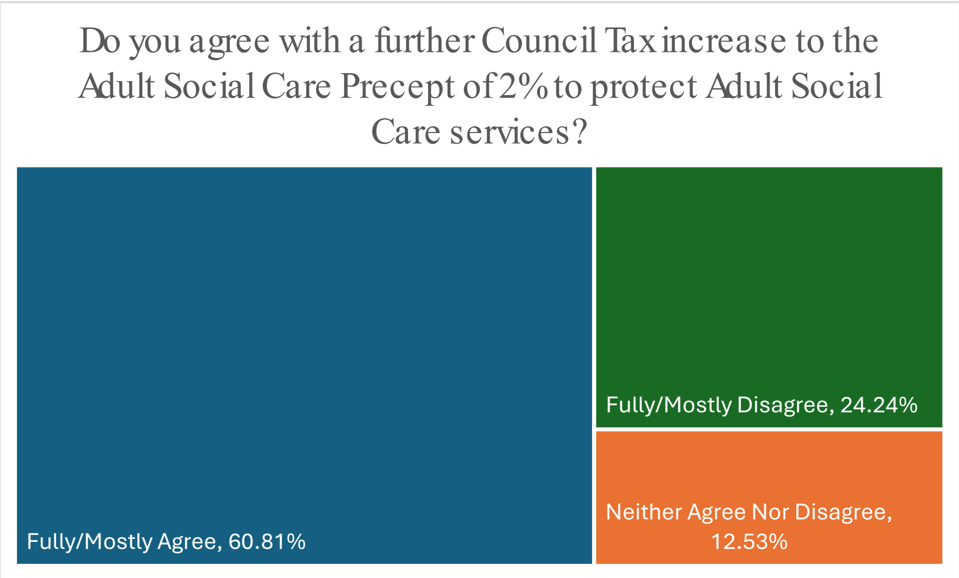
- 58% supported the proposal, with a quarter neither agreeing or disagreeing and around a sixth of people opposing these proposals.
- Comments showed a range of opinions on the quality of the service council offers. These included the need to invest in IT, making sure staff have the appropriate tools and skills to carry out their job effectively, financial monitoring and transparency.
- Many comments spoke about the need to keep services accessible to those who do not use IT.

Council Tax and Adult Social Care Precept

17. Council Tax increase



- 62% agreed with Council Tax increase to reduce the need for further budget reductions, around a quarter disagreed.

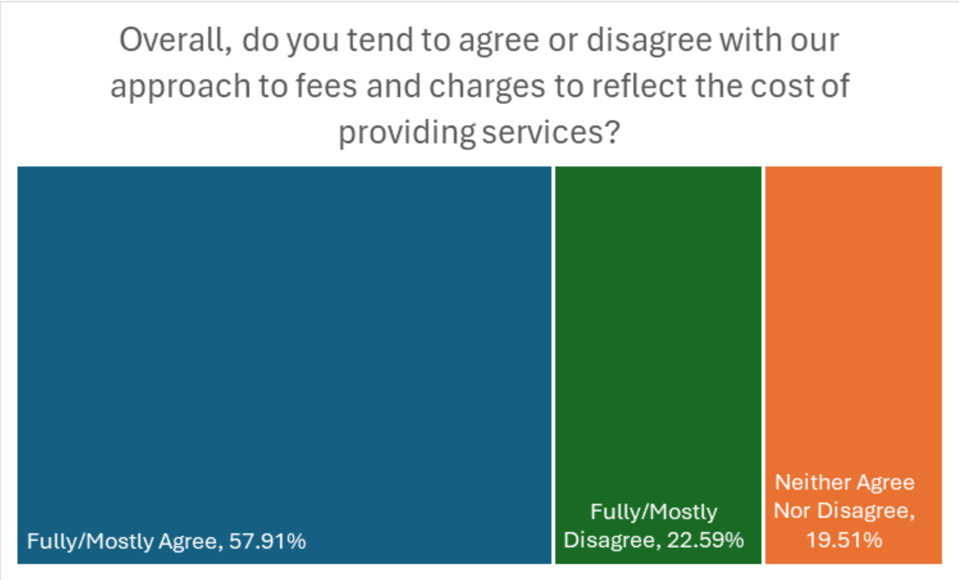


- 61% agreed with an increase in the Adult Social Care Precept to protect adult social care services, around a quarter disagreed.

- There were a range of comments, including concern about affordability and the cost-of-living crisis, value for money, the performance of council services and the council tax system as a whole. Other respondents were willing to support a higher increase in both proposals, while there was also some feeling that a rise was needed and inevitable necessity to avoid budget reductions.
- Some people disagreed that the burden should fall on Council Tax payers, while others noted how this area has increasing demand due to demographic changes from an aging population.

Fees and charges

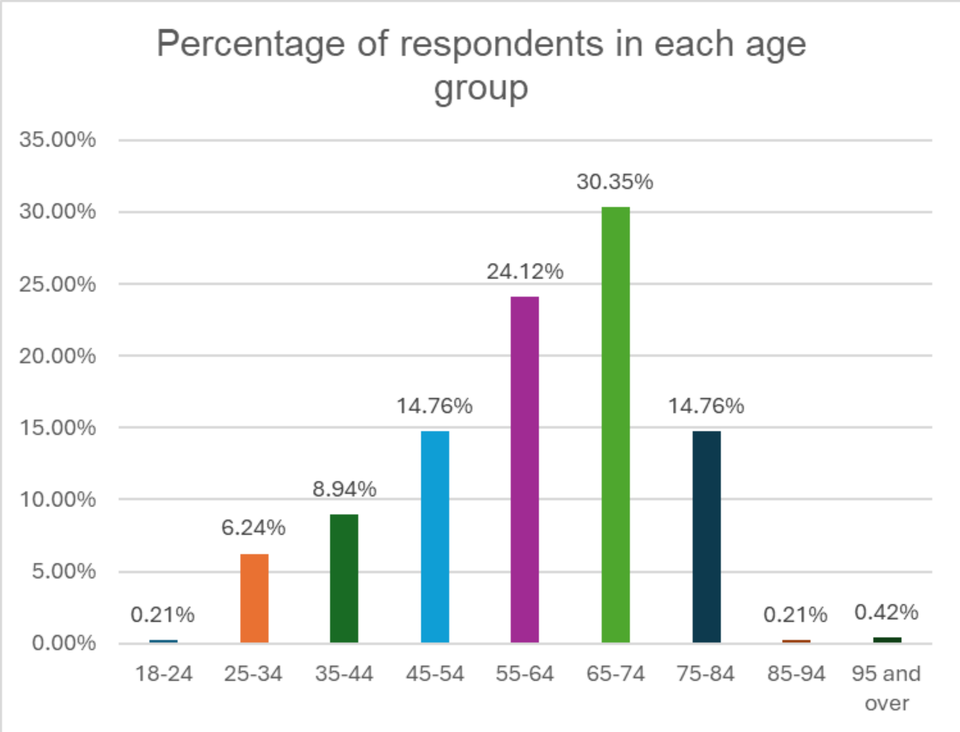
18. **Fees and charges approach**

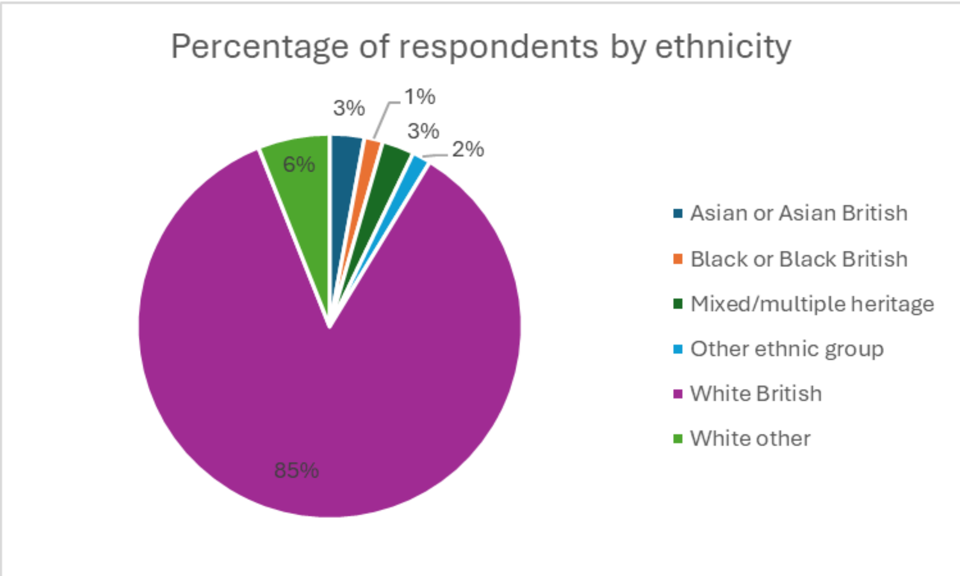


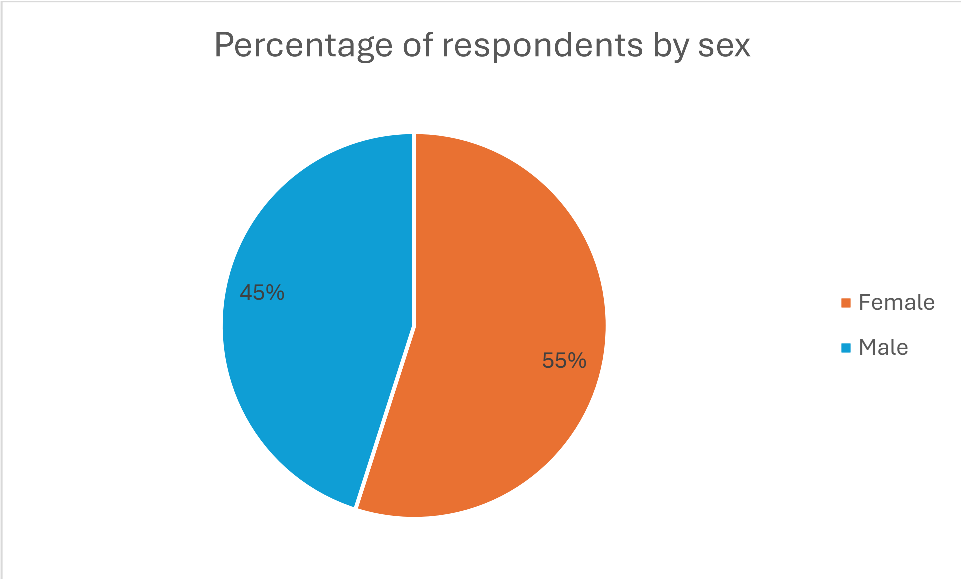
- 58% agreed with the approach to fees and charges, while almost a quarter disagreed with increases.
- Some people were concerned about how increases could affect availability to services, and a few people felt incomes from fees and charges should support the related area, e.g. parking fines should be used to maintain and repair car parks, or library fees should support services instead of going into a general fund.

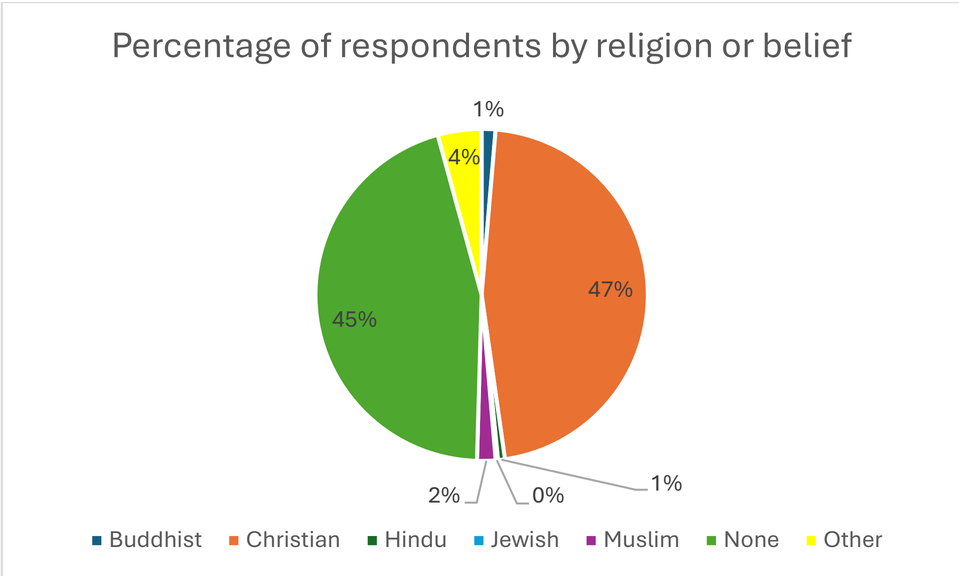
Equality information

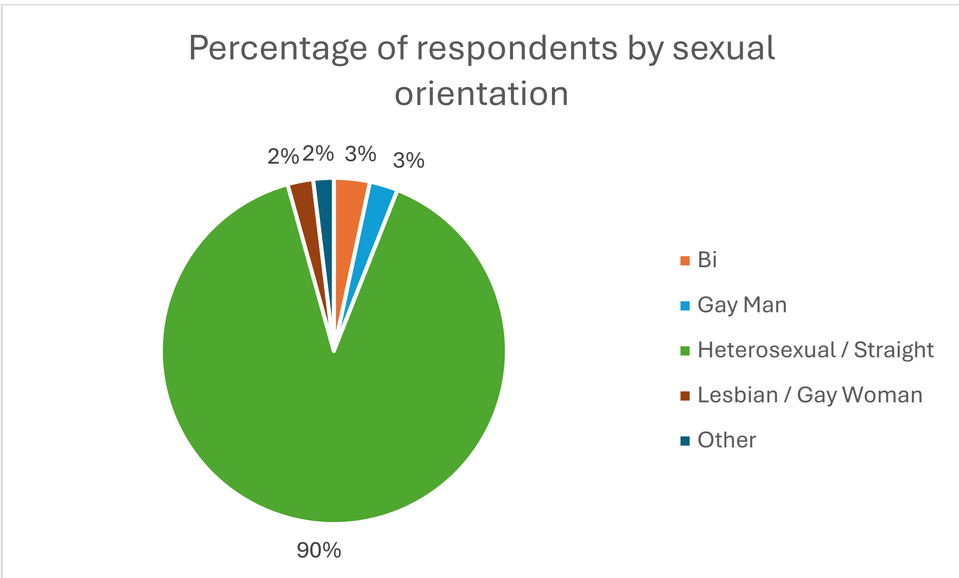
19. **The profile of people who responded to the consultation.**

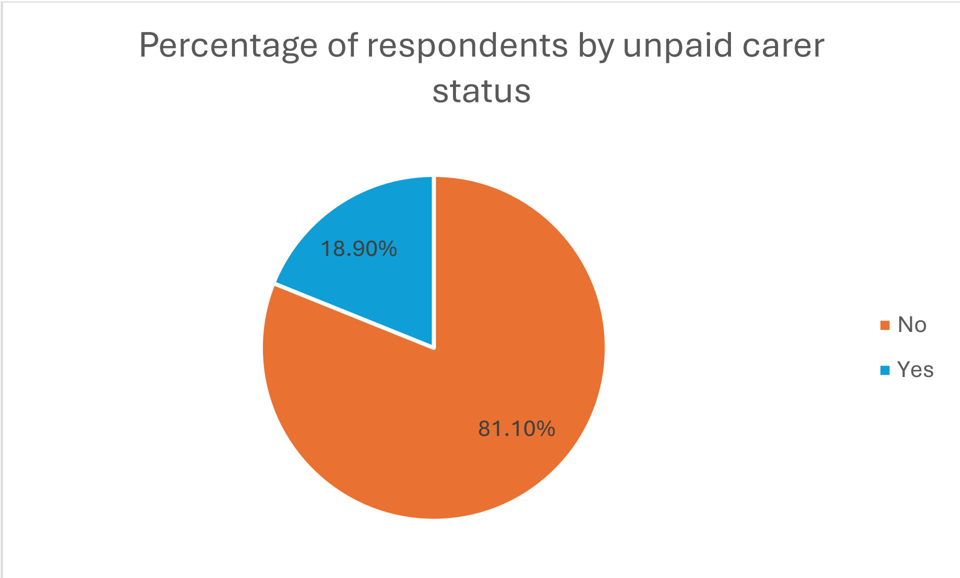


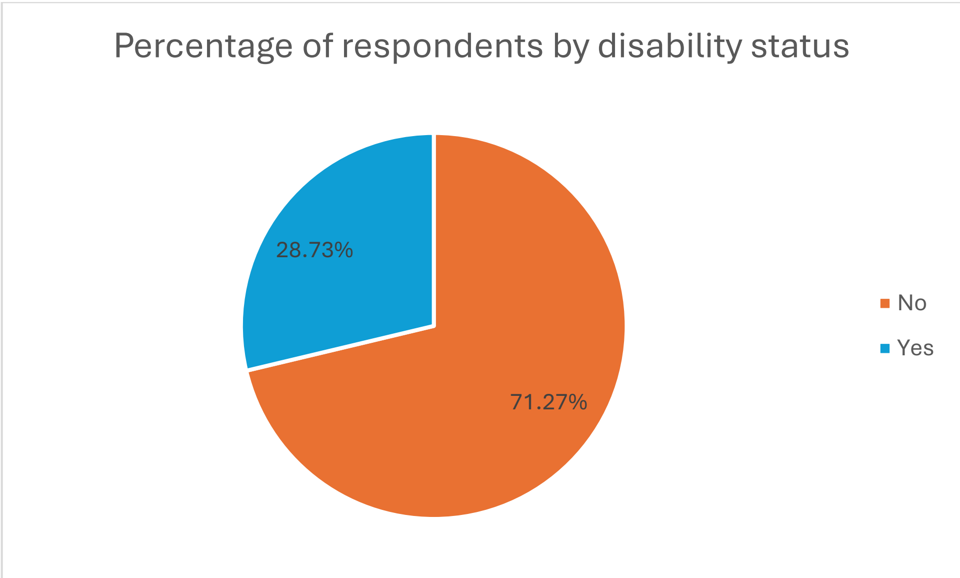



Percentage of respondents by sex
45%
55%
Female
Male


Percentage of respondents by religion or belief
1%
4%
47%
45%
2%
0%
1%
Buddhist
Christian
Hindu
Jewish
Muslim
None
Other


Percentage of respondents by sexual orientation
2%
2%
3%
3%
90%
Bi
Gay Man
Heterosexual / Straight
Lesbian / Gay Woman
Other


Percentage of respondents by unpaid carer status
18.90%
81.10%
No
Yes


Percentage of respondents by disability status
28.73%
71.27%
No
Yes

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 before the end of 31st March each year. Full Council may amend the policy statement at any time during the year by resolution at a Council meeting and must publish the amended statement as soon as reasonably practicable thereafter.

5. This policy statement has been produced having regard to guidance issued by the Secretary of State: 'Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011' (2012) and Supplementary Guidance (2013). This guidance and any related guidance shall also be taken into account when decisions are made pursuant to this policy statement.

Definition of Chief Officers Covered by this Policy Statement

6. This policy statement covers the following posts, full details of these posts is attached at **Annex 1**.

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

   b) **Monitoring Officer**, which in Sheffield City Council is the post of the General Counsel

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

      i) Strategic Director of Adults Care and Wellbeing (Director of Adult Social Services under LASSA 1970)

      ii) Strategic Director of Children's Services (Director of Children's Services under Children Act 2004)

      iii) Director of Finance and Commercial Services (Chief Finance Officer under Sec 151 of LGA 1972)

iv) Strategic Director of Public Health and Commissioning (Director of Public Health under National Health Service Act 2006)

d) **Non-statutory Chief Officers** (those who report to the Head of Paid Service)

e) **Deputy Chief Officers** (those who report to Statutory or Non-Statutory Chief Officers)

Pay Policy Statement

7. 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

8. 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.

9. 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**.

10. Recruitment to a Chief Officer post is undertaken by the Senior Officer Employment Committee which is a committee of the Council; membership is agreed by Council on an annual basis. A recommendation for appointment to the post of Chief Executive must be approved by Full Council; all other appointments at this level are made by the Senior Officer Employment Committee and reported to Full Council together with any variation to the remuneration package, as described in paragraph 11 of this policy statement, or any salary package not included in the details set out in Annex 1

11. All posts will be advertised and appointed to at the appropriate approved salary band/grade 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 decision-making process described in paragraph 25 of this policy statement.

12. 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.

13. The authority will not make additional payments beyond those specified in the contract of employment unless varied in accordance with the authority's Human Resources procedures, for example as remuneration for additional duties. The Council sets and makes payment to the Returning Officer for the management and administration of local elections. The Returning Officer may make payments to those officers who undertake specific duties in relation to the elections (including Chief Officers) dependent on their role *in line with any schedule of fees published by the Council.*

14. It should be noted that any fees payable for duties in connection with Parliamentary elections, elections for the SYMCA Mayor 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 Exit Costs – Voluntary Early Retirement / Voluntary Severance

17. The financial criteria for release under VER/VS are as follows:

    Pay back within 2 years
    Pay back extended to 2.5 years in exceptional circumstances

18. Decisions on whether to approve VER/VS in individual cases are made by a Chief Officer Panel consisting of the Director of People and Culture in consultation with the Director of Finance and Commercial Services and General Counsel.

Policy on Remunerating the Lowest Paid in the Workforce

19. The authority applies terms and conditions of employment that have been negotiated and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of authority decisions, these are incorporated into contracts of employment. The lowest pay point in this authority is Grade 1, point 2; this relates to an annual salary of £23,656 and can be expressed as an hourly rate of pay of £12.26 (April 2024 to March 2025).
20. 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.
21. From April 2025 this will increase to £12.60 per hour. The payment will be made as a supplement which will be reviewed on an annual basis.
22. Pay rates are increased in accordance with any pay settlements which are reached through the National Joint Council for Local Government Services.

Remuneration ratios

23. 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 (£218,790) and the average

median salary (£33,366) is 6.56:1. This demonstrates the authority's commitment to a fair approach to pay.

Approval of Salary Packages in Excess of £100k

24. The authority will ensure that, any salary package for any post (not including schools) that is in excess of £100,000 and not included in the details set out in Annex 1 will be approved by the Chief Executive following advice from the Chair of the Senior Officer Employment Committee, in accordance with the Pay Policy Statement, before an offer of appointment is made. The salary package will be defined as base salary, any fees, routinely payable allowances and benefits in kind that are due under the contract. The salary package will be reported to the next Council meeting.

Flexibility to Address Recruitment Issues for Vacant Posts

25. 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 as noted in paragraph 11 of this policy statement in respect of Chief Officer appointments. 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 in accordance with the arrangements for delegated decision making set out in the Council's Constitution, by the Chief Executive, the Chief Operating Officer or the Director of People and Organisational Culture, in each case having consulted with the Chief Finance Officer and Chief Legal Officer.

Amendments to the Policy

26. As the policy covers the period April 2025 to the end of March 2026, 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 Strategy and Resources Policy Committee for recommendation to the Council.

Policy for Future Years

27. 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.

Jane English
Director of People & Culture
January 2024

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 grading as of 1/4/25 using the Chief Officer pay scale as of 1/4/24 together with any market supplements. Any pay award during 25/26 would be applied as agreed.

Status	Post	Base Salary (£)	Other Payments
Head of Paid Service	Chief Executive	218,790	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
Monitoring Officer	General Counsel	99,831	Election duty fees are in accordance with normal authority procedures
Statutory Chief Officers which in Sheffield City council are the posts of:	Strategic Director of Children's Services (Director of Children's Services under Children Act 2004)	165,403	
	Strategic Director of Adults Care and Wellbeing (Director of Adult Social Services under LASSA 1970)	132,083	
	Director of Finance and Commercial Services (Chief Finance Officer under Sec 151 of LGA1972)	131,291	
	Strategic Director of Public Health and Commissioning (Director of Public Health under NHS Act 2006)	138,403	
Non Statutory Chief Officers (those who report to the Head of the Paid Service) which in Sheffield City Council are the posts of:	Executive Director Neighbourhood Services	168,214	
	Executive Director City Futures	168,214	
	Chief Operating Officer	146,942	
Deputy Chief Officers (those who report to Statutory or Non Statutory Chief Officers) which in Sheffield	**Reports of Strategic Director of Children's Services**		
	Director of Children and Families	120,801	
	Director of Early Years, Education and Skills	114,634	
	Head of Business Strategy	84,067	

City Council are the posts of:	**Reports of Strategic Director of Adults Care and Wellbeing**		
	Chief Social Worker Officer	82,203	
	Assistant Director Care Governance and Financial Inclusion	84,067	
	Director of Quality, Strategy Delivery and Partnerships	96,373	
	Reports of Director of Finance and Commercial Services		
	Assistant Director Accounting	94,173	
	Assistant Director Finance Business Partnering	91,974	
	Head of Revenues and Benefits	71,781	
	Head of Performance and Business Intelligence	84,067	
	Head of Procurement	70,195	
	Senior Finance Manager – Internal Audit and Risk Management	61,321	
	Reports of Strategic Director of Public Health and Commissioning		
	Director of Integrated Commissioning	99,831	
	Assistant Director - Public Health	94,642	
	Public Health Principal	71,781	
	Consultant in Public Health, Health Protection	94,067	
	Assistant Director - Public Health	96,577	
	Reports of Executive Director Neighbourhood Services		
	Director of Parks Leisure and Libraries	99,831	
	Director of Street Scene and Regulation	99,831	
	Director of Housing	120,801	
	Director Customer Experience and Communities	99,831	
	Reports of Executive Director City Futures		
	Director of Economic Development	99,831	

	Director of Investment, Climate Change and Planning	109,015	
	Director of Regeneration and Development	99,831	
	Reports of Chief Operating Officer		
	Director of People and Organisational Culture	132,055	
	Director of Strategy and Communications	99,831	Election duty fees are in accordance with normal authority procedures
	Director of ICT and Digital Innovation	99,831	
	Assistant Director Transformation	80,344	

Annex 2 - Chief Officer Grading Structure

Grade Desc	Spinal Pt	Pay Award for 01/04/2024
DG 7	1	67020
	2	68610
	3	70195
	4	71781
DG 6	1	78484
	2	80344
	3	82203
	4	84067
DG 5	1	89775
	2	91974
	3	94173
DG4	1	96373
	2	98566
	3	99831
DG3	1	102279
	2	104731
	3	107182
	4	109634
DG2	1	112321
	2	115078
	3	117905
	4	120801
DG 1	1	125918
	2	128832
	3	132083
	4	135208
	5	138403
EXECUTIVE DIRECTOR	1	139313
	2	146551
	3	153773
	4	160997
	5	168214

Chief Executive		218790

Glossary of Terms

Term	Definition
Abbreviations	The symbol 'k' following a figure represents £thousand. The symbol 'm' following a figure represents £million. The symbol 'bn' following a figure represents £billion.
Business Implementation Plans (BIPs)	These show what activities will be provided in 2025/26 for a specified cash limit budget. They also include details of the service pressures and savings to be delivered. Services and Portfolios are required to develop these as part of the Council's Business Planning process.
Business Rates	Also referred to as National Non-Domestic Rates (NNDR) 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.
Capital Expenditure	Expenditure that is incurred to acquire, create or add value to a non-current asset.
Capital Financing Requirement (CFR)	It measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend or over the longer term. Alternatively, it means capital expenditure incurred but not yet paid for.
Capital Receipts	The proceeds from the sale of capital assets which, subject to various limitations, e.g. Pooling Arrangements introduced in the Local Government Act 2003, can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing.
Collection Fund	A fund administered by the Council recording receipts from Council Tax, NNDR 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 15th 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 parties.
Contingency	A condition which exists at the Balance Sheet date, where the outcome will be confirmed only on the occurrence of one or more uncertain future events not wholly within the Council's control.
Council Tax	A banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1st April 1991, and ranges from Band A to Band H. Around 60% of domestic properties in Sheffield fall into Band A. Band D has historically been used as the standard for comparing council tax levels between and across local authorities, as this measure is not affected by the varying distribution of properties in bands that can be found across authorities.
Council Tax Support (CTS)	Support given by local authorities to low income households as a discount on the amount of Council Tax they have to pay, often to nothing. Each local authority is responsible for devising its own scheme designed to protect the vulnerable. CTS replaced the nationally administered Council Tax Benefit.
Credit Risk	The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.
Debt (Bad/ Doubtful)	A Bad Debt is a debt that the Council has written off and has deemed uncollectable. A Doubtful Debt is a debt the Council expects to become a bad debt.
Department for Levelling Up, Housing and Communities (DLUHC)	This is the new name for what was the Department for Communities and Local Government (DCLG), which became MHCLG post Jan 2018. DLUHC is the levelling up rebrand (September 2021).
Designated Areas	These are specific parts of the city referred to as the New Development Deal and Enterprise Zone. They are significant because any growth in business rates above the "baseline" established in 2013/14 can be retained in full locally, rather than half being repaid to Government.
Equality Impact Assessment (EIA)	A process designed to ensure that a policy, project or scheme does not discriminate against people who are categorised as being disadvantaged or vulnerable within society.
Full Time Equivalent (FTE)	FTE refers to a unit that measures the workload of an employee. 1.0 FTE is equivalent to a full-time employee.
General Fund	The total services of the Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by Council Tax, Government grants and National non-domestic rates.
Hereditament	A non-domestic property occupied by a business that is liable for business rates.

HR1	Each local authority is required to submit an HR1 form to inform the Government of potential redundancies in the organisation. The Redundancy Payments Service then collects the information and distributes it to the appropriate government departments and agencies who offer job brokering services and/or training services. This happens so that the government can discharge its obligation to these employees.
Looked After Children (LAC)	Children in public care, who are placed with foster carers, in residential homes or with parents or other relatives.
Least risk basis calculation	The relevant discount rate used for valuing the present value of liabilities is consistent with that used under the most recent valuation but removing the allowance for asset out-performance. In addition, the basis contains a full allowance for the market implied rate of inflation.
Mazars	The Mazar's ruling otherwise known as "Staircase Tax", refers to the separating of hereditaments down to smaller hereditaments if they are connected by communal areas to move between floors or offices. The Mazar's ruling is currently under review by the Government.
Minimum Revenue Provision (MRP)	The minimum amount charged to an Authority's revenue account each year and set aside as provision for credit liabilities, required by the Local Government & Housing Act 1989.
Precepts	The amount levied by another body such as the South Yorkshire Police Authority that is collected by the Council on their behalf.
Private Finance Initiative (PFI)	A contract in which the private sector is responsible for supplying services that are linked to the provision of a major asset and which traditionally have been provided by the Council. The Council will pay for the provision of this service, which is linked to availability, performance and levels of usage.
Provisions	Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.
Public Works Loan Board (PWLB)	A government agency, which provides loans to authorities at favourable rates.
Remuneration	All sums paid to or receivable by an employee and sums due by way of expenses allowances, as far as those sums are chargeable to UK income tax, and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Reserves	Result from events that have allowed monies to be set aside from decisions causing anticipated expenditure to be postponed or cancelled, or by capital accounting arrangements.
Revenue Expenditure	Expenditure incurred on the day-to-day running of the Council, for example, staffing costs, supplies and transport.
Revenue Support Grant (RSG)	This is a government grant paid to the Council to finance the Council's general expenditure. It is based on the Government's assessment of how much a council needs to spend to provide a standard level of service.
Specific Government Grants	These are designed to aid services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives.
Spending power	DLUHC measures the impact of government funding reductions against local authorities' combined income from both government funding and council tax. This combined measure of income is called revenue spending power. NB: in a press release from the Chartered Institute of Public Finance & Accountancy (CIPFA), re the Local Government Finance Settlement, CIPFA made the following notable comment: "CIPFA's measure of funding used in this analysis is "unfenced spending power". This is funding that councils have available to meet their priorities and fund existing staff and commitments and which is not already ring-fenced for other use. This includes Revenue Support Grant (RSG), retained business rates, council tax and several special grants that authorities are free to spend as they wish. In contrast DCLG's measure also includes Public Health Grant (which can only be spent on public health matters) and the Better Care Fund (which is largely NHS money or budgets that local authorities have pooled with the NHS, and can only be spent on priorities agreed with local NHS managers)."
Under-borrowed	The Council's use of its own cash surpluses rather than external debt, resulting in a level of external debt below the authorised limit.
Unsupported (Prudential) Borrowing	Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.
VCF	Voluntary, Community and Faith Sector