



Report to Policy Committee

Author/Lead Officer of Report: Tony Kirkham,
Director of Finance and Commercial Services

Tel: +44 114 474 1438

Report of: *Tony Kirkham*
Report to: *Education, Children & Families Committee*
Date of Decision: *31st 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"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."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.

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 style="vertical-align: top;"> <p>Lead Officer Name: <i>Tony Kirkham</i> <i>Jane Wilby</i></p> </td> <td style="vertical-align: top;"> <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: 20th January 2023</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		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)	} (£17.1m overspend @ M8)
Reserves used @ M8	51.8	
Remaining reserves	18.2	

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

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

£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. **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
	Total	136.5	130.0	6.5
	Total	7.5	6.9	0.6
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	0.1	0.0	0.2
	Total	1.1	6.1	(0.6)
	Total	0.0	0.7	(0.1)
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	(0.5)
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	<p>£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.</p> <p>Difficulties in recruiting Fieldwork staff is resulting in a £1.2m underspend which is currently helping to offset the BIP shortfalls.</p> <p>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.</p>
---	--

The residential strategy (c£2.7m savings) requires completion of a business case and will not be delivered this year	<p>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.</p> <p>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.</p> <p>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.</p>
---	---

£2m savings from contributions from Health is not deliverable this year	<p>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.</p>
--	--

Direct Payments, Family Time, Non-staffing Fieldwork (NRTPF/S17) have a combined overspend of £1.4m	<p>The direct payments and short breaks budgets are forecast to overspend by £0.6m (consistent with growth observed in 21/22).</p> <p>The Family Time budget is £0.1m overspent with the current staffing forecast being higher than planned.</p>
--	---

partly offset by one-off income.

No Recourse to Public Funds (NRTPF) budget is £0.6m overspent. The forecast has continued to rise this year which is not surprising given the current climate. A (£0.5m) one off contribution from Household Support Grant has been made towards S17¹ payments.

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

¹ Section 17 of the Children Act 1989 imposes a general duty on local authorities to safeguard and promote the welfare of “children in need” in their area. To fulfil this duty section 17 gives local authorities the power to provide support, including accommodation and financial subsistence to families with “children in need”, even if they have no recourse to public funds. The power under section 17 can be used to support the family as a whole and to promote the upbringing of the child within the family unit.

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 8 2022/23