Appendix 3 – Quarter 1 Finance Report

Introduction

Revenue Forecast

1. The latest revenue forecast outturn (as provided in appendix 4) shows a forecast overspend of £14.693m (2.76%), prior to additional funding for inflationary pressures being taken into account. Once this one-off funding is included and an allocation from the Contingency budget for pressures on Children's Services is assumed, the overspend reduces to £3.643m (0.6%). This is compared to the balanced position reported at the MTFS.

2. The one-off funding is allocated from the inflation reserve (£5.050m) and from the Contingency budget (£6.000m). There is £4m remaining in the Contingency budget and it would be prudent to retain this against the anticipated cost of the pay award for the current year. The current forecast of inflationary pressures for the current and future years is between £50m and £70m. These are being monitored closely and will be updated in future quarterly reports, however the need for one-off resources to fund these pressures remains.

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

4. **Health and Care** **Forecast – Breakeven**

5. *Public Health and Prevention* *Forecast – Breakeven*

6. Proposals are being developed to utilise some of the uncommitted funds including support for districts and borough councils on healthy planning policy, weight management (as government funding has been withdrawn), and the remainder will be held against the risk that the Public Health ring fenced grant is reduced in future years.

7. *Adults Social Care & Safeguarding* *Forecast - Breakeven*

8. There are a number of vacancies in the Adults Learning Disability Team (ALDT) which are planned to be filled during the year. A review of the ratio of qualified to unqualified staff is being carried out but the service is not expected to exceed its approved budget. There is a small risk that the 2022/23 NHS pay award could lead to higher than budgeted costs for the Section 75 contract with the Midlands Partnership NHS Foundation Trust (MPFT).

9. The restructure of the Learning Disability In-House Services will be completed later this year. Vacancies currently being held mean the services are not expected to exceed their approved budgets this year.

10. Care Commissioning *Forecast - Breakeven*

11. The Learning Disability placement budget is forecast to breakeven. However, there is a risk that the Reviews Programme MTFS savings will not be delivered in full, and that NHS income could reduce. There also remains a risk that demographic growth and care price increases could exceed the budget assumptions, but these will be monitored as we move through the year.

12. The Mental Health budget is forecast to break even. The placement budget was increased in recognition of the growth in placement costs during the last two years but there remains a risk of further increases in referrals following the Covid 19 pandemic.

13. Forecasting the number and cost of long-term older people residential and nursing placements has proved more challenging than usual since the outbreak of Covid 19. It is likely that costs will rise faster than usual this year due to increasing inflationary pressures in addition to the cessation of most Covid grants provided by the Government, a significant proportion of which was passported to care providers.

14. The Block Booked Beds savings target will be challenging to deliver in full this year. Work is ongoing to maximise use through a working group which is reviewing and improving processes. In addition, steps are being taken to ensure no care home placement is authorised without exploring utilisation of a block-booked bed in the first instance. The forecast saving will be monitored closely throughout the year.

15. Several care homes have been serving notice on placements in order to negotiate prices. This behaviour will result in additional cost pressure for the affected placements, but these will be mitigated as far as possible.

16. Despite the issues identified above, the overall forecast for Older People's placements is not forecast to exceed the budget allocation in year.

17. There was a saving of £0.805m against the Physical Disabilities budget in 2021/22 and there are no significant risk or pressures identified at this time, therefore the forecast is breakeven.

18. There is still a great risk and uncertainty regarding the overall costs of Adult Social Care Reform. A further report has been prepared by the County Councils Network (CCN) and Newton, which suggests that the funding provided by the Government to meet the costs Adult Social Care Reform will be insufficient to meet the total costs of implementing the reforms. This is in line with the findings of a similar report prepared by Laing Buisson. Work is being undertaken to understand the analysis in the CCN and Newton report and to identify the possible financial impacts to the Council.

19. The Contain Outbreak Management Fund (COMF) of £19.169m has been brought forward to 2022/23, against which we have estimated future commitments of £6.201m. As mentioned in the quarter 4 report, the email from the UK Health Security Agency mentioned that future discussions regarding COMF would be taking place and there is a risk that they may look to claw back funding at some point.

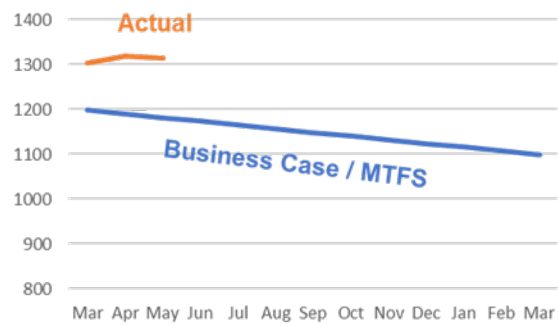
20. **Families & Communities** **Forecast - £3.643m overspend**

21. Children's Services *Forecast - £3.5m overspend*

22. The forecast position is an overspend of £3.5m across Children's Services, assuming an allocation of £6m from the Contingency budget is approved. The number of Children in Care (CiC) remains largely unchanged from the start of the year (currently at 1,314) and is significantly removed from the approved business case and underlying assumptions that make up existing budget and MTFS:

Children in Care

(as at end of May 22)	Business Case	Actual
In house fostering (c £0.020m p.a.)	507	561
Independent fostering (c £0.040m p.a.)	330	364
Residential homes (c £0.2m p.a.)	101	128
Independent living (c £0.040m p.a.)	57	86
Adoptive / Parents with PR	150	131
Other (e.g. UASC)	38	44
	1183	1314



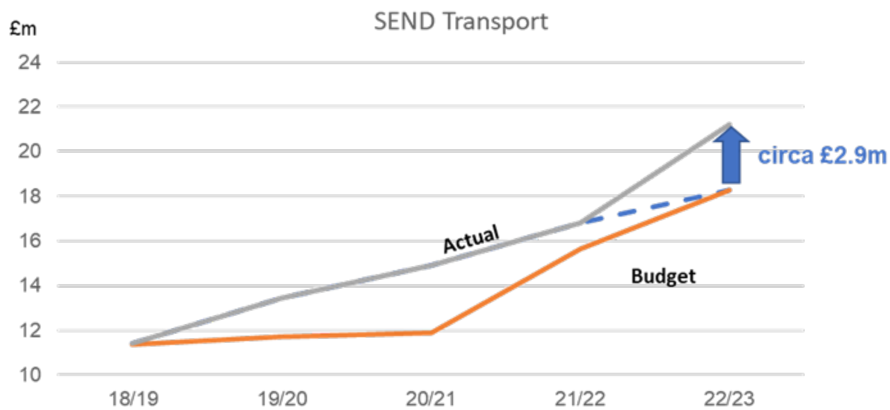
23. This is a highly complex and volatile service with costs dependant significantly on the type of placements provided; however, based on existing levels – and assuming a similar level of demand for the rest of the year – it is forecast that the CiC Placements budget (£60m in 2022/23) will be £12.2m over budget. This includes allowance for some children – currently on the edge of care or where existing placements are at risk of breaking down – coming into the residential care system if no better alternative can be identified.

24. The service is taking mitigating actions to address as far as possible pressures through a CiC action plan, including, for example:
    - Additional income from partners
    - Greater challenge of the number of entering and leaving children in care
    - Introduced a new ‘contract framework’ to reduce costs and improve value for money
    - Enhanced internal residential provision to further disrupt the market.
    - Review of the existing ‘short breaks’ provision and capacity

25. While other savings on Unaccompanied Asylum-Seeking Children grants and other staff savings of £0.2m, net of additional agency costs, are forecast, even with the above mitigations, the forecast is for an overall overspend this year in Children’s Services of £9.5m. There is a risk this will worsen going forward given the current level of inflation that is likely to impact further on existing cost of provision.

26. *Education Services* *Forecast - £0.051m overspend*

27. The forecast overspend is £0.051m. This is primarily due to pressures in SEND transport which in recent years has seen a significant increase in demand as a result of the rise in Education, Health and Care Plans (EHCPs). This has been reflected in the MTFS with a further uplift in 2022/23 to £18.3m.



28. Unfortunately rises in inflation (and in particular, fuel) have placed significant additional pressure on the budget this year with recent retendered transport contracts seeing price increases in excess of 50%.

29. Given the current circumstances, a paper was recently brought forward by the transport commissioners' service and approved proposing an 'exceptional' in year increase to transport contracts (backdated to March 2022) of 8.5% (equivalent to £1.4m) to help mitigate the immediate pressure arising.

30. However, it is likely that additional inflationary costs will arise incurred going forward as contracts are retendered and awarded at even higher levels driven by increasingly adverse market conditions and could see the underlying increase further to £2.9m.

31. While a contribution from the inflation reserve in year has already been agreed for £1.4m, this still leaves a need for a further contribution of £1.5m. Depending on how inflation levels develop going forward – and transport demand changes going into the next Academic year – there is a risk this could increase further.

32. A further £0.5m of additional costs will impact on mainstream transport costs held in Economy, Infrastructure and Skills. This has also been funded from the inflation reserve and therefore the total commitment against the reserve is £1.9m.

33. A review of SEND transport is being implemented to identify any actions that may be taken to mitigate the existing demand and costs as far as possible – however this is a complex service and will take significant time and resources and is unlikely to have a significant impact in year.

34. *SEND High Needs Block*

35. The High Needs Block is currently anticipated to overspend by £6m and reflects continuing growing demand for SEND support. This overspend will be charged against the DSG reserve which at the end of 2021/22 was already £8.6m in deficit. Staffordshire County Council is not alone in this difficult financial predicament – this is a position shared by the majority of Councils across the sector.

36. Going forward, it is anticipated that the SEND transformation programme – with the full roll out of the district hub model – will provide for 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.

37. *Rural County* *Forecast - £0.186m overspend*

38. The forecast saving largely due to on / off legal costs and settlement of an employment tribunal award and do not represent an ongoing financial concern. A provision has also been reflected in the forecast for the potential costs associated with the review on enhanced payments for weekend working.

39. *Community Safety* *Forecast - £0.1m saving*

40. The forecast saving is due to a saving against the Child and Adolescent Mental Health Service (CAMHS) Tier 4 contract.

41. **Economy, Infrastructure & Skills** **Forecast - Breakeven**

42. *Business & Enterprise* *Forecast – Breakeven*

43. The service is forecast to breakeven. There is a potential pressure related to the Shire Hall Enterprise Centre, which is due to open in June, and this is likely to have a shortfall of income in its first year of operation. There is also some uncertainty around the funding for the Growth Hub activity going forward. However additional income is forecast from planning fees, and the Cannock

Enterprise Centre has been generating extra income due to the additional units, which are now fully occupied, which will likely offset these pressures.

44. Infrastructure & Highways *Forecast - Breakeven*

45. The forecast for the service is a break-even position. The situation around increasing costs and material supplies, largely associated with the increasing cost of oil remains challenging for Highways budgets. Cost pressures across the wider service are in the region of 15% and officers have been working through the impact of these increasing costs. Currently it is estimated that these pressures amount to £2m on the Highways revenue budget (largely on reactive maintenance) and £10m on the Highways capital programme. The quarter 1 forecast assumes that these pressures are funded from the inflationary risk reserve. These inflationary pressures will continue to be monitored as part of the usual process.

46. Further to this, as part of the MTFS, Highways received an additional £1m extra revenue investment. This included £0.5m on-going funding to mitigate an existing pressure around Community Teams capacity and to increase contract management capacity. The further £0.5m was for 3 years only to cover the cost of the Highways Transformation project.

47. A further £1m extra revenue investment (in addition to the £1m approved in the MTFS) would bring in additional capacity to achieve the two critical success factors of the Highways transformation project as well as facilitating the new ways of working. The first critical success factor is to develop a stronger, intelligent Client Function. The second critical success factor is a more responsive/flexible customer focussed service through a ‘Community Priorities Team’ approach. To enable the two critical success factors, subject to further redesign, this second £1m investment would initially create additional safety and quality inspector posts and increase the capacity of the Community Highways Team. It would also allow a Community Response Pilot to be carried out in 2022/23, building on the learning from the 2020/21 Communities Priorities Programme and the success of the 2021/22 Extra Gulley Crew Pilot.

48. This forecast position assumes that this second additional investment of £1m (bringing the total additional revenue investment in Highways to £2m) is approved.

49. Transport, Connectivity & Waste — Forecast - Breakeven

50. The Transport and Connectivity area is forecast to breakeven. There is an inflationary pressure of £0.350m relating to contracts that are due to be renewed, this is in the Mainstream Home to School Transport budget area and will be funded from the inflation reserve.

51. Despite the current estimate of the inflationary pressure (along with the rising fuel costs) being funded from the inflation reserve, there are additional costs in this area where terminated contracts have had to be renewed at short notice. Some of these contract renewals are coming in at one and a half times the cost of previous years.

52. It is important to recognise that despite managing the inflationary pressure in this area the situation remains uncertain and inflation could continue to increase along with rising fuel prices which will increase the financial pressure on this budget.

53. It is possible that this overspend will be offset by savings in the Concessionary Fares area, but this is uncertain at quarter 1. Future government directives could change, and the impact of the Department for Transport Toolkit review is unclear, but both will be monitored as part of the normal forecasting process.

54. For Sustainability and Waste, the forecast is for a breakeven position. This assumes that the £0.6m MTFS saving for Green Waste recycling credits will be achieved.

55. There is a small overspend in the Woodfuels budget area and is due to the increased cost per tonne of wood chip pellets. Stocks that had previously been coming from Ukraine are now in short supply and other suppliers have increased their costs accordingly. The impact of this will continue to be monitored and currently can be mitigated within existing budgets.

56. *Skills — Forecast – Breakeven*

57. The service is forecast to breakeven. A new government scheme called ‘Multiply’, part of the Shared Prosperity Fund, has indicated an allocation of £4.2m to be spent over 3 years, for the delivery of numeracy support for adults in Staffordshire. More detail on this will be reported at later quarters.

58. **Corporate Services** **Forecast – Breakeven**

59. The service is forecast to have a breakeven position, which assumes that any costs associated with Covid are now covered in business as usual as there is no general Covid grant available in 2022/23. It also assumes the £0.460m Property rationalisation MTFS saving will be achieved.

60. It is likely that there will be some additional income above the budget in Registrars due to the higher number of weddings that are being booked now all Covid restrictions have been lifted. This along with other smaller potential savings have been used to offset the existing pressure in People Services which is the non-delivery of historical MTFS savings.

61. **Centrally Controlled**

62. The forecast for centrally controlled services is a breakeven position, this assumes that the inflationary increases on the energy budgets within Pooled Buildings are sufficient to meet the higher costs. This will be monitored regularly through the usual budget monitoring process.

63. **Nexxus Trading Services Ltd**

64. The company is currently forecasting a breakeven position. It is however experiencing difficulties with recruitment and retention of care staff, which is impacting on the number of care hours that are being delivered which are below target in the first quarter. The issue of recruitment and retention is a national impact for the care sector. It is also experiencing difficulties due to the rising cost of fuel.

65. **Capital Forecast**

66. Appendix 5 compares the latest capital forecast outturn of £133.2m, an increase from the MTFS position of £106m. The key reasons for this increase of £27.2m are set out in the following paragraphs.

67. **Health and Care** **Forecast spend £2.262m**

68. There has been a decrease in the forecast spend of £2.573m since the MTFS report. Histon Hill and Rowley Hall Nursing Home schemes have seen the majority of their budgets rephased (£1.488m and £1.486m respectively) into 2023/24 and 2024/25 while work on the Market Position Statement and demand analysis is finalised.

69. **Families and Communities** **Forecast spend £48.608m**

70. Maintained Schools *Forecast Spend £43.968m*

71. There has been an increase of £21.905m since the MTFS, which is the result of rephasing of Basic Need of £7.034m in addition to rephased and new developer contributions of £2.094m, most of which remains unallocated.

72. There are also additional Schools Capital Allocations and rephased allocations of £4.341m and £4.335m respectively. SEND allocations have been rephased into this year of £3.112m. There are other minor reprofiling and budget refinements across a number of schemes.

73. Inflationary pressures on building materials are expected to increase costs on the programme, and these will be monitored closely in the next quarter.

74. **Economy, Infrastructure and Skills** **Forecast spend £76.249m**

75. Economic Planning & Future Prosperity *Forecast spend £7.040m*

76. There has been a reduction of £0.860m in the forecast spend since the MTFS. This is mainly due to rephasing of the A50 scheme contingency to 2023/24 of £1.283m, and some increases due to carry forwards on programmes such as the Forward Programme, Bericote Phase 2, Featherstone rails study costs, Pye Green Part 1 claim, Redhill reprofile, and i54 Employment site.

77. The Chatterley Valley budget has been reprofiled over two years, reducing the forecast spend by £1.750m, however there has been an increase in the forecast for i54 Western Extension of £1.430m.

78. Highways Schemes *Forecast spend £67.644m*

79. There has been an increase of £5.426m in forecast spend since MTFS. The increase is due to refinements of SWAR budgets of £1.283m as the project nears financial completion, budget refinements on bridges of £2.5m, reductions on Carriageway/Other Maintenance of £3.046m and an increase due to rephasing on Integrated Transport of £4.689m. Increases in costs due to inflation are being monitored closely.

80. **Property, Finance and Resources & ICT** **Forecast spend £6.094m**

81. There has been an increase of £2.279m since the MTFS, which is due to rephasing for Shire Hall refurbishment of £0.981m, District Hub Rationalisation of £0.244m and Asset Renewal £0.262m.

82. **Financial Health**

83. Appendix 6 provides a forecast outturn performance against the key Financial Health Indicators approved as part of the 2022/23 budget setting process.

84. There have been 97.7% of invoices paid within 30 days of receiving them at the end of August, exceeding the financial health indicator target. This position also reflects early payments to suppliers to help them with cashflow during the pandemic.

85. The estimated level of outstanding sundry debt over 6 months old is £18.484m, this is over the target of £14.7m by £3.784m. This is a decrease of £1.172m since the end of 2021/22. 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.

86. The level of CCG health debt over 6 months old is now £2.080m, £1.820m below the target figure.

87. Client debt now stands at £9.838m 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	**2022/23 Target**	**31/03/2022**	**30/06/2022 Est**	**Increase / (Decrease)**

	£m	£m	£m	£m
Health Bodies & CCGs	3.900	1.933	2.080	**(1.820)**
Other Govt. and Public Bodies	2.000	2.693	1.592	**(0.408)**
Other General Debtors (Individuals & Commercial)	4.700	4.872	4.974	**0.274**
Health & Care Client Debt	4.100	10.158	9.838	**5.738**
TOTAL	**14.700**	**19.656**	**18.484**	**3.784**