

Appendix 3 – Quarter 4 Finance Report

Introduction

Revenue Forecast

1. The latest revenue forecast outturn (as provided in appendix 5) shows a forecast saving of £4.417m (0.8%). There are a number of potential carry forward requests to be made in the Final Outturn report, if all these requests are approved this will reduce the saving to £2.503m (0.4%). This is compared to the previous forecast of a saving of £3.963m (0.7%) at quarter 3.
2. Since 2020/21, Covid 19 has been a global pandemic requiring a combined response from public sector services, which is also having a severe impact on the economy. In 2021/22 Central Government has issued general grant to local authorities, totalling £16.2m, 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.

	£m
Additional Costs	2.988
Lost income	2.121
Delayed savings	9.046
Grant funding	(16.204)
Remaining Grant / (Shortfall)	(2.049)

All grants received by Staffordshire County Council in 2021/22 for Covid 19 related activities are listed below. The General Covid Grant can fund activity in all service areas, the remaining grants are specific and go directly to services. All grants allocated for Covid-related activities will be utilised in full, over the medium term, in order to fund the additional expenditure caused by the pandemic.

	£m
General Covid Grant Funding	16.204
Adult Social Care Lateral Flow Testing	7.896
Adult Social Care Infection Control	9.163
Clinically Extremely Vulnerable	1.477
Local Support Grant	2.613

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Practical Support Framework	1.298
Covid Winter Grant	2.039
Community Testing Grant	0.455
Workforce Recruitment & Retention	6.825
Vaccine Funding	0.359
ASC Omicron Support Fund	0.885
Contain Outbreak Management	4.182
Total	53.397

4. The following paragraphs consider the key financial issues in each of the council's portfolios.
5. **Health and Care** **Covid impact - £3.644m**
Normal service forecast – £1.176m saving
6. *Adults Social Care & Safeguarding* *Covid impact - £0.141m*
Normal service forecast – £0.746m saving
7. Overall, the service is forecast to save £0.846m. Covid related costs are forecast to be £0.141m.
8. There has been a significant number of vacancies in the Adults Learning Disability Team (ALDT) this year which have proven difficult to fill. This has led to a forecast saving of £0.679m. However, a review of the ratio of qualified to unqualified staff is being carried out which is expected to lead to higher costs in future. A Section 75 agreement covering both Mental Health North and South is in place and there is a small forecast overspend of £16,000 due to the inflationary increases being slightly higher than budgeted. The £0.154m MTFS saving for Mental Health North has been delivered in full.
9. Cabinet is requested to approve a carry forward of £31,000 for recruitment of Occupational Therapy resource to tackle the backlog of referrals for Occupational Therapy on the waiting list. Delays in recruitment mean that the team have been unable to recruit the level of resource required in 2021/22.
10. There is a forecast saving of £0.676m in the Learning Disability In-house Residential services due to staff vacancies in advance of a planned restructure.

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There is also a forecast saving of £0.210m for the Specialised Day Opportunity service due to some transport savings and some additional cross boundary income. A review of these services is taking place which may lead to changes to the way they operate and will have a financial impact in the future.

11. There is an overspend of £1.074m for care systems due to repaying all future years prudential borrowing. Other variances amount to a forecast saving of £0.405m.

12. *Care Commissioning* *Covid impact - £3.503m*
Normal service forecast – £0.330m saving

13. Overall the service is forecast to save £0.330m, and covid related costs are forecast to be £3.503m.
14. The Mental Health budget was increased this year in recognition of the growth in placements costs in 2020/21. It is now forecast to overspend by £0.417m which is an increase from the £84,000 forecast at quarter 3. The placement budget is now forecast to overspend by £0.468m, an increase from the £0.135m forecast at quarter 3 due to an increase in the number of nursing care placements. There is a forecast saving of £51,000 for the Mental Health contracts which is unchanged from the quarter 3 position.

15. The Learning Disability placement budget is now forecast to save £6.769m, an increase from the £5.667m reported at quarter 3. This movement is due to a reduction in the forecast for supported living of £0.663m since we have not experienced the growth in placements expected in the second half of the year and a reduction in the replacement residential care (respite care) forecast of £0.177m due to lower take up due to the pandemic. In addition, the council has saved £1.530m due to the NHS agreeing to meet the full cost of people with learning disabilities or autism discharged from specialist hospitals to community-based settings under the Transforming Care Partnership (TCP) during 2020/21. Partially offsetting these savings has been an increase in the forecast cost of residential care of £0.929m and a further increase in the cost of direct payments of £0.148m compared to quarter 3. Although there has been a slight reduction in the amount of health income, we are still seeing benefits of increases in income negotiated in recent years and will collect significantly more income than assumed in the budget.

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16. MTFs savings expected from the Community Offer Programme have taken longer than originally planned due to the impact of the pandemic. This means that some of the planned redundancy costs are likely to slip into the 2022/23 financial year which creates a forecast saving of £1.250m against the Health and Care redundancy budget in year. Cabinet have agreed to allocate £2m of the placement savings towards the costs of planned investment in the In-House services to minimise future borrowing costs for the council.
17. As part of the Transforming Care Partnership (TCP), the latest forecast is that the county council could incur costs this year of just of £2.6m. The council is close to agreeing a new cost allocation model with its health partners, resulting in a 50/50 cost share for people in this cohort.
18. The new Carers service went live in April 2021 following a delay caused by the pandemic. It is forecast that there will be a small saving of £17,000 this year. There is also a saving forecast on the Advocacy contract of £77,000 and the £0.150m contract MTFs saving has been delivered in full.
19. Following the resolution of a contract dispute on the Section 75 agreement with the Midlands Partnership NHS Foundation Trust (MPFT), there is now a small saving on the Reablement contract of £52,000. There is a small forecast overspend of £34,000 on the other contract elements of the Section 75 due to the inflationary increases being higher than budgeted.
20. There is a forecast saving of £98,000 for the Learning Disability and Mental Health Commissioning Team due to staff vacancies held during the year. Cabinet approval is sought to carry forward this saving into 2022/23 to fund some additional temporary commissioning capacity required to support the transformation programme across All Age Disabilities and Mental Health in 2022/23.
21. Prisoners related care activities are forecast to save £0.303m due to staffing savings and lower care costs.
22. The Older People's placements budget is now forecast to save £10.463m compared to the £9.493m saving that was reported at quarter 3.
23. Despite numbers increasing throughout the financial year there are still significantly fewer placements than budgeted. Additional placements have

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been assumed resulting in a revised forecast saving of £6.375m compared to the position of £6.761m reported at quarter 3. The additional £7m of additional funding provided to mitigate risks in year is not required given the reduced levels of activity resulting from the pandemic.

24. The reduced number of placements has resulted in income forecasts being lower than budgeted and the forecast increase in numbers over recent months hasn't materialised. This has increased the shortfall for independent residential and nursing placements overspend to £3.372m compared to a forecast of £2.897m at quarter 3.
25. The forecast saving on Older People's home care has increased to £1.521m compared to the position of £0.267m reported at quarter 3. This has arisen as the anticipated increase in commissioned hours in the later part of the financial year hasn't yet materialised.
26. The forecast saving on the Older People's Direct Payments budget has increased to £0.311m from the £0.232m forecast at quarter 3, reflecting the ongoing reduction of people in receipt of direct payments.
27. Covid 19 has meant that fewer people are using services than had been budgeted. This has results in a forecast saving of £0.537m on the Older Peoples Day Care budget.
28. The Older People's in-house residential placements budget is forecast to save £0.429m compared to £0.335m forecast at quarter 3, due to the number of service users being impacted by Covid 19.
29. The forecast saving for Older People's short stay respite has reduced to £46,000 compared to £0.246m reported at quarter 3.
30. Approval was sought from Cabinet in quarter 2 to increase the care risk reserve by £7m from the placement savings to mitigate against the risks facing the care provider market including increasing costs as a result of the pandemic and recruitment and retention issues. Additionally in quarter 2, approval was also sought from Cabinet to add £7m to the IT reserve to progress the directorates digital transformation journey.

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31. The Physical Disabilities Placements budgets forecast saving is £0.673m, compared to £1.120m at quarter 3. This is mainly due to an increase in the number of residential and nursing placements. The forecast saving on the home care budget has increased marginally from £0.415m at quarter 3 to £0.426m and there have also been slight increase on the forecast savings for direct payments from £42,000 to £72,000 and Supported Housing where the forecast saving is now £77,000, an increase from £53,000 at quarter 3. These savings are offset by forecast overspends totalling £0.239m which have reduced from £0.332m at quarter 3. Income forecast remain broadly in line with the budget.
32. Staffing savings of £0.435m are forecast across a number of areas including Care Commissioning, Quality Assurance, Brokerage and the Care Market Team as a result of vacancies or difficulties in recruitment as seen in many sectors.
33. Additional temporary capacity is required in 2022/23 to support initiatives including
 - Undertaking the national cost of care exercise,
 - co-commissioning and co-production across the health and social system
 - development of several strategies such as housing, disabilities and market shaping
34. Some of this work has been delayed because of the pandemic and other requirements as a result of upcoming adults' social care reform. Therefore, Cabinet approval is sought to carry forward £0.520m to meet these staffing requirements in addition to £0.235m to provide a workforce training fund to improve recruitment and retention in the provider market.
35. Other variances amount to a forecast saving of £1.506m.
36. The additional covid related costs of £3.644m consists of
 - £2.646m unachievable savings that have been reprofiled to future years
 - £0.549m additional staffing costs that have been incurred to support the ongoing response to Covid 19 and ensure continuity of services

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- Additional expenditure of £0.140m incurred to support the provider market such as providing a care home loan scheme
 - £0.310m other exceptional costs
37. The council has received confirmation that any unspent monies from the Contain Outbreak Management Fund (COMF) can be carried forward into the 2022/23 financial year. However, there are still further conversations ongoing around the future of COMF and updates will be shared as soon as they are available.
38. The latest forecast commitments against the COMF grant for future years have been reported at £6.2m, meaning that £12m is uncommitted in 2022/23. The ambiguity of the email from the UK Health Security Agency regarding future discussions means that there is a risk that they may look to claw back funding at some point.
39. In addition to the funding agreed and submitted in the 2021/22 Staffordshire Better Care Fund Plan, an additional £19.250m of non-recurrent funding has been identified that could be used to improve and sustain health and care services. An amendment has been made to the Staffordshire BCF Plan to include this additional funding and associated expenditure, as summarised in the table below:

Expenditure by service	£
Support to Care Homes	£0.259m
Home First	£6.006m
Section 117 placements	£1.400m
Home Care	£4.500m
Discharge to Assess Beds	£0.710m
Learning Disability - Step up	£1.875m
Children's Services	£1.500m
Healthcare Tasks	£0.750m
Integrated community equipment	£0.750m
Crisis response and intervention - South East	£0.800m
Crisis response and intervention - South West	£0.700m
Total	£19.250m

40. This amendment had been:
- Agreed by the County Council and Clinical Commissioning Groups.

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- Approved by the Health and Well-being Board Chairs in line with the authority delegated from the Board to approve the 2021/22 Staffordshire BCF Plan.
 - Agreed by the West Midlands Better Care Fund manager.
41. The Council and Clinical Commissioning Groups are developing detailed plans for expenditure on each service, including the associated outcomes and governance arrangements. The BCF Section 75 Agreement will be updated to reflect this additional funding, and then approved and signed by the Council and Clinical Commissioning Groups.
42. The total amount of Health and Care client debt at the end of January is £27.068m which has increased slightly from the £26.853m reported at quarter 3. The amount of collectable debt is £14.629m.
43. **Families & Communities** **Covid impact - £8.400m**
Normal service forecast - £1.357m overspend
44. *Children's Services* *Covid impact - £7.590m*
Normal service forecast - £4.352m overspend
45. The forecast position is an overspend of £4.352m which is an £0.5m increase from the position reported at quarter 3 and reflects increased spending on agency social workers, continuing high level of placements in both residential and fostering settings and well as an allowance for a forecast increase in the bad debt provision of £0.2m.
46. Based on latest forecast, the placements spend this year is over budget by £2m. The currently level of demand remains a significant concern and could put at risk the delivery of planned MTFs savings. This pressure is mitigated in part by additional grant funding for Unaccompanied Asylum Seeking Children and staffing vacancies totalling £1m.
47. The Families and Communities transformation programme has now been finalised and the new design implemented from the end of October as planned. The redesign, which is informed by best practice, seeks to change both the practice and culture across the children's system and it has impacted upon just over 2,000 staff. It will enable a whole system approach, bringing together children's social care, SEND and Inclusion, the Place Based Approach and

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commissioning. It is essential for the delivery of revised practices and cultures that underpin the necessary MTFS savings and stabilisation of SEND.

48. The forecast additional redundancy cost is for £3.3m and will be funded from the Corporate Exit and Transition Fund.
49. *Education Services* *Covid impact - £0.571m*
Normal service forecast - £0.729m overspend
50. The forecast overspend is £0.729m a reduction of £0.3m from the quarter 3 position. This overspend is largely a result of additional SEND transport costs of £1.3m as previously reported, however this is offset partially by other budget savings in historical pension costs, and one off revenues by the settlement of an on-going insurance claim relating to one of our schools.
51. The existing underlying pressure on SEND transport has been addressed in the MTFS for next year, however there is a risk that recent rises in fuel costs, exasperated by the current Ukraine conflict, will lead to further additional pressures in 2022/23.
52. *SEND High Needs Block*
53. The High Needs Block is currently anticipated to overspend by £8.2m and reflects continuing growing demand for SEND support. This overspend will be charged against the DSG reserve which at the end of 2020/21 was already £2m in deficit. Staffordshire County Council is not alone in this difficult financial position, it is shared by the majority of Councils across the sector.
54. In 2022/23 the Government has provided for significant additional funding that will see Staffordshire's High Needs Block funding increase to £115m, from £101m in 2021/22. This is insufficient to close the gap and based on existing rises in demand and costs a further overspend is forecast next year.
55. It is anticipated that the SEND transformation programme will provide a more inclusive system that enables the necessary early support and intervention to manage demand within overall resources. However this will take time and will not generate the immediate savings required to address the current shortfall and further action must be taken to mitigate the existing overspend in this area.

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56. *Culture & Communities* *Covid impact - £0.128m*
Normal service forecast - £0.193m saving
57. This forecast saving is due to reduced transport costs and reduced costs associated with the purchase of new books within the Libraries service.
58. *Rural County* *Covid impact - £0.111m*
Normal service forecast - £0.111m saving
59. The forecast saving largely due to on off staffing vacancies of £0.3m offset by increased costs of £0.2m associated with Rights of Way and carpark repairs due to increased usage.
60. *Community Safety* *Covid impact – nil*
Normal service forecast - £0.120m saving
61. The forecast saving is due to additional income and service contract savings which have resulted from the impact of the pandemic and are likely to return to normal levels.
62. **Economy, Infrastructure & Skills** **Covid impact - £1.626m**
Normal service forecast - £1.027m saving
63. *Business & Enterprise* *Covid impact - nil*
Normal service forecast – £0.177m saving
64. The service is forecast to save £0.177m in year, this is a slightly reduced from the quarter 3 position. The main reason for this forecast saving is additional income in Planning Policy and Development Control. The service is now assuming a carry forward of £0.6m into 2022/23, which is a reduction from quarter 3 as more money has been spent on Staffordshire Means Back to Business schemes in year. This carry forward was approved by Cabinet in January and is due to Staffordshire’s successful Community Renewal Fund bid that allows the programme to be funded from grant rather than service budgets.
65. In 2020/21 an Emergency Business Grant fund of £0.5m was established to support Small and Medium sized Enterprises during the initial Covid restrictions. Approximately £0.390m of this has been spend to date on grants, PPE for businesses, Federation for Small Business payments and the start-up

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business loan scheme. There is £0.110m remaining of this initial allocation in reserves and it is proposed to spend this in March 2022 and 2022/23 on the following – the Get Started scheme after the Community Renewal Fund grant money has been spent, additional funding for the start-up business loan scheme, Business Enterprise Support start-up coaching and the Start up Strategy phase 3.

66. *Infrastructure & Highways* *Covid impact - £0.316m*
Normal service forecast – £0.215m overspend
67. The forecast has increased from a break-even position to a forecast overspend of £0.215m. There are various areas of forecast overspends including with Sustainable Development and Highways Maintenance, however these are being mitigated by savings within Community Infrastructure and the Network Management areas. The increase from quarter 3 includes an increase of £0.125m towards the bad debt provision along with £90,000 towards forecast costs for HS2 protestors in 2022/23. This forecast position includes transferring £0.590m of additional permit income to reserves as the forecast over-recovery for the year.
68. The forecast impact of Covid 19 is £0.316m which is largely a continued loss of income from on-street parking and bus enforcement in the Regulation and Governance area, and a small number of increased costs for Safe Operating Procedures such as PPE.
69. *Transport, Connectivity & Waste* *Covid impact - £1.276m*
Normal service forecast - £1.123m saving
70. The Transport and Connectivity area is forecast to save £0.224m, which includes savings in the operational Transport budgets and vacancies in the Transport Planning team. These are offset by making a provision of £0.2m towards a further years Local Transport Assessment Works. It should be noted that there are currently significant planned reductions in the commercial Staffordshire bus network and further service reductions may occur in Autumn 2022 if patronage levels do not return to pre-pandemic levels.
71. Additional Covid 19 costs to date include providing additional cleaning on home to school transport until the end of July 2021 and additional transport capacity to avoid full and standing buses at peak times.

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72. Within Sustainability and Waste, there is a forecast saving of £0.9m, which includes a saving of £0.920m on Climate Change which will be monitored over the next few weeks and look to make a formal carry forward request as part of the Financial Outturn Report. Although much of the Climate Change budget is committed, it is unlikely to be fully spent in year and this carry forward could be utilised on items in the Climate Action Plan in 2022/23.
73. This forecast position also includes a £0.6m provision for likely additional costs (shared 50/50 with Stoke-on-Trent City Council) for consultants working on the Hanford Incinerator project. It should be noted that waste budget are demand led and will need continuous close monitoring until the end of the year and into the new financial year to track tonnages and costs as social restrictions lift and any new normal are established.
74. The impact of Covid on the service is £1.276m, a reduction from quarter 3 which reflects the drop in the level of tonnages in more recent months going to the Energy from Waste sites, allowing some of the additional capacity tonnage to be sold again to third parties and generate income. There is still uncertainty around the impact of Covid 19 moving forwards in this service and as such a £0.5m provision has been made for potential Covid related costs in 2022/23.
75. *Skills* *Covid impact – £12,000*
Normal service forecast - £50,000 saving
76. The service is forecast to save £50,000 which is a small reduction from quarter 3. The forecast saving is due to savings on the Entrust contract and a lack of activity in Community Learning groups. Some of these forecast savings are being used to fund the first-year software costs of a new Brokerage team.
77. *EI&S Business Support* *Covid impact - £22,000*
Normal service forecast - £0.108m overspend
78. The forecast overspend of £0.108m includes the balance of the Health and Safety Executive fine received by Staffordshire County Council for its role in the Isabel Trail incident. We will review the EI&S outturn in accordance with normal monitoring arrangements and make any adjustments, if necessary, as part of the final outturn.

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79. **Corporate Services** **Covid impact - £0.461m**
Normal service forecast - £0.652m saving
80. The service is forecast to save £0.803m, this is a minimal change from the forecast saving reported at quarter 3. This includes a forecast saving of £0.214m within Assets primarily due to staff vacancies. There are also staff vacancies within the Business Support and Strategy areas and forecast one off additional income in Registrars of £0.350m due to the higher number of weddings being booked as restrictions are being lifted.
81. This forecast includes the service making a £0.250m provision towards the potential future costs of the Electronic Document and Records Management project and a further provision of £0.1m towards the net to gross project and new recruitment and lone worker systems. There is also a £0.150m provision for potential Cybersecurity costs that may be incurred in 2022/23.
82. The Covid impact of £0.461m includes the costs of the temporary mortuary facilities and the closure of the first annual leave purchase scheme window.
83. **Centrally Controlled**
84. There is a forecast saving of £1m within Pooled Buildings which relates to loss of buildings, reduced usage of energy and electricity in unoccupied buildings and one-off income received in year. This is offset by a forecast overspend of £0.130m on Insurances services as the premium has increased.
85. **Capital Forecast**
86. Appendix 6 compares the latest capital forecast outturn of £112.7m, a decrease from the quarter 3 position of £122.0m. The key reasons for this decrease of £9.3m are set out in the following paragraphs.
87. **Health and Care** **Forecast spend £1.139m**
88. There has been a decrease of £0.301m due to the finalisation of the Care Director V6 upgrade, and costs did not reach levels previously forecast.

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89. **Families and Communities** **Forecast spend £30.461m**
90. *Maintained Schools* *Forecast Spend £29.289m*
91. There has been a reduction of £5.824m in forecast spend since the quarter 3 report. This is due to £3.7m of Basic Needs funding being rephased into 2022/23, £0.256m of other refinements across smaller projects as well as £2m of SEND funding being rephased into next year.
92. **Economy, Infrastructure and Skills** **Forecast spend £71.110m**
93. *Economic Planning & Future Prosperity* *Forecast spend £7.562m*
94. There has been a reduction of £1.541m in forecast spend since the quarter 3 report. This is due to rephasing of contingency for the A50 project to 2022/23 of £0.706m, slippage on i54 Western Extension of £0.321m and revision of the expected developer payments for Pye Green of £0.3m, along with other smaller rephasing and refinement of budgets.
95. *Highways Schemes* *Forecast spend £62.596m*
96. There has been a decrease of £1.091m in forecast spend since the quarter 3 report. There has been rephasing of £1.295m into 2022/23 for the Stafford Western Access Route project as it nears completion, as well as rephasing of Integrated Transport Budgets of £0.414m and Bridge Maintenance of £82,000. There has been an increase of £0.536m on developer schemes being introduced into the programme, as well as other budget refinements.
97. **Property, Finance and Resources & ICT** **Forecast spend £10.014m**
98. There has been a reduction of £0.342m since the quarter 3 report, which is predominantly as a result of the Wireless Refresh project and delays in obtaining equipment rephasing the budget by £0.150m and delays in Core Switch Replacement project of £0.245m, also rephased to 2022/23.
99. **Financial Health**
100. Appendix 7 provides a forecast outturn performance against the key Financial Health Indicators approved as part of the 2021/22 budget setting process.

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101. There have been 98.0% of invoices paid within 30 days of receiving them at the end of February, exceeding the financial health indicator target. This position also reflects early payments to suppliers to help them with cashflow during the pandemic.
102. The estimated level of outstanding sundry debt over 6 months old is £19.994m, this is over the target of £14.7m by £5.294m. This is a decrease of £2.077m since the quarter 3 report. 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.
103. The level of CCG health debt over 6 months old is £1.797m below the target figure. This is a decrease of £2.776m since the quarter 3 report.
104. Client debt now stands at £10.254m 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, this includes an initiative to encourage and assist clients with setting up direct debit instructions.

Debtor Type	2021/22 Target	31/12/2021	31/03/2022 Est	Increase / (Decrease)
	£m	£m	£m	£m
Health Bodies & CCGs	3.900	4.879	2.103	(2.776)
Other Govt. and Public Bodies	2.000	3.217	2.840	(0.377)
Other General Debtors (Individuals & Commercial)	4.700	4.388	4.797	0.409
Health & Care Client Debt	4.100	9.587	10.254	0.667
TOTAL	14.700	22.071	19.994	2.077