

### Introduction

### Revenue Forecast

1. The latest revenue forecast outturn (as provided in appendix 4) shows a forecast overspend of £10.149m (1.9%). This is mostly due to the COVID-19 pandemic but also due to underlying cost pressures that were evident before the crisis hit.
2. Since the 2020/21 budget was set, Covid 19 has become a global pandemic requiring a combined response from public sector services and which is also having a severe impact on the economy. Central Government has issued two payments of general grant to local authorities, totalling £37.1m, in order to support the additional pressures of continuing to provide vital services during the pandemic while protecting both workforce and local residents.
3. The table below sets out the current forecast of additional costs relating to the pandemic, plus lost income and delayed savings caused by the crisis. This can be mostly funded by the government grant provided; however, this is not enough and a gap of £7.5m is likely to remain.

	£m
Additional Costs	32.189
Lost income	3.232
Delayed savings	9.253
Grant funding	(37.079)
Shortfall	7.595

*There was £0.680m of costs incurred in 2019/20 which has been funded in total from the grant.*

4. Taking this grant shortfall into account, plus some pressures resulting from normal service activity results in the current forecast overspend of £10.149m. In addition, there is a great deal of uncertainty regarding future funding levels which taken together mean that services must continue to follow the '£ in, £ out' principle and find mitigating savings wherever possible and aim to live within their allocated budgets for 2020/21.

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5. The following paragraphs consider the key financial issues in each of the council's portfolios.
6. **Health and Care** **Covid impact - £24.876m**  
**Normal service forecast - breakeven**
7. The forecast outturn for the directorate is breakeven. This position includes a number a high-risk savings and the directorate is using one-off funding streams as well as identifying alternative savings options where required.
8. The forecast costs relating to Covid 19 are £24.876m. The longer-term impact of the Covid 19 pandemic on service delivery models and service user choices is not yet clear and this will undoubtedly impact the current years position and the Medium-Term Financial Strategy in future.
9. *Adults Social Care & Safeguarding* *Covid impact - £45,000*  
*Normal service forecast - breakeven*
10. The forecast for the service is a breakeven position. Covid related costs are forecast to be £45,000.
11. There are currently a number of vacancies in the Adults Learning Disability Team (ALDT) which are expected to be filled in the coming months. It is assumed that agency staff will be required until then. However, it is expected that the £0.3m MTFS saving for the service will be delivered in full and that the service will not exceed its budget.
12. A new Section 75 agreement for Mental Health South has been agreed for the year and it is forecast that the service will breakeven. It is also forecast that the £0.1m MTFS saving for the Mental Health North team will be delivered in the first half of the year.
13. The future temporary operating of the in-house Respite and Specialist Day Opportunists services are currently being considered, and these changes may result in additional costs and it is expected that these will be funded from the Covid 19 grant funding.

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14. *Care Commissioning* *Covid impact - £24.876m*  
*Normal service forecast - breakeven*
15. The forecast for the service is breakeven. Covid related costs are forecast to be £24.831m.
16. Prior to the Covid 19 outbreak, demand for both residential and nursing home placements and stabilised, however the trend for the cost of new Older People Care Home placements to be higher than existing placements continued. The overall additional costs to the Council of price rises was, pre-Covid, expected to be £18.540m in 2020/21.
17. However, in the wake of the pandemic, a number of care homes have experienced reduced occupancy rates and incurred additional costs on staffing, personal protective equipment (PPE) and infection control. The Council has supported the provide market with a range of financial stability measures including a higher than planned fee uplift and one-off funding to meet additional staffing and PPE costs. These have been funded from the £3.2bn additional Emergency Covid 19 grant allocations to Local Authorities. Financial assumptions have been reviewed in light of the outbreak and based on revised early modelling; we are currently forecasting that we can fund in-year pressures utilising one-off funding streams. This assumes that any additional expenditure relating to the pandemic is met from the Covid 19 funding allocations.
18. There is now a risk that we will not achieve the levels of client and health income assumed in the MTFS due to changes in Continuing Health Care (CHC) financial procedures and the package of financial measures to support care providers as a result of Covid 19. However, the directorate is currently reviewing the MTFS in light of the pandemic and will look to identify mitigating actions where required. The achievement of income targets will be monitored closely throughout the year.
19. Given the uncertainty around future residential and nursing demand and costs due to the Covid 19 outbreak and the unpredictability of price rises in the market, there may be a further impact in 2020/21 and so this continues to an area of high risk.
20. Formal agreement of the 2020/21 Section 75 Better Care Fund agreement has been delayed while the Council and Clinical Commissioning Group (CCG) Staff

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have been leading the response on Covid 19. In the meantime, it has been agreed that funding will be transferred to the Council at 2019/20 levels. Any inflationary uplifts due will be reviewed and applied as required when colleagues are able to finalise the position.

21. The Council has been allocated £9.915m from the Adult Social Care Infection Control Fund that was recently announced. Of this, 75% is to be passported directly to care homes in the county who comply with the requirements set out in the national guidance. The balance of the funding can be used to support care homes or domiciliary care providers and to support workforce resilience, and plans are currently being developed as to how this funding will be allocated.
22. The Learning Disability placement service is forecast to breakeven. There is a high risk that the Community Offer and Reviews Programme MTFs savings will not be delivered in full due to the impact of staff resources being directed to respond to the Covid 19 pandemic. However, it is expected that continued increases in client and health income will offset this. There remains a risk that demographic growth and care price increases will cause an overspend but this will be monitored through the year.
23. The council will continue to work with the local CCG's to support the discharge of people with learning disabilities or autism from specialist hospitals to community-based settings under the Transforming Care Partnerships (TCP). Despite the recent announcement of the government's intention to provide some additional grant funding to support future discharges there remains a risk of an overspend in 2020/21.
24. The Mental Health service is forecast to breakeven. There is a risk that the £0.250 MTFs saving will not be delivered due to staff resources being diverted to respond to the Covid 19 pandemic.
25. The planned recommissioning of the Carers service has been delayed due to Covid 19. The new service is unlikely to begin now until 2021/22. The financial implications are being considered but it is not expected to impact this financial year.

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**26. Families & Communities** **Covid impact - £8.455m**  
**Normal service forecast - £2.008m overspend**

27. The forecast at quarter 1 is an overspend of £10.463m. Around £8.5m of this relates to the financial impact of the Covid 19 pandemic including delayed savings and lost income. The forecast overspend also reflects overspending on Education Services, particularly regarding SEND transport expenditure.

**28. Children's Services** *Covid impact - £6.590m*  
*Normal service forecast - breakeven*

29. The budget for 2020/21 included additional investment of £2.570m for the continuation and progression of planned transformation works as outlined in the business case which was previously approved. This is expected to be fully spent in year, and prior to the Covid 19 pandemic, appeared to be having positive outcomes and was forecast to deliver in full the target savings of £4.7m. However, it is now forecast that these savings will be delayed.

30. Due to the Covid 19 pandemic, there are non-delivery of savings of £4.7m as the service has not been able to process the necessary transformation programmes as intended, most significantly impacting on the number and cost of Looked after Children.

31. There have been additional, exception costs of £1.7m to, for example, support providers that have seen reduced demand for services, additions support for our foster carers and additional care package costs to ensure that the most vulnerable are protected and that in the longer term business continuity and market sustainability is assured.

**32. Education Services** *Covid impact - £0.944m*  
*Normal service forecast - £2.008m overspend*

33. The forecast is an overspend of £2.578m. There is continued pressure from SEND Transport, which is forecast to overspend by £1.763m as a result of increasing transport costs and demand due to a move towards single occupancy taxis in an attempt to manage disruptive behaviours.

34. There is also an overspend of £0.815m for additional investment in SEND stabilisation works, as approved by Cabinet earlier this year.

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35. While this service faces further pressures of £0.5m due the non-delivery of historical savings, it is forecast that this can be mitigated in year. However, this will remain a pressure and will need to be addressed as part of the wider transformation programme.
36. *SEND High Needs Block*
37. The High Needs Block funded from Dedicated Schools Grant (DSG) has for several years been overspent leading to the almost complete depletion of DSG reserves.
38. SCC alongside other authorities have been lobbying for additional resources and it is a positive sign that the government this year provided for a significant increase in funding of around 15%. In 2020/21 Staffordshire will receive approximately £9.5m extra compared to last year and, though this remains a high-risk area, is currently forecast to be within budget.
39. *Culture & Communities* *Covid impact - £0.321m*  
*Normal service forecast - £19,000 overspend*
40. There is a £0.245m forecast overspend due to an unsuccessful bid for Staffordshire History Centre Lottery Fund funding. Although a further bid has been submitted, it is forecast that this saving will be delivered in future years from a staffing restricting if unsuccessful. In year, vacancy savings will mitigate the shortfall, along with a contribution of £19,000 from the Exit and Transition Fund.
41. There is loss of income due to reduced trading activity – refreshments, room hire etc due to the Covid 19 pandemic.
42. *Community Safety* *Covid impact – nil*  
*Normal service forecast - £15,000 overspend*
43. There is a forecast overspend of £0.168m due to prior year transformation savings that forecast to be undelivered – these should be mitigated by vacancy savings and a small £15,000 contribution from the Exit and Transition Fund will bring the service to a breakeven position.

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**44. Economy, Infrastructure & Skills** **Covid impact - £7.234m**  
**Normal service forecast - £0.365m overspend**

45. The forecast overspend is £0.365m. On top of this, the forecast financial impact of Covid 19 for the directorate is £7.234m. This is a total forecast overspend of £7.599m.

46. *Business & Enterprise* *Covid impact - £0.340m*  
*Normal service forecast - £0.201m overspend*

47. The forecast overspend for the service is £16,000 which is due to the delay in the achievement of the £75,000 MTFS saving on St Albans Enterprise Centre along with other small pressures on staffing offset by savings forecast on Farms repairs and maintenance of £50,000 and other small savings.

48. There are £0.340m of forecast Covid 19 costs for the service, £0.310m is forecast loss of earnings in Enterprise Centres and £30,000 is the estimated loss of income from Newcastle Town car park.

49. *Infrastructure & Highways* *Covid impact - £0.9m*  
*Normal service forecast - £0.349m overspend*

50. The forecast overspend for the service is £0.349m, which includes a small overspend on Lighting and Signals which is a non-achievement of the advertising income MTFS saving of £50,000 and a forecast overspend of £0.3m in the Developments and Improvements service due to having to buy-in resource.

51. The forecast financial impact of Covid 19 is forecast to be £0.9m, which is largely a loss of income for street parking and bus enforcement in the Regulation and Governance areas of £0.8m and increased costs of £0.1m on Safe Operating Procedures.

52. *Transport, Connectivity & Waste* *Covid impact - £3.615m*  
*Normal service forecast - breakeven*

53. The Transport and Connectivity service is forecast to breakeven – this includes an allowance for a number of potential pressures which need to be fully explored including a further challenge to concessionary reimbursement

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following our successful defence to a claim made last financial year. It is expected more detail will be available later in the financial year.

54. A general provision of £3m for potential additional Transport costs as a result of Covid-19 has been included.
55. Additional Covid 19 costs for providing additional home to school transport to date are £17,200 and there are likely to be more costs over half term, forecast to be under £10,000. It is hoped that the transport costs for the remainder of the summer term can be contained within the available budget.
56. It should be noted that there is a high risk of a significant additional Covid 19 home to school transport spend from September which is not budgeted for.
57. SCC are continuing to pay Concessionary Fare operators, and Home to School operators until the end of the summer term, even when these services are not running at capacity.
58. Within the Waste budget – Covid 19 brings potential for increased costs for recycling credits for green and dry mixed recycling material streams due to a) hospitality being closed and b) HWRC's being closed. In addition, there will be a loss of income from non-household waste and trade waste at HWRC's for the first few months of the financial year. The recent closure lead to a loss of income of £90,000. This with the limited re-opening has led to an initial forecast overspend of £0.5m, which will be reviewed when the full extended of the closure and re-opening costs are understood.
59. *EI&S Business Support* *Covid impact - £0.890m*  
*Normal service forecast - breakeven*
60. There are forecast £0.890m Covid 19 related costs, which includes £0.5m for the Emergency Small Business Grants Scheme, £0.360m for the Start-Up Businesses Scheme (over 3 years) and £30,000 for potential overtime claims relating to Covid 19 work.



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### 61. Corporate Services

**Covid impact - £2.753m**

**Normal service forecast - breakeven**

62. The service is forecast to breakeven, excluding any Covid 19 costs. There are forecast overspends in HR which are the non-delivery of MTFS savings, which is largely offset by a saving in ICT along with small savings in the strategy areas. There are also £0.5m of restructure costs that will be funded by the Exit and Transition fund.

63. The Covid 19 related costs total £2.753m and include forecast loss of income in Registrars, increased ICT costs to enable working from home and a forecast loss of income in the annual leave purchase scheme. There are also costs for the temporary mortuary facilities at the County Showground of £1.5m and for food and B&B accommodation for rough sleepers of £0.115m.

### 64. Centrally Controlled

65. There is a forecast overspend of £0.687m for the delay in the rental of Staffordshire Place 2.

66. There is also £0.850m of Covid 19 related pressures which includes £0.264m of cleaning materials, £0.170m forecast loss of income and the non-delivery of the 2020/21 MTFS property rationalisation saving.

### 67. Capital Forecast

68. Appendix 5 compares the latest capital forecast outturn of £149.0m, an increase from the budgeted position of £137.2m. The key reasons for this increase of £11.8m are set out in the following paragraphs.

### 69. Health and Care

**Forecast spend £4.816m**

70. There has been a reduction of £2.969m since the budget set in February. This is due to significant uncertainty and rephasing of works on 3 major projects into 2021/22 due to the Covid 19 pandemic – Hillfield House Refurbishment of £0.548m and Histon Hill and Rowley Hall Nursing Home new builds of £1.765m and £1.147m respectively. The council is going to review its position on these schemes due to the impact of the current pandemic and further updates will be presented to cabinet in due course.

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71. These reductions have been offset by the rephasing of the Scotch Orchard sale of £0.280m and the Care Director upgrade rephase and repurpose of £0.232m into 2020/21.

**72. Families and Communities** **Forecast spend £34.250m**

73. *Maintained Schools* *Forecast Spend £33.751m*

74. There has been an increase in forecast spend of £11.948m since the budgeted position.

75. There have been a number of budget refinements and slippage into 2020/21 on schemes including – Rawlet Academy £1.593m, New Primary at Branston Locks £0.335m, Bishops Lonsdale Primary Academy £0.365m, Baldwins Grate CE Primary £0.439m, Scienta Reach2 £0.340m, Branston Road £0.778m, King Edwards VI Lichfield £0.519m, Western Road Academy £0.378m, Basic Needs unallocated budget £1.870m and other smaller amounts across a significant number of smaller projected total £2.2m.

76. There has also been rephasing of forecast spends into 2020/21 for New Starts School Conditional Allocation of £0.720m and Unallocated SEND provision of £0.8m. There is also slippage on Schools Conditional Allocation from 2019/20 into 2020/21 of £0.854m. There is £0.750m additional forecast is the result of smaller instances of slippages and budget refinements across a number of smaller projects.

**77. Economy, Infrastructure and Skills** **Forecast spend £96.369m**

78. *Economic Planning & Future Prosperity* *Forecast spend £15.250m*

79. There has been a reduction of £5.837m since the budgeted position. This is due to rephasing of final A50 payments of £2.523m and i54 Western Extension of £4.349m.

80. These reductions have been slightly offset by the addition of a new project – Eastgate Regeneration of £0.310m, and other rephasing of projects.

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81. It should be noted that the Superfast Broadband scheme has now moved from Economic Development to the Connectivity area.
82. *Highways Schemes* *Forecast spend £78.561m*
83. There has been an increase of £9.784m since the budgeted position, which largely reflects a £8.846m increase in Maintenance and Integrated Transport Schemes. This is due to the introduction of Challenge Fund money of £2.350m, Pothole Action Fund of £11.1m, and other third-party contributions of £2.3m.
84. This additional budget has been offset by refinements on budgets for Developer contributions, a reduction of £7.1m as well as refinements across a number of smaller projects.
85. Major schemes have increased by £0.528m since the budget – this forecast includes the agreed movement of £0.5m from Stafford Western Access Route (SWAR) to the Lichfield Southern Bypass scheme for their shared contingency and risk allocation. This has no effect on the overall major schemes budget.
86. SWAR has increased costs of £1.4m which is largely due to the potential additional costs of Covid 19. Despite the unprecedented circumstances around the pandemic, construction work has managed to continue on site, with the project team working hard to keep disruption to a minimum whilst maintaining safe working conditions. Lichfield Southern Bypass forecast costs have also increased by £0.9m which includes £0.450m for risk around the remaining piling and risk possessions.
87. Staffordshire County Council has submitted a bid for Emergency Active Travel Funding from the Department for Transport. The first tranche of monies is expected to be £0.366m with the second approximately £1.4m. If the bid is successful, further information on this will be contained in the quarter 2 report.
88. *Waste & Sustainability Projects* *Forecast spend £2.588m*
89. The forecast has reduced by £1.282m from the budget largely due to the rephasing of Newcastle HWRC to 2021/22 of £0.890m and the decision to rephase the sustainability schemes into next year while the Sustainability Options Plan is being developed.

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### 90. Finance and Resources & ICT Forecast spend £2.405m

91. There has been an increase in forecast spend of £0.460m since the budgeted position, this is due to the refining of UCS Blades and Physical Service project budget of £0.215m and the introduction of a new project, PSN Core Switch Replacement with an estimate of £0.245m.

### 92. Property Forecast spend £9.875m

93. There has been a reduction in forecast spend of £0.476m since the budgeted position. There has been an amendment to the budget for Greenwood House to correctly reflect the VAT position, reducing the forecast by £1.306m. This has been offset by the rephrasing of several budgets including District Rationalisation of £0.429m, Pre-sale Planning and Improvement works of £0.128m, and the addition of a new project, Oakdene Demolition of £0.123m.

### 94. Financial Health

95. Appendix 6 provides a forecast outturn performance against the key Financial Health Indicators approved as part of the 2020/21 budget setting process.
96. There have been 97.6% of invoices were paid within 30 days of receiving them at the end of quarter 1, exceeding the financial health indicator target. This reflects early payments to suppliers to help them with cashflow during the pandemic.
97. The estimated level of outstanding sundry debt over 6 months old is £15.966m, this is over the target of £14.7m by £1.266m. This is an increase of £0.158m since 31<sup>st</sup> March 2020. The debt recovery process involves chasing by a range of methods with the eventual escalation to the external collection agent or to Legal for the possibility of a court decision to recover the debt.
98. Client debt now stands at £8.913m and could potentially increase as a consequence of the pandemic. A working group has been established to look at why clients are not paying debts and to implement ways to avoid clients getting into debt in the first instance.

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<b>Debtor Type</b>	<b>31/03/2020 £m</b>	<b>30/06/2020 £m</b>	<b>Increase / (Decrease) £m</b>
Health Bodies & CCGs	1.634	1.409	<b>(0.225)</b>
Other Govt. and Public Bodies	1.917	2.063	<b>0.146</b>
Other General Debtors (Individuals & Commercial)	3.755	3.581	<b>(0.174)</b>
Health & Care Client Debt	8.502	8.913	<b>0.411</b>
<b>TOTAL</b>	<b>15.808</b>	<b>15.966</b>	<b>0.158</b>