



Report to Policy Committee

Author/Lead Officer of Report: Tony Kirkham,
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Report of: Tony Kirkham
Report to: Strategy & Resources Committee
Date of Decision: 4th January 2023
Subject: Month 8 Budget Monitoring

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"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."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 financial position as at Month 8 2022/23 including General Fund revenue position, Housing Revenue Account and Capital Programme Monitoring (**Appendix 1**).*

Recommendations:

The Committee is recommended to:

1. Note the Council's financial position as at the end of November 2022 (month 8).

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>Sarah Bennett, 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 Bryan Lodge</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>		
	<table border="0"> <tr> <td> <p>Lead Officer Name: <i>Tony Kirkham</i> <i>Jane Wilby</i></p> </td> <td> <p>Job Title: <i>Interim Director of Finance and Commercial Services</i> <i>Head of Accounting</i></p> </td> </tr> </table>	<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>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: 16th December 2022</p>		

1. PROPOSAL

1.1 This report sets out the 2022/23 Month 8 financial monitoring position for the Council and each of the Policy Committees.

1.2 Council Portfolio Month 8 2022/23

1.2.1 The Council is forecasting a £17.1m overspend against the 2022/23 budget as at month 8.

Full Year £m	M8		M8	M7	Movement
	Outturn	Budget	Variance	Variance	
Corporate	(470.9)	(468.4)	(2.5)	(1.5)	(1.0)
City Futures	47.0	47.3	(0.3)	0.2	(0.5)
Operational Services	114.0	114.4	(0.4)	(0.2)	(0.2)
People	316.3	298.8	17.5	17.4	0.1
Policy, Performance Comms	3.5	2.9	0.6	0.5	0.1
Resources	7.2	5.0	2.2	2.3	(0.1)
Total	17.1	0.0	17.1	18.7	(1.6)

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	(2.5)	(2.5)
City Futures	(0.1)	0.0	(0.2)	(0.3)
Operational Services	(6.3)	3.1	2.9	(0.3)
People	0.2	15.5	1.8	17.5
Policy, Performance Comms	(0.1)	0.3	0.3	0.5
Resources	(0.7)	1.8	1.1	2.2
Total	(7.0)	20.7	3.4	17.1

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 21/22, the council overspent by £19.8m which was drawn from this pool, a further £15m was used to balance the 22/23 budget and current forecast overspend at M8 is set to be £17.1m leaving a remaining risk allocation of £18.2m

M8	£m
Allocated reserves	70.0
21/22 Budget overspend	19.8
22/23 Base budget committed	15.0
22/23 BIP shortfall	20.6
22/23 pressures	3.4
22/23 in year mitigations	(7.0)
Reserves used @ M6	51.8
Remaining reserves	18.2

} (£17.1m overspend @ M8)

1.3 Committee Financial Position

1.3.1 Overall Position - £17.1m overspend at Month 8

There is a £11.6m overspend in the Adult Health and Social Care Committee and a £6.6m overspend in the Education, Children and Families Committee	Full Year Forecast £m @ Month 8	Outturn	Budget	Variance
	Adult Health & Social Care	165.2	153.6	11.6
	Education, Children & Families	136.6	130.0	6.6
	Housing	8.2	8.7	(0.5)
	Transport, Regeneration & Climate	41.5	42.0	(0.5)
	Economic Development & Skills	11.6	11.7	(0.1)
	Waste & Street Scene	54.6	54.9	(0.3)
	Communities Parks and Leisure	45.7	46.2	(0.5)
	Strategy & Resources	(446.3)	(447.1)	0.8
	Total	17.1	0.0	17.1

Most of the full year forecast overspend is attributable to shortfalls in Budget Implementation Plans (BIPs) delivery	Variance Analysis £m @ Month 8	One-off	BIPs	Trend	Total Variance
	Adult Health & Social Care	(0.4)	9.4	2.6	11.6
	Education, Children & Families	1.1	6.0	(0.6)	6.5
	Housing	0.0	0.0	(0.5)	(0.5)
	Transport, Regen & Climate	(2.1)	2.1	(0.6)	(0.5)
	Economic Dev't & Skills	(0.1)	0.0	0.0	(0.1)
	Waste & Street Scene	(3.3)	0.4	2.6	(0.4)
	Communities Parks & Leisure	(1.2)	0.4	0.3	(0.5)
	Strategy & Resources	(1.0)	2.3	(0.4)	0.9
	Total	(7.0)	20.6	3.4	17.1

£7.0m of one-off savings are mitigating part of the ongoing overspend

Contributions from provisions for energy and waste inflation mitigate the in-year impact of rising baseline costs. These are one-off contributions that will not help our position in 23/24 as the trend continues.

The government's Autumn Statement only gives us protection on the energy price cap on current rates until the end of the financial year. Currently, the best open market prices we are able to achieve for 1 April 2023 onwards results in a doubling in the unit price of energy that we will face.

Balancing the 22/23 budget was only possible with £53m of BIPs, £32m are reported as deliverable in year	Budget Savings Delivery Forecast @M8 £m	Total Savings 22/23	Deliverable in year	FY Variance
	Portfolio			
	People	37.7	22.3	15.4
	Operational Services	7.1	4.0	3.1
	PPC	1.2	0.9	0.3
	Resources	6.7	4.9	1.8
	Total	52.7	32.1	20.6

Focus must be on delivering BIPs in 22/23 and preventing the

Of the £32m BIPs forecast as being deliverable, £10m are rated red, which indicates considerable risk that these will not be delivered in full which would increase the existing forecast overspend.

budget gap from widening	Of the £20.6m savings that are forecast to be undelivered this year, some can be delivered next financial year. It is estimated that £12m of this year's undelivered savings will still be unachievable in 23/24.
Adult Health and Social Care are forecast to overspend by £11.6m	<p>The high cost of packages of care put in place during covid has increased our baseline costs into 22/23. Work is underway as part of an investment plan with additional resource to tackle the underlying issues although recruitment issues are impacting our ability to deliver.</p> <p>The committee position was fairly stable from M7 to M8; purchasing budgets in Older People's and Physical Disabilities improved whereas Learning Disabilities expenditure continues to rise, this month increasing by a further £350k.</p>
Education, Children and Families are forecast to overspend by £6.6m	<p>Forecast under-delivery of budget implementation plans in the service are the main cause of overspends; plans to reduce staffing and increase income from Health are looking unlikely and the residential children's home strategy looks unlikely to deliver financial benefits.</p> <p>The committee's financial position declined in M8 by £0.2m from M7 mainly due to a reduction to the Aldine House income by a further £0.5m due to delays in a management appointment in the service that has limited capacity in the setting. There has also been an adverse movement in Special Educational Needs transport of £0.5m. Improvements in staffing forecasts across the service have partly offset these larger overspends.</p>

1.4 Strategy and Resources - £0.9m overspend at Month 7

The Strategy and Resources Committee budget is forecast to overspend by £0.9m	Full Year Forecast £m @ Month 8	Outturn	Budget	Variance
	Business Change & Info Solns	18.4	17.2	1.2
	Central Costs	(46.9)	(46.5)	(0.4)
	Community Services (Local Area Committees)	2.0	2.0	0.0
	Consolidated Loans Fund	26.3	28.9	(2.6)
	Contract Rebates & Discounts	(1.0)	(0.7)	(0.3)
	Corporate Transactions	(497.3)	(497.3)	0.0
	Customer Services	5.6	5.6	0.0
	Finance & Commercial Services	18.8	18.6	0.2
	Housing Benefit	0.2	0.2	0.0
	Human Resources	5.5	5.1	0.4
	Legal & Governance	6.5	5.3	1.2
	Other Central Costs	0.0	0.0	0.0
	Policy, Performance & Comms	3.6	3.1	0.5
	Public Health	(0.1)	(0.1)	0.0
	Resources Management & Planning	0.2	0.2	0.0
	One Year Plan	0.0	0.0	0.0
	Direct Services (Facilities Mgmt)	16.2	16.1	0.1
	Inclusive Growth & Development (Property and Regeneration)	(4.2)	(4.8)	0.6
	Total	(446.2)	(447.1)	0.9

The Committee's forecast overspend reduced by £1.1m from M7 to M8 As at M7 the committee was forecasting to overspend against budget by £2m, this reduced to £0.9m in M8. The main reason for the improvement is due to strong cash balances and higher than expected returns due to well-timed investments.

Shortfalls in BIP delivery is a key factor in the current overspend Non-delivery of savings in 22/23 for operating model changes is the main reason for the current forecast overspend: Business Change and ICT delivery (£1.2m), Performance and Communications (£0.6m) and Legal and Governance (£1.2m).

The level of approved Voluntary Severance / Voluntary Early Retirement means that the required run-rate saving will not be achieved without further action.

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, including backpay, unwinding the provision made into forecasts in M4. The award impacted the Committee by £0.4m.

Local Area Committees are forecast to spend to budget this year 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. £800k of this budget is a roll-forward from prior year underspend. So far as at M8, actual spend against the £1m total LAC community project budget is £141k. Given the current run-rate, an underspend could occur in this service by year end.

Property services overspend largely relates to Electric Works. There is a £0.5m projected shortfall in rental income at Electric Works following loss / downsize of 2 key tenants. A proposal is being developed to relax the letting policy for the building that should help it to be filled.

**Economic
uncertainty
affecting interest
rates has had a
positive effect on
investments**

The government's Autumn Statement seemed to have reassured financial markets of the government's fiscal discipline whilst also managing not to deepen the recession. The previous "mini-budget" created uncertainty in economic markets resulting in a Bank of England base rate increase. The rise in interest rates positively affected the authority due to current cash balances and our ability to capitalise upon favourable market investment rates. The strong cash position has also mitigated the need to externalise borrowing which has also helped.

1.4.2 Adult Health & Social Care- £11.6m overspend at Month 8

The revenue outturn position for the AHS&C Committee is to overspend by £11.6m	Full Year Forecast £m @ Month 8	Outturn	Budget	Variance
	Adult Health & Social Care Integrated Commissioning (Early Help and Prevention - Partnership Funding; Supporting Vulnerable People - Housing Related Support/Drugs and Alcohol Services)		156.2	144.6
		9.0	9.0	0.0
Total		165.2	153.6	(11.6)

The committee position was stable from M7 to M8.

The majority of the committee overspend relates to undelivered savings (BIPs)	Variance Analysis £m @ Month 8	One-off	BIPs	Trend
	Adult Health & Social Care Integrated Commissioning		(0.4)	9.4
		0.0	0.0	0.0
Total		(0.4)	9.4	2.6

Of the £11.6m overspend £9.4m is directly attributable to the non-delivery of savings (£0.7m staffing and £8.7m non-staffing) within timescale of 1 year. The remaining difference is accounted for by underlying pressure in the Learning Disabilities purchasing budget and a forecast overspend on staffing.

The £9.4m savings non-delivery is the product of delays to the delivery of savings in 2022/23. Of the £25.2m savings target, £15.9m is forecast to be delivered by March 2023 and a further £8.2m will be delivered as a full-year-effect in 2023/24. In total this means that £24.1m savings (96%) are anticipated to be delivered by 1st April 2024 within current plans, leaving £1.1m to be mitigated during 2023/24.

Purchasing activities are overspent by £8.7m	PURCHASING POSITION @M8	OUTTURN	BUDGET	VARIANCE	M7 VARIANCE	MOVEMENT
	OLDER PEOPLE LEARNING DISABILITIES		33.8	31.2	2.7	2.9
PHYSICAL DISABILITIES		35.0	28.0	6.9	6.6	0.3
MENTAL HEALTH		15.3	16.6	-1.3	-1.0	-0.3
		9.2	9.0	0.2	0.2	0.0
		93.3	84.8	8.5	8.7	-0.2

The pay award created a £0.7m pressure for the committee

The pay award of £1,925 flat rate per employee was paid to employees in M8, including backpay, unwinding the provision made into forecasts in M4. The award impacted the Committee spend by £0.7m.

The committee position was stable from M7 to M8

Purchasing activity overall reduced by 200k this month but with a further adverse movement in Learning Disabilities which is now £6.9m overspent against budget.

BIP delivery for 22/23 is looking challenging, focus needs to be on reviewing high-cost packages put in place during covid	<p>Over £11m of the BIP savings required for 22/23 relate to reviewing high-cost packages of care put in place during the pandemic.</p> <p>Work is underway as part of an investment plan with additional resource to tackle the underlying issue although recruitment issues is impacting on deliverability.</p> <p>Savings are delayed because of the inability of the service to undertake planned reviews of care at the scale required due in part to short term demand pressures including community support requests (up 13% since 19/20), safeguarding contacts (up 68% since 19/20) and hospital support requests (up 20% since 19/20) and in part to national challenges around recruitment and retention.</p>
Recruitment and retention difficulties continue to impact savings delivery in 22/23, but with the potential to increase staffing pressure in future years	<p>Vacancies which are part of the investment plan are not fully recruited to.</p> <p>If posts are filled, the £1.8m current employee overspend would increase but an improvement in BIP delivery would be expected.</p> <p>However, some elements of the investment plan funding employees are time limited with c.£2m due to be removed from staffing budgets over the next 2 financial years.</p> <p>A Target Operating Model is being worked on and it is anticipated to arrive at an optimum staffing establishment level but will need to consider the level of permanent funding available.</p>
Home care continues to be a huge challenge	<p>Increased cost and size of packages following the pandemic continues to be an underlying issue. The market is also suffering from staff recruitment and retention problems resulting in a lack of capacity. Pre-covid pandemic, there were 10 clients on average with packages costing over £1,000/week. Numbers are still staying at around 70 clients. This shows that whilst reviews are reducing the original cohort of high-cost home care put in place during the pandemic, these are being replaced by a similar number of equally expensive packages.</p>
Fair Cost of Care Exercise and Social Care Reform will increase Adult Social Care responsibilities and costs	<p>Fair Cost of Care is to determine an appropriate fee level on over-65 Care Homes and Homecare delivery. SCC are currently an average to low payer when benchmarked against other Local Authorities which indicates the potential to have to increase rates above current forecast levels. Any grant allocated is unlikely to fully cover the cost of those increases.</p> <p>Social Care Reform will levy significant new responsibilities on Local Authorities and introduces a cap on care costs. The grant allocated is unlikely to fully cover the costs of those increases or the required increase staffing base needed to deliver our new responsibilities.</p>
Savings delivery remains the biggest challenge to the	<p>The key financial risk going into 2023/24 for the service is the pace of savings required and the impact of this year's savings carrying into 2023/24 when significant new additional savings will also be</p>

**committee's
financial position**

required of the service. This was reported to ASC Committee on 19th December 2022 in the [AHSC Financial Recovery Plan Update](#).

1.4.3 **Education, Children & Families Committee - £6.6m overspend at Month 8**

The Education, Children & Families General Fund is overspending by £6.6m, made up of a shortfall of savings delivery offset by staffing vacancies.	Full Year Forecast £m @ Month 8	Outturn	Budget	Variance
	Children & Families Education & Skills (Access and Inclusion; Business Support; Operational and Portfolio Wide Budgets; School Budgets; Schools and Learning; SEN, EMTAS)	115.7	110.0	5.7
	Integrated Commissioning (Commissioning; Children's Public Health; Early Help and Prevention)	13.3	13.1	0.2
	Integrated Commissioning (Commissioning; Children's Public Health; Early Help and Prevention)	7.5	6.9	0.6
	Total	136.5	130.0	6.5
The main cause of the overspend is under delivery of Budget Implementation Plans (BIPs)	Variance Analysis £m @ Month 8	M	BIPs	Trend
	Children & Families Education & Skills (Access and Inclusion; Business Support; Operational and Portfolio Wide Budgets; School Budgets; Schools and Learning; SEN, EMTAS)	1.0	5.4	(0.7)
	Integrated Commissioning (Commissioning; Children's Public Health; Early Help and Prevention)	0.1	0.0	0.2
	Integrated Commissioning (Commissioning; Children's Public Health; Early Help and Prevention)	0.0	0.7	(0.1)
	Total	1.1	6.1	(0.6)
The impact of the proposed pay offer creates an additional £0.8m pressure to the committee	The pay award of £1,925 flat rate per employee was paid to employees in M8, including backpay, unwinding the provision made into forecasts in M4. The award impacted the Committee by £0.8m.			
The position in Children's & Families worsened from M7 to M8 by £0.2m	The forecast outturn at M8 is £0.2m worse in Children's & Families, the main variances affecting the outturn were: <ol style="list-style-type: none"> 1) A forecast reduction of income for Aldine House £500k in the outturn following further delays to management recruitment in the service impacting occupancy. 2) £200k increased costs in placements 3) Reductions in fieldwork spend based on recent trends and removal of vacancies and agency staffing in forecasts (£500k) 4) (£200k) reduction to forecast due to re-alignment of provision for the pay award 5) An increase in SEN taxi costs have increased by £500k 			
		£m		
	M7 Committee Overspend	6.4		
	Aldine House Income	0.5		
	Increased Placement costs	0.2		

Reduction to staff & non-staff forecasts	(0.6)
Realignment of pay award	(0.2)
Increase in SEN Taxi costs	0.5
Other improvements	(0.3)
M8 Committee Overspend	6.5

Dedicated Schools Grant (DSG) is overspending by £2.8m	DSG Full Year Forecast £m @ Month 8	Outturn	Budget	Variance
	Children & Families	6.1	6.3	(0.2)
	Education & Skills	214.6	211.7	3.0
	Integrated Commissioning	9.5	9.4	0.0
	Total	230.2	227.4	2.8

£2.4m overspend is in SEN due to rising numbers of placements and EHCP top up costs. There are £0.2m additional staffing costs in Educational Psychology from January plus £0.3m other overspends in Learn Sheffield, Music, insurance/other.

Plans to reduce business support staffing have been delayed with costs offset by difficulties in recruiting social workers

£0.7m of the BIP shortfall relates to reduction in business support staffing linked to the investment in support workers in Fieldwork not happening as planned.

Difficulties in recruiting Fieldwork staff is resulting in a £1.5m underspend which is currently helping to offset the BIP shortfalls.

There are £0.6m other staff related savings forecast not to be delivered where it is assumed that it will not be possible to replace agency with permanent staffing.

The residential strategy (c£2.7m savings) requires completion of a business case and will not be delivered this year

The £2m saving relating to a new secure unit is a longer term saving requiring capital and planning approvals to be in place before building/renovations would be able to commence.

The work done to date indicates that this is no longer a viable proposal due to the lack of available external funding and the high costs of developing a secure facility which is not supported by a sound business case.

The existing secure unit is now forecasting an income shortfall of £1.4m due to capacity restrictions caused by staffing shortages. There are risks around when this may be resolved but this is a one-off issue with the forecast assuming normal income levels from April 2023 in line with staffing assumptions.

£1.4m savings from contributions from Health is not deliverable this year

Discussions have begun with Health partners, but no firm agreement is in place therefore this saving will not be delivered this year. This is reflected in the outturn position and is likely to continue as an underlying pressure in the budget until an agreement is formalised.

Direct Payments, Family Time, Non-staffing Fieldwork (NRTPF/S17) have a combined overspend of £1.4m

The direct payments and short breaks budgets are forecast to overspend by £0.6m (consistent with growth observed in 21/22).

The Family Time budget is £0.1m overspent with the current staffing forecast being higher than planned.

partly offset by one-off income.

Non-staffing Fieldwork/NRTPF budget is £0.6m overspent. The forecast has continued to rise this year and is broadly based on M1-4 trends. A (£0.5m) one off contribution from Household Support Grant has been made towards S17 payments.

These areas need to be closely reviewed to confirm forecast accuracy, understand reasons behind the overspends and explore any mitigating action available.

1.4.4 **Housing Committee - General Fund Underspent by £0.5m & Housing Revenue Account overspend of £13.9m at Month 8**

The Housing General fund is forecast to be broadly in line with budget.	Full Year Forecast £m @ Month 8	Outturn	Budget	Variance
		Housing General Fund	8.1	8.6
	Housing Growth	0.1	0.1	0.0
	Total	8.2	8.7	(0.5)

An improvement in processes in the temporary accommodation service has enabled additional recovery of subsidy against costs in this area. Whilst demand for the service is increasing, improvements in subsidy recovery rates are better than the budgeted position resulting in an overall underspend of £0.5m. This has mainly been due to automation of processes to reduce manual processes and enable timely recovery from DWP. Recovery rates are achieving 88% on average YTD compared with around 60% the previous year and 75% assumed in the budget.

The Housing Revenue Account is forecast to overspend by £12.9m.	Full Year Forecast £m @ Month 8	Outturn	Budget	Variance
		Net Income – Dwellings	(149.4)	(152.6)
	Other income	(6.6)	(6.5)	(0.1)
	Repairs & Maintenance	50.3	41.4	8.9
	Depreciation	25.0	25.0	0.0
	Tenant Services	52.1	54.0	(1.9)
	-Council Tax	2.1	0.9	1.2
	-Disrepairs	5.2	2.6	2.6
	Interest on borrowing	13.6	13.6	0.0
	Contribution to Capital Programme	7.7	21.6	(13.9)
	Total	0.0	0.0	0.0

Vacant properties are forecast to result in a £3.2m loss of rent and £1.2m extra Council Tax cost. Loss of rent is forecast to be £3.2m for the year largely related to the speed of turnaround of repairs on vacant properties. The HRA plan had assumed voids at around 1.5% but whilst plans are in place to improve the position going forward the current rate is around 3.5%.

In addition, the extra Council Tax costs of vacant properties is forecast to be around £1.2m for the year.

The Housing Repairs Service is forecast to overspend by £8.9m There are significant overspends on employees, sub-contractors, and material costs in dealing with additional responsive repairs within Voids, Repairs and Gas servicing.

Disrepair claims are estimated at £2.6m above budget. The current forecast includes £2.6m extra costs for legal fees from an increasing volume of disrepair claims.

Vacant posts in Tenant Services contribute to a A forecast underspend across Tenant services is largely as a result of vacancies in Neighbourhood Services and the Investment and repairs service of (£1.8m): including (£435k)

forecast £1.8m underspend.	Fire Safety, (£318k) Housing Employability Team, (£270k) Asset Management Programme, and (£249k) Southey and Shiregreen plus the Tenancy Enforcement Team (£189k). This more than offsets the additional pay award costs of £1.1m.																
High inflation poses a risk to the business plan.	<p>As part of the 2022/23 HRA Business Plan, rental income was increased by September's CPI +1%, as required per rent policy. The rate of CPI has been increasing throughout the year, and is currently running at 9.3%, which is significantly higher than the 4.1% agreed. As reported on the 5th December, the maximum rent increase permitted by Government is 7%. It will ultimately be for the Strategy & Resources Committee to recommend a rent increase to Full Council</p> <p>Energy inflation is forecast to increase at around 100%, resulting in additional cost pressures in 22/23. This is forecast to be funded by specific earmarked reserves alongside an increase to the Kilowatt per hour charge within Community Heating services.</p> <p>The use of reserves to mitigate the energy impact is one off, and not sustainable going forwards.</p>																
Community heating account is forecast to overspend by £0.5m due to rising energy prices	<table border="1"> <thead> <tr> <th data-bbox="566 902 885 969">Full Year Forecast £m @ Month 8</th> <th data-bbox="949 902 1061 947">Outturn</th> <th data-bbox="1109 902 1220 947">Budget</th> <th data-bbox="1252 902 1364 947">Variance</th> </tr> </thead> <tbody> <tr> <td data-bbox="566 969 662 1003">Income</td> <td data-bbox="997 969 1061 1003">(3.7)</td> <td data-bbox="1141 969 1204 1003">(3.3)</td> <td data-bbox="1300 969 1364 1003">(0.4)</td> </tr> <tr> <td data-bbox="566 1003 710 1037">Expenditure</td> <td data-bbox="1013 1003 1061 1037">4.1</td> <td data-bbox="1157 1003 1204 1037">3.2</td> <td data-bbox="1316 1003 1364 1037">0.9</td> </tr> <tr> <td data-bbox="566 1037 646 1070">Total</td> <td data-bbox="1013 1037 1061 1070">0.4</td> <td data-bbox="1141 1037 1220 1070">(0.1)</td> <td data-bbox="1316 1037 1364 1070">0.5</td> </tr> </tbody> </table>	Full Year Forecast £m @ Month 8	Outturn	Budget	Variance	Income	(3.7)	(3.3)	(0.4)	Expenditure	4.1	3.2	0.9	Total	0.4	(0.1)	0.5
Full Year Forecast £m @ Month 8	Outturn	Budget	Variance														
Income	(3.7)	(3.3)	(0.4)														
Expenditure	4.1	3.2	0.9														
Total	0.4	(0.1)	0.5														
Overspends in the HRA impact the capital programme	Without significant savings in revenue budgets, the long-term capital programme is not affordable. The month 8 outturn position results in a reduced contribution to the future programme.																

1.4.5 **Transport, Regeneration & Climate Committee - underspend of £0.5m at Month 8**

The Transport, Regeneration & Climate Committee is forecast to underspend by £0.5m.	Full Year Forecast £m @ Month 8	Outturn	Budget	Variance
	Direct Services (<i>Carbon Reduction; Transport</i>)	0.0	0.0	0.0
	Streetscene & Regulation (<i>Clean Air Zone</i>)	0.1	0.0	0.1
	Inclusive Growth & Development (<i>Capital Delivery; Director of Inclusive Growth; Property and Regeneration</i>)	0.4	0.4	0.0
	Planning, Investment & Sustainability (<i>Planning Services; ITA Levy; Transport and Infrastructure</i>)	41.0	41.6	(0.6)
	Total	41.5	42.0	(0.5)
The planned Clean Air Zone saving of £2.1m has been offset by use of a specific reserve in 22-23.	Variance Analysis £m @ Month 8	One-off	BIPs	Trend
	Direct Services	0.0	0.0	0.0
	Streetscene & Regulation	(2.1)	2.1	0.1
	Inclusive Growth & Devt	0.0	0.0	0.0
	Planning, Investment & Sustain	0.0	0.0	(0.6)
	Total	(2.1)	2.1	(0.5)
	The planned Clean Air Zone saving of £2.1m has been offset by use of a one-off specific reserve. However, this pressure requires a sustainable mitigation be identified for future years.			
	Operating spend assumed to be met from income forecast from the introduction of the charging Clean Air Zone remains a risk given potential slippage in the programme following continued dialogue with central government.			
The impact of the proposed pay offer creates an extra £0.1m pressure to the committee	The pay award of £1,925 flat rate per employee was paid to employees in M8, including backpay, unwinding the provision made into forecasts in M4. The award impacted the Committee by £0.1m.			
The underspend reflects vacancies and higher Highway Network activity.	Contributory factors in the underspend are vacancies within Planning & Transport and extra income from higher than planned Highway Network Management activity.			

1.4.6 **Economic Development & Skills Committee – Underspend of £0.1m Month 8**

The revenue outturn position for the Economic Development & Skills Committee remains broadly balanced	Full Year Forecast £m @ Month 8	Outturn	Budget	Variance
	Education & Skills <i>(Employment and Skills; Family and Community Learning)</i>	0.9	0.9	0.0
	Streetscene & Regulation <i>(Events)</i>	1.0	0.9	0.1
	Economy, Culture & Skills <i>(Business Development; Director of Economic Development and Culture; Economy and Business Support; Employment and Skills)</i>	9.7	9.9	(0.2)
	Total	11.6	11.7	(0.1)

Whilst the net budget is £11.7m, the Committee is reliant on £14.8m of income to support the services	Service	Net Budget	Outturn - Income	Outturn - Expend	Total Outturn (M8)	Total Variance
	EDUCATION & SKILLS	0.9	-6.9	7.8	0.9	0.0
	STREETSCENE & REGULATION	0.9	-0.6	1.6	1.0	0.1
	ECONOMY, CULTURE & SKILLS	9.9	-7.2	17.0	9.7	-0.2
		11.7	-14.8	26.4	11.6	-0.1

The impact of the proposed pay offer 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, including backpay, unwinding the provision made into forecasts in M4. The award impacted the Committee spend by £0.2m
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The key Budget Implementation Plan (BIP) was delivered	The key BIP for 22/23 was to vacate the offices at Broad Street West, which has been achieved.
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1.4.7 **Waste & Street Scene Committee is £0.3m underspent at Month 8**

The Waste & Street scene committee is forecasting to underspend by £0.3m.	Full Year Forecast £m @ Month 8	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; Covid Hub)</i>	54.6	54.9	(0.3)
	Total	54.6	54.9	(0.3)

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

Service Area	Budget	Outturn - Income	Outturn - Expend	Total Outturn @M8	Variance
WASTE MANAGEMENT	28.5	-5.2	33.2	28.0	-0.4
HIGHWAYS CONTRACT	20.2	-49.3	69.5	20.2	0.0
ENVIRONMENTAL REGULATIONS	5.0	-1.4	6.6	5.2	0.2
SHEFFIELD CITY MARKETS	1.9	-1.6	3.5	1.9	0.1
HIGHWAY MAINTENANCE DIVISION	1.7	-2.5	3.7	1.3	-0.4
CITY CENTRE MANAGEMENT	1.4	-1.5	3.1	1.7	0.3
DIRECTOR OF STREETSCENE AND RE	0.7	-0.2	1.1	0.9	0.2
EMERGENCY PLANNING	0.3	-0.1	0.4	0.3	0.0
LICENSING	0.1	-1.5	1.7	0.2	0.0
PLACE HUB	0.0	0.0	0.1	0.1	0.0
COVID HUB	0.0	-9.2	9.2	0.0	0.0
PARKING SERVICES	-4.8	-11.4	6.3	-5.1	-0.3
	54.9	-83.9	138.4	54.6	-0.3

Underlying inflationary pressures on energy and waste management present a significant issue for the 23-24 business plans.	Variance Analysis £m @ Month 8	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; Covid Hub)</i>	(3.4)	0.4	2.6
	Total	(3.4)	0.4	2.6

The Waste contract provides for an uplift in costs at RPIX which was re-based at 8% for 22/23. 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 22/23.

Both these pressures are being mitigated in 2022/23 through one-off provisions / reserves, which will be exhausted for the 2023/24 budget.

The impact of the proposed pay offer creates an additional £0.2m pressure to the committee

The pay award of £1,925 flat rate per employee was paid to employees in M8, including backpay, unwinding the provision made into forecasts in M4. The award impacted the Committee spend by £0.2m

1.4.8 **Communities, Parks & Leisure Committee - underspend of £0.5m at Month 8**

The Communities Parks & Leisure Committee is forecast to underspend by £0.5m	Full Year Forecast £m @ Month 8	Outturn	Budget	Variance
	Community Services <i>(Community Safety; Family Centres; Youth Services; Community Services Business Support)</i>	10.8	11.4	(0.6)
	Parks, Leisure & Libraries <i>(Bereavement; Coroner and Medico Legal; Libraries and Archives; Parks and Countryside; Partnerships and Special Projects; Physical Activity and Sports; Public Health)</i>	34.1	34.0	0.1
	Integrated Commissioning <i>(Voluntary Sector)</i>	0.8	0.8	0.0
	Total	45.7	45.4	(0.5)
There is forecast to be a shortfall of BIP delivery of £0.4m relating to Parks and Libraries	Variance Analysis £m @ Month 8	One-off	BIPs	Trend
	Community Services <i>(Community Safety; Family Centres; Youth Services; Community Services Business Support)</i>	(0.5)	0.0	(0.1)
	Parks, Leisure & Libraries	(0.7)	0.4	0.5
	Integrated Commissioning <i>(Voluntary Sector)</i>	0.0	0.0	0.0
	Total	(1.2)	0.4	0.4
<p>A £0.4m shortfall in in 22/23 BIP savings within Parks & Libraries is being offset by net savings largely from staff vacancies. Higher energy costs of £0.3m are being mitigated in year by a one-off contribution from reserves</p>				
Community Services are underspending by £0.6m	<p>Most of the underspend is one-off. £240k funding relating to year 2 of the Page Hall project which is being requested to carry forward to 23/24. There is an underspend of £0.1m resulting from recruitment slippage for Community Support Workers (£0.1m). This month, forecasts have been adjusted to reflect an underspend of £225k in Youth Services due to delays in restructuring.</p>			
The impact of the proposed pay offer creates an additional £0.4m pressure to the committee	<p>The pay award of £1,925 flat rate per employee was paid to employees in M8, including backpay, unwinding the provision made into forecasts in M4. The award impacted the Committee spend by £0.4m</p>			
£1.3m is forecast to be spent to support	<p>The forecast assumes £1.3m temporary funding will be drawn down to pay for staffing costs in community response for</p>			

**the community
response team**

Clinically Extremely Vulnerable, Community Safety and Locality Teams.

This is one off funding and caution must be taken to ensure expenditure does not continue as a trend into 23/24 or an unfunded budget pressure will be created. Contracts to support the service are forecast to end by the end of the financial year.

1.5 Capital Programme Monitoring M8 22/23

The position on the capital programme at M8 is noted in **Appendix 1**.

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 The recommendations in this report are that each Policy Committee undertakes any work required to both balance their 2022/23 budget and prepare for the 2023/24 budget.

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 There are no direct financial implications from this report.

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 This paper is to bring the committee up to date with the Council's current financial position as at Month 7 2022/23 including the Capital Programme.