

2019/20 Revenue Budget report for OSMC 18th October 2018

Purpose of session



- To brief OSMC on the budget planning approach for the 2019/20 budget and the financial targets set for the Council
- To brief OSMC on the timetable for the Budget overview and Budget Policy sessions, and subsequent Labour Exec and Group approval sessions
- To give OSMC the opportunity to ask questions on all of the above

Key messages

- Compiling a balanced 19/20 budget will be very challenging, due to continuing constraints on Central Government funding at a time when demand for Social Care in particular is rising strongly
- To inform our approach, we are re-affirming and/or re-shaping the Council's priorities and reviewing finance options (such as for capital)
- We intend to propose a balanced budget for 2019/20, but may have to use reserves to achieve this position. Our service pressures remain very high (in common with other LAs), which means we need to deliver further savings in the medium term

Summary of the financial position (1)

- Compared to the 2010 to 2017 period, Government funding is no longer falling sharply, i.e. we are in a roughly cash standstill position. However our service pressures remain high
- Our 18/19 revenue budget is balanced on paper, but we have a large forecast in-year overspend (£15.3m as at end August 2018). This overspend is largely caused by the high demand and cost pressures in our social care services, for which we are not funded. Other services are largely meeting their pressures.

Summary of the financial position (2)

- The 2018/19 overspend is mainly caused by continuing demand and cost pressures within social care
- In particular we have been successful in reducing delays in discharges from hospitals. Whilst speeding up discharge helps the NHS with its patient throughput, it also moves the costs to us. We are negotiating with the NHS for them to meet some of these additional costs, but to date no additional income has been forthcoming
- There have also been delays to a number of our plans to mitigate pressures
- We estimate that extra demand has caused around half of the forecast overspend, and delays the other half

Summary of the financial position (3)

- Our forecasts for our financial position for 2019/20 onwards are being updated monthly, as our predictions of future costs and demand become clearer
- In particular our forecasts for 2019/20 are still being refined. Officers are focussed on identifying, and bringing forward for approval, mitigations of pressures to balance the budget, whilst monitoring for any further increases in demand that would push pressures higher

Approach - we have a suite of approved plans – Social Care



- We have already agreed key strategies including Social Care Improvement and Recovery Plans that cover 2019/20 – these strategies will positively impact SCC in the medium to long term
- However increasing demand for social care services is outstripping the planned benefits within the plans and means the pace of delivery becomes more critical. We have a substantial short term pressures
- Consequently the current Social Care Improvement and Recovery Plans do not fully mitigate the continuing pressures forecast in social care services, therefore we have a budget gap and increasing pressures in 2019/20 (and beyond)

Approach - we have a suite of approved plans – other areas



We also have plans covering the other key areas of the Council

- Place Change Programme – transforming working practices within Place
- New Homes Delivery – focussing on delivering additional housing
- Corporate Function Review – ensuring all our “back-office” functions are as efficient as they can be

Approach - we have a suite of approved plans – capital



Capital. We have several large capital schemes underway to support our ambitions for the City. In particular:

- Heart of the City. The Cavendish development is nearing completion, and further developments (in stages) are planned
- We are currently building two new secondary schools, in the NE and SW of the City
- We are working up our Housing Growth Delivery Plan, to deliver new housing in the City

Approach – budget process

- Portfolio officers have worked up potential ideas for generating savings
- These ideas are then discussed with the relevant Cabinet member, and advisers.
- If agreed they are then discussed and agreed by full Group, in budget seminars and then formal Group meetings
- Agreed schemes are then entered into the formal budget process

Approach – consultation

- Budget conversations are ongoing with partner organisations, for example the VCF. An overall session will be held to inform the budget
- The overall consultation will be underpinned by Service-led detailed consultation with the users impacted by proposals
- Consultation will inform our longer term thinking and our Equality Impact Assessments
- Results are discussed with Members as part of developing proposals, and in advance of any decision being taken at Cabinet or Full Council
- Full results of our consultation will be made available on the website

Key assumptions (1)

The budget will make assumptions in various areas, e.g.

- **Social care demand and cost pressures** will be as forecast taking into account the planned mitigations in the Improvement Plans. Accurate forecasting of these costs has proved challenging in the past.
- The level of **Central Government support** will be as already notified. This support is generally known for 2019/20 (but is very uncertain beyond then)
- **Pay strategy.** Pay increments and cost of living remain pressures in the budget. Full implications of a revised pay structure for 19/20 are as yet unknown and not wholly accounted for.

Key assumptions (2)

- **Non-pay inflation.** We have allowed for general increases in prices, and for changes in costs of the Council's large contracts.
- **Council tax.** The actual rise will be approved by Budget Council in March 2019. Each 1% increase in CT will generate c£2.1m p.a. of additional income. We assume rises will be capped at 2.99% (without a referendum). There is (currently) no increase in the ASC precept possible for 2019/20
- **Business Rates.** We have factored in increases in business rates from changes in the base and increases in the multiplier

Proposed approach for 2019/20

19/20		Proposed approach to balance
£33.7m	Total gap	<i>NB. Net position assuming £18m planned savings are achieved in 2019/20. Including £13.8m forecast pressures carried from 2018/19. 2% pay increase</i>
-£7.1m	Corporate contributions required	Step 1) All corporate pressures are met through corporate savings / contributions
-£26.6m	Portfolio contribution required	<p>Step 2) Cash-flow People recovery plans by maintaining the 18/19 £15m one-off funding provided corporately for 2019/20 as well (so the 'gap' remains at £26.6m)</p> <p>Step 3) Savings 'at risk' from 18/19 are to met by the lead Portfolio. £6.8m at risk in People Portfolio.</p> <p>Step 4) £19.8m new pressures in 19/20, Portfolios generally absorb their own pressures, but Place and Resources/PPC make a contribution to SC pressures (see next slides).</p>

If Portfolios were to absorb their own pressures

19/20		% of gross budget
£26.6m	Portfolio contribution required	4.1%
£24.3m	People	7.5%
£0.8m	Place	0.3%
£1.5m	Resources	2.9%

This option leaves People with a very large savings requirement.

Place and Resources/PPC help support SC pressures

Given the level of Social Care pressures being experienced both here and nationally, Labour Exec took the policy decision that Place and Resources/PPC would be asked to find at least 1% (and up to 2%) of their gross spend, as an additional contribution. This is illustrated below:

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19/20	Gross spend	1% of gross
People	326,800	3,300
Place	271,600	2,700
Resources / PPC	51,900	500
Total	650,300	6,500

Additional ask from Resources & Place

What is on the horizon (Risks)



Below are a number of potential financial cost pressures in 2019/20 onwards, which are not included in the analysis:

- Potential business rate reductions (appeals etc), and impact of 75% BR retention (inc. Meadowhall)
- CG Fair Funding Review – (see also opportunities)
- Other CG grant reductions
- Redevelopment of the City Centre – risks if occupation lower than forecast (but opportunities if it is higher)
- Schools' funding pressures (eg PFI, Academisation). Schools' deficits would remain with us upon academisation
- Impact of Universal Credit on Council House rents

What's on the horizon (Opportunities)



We have four areas where we anticipate that SCC will have some reductions in forthcoming spend or growth in income:

- Pensions (2020/21)
- MSF (2024/25)
- Council Tax
- CG Fair Funding Review

At this stage, none are able to be factored into the budget as there is no certainty the potential values will be realised. Based on our knowledge today, nor will the total potential contribution of these items wholly mitigate future pressures.

What's on the horizon (Capital)



In addition to our revenue spend, we are maintaining the ambitions in our capital programme, with the aim of growing the Sheffield economy. Some key initiatives included are:

- Cavendish and Heart of the City 2
- Strategic Housing programme
- New school provision where needed (e.g. SW and NE)
- Continuing backlog maintenance of the Corporate Estate

Timetable of next steps

Key dates	
Now – Nov 2018	Labour Exec and Group approval of proposals
18 Oct 18, and early 2019	OSMC scrutiny
Jan 19	Budget drafted
13 Feb 19	Budget presented to Cabinet
6 Mar 19	Budget Council

Please can OSMC note:

- the overall approach
- the above timetable

Any questions?



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