



Report to Policy Committee

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Report of: *Tony Kirkham*
Report to: *Waste & Streetscene Committee*
Date of Decision: *21st 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"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."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> |
| <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></p> | |
| 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> |
| | <p>Date: 31st May 2023</p> |

1. PROPOSAL

1.1 This report provides the final revenue outturn monitoring statement on Sheffield City Council's 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

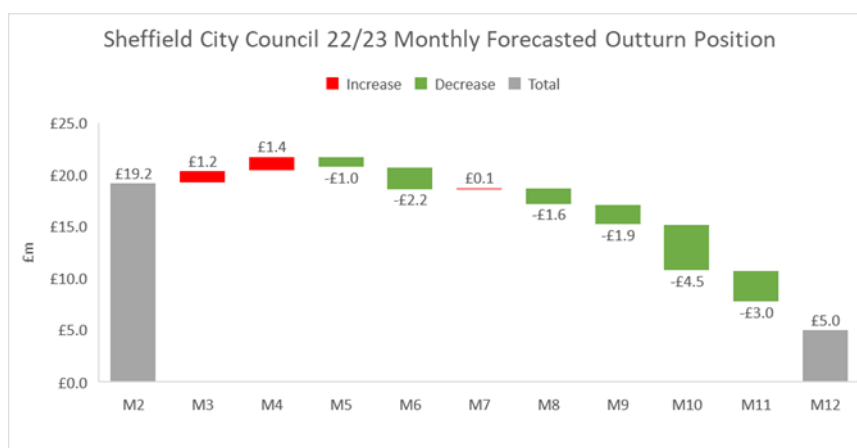
1.3.1 Overall Position - £5m Overspend

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 | | | | Total Variance |
|--|-------------------------------------|----------------|-------------|--------------|-----------------------|
| | | One-off | BIPs | Trend | |
| | 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 was the level of vacant properties within the Council's housing stock. This 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 was 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 Waste & Street Scene Committee is £0.3m underspent

| The Waste & Street scene committee is underspent by £0.3m. | Full Year Forecast £m @ Month 12 | Outturn | Budget | Variance |
|--|---|-------------|-------------|--------------|
| | Streetscene & Regulation <i>City Centre Management; Director of Street Scene; Environmental Regulations; Highway Maintenance; Highways Contract; Licensing; City Markets; Waste Management; Emergency Planning; Parking Services; Cost of living Hub)</i> | 54.7 | 55.0 | (0.3) |
| | Total | 54.7 | 55.0 | (0.3) |

The committee's outturn position remained broadly stable throughout the year.

A breakdown of budgets included in the W&SS committee is provided below for further detail on the split between income and expenditure budgets:

| Service Area | Budget | Outturn - Income | Outturn - Expend | Total Outturn @M12 | Variance |
|--------------------------------|-------------|------------------|------------------|--------------------|--------------|
| WASTE MANAGEMENT | 28.0 | (5.2) | 33.3 | 28.0 | 0.0 |
| HIGHWAYS CONTRACT | 20.2 | (48.2) | 69.2 | 21.1 | 0.8 |
| ENVIRONMENTAL REGULATIONS | 5.0 | (1.6) | 6.7 | 5.1 | 0.1 |
| SHEFFIELD CITY MARKETS | 1.9 | (1.6) | 3.6 | 1.9 | 0.1 |
| HIGHWAY MAINTENANCE DIVISION | 1.5 | (3.0) | 4.1 | 1.0 | (0.5) |
| CITY CENTRE MANAGEMENT | 1.4 | (1.5) | 3.2 | 1.7 | 0.4 |
| DIRECTOR OF STREETSCENE & REGS | 0.7 | (0.2) | 0.9 | 0.7 | (0.0) |
| COVID HUB | 0.7 | (12.3) | 13.0 | 0.7 | 0.0 |
| EMERGENCY PLANNING | 0.3 | (0.1) | 0.4 | 0.3 | 0.0 |
| LICENSING | 0.1 | (1.5) | 1.7 | 0.2 | 0.1 |
| PLACE HUB | 0.0 | 0.0 | (0.0) | (0.0) | (0.1) |
| PARKING SERVICES | (4.8) | (11.4) | 5.3 | (6.1) | (1.2) |
| Grand Total | 55.0 | (86.5) | 141.2 | 54.7 | (0.3) |

The above breakdown provides good context for the high value expenditure budgets of the committee. A £300k underspend represents a 0.2% deviation from budget.

| Underlying inflationary pressures on energy and waste management have presented a significant challenge for the Council | Variance Analysis £m @ Month 12 | One-off | BIPs | Trend |
|---|--|--------------|------------|------------|
| | Streetscene & Regulation <i>City Centre Management; Director of Street Scene; Environmental Regulations; Highway Maintenance; Highways Contract; Licensing; City Markets; Waste Management; Emergency Planning; Parking Services; Cost of living Hub)</i> | (3.5) | 0.4 | 2.7 |
| | Total | (3.5) | 0.4 | 2.7 |

The Waste contract provides for an uplift in costs at RPIX which was re-based at 8% for 2022/23. This was £0.8m higher than the budgeted level. Similarly, energy cost increases of 100% on street lighting are resulting in a £2.1m issue in 2022/23.

Both these pressures are being mitigated in 2022/23 through one-off provisions / reserves this year. Inflationary pressures have been built into the 2023/24 budget. The indexation that applies to the contract costs in 2023/24 is set to be 12.6%.

The impact of the pay award created an additional £0.2m pressure to 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 £0.2m

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The recommendations in this report are that the Waste & Streetscene Policy Committee notes 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. 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