

Policy Committee Decision Report

Title of Report:	2025/26 Final Budget Outturn (Quarter 4)
Date of Decision:	15 th June 2026
Report To:	Finance & Performance Committee
Report Of:	Philip Gregory, Director of Finance and Commercial Services (Section 151 Officer)
Report Author:	Jane Wilby, Assistant Director Finance & Accounting

Executive Summary:

This report sets out Sheffield City Council's final financial outturn for the 2025/26 financial year, including the final revenue position, capital programme outturn and treasury management performance.

The Council has closed the year with a **£11.1m overspend on the General Fund**, representing a **significant improvement** from the £18.9m forecast overspend reported at Quarter 3 and from the £28.2m forecast overspend reported at Quarter 1.

The better position in the final quarter came from strong action across the Council and more accurate forecasting, especially in Children's Services, SEND transport and corporate financing. There were also no major issues late in the year, which shows that financial monitoring and year-end processes worked well.

However, this better headline position does not mean the main cost pressures have gone away. Adult Social Care, children's placements, housing-related services and SEND are still facing rising demand and costs above budget. Most of the improvement this year came from one-off measures, including contingencies, financing benefits and technical changes.

So, although the outturn is better, the Council's underlying financial position is still difficult. These pressures have been recognised and funded in the 2026/27 budget, supported by the Local Government Finance Settlement. Delivering the Future Sheffield transformation programme will still be essential to reduce demand-led pressures and improve long-term financial sustainability.

The report therefore provides:

- the final revenue and capital outturn for 2025/26;
- an explanation of movements since Quarter 3;
- detail on the use of reserves and one-off actions taken during the year; and
- assurance over governance, control and next-year implications.

Council Plan outcomes:

[A place where all children belong and all young people can build a successful future](#)

[Great neighbourhoods that people are happy to call home](#)

[People live in caring, engaged communities that value diversity and support wellbeing](#)

[A creative and prosperous city full of culture, learning, and innovation](#)

[A city on the move – growing, connected and sustainable](#)

Policy Committee remit:

This report is to be considered by the Finance and Performance Policy Committee as it includes agenda items for forthcoming meetings, relating to its remit as set out in : [Part 3C - 3.3 Matters Delegated to Committees May 2024.pdf \(sheffield.gov.uk\)](#)

Does the report contain confidential or exempt information? [Yes/No]

Recommendations:

The Finance and Performance Committee is recommended to:

1. Note the final 2025/26 Revenue Outturn position as described in this report including detailed committee budget monitoring information.
2. Approve revenue budget carry forward requests for 2 items:
 - I. £27k SE LAC – Neighbourhoods
 - II. £615k Tram Vision – City Futures
3. Note the final outturn information provided in the appendices to the paper for the Capital programme and treasury management for the Council.

Financial Implications: [Yes/No] Approved by: Jane Wilby, Assistant Director Finance & Accounting

Legal Implications: [Yes/No] Approved by: Robert Parkin, Assistant Director, Legal Services

Equality and Inclusion Implications: [Yes/No] Adele Robinson, Equalities and Engagement Manager, Policy, and Performance.

Climate Change Implications: [Yes/No]

Background Papers:

[2025/26 Revenue Budget](#)

[MTFS 2627 to 2930](#)

Appendices:

Appendix 1 – 2025/26 Q4 Detailed Council Budget Monitoring

Appendix 2 – 2025/26 Q4 Capital Programme Monitoring

Appendix 3 - 2025/26 Q4 Treasury Management Outturn

1. Background to the issue

- 1.1 This report presents Sheffield City Council's final financial outturn for the 2025/26 financial year, covering revenue, capital and treasury management activity. It builds on the Quarter 3 monitoring report and reflects the fully closed position at 31st March 2026.
- 1.2 The purpose of this report is to:
- Present the final revenue and capital outturn position for 2025/26;
 - Explain the key movements since Quarter 3 and the main drivers of the final position;
 - Distinguish between underlying service pressures and one-off actions applied during the year;
 - Provide transparency on budget recovery actions, savings delivery and areas of continued financial risk; and
 - Set out the implications of the outturn for 2026/27 and beyond, including the Council's financial resilience and transformation priorities.
- 1.3 The **final outturn** position is set out in detail below and shows the Council has recorded an **£11.1m overspend** on the General Fund, representing a significant improvement compared to the **£18.9m forecast reported at Quarter 3** and earlier in the financial year.
- 1.4 Throughout 2025/26, the Council has operated in a highly challenging financial environment, characterised by sustained demand in statutory services, market-driven cost pressures and the continued impact of inflation. These pressures have been most evident in Adult Social Care, Children's Services, SEND transport and temporary and supported exempt housing-related services, where activity and complexity have exceeded original budget assumptions.
- 1.5 The Quarter 3 monitoring report set out a forecast overspend of £18.9m and a clear picture of the Council's financial trajectory during the year. The final outturn of £11.1m confirms a significant improvement over the final quarter, reflecting a combination of factors, including known provisions, in-year management actions, improved forecasting accuracy and some one-off benefits, alongside the absence of any material late-year adverse shocks.
- 1.6 However, the improved outturn does not represent a fundamental reduction in the underlying demand-led pressures facing the Council. Adult Social Care, Children's Services, housing and SEND continue to experience sustained demand and cost growth beyond budget assumptions. While the 2026/27 budget has been set on a more realistic baseline, supported by improved funding certainty, continued financial discipline, collective ownership of budget delivery and progress through the Future Sheffield programme will be essential to managing these ongoing risks.

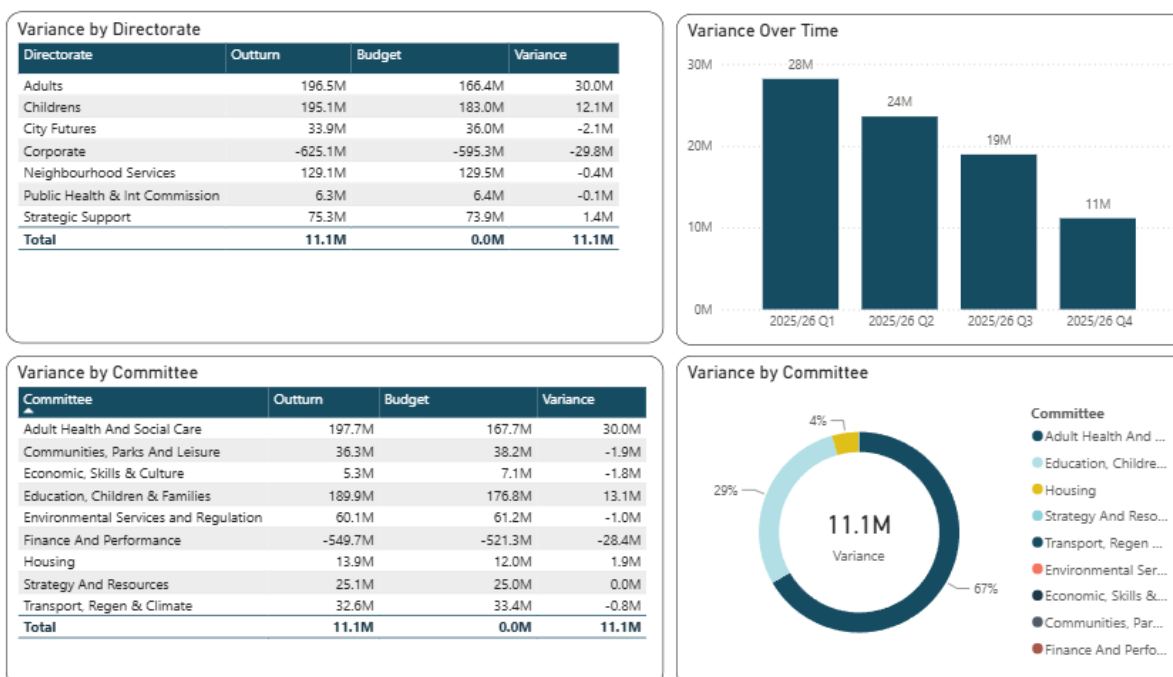
2. Financial Position Overview

2.1 Overall Financial Position 2025/26

The Council closed the 2025/26 financial year with a final General Fund outturn overspend of £11.1m. While this remains a significant pressure, it is an improvement compared to previous years, where the overspend was £34.7m in 2024/25 and £15.6m in 2023/24. This shows progress in managing in-year financial pressures, although the position remains challenging.

The final outturn represents a strong improvement in the final quarter and reflects both strengthened financial grip and the impact of year-end updates to corporate budgets and technical assumptions. The position improved by £7.8m between Quarter 3 and final outturn. While the headline outturn is significantly improved, it is important to distinguish between:

- **Underlying service pressures**, which remain concentrated in a small number of demand-led statutory areas; and
- **Corporate and one-off mitigations**, which have reduced the in-year impact but are not a substitute for sustainable service budgets.



2.2 The £11.1m overspend has been managed through a combination of one-off actions and the use of reserves. This has helped bring the position back to a more manageable level in 2025/26. However, this is not sustainable in the long term. The Council cannot rely on reserves to fund ongoing pressures. Work is therefore focused on reducing demand, improving value for money and delivering the Future Sheffield programme to create a more sustainable financial position over time.

2.3 Summary of financial position and key drivers

2.3.1 The Council's final outturn position reflects a combination of significant pressures in a small number of high-cost services, alongside offsetting underspends and corporate actions. The key elements of the position are set out below.

2.3.2 Adults' Services – £30.0m overspend

The largest pressure remains within Adults' Social Care. The overspend is mainly due to the cost of care packages, with more people needing support and, increasingly complex and expensive care. Some progress has been made during the year to review and manage packages, and there are early signs that costs per package may be stabilising. However, overall demand continues to rise, and a number of planned savings have not been delivered within the year and are now expected to be delivered next year, meaning the underlying pressure remains.

2.3.3 Children's Services – £12.1m overspend

Children's Services continue to face significant financial pressure. The service overspent by **£12.1m** at the end of 2025/26 driven by three main areas:

- **Placements (£9.0m overspend)** – continued demand for care, with more children placed in higher-cost residential and independent settings
- **Children with Disabilities (£1.4m overspend)** – rising demand for support such as direct payments and short breaks.
- **SEND home-to-school transport (c.£1.4m overspend)** – demand for transport remains high, particularly for more complex needs.

The SEND transport position has improved during the year, with the overspend reducing to £1.4m at outturn from much higher forecasts earlier in the year (c.£6.6m overspend forecast at Q1). This reflects a number of practical changes, including reducing single taxi journeys, increasing shared transport, expanding personal travel budgets and independent travel training, and applying policies more consistently.

These actions have also helped reduce demand, with fewer children requiring transport than originally expected.

While this represents clear progress, demand and cost pressures remain high across Children's Services. The improvement in the overall position is mainly due to one-off factors and timing differences rather than a reduction in underlying demand.

2.3.4 Housing and Neighbourhoods – mixed position (net £0.4m underspend)

Across Neighbourhood Services, there is a broadly balanced position overall, but with ongoing pressures in housing services.

- **Emergency / temporary accommodation (£1.9m overspend)**
This reflects the cost of supporting households in temporary accommodation, where the Council is not fully reimbursed through Housing Benefit, resulting in a net cost. The position is significantly improved this financial year.
- **Supported exempt accommodation (£2.9m pressure in Housing Benefit)**
This pressure sits within Strategic & Enabling Services budgets and reflects the gap between Housing Benefit paid and the amount reimbursed by government for supported accommodation.

These pressures are driven by demand and national funding rules, and remain sensitive to changes in need.

2.3.5 **City Futures – £2.1m underspend**

City Futures has delivered an overall underspend, largely due to:

- delays in programmes and projects,
- salary savings from vacant posts, and
- income received later or not required as previously assumed.

These savings are largely one-off or timing-related and do not represent recurring reductions in cost.

2.3.6 **Strategic & Enabling Services – £1.4m overspend**

This reflects a mix of smaller overspends across corporate services, including:

- staffing pressures in some areas, and
- the Housing Benefit pressure described above.

2.3.7 **Public Health & Integrated Commissioning:** broadly balanced overall, with only minor net variation at year end.

2.3.8 **Corporate – £29.8m underspend** (key driver of the overall position). The overall outturn position is heavily influenced by corporate adjustments made during the year. These include:

- **£13.0m** of contingencies released - set aside earlier in the year to cover known risks in areas such as housing (£7.9m) and high-cost placements (£5.1m)
- **£9.8m** Collection Fund surplus applied - a one-off benefit from better than expected Council Tax and Business Rates performance in a prior year)

- **c.£3m** from treasury and financing benefits including higher interest earned on cash balances and reduced borrowing costs
- **£3.7m** from vacancy factor budgeting, reflecting a council-wide response across services to manage recruitment and deliver real in-year action to improve the overall bottom line position.

2.3.9 Taken together, these improvements reflect a combination of real service delivery action and corporate offsets, both of which have made a tangible impact on the year-end position and reduced what would otherwise have been a much larger overspend, bringing the overall position to £11.1m.

2.3.10 **The Housing Revenue Account (HRA)** is reported separately and is not included within the General Fund outturn position set out in this report, with further detail provided in Appendix 1. The HRA closed 2025/26 in a balanced position and contributed £7.7m to capital, although this was £9.3m lower than the prior year. Within the overall position, there were significant pressures in responsive repairs, which overspent by £4.9m due to inflation, increased demand and additional work linked to damp and mould, fire safety and work to replace non-compliant cladding. These pressures were offset by treasury gains of £3.2m from lower interest payable and the early repayment of a loan; £4.0m treasury gain on interest received was transferred to HRA reserves in-year, strengthening the HRA's financial resilience rather than being used to support the in-year revenue position.

2.4 Budget Carry Forward Requests

2.4.1 The Council's financial position includes two requests to carry forward unspent General Fund budget from 2025/26 into 2026/27. Carry forwards are a standard part of financial management and allow funding approved for a specific purpose to be used in a later year where delivery has been delayed.

2.4.2 Carry forwards are only approved where there is a clear and continuing requirement for the funding, and where the original purpose of the budget remains valid. They are typically used for projects that span financial years or where spend has been delayed due to factors outside of the Council's control. Committees must be underspent overall to approve carry forwards, and these requests do not create additional funding, but instead defer the use of existing budget.

2.4.3 For 2025/26, approval is sought to carry forward £0.642m of General Fund budget, relating to a small number of specific projects where delivery has not been completed within the financial year.

The two items include:

- **Tram Vision (£615k)** – funding to support the development of a strategic mass transit vision for the city in partnership with SYMCA. Spend has been delayed pending confirmation of wider regional funding allocations, with the funding required to support business case development and future investment decisions.
- **South East Local Area Committee (£27k)** – funding to support continuation of the environmental stewardship programme, where costs are incurred retrospectively and delivery extends into 2026/27. This programme supports both environmental improvements and employment and skills outcomes for local residents.

2.4.4 These requests reflect timing differences in delivery rather than underspends that are no longer required. Approval would allow the Council to complete the intended activity without impacting the 2026/27 budget position.

2.4.5 The overall financial position set out in this report assumes that these carry forward requests are approved. If any requests are not approved, this would result in a one-off improvement in the 2025/26 outturn position, but would require the activity to be either cancelled or funded from 2026/27 budgets. These adjustments have been reflected in the final outturn position described above.

2.5 What this means for the Council's financial position

2.5.1 The 2025/26 outturn shows that the Council has successfully reduced a significantly higher forecast overspend during the year, with no material issues arising during final closedown. This provides assurance that financial monitoring and control arrangements are working effectively.

2.5.2 However, the improved position is largely due to one-off corporate actions and year-end adjustments, rather than a reduction in demand for services. The main drivers of pressure, particularly in social care, SEND and housing, remain in place at year end.

2.5.3 As a result, the Council enters 2026/27 in a more stable position, but with **ongoing financial risk**. Managing this will require continued focus on:

- reducing demand and cost in high-pressure services,

- delivering planned savings, and
- maintaining strong control over spending across the organisation.

The next section sets out the actions underway to address these pressures and support a more sustainable financial position going forward.

Budget Recovery Actions

- 2.6 In response to these pressures, the Council has taken a more structured and proactive approach, particularly in high-risk areas such as Adult Social Care, Children's Services, SEND transport and housing. This has included enhanced oversight from senior leadership, clearer accountability for delivery, and more consistent use of data to track both financial and operational performance.
- 2.7 In the final quarter, there has been increased focus on targeted recovery actions, including regular review meetings chaired by senior officers, improved forecasting and validation processes, and tighter controls on spend. These actions have contributed to the improved outturn position and provide a stronger foundation for managing ongoing financial pressures in 2026/27.

Adult Social Care Budget Recovery Actions

- 2.8 Adult Social Care continues to face significant financial pressure, driven by increasing demand for care and the cost of complex support packages. During 2025/26, the focus has been on improving oversight of care packages, strengthening data quality, and increasing the pace of reviews. While progress has been made, including stabilisation in some areas of cost, overall demand has continued to rise and remains the primary driver of the overspend.
- 2.9 Recovery actions are now more tightly focused on areas where the Council can influence cost and activity. This includes increasing the volume and quality of package reviews, strengthening validation of care data, and improving forecasting accuracy. These actions are being coordinated through the Adult Social Care Improvement Board, ensuring alignment between financial recovery, service performance and longer-term transformation priorities.

Home to School Transport Budget Recovery Actions

- 2.10 Significant progress has been made during 2025/26 in reducing the cost of SEND home-to-school transport. The overspend has reduced substantially over the year, supported by strengthened decision-making, closer alignment with SEND services, and more consistent application of policy, with panel

reviews ensuring only eligible cases are approved. This has contributed to a significant reduction in demand, with over 100 fewer young people requiring transport than originally projected

2.11 This improvement has been driven by a combination of actions including reducing reliance on single-use taxis, increasing shared transport, expanding personal travel budgets and introducing independent travel training. There has also been a stronger focus on demand management, with fewer young people entering the system than previously projected. Work will continue into 2026/27 to build on this progress, including expanding travel training, improving data and maintaining regular oversight to manage ongoing risks, including SEND reforms.

2.12 Children's Budget Recovery Actions

2.13 Children's Services has continued to manage significant financial pressure during 2025/26, particularly in placements and support for children with complex needs. While the overall position has improved compared to earlier forecasts, this reflects changes to budgets and one-off adjustments rather than a reduction in demand for services. Current pressures continue to be driven by high-cost placements, including residential and independent provision, and increasing demand in children with disabilities support.

2.14 Current recovery actions focus on reducing reliance on high-cost external placements and improving value for money. This includes expanding in-house fostering and residential provision, strengthening placement review processes, improving commissioning and market engagement, and increasing the effectiveness of health funding contributions. There is also continued focus on sufficiency planning and developing longer-term solutions to reduce dependency on external providers.

Housing - Temporary Accommodation Budget Recovery Actions

2.15 The Council has made progress in managing pressures within temporary accommodation during 2025/26. The service overspent by **£2.7m**. The main issue remains the gap between the cost of temporary accommodation and the amount of Housing Benefit subsidy the Council can recover. The position has improved considerably compared with 2024/25, when the net cost of temporary accommodation was **£8.5m** across the year vs 2025/26 net cost of **£4.6m**; a reduction of **£3.9m** year on year. This year's lower overspend reflects action taken to reduce both the number and cost of placements.

- 2.16 Usage of emergency accommodation has continued to reduce during the year, supported by lower demand, faster allocations and improved move-on rates. Total accommodation placements fell from **272 to 216** over the financial year, and negotiations with providers helped secure lower nightly rates. Recovery actions remain focused on reducing reliance on the highest-cost options, particularly hotels and B&B accommodation, while increasing access to more sustainable housing solutions through stronger provider relationships, improved move-on arrangements and continued close monitoring of demand.

Supported & Exempt Accommodation Budget Recovery Actions

- 2.17 The cost pressure relating to supported exempt accommodation remains a key issue, driven by the difference between Housing Benefit paid and the level of government subsidy received. This pressure has remained consistent throughout the year and continues to represent a structural financial challenge.
- 2.18 Work is underway to reduce this pressure by developing alternative delivery models and working more closely with providers. This includes exploring partnership arrangements with registered housing providers to improve subsidy recovery and reviewing existing claims and appeals processes. While progress is being made, this remains a complex area with a degree of uncertainty around the extent and timing of financial benefit.

Housing Repairs & Maintenance (HRA) Budget Recovery Actions

- 2.19 The repairs and maintenance service has continued to experience financial pressure during 2025/26, although the position has improved as forecasting has become more accurate and capital recharges have been better understood. The main cost drivers remain responsive repairs activity, damp and mould works, and the use of agency and subcontractor staff, with pressures evident throughout the year despite improvement in forecasting accuracy.
- 2.20 Actions are now focused on improving long-term sustainability, including developing a clearer approach to planned versus reactive maintenance, strengthening workforce planning, and improving financial forecasting of capital recharges. Work is also underway to formalise the damp and mould programme and review the operating model, including procurement and stores arrangements, to improve efficiency and cost control.

Organisation Wide Budget Recovery Actions

- 2.21 Essential to achieving this improved position has been the continued use of spend controls and tighter recruitment restrictions. These measures have

made a measurable contribution to the in-year financial position by around £4.8m; salary and agency cost forecasts fell by £3.7m and discretionary spend by £1.1m. These controls have also helped to embed a stronger culture of cost awareness across the organisation.

2.22 These measures have been difficult but necessary and will remain in place into 2026/27. They have been reviewed to make sure they stay proportionate and sustainable, balancing the need for financial control with the impact on services and workforce capacity. They are also an important part of Future Sheffield and the Council's wider work to live within its means while protecting the services that matter most to residents.

25-26 Business Planning Savings Targets

2.1 The approved 2025/26 budget included £58.5m of savings, of which £45.1m has been delivered in-year, resulting in a shortfall of £13.4m (c.23%). This represents a delivery rate of around 77%, which is lower than in previous years. While a significant proportion of savings have been achieved, the shortfall reflects both timing delays and areas where delivery has proven more challenging than originally planned, particularly in demand-led services. Delivery of savings is a key part of how the Council has managed its in-year financial position

Committee	Total Savings	Savings Deliverable in Year	In Year Gap	Deliverable Next Year (Slippage)	Undeliverable Savings
Adult Health And Social Care	-24.6	-13.8	-10.8	-7.8	-3.0
Communities, Parks And Leisure	-0.5	-0.5	0.0	0.0	0.0
Economic, Skills & Culture	0.0	0.0	0.0	0.0	0.0
Education, Children & Families	-16.1	-13.8	-2.3	-1.1	-1.3
Environmental Services and Regulation	-1.8	-1.6	-0.1	0.0	-0.1
Finance And Performance	0.0	0.0	0.0	0.0	0.0
Housing	-15.5	-15.4	-0.1	0.0	-0.1
Strategy And Resources	0.0	0.0	0.0	0.0	0.0
Transport, Regen & Climate	0.0	0.0	0.0	0.0	0.0
Total	-58.5	-45.1	-13.4	-8.9	-4.5

Category	Total Savings	Savings Deliverable in Year	In Year Gap	Deliverable Next Year (Slippage)	Undeliverable Savings
Additional Grant Income	-22.0	-19.5	-2.5	0.0	-2.5
Cost/Contract Price Reduction	-20.4	-12.1	-8.3	-8.3	0.0
Income Generation	-11.9	-10.9	-1.0	-0.5	-0.5
Reduce/Cease Service	-0.2	-0.1	-0.1	0.0	-0.1
Service Effectiveness	-3.9	-2.5	-1.4	0.0	-1.4
Staff Cost Reductions	-0.1	0.0	-0.1	-0.1	0.0
Total	-58.5	-45.1	-13.4	-8.9	-4.5

2.2 Nature of the Shortfall (slippage and undeliverable savings)

Of the £13.4m shortfall:

- around **£8.9m** relates to slippage into 2026/27, where savings are expected to be delivered later than planned; and
- around **£4.5m** is currently assessed as undeliverable in-year, requiring either replacement savings or funding through ongoing budget management.

This distinction is important, as it shows that a large proportion of the gap is timing-related, but also highlights areas where the original assumptions will need to be revisited as part of future financial planning

2.3 Directorate performance and delivery rates

Savings delivery has varied across directorates, reflecting differences in the nature of savings programmes and exposure to demand-led pressures.

- **Adults' Services** delivered approximately **56%** of planned savings, with a shortfall of **£10.8m**. This reflects the complexity of delivering savings in care services while managing rising demand.
- **Children's Services** delivered around **85%** of savings, with a smaller but still material shortfall (**£2.3m**), largely linked to SEND Transport, placements and market pressures.
- **Neighbourhood Services** delivered over **98%** of savings, with only minor slippage, reflecting the more controllable nature of many of these savings.

Overall, this reinforces that under-delivery is concentrated in demand-led services, where savings are harder to achieve at pace.

2.4 Key areas of savings slippage and risk

The main areas of slippage reflect both delivery timescales and external factors:

- In **Adults' Services**, savings linked to service transformation (e.g. technology-enabled care, care model changes and modernisation activity) have slipped due to the time required to implement changes safely and at scale. Several schemes are now expected to deliver in 2026/27 rather than 2025/26.
- In **Children's Services**, slippage is largely linked to delays in developing in-house provision to reduce reliance on external placements, and the ongoing impact of cost increases in the placement market.
- In **SEND transport**, savings linked to demand reduction have partially delivered but at a slower pace than assumed, with further benefits expected in future years as reforms embed.

2.5 Income and grant related savings

A significant proportion of the overall savings position has been supported by income and grant funding, much of which has delivered as planned.

This includes:

- **Social Care Grant and other government funding**, which has been applied to support both Adult and Children's services;
- **rent increases and service charge changes** within Housing; and
- a range of smaller income-generating measures across services (e.g. fees and charges, contract renegotiations).

While these have provided important in-year support, many are externally determined or one-off in nature, and therefore do not reduce the need to deliver underlying service efficiencies.

2.6 Overall assessment of savings delivery

The 2025/26 savings programme has delivered a substantial level of financial benefit but has not been fully achieved within the year.

The shortfall reflects a combination of:

- timing delays in transformation programmes,
- delivery challenges in demand-led services, and
- external factors such as market conditions and demand levels.

While a large proportion of savings are expected to be delivered in future years, the position reinforces the need for:

- realistic phasing of savings,
- continued focus on delivery and accountability, and

- alignment between savings plans and the Council's wider transformation programme.

Macroeconomic environment & Treasury Management

- 2.7 The wider economic environment has remained uncertain during 2025/26, with inflation and borrowing costs continuing to place pressure on local authority finances. While interest rates have stabilised compared to recent volatility, they remain relatively high, affecting both the cost of borrowing and the affordability of capital investment.
- 2.8 In response, the Council has maintained a prudent approach to treasury management, making use of strong cash balances to delay borrowing where possible and reduce exposure to interest rate risk. This has included early repayment of loans including £68m bank debt with a £15m discount over the loan term and £45m of LOBO loans. A LOBO loan allows the lender to increase interest rates over time, which can leave the council locked into higher costs or facing expensive exit charges, making early repayment more financially sensible.
- 2.9 These actions have supported the in-year financial position and strengthened our longer term resilience by reducing exposure to higher-cost and more complex borrowing. However, future borrowing requirements will need to be managed carefully as the Council continues to balance capital investment needs with revenue affordability. Further details of treasury management activities are included in **Appendix 3** to this paper.

Governance

- 2.10 Strong governance arrangements have continued to support financial management throughout the year. A series of established forums provide regular oversight of budget performance, delivery of savings and recovery plans, and escalation of risks where required.
- 2.11 These arrangements bring together senior officers from across the organisation, including services, finance and transformation teams, ensuring that financial performance is considered alongside operational delivery. The increased focus on budget recovery during 2025/26 has strengthened accountability, improved transparency and supported a more consistent approach to financial control across services.
- 2.12 The table below summarises the core governance forums responsible for overseeing financial performance throughout the year

Governance Forum	Purpose	Composition	Cadence
Future Sheffield Board	Oversees council-wide transformation and strategic alignment with the Medium-Term Financial Strategy (MTFS); allocates transformation funding and monitors impact.	Senior leadership including Exec Directors; chaired by the Chief Executive	Monthly workshops and strategic sessions
Performance & Delivery Board	Monitors performance and financial delivery across services; escalates issues and tracks corrective actions.	Cross-directorate leadership including Finance, Strategy, and Service Directors; chaired by the Chief Operating Officer.	Fortnightly
Budget Improvement Group (BIG)	Supports and challenges delivery of Budget Implementation Plans (BIPs); reviews transformation funding bids; ensures recovery plans for in-year overspends.	Senior officers from Finance, Transformation, and Services; chaired by the Director of Finance and Commercial Services.	Monthly and ad hoc as needed
Quarterly Budget Recovery Groups	Service-specific forums to develop and monitor recovery plans for overspending areas; focus on mitigations, demand control, and income generation.	Service leads, Finance Business Partners, and Transformation reps.	As required, aligned to service pressures
Strategic Leadership Board (SLB)	Provides strategic oversight and decision-making on corporate priorities, including financial strategy and budget delivery.	Chief Executive, Executive/Strategic Directors, Statutory Officers, and other senior officers as required.	Weekly, Financial Governance Monthly
Directorate Leadership Teams (DLTs)	Focus on directorate-specific budget and performance issues; feed into SLT and corporate governance.	Assistant Directors and senior managers within directorates.	Weekly, Financial Governance Monthly
Service Leadership Teams (SLTs)	Service-level leadership teams that oversee operational delivery, budget performance, and internal governance.	Assistant Directors, Heads of Service and Service Managers	Weekly, Financial Governance Monthly

These arrangements support both in-year financial control and longer-term financial planning.

Medium-Term Financial Position

2.13 The Council has set a balanced budget for 2026/27, supported by improved funding certainty following the Local Government Finance Settlement. Additional funding has allowed known pressures from 2025/26 to be recognised within the budget, providing a more realistic starting position for the year ahead.

2.14 However, this improved short-term position does not remove longer-term financial risk. In particular, there remains uncertainty around future funding levels and ongoing demand pressures, meaning that the Council will need to

continue to manage its finances carefully and avoid reliance on reserves to support recurring expenditure.

2.15 The Council continues to manage pressures within the Dedicated Schools Grant (DSG), particularly in relation to high needs expenditure. While these pressures sit outside the General Fund position reported above, they remain a significant financial risk and are subject to separate statutory accounting arrangements and recovery planning. The Council continues to work with partners and government to manage this position over the medium term.

Future Sheffield and Transformation

2.16 The Future Sheffield programme remains the Council's primary vehicle for addressing long-term financial sustainability. The programme is focused on reducing demand, improving productivity and delivering structural change across key services.

2.17 During 2025/26, work has continued to develop the programme and align it more closely with financial planning. While early benefits are beginning to emerge, the majority of financial impact is expected in future years. Delivery of the programme therefore remains critical to achieving a sustainable financial position over the medium term.

Reserves and Financial Resilience

2.18 The Council has made significant use of reserves in recent years to manage financial pressures, resulting in a reduction in available balances. Remaining reserves are therefore an important part of the Council's financial resilience and must be protected to manage risk and respond to unexpected events.

2.19 The 2025/26 overspend of **£11.1m will be funded from reserves**, reflecting the continued use of reserves to manage in-year pressures. This is not a sustainable approach. The 2026/27 budget has been set without reliance on further reserve use for ongoing expenditure. This strengthens the Council's financial position in the short term, but careful management of reserves will continue to be essential as part of overall financial strategy.

Overall Medium-Term Assessment

2.20 The 2025/26 outturn reflects a more stable financial position than anticipated earlier in the year, supported by strong in-year management and a range of corporate actions.

2.21 However, the underlying picture remains unchanged:

- demand-led pressures in social care, SEND and housing remain significant;
- delivery of savings and transformation continues to carry risk; and
- future financial sustainability will depend on reducing these pressures rather than relying on one-off measures.

2.22 The Council therefore enters 2026/27 in a stronger but still fragile position, requiring continued financial discipline, clear accountability and delivery of transformation to ensure long-term sustainability.

3. How does this decision contribute to the Council Plan?

3.1 Council Plan outcome

The Council must, by law set 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 will 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.

The Council Plan sits directly alongside our four-year Medium Term Financial Strategy, and we will bring closer alignment between our outcomes and priorities in the Council Plan and what we spend in our budget. Sheffield's prudent approach to fiscal management means we have a stable footing from which to deliver the required changes to support delivery of the Plan.

3.2 People – Prosperity - Planet

At the heart of everything in the Plan is a determination to challenge ourselves as an organisation to make a positive contribution to Sheffield's people, the city's prosperity and the planet we share. Effective budget management is essential to ensure the financial sustainability needed to deliver the outcomes of our strategic plan, enabling us to make lasting, impactful contributions to Sheffield's people, the city's prosperity, and our shared planet

3.3 City Goals

Effective budget management is crucial in supporting our city goals, ensuring that we allocate resources wisely and maintain financial sustainability, so we can collectively achieve the shared vision for Sheffield's future.

4 What community or partner engagement has been undertaken and how has it informed the proposal?

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.

5 What alternative options did we consider?

The Council is required to both set a balanced budget and to ensure that in-year income and expenditure are balanced. No other alternatives were considered.

6 How has equality, diversity and inclusion been actively considered?

We have considered the equality implications in line with our Public Sector Equality Duty. 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.

7 Financial and Commercial Implications

The primary purpose of this report is to provide Members with information on the City Council's revenue budget monitoring position for 2025/26.

8 Legal Implications

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.

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.

By 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 consider 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.

9 Climate and Environmental Implications

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.

10 Other implications

No direct implications.

11 Reasons for decision

To record formally changes to the Revenue Budget.