

Policy Committee Decision Report

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| Title of Report: | 2024-25 Q2 Budget Monitoring Report |
| Date of Decision: | 11th December 2024 |
| Report To: | Strategy and Resources Policy Committee |
| Report Of: | Philip Gregory, Director of Finance & Commercial Services |
| Report Author: | Jane Wilby, Assistant Director Finance & Accounting |

Executive Summary:

Sheffield City Council is currently facing significant financial difficulties due to increased service demands, rising costs, and reduced funding. This has resulted in a projected overspend of £34 million for the 2024-25 fiscal year, approximately 7% of the net revenue budget. Key service areas affected include 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 challenging.

To address these issues, the Council is focusing on the "Future Sheffield" programme, a critical initiative aimed at transforming services to create a more sustainable and efficient operating model. This transformation is essential to ensure the delivery of statutory services and to drive initiatives that support city growth, aligning with the Council's broader strategic goals as outlined in the Medium-Term Financial Strategy. The need for long-term financial sustainability underscores the importance of these ongoing transformation efforts.

In this context, the recent budget provides much-needed support for local government and public services. The Chancellor has announced welcome increases in funding for the special educational needs and disabilities (SEND) system, social care, and homelessness, which are key areas of pressure for the Council. Moving towards a multi-year funding settlement will further support local government. This additional funding will be used to offset the additional costs of National Insurance and National Living Wage increases. The net impact to the Council's budget will be more certain after the Local Government Funding Settlement, which is due in December.

The additional investment into schools and the NHS is extremely welcome, as people across Sheffield rely on these public services daily. Raising the National Living Wage and Carers Allowance, along with extending the Household Support Fund, will help to put more money in people's pockets and address hardship.

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 Committee as it includes agenda items for forthcoming meetings, relating to its remit as set out in:

[Part 3C - 3.3 Matters Delegated to Committees May 2024.pdf \(sheffield.gov.uk\)](#)

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

Recommendations:

The Strategy and 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 Q2 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 £34m. The Council will balance this year's budget by drawing on reserves, but the situation remains tough.

2.2 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 work aims to pave the foundations of a sustainable and more efficient operating model for the Council.

2.3 The forecast outturn position for 2024-25 shows the Council's revenue budget to be overspent by £34 m, approximately 6.9% of the net revenue budget.

| Outturn £m | 24/25 Q2 Outturn | Budget | Variance | % Var to budget |
|--|---------------------|--------------|---------------|--------------------|
| Neighbourhood Services | 149.9 | 145.4 | 4.6 | 3.1% |
| Adults | 161.7 | 152.0 | 9.7 | 6.4% |
| Children's | 146.1 | 134.5 | 11.6 | 8.7% |
| City Futures | 40.7 | 40.7 | 0.0 | 0.0% |
| Strategic Support | 17.9 | 11.8 | 6.1 | 51.6% |
| Public Health & Integrated Commissioning | 9.1 | 7.1 | 2.0 | 28.3% |
| Corporate | (491.5) | (491.5) | 0.0 | 0.0% |
| Total | 34.0 | (0.0) | 34.0 | -6.9% |
| Funded by: | | | | |
| Budget contingency reserve | | | (26.1) | |
| Housing benefit subsidy provision | | | (7.9) | |
| | | | (34.0) | |

**51.6% overspend i relates to Housing Benefit subsidy loss on supported exempt accommodation included in the Strategic Enabling Services directorate budgets accounting for £6m of the £6.1m overspend*

2.4 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.

2.5 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.

2.6 The below table gives a breakdown of the £34m overspend and highlights the continuing "trend" of service budget pressures faced with limited offsets from "one-off" income, reserves and provisions this year. In prior years we have seen higher one-offs and issues in BIP delivery, this year the issues are with continuing budget pressures:

| Variance £m | One-off | BIPs | Trend | Total Variance |
|--|--------------|------------|-------------|----------------|
| Neighbourhood Services | (2.9) | 0.0 | 7.4 | 4.6 |
| Adults | (0.3) | 0.6 | 9.4 | 9.7 |
| Children's | 0.2 | 1.1 | 10.4 | 11.6 |
| City Futures | 0.0 | 0.0 | 0.0 | 0.0 |
| Strategic & Enabling Services | (0.8) | 0.0 | 6.9 | 6.1 |
| Public Health & Integrated Commissioning | 0.0 | 0.0 | 2.0 | 2.0 |
| Corporate | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | (3.7) | 1.6 | 36.1 | 34.0 |

2024/25 Q2 Financial Position by Committee

2.7 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 (within Housing policy committee budgets). The below table gives a breakdown of forecast vs budget by policy committee split:

| | Q2 Outturn | Budget | Q2 Variance | Q1 Variance | Movement |
|-----------------------------------|-------------|--------------|-------------|-------------|--------------|
| Adult Health & Social Care | 165.3 | 155.8 | 9.5 | 8.9 | 0.6 |
| Communities Parks and Leisure | 37.9 | 38.2 | (0.3) | (0.1) | (0.1) |
| Economic Development & Skills | 10.5 | 10.5 | (0.0) | 0.0 | (0.1) |
| Education, Children & Families | 150.1 | 136.3 | 13.8 | 14.1 | (0.3) |
| Housing | 16.5 | 11.3 | 5.2 | 5.6 | (0.4) |
| Strategy & Resources | 17.9 | 17.8 | 0.2 | 0.5 | (0.3) |
| Finance & Performance | (473.6) | (479.7) | 6.1 | 6.1 | |
| Transport, Regeneration & Climate | 36.7 | 36.7 | 0.0 | (0.1) | 0.2 |
| Waste & Street Scene | 72.7 | 73.2 | (0.5) | (0.6) | 0.1 |
| Total | 34.0 | (0.0) | 34.0 | 34.3 | (0.4) |

2.8 Most of the overspend is due to underlying cost and demand pressures in services (per para 2.6). We estimate that £36.1m 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 Q2 Variance £m | One-off | BIPs | Trend | Total Variance |
|-----------------------------------|--------------|------------|-------------|----------------|
| Adult Health & Social Care | (0.3) | 0.6 | 9.2 | 9.5 |
| Communities Parks and Leisure | (0.0) | 0.0 | (0.3) | (0.3) |
| Economic Development & Skills | 0.0 | 0.0 | (0.0) | (0.0) |
| Education, Children & Families | 0.2 | 1.1 | 12.6 | 13.8 |
| Housing | (2.0) | 0.0 | 7.1 | 5.2 |
| Strategy & Resources | (0.9) | 0.0 | 1.0 | 0.2 |
| Finance & Performance | (0.8) | 0.0 | 6.9 | 6.1 |
| Transport, Regeneration & Climate | 0.0 | 0.0 | 0.0 | 0.0 |
| Waste & Street Scene | 0.0 | 0.0 | (0.5) | (0.5) |
| Total | (3.7) | 1.6 | 36.1 | 34.0 |

2.9 Savings targets

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

General Fund Budget Implementation Plans (in £m)

| £m Committee | Total Savings | Financial Savings Deliverable in Year | In Year Gap | Financial Savings Deliverable Next Year (Slippage) | Undeliverable Savings |
|----------------------------|---------------|---------------------------------------|-------------|--|-----------------------|
| Adult Health & Social Care | 29.9 | 29.3 | 0.6 | 0.0 | 0.6 |
| Comm, Parks & Leisure | 1.5 | 1.5 | 0.0 | 0.0 | 0.0 |
| Economic Dev & Skills | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Ed, Children & Families | 9.5 | 8.4 | 1.1 | 0.0 | 1.1 |
| Housing | 0.6 | 0.3 | 0.3 | 0.3 | 0.0 |
| Strategy & Resources | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| Trans, Regen & Climate | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| Waste & Street Scene | 0.6 | 0.6 | 0.0 | 0.0 | 0.0 |
| Grand Total | 42.8 | 40.7 | 2.0 | 0.3 | 1.7 |
| | | 95.3% | 4.7% | 0.8% | 3.9% |

The forecast delivery position of savings shows a £2m shortfall against the £43m budget, representing a delivery rate of 95% against target. It's important to note that we are improving upon the delivery of savings targets year on year. Budget overspends have arisen due to rising costs and increasing demand in the areas of concern rather than non-delivery of in year savings plans.

2.10 Key Committee Overspends

2.10.1 Adult Health and Social Care overspent by £9.5m

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 around £17m (including additional staff costs), a [Recovery Plan](#) was presented to the Adult Social Care Committee on 31st January 2024. The Plan focuses on mitigating underlying demand and cost pressures to achieve long-term financial sustainability.

Within the current 24/25 overspend, £7.1m is within Purchasing budgets, which fund the provision of care, primarily due to delays in implementing actions detailed in 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 £2m overspent due to previous slipped savings and necessary front-line recruitment to meet statutory duties, considering waiting times for key services.

2.10.2 Education, Children and Families overspent by £13.8m

The broad themes within the service creating budget overspends relate to persistent demand pressures, challenges in achieving planned savings, and the need for service reviews and efficiency measures to address ongoing financial strains:

- Placements are balanced to budget with overspends in residential, underspends in family-based placements and mitigations from Social Care Grant and budget allocations to balance the bottom line
- No Recourse to Public Funds is £1.4m overspent due to increased demand, particularly in accommodation, approximately £0.9m more than last year.
- Support for Children with Disabilities is £1.4m overspend, exacerbated by reduced ICB income.
- Home to School Transport is £6.5m overspend, reflecting increased demand (1000 more children than pre-pandemic).
- £2m overspend in Integrated Commissioning (22/23 saving) and £1.1m overspend in Children's (24/25 saving) relating to undelivered partner income.

2.10.3 Homelessness support in temporary and exempt accommodation is forecast to cost the Council £13.1m 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 £6m for supported accommodation. A corporate provision of £7.9m has been set aside in recognition of the subsidy loss issue alongside a further £2m from one-off grants to support the position this year.

2.10.4 The Housing Revenue Account overspent by £4.8m

Persistent overspends in the Housing Repairs and Maintenance service caused by a high number of cases, addressing compliance issues, subcontractor usage, and increased supply chain costs have reduced the capital contribution in the HRA to £15.8m from a target of £20.6m.

2.11 The Budget Implementation Group (BIG)

To enhance financial focus within services and drive budget delivery, a senior officer working group, BIG, was established in 23/24, chaired by the Director of Finance and Commercial Services, continuing through 24/25. Over the past six months, the group concentrated on in-year recovery plans, identifying and mitigating service overspends. They focused on overspending drivers, mitigations, demand control levers, income generation, and grant funding opportunities. Consequently, recovery plans for key services were developed, and service leads are now accountable for these commitments, with outcomes reported to the Senior Leadership Board.

Additional spending controls, including a recruitment review panel, have been implemented to ensure thorough evaluation of requests. This scrutiny layer ensures staffing decisions are made with careful financial consideration and appropriate challenge.

2.12 Future Sheffield Transformation

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

To become a financially sustainable organisation, the Council has set out a three-year plan for improvement, development and transformation called Future Sheffield.

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 and delivering defined outputs.

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 with £31.4m falling into next year.

| | 2025/26 | 2026/27 | 2027/28 | 2028/29 | TOTAL |
|-----------------|---------|---------|---------|---------|-------|
| Budget Gap (£m) | 31.4 | 15.8 | 10.8 | 11.0 | 68.9 |

The medium-term resources will be mainly determined by 3 key factors:

- Government funding levels,
- Local taxation and sales fees,
- Available reserves.

The [Autumn Budget](#) on October 30th indicated a 3.2% real-term increase in core spending power for 2025-26, including a 4.99% council tax increase. This is better than original planning assumptions. The government also plans to reform funding allocation, starting with a targeted approach in 2025-26, followed by a broader redistribution from 2026-27. This should result in additional funding for SCC in 2025/26 and provide a clearer multi-year financial outlook, aiding in strategic planning and resource management.

Key financial highlights of the budget were:

- Extension of the Household Support Fund,
- £1.3bn new grant funding for essential services, including £0.6m for social care,
- Additional funding for homelessness prevention,
- Funding for Children’s social care reforms,
- Greater retention of Right to Buy receipts,
- Clarity over UK Shared Prosperity Funding,
- £1bn extra funding for SEND,
- Additional investment in schools infrastructure and maintenance.

However, increases to the National Living Wage will widen the budget gap; every 10p increase costs the Council £2m in adult social care budgets, so the 77p increase will cost £15.4m more than last year. The extent of coverage for this is unclear and will be known upon receiving the finance settlement in December, complicating the finalisation of 25/26 budgets. Further details are awaited to ascertain any new burdens attached to the funding.

2.14 Priority Based Budgeting Model

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

The Council Plan 2024/28 sets medium-term outcomes and priorities, requiring targeted resource allocation. A Priority Based Budgeting (PBB) model has been introduced to enhance resource allocation and align services strategically.

The Future Sheffield programme is assessing the organisation's structure to ensure efficient service delivery.

Key changes to the this year's business planning process include:

- Service budgets evaluated against a framework for alignment with the council plan, impact of non-delivery, effectiveness, and financial control, with scoring presented alongside budget proposals.
- Political groups received growth/demand and investment pressures for scrutiny, in addition to savings proposals, to make investment decisions similarly to savings decisions.
- Policy Committees will be briefed on service proposals under their remit, but no formal budget report will be taken to each committee.
- The first budget report will be presented to the Finance & Performance Committee in December, followed by S&R in February and Full Council in March, reflecting the governance change in July 24.

3. 24-25 Q2 Budget Monitoring Report – Committee Budgets

The Strategy and Resources Committee is overspent by £0.2m

3.1.1

| 24/25 Q2 £m | Outturn | Budget | Variance |
|--|-------------|-------------|------------|
| Operational Services (Customer Services; Facilities Management; Transport) | 21.7 | 21.4 | 0.3 |
| Community Services (Local Area Committees) | 2.5 | 2.6 | (0.1) |
| Regeneration And Development (Property) | (6.2) | (6.3) | 0.1 |
| Total | 17.9 | 17.8 | 0.2 |

3.1.2 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

3.1.3 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.

3.1.4 The table below gives further breakdown of the committee's spend against budget by each service:

£m

| Division of Service | Management Area | FY budget income | FY budget expend | FY budget | Total FY Outturn | Total FY Variance |
|-----------------------|--------------------------------|------------------|------------------|-------------|------------------|-------------------|
| FACILITIES MGMT | CSSR | (1.7) | 4.3 | 2.6 | 3.0 | 0.3 |
| | FM BUSINESS STRATEGY | (0.5) | 2.7 | 2.2 | 1.9 | (0.3) |
| | FM DELIVERY | (8.9) | 19.7 | 10.7 | 10.7 | (0.1) |
| | PROJECTS AND COMMERCIAL | (0.4) | (1.0) | (1.3) | (1.3) | 0.0 |
| | | | | | | |
| CUSTOMER SERVICES | CUSTOMER SERVS CF | (0.1) | 2.7 | 2.6 | 2.8 | 0.1 |
| | CUSTOMER SERVS CS | (0.4) | 2.1 | 1.6 | 1.7 | 0.1 |
| | CUSTOMER SERVS F2F | (1.2) | 0.9 | (0.3) | (0.3) | 0.0 |
| | CUSTOMER SERVS RPP | | 1.0 | 1.0 | 1.0 | 0.0 |
| LOCAL AREA COMMITTEES | LAC STAFFING | | 0.0 | 0.0 | 0.0 | 0.0 |
| | WARD POTS AND PROJECTS | 0.0 | 2.6 | 2.6 | 2.5 | (0.1) |
| TRANSPORT | CENTRAL TRANSPORT | (9.1) | 9.1 | 0.0 | (0.1) | 0.0 |
| | FLEET MANAGEMENT | (6.9) | 7.5 | 0.6 | 0.8 | 0.2 |
| | WORKSHOPS | (1.3) | 2.9 | 1.6 | 1.6 | 0.0 |
| PUBLIC HEALTH - DPH | PUBLIC HEALTH - DPH | (3.4) | 3.4 | 0.0 | 0.0 | 0.0 |
| PROPERTY | ASSET STRATEGY AND PERFORMANCE | | 0.0 | 0.0 | 0.0 | 0.0 |
| | COMMERCIAL ESTATE | (1.6) | 0.4 | (1.2) | (1.1) | 0.1 |
| | ELECTRIC WORKS | (1.4) | 1.4 | 0.1 | 0.1 | 0.0 |
| | HEART OF THE CITY 2 | (9.2) | 2.5 | (6.6) | (6.6) | 0.0 |
| | LAND AND PROPERTY | (0.9) | 2.4 | 1.4 | 1.4 | 0.0 |
| Grand Total | | (47.0) | 64.8 | 17.8 | 17.9 | 0.2 |

4. How does this decision contribute to the Council Plan?

4.1 People – Prosperity - Planet

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.

4.2 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

4.3 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.

5 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.

6 What alternative options did we consider?

6.1 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.

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

7.1 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.

8 Financial and Commercial Implications

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

9 Legal Implications

9.1 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.

10 Climate and Environmental Implications

10.1 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.

11 Other implications

11.1 No direct implications.

12 Reasons for decision

12.1 To record formally changes to the Revenue Budget.

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