



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: *28th 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:-				
<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“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”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 brings the Committee up to date with the Council’s final 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 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

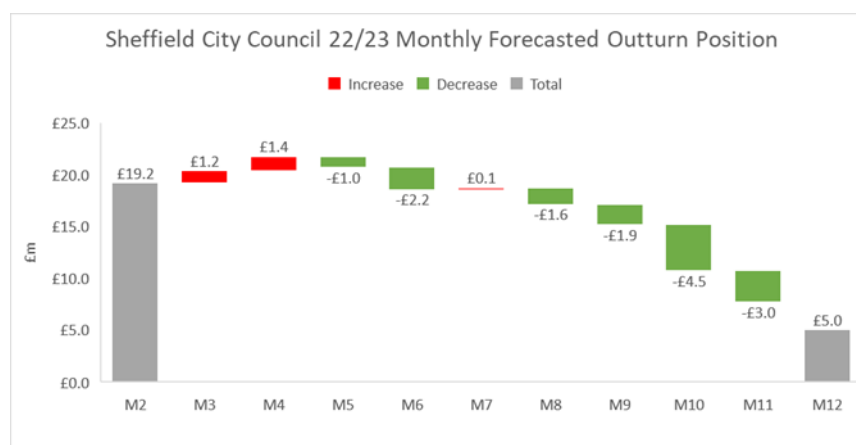
1.3.1 Overall Position - £5m Overspend

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				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.
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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.

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
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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 Strategy and Resources - £3m underspent

The Strategy and Resources Committee budget underspent by £3m	Full Year Outturn £m @ Month 12	Outturn	Budget	Variance
	Business Change & Info Solns	18.1	17.2	0.9
	Central Costs	(47.4)	(46.5)	(0.9)
	Community Services (Local Area Committees)	1.9	1.9	0.0
	Consolidated Loans Fund	21.0	25.5	(4.5)
	Contract Rebates & Discounts	(1.1)	(0.7)	(0.4)
	Corporate Transactions	(477.6)	(476.0)	(1.6)
	Customer Services	5.4	5.6	(0.2)
	Finance & Commercial Services	18.4	18.4	(0.0)
	Housing Benefit	1.9	1.4	0.5
	Human Resources	5.5	5.0	0.4
	Legal & Governance	7.1	5.8	1.3
	Other Central Costs	0.0	0.0	(0.0)
	Policy, Performance & Comms	3.8	3.4	0.4
	Public Health	(0.1)	(0.1)	(0.0)
	Resources Management & Planning	0.3	0.3	(0.0)
	One Year Plan	0.0	0.0	0.0
	Direct Services (Facilities Mgmt)	16.4	16.2	0.2
	Inclusive Growth & Development (Property and Regeneration)	(4.0)	(4.9)	0.9
	Total	(430.5)	(427.5)	(3.0)

Shortfalls in BIP delivery were the main cause of budget overspends

Savings plans in 2022/23 required the committee to deliver over £7m of efficiencies from the budget mainly for operating model changes in the Council's Resources portfolio. Savings plans slipped in Business Change and ICT delivery (£1m), Performance and Communications (£0.5m) and Legal and Governance (£0.7m).

The Future Sheffield programme will look to re-base budgets in some of these services over the coming months to ensure resourcing is financially sustainable in the portfolio.

The Committee's forecast position improved by £4.5m throughout the year

The non-delivery of savings in 2022/23 (£2.2m) was mitigated by unexpected external sources as the year progressed.

The Government's business Rate Levy surplus for 2022/23 provided the Council with £1.2m above our expectations. Each year, in the Business Rates Retention System, the balance on the levy account must be calculated. If there is a surplus on the account, the Secretary of State for Housing, Communities and Local Government has discretion to designate all, part or none of that surplus to be distributed to local authorities. Sheffield City Council received a £1.2m share of the national £100m pot following this year's announcement.

There was a significant amount of interest income from investments during the year due to favourable interest rates.

Slippage in capitalisation of some blocks in the Heart of the City Programme favourably impacted the Capital Financing budget in 2022/23 (700k)

The pay award created a £0.4m pressure to the committee	The pay award of £1,925 flat rate per employee was paid to employees in M8 following Union agreement. The award directly impacted the Committee by £0.4m.
Local Area Committees spending plans have slipped	The budget of £2m for Community Services includes £1m for LAC staffing and a further £1m split between each Local Area for projects relating to the community plan which was approved in January. £800k of this budget is a roll-forward from prior year underspend. £239k unspent budget will slip into 2023/24 and spent according to the community plans that were approved in March 2022. Details of each committee's community plan can be viewed online here: Local Area Committees Sheffield City Council
Property services overspend largely relates to Electric Works.	There is a £0.4m shortfall in rental income at Electric Works following loss and downsize of 2 key tenants. An amendment to the letting policy for the building is underway, alongside floorplate re-design and investment in energy efficiency improvements will increase the attractiveness for commercial lets next year.
Economic conditions affecting interest rates has had a positive effect on investments	Our treasury management strategy was set for 2022/23 in November 2021, prior to the start of the Russia – Ukraine war. Expectations were for the bank rate to reach 0.75% by the end of 2022/23. However, exceptionally high inflation saw the Bank of England forced to raise interest rates. As a result, our investment earnings jumped dramatically during the year. Our strategy forecast an average return of 0.3% the actual being 1.85% but also with higher-than-expected cash balances. This generated a significant income in the Treasury budget. The effect of this has been accounted for in 23/24 already but is expected to reduce as cash balances and interest rates both normalise. The strong cash position has also mitigated the need to externalise borrowing.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The recommendations in this report are that the Strategy & Resources 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. 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 formally record changes to the Revenue Budget

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