



**Cabinet meeting on 19 July 2017**

**First Quarter Budget Monitoring Report  
2017/18**



**Quote from Philip Atkins, Leader of the Council and Ian Parry, Deputy Leader and Cabinet Member for Finance and Corporate Matters**

Philip Atkins, Leader of the Council, said:

“The county council continues to focus on growing the economy and investing in what is important for Staffordshire families, including improving roads, creating schools and ensuring people have the skills to share in this prosperity.

“In this first quarter we have also confirmed an extra £5 million will be spent tackling the historic backlog of lower category potholes in the county.”

Ian Parry, Deputy Leader and Cabinet Member for Finance and Corporate Matters, said:

“Funding adult social care for an increasing ageing population continues to be a huge challenge and this year we will be spending a record £300m on the care of the elderly, supporting people with learning disabilities and looking after children in our care.

“Robust financial management is absolutely key if we are able to protect services and balance the books. By taking proactive steps to address financial pressures we are managing the potential overspend, which at £8.6m equates to 1.7 per cent of overall budget.”

**Report Summary:** This report outlines the financial position of the county council including delivery of the Medium Term Financial Strategy.

**Recommendation(s)**

I recommend that:

- a. Cabinet Members note the first quarter finance position and advise of any further information or action required.
- b. Cabinet Members agree to allocate £0.504m from the contingency budget to support the costs of the Apprenticeship Levy in 2017/18.
- c. Cabinet Members approve the additional investment of £5m for repairing potholes, to be funded from borrowing. The revenue implications of this approval to be included in the 2018/19 MTFS process.
- d. Cabinet Members note the progress made in the Capital Receipts Programme and the revision to the County Farms Strategy.

<p style="text-align: center;"><b>Local Members Interest</b> NA</p>
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**Cabinet – 19 July 2017**

**First Quarter Budget Monitoring Report 2017/18**

**Recommendations of the Leader of the Council and Deputy Leader and Cabinet Member for Finance and Corporate Matters**

- a. Cabinet Members note the first quarter finance position and advise of any further information or action required.
  
- b. Cabinet Members agree to allocate £0.504m from the corporate contingency to support the costs of the Apprenticeship Levy in 2017/18.
  
- c. Cabinet Members approve the additional investment of £5m for repairing potholes, to be funded from borrowing. The revenue implications of this approval to be included in the 2018/19 MTFS process.
  
- d. Cabinet Members note the progress made in the Capital Receipts Programme and the revision to the County Farms Strategy.

**Report of the Director of Finance and Resources**

**Reasons for Recommendations:** To inform Cabinet of the first quarter 2017/18 finance position and to invite their comments thereon.

**Report Commissioner:** Andrew Burns

**Job Title:** Director of Finance and Resources

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# Latest Financial Summary

**The following graphs summarise the financial performance of the council. Full details are contained in this report.**

The graphs and charts are compiled using quarter 1 forecast information.

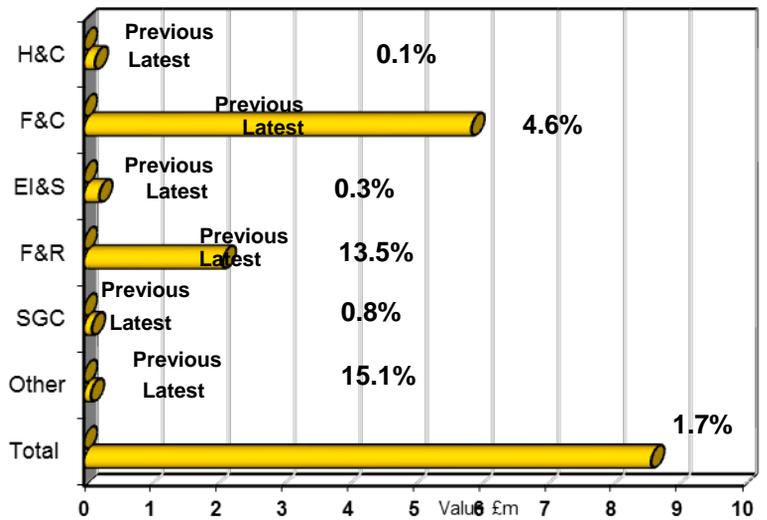
The latest revenue forecast outturn shows an overspend of £8.6m (1.7%), compared to the balanced MTFS position. The pressures relate to the new Children's System (£3.7m) as a result of timescales agreed with Cabinet for implementation, SEN Home to School transport (£1.0m), Entrust Contract negotiations (£0.8m) and HR Terms and Conditions (£1.6m). Full details are contained within the report.

Progress on Innovation and Efficiency options is monitored monthly. Savings are categorised into confidence of delivery. The latest position shows that the savings are currently at target, however there are significant savings that have low confidence of delivery, which include improvements to hospital discharges process, assistive technology and equipment savings, and Mental Health Income streams.

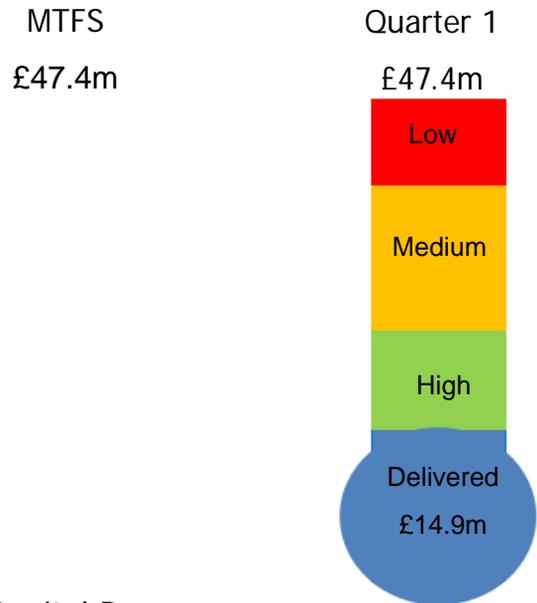
The latest capital outturn projection is £150.2m, compared to the MTFS position of £117.6m, an increase of 27.7%. This projection is a fully funded position. There has been significant reprofiling of schemes, including basic needs programmes, Shugborough, Newcastle Hub and emergency pothole works. The shift in capital expenditure is shown on the Capital Programme Bar Chart.

Within the national context, the retail price index is currently 3.7%, and the latest consumer price index is 2.9%. GDP is estimated to have increased by 0.2% in the fourth quarter of 2016/17. Current unemployment figures show Staffordshire benefit claimant rate is below that of the West Midlands and Great Britain.

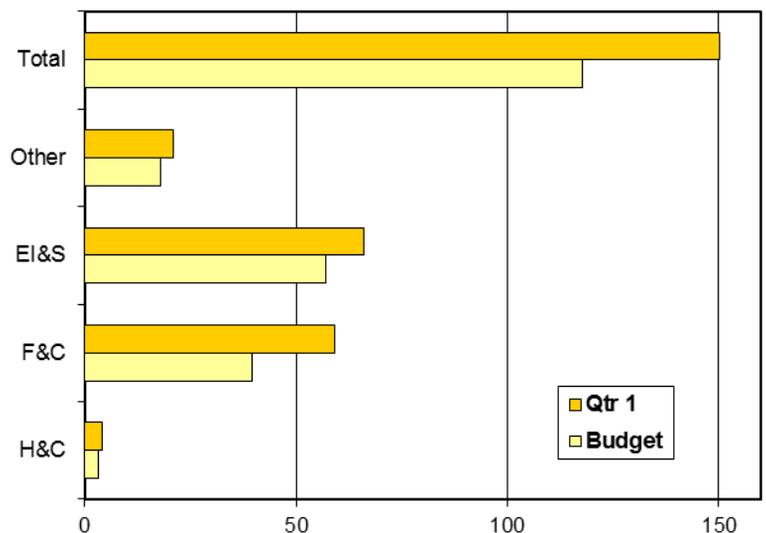
## Revenue Budget Variance



## Savings Tracker – Target £47.4m



## Capital Programme



## Introduction

The County Council is continuing to invest in schools, roads and jobs. The capital programme shows this investment in increasing the number of schools places across the county; expanding and improving major transport links such as the A50 plus the additional investment for repairing potholes. The main financial pressure comes from social care as costs and demand are increasing in these services. Further detail is provided below.

## Revenue Forecast

The latest revenue forecast outturn (as provided in appendix 2) shows a potential overspend of £8.599m (1.7%). If the request for the use of Contingency is approved, the potential overspend will reduce to £8.095m (1.6%). This would leave a Contingency budget of £4m which would reduce the overspend to £4.099m if it remains unspent.

The following paragraphs consider the key financial issues in each of the council's portfolios.

### Health and Care

**Forecast overspend £0.165m (0.1%)**

#### *Improved Better Care Fund Additional Grant to Support Adult Social Care*

The Chancellor's Spring Budget on 8th March 2017 included an announcement of additional allocation of grant funding to local authorities for adult social care.

The grant allocations for SCC were published on 9th March and are as follows:

2017/18	£15.559m
2018/19	£10.080m
2019/20	£5.003m

As part of the BCF Plan the Council has developed and approved proposals for expenditure against this grant which includes investment in transformation, meeting cost pressures in adult social care and covering financial risks.

The allocation of the 2017/18 approved expenditure (which may be subject to minor amendments with Clinical Commissioning Groups) across Health and Care per the Cabinet report of 21<sup>st</sup> June 2017 titled "Better Care Fund and Adult Social Care Grant" is as follows:

	2017/18
Public Health and Prevention	£0.500m
Adult Social Care & Safeguarding	£0.360m
Care Commissioning	£14.699m
Total Grant	£15.559m

*Adults' Public Health*

*Forecast overspend £0.188m (2.8%)*

There is a forecast overspend of £0.175m which is a result of a pressure in the North Staffs sexual health contract arising from unexpected charges in out of County activity.

There are various small variances totalling a small overspend of £45,000 on Adult Social Care and Safeguarding and a small underspend of £68,000 on Care Commissioning .

**Families and Communities**

**Forecast overspend £5.874m (4.6%)**

*Children's Services*

*Forecast overspend £4.804m (5.1%)*

As a result of timescales agreed with cabinet for implementation of the Children's system it is not expected that delivery of the £3.693m demand reduction MTFS savings for 2017/18 attributed to this will be met this year. However, workforce related MTFS savings aligned to the Children's system are expected to be delivered and all options to achieve some savings are being pursued. At this stage there is optimism that that the loss of savings in this year could be offset by increased savings towards the latter part of the 5 year MTFS period and work is ongoing to assess this potential.

The SEN Home to School transport budget overspent by £0.623m in 2016/17. Whilst the SEND Transformation is expected to deliver whole system change including transport, this is unlikely to realise savings until 2018/19 at the earliest and therefore the full year effect of the 2016/17 position will be seen in 2017/18 resulting in a forecast overspend of £1.022m. In the meantime opportunities are being explored for in year savings across Families & Communities to mitigate this forecast overspend.

There are other small variances which total £89,000.

*Education Services*

*Forecast overspend £0.810 (4.4%)*

Whilst negotiations with Entrust are progressing to reduce costs around the Service Delivery Agreement it is anticipated that the full year effect of this reduction will not be achieved in 2017/18 and therefore the forecast shows an overspend of £0.800m.

Premature Retirement Costs are reducing leading to a forecast saving of £0.100m. Behaviour Support is forecast to overspend by £0.110m due to academy conversions.

*Culture and Communities*

*Forecast overspend £12,000 (0.2%)*

The Arts & Museums Service is currently forecasting an overspend of £82,000 primarily due to the ongoing delay in vacating the Shire Hall Gallery (£60,000) and the potential non-achievement of an MTFs saving (£22,000) from the delayed implementation of the redesigned Arts Service whilst discussions with Trade Unions are ongoing.

A saving of £70,000 is expected to be achieved against the residual Shugborough budget following the transfer of the Estate to The National Trust in 2016/17.

*Community Safety*

*Forecast overspend £0.248m (3.6%)*

There is a forecast overspend of £0.2m due to delays in restructuring the Community Protection service. This is due to the trading standards redesign work being behind schedule and ongoing negotiations with Trade Unions so full savings will be delivered later than planned.

A forecast overspend of £48,000 relates to the Coroners Service, due to North Staffordshire Coroners re-charges for actual costs for 2016/17 being higher than forecast. Stoke-on-Trent City Council is responsible for the North Staffs Coroners budget but the County Council is required to pay a proportion to reflect costs incurred in respect of Newcastle and Moorlands areas.

**Economy, Infrastructure and Skills****Forecast overspend £0.231 (0.3%)***Infrastructure and Highways**Forecast overspend £0.231m (0.9%)*

The forecast outturn position is an overspend of £0.231m. This reflects a continuing overspend on Winter Maintenance of £0.575m and Highways Development Control of £0.159m. These overspends have been largely offset by savings within Street Lighting of £0.421m, where the impact of lower than expected energy prices continues for the first 6 months of this year.

*Transport, Connectivity and Waste**Forecast – breakeven*

The Waste & Sustainability budget is forecast to overspend by £0.578m. There is a forecast overspend of £0.945m on the Four Ashes (W2R) contract. This is partially offset by forecast savings against the Waste & Sustainability Business Unit through vacancy management controls of £52,000, additional landfill site rental income of £0.103m and the receipt of business rates rebates for 2014/15 and 2015/16 totalling £0.212m.

Work is continuing to remodel, evaluate and validate this pressure in order to quantify the scale and to enable them to plan appropriate mitigating actions to minimise its potential impact. A further update on the development of this will be reported to Cabinet at quarter 2.

There is a forecast early achievement of a saving within the Concessionary Fares budget of £0.3m and the budget for the support of the publically subsidised network of £0.198m. Other small savings bring the overall service to a breakeven position.

**Finance and Resources****Forecast overspend £2.104m (13.5%)**

There is a forecast overspend of £1.6m which relates to the assumed non delivery of the MTFs saving relating to HR terms and conditions.

A further forecast overspend of £0.504m is in relation to the Apprenticeship Levy. It is requested that this sum is funded from the Contingency budget.

**Strategy Governance and Change****Forecast overspend £0.120m (0.8%)**

The forecast overspend is due to delays in delivering the MTFs savings relating to the Directorate's structure and levels of support in Districts, partially offset by savings from vacant posts.

**Trading Services****Forecast overspend £0.105m (15.1%)**

The overspend relates to Scientific Services. The Scientific Services Unit has faced a number of difficulties in achieving a break-even position in the last couple of financial years, and it continues to do so. Action has been taken to minimise the impact through a short term review that was completed last year. The longer-term review of this service is progressing. There is no funding available in trading services to fund this overspend and therefore it will form part of the overall County Council overspend at the end of the year.

**Capital Receipts Programme**

In October 2016, the County Council approved the Flexible Use of Capital Receipts Strategy, following a capitalisation direction issued by the Secretary of State. This allows for the following expenditure to be treated as capital;

'expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.'

The MTFs approved by council on 16 February 2017 assumed that the 2017/18 and 2018/19 budgets would involve the capitalisation of transformation expenditure totalling £15m in each year.

Progress on generating the additional capital receipts is progressing well, with over 70 sites identified for potential sales. Work is on-going in terms of producing business cases, meeting planning requirements, undertaking marketing and completing conveyancing. At this stage there is a medium confidence level attached to the generation of the required level of receipts in 2017/18 but much more work is required to be confident of generating further

receipts for 2018/19 as the processes involved takes a long time to complete. The programme also involves sales of land and buildings from the County Farms portfolio.

## **County Farms**

The County Council's policy on County Farms was established in 2008, following a major review of the County Farms service.

The county's farm estate is one of the biggest of its kind in the country and welcomes newcomers to the industry to benefit from professional support and management to step-up to a bigger farm, either within the authority's estate or in the wider industry.

However to ensure the estate works its hardest for all Staffordshire residents, we've looked to sell or merge surplus sites, or ones just too small for modern farming methods. Cabinet has previously agreed that all county council farms should be a minimum of 60 acres.

In addition, Cabinet also agreed that, where planning consent could be secured for development, farm land should be sold - up to a minimum of no more than about 100-200 acres in total over the medium to long term.

It is now proposed that this policy of disposal is supplemented by the sale of a small number of whole farms and some areas of bare land where these farms and land are vacant, do not have any long term development value and the disposals of these fit within the Estate policy.

In the current year, it is proposed to sell two farms where a unique set of circumstances apply that limit the potential for future viability. The two farms are vacant and small, covering just 111 acres in total.

The County Council is still committed to operating a viable farms service. This sale will represent about 1.52% of the total farm holding of 8,600 acres. Our farms service is still the eighth largest of 33 councils who own farms in England.

## **Capital Forecast**

Appendix 3 compares the latest capital forecast outturn of £150.2m, an increase from the budgeted position, which was £117.6m. The key reasons for this

increase of £32.6m are set out in the following paragraphs but these are mainly due to increased funding for highways from additional grant and new borrowing plus further investment in schools which is largely funded from developer contributions.

## **Health and Care**

**Forecast spend £4.093m**

The increase in forecast spend of £0.868m is mainly due to rephasing on Care Director Upgrade and Supported Living.

## **Families and Communities**

**Forecast spend £58.985m**

### *Basic Needs*

*Forecast Spend £39.026m*

There has been an increase in forecast spend of £16.321m since the budget was set in February. Most of this increase is a result of new projects which are funded from additional developer contributions. The increase includes £2.5m for Cannock Pye Green New School, £0.642m for De Ferrer's Academy Extension, £6.5m for Lichfield Netherstowe Expansion, and £0.395m for Newcastle 3 Baldwin's Gate. There has also been some rephasing of schemes into 2017/18 including £2.345m for Branston Road and £2.210m for other schemes. There have also been new schemes of £1.584m which are to be funded by Section 106 Contributions.

### *Maintenance and Replacement and Special Programmes*

*Forecast spend £10.539m*

The increase of £0.944m is due to rephasing of spend.

### *Rural*

*Forecast spend £0.225m*

The increase of £75,000 is due to rephasing of work to the Countryside estate.

### *Tourism and Culture*

*Forecast spend £9.026m*

The increase in forecast spend of £2.010m is due to rephasing of the Shugborough scheme plus an amendment to reporting lines for a project.

## **Economy, Infrastructure and Skills**

**Forecast spend £66.151m**

### *Economic Development*

*Forecast spend £26.834m*

There has been an increase in forecast spend of £1.826m compared to original budget. Forecast spend on the Superfast Broadband project is £3.608m, an increase of £2.121m since the MTFS. This is due to an increased investment as due to additional grant funding from BDUK of £0.5m and contract 2 has been re-modelled.

There is £13.952m forecast spend on the A50 Project A (Western junction), a reduction of £2.966m since the MTFS. This is a result of the rephasing of the project with work now being conducted in 2018/19. This scheme is being funded by Highways England.

### *Strategic Infrastructure*

*Forecast spend £38.511m*

There has been an increase in forecast spend of £7.294m compared to the original budget. The increase is made up of some additional grant, announced as part of the Spring Budget in March 2017 plus new borrowing. The County Council has made an investment of £5m available to fund an action plan to improve the condition of Staffordshire's roads. The £5m will be funded from borrowing and Cabinet is requested to approve this new borrowing. Repayment of the borrowing will not start until 2018/19 and the impact of these additional revenue costs will be included as part of the rolling MTFS process. Additional national funding of £3.711m has also been made available through the National Productivity Investment Fund and an increase in the Maintenance Incentive funding element of the LTP Block Allocation of £45,000. The impact of this additional funding is offset by the anticipated spend of £1.860m on Other Highway and Developer Funded Schemes having not yet materialised.

### *Sustainability*

*Forecast spend £0.806m*

The increase in forecast spend of £0.114m relates to rephasing on the Biomass Boiler project, Newcastle Household Waste project and the Data management system.

At present, the service is currently in the process of developing a Sustainability Strategy to replace the existing Climate Change Strategy with the intention of embedding a culture in the Authority alongside the implementation of energy

saving and energy generation opportunities. The new Sustainability Strategy is to investigate alternative renewable energy technologies, other than solar panels, that can bring similar rates of return and environmental benefits to the Authority.

## **Finance and Resources**

**Forecast Spend £4.668m**

There has been a reduction in forecast spend of £0.960m, of which there is a decrease in Contact Centre project and PSN Installation of £0.6m.

## **Property**

**Forecast Spend £15.237m**

There has been an increase in forecast spend of £3.976m, which is predominantly rephasing on the Newcastle Hub project of £2.827m and the Wedgewood block project of £0.589m.

## **Financial Health**

Appendix 4 provides a forecast outturn performance against the key Financial Health Indicators approved as part of the 2017/18 budget setting process.

In October 2016, members approved the return to previous payment terms of 30 days for suppliers and this is now reflected in the financial health indicators.

The estimated level of debt over 6 months old as at 30<sup>th</sup> June 2017 is £8.8m. This total includes five CCGs / Health Bodies (£3.7m), three other Local Authorities (£0.5m) and Persimmon Homes (£0.465m – this is currently with Legal Services).

The total of all debt currently owed to SCC by 9,460 customers is £51.1m

## **List of Appendices**

- Appendix 1 – Corporate Checklist
- Appendix 2 – Revenue Forecast Outturn 2017/18
- Appendix 3 – Capital Forecast Outturn 2017/18
- Appendix 4 – Financial Health Indicators 2017/18

## **Appendix 1 – Corporate Checklist**

### **Equalities implications:**

Through the delivery of county council business plans, service delivery is increasingly reflecting the diverse needs of our various communities.

### **Legal implications:**

There are no legal implications arising from this report.

### **Resource and Value for money implications:**

The resource and Value for money implications are set out in the report.

### **Risk implications:**

The risk implications concern the robustness of the forecast outturn which may change owing to pressures on services with a consequent effect on county council functions being able to keep within budgets and a potential call on balances.

### **Climate Change implications:**

Staffordshire's communities are places where people and organisations proactively tackle climate change, gaining financial benefit and reducing carbon emissions' is one of the county council's priority outcomes. Through the monitoring and management of this outcome; climate change and carbon emissions are being addressed in an active manner.

### **Health Impact Assessment and Community Impact Assessment screening:**

Not required for this report.

### **Report authors:**

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Revenue Forecast Outturn 2017/18

	Revised Budget Qtr 1 £m	Forecast Outturn £m	Variation £m
<u>Health and Care</u>			
Public Health & Prevention	(6.597)	(6.409)	0.188
Adult Social Care & Safeguarding	42.694	42.739	0.045
Care Commissioning	183.299	183.231	(0.068)
<b>Health and Care Total</b>	<b>219.396</b>	<b>219.561</b>	<b>0.165</b>
<u>Families and Communities</u>			
Children's Services	95.068	99.872	4.804
Children's Public Health	(2.951)	(2.951)	0.000
Children's Disability Services	0.000	0.000	0.000
Education Services	18.478	19.288	0.810
Culture and Communities	7.584	7.596	0.012
Rural	2.160	2.160	0.000
Community Safety	6.911	7.159	0.248
<b>Families and Communities Total</b>	<b>127.250</b>	<b>133.124</b>	<b>5.874</b>
<u>Economy, Infrastructure and Skills</u>			
Economic Development & Strategic Planning	1.360	1.360	0.000
Infrastructure & Highways	26.526	26.757	0.231
Transport, Connectivity & Waste	38.364	38.364	0.000
Skills	3.705	3.705	0.000
El&S Business Support	1.479	1.479	0.000
<b>Economy, Infrastructure and Skills Total</b>	<b>71.434</b>	<b>71.665</b>	<b>0.231</b>
<b>Finance and Resources Total</b>	<b>15.627</b>	<b>17.731</b>	<b>2.104</b>
<b>Strategy, Governance and Change Total</b>	<b>14.436</b>	<b>14.556</b>	<b>0.120</b>
<b>Traded Services</b>	<b>(0.692)</b>	<b>(0.587)</b>	<b>0.105</b>
<b>TOTAL PORTFOLIO BUDGETS</b>	<b>447.451</b>	<b>456.050</b>	<b>8.599</b>
<u>Centrally Controlled Items</u>			
Interest on Balances & Debt Charges	36.119	36.119	0.000
Pooled Buildings and Insurances	14.079	14.079	0.000
Trading Services Reserves	0.000	0.000	0.000
Contingency Position	4.500	4.500	0.000
<b>TOTAL FORECAST OVERSPEND</b>	<b>502.149</b>	<b>510.748</b>	<b>8.599</b>

**CAPITAL PROGRAMME 2017/18**

	<b>Budget</b>	<b>Enhancements to</b>	<b>1st Quarter</b>
	<b>£m</b>	<b>Programme</b>	<b>Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Health and Care</b>			
Adults Social Care	3.225	0.868	4.093
<b>Health and Care Total</b>	<b>3.225</b>	<b>0.868</b>	<b>4.093</b>
<b>Families and Communities</b>			
Basic Needs Work	22.705	16.321	39.026
Academy Conversion Residual	0.000	0.036	0.036
Maintenance and Replacement	0.018	2.842	2.860
Special Programmes	9.577	(1.898)	7.679
Rural County (Countryside)	0.150	0.075	0.225
Childrens Projects	0.133	0.000	0.133
Tourism and Culture	7.016	2.010	9.026
<b>Families and Communities Total</b>	<b>39.599</b>	<b>19.386</b>	<b>58.985</b>
<b>Economy, Infrastructure and Skills</b>			
Economic Development	25.008	1.826	26.834
Strategic Infrastructure	31.217	7.294	38.511
Sustainability	0.692	0.114	0.806
<b>Economy, Infrastructure and Skills Total</b>	<b>56.917</b>	<b>9.234</b>	<b>66.151</b>
Trading Services - County Fleet Care	0.780	0.048	0.828
Property	11.261	3.976	15.237
Corporate Leased Equipment	0.200	0.000	0.200
Finance and Resources	5.628	(0.960)	4.668
<b>Total</b>	<b>117.610</b>	<b>32.552</b>	<b>150.162</b>

## Financial Health Indicators 2017/18

Indicator	Current Performance	
<u>Debtors</u> Level of outstanding general debtors more than 6 months old does not exceed £2.25m (Current Performance – £8.8m)		
<u>Payments to suppliers</u> At least 90% of invoices have been paid within 30 days of us receiving them during the last quarter (Current Performance – NA)		
<u>Monitoring</u> Quarterly financial monitoring reports have been issued to Cabinet during the last 12 months  The council's most recent revenue outturn forecast did not vary by more than +/-2% when compared to the overall revenue budget  Monthly monitoring reports of progress against MTFS savings have been produced for the Senior Leadership Team during the last 12 months	    	
 Indicator not met	 Indicator not met by small margin	 Indicator met