



Report to Policy Committee

Author/Lead Officer of Report: Tony Kirkham,
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Services

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Report of: *Tony Kirkham*

Report to: *Strategy & Resources Committee*

Date of Decision: *21st February 2023*

Subject: *Budget Report for 2023/24*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input 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"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>				

Purpose of Report:

The purpose of the Revenue Budget report is to:

- recommend to Full Council the City Council's revenue budget for 2023/24, including the position on reserves and balances;
- recommend to Full Council to approve a 2023/24 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

Recommendations:

1. Recommends that Strategy and Resources Committee:
 - a) notes that the South Yorkshire Fire & Rescue Authority precepts have not yet been issued;
 - b) authorises the CFO to add the information to Full Council; and
 - c) recommends to Full Council the recommendations as set out in the Revenue Budget report, subject to the addition of the precept information.

Background Papers:

Medium Term Financial Analysis - [MTFA](#)

Lead Officer to complete:-		
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: <i>Liz Gough</i>
		Legal: <i>David Hollis</i>
		Equalities & Consultation: <i>Adele Robinson</i>
		Climate: <i>Jessica Rick</i>
	<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	EMT member who approved submission:	<i>Tony Kirkham</i>
3	Committee Chair consulted:	<i>Terry Fox</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 EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Liz Gough</i>	Job Title: <i>Head of Service: Finance & Commercial Business Partnering</i>
	Date: <i>(13th Feb 2023)</i>	

1. PROPOSAL

- 1.1 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.

It has become increasingly hard to do this despite recent improved settlements from Government. Along with other Councils, Sheffield City Council continues to lobby Central Government to recognise the full impact of a decade of cuts in its and national Local Government funding between 2010 and 2020. The fact remains that Sheffield has almost 30% or £856 per household less to spend in real terms, when compared to 2010/11. This reduction is well above the national average of approximately 20% or £581 per dwelling.

It should be noted, core spend power calculations include income generated from Council Tax and therefore mask the true scale of Central Government funding cuts. For Sheffield this equates closer to a 50% cut in real terms since 2010 and has deepened the Council's reliance on local taxation.

This is no different for 2023/24 and results in the recommendation to Full Council to increase Council Tax by 4.99%.

13 years of delivering over £475m of savings to offset cuts in funding, as well as cost pressures resulting from inflation and demand for vital service, means savings have become increasingly difficult to deliver without wholesale closures of service on which Sheffield residents rely.

For 2023/24 we are forecasting pressures of £69m 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 £43m of these pressures relate to Social Care Services. To support the 2022/23 budget we had to use £14.5m of reserves. Due to the one-off nature of this funding, an additional pressure is created by the removal of this support.

Through our 2023/24 Business Planning Process, Committees managed to identify £48m of savings to help deliver the balance budget. Examples of the savings include accommodation reviews and rationalisation of Council buildings, service redesigns, reduced post-pandemic subsidies to leisure providers and person-centred reviews of care packages, to name a few. Delivery of these savings will require steadfast commitment, and targeted resources from the Council to be successful. It is therefore imperative that robust action is taken to deliver planned savings and

contain financial pressures over the next year. If this action is not taken successfully, the Council's position will become financially unsound from 2024/25 onwards. Consequently, if overspends emerge, then Corporate Leadership Team will be required to develop and implement plans to mitigate fully any overspend, within 2023/24, in consultation with elected members.

A better than expected Finance Settlement from Government has enabled the Council to close its budget gap for 2023/24 without the use of reserves. Additional Business Rates compensation income, extra Social Care funding and the ability to raise Council Tax by 4.99%, previously assumed at 2.99%, support a balance budget.

For Council Tax, the extra 2% delivers approximately £5m for Sheffield and is vital to close the budget gap. This is a difficult choice and will place an additional financial burden on the households of Sheffield. Most homes will see an increase of £1.12p per week. However, Sheffield is committed to supporting its most vulnerable families. To do this, £200k has been added to the Council Tax Hardship fund, bringing the total to £2.2m for 2023/24. At the same time the Council is reviewing all its support payments to residents to ensure they are targeted towards those who need it most. This support package for 2023/24 will also include new funding to help Council Tax Support claimants and an increase to the Household Support Fund, which is anticipated to be over £10m for 2023/24.

The Council has not taken the decision to increase Council Tax lightly but feels the alternative to this, finding £5m more of savings within 2023/24, will have too great an impact on vital services in the city.

A different option could have been to use reserves to balance the budget as done for 2022/23. However, removing this reliance on reserves is an important and prudent step for the longer-term sustainability of the Council. Our remaining reserves will instead be better targeted to one-off 'invest to save' type activity required to support savings delivery plans and transformational work. This investment will ensure the Council will be in a better place and shape to deal with the challenges and opportunities presented over the medium term.

On the point of financial sustainability, another consideration affecting the Council's decision to increase Council Tax, is the knowledge Sheffield is likely to get very little additional funding from Government in the medium term and depending on the economic performance of the country in coming years, might even see further cuts to its funding allocations from 2025/26 onwards.

However, against this financial backdrop, the Council's priorities remain clear. It will continue to maintain its critical services for the citizens of Sheffield and we will strive to deliver the Strategic Goals that we have set out this year. This budget is a vital step on our four-year improvement

journey, providing financial stability for the council and enabling targeted, one-off investments which will create the foundations for SCC to flourish as an organisation in the years to come. We want to be a good council that delivers high quality services for everyone in Sheffield and this budget is an important step on that journey.

2. HOW DOES THIS DECISION CONTRIBUTE ?

2.1 The purpose of this report is to recommend to Full Council to:

- approve the City Council's revenue budget for 2023/24, including the position on reserves and balances;
- approve a 2023/24 Council Tax for the City Council; and
- note the levies and precepts made on the City Council by other authorities.

Please refer to paragraph 202 of the main report for the recommendations.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 *Yes – please see paragraphs 123 - 171 of the main report*

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

4.1.1 *See paragraphs 172 – 201 and Appendix 8 of the main report for details.*

4.2 Financial and Commercial Implications

4.2.1 *Yes – Signed off by Liz Gough Head of Service: Finance & Commercial Business Partnering*

4.3 Legal Implications

4.3.1 *See paragraphs 84-95 of the main report*

4.4 Climate Implications

4.4.1 *See paragraphs 113-122 of the main report*

4.4 Other Implications

4.4.1 *Workforce impact of this Budget are detailed in paragraphs 103-106 of the main report*

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 *A number of alternative courses of action are considered as part of the Business Planning process undertaken by Officers before options are recommended to individual policy committees. The recommendations made to Members represent what Officers believe to be the best options available to the Council, in line with Council priorities, given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme.*

6. REASONS FOR RECOMMENDATIONS

- 6.1 *The City Council on 1 March 2023 meets to consider the Revenue Budget for 2023/24 and to determine the Council Tax for that year. The report provides information to enable the Council to set a budget and determine the Council Tax. The proposals set out in this report provide for a balanced budget to be recommended to Full Council.*