



Report to Policy Committee

Author/Lead Officer of Report: Tony Kirkham,
Interim Director of Finance and Commercial
Services

Tel: +44 114 474 1438

Report of: *Tony Kirkham*
Report to: *Adult Social Care Committee*
Date of Decision: *14th June 2023*
Subject: *2022-23 Financial Outturn*

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"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."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:

This report brings the Committee up to date with the Council's final revenue outturn position for 2022/23.

Recommendations:

The Committee is recommended to:

- a) Note the updated information and management actions provided by this report on the 2022/23 Revenue Budget Outturn.

Background Papers:

[2022/23 Revenue Budget](#)

Lead Officer to complete: -	
1	<p>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.</p> <p>Finance: <i>Tony Kirkham, Interim Director of Finance and Commercial Services</i></p> <p>Legal: <i>David Hollis, Assistant Director, Legal and Governance</i></p> <p>Equalities & Consultation: <i>James Henderson, Director of Policy, Performance and Communications</i></p> <p>Climate: n/a</p>
<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	<p>SLB member who approved submission: <i>Tony Kirkham</i></p>
3	<p>Committee Chair consulted: <i>Cllr Zahira Naz</i></p>
4	<p>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.</p>
	<p>Lead Officer Name: <i>Tony Kirkham</i> <i>Jane Wilby</i></p> <p>Job Title: <i>Interim Director of Finance and Commercial Services</i> <i>Head of Accounting</i></p>
Date: 31 st May 2023	

1. PROPOSAL

1.1 This report provides the final revenue outturn monitoring statement on Sheffield City Council's revenue and capital budget for 2022/23

1.2 Summary

1.2.1 The Council's revenue budget was overspent by £5m as of 31st March 2023.

Full Year £m	Outturn	Budget	Variance
Corporate	(456.6)	(450.5)	(6.1)
City Futures	34.1	34.9	(0.8)
Operational Services	111.4	111.6	(0.2)
People	304.4	294.2	10.2
Policy, Performance Comms	3.6	3.2	0.4
Resources	8.1	6.6	1.5
Total	5.0	(0.0)	5.0

1.2.2 This overspend is due to a combination of agreed Budget Implementation Plans ("BIPs") not being fully implemented and ongoing cost / demand pressures that are partially offset by one-off savings.

Full Year Variance £m	One-off	BIPs	Trend	Total Variance
Corporate	0.0	0.0	(6.1)	(6.1)
City Futures	(0.1)	0.0	(0.7)	(0.8)
Operational Services	(4.8)	2.7	1.9	(0.2)
People	(0.5)	14.8	(4.1)	10.2
Policy, Performance Comms	(0.1)	0.4	0.1	0.4
Resources	(1.0)	1.6	0.9	1.5
Total	(6.5)	19.5	(8.0)	5.0

1.2.3 In 2021/22, the Council set aside £70m of reserves to manage the financial risks associated with delivering a balanced budget position. In 2021/22, the council overspent by £19.8m which was drawn from this pool, a further £15m was used to balance the 2022/23 budget, final 2022/23 outturn £5m leaving a remaining risk allocation of £30m as we move in to 2023/24

M12	£m
Allocated reserves	70.0
21/22 Budget overspend	19.8
22/23 Base budget committed	15.0
22/23 Budget overspend	5.0
Reserves used @ M12	39.8
Remaining reserves	30.2

1.3 Committee Financial Position

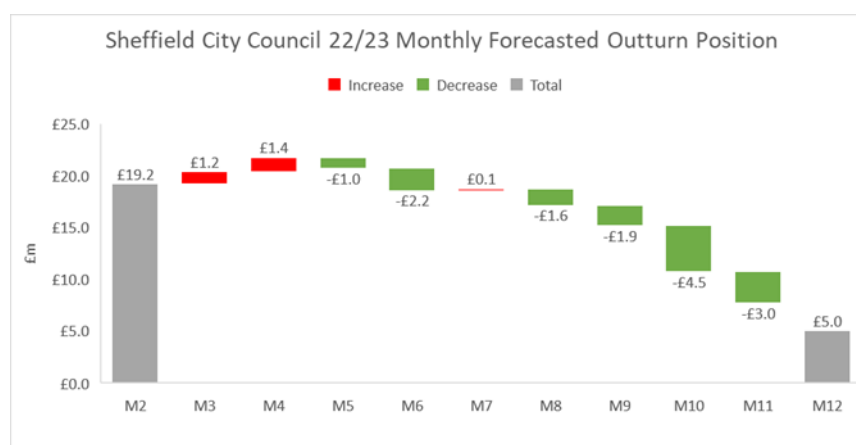
1.3.1 Overall Position - £5m Overspend

There is a £5.7m overspend in the Adult Health and Social Care Committee and a £5.8m overspend in the Education, Children and Families Committee

Full Year Forecast £m @ Month 12	Outturn	Budget	Variance	M11 Variance	Movement
Adult Health & Social Care	157.1	151.4	5.7	6.8	(1.2)
Education, Children & Families	134.2	128.4	5.8	7.1	(1.3)
Housing	6.2	6.0	0.2	(0.9)	1.1
Transport, Regeneration & Climate	28.4	29.7	(1.2)	(0.9)	(0.3)
Economic Development & Skills	10.7	11.1	(0.4)	(0.1)	(0.2)
Waste & Street Scene	54.7	55.0	(0.3)	(0.4)	0.1
Communities Parks and Leisure	44.2	45.9	(1.7)	(1.6)	(0.1)
Strategy & Resources	(430.5)	(427.5)	(3.0)	(2.1)	(0.9)
Total	5.0	(0.0)	5.0	7.9	(2.9)

The overall outturn position improved previous month's forecast overspend by £2.9m largely due to improvements in income in social care

The Council's forecast overspend has reduced by £14.2m from the M2 outturn position mainly due to unforeseen income



Substantial improvements have been made in the Council's financial position throughout 2022/23. The overspend in Adult Social Care was halved due to additional grant income, mainly from the Government's £500m discharge fund announced in November 2022.

	M2 Outturn	M12 Outturn	Movement
Full Year Variance £m			
Adult Health & Social Care	11.7	5.7	(6.0)
Education, Children & Families	5.6	5.8	0.1
Housing	0.0	0.2	0.2
Transport, Regeneration & Climate	1.2	(1.3)	(2.5)
Economic Development & Skills	(0.1)	(0.4)	(0.3)
Waste & Street Scene	(0.2)	(0.3)	(0.1)
Communities Parks and Leisure	(0.6)	(1.7)	(1.1)
Strategy & Resources	1.5	(3.0)	(4.5)

Total	19.2	5.0	(14.2)
--------------	-------------	------------	---------------

Transport, Regeneration and Climate Committee's improvement of £2.5m was mainly as a result of the mitigation of unachievable savings targets for 2022/23.

The Communities, Parks & Leisure Committee's overall improvement was due to the underspend in the Youth Service following a delay in the implementation of the new operating model and recruitment slippage.

Strategy & Resources saw a large recovery in income from interest on investments throughout the year. Cash balances remained strong and so did the bank rate. Careful management and investment of our funds resulted in a strong yield for the Authority.

Most of the overspend is due to shortfalls in Budget Implementation Plans (BIPs) delivery

Variance Analysis @ Month 12	One-off	BIPs	Trend	Total Variance
Adult Health & Social Care	(0.3)	8.7	(2.7)	5.7
Education, Children & Families	1.0	6.0	(1.2)	5.8
Housing	1.2	0.0	(1.0)	0.2
Transport, Regen & Climate	(2.1)	2.1	(1.2)	(1.2)
Economic Development & Skills	(0.1)	0.0	(0.3)	(0.4)
Waste & Street Scene	(3.5)	0.4	2.7	(0.3)
Communities Parks and Leisure	(1.5)	0.0	(0.2)	(1.7)
Strategy & Resources	(1.3)	2.2	(4.0)	(3.0)
Total	(6.5)	19.5	(8.0)	5.0

Whilst the overspend for the Council closed at £5m, we were reporting that £19.5m of savings targets were not achieved in year. This was mitigated through either income contributions from grants or reserves or other fees and charges.

£6.5m of one-off savings mitigated the underlying overspend

Contributions from provisions for energy and waste inflation mitigated the in-year impact of rising baseline costs. In 2022/23 we saw a more than 100% increase in energy costs taking general fund energy costs from £2.5m to an annual bill of over £5m.

Year on Year		
Energy price increase	22/23	23/24
Gas	107%	5%
Electricity	111%	30%

Wholesale energy prices have fallen over recent months and the Council has secured energy prices until March 2024. The impact of this has been built into the 2023/24 budgeted baseline position at a 30% increase on electricity and 5% on gas.

Balancing the 2022/23 budget was only possible with £53m of BIPs, £33m were delivered this year

Budget Savings Delivery £m	Total Savings 2022/23	Deliverable in year	FY Variance
Portfolio			
People	37.7	22.9	14.8
Operational Services	7.1	5.0	2.1
PPC	1.2	0.8	0.4

Resources	6.7	4.5	2.2
Total	52.7	33.2	19.5

1.3.2 Key Committee Overspends:

Adult Health and Social Care overspent by £5.7m	The high cost of packages of care put in place during covid has increased our baseline costs into 2022/23. A huge amount of work has been done as part of an investment plan to tackle the underlying issues. Recruitment challenges reduced our ability to deliver targets in full in 2022/23. It is anticipated that 96% of savings will be delivered by 1st April 2024 within current plans, leaving £1.1m to be mitigated during 2023/24.
Education, Children and Families overspent by £5.8m	Under-delivery of budget implementation plans in the service are the main cause of overspends; plans to reduce staffing and increase income from Health were not achieved. Issues with staffing at Aldine House limited the capacity in the setting and affected the income for the service this year by £1.5m. Overspends in children’s residential services, placements, short breaks, and direct payments have also been issues for the service’s budgets.
The Housing Revenue Account is overspent against budget by £12m	A significant issue in the HRA this year is the level of vacant properties within the Council’s housing stock. This has led to a reduction in income (£2.7m) in rent plus additional costs for council tax to the HRA (£1.1m) from the empty properties. A backlog of repair jobs has led to gas servicing compliance issues and disrepair claims (£2.4m) for the service. The housing repairs service overspent against budget by £10m. There has been a significant investment in addressing the backlog of repairs (in particular gas servicing) which have led to costs in excess of budget due to a higher volume of jobs and a higher than anticipated cost of fulfilling the work due to market factors and inflationary uplifts in materials and subcontractor costs.

1.4 Adult Health & Social Care- £5.7m overspent

The revenue outturn position for the AHS&C Committee is overspent by £5.7m	Full Year Forecast £m @ Month 12	Outturn	Budget	Variance
	Adult Health & Social Care Integrated Commissioning (Early Help and Prevention - Partnership Funding;	151.1	145.1	6.0
	Supporting Vulnerable People - Housing Related Support/Drugs and Alcohol Services)	6.0	6.3	(0.3)
	Total	157.1	151.4	5.7

The committee position improved by £6m throughout the year.

The majority of the committee overspend relates to undelivered savings (BIPs)	Variance Analysis £m @ Month 12	One-off	BIPs	Trend
	Adult Health & Social Care Integrated Commissioning	0.1	8.7	(2.8)
		(0.4)	0.0	0.1
	Total	(0.3)	8.7	(2.7)

Of the £25.2m savings target, £16.5m was delivered in year. (96%) are anticipated to be delivered by 1st April 2024 within current plans, leaving £1m to be mitigated during 2023/24.

Purchasing activities are overspent by £5.2m	PURCHASING POSITION @M10	OUTTURN	BUDGET	VARIANCE	M11 VARIANCE	MOVEMENT
	OLDER PEOPLE	31.4	31.2	0.2	1.8	(1.6)
	LEARNING DISABILITIES	35.2	28.0	7.2	7.3	(0.1)
	PHYSICAL DISABILITIES	14.3	16.6	(2.3)	(2.4)	0.1
	MENTAL HEALTH	9.1	9.0	0.1	0.4	(0.3)
		90.0	84.8	5.2	7.1	(1.9)

There were continued improvements in the purchasing budgets towards the end of the year with additional income from clients alongside further discharge funding to offset costs incurred.

The pay award created a £0.7m pressure for the committee	The pay award of £1,925 flat rate per employee was paid to employees in M8. The award impacted the Committee spend by £0.7m.
--	--

The committee position improved by £6m throughout the course of the year	The final outturn position improved again in the last month following sustained improvements throughout the year. A big contributor to this position is due to the Winter Discharge Funding from the NHS announced in November 2022. The team in Finance and Adult Social Care have worked hard to scrutinise the expenditure incurred by the Authority and clarify the eligibility for the funding. Finance have worked closely with ICB partners to provide assurance of the final outturn position.
--	--

A delay in housing related support provision has created a small underspend in 2022/23	A £0.2m underspend in Integrated Commissioning relates to Housing Related Support. Expenditure had been previously agreed for a new complex needs service for vulnerable adults who have accommodation needs. The service is unable to start until a suitable property is found and because it has not been possible to secure anywhere to date, the service will not start until later in the next financial year.
BIP delivery for 2022/23 remains challenging with continued focus on high-cost care package reviews put in place during covid	<p>Over £11m of the BIP savings required for 2022/23 relate to reviewing high-cost packages of care put in place during the pandemic.</p> <p>Work is still underway as part of the investment plan with additional resource to tackle the underlying issue although recruitment issues is impacting on deliverability.</p> <p>Delivery of savings were delayed because of the inability of the service to undertake planned reviews of care at the scale required due in part to short term demand pressures including community support requests (up 13% since 19/20), safeguarding contacts (up 68% since 19/20) and hospital support requests (up 20% since 19/20) and in part to national challenges around recruitment and retention.</p>
Learning Disabilities overspends are a major contributor to the overall overspend	<p>The majority of the £11m overspend on 3rd party services is for Learning Disability care and support. Learning Disability clients come into the service at a relatively young age and require lifetime support, often in high-cost residential care or supported living facilities.</p> <p>The service intends to address this in 2023/24 by:</p> <ul style="list-style-type: none"> • Reviewing high-cost increases to understand cost drivers; • Completing value for money exercise for services with above inflation increases; and • Market shaping to increase the options for day services, respite, and accommodation.
Recruitment and retention difficulties have impacted savings delivery in 2022/23	<p>Vacancies which are part of the investment plan are still not fully recruited to. If posts are filled, the employee overspend would increase but an improvement in BIP delivery would be expected.</p> <p>However, some elements of the investment plan funding employees are time limited with c.£2m due to be removed from staffing budgets over the next 2 financial years.</p> <p>A Target Operating Model is being worked on and it is anticipated to arrive at an optimum staffing establishment level but will need to consider the level of permanent funding available.</p>

Home care continues to be a huge challenge	The increased cost and size of packages following the pandemic is an underlying issue. However, data shows the average cost of packages reduced in recent months to £307 per week, this includes an additional hourly uplift agreed as part of the Fair Cost of Care Grant. We also note a trend of reduced costs in new packages of people starting homecare of £227 per week which is the lowest it has been since January 2020, pre-pandemic. Sustained average cost reduction is a good indication for future financial sustainability of the service. However, with growing client numbers and the market suffering from staff recruitment and retention problems there is a resulting in a lack of capacity.
The Fair Cost of Care Exercise and Social Care Reform will increase Adult Social Care responsibilities and costs	<p>Fair Cost of Care is to determine an appropriate fee level on over-65 Care Homes and Homecare delivery. SCC are currently an average to low payer when benchmarked against other Local Authorities which indicates the potential to have to increase rates above current forecast levels. Any grant allocated is unlikely to fully cover the cost of those increases.</p> <p>Social Care Reform will levy significant new responsibilities on Local Authorities and introduces a cap on care costs. The grant allocated is unlikely to fully cover the costs of those increases or the required increase staffing base needed to deliver our new responsibilities.</p> <p>Following an announcement in the government's Autumn Statement 2022, the planned adult social care charging reforms are now delayed until October 2025. Market pressure may present a risk to Sheffield City Council's budgets, without clarity on support from Central Government.</p>
Savings delivery remains the biggest challenge to the committee's financial position	The key financial risk going into 2023/24 for the service is the pace of savings required and the impact of this year's savings carrying into 2023/24 when significant new additional savings are also required of the service.

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 T The recommendations in this report are that the Adult Social Care Policy Committee notes the Council's Revenue Outturn position and their 2022/23 outturn and takes action on overspends in budgets in preparation for the 2023/24.

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 outturn position for 2022/23.

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.