

## Policy Committee Decision Report

<b>Title of Report:</b>	2024-25 Q1 Budget Monitoring Report
<b>Date of Decision:</b>	29 <sup>th</sup> August 2024
<b>Report To:</b>	Strategy & Resources Committee
<b>Report Of:</b>	Philip Gregory, Director of Finance & Commercial Services
<b>Report Author:</b>	Jane Wilby, Assistant Director Finance & Accounting

### Executive Summary:

Sheffield City Council is currently facing significant financial challenges, driven by increased service demands, rising costs, and reduced funding. This has resulted in a projected overspend of £34.3 million for the 2024-25 fiscal year, which represents approximately 7% of the net revenue budget. The forecast overspend is spread across several key service areas, including Housing and Homelessness, Adults and Children's Social Care and SEN home-to-school transport.

While the Council can avoid issuing a section 114 notice by utilising reserves to balance this year's budget, the financial outlook remains difficult, with limited scope for immediate government relief amidst growing pressures across the public sector, including the NHS, schools, and higher education institutions.

The Council's approach to addressing these challenges is centred around the "Future Sheffield" programme, a critical initiative aimed at transforming services to create a more sustainable and efficient operating model. This transformation is essential not only to ensure the delivery of statutory services but also to drive initiatives that support economic growth in the city and align with the Council's broader strategic goals, as outlined in the Council Plan and Medium-Term Financial Strategy.

The need for long-term financial sustainability underscores the importance of the ongoing transformation efforts.



## **Council Plan outcomes:**

[A place where all children belong and all young people can build a successful future](#)

[Great neighbourhoods that people are happy to call home](#)

[People live in caring, engaged communities that value diversity and support wellbeing](#)

[A creative and prosperous city full of culture, learning, and innovation](#)

[A city on the move – growing, connected and sustainable](#)

## **Policy Committee remit:**

This report is to be considered by the Strategy and Resources Policy Committee as the following corporate responsibilities are within the remit of the Committee:

- Cross-cutting responsibility for development and submission to Full Council for adoption of the Budget and Policy Framework
- Providing strategic direction to the operation of the Council by developing and recommending the Corporate Plan (including determination of the priorities set out therein) to Full Council and making decisions on cross-cutting policies and practice where such decisions are not reserved to full Council
- Responsibility for decisions on any commitments to funding in future years not covered within the Council's medium term financial plan
- Responsibility for any issue identified as being of significant strategic importance or financial risk to the Council (which is by its nature cross-cutting)
- Responsibility, including referral to another Policy Committee for consideration if appropriate, for any policy matter not otherwise allocated to a Committee
- Lead responsibility for complaints including monitoring of complaint handling performance
- Considering reports which an Ombudsman requires to be published by the Council where it is proposed that the Council take the recommended action

**Does the report contain confidential or exempt information? [Yes/No]**

## **Recommendations:**

The Strategy & Resources Committee is recommended to:

1. Note the updated information on the 2024/25 Revenue Budget Outturn as described in this report including the detailed committee budget monitoring information and management actions provided.

**Financial Implications:** [Yes/No] Approved by: Jane Wilby, Assistant Director Finance & Accounting

**Legal Implications:** [Yes/No] Approved by: Robert Parkin, Assistant Director, Legal Services

**Equality and Inclusion Implications:** [Yes/No] Adele Robinson, Equalities and Engagement Manager, Policy, and Performance.

**Climate Change Implications:** [Yes/No]

## **Background Papers:**

[2024/25 Revenue Budget](#)

[MTFS 2526 to 2829](#)

**Appendices:** n/a

## 1. Background to the issue

This report provides an update on the Q1 outturn position for Sheffield City Council's revenue budget for 2024/25.

## 2. Proposal

**2.1** Sheffield City Council is grappling with significant financial challenges stemming from increased service demand, rising costs, and reduced funding, resulting in a current overspend of £34.3m. While the Council can avoid issuing a section 114 notice in the immediate term by drawing on reserves to balance this year's budget, the situation remains tough. Government offers little hope for relief, and the Council is increasingly affected by broader public sector financial constraints, including pressures on NHS, school, university, and college budgets. This underscores the critical importance of the Council's approach to transformation of services through the "Future Sheffield" programme. Activity is underway to ensure we are rebalancing finances and ensuring the Council can not only deliver basic statutory services but also drive initiatives that contribute to city growth, achieve city goals, and align with the council plan as outlined in the Medium-Term Financial Strategy. The critical programme of work aims to pave the foundations of a sustainable and more efficient operating model for the Council.

**2.2** The forecast outturn position for 2024-25 shows the Council's revenue budget to be overspent by £34.3m, approximately 7% of the net revenue budget.

Outturn £m	24/25 Q1 Outturn	Budget	Variance	% Var to budget
Neighbourhood Services	150.6	145.4	5.2	3.6%
Adults	161.1	152.0	9.1	6.0%
Children's	146.4	134.5	12.0	8.9%
City Futures	40.1	40.0	0.1	0.2%
Strategic Support	17.8	11.7	6.1	51.9%*
Public Health & Integrated Commissioning	9.1	7.1	2.0	27.7%
Corporate	(490.8)	(490.8)	0.0	
<b>Total</b>	<b>34.3</b>	<b>(0.0)</b>	<b>34.3</b>	<b>7%</b>
Funded by:				
Budget contingency reserve			(26.4)	
Housing benefit subsidy provision			(7.9)	
			<b>(34.3)</b>	

\*51.9% overspend in relates to Housing Benefit subsidy loss on supported exempt accommodation included in the Strategic Enabling Services directorate budgets accounting for £5.5m of the £6.1m overspend

**2.3** The final outturn position for 2023/24 reported a £15.6m overspend which was funded through our budget contingency reserve. Following 3 years of budget overspends, the remaining balance of this reserve is £27.6m.

Alongside a corporate provision made as part of the budget setting process of £7.9m in recognition of the subsidy loss issue, the Council will be able to manage the budget for 2024/25.

**2.4** The current year's projected service overspends stem from ongoing challenges in key areas of the Council's responsibilities. These include persistent demand and cost pressures in Adult and Children's social care, growing needs in Special Educational Needs (SEN) and home-to-school transportation, and an unprecedented surge in homelessness leading to increased Housing Benefit subsidy losses. While one-off funding and provisions helped mitigate many of these issues in the previous year (23/24), the Council now faces a more challenging financial landscape with fewer available offsets to reduce the overall budget variance.

**2.5** The below table gives a breakdown of the overspend and highlights the continuing "trend" of service budget pressures faced with limited offsets from "one-off" income, reserves and provisions this year:

Variance £m	One-off	BIPs	Trend	Total Variance
Neighbourhood Services	(2.5)	0.0	7.6	5.2
Adults	(0.3)	0.8	8.6	9.1
Children's	0.0	1.1	10.9	12.0
City Futures	0.0	0.0	0.1	0.1
Strategic Support	(0.9)	0.0	7.0	6.1
Public Health & Integrated Commissioning	0.0	0.0	2.0	2.0
Corporate	0.0	0.0	0.0	0.0
<b>Total</b>	<b>(3.6)</b>	<b>1.9</b>	<b>36.1</b>	<b>34.3</b>

## 2024/25 Q1 Financial Position by Committee

**2.6** As in 2023/24, the major budget risk areas are in Children's & Adults Social Care, SEN Transport (with the Education Children & Families committee budgets) and in Homelessness services (withing Housing policy committee budgets). The below table gives a breakdown of forecast vs budget by policy committee split:

24/25 Q1 £m	Outturn	Budget	Variance
Adult Health & Social Care	164.6	155.8	8.9
Communities Parks and Leisure	38.1	38.3	(0.1)
Economic Development & Skills	10.4	10.4	0.0
Education, Children & Families	150.3	136.2	14.1
Housing	16.8	11.2	5.6
Strategy & Resources	18.4	17.9	0.5
Finance & Performance	(473.0)	(479.1)	6.1
Transport, Regeneration & Climate	35.9	36.1	(0.1)
Waste & Street Scene	72.7	73.3	(0.6)
<b>Total</b>	<b>34.3</b>	<b>(0.0)</b>	<b>34.3</b>

**2.7** Most of the overspend is due to underlying cost and demand pressures in services. We estimate that £36m is embedded in the baseline cost but one-off income, provisions and grants are not currently projected to support this position. The below table gives a breakdown of the variance:

24/25 Q1 Variance £m	One-off	BIPs	Trend	Total Variance
Adult Health & Social Care	(0.3)	0.8	8.4	8.9
Communities Parks and Leisure	0.0	0.0	(0.2)	(0.1)
Economic Development & Skills	0.0	0.0	0.0	0.0
Education, Children & Families	0.0	1.1	13.1	14.1
Housing	(2.0)	0.0	7.5	5.6
Strategy & Resources	(0.5)	0.0	1.0	0.5
Finance & Performance	(0.9)	0.0	7.0	6.1
Transport, Regeneration & Climate	0.0	0.0	(0.1)	(0.1)
Waste & Street Scene	0.0	0.0	(0.6)	(0.6)
<b>Total</b>	<b>(3.6)</b>	<b>1.9</b>	<b>36.1</b>	<b>34.3</b>

## 2.8 Savings targets

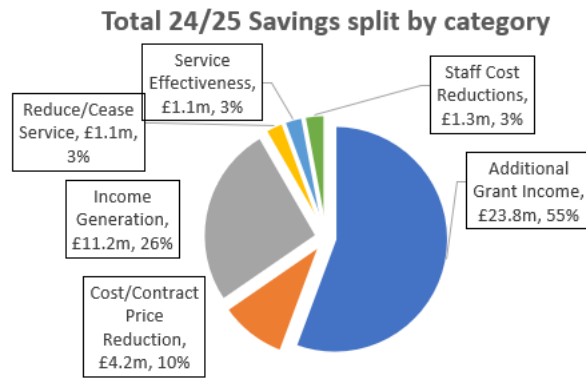
Balancing the General Fund Budget for 2024/25 has required £43m of savings:

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

Committee	Total Savings	Savings Deliverable in Year	In Year Gap	Savings Deliverable Next Year (Slippage)	Undeliverable Savings
Adult Health & Social Care	(29.9)	(29.1)	(0.8)	-	(0.8)
Communities, Parks & Leisure	(1.3)	(1.2)	(0.0)	-	(0.0)
Economic Devt & Skills	(0.6)	(0.6)	(0.0)	-	(0.0)
Education, Children & Families	(9.5)	(8.4)	(1.1)	-	(1.1)
Housing	(0.6)	(0.6)	(0.0)	(0.0)	0.0
Strategy And Resources	(0.1)	(0.1)	0.0	-	0.0
Transport, Regen & Climate	(0.5)	(0.5)	(0.0)	(0.0)	0.0
Waste And Street Scene	(0.3)	(0.3)	0.0	-	0.0
<b>Grand Total</b>	<b>(42.8)</b>	<b>(40.8)</b>	<b>(2.0)</b>	<b>(0.1)</b>	<b>(1.9)</b>
		95.4%	4.6%	0.2%	4.4%

The forecast delivery position of savings shows a £2m shortfall against the £43m target. This represents a delivery rate of 95% against target.

Savings targets are broken down into 6 categories as listed in the chart below which shows the breakdown of the categories. Note, the majority of the savings fall into “additional grant income” meaning the true controllable savings target is £18.9m rather than the full £42.8m per above, therefore an adjusted delivery rate of 89%.



## 2.9 UK Economy and Inflation Trends

In the first quarter of 2024/25, the UK economy has shown signs of improvement compared to recent years, indicating positive growth and stability. The Consumer Price Index (CPI) figures for March over the past 5 years are as follows:

- o 2024: 3.8%
- o 2023: 8.9%
- o 2022: 6.2%
- o 2021: 1.0%
- o 2020: 1.5%

Despite falling inflation, our costs are not necessarily decreasing. Higher costs have become embedded in baseline expenditure. We continue to see an increased demand for services, coupled with cost pressures in social care, home-to-school transport, and homelessness services.

## 2.10 Key Committee Overspends

### 2.10.1 Adult Health and Social Care overspent by £9m

The service's main overspend originates from persistent pressures carried over from 23/24, previously mitigated by one-off funding. To address these challenges, estimated at about £17m including additional staff costs, a Recovery Plan was presented to the Committee on 31st January 2024. In the current 24/25 overspend, £6.1m is within Purchasing, primarily due to delays in implementing the Recovery Plan. The service is now reevaluating proposals to offset this slippage, with particular attention to high-cost Learning Disability packages transitioning into adult services.

Staffing is £2.9m overspent due to previous slipped savings and necessary front-line recruitment to meet statutory duties, considering waiting times for key services. A £0.5m overspend in City Wide Care Alarms from digital upgrades is partially offset by underspends, including £0.2m in provider services recharges for health-related care.

### 2.10.2 Education, Children and Families overspent by £14.1m

Key overspends in children & family services stem from ongoing pressures carried over from previous years:

- Placements: £0.9m overspend, mitigated by Social Care Grant and budget allocations.
- No Recourse to Public Funds: £0.8m overspend due to increased demand, particularly in accommodation.
- Support for Children with Disabilities: £0.8m overspend, exacerbated by reduced ICB income.
- Home to School Transport: £6.5m overspend, reflecting increased demand (1000 more children than pre-pandemic).
- Integrated Commissioning: £2m overspend from unachieved 2022/23 savings, plus £1.1m from undelivered partner income in 24/25.

*Themes:* Persistent demand pressures, challenges in achieving planned savings, and the need for service reviews and efficiency measures to address ongoing financial strains.

### **2.10.3 Homelessness support in temporary and exempt accommodation is forecast to cost the Council £12.6m this year**

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 2023/24, the Council incurred a loss of £4.9m as a result of the legislation relating to temporary homelessness and £3.5m relating to 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 2024-25, this is forecast to cost the Council £7.1m for temporary homelessness and £5.5m for supported accommodation. A corporate provision of £7.9m has been set aside in recognition of the subsidy loss issue.

### **2.10.4 The Housing Revenue Account overspent by £3.7m**

Persistent overspends in the repairs and maintenance service have reduced the contribution from the Housing Revenue Account in 2024/25 from a target of £20.9m to £17.2m. A high number of cases and addressing compliance issues have contributed to the overspends alongside high use of subcontractors and the impact of increased supply chain costs across the board due to inflationary uplifts.

## **2.11 The Budget Implementation Group**

A senior officer working group was established in 23/24 to help drive delivery of the budget, both General Fund and Housing Revenue Account, challenge delivery of the Budget Implementation Plans (BIPs) and service overspends and make recommendations for the allocation of transformation funding. Jointly chaired by the Director of Finance and Commercial



Services and the Chief Operating Officer with nominated core member from each Directorate, the group continues to work towards improving the Council’s financial position and hold service leads to account for performance.

## 2.12 Future Sheffield Transformation

The Council identified an annual £4m budget to support transformation activity.

In order to become a financially sustainable organisation, the Council has set out a three-year plan for improvement, development and transformation called Future Sheffield. To support the programme, the Council has identified a £4.3m annual fund to support change in the organisation and expedite the delivery of savings plans. The “BIG” group has provided advice, challenge, and recommendations for allocation of the transformation funding to the Council’s Performance and Delivery Board.

£000	23/24 Spend	24/25 Committed
Adults	2,116	543
Future Sheffield	680	1,181
Education & Skills	480	505
Housing	250	-
HR	244	1,363
Digital Innovation	206	301
Children’s	27	53
General Counsel	-	539
	<b>4,003</b>	<b>4,485</b>

Allocations of funding have been made 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 was reported to finance committee as part of in-year budget monitoring briefings. Relevant policy committees are overseeing progress on programmes in their areas. This will continue into 24/25 with a greater focus on delivery of financial recovery plans with the support of elected members.

## 2.13 Medium Term Financial Strategy (MTFS)

## By law, the council must set a balanced budget. Our latest analysis suggests a gap of £68.9m by 28/29

Sheffield City Council, like most others across the country, faces another challenging financial year ahead. The Strategy and Resources Committee received an updated Medium-Term Financial Strategy on 24th July, highlighting financial pressures for the coming 4 years with an estimated gap of £68.9m in resources:

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Budget Gap (incremental)	31.4	15.8	10.8	11.0
Budget Gap (cumulative)	31.4	47.2	58.0	68.9

The starting point of the MTFS is to establish the overall financial envelope in which services must be delivered. There is an assumption that all previously agreed budget improvement plans (BIPs) will be delivered in full. The total available resources over the medium term will be, in the main, determined by 3 key factors.

- the level of Government funding provided;
- its ability to raise income via items such as local taxation and sales fees and charges; and
- the amount of available reserves.

In February 2023 the Department for Levelling Up, Housing and Communities (DLUHC) approved the 2024/25 settlement for Local Government. Included within the Settlement were details of Council Tax thresholds, Business Rates changes and additional funding including social care support.

Beyond 2024/25 the picture is less clear. However, there is a general acknowledgement that due to fiscal constraints, there will be very little, if any, increase in public sector spending in unprotected services such as Local Authorities over the remaining period of the MTFS.

Therefore, our MTFS includes no forecast increase in Government funding and makes the council even more reliant on increases in local taxation and sales, fees and charges to manage budget pressures.

The arrival of a new government introduces several specific uncertainties regarding grants for the Council, particularly those set to conclude in 2025 and beyond. This lack of clarity about the continuity of funding creates significant challenges for current project delivery. The Council must navigate these uncertainties while striving to maintain service levels and meet community needs, making strategic planning and execution more complex than ever before.

Social Care budget growth forecasts total £119.1m and are the biggest financial risk over the medium term, reflecting the trend in recent years of increasing unit costs, including pay inflation, and increasing demand for placements. Adults Social Care services are forecasting increased costs as a result of fee uplifts, growth and other demographic changes, plus increased transition costs between children's and adult's care. For Children's Social Care, additional placements cost resulting from rising demand for higher cost services and a significant increase in placement and home to school transport costs are being anticipated.

## **2.14 Priority Based Budgeting Model**

### **The Council aims to move to a Priority Based Budgeting model for 25/26**

Following the approval of the Council Plan 2024/28 in March 2024, the Council has a clear set of outcomes and priorities for the medium term. The delivery of these outcomes will require resources to be directed towards those activities which will best ensure the successful delivery of the Council's priorities underpinning the outcomes. For this reason, the Council is committed to moving toward a Priority Based Budgeting (PBB) model over the term of the MTFS.

To support PBB and the delivery of the Council's priorities, the Council will also continue to deliver transformation savings to help offset the significant financial pressure faced. The Future Sheffield programme is driving this process by assessing the current and future shape of the organisation to ensure the Council is best placed to deliver its services in the most efficient and effective ways.

## 2.15 24-25 Q1 Budget Monitoring Report – Committee Budgets

The Strategy and Resources Committee budget is overspent by £0.5m

24/25 Q1 £m	Outturn	Budget	Variance
Operational Services (Customer Services; Facilities Management; Transport)	21.8	21.5	0.3
Community Services (Local Area Committees)	2.4	2.5	(0.1)
Regeneration And Development (Property)	(5.8)	(6.1)	0.3
<b>Total</b>	<b>18.4</b>	<b>17.9</b>	<b>0.5</b>

### 2.15.1 Strategy & Resources budgets relating to Strategic Enabling Services now align to Finance and Performance

Following a governance review and agreement at full council on 17th July, there has been an agreed change in council functions under the remit of the Strategy and Resources committee. The following functions and budget lines previously reported under Strategy and Resources are now under the remit of Finance Policy and Resources:

- Finance and Commercial Services
- Legal and Information Governance
- Policy and Democratic Engagement
- People and Organisational Culture
- Transformation
- ICT and Digital Innovation

### 2.15.2 Shortfalls in income from commercial property have created a £0.3m budget gap

There is a shortfall against budgeted income for Electric Works of £0.1m due to lower than planned occupancy rate. The property lost key tenants in 2022/23, leaving occupancy at 71%. The level of occupancy required to meet income targets is approximately 80%.

There is also a £0.1m adverse variance Vacant Property Management, mainly due to security costs.

### 2.15.3 Operational Services are £0.3m overspent

Customer Services are £0.1m overspent due to staffing in the Contact Centre. Transport is £0.2m overspent because of undelivered savings targets from prior years.

### **3. How does this decision contribute to the Council Plan?**

#### 3.1 Council Plan outcome

*The Council must, by law 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 will 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.*

*The Council Plan sits directly alongside our four-year Medium Term Financial Strategy and we will bring closer alignment between our outcomes and priorities in the Council Plan and what we spend in our budget. Sheffield's prudent approach to fiscal management means we have a stable footing from which to deliver the required changes to support delivery of the Plan. We will move towards more outcome-based budgets from 2025/26 so that we can bring careful focus on the effectiveness of delivery against the priorities.*

#### 3.2 People – Prosperity - Planet

*At the heart of everything in the Plan is a determination to challenge ourselves as an organisation to make a positive contribution to Sheffield's people, the city's prosperity and the planet we share. Effective budget management is essential to ensure the financial sustainability needed to deliver the outcomes of our strategic plan, enabling us to make lasting, impactful contributions to Sheffield's people, the city's prosperity, and our shared planet*

#### 3.3 City Goals

*Effective budget management is crucial in supporting our city goals, ensuring that we allocate resources wisely and maintain financial sustainability, so we can collectively achieve the shared vision for Sheffield's future.*

### **4 What community or partner engagement has been undertaken and how has it informed the proposal?**

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.

## **5 What alternative options did we consider?**

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 How has equality, diversity and inclusion been actively considered?**

6.1 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.

## **7 Financial and Commercial Implications**

7.1 The primary purpose of this report is to provide Members with information on the City Council's revenue budget monitoring position for 2024/25.

## **8 Legal Implications**

8.1 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.

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.

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 consider 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.

## **9 Climate and Environmental Implications**

9.1 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.

## **10 Other implications**

10.1 No direct implications.

## **11 Reasons for decision**

11.1 To record formally changes to the Revenue Budget.

This page is intentionally left blank