



## Report to Policy Committee

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**Report of:** *Philip Gregory, Director of Finance & Commercial Services*

**Report to:** *Transport Regen & Climate Committee*

**Date of Decision:** *13<sup>th</sup> March 2024*

**Subject:** *2023-24 Q3 Budget Monitoring Report*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>				
Has appropriate consultation taken place?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
<i>"The (<b>report/appendix</b>) is not for publication because it contains exempt information under Paragraph (<b>insert relevant paragraph number</b>) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>				

### Purpose of Report:

*This report brings the Committee up to date with the Council's General Fund revenue outturn position for 2023/24 as at Q3.*

### Recommendations:

#### The Committee is recommended to:

Note the updated information and management actions on the 2023/24 Revenue Budget Outturn as described in this report.

**Background Papers:**  
[2023/24 Revenue Budget](#)

<b>Lead Officer to complete: -</b>		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Philip Gregory, <i>Director of Finance and Commercial Services</i>
		Legal: <i>Sarah Bennett, Assistant Director, Legal Services</i>
		Equalities & Consultation: <i>Adele Robinson, Equalities and Engagement Manager, Policy, and Performance.</i>
		Climate: n/a
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	<b>SLB member who approved submission:</b>	<i>Philip Gregory, Director of Finance and Commercial Services</i>
3	<b>Committee Chair consulted:</b>	<i>Cllr Zahira Naz, Chair of the Finance Committee</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	<b>Lead Officer Name:</b> <i>Philip Gregory</i> <i>Jane Wilby</i>	<b>Job Title:</b> <i>Director of Finance and Commercial Services</i> <i>Head of Accounting</i>
	<b>Date:</b> 1 <sup>st</sup> March 2024	

## 1. PROPOSAL

1.1. This report provides an update on the current outturn position for Sheffield City Council's revenue budget for 2023/24.

### 2023-24 Q3 Financial Position by Directorate

1.2. At the end of the third quarter of 2023-24, the Council's revenue budget shows a forecast overspend of £16.7m. This was an improvement of £700k from the previous quarter's outturn position.

Full Year £m	Q3 Outturn	Budget	Q3 Variance	Q2 Variance	Move ment
Neighbourhood Services	148.9	146.8	2.1	3.3	(1.2)
Adults	146.7	144.2	2.6	3.4	(0.8)
Children's	142.5	131.3	11.2	8.8	2.4
City Futures	49.2	48.8	0.4	1.0	(0.6)
Strategic Support	15.0	10.6	4.5	4.4	0.0
Public Health & Integrated Commissioning	12.8	11.2	1.6	1.8	(0.2)
Corporate	(498.4)	(492.9)	(5.5)	(5.2)	(0.3)
<b>Total</b>	<b>16.7</b>	<b>(0.0)</b>	<b>16.7</b>	<b>17.4</b>	<b>(0.7)</b>

1.3. This overspend is due to a combination of factors. Agreed Budget Implementation Plans ("BIPs") are not forecast to fully deliver within the year. There are underlying cost and demand pressures faced by services that are partially offset by one-off items. These "one-offs" consist of grant income, draws from specific reserves or provisions and income from central government or external sources.

Full Year Variance £m	One-off	BIPs	Trend	Total Variance
Neighbourhood Services	(4.7)	2.9	3.9	2.1
Adults	(11.2)	3.5	10.3	2.6
Children's	(5.0)	4.0	12.2	11.2
City Futures	(0.1)	0.4	0.1	0.4
Strategic Support	(1.1)	0.1	5.5	4.5
Public Health & Integrated Commissioning	(0.5)	0.0	2.0	1.6
Corporate	0.0	0.0	(5.5)	(5.5)
<b>Total</b>	<b>(22.7)</b>	<b>10.9</b>	<b>28.5</b>	<b>16.7</b>

1.4. In 2021/22, the Council set aside £70m of reserves to manage the financial risks associated with delivering a balanced budget position. Overspends against general fund budgets in 2021/22 and 2022/23 have meant we have drawn almost £40m from this reserve to date. Current overspends of £16.7m would deplete this reserve to just £14m for budget overspends for 24/25 and beyond. Given this challenging position and likely requirement in the next few years to draw on this reserve, a further £12.5m has been identified from a one-off surplus from our collection fund. This is subject to approval at full council on 6<sup>th</sup> March.

## 1.5. 2023-24 Q3 Financial Position by Committee

1.5.1. The major budget risk areas are in Childrens & Adults Social Care and in Homelessness services:

Full Year £m	Q3 Outturn	Budget	Q3 Variance	Q2 Variance	Moveme nt
Adult Health & Social Care	154.6	152.5	2.1	3.1	(1.0)
Communities Parks and Leisure	46.8	47.1	(0.4)	0.8	(1.2)
Economic Development & Skills	11.1	11.1	0.0	(0.0)	0.1
Education, Children & Families	145.6	132.4	13.2	10.9	2.3
Housing	11.1	8.2	2.9	3.2	(0.3)
Strategy & Resources	(462.7)	(462.5)	(0.2)	0.6	(0.8)
Transport, Regeneration & Climate	43.6	43.6	(0.0)	(0.0)	0.0
Waste & Street Scene	66.6	67.6	(1.0)	(1.1)	0.1
<b>Total</b>	<b>16.7</b>	<b>(0.0)</b>	<b>16.7</b>	<b>17.4</b>	<b>(0.7)</b>

1.5.2. In 2022/23, the Council's overspend improved by over £14m from the first quarter's forecasts to final outturn. This was mainly due to additional income received rather than underlying improvements in budgets and cost reductions. Whilst there is a likelihood we may receive some additional government funding in the final quarter of 2023/24, it is unlikely we will see an improvement on this scale.

Many underlying budget issues in social care services still remain and this is reflected in the current forecast position.

1.5.3. Most of the overspend is due to underlying cost and demand pressures in services. We estimate that £28.5m is embedded in the baseline costs but is somewhat mitigated by one-off income:

Full Year Variance £m	One- off	BIPs	Trend	Total Variance
Adult Health & Social Care	(11.5)	3.5	10.1	2.1
Communities Parks and Leisure	(0.2)	0.1	(0.2)	(0.4)
Economic Development & Skills	0.1	0.0	(0.1)	0.0
Education, Children & Families	(5.2)	4.0	14.4	13.2
Housing	(1.7)	0.2	4.4	2.9
Strategy & Resources	(3.6)	2.8	0.6	(0.2)
Transport, Regeneration & Climate	0.0	0.1	(0.2)	(0.0)
Waste & Street Scene	(0.6)	0.3	(0.7)	(1.0)
<b>Total</b>	<b>(22.7)</b>	<b>10.9</b>	<b>28.5</b>	<b>16.7</b>

1.5.4. Balancing the General Fund 2023/24 budget was only possible because the Council identified £47.7m of savings:

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**General Fund Budget Implementation Plans (in £m)**

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<b>Committee</b>	<b>Total Savings</b>	<b>Financial Savings Deliverable in Year</b>	<b>In Year Gap</b>	<b>Financial Savings Deliverable Next Year (Slippage)</b>	<b>Undeliverable Savings</b>
Adult Health & Social Care	31.6	28.0	3.5	3.5	0.0
Comm, Parks & Leisure	2.0	1.9	0.1		0.1
Economic Dev & Skills	0.5	0.5	0.0		0.0
Ed, Children & Families	6.9	2.9	4.0	0.3	3.6
Housing	0.6	0.5	0.2		0.2
Strategy & Resources	4.1	1.4	2.7	2.5	0.2
Transport, Regen & Climate	0.8	0.7	0.1		0.1
Waste & Street Scene	1.1	0.8	0.3		0.3
<b>Grand Total</b>	<b>47.7</b>	<b>36.8</b>	<b>10.9</b>	<b>6.4</b>	<b>4.5</b>

The current forecasts show £10.9m savings plans are undeliverable this year. This represents a delivery rate of 77% against target with a further 23% set to be delivered in the following year.

In 22/23, less than 65% of savings targets were delivered. Whilst we are improving upon overall delivery performance, we are still falling short of targets meaning further draws could be required from our reserves to meet these overspends if they are not managed and mitigated. Delivering in year budgets must be a key focus for all services for the Council to retain financial sustainability.

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- 1.5.5. Inflation is continuing to fall; from April 2023 CPI at 7.8% to 4.2% in December (month 9). Whilst we are seeing some stabilisation in the cost base, the fall in inflation does not mean that our costs will now reduce, higher costs are now embedded in baseline expenditure. There is an increased demand for services alongside cost pressures in social care, home to school transport and homelessness services.

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**1.6. Key Committee Overspends:**

- 1.6.1. **Adult Health and Social Care are forecast to overspend by £2.1m** The main area of overspend in the service sits in staffing budgets. The high cost of packages of care put in place during covid increased our baseline costs and this carries into 23/24. Work to review packages of care has continued throughout 23/24 which has helped to reduce baseline costs in Homecare. This work and one-off funding has mitigated the position again this year leaving a £0.5m overspend in the purchasing budgets. However, there remains an underlying pressure of around £10m, a significant aspect of which is within Learning Disabilities, plus £3.5m savings undelivered in 23/24 which will need to be resolved through the Recovery Plan for 2024/25. This was presented to Committee 31 January 2024 detailing how underlying issues, which are estimated at around £17m including additional staff pressures, will be addressed. Action owners and responsible Assistant Directors are currently working through implementation plans to ensure the requisite staff capacity and any additional resources are made available.

- 1.6.2. **Education, Children and** The key overspends in the service relate to placements with external residential placements a particular issue which are

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**Families are forecast to overspend by £13.2m**

forecast to overspend by £6.7m. The average placement cost has increased to £5,800 per week but due to a limited number of places in the city, placements for the most complex children can cost much more. Actions are being taken to ensure that costs for placements are being met by all elements including education and where possible health. High-cost placements are also being reviewed.

The savings proposal for £1.6m to increase fostering placements this year is forecast to not be delivered. Marketing is taking place, but our number of foster carers remains static. Nationally this has been an issue since the pandemic as older foster carers decided to exit the market and there has not been the like for like recruitment to new foster carers. Overall looked after children numbers have remained stable with increased demand being met, where possible, through family based placements.

Further demand in home to school transport costs are forecast to create a £3.6m overspend against budgets this year. Since the start of the new school year, the overspend has increased due to a further 180 children now requiring transportation to school. Sheffield City Council are now supporting over 2,365 children with transportation to school, this has increased by almost 1,000 children in 4 years, and demand is forecast to continue to increase. An overarching SEND review, including Home to School Transport, is currently underway. Outcomes from the review will bring about longer-term changes to reduce pressures but the underlying cost base will be difficult to reduce due to the rising demand for the service.

Integrated Commissioning budgets are forecast to overspend by £2m in recognition of the unachieved saving from 2022/23 relating to leveraging additional funding from Health partners.

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**1.6.3. Homelessness support in temporary and exempt accommodation is forecast to cost the Council £8.4m**

The Government does not fully subsidise all housing benefit payments made by the Council even though it sets the rules that determine the amount the Council has to pay. In 2022/23, the Council incurred a loss of £5.9m as a result of the legislation relating to temporary homelessness and supported accommodation. The Council is essentially bridging the gap between the amount the accommodation costs to procure and the amount we are able to recover via housing benefits.

In 2023-24, this is forecast to cost the Council £4.5m for temporary accommodation and £3.5m for supported accommodation. The shortfalls are split between the Housing General Fund and Strategy and Resources budgets respectively.

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**The Budget Implementation Group**

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**1.6.4. A working group is in place to drive**

A senior officer working group has been established to help drive delivery of the budget. The purpose of the Budget Implementation Group (BIG) is to improve the delivery of the

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<b>improvements in budget delivery</b>	Council's annual Revenue Budget (both General Fund and Housing Revenue Account), challenge and drive delivery of the Budget Implementation Plans (BIPs) and make recommendations for the allocation of transformation funding. It will look to facilitate Council wide learning. The group is jointly chaired by the Director of Finance and Commercial Services and the Chief Operating Officer. The group has a nominated core member from each Directorate.
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### **Transformation Funding**

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1.6.5. <b>The Council identified £4m to support transformation activity</b>	As part of 2023-24 budget setting, the Council identified a £4m fund that would be used to support programmes of transformational change in the organisation, expedite the delivery of savings plans or support where delivery of savings has become "stuck". The "BIG" group has provided advice, challenge, and recommendations for allocation of the transformation funding to the Council's Performance and Delivery Board.
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In August 2023, the Performance & Delivery board approved bids to support delivery of programmes in Adult Social Care, Housing, Children's services, ICT, HR, and Organisational Strategy to build upon the Future Sheffield programme. These key projects are working to stabilise the organisation and bring budgets back to a steady footing for the future. Each programme of work is being monitored, and progress reported to the Council's Performance & Delivery board to ensure activity remains on track. Overall performance will be reported to the finance committee as part of in-year budget monitoring briefings, with relevant policy committees overseeing progress on programmes in their areas.

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### **Medium Term Financial Analysis (MTFA) & 2024/25 Budget**

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1.6.6. <b>By law, the council must set a balanced budget</b>	The Council is facing a challenging financial position. The Strategy and Resources Committee on 5 <sup>th</sup> September received the Council's Medium-Term Financial analysis, highlighted the financial pressures facing the Council over the coming 4 years and the potential gap of £61.2m in resources.
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Each Committee has worked to reach savings targets to achieve a balanced budget for 2024/25. On February 21<sup>st</sup> 2024, the Strategy and Resources committee recommended the budget to full Council on 6<sup>th</sup> March.

For 2024/25 we are forecasting pressures of £79m for Committees budgets. These pressures result from rising demand for services but also significant increases in contract and price inflation due to the current economic backdrop. Approximately £49m of these pressures relate to Social Care Services. Through our 2024/25 Business Planning Process, Committees managed to identify £8m of savings to help deliver the balanced budget. Delivery of these savings will require steadfast commitment, and targeted resources from the Council to be successful.

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In addition to these savings, 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) along with the difficult decision to increase Council Tax by 4.99%, means we are able to set a balanced budget for 2024/25.

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## 23-24 Q3 Committee Budget Outturn Position

### 1.7. Transport, Regeneration & Climate Committee - balanced

1.7.1.	The Transport, Regeneration & Climate Committee is forecast balance to budget	Full Year £m	Outturn	Budget	Variance
	<b>Streetscene &amp; Regulation</b> (Clean Air Zone)		0.0	0.0	0.0
	<b>Inclusive Growth &amp; Development</b> (Planning Services; ITA Levy; Transport and Infrastructure)		41.2	41.1	0.0
	<b>Regeneration And Development</b> (Capital Delivery; Property Regeneration, Director Of Regeneration And Development)		2.4	2.5	(0.0)
	<b>Total</b>		<b>43.6</b>	<b>43.6</b>	<b>(0.0)</b>

The TRC committee has demonstrated effective financial management against budgets and has continued to forecast a balanced revenue outturn position this quarter. Q2 also forecasted to balance income and expenditure against budget.

1.7.2.	Underlying income trends contribute to the budget position	Full Year Variance £m	One-off	BIPs	Trend	Total Variance
	<b>Streetscene &amp; Regulation</b> (Clean Air Zone)		0.0	0.0	0.0	0.0
	<b>Inclusive Growth &amp; Development</b> (Planning Services; ITA Levy; Transport and Infrastructure)		0.0	0.1	(0.1)	0.0
	<b>Regeneration And Development</b> (Capital Delivery; Property Regeneration, Director Of Regeneration And Development)		0.0	0.0	(0.0)	(0.0)
	<b>Total</b>		<b>0.0</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(0.0)</b>

Services within the committee are required to deliver £800k of savings this year. Current forecasts show £700k of the BIPs are on target as shown in the below table.

1.7.3. **Budget Savings (BIPS) £m**

Service/ Description	Total Savings	Deliverabl e in Year	In Year Gap
DLUC funding for Regeneration team (year 1 of 2/3)	0.2	0.2	0.0
<b>REGENERATION AND DEVELOPMENT Total</b>	<b>0.2</b>	<b>0.2</b>	<b>0.0</b>
Increase price of skip permits to cover increased costs	0.0	0.0	0.0
Increase to base budget to reflect sustained improvement	0.2	0.2	0.0
Increase to discretionary fees and charges to cover increased cost of service.	0.2	0.1	0.1
Increased charge to cover pay award	0.1	0.1	0.1
Reduction in the SCC contribution to SY fund with no impact on provision.	0.0	0.0	0.0
Use of Planning reserve to fund balance of pay award if deemed as required	0.1	0.1	0.0
<b>PLANNING, INVESTMENT &amp; SUSTAIN Total</b>	<b>0.6</b>	<b>0.4</b>	<b>0.1</b>
<b>Committee Total</b>	<b>0.8</b>	<b>0.7</b>	<b>0.1</b>

The shortfall against target relates to the proposal to increase fees and charges for Building Control services.

1.7.4. A breakdown of budgets included in the TRC committee is provided below for further detail on the split between income and expenditure budgets:

Service	Budget	Outturn - Income	Outturn - Expendi ture	Total Outturn	Total Variance
PRECEPTS AND LEVIES	23.8		23.8	23.8	(0.0)
TRANSPORT & INFRASTRUCTURE	14.0	(6.6)	19.8	13.2	(0.8)
PLANNING SERVICES	3.2	(3.3)	7.3	4.0	0.8
CAPITAL DELIVERY SERVICE	2.0	(6.1)	8.1	2.0	(0.0)
PROPERTY REGENERATION	0.3	(1.0)	1.3	0.3	(0.0)
DIR OF PLANNING INVEST & SUS	0.2	0.0	0.2	0.2	0.0
DIRECTOR OF REGEN AND DEVELOPM	0.1	(0.6)	0.7	0.1	(0.0)
CLEAN AIR ZONE	0.0	(7.4)	7.4	0.0	0.0
<b>Grand Total</b>	<b>43.6</b>	<b>(25.0)</b>	<b>68.6</b>	<b>43.6</b>	<b>(0.0)</b>

1.7.5. **The underspend is due to Highway Network activity** Contributory factors in the underspend are vacancies within Transport & Infrastructure relate to extra income from higher than planned Highway Network Management activity. This is entirely offset by continued reduced planning fee income for the year.

1.7.6. **There are overspends in development control** Planning applications are forecast to fall short of income targets by £441k and building standards £363k this year, which is a similar position to the previous quarter. Income is unlikely to recover to budgeted levels for the remainder of the year.

## **2. HOW DOES THIS DECISION CONTRIBUTE?**

- 2.1 The recommendations in this report are that the committee notes their 2023/24 budget forecast position and takes action on overspends.

## **3. HAS THERE BEEN ANY CONSULTATION?**

- 3.1 There has been no consultation on this report, however, it is anticipated that the budget process itself will involve significant consultation as the Policy Committees develop their budget proposals

## **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

### 4.1 Equality Implications

- 4.1.1 There are no direct equality implications arising from this report. It is expected that individual Committees will use equality impact analyses as a basis for the development of their budget proposals in due course.

### 4.2 Financial and Commercial Implications

- 4.2.1 The primary purpose of this report is to provide Members with information on the City Council's revenue budget monitoring position for 2023/24.

### 4.3 Legal Implications

- 4.3.1 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.

- 4.3.2 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.

- 4.3.3 By the law, the Council must set and deliver 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.

### 4.4 Climate Implications

- 4.4.1 There are no direct climate implications arising from this report. It is expected that individual Committees will consider climate implications as they develop their budget proposals in due course.

### 4.4 Other Implications

- 4.4.1 No direct implication

**5. ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 The Council is required to both set a balance budget and to ensure that in-year income and expenditure are balanced. No other alternatives were considered.

**6. REASONS FOR RECOMMENDATIONS**

- 6.1 To record formally changes to the Revenue Budget.