



Report to Policy Committee

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

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Report of: *Philip Gregory, Director of Finance & Commercial Services*

Report to: *Adult Social Care Committee*

Date of Decision: *19th June 2024*

Subject: *2023-24 Final Outturn 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:-				
<p><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“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”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></p>				

Purpose of Report:

This report presents the Council's final outturn position for 2023/24

Recommendations:

The Committee is recommended to:

Note the updated information and management actions on the 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>Robert Parkin, Assistant Director, Legal Services</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>Assistant Director Finance & Accounting</i>
	Date: 24 th May 2024	

1.0 PROPOSAL

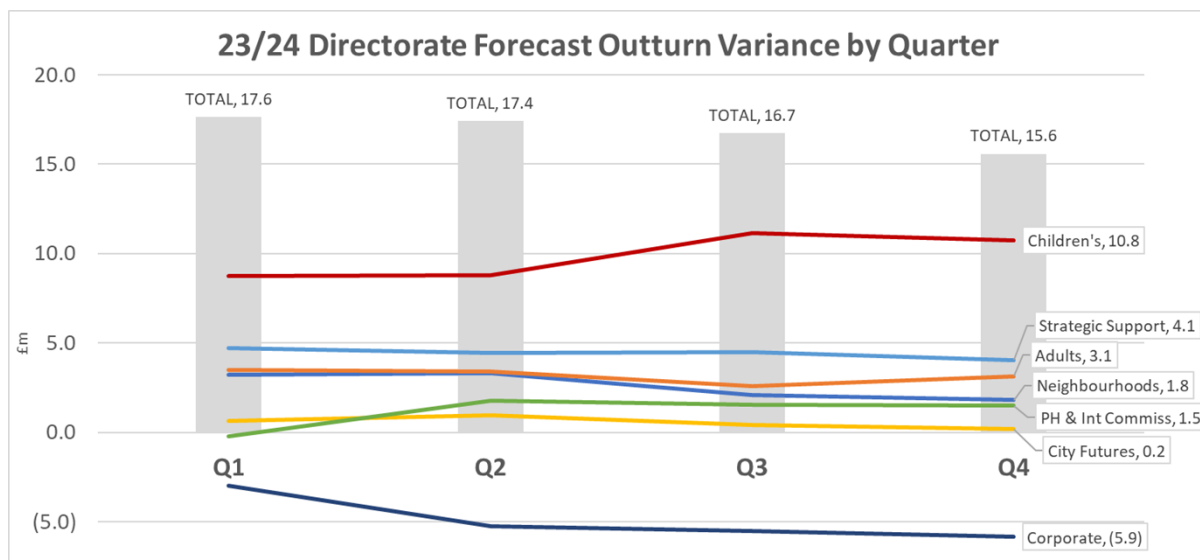
1.1. This report provides an update on the final outturn position for Sheffield City Council's revenue budget for 2023/24.

2023-24 Q4 Financial Position by Directorate

1.2. The final outturn position for 2023-24 showed the Council's revenue budget overspent by £15.6m, approximately 3.1% of the net revenue budget.

Full Year £m	Final Outturn	Budget Variance	% Var to budget	
Neighbourhood Services	153.4	151.6	1.8	1.2%
Adults	148.6	145.5	3.1	2.2%
Children's	143.7	133.0	10.8	8.1%
City Futures	44.2	44.0	0.2	0.4%
Strategic Support	16.4	12.3	4.1	32.9%
Public Health & Integrated Commissioning	12.2	10.7	1.5	14.0%
Corporate	(503.0)	(497.2)	(5.9)	
Total	15.6	(0.0)	15.6	

1.3. The position reported quarterly by directorate showed mainly a consistent picture and stable forecast. The children's directorate worsened by £2m, neighbourhood services improved by £1.4m and corporate budgets consistently mitigated persistent overspends. In 22/23, the Council's 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. The underlying budget issues still remain, and this is reflected in the final outturn position for 23/24.



Directorate	Q1	Q2	Q3	Q4
Neighbourhoods	3.2	3.3	2.1	1.8
Adults	3.5	3.4	2.6	3.1
Children's	8.7	8.8	11.2	10.8
City Futures	0.6	1.0	0.4	0.2
Strategic Support	4.7	4.4	4.5	4.1
PH & Int Commission	(0.2)	1.8	1.6	1.5
Corporate	(3.0)	(5.2)	(5.5)	(5.9)
TOTAL	17.6	17.4	16.7	15.6

1.4. Overspends were due to a combination of factors. Approved Budget Implementation Plans (“BIPs”) did not fully deliver within the year alongside underlying cost and demand pressures that were partially offset by one-off items. These “one-offs” included 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	(4.4)	2.9	3.4	1.8
Adults	(11.0)	3.5	10.6	3.1
Children's	(4.8)	3.6	12.0	10.8
City Futures	(0.2)	0.4	(0.0)	0.2
Strategic Support	(0.7)	0.1	4.7	4.1
Public Health & Integrated Commissioning	(0.3)	0.0	1.8	1.5
Corporate	0.0	0.0	(5.9)	(5.9)
Total	(21.5)	10.5	26.6	15.6

1.5. In 2021/22, the Council set aside £70m of reserves to manage the financial risks associated with delivering a balanced budget position. Overspends against general fund budgets in 2021/22 and 2022/23 have meant we have drawn almost £40m from this reserve to date. A further £12.5m was identified from our collection fund and transferred to this reserve as part of the budget setting process. The 2023/24 final outturn results in a further draw of £15.6m from this reserve. This leaves us £27.6m to manage the risks associated with managing delivery of 2023/24 budgets.

<u>Budget contingency reserve</u>	<u>£m</u>
Opening reserve balance	70.0
2021/22 overspend	19.8
2022/23 overspend & budget drawdown	19.5
2023/24 overspend	15.6
Additional contribution 2024/25	(12.5)
Reserve balance c/f	27.6

1.6. 2023-24 Q4 Financial Position by Committee

1.6.1. The major budget risk areas are in Childrens & Adults Social Care, SEN Transport and in Homelessness services:

Full Year £m	Outturn	Budget	Variance
Adult Health & Social Care	155.5	152.8	2.7
Communities Parks and Leisure	55.6	55.9	(0.2)
Economic Development & Skills	11.2	11.4	(0.2)
Education, Children & Families	147.4	134.7	12.7
Housing	11.1	8.5	2.6
Strategy & Resources	(463.9)	(462.8)	(1.1)
Transport, Regeneration & Climate	33.0	32.9	0.1
Waste & Street Scene	65.8	66.7	(0.9)
Total	15.6	(0.0)	15.6

1.6.2. Most of the overspend is due to underlying cost and demand pressures in services. We estimate that £26.7m is embedded in the baseline costs but is somewhat mitigated by one-off income, provisions and grants:

Full Year Variance £m	One-off	BIPs	Trend	Total Variance
Adult Health & Social Care	(11.3)	3.5	10.5	2.7
Communities Parks and Leisure	0.0	0.0	(0.3)	(0.2)
Economic Development & Skills	0.1	0.0	(0.4)	(0.2)
Education, Children & Families	(4.8)	3.6	13.9	12.7
Housing	(1.7)	0.2	4.2	2.6
Strategy & Resources	(3.4)	2.8	(0.4)	(1.1)
Transport, Regeneration & Climate	0.0	0.1	(0.1)	0.1
Waste & Street Scene	(0.5)	0.3	(0.7)	(0.9)
Total	(21.7)	10.5	26.7	15.6

1.6.3. Balancing the General Fund 2023/24 budget was only possible because the Council identified £47.6m of savings:

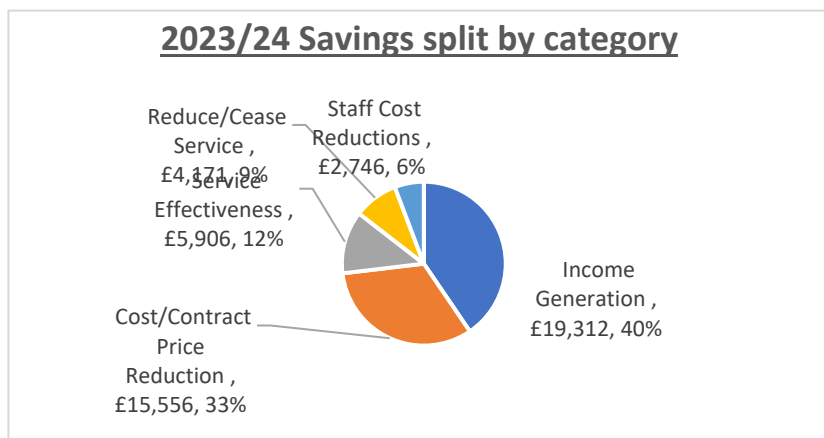
General Fund Budget Implementation Plans (in £m)

Committee	Total Savings	Savings Delivered in Year	In Year Gap	Savings Deliverable Next Year (Slippage)	Undeliverable Savings
Adult Health & Social Care	31.6	28.0	3.5	3.5	0.0
Communities, Parks & Leisure	2.0	1.9	0.1	0.1	0.1
Economic Devt & Skills	0.5	0.5	0.0		0.0
Education, Children & Families	6.9	3.4	3.5	0.3	3.2
Housing	0.6	0.5	0.2		0.2
Strategy And Resources	4.1	1.4	2.8	2.6	0.1
Transport, Regen & Climate	0.8	0.7	0.1		0.1
Waste And Street Scene	1.1	0.8	0.3		0.3
Grand Total	47.6	37.2	10.5	6.5	4.0
		78.2%	22.1%	13.7%	8.4%

The final delivery position of savings showed a £10.5m shortfall against the £47.6m target. This represents a delivery rate of 78% against target with a further 14% set to be delivered in the following year, 8% undeliverable, primarily in Children's services.

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.

The majority of the savings targets fell into the income generation category; the majority of these were delivered. The shortfall was in cost reduction targets and service effectiveness.



1.6.4. Inflation is continuing to fall; from April 2023 CPI at 7.8% to 3.2% April 2024. Whilst we are seeing some stabilisation in the cost base, the fall in inflation does not mean that our costs will now reduce, higher costs are now embedded in baseline expenditure. There is an increased demand for services alongside cost pressures in social care, home to school transport and homelessness services.

1.7. Key Committee Overspends:

1.7.1. **Adult Health and Social Care overspent by £2.7m** The main area of overspend in the service sits in staffing budgets. The high cost of packages of care put in place during covid increased our baseline costs and this carries into 23/24. Work to review packages of care has continued throughout 23/24 which has helped to reduce baseline costs in Homecare. This work and one-off funding has mitigated the position again this year leaving a £0.9m overspend in the purchasing budgets. However, there remains an underlying pressure of around £10.5m, a significant aspect of which is within Learning Disabilities. Undelivered 23/24 savings will need to be resolved through the Recovery Plan for 2024/25. This was presented to Committee 31 January 2024 detailing how underlying issues, which are estimated at around £17m including additional staff pressures, will be addressed. Further updates will be provided to Adult Health and Social Care Committee in 24/25.

1.7.2. **Education, Children and Families overspent by £12.7m** The key overspends in the service relate to placements with external residential placements a particular issue resulting in an overspend of £6.5m. The average cost of an external residential placement has increased to £6.2k per week (£5.2k March 23) but due to a limited number of places in the city, placements for the most complex children can cost much more. Actions are being taken to ensure that costs for placements are being met by all elements including education and where possible health. Contributions from health toward placements was £0.7m in 23/24. High-cost placements are also being reviewed.

The savings proposal for £1.6m to increase 'family care' placements was undelivered this year. Whilst active marketing campaigns are in place, the number of young people in family care at March 24 was 1,180 (compared to 1,171 at March 23). 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 of new foster carers. Overall looked after children numbers have remained

stable with increased demand being met, where possible, through kinship placements.

Further demand in home to school transport costs has resulted in a £3.5m overspend against budgets this year. Since March 2023, the overspend has increased due to a further 179 children now requiring transportation to school. Sheffield City Council are now supporting 2,444 children with transportation to school; an increase of around 1,000 children in 4 years, and demand is forecast to continue to increase. An overarching SEND review, including Home to School Transport, is currently underway with partners IMPOWER. Outcomes from the review will bring about longer-term changes to reduce pressures but the underlying cost base will be difficult to reduce due to the rising demand for the service.

Integrated Commissioning budgets overspent by £2m due to the unachieved saving from 2022/23 relating to leveraging additional funding from Health partners.

1.7.3. **Homelessness support in temporary and exempt accommodation cost the Council £8.4m 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 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 has 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.

1.7.4. **The Housing Revenue Account overspent by £5.2m** Persistent overspends in the repairs and maintenance service have reduced the contribution made from the Housing Revenue Account in 2023/24 from a target of £17.8m to £12.6m. A high number of cases and addressing compliance issues have contributed to the overspends alongside high use of subcontractors and the impact of increased supply chain costs across the board due to inflationary uplifts.

The Budget Implementation Group

1.7.5. **A working group is in place to drive improvements in budget delivery** A senior officer working group was established in 23/24 to help drive delivery of the budget, both General Fund and Housing Revenue Account, challenge delivery of the Budget Implementation Plans (BIPs) and service overspends and make recommendations for the allocation of transformation funding. Jointly chaired by the Director of Finance and Commercial Services and the Chief Operating Officer with nominated core member from each Directorate, the group will continue to work towards improving the Council's financial position in 23/24 and hold service leads to account for performance.

Transformation Funding

1.7.6. **The Council identified £4m to support** As part of 2023-24 budget setting, the Council identified a £4m fund that would be used to support programmes of transformational change in the organisation, expedite the delivery of savings plans or support where delivery of savings has become "stuck". The "BIG"

transformation activity for the year group has provided advice, challenge, and recommendations for allocation of the transformation funding to the Council's Performance and Delivery Board. The allocations made to programmes within the year were as follows:

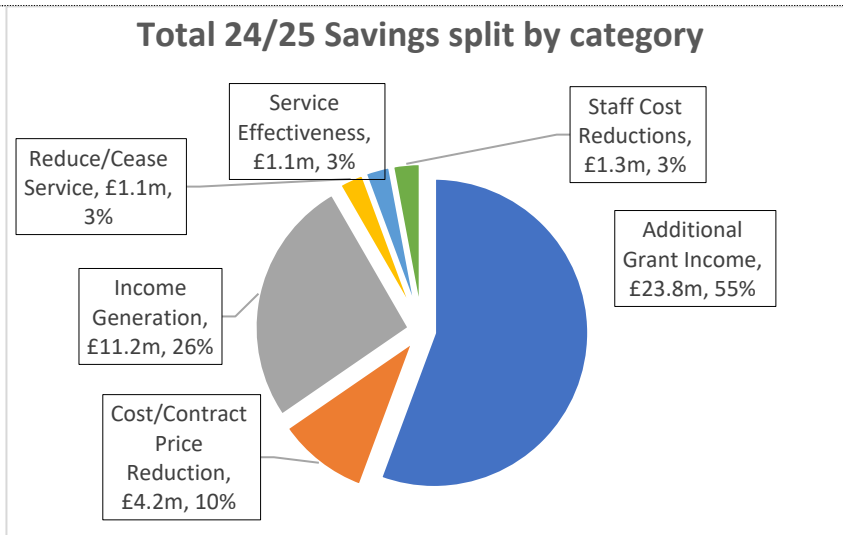
23/24 Transformation Spend	£m
Adult Social Care	2.1
Education & Skills	0.5
Future Sheffield	0.7
Housing	0.4
HR	0.2
IT	0.2
Grand Total	4.2

Allocations of funding were 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. Overall performance was reported to finance committee as part of in-year budget monitoring briefings. Relevant policy committees are overseeing progress on programmes in their areas. This will continue into 24/25 with a greater focus on delivery of financial recovery plans with the support of elected members.

Medium Term Financial Analysis (MTFA) & 2024/25 Budget

1.7.7. **By law, the council must set a balanced budget** The Council is facing a challenging financial position. The Strategy and Resources Committee on 5th September received the Council's Medium-Term Financial analysis, highlighted the financial pressures facing the Council over the coming 4 years and the potential gap of £61.2m in resources. On February 21st 2024, the Strategy and Resources committee recommended the budget to full Council on 6th March.

Pressures of £79m have been forecast for Committees budgets resulting from rising demand for services and significant increases in contract and price inflation due to the current economic backdrop. Approximately £49m of these pressures relate to Social Care Services. Through our 2024/25 Business Planning Process, Committees managed to identify almost £8m of savings to help deliver the balanced budget with the majority of savings coming from increased grant income. Delivery of the savings relating to service efficiencies will require steadfast commitment, and targeted resources from the Council to be successful, particularly given persistent core overspends in key services as described in this paper.



In addition to these service savings, increases in Business Rates income and associated grants, uplifts to sales fees and charges where appropriate, additional funding from government (mainly ringfenced to social care) along with the difficult decision to increase Council Tax by 4.99%, has meant we have been able to set a balanced budget for 2024/25.

23-24 Q4 Committee Budget Final Outturn Position

1.8. Adult Health & Social Care- £2.7m overspend

The final revenue outturn position for the ASC Committee was an overspend of £2.7m	Full Year £m	Final Outturn	Budget	Variance
ADULTS, CARE AND WELLBEING INTEGRATED COMMISSIONING (Partnership Funding; Supporting Vulnerable People - Housing Related Support/Drugs and Alcohol Services)		148.6	145.5	3.1
		6.8	7.2	(0.4)
Total		155.5	152.8	2.7

The Adult Health & Social Care committee overspent by £2.7m. This represents a 1.7% variance to net revenue budget.

1.8.1. The 2023/24 settlement provided additional "one-off" funding for social care

Full Year Variance £m	One-off	BIPs	Trend	Total Variance
ADULTS, CARE AND WELLBEING INTEGRATED COMMISSIONING (Partnership Funding; Supporting Vulnerable People - Housing Related Support/Drugs and Alcohol Services)	(11.0)	3.5	10.6	3.1
	(0.3)	0.0	(0.1)	(0.4)
Total	(11.3)	3.5	10.5	2.7

In February 2023 the Department for Levelling Up, Housing and Communities (DLUHC) approved the 2023/24 settlement for Local Government. Included within the Settlement were some funding and taxation commitments for 2024/25. These included details of Council Tax thresholds and additional funding for social care.

Beyond 2024/25 the picture is less clear. However, there is a general acknowledgement that due to fiscal constraints, there will be very little, if any, increase in public sector spending in unprotected services such as Local Authorities over the remaining period of the Medium-Term Financial Analysis.

Within the "one-offs" of £11.3m this year include £6.2m social care grant from government, alongside discharge funding and Continuing Health Care Funding. There is a risk the level of demand for this type of care continues once the funding ceases resulting in an additional pressure for the service. The underlying position has only been contained by this additional funding.

1.8.2. Of the £31.6m savings targets, £28m have been delivered in year with some savings outperforming budget, leaving a £3.5m in year gap: Of the £31.6m savings, £12.6m relate to additional grant income not a reduction in costs. Of the £3.5m of savings declared unachievable in 23/24, £3.5m are hoped to be delivered in 24/25 and with the remaining £1.4m declared undeliverable offset by £1.4m over delivery on some savings.

Budget Savings (BIPS) £m

Financial RAG	Total Savings	Savings Delivered in Year	In Year Gap	Savings Deliverable Next Year	Undeliverable Savings
Red	7.0	2.5	4.5	3.3	1.2
Amber	1.4	1.0	0.4	0.2	0.2
Green	23.2	24.6	(1.4)	(0.0)	(1.4)
Total	31.6	28.0	3.5	3.5	(0.0)

Savings Description	Total Savings	Savings Delivered in Year	In Year Gap	Savings Deliverable Next Year	Undeliverable Savings
Appropriate use of residential care		0.5	0.3	0.3	0.3
Consistent bed rates		0.4	(0.0)	0.4	(0.0)
Dedicated case mgmt for young adults		0.4		0.4	(0.0)
Direct Payments		0.3	0.2	0.1	(0.0)
Driving Improvements in Social Work		1.1		1.1	(0.0)
Homecare Strength Based Reviews		0.5	0.3	0.2	(0.0)
Nursing care costs		0.4	(0.0)	0.4	0.4
Review cost increases		0.3	0.2	0.1	(0.0)
Review of Better Care Fund		0.5	(0.0)	0.5	(0.0)
Review of Living & Ageing Well		0.2		0.2	(0.0)
Review significant cost increases		1.1	0.7	0.4	(0.0)
Reviewing homecare post pandemic		1.0	0.6	0.4	(0.0)
Supported Living		0.5	0.3	0.2	(0.0)
RED BIPS TOTAL		7.0	2.5	4.5	3.3

1.8.3. Purchasing activities are overspent by £0.9m

Full Year £m	Final Outturn	Budget	Var.
Learning Disabilities	36.2	32.4	3.8
Older People	23.0	24.8	(1.8)
Physical Disabilities	16.9	18.2	(1.3)
Mental Health	9.3	9.1	0.2
Total Purchasing	85.5	84.6	0.9

The one-off income as noted above is offsetting overspends in Learning Disabilities purchasing budgets. Without this mitigation, LD budgets would be £11.4m overspent. The Recovery Plan for 2024/25 was presented to Committee 31 January 2024 detailing how underlying issues, including the overspend in Learning Disabilities, will continue to be addressed. Further updates will be provided during 24/25.

1.8.4. Transformation funding has been approved to support delivery of the BIPs

Funding was approved to keep agency teams in place until the end of the 23/24 financial year. This was a short-term investment to reduce long-term costs. Additional governance arrangements were put in place to manage the performance of agency teams, with reporting to the Council's Performance and Delivery Board.

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- 1.8.5. **A delay in housing related support provision created a small underspend in 2023/24** A £430k 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 year. £350k relates to uncommitted contract spend and £80k due to staff vacancies.
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- 1.8.6. **The service overspent by £2.4m on staffing** Staffing is £2.4m overspent across the service including STIT (Short -Term Intervention Team) £0.3m, Living and ageing well teams £0.3m, Mental Health and Wellbeing teams £0.4m and £0.8m across Governance and Financial Inclusion teams. This is after accounting for offsetting income of £4.1m. To mitigate this risk and cover additional staffing requirements in 2024/25, a pressure of £4.5m was added to budgets as part of Business Planning.
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- 1.8.7. **A reduction in the disabled facilities grant has created an overspend** Community Equipment overspent by £0.3m and City-Wide Care Alarms by £0.5m due to no longer having access to Disabled Facilities Grant to fund these services.
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- 1.8.8. **Commitments to providers has been made under the MSIF grant to carry forward into 24/25** £899k has been committed to providers for spend in 24/25 from the Market Sustainability Investment Fund. However, under the terms of the grant, this must have been spent in 23/24. Finance teams have identified substitute eligible funding in the accounts and require a carry forward of 23/24 base budget in order to fund the expenditure in 24/25. Approval for this carry forward request by Finance committee is assumed in the final outturn position.
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- 1.8.9. **Savings delivery remains a challenge to the committee's financial position** The key financial risk for the committee's budgets is the pace of savings delivery needed on top of prior year's savings. BIP delivery was mainly positive at 89% with the remainder to be delivered in 2024/25 and are factored into the Recovery Plan. If the underlying Learning Disabilities budget problem is not tackled, overspends will persist into 2024/25.

As with the other areas of the Council, cost and pay inflation are the major drivers for social care pressures into the medium term. Adults Social Care services are also forecasting continued pressures as a result of fee uplifts, growth and other demographic changes, plus increased transition costs between children's and adult care.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The recommendations in this report are that each Policy Committee notes their 2023/24 final outturn 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 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.