



Report to Policy Committee

Author/Lead Officer of Report: Philip Gregory,
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Report of: *Philip Gregory, Director of Finance & Commercial Services*

Report to: *Communities, Parks & Leisure Committee*

Date of Decision: *25th September*

Subject: *2023-24 Q1 Budget Monitoring Report*

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"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."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 outturn position for Q1 2023/24 General Fund revenue position.

Recommendations:

The Committee is recommended to:

The Committee is asked to note the updated information and management actions provided by this report on the Q1 2023/24 Revenue Budget Outturn as described in this report.

Background Papers:
[2023/24 Revenue Budget](#)

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: Philip Gregory, <i>Director of Finance and Commercial Services</i>
		Legal: <i>Sarah Bennett, Assistant Director, Legal and Governance</i>
		Equalities & Consultation: <i>Adele Robinson, Equalities and Engagement Manager, Policy, and Performance.</i>
		Climate: n/a
<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	SLB member who approved submission:	<i>Philip Gregory, Director of Finance and Commercial Services</i>
3	Committee Chair consulted:	<i>Cllr Zahira Naz, Chair of the Finance Committee</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>Philip Gregory</i> <i>Jane Wilby</i>	Job Title: <i>Director of Finance and Commercial Services</i> <i>Head of Accounting</i>
	Date: 31 st August 2023	

1. PROPOSAL

- 1.1. This report provides an update on the current outturn position for Sheffield City Council's revenue budget for 2023/24.

2023-24 Q1 Financial Position by Directorate

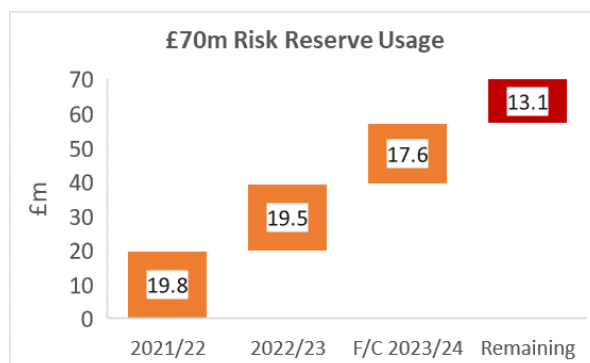
- 1.2. At the end of the first quarter of 2023-24, the Council's revenue budget shows a forecast overspend of £17.6m.

Full Year £m	Outturn	Budget	Variance
Neighbourhood Services	138.2	135.0	3.2
Adults	138.3	134.8	3.5
Children's	124.0	115.3	8.7
Strategic Support	52.4	47.7	4.7
City Futures	44.0	43.4	0.6
Public Health & Integrated Commissioning	10.7	10.9	(0.2)
Corporate	(490.1)	(487.1)	(3.0)
Total	17.6	(0.0)	17.6

- 1.3. This overspend is due to a combination of factors. Agreed Budget Improvement Plans ("BIPs") are not forecast to fully deliver within the year. There are underlying cost and demand pressures faced by services that are partially offset by one-off items. These "one-offs" consist of grant income, draws from specific reserves or provisions and income from central government or external sources.

Full Year Variance £m	One-off	BIPs	Trend	Total Variance
Neighbourhood Services	(4.1)	2.5	4.8	3.2
Adults	(9.9)	3.9	9.5	3.5
Children's	(3.9)	3.7	8.9	8.7
Strategic Support	0.0	0.0	4.7	4.7
City Futures	0.0	0.4	0.2	0.6
Public Health & Integrated Commissioning	0.0	0.0	(0.2)	(0.2)
Corporate	0.0	0.0	(3.0)	(3.0)
Total	(17.9)	10.6	25.0	17.6

- 1.4. In 2021/22, the Council set aside £70m of reserves to manage the financial risks associated with delivering a balanced budget position. Overspends against budgets in 2021/22 and 2022/23 have meant we have drawn almost £40m from this reserve already leaving just over £30m to manage any future budget deficits. If we overspent by £17.6m as this current forecast outturn position suggests, just £13m would be left to mitigate future budget pressures.



1.5. 2023-24 Q1 Financial Position by Committee

1.5.1. The major budget risk areas are in Childrens & Adults Social Care and in Homelessness services

Full Year £m	Outturn	Budget	Variance
Adult Health & Social Care	146.9	143.7	3.2
Education, Children & Families	124.7	115.8	8.9
Housing	10.2	7.0	3.2
Transport, Regeneration & Climate	39.6	40.0	(0.4)
Economic Development & Skills	9.5	9.4	0.1
Waste & Street Scene	63.5	64.2	(0.8)
Communities Parks and Leisure	41.7	41.3	0.3
Strategy & Resources	(418.4)	(421.5)	3.1
Total	17.6	(0.0)	17.6

1.5.2. In 22/23, the Council's forecast overspend improved by over £14m from the first quarter's forecasts to final outturn. This was mainly due to additional income received rather than underlying improvements in budgets and cost reductions. A big contributor to this was the Government's £500m discharge fund announced in November 2022, the sustainability of this income source and other mitigations from the last financial year are still unclear and cannot be relied upon.

Many underlying budget issues in social care services still remain and this is reflected in the current forecast position.

1.5.3. Most of the overspend is due to underlying cost and demand pressures in services. We estimate that £25m is embedded in the baseline costs but is somewhat mitigated by one-off income:

Full Year Variance £m	One-off	BIPs	Trend	Total Variance
Adult Health & Social Care	(9.9)	3.9	9.1	3.2
Education, Children & Families	(3.9)	3.7	9.1	8.9
Housing	(1.7)	0.2	4.7	3.2
Transport, Regen & Climate	0.0	0.1	(0.5)	(0.4)
Economic Development & Skills	0.0	0.0	0.1	0.1
Waste & Street Scene	(0.5)	0.2	(0.4)	(0.8)
Communities Parks and Leisure	0.0	0.2	0.2	0.3
Strategy & Resources	(1.8)	2.2	2.7	3.1
Total	(17.9)	10.6	25.0	17.6

1.5.4. Balancing the General Fund 2023/24 budget was only possible because the Council identified £47.7m of savings:

General Fund Budget Improvement Plans (in £m)

Committee	Total Savings	Financial Savings Deliverable in Year	In Year Gap	Financial Savings Deliverable Next Year	Undeliverable Savings
Adult Health & Social Care	31.6	27.6	3.9	2.3	1.6
Communities, Parks & Leisure	2.0	1.9	0.2		0.2
Economic Devt & Skills	0.5	0.5	0.0		0.0
Education, Children & Families	6.9	3.2	3.7	0.3	3.4

Housing	0.6	0.5	0.2		0.2
Strategy & Resources	4.1	1.9	2.2	2.2	0.1
Transport, Regen & Climate	0.8	0.7	0.1		0.1
Waste & Street Scene	1.1	0.9	0.2		0.2
Total	47.7	37.1	10.6	4.8	5.7

The current forecasts show £10.6m savings plans are undeliverable this year. This represents a delivery rate of 78% against target. In 22/23, less than 65% of savings targets were delivered. Whilst we are improving upon overall delivery performance, we are still falling short of targets meaning further draws could be required from our reserves to meet these overspends if they are not managed and mitigated. Delivering in year budgets must be a key focus for all services for the Council to retain financial sustainability.

1.5.5. Whilst inflation is beginning to fall, costs incurred are very unlikely to fall significantly resulting in these increased costs now being embedded in our cost base. There is an increased demand for services alongside cost pressures in social care, home to school transport and homelessness services.

1.6. **Key Committee Overspends:**

1.6.1. **Adult Health and Social Care are forecast to overspend by £3.2m** The high cost of packages of care put in place during covid increased our baseline costs and this carries into 23/24. A huge amount of work has been done as part of an investment plan to tackle the underlying issues. One off funding has mitigated the position this year leaving a £0.7m overspend in the purchasing budgets. Work continues on the package reviews to reduce the baseline costs for the future. Recovery work is underway including establishment of Task & Finish groups and the development of business cases around invest to saves including focus on enablement, day services, reviewing high cost 1 to 1 support and maximising income. The main area of overspend in the service now sits in staffing budgets. Service improvements in the Short -Term Intervention Team (STIT) are underway to deliver a stable position.

1.6.2. **Education, Children and Families are forecast to overspend by £8.9m** The key overspends in the service relate to placements with external residential placements a particular issue which are forecast to exceed the previous year's costs by £4.8m. This sits alongside undelivered targets from the previous year of £2m. The average placement cost is £5,400 per week. However due to a limited number of places in the city, placements for the most complex children can cost a great deal more. Actions are being taken to ensure that the right costs for placements are being met by all elements including education and where possible health. High-cost placements are also being reviewed.

The savings proposal for £1.6m to increase fostering placements this year is forecast to not be delivered. Marketing is taking place, but our number of foster carers remains static. Nationally this has been an issue since the pandemic as older foster carers decided to exit the market and there has not been the like for like recruitment to new foster carers.

Further demand in home to school transport costs are forecast to create a £3m overspend against budgets this year. This has the potential to increase in October when we know exactly how many children require transportation to school. An overarching review of this area will commence in 2024.

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- 1.6.3. **Homelessness support in temporary and exempt accommodation is forecast to cost the Council £8.4m** 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 2022/23, the Council incurred a loss of £5.9m as a result of the legislation relating to temporary homelessness and 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 2023-24, this is forecast to cost the Council £4.9m for temporary accommodation and £3.5m for supported accommodation. The shortfalls are split between the Housing General Fund and Strategy and Resources budgets respectively.

The Budget Implementation Group

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- 1.6.4. **A subgroup has been set up to drive improvements in Budget delivery** A senior officer working group has been established to help drive delivery of the budget. The purpose of the Budget Improvement Group (BIG) is to improve the delivery of the Council's annual Revenue Budget (both General Fund and Housing Revenue Account) and in particular the delivery of the Budget Improvement Plans (BIPs). It will look to facilitate Council wide learning. The group is jointly chaired by the Director of Finance and Commercial Services and the Chief Operating Officer. The group has a nominated core member from each Directorate: Adults, Children's, City Futures, Neighbourhoods and Strategic Support Services.

Transformation Funding

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- 1.6.5. **We identified £4m to support transformation activity** As part of 2023-24 budget setting, the Council identified a £4m fund that would be used to support programmes of change in the organisation, expedite the delivery of savings plans or support where delivery of savings has become "stuck". The "BIG" group has provided advice, challenge, and recommendations for allocation of the transformation funding to the Council's Performance and Delivery Board.

In August 2023, the Performance & Delivery board approved bids 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 will help stabilise the organisation and bring budgets back to a steady footing for the future. Each programme of work will be monitored, and progress reported to the Council's Performance & Delivery board to ensure activity remains on track. Overall performance will be reported to S&R committee and finance committee as part of in-year budget monitoring, with relevant policy committees overseeing progress on programmes in their areas.

Medium Term Financial Analysis (MTFA)

- 1.6.6. **The MTFA presented to S&R Committee on 7th September detailed committee budget savings targets** An updated medium term financial analysis is due to be presented to Strategy & Resources committee on 7th September to give members an early view of the forecast financial position for the Council for the next 4 years and to set the financial constraints within which the budgeting and business planning process will need to work to achieve a balanced budget position over the medium term. The analysis forecasts a budget gap of £18m for 24/25 that will need to be bridged by services in order to set a balanced budget for 2024/25.

- 1.6.7. The below table outlines the proposed committee savings targets following an equitable application of funds resulting in a deliverable outcome for all Committees:

Committee	Original Pressures	Remaining Income Allocations				Other Funding (split based on NRB)	Target to Find	Savings Identified	Sales, Fees and Charges Income	New Pressures	Adjusted Target To Find
		Pay awarded Funded	ASC Precept	Social Care Grant	Significant RPIX contracts and Housing Benefits						
Adult Health & Social Care	27.0	(1.9)	(5.4)	(10.9)		(0.9)	7.8	(4.6)	(4.5)	2.7	1.5
Education, Children & Families	12.4	(2.7)		(5.0)		(0.7)	4.1	0.0	(0.2)	4.4	8.3
Housing General Fund	3.6	(0.4)			(2.5)	(0.0)	0.7	0.0	(0.0)	2.9	3.5
Transport, Regeneration & Climate	1.0	(0.4)				(0.2)	0.5	0.0	(0.1)	(0.1)	0.3
Economic Development & Skills	0.9	(0.2)				(0.1)	0.7	0.0	(0.0)	0.1	0.7
Waste & Street Scene	9.8	(0.6)			(6.4)	(0.4)	2.5	0.0	(0.5)	0.5	2.5
Communities Parks and Leisure	1.5	(1.2)				(0.2)	0.0	0.0	(0.2)	0.5	0.4
Strategy & Resources (Corporate)	9.9	0.0				0.0	6.9	(6.2)	0.0	0.0	0.7
Strategy & Resources (Committee)	4.7	(2.7)				(0.4)	0.8	(0.4)	(0.1)	(0.0)	0.3
Total	70.8	(10.0)	(5.4)	(15.9)	(12.7)	(2.9)	23.9	(11.1)	(5.6)	11.0	18.1

Key points to note:

- The proposal will cover the anticipated 2024/25 pay awards for all Committees.
- The Adult Social Care Precept is applied to the AHSC Committee.
- The Social Care grant is split between Adult Social Care & Education, Children & Families based on their relative shares of the original social care pressures for 2024/25.
- £7.2m has been allocated towards contract inflation pressures which are out of the control of the relevant committee. Examples include the waste contract, highways, and Microsoft licencing.
- £5.5m has also been set aside to cover the significant increase in Housing Benefit subsidy losses for Exempt Properties (S&R £3m) and £2.5m contribution to support the large increase in Homelessness accommodation costs around housing benefits support.

- 1.6.8. Services are required to develop solutions to bridge the budget gap for 2024/25 and bring forward proposals to the November policy committee meetings. At the same time working hard to bring the in-year overspend down through ongoing work on recovery plans and additional support to deliver budget implementation plans (BIPs).

This current forecast in-year overspend must be urgently managed and mitigated to avoid the risk that the Council has to look to our available Budget Contingency Reserve (£30m) to balance at year end. Maintenance of a prudent level of contingency reserves is critical to ensure stability and sustainability for 2024/25 onwards.

1.7. **Communities, Parks & Leisure Committee – overspend of £0.3m**

1.7.1.	The Communities Parks & Leisure Committee is forecast to overspend by £0.3m	Full Year £m	Outturn	Budget	Variance
	Community Services (Community Safety; Family Centres; Youth Services; Community Services Business Support)		9.8	9.6	0.2
	Parks, Leisure & Libraries (Bereavement; Coroner and Medico Legal; Libraries and Archives; Parks and Countryside; Partnerships and Special Projects; Physical Activity and Sports; Public Health)		31.1	30.9	0.2
	Integrated Commissioning (Voluntary Sector)		0.8	0.8	(0.0)
	Total		41.7	41.3	0.3

1.7.2.	There is forecast to be a shortfall of BIP delivery of £0.2m relating to Parks and Libraries	Full Year Variance £m	One-off	BIPs	Trend	Total Variance
	Community Services (Community Safety; Family Centres; Youth Services; Community Services Business Support)		0.0	0.0	0.2	0.2
	Parks, Leisure & Libraries		0.0	0.2	0.0	0.2
	Integrated Commissioning (Voluntary Sector)		0.0	0.0	(0.0)	(0.0)
	Total		0.0	0.2	0.2	0.3

1.7.3. Of the committee's £2m savings, £200k will not be delivered in year:

Budget Savings (BIPS) £m

Service	Financial RAG	Total Savings	Savings Deliverable in Year	In Year Gap	Savings Deliverable Next Year	Undeliverable Savings
PARKS, LEISURE & LIBRARIES	Red	0.6	0.5	0.1		0.1
	Amber	0.4	0.4	0.0		0.0
	Green	0.7	0.7	0.0		0.0
PARKS, LEISURE & LIBRARIES Total		1.7	1.5	0.2		0.2
COMMUNITY SERVICES	Green	0.4	0.4	0.0		0.0
COMMUNITY SERVICES Total		0.4	0.4	0.0		0.0
Grand Total		2.0	1.9	0.2		0.2

1.7.4.	Libraries will under deliver BIPs by £135k	Libraries are set to fall short of the £585k target by £135k. This is part of a multi-year savings programme of £771k over 3 years. The shortfall will be mitigated by high vacancy rates this year. The next stage of redesign of library service is needed including a review of home library service as well as longer term review which needs to link into Council's approach to face to face service delivery in communities.
		A small proportion of the BIP relating to parks will also fall short this year but be offset elsewhere in the service budgets.
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1.7.5.	Underspends in Youth offset some overspends in Early Help & Prevention	The Youth service underspent by £1.1m last year due to delays in the implementation of a new operating model and recruitment slippage. Continued delays into 23/24 are set to create a £200k underspend again this year. This is somewhat mitigating overspends in early help and prevention staffing and family centres budgets.
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1.7.6.	The Parks Leisure & Libraries Services are forecast to overspend by £200k	Coroner and Medico Legal Centre are forecast to overspend by £150k due to increased staffing and contractual costs and small assorted overspends elsewhere are being offset by place strategy and change (£336k) due to unfilled vacancies in the service.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The recommendations in this report are that the committee notes their 2023/24 budget forecast position and takes action on overspends.

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 budget monitoring position for 2023/24.

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.

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