Appendix 3 – Quarter 1 Finance Report

Introduction

Revenue Forecast

55. The latest revenue forecast outturn (as provided in appendix 4) shows a forecast overspend of £9.5m (1.39%), compared to the balanced budget.

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

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

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

59. The Public Health team are developing a longer-term plan for allocating the Public Health Ringfenced Grant (PHRFG) over the next 2-3 years. Discussions are taking place with Midlands Partnership University NHS Foundation Trust (MPUFT) to determine the impact of the 2023/24 NHS pay award.

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

61. There are a number of vacancies in the Adults Learning Disability Team (ALDT) which are planned to be filled during the year. Due to vacancies, it is likely that the budget will not be fully spent this year. There is a risk that the 2023/24 NHS pay award could lead to higher than budgeted costs for the Section 75 agreement with the MPUFT.

62. The restructure of the In-House Provider residential services has now been completed and planned savings have been achieved. A review of the day opportunities is planned to take place this year and the services are expected to operate within their approved budgets. This is the first full year of operation of the new Independence at Home (IAH) Homecare service. Costs will gradually increase as the service fully mobilises but are not expected to exceed the approved budget.

63. Care Commissioning *Forecast - Breakeven*

64. The upward trend in both the numbers of people receiving care and support and the price of each person is ongoing. The increase in numbers is slightly

below the forecast included in the Councils Medium Term Financial Strategy (MTFS) and the increase in price is slightly above. The net effect is that we are forecasting a balanced position for 2023/24. We continue to see a rise in the price of care home placements over and above the annual fee uplift. This manifests as rising prices for new placements and in a number of incidents, care homes serving notice on existing placements in order to renegotiate prices. Mitigations include commissioning of block booked beds and consideration of development of Council owned nursing homes as an alternative to the independent market.

65. Growth was built into the MTFS in 2022/23 to take account of the high demand for home care that had arisen during the Covid pandemic. The growth in the number of hours of home care provided appears to have stabilised between 48,000 and 49,000 hours per week during quarter 1. In addition, the backlog of hours that had built up has been reduced to a much lower level (33 hours). As a result of the additional funding built into the home care budget for older people, we are forecasting break even for this financial year.

66. Additional funding has been build into the 2023/24 Physical Disabilities budget to take account of the forecast demographic changes and inflationary pressures. At this time, we are forecasting that this budget will breakeven in year.

67. There is a risk that the Learning Disability placement budget will be exceeded again this year. There is a risk that the £1.2m MTFS saving will not be fully achieved, and Commissioners are working to address this. There is also a risk that demographic growth and care price increases could exceed the budget assumptions, and these will be monitored as we move through the year.

68. The Mental Health budget is forecast to break even. The placement budget was increased in recognition of the growth in placements costs during the last few years but there remains a risk of further increases in referrals as we move through the year.

69. **Covid Funding**

70. The Contain Outbreak Management Fund (COMF) quarter 4 2022/23 return has been submitted which contains a draft 2023/24 budget. £9.7m has been

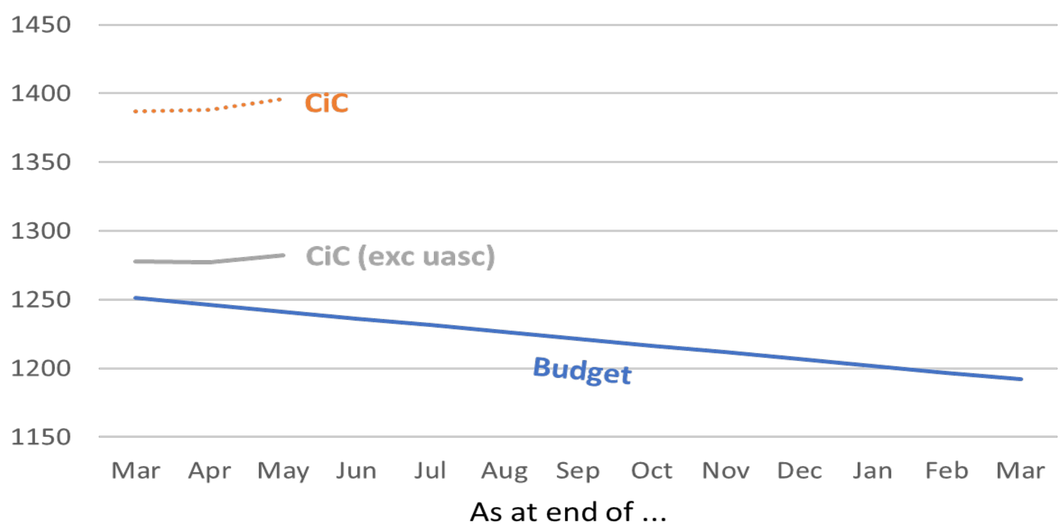
brought forward to 2023/24, against which we have estimated further commitments of £5.8m, leaving £3m uncommitted at this time.

71. A webinar recently took place with all local authorities who had unspent COMF funding carried forward into 2023/24, the aim of this was to work with those authorities to develop spend plans and share examples of how other authorities have spent their funding and a regional UK Health Security Agency representative will be assisting with this. It has been confirmed that COMF can be carried forward into 2024/25, however the request is that funding is allocated and spent as soon as possible as 2024/25 may be the final year we are able to carry forward COMF funding.

72. **Children & Families** **Forecast - £9.5m overspend**

73. *Children's Services* *Forecast - £8.2m overspend*

74. The forecast for the service is an overspend of £8.2m. The number of Children in Care (CiC) has slightly increased from the start of the year (currently at 1,397) and – after allowing for increasing numbers of Unaccompanied Asylum Seeking Children for whom we receive additional government grant funding – is significantly removed from the approved business case and underlying assumptions that make up the existing budget and MTFS. If numbers do not reduce, then the gap will steadily increase and the CiC Placements budget and Section 17 support, exacerbated by rising costs of inflation, is forecast to be £10.2m overspent.



75. The service is taking mitigating actions to address this pressure as far as possible, including:
    - Continuously monitoring thresholds for children entering care, especially those requiring residential provision
    - Reviewing and expanding Edge of Care provision to mitigate and avoid escalation
    - Review and improve the reunification support offer
    - Review all existing children in care by cohort, considering areas working well and areas for potential improvement
    - Maximise income contributions from key partners
    - Eliminate the use of unregulated placements
    - Reduce placement breakdowns through innovative solutions, e.g. House Project
    - Engaging with the market to actively source quality placements and ensure a vibrant market so that costs of care are competitive

76. In recent times and following the transformation programme that was implemented from October 2021, the service has been hindered by on going recruitment and retention problems leading to inconsistent support and capacity.

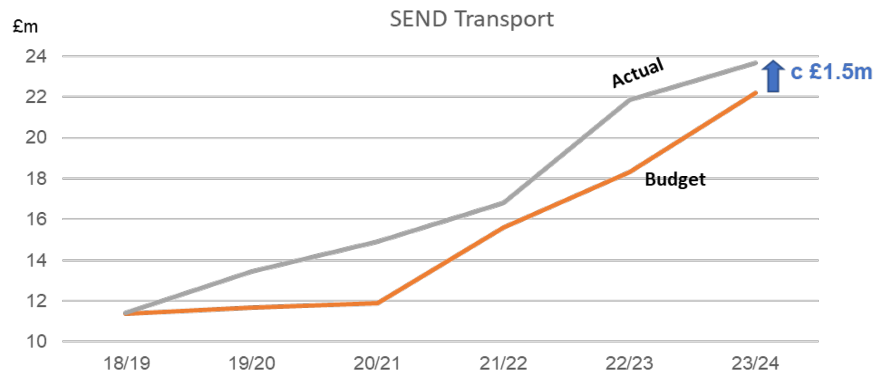
77. This issue was recognised in the MTFS and significant additional resources were brought into the budget this year to address these concerns. The service is actively recruiting, planning to realign services, and appointing to new positions. However, this will take time and, for now, the service continues to rely on more expensive agency support for essential service delivery leading to a forecast overspend of £1.7m across the district structure. This is offset by vacancy savings and one off saving due to the delayed implementation of the workforce review / restructure that is currently being worked through, saving £2.5m.

78. There are other savings of £1.2m, mainly additional unaccompanied asylum seeking children (uasc) grant, which leads to an overspend of £8.2m for Childrens Services.

79. *Education Services* *Forecast - £1.3m overspend*

80. The service is forecast to overspend by £1.3m. This is primarily due to pressures in SEND transport which in recent years has seen significant

increase in demand as a result of the rise in Education, Health and Care Plans (EHCPs). Costs increased significantly through 2022/23 due to the rising costs of inflation, and despite a further increase in budget this financial year it is forecast that there will be an overspend of £1.5m.



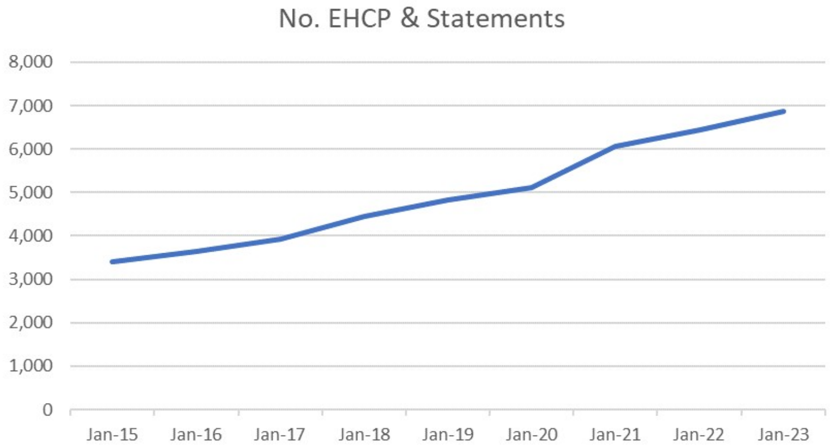
81. A review of SEND transport is being implemented to identify any actions that may be taken to mitigate the existing demand and costs as far as possible.

82. There are other small savings across the service, mainly historic teacher pension contributions) totalling £0.2m that lead to a total forecast overspend of £1.2m.

83. *SEND High Needs Block*

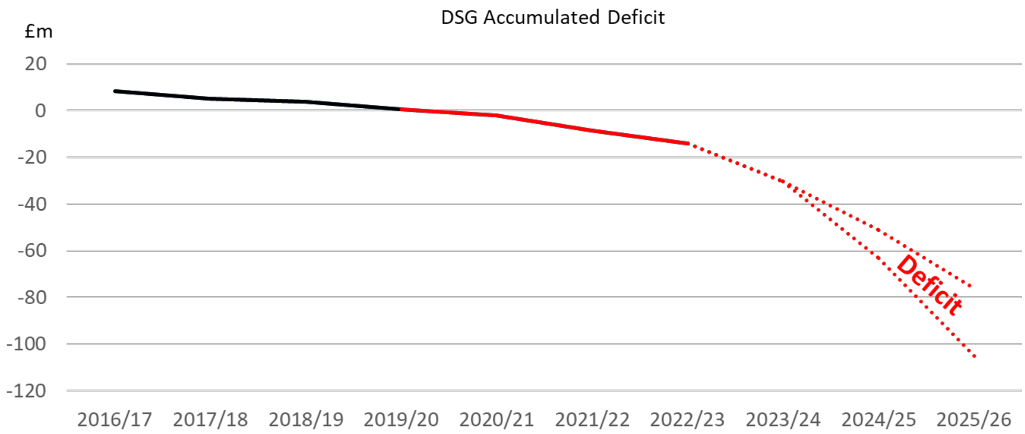
84. The High Needs Block is forecast to be overspent by £18m and reflects the increasing complexity of need and costs impacting all areas. From April 2022 the Council implemented a new 'Education Banding Tool' for assessing a child's EHCP needs. This has now been in place for a year and as planned, is now being reviewed to ensure it is meeting intended objectives and to understand the impact on costs which appear to have increase significantly since its introduction.

85. There is also continuing growing demand to SEND support. This is impacting across all areas but especially the Independent sector with numbers now double what they were just three years ago. Given the more expensive placement costs, this is by some way the largest budget pressure in the High Needs Block.



86. Staffordshire County Council is not alone in this difficult financial predicament – this is a position shared by the majority of Councils across the sector. The Government has put in place a 'statutory override' requiring that accumulated DSG deficits should remain ringfenced separate to the Councils other reserves and this has now been extended through to the end of 2025/26.

87. Accordingly, the final overspend will be charged against the DSG reserve which is currently £14.2m in deficit. The Councils Deficit Management Plan – that is consistent with the wider objectives outlined in the SEND Strategy – outlines the targeted interventions that will see to mitigate the existing shortfall. This will take time and at this stage, does not appear to have had any significant impact on what is a worsening position.



88. *Partnerships & Wellbeing* *Forecast - Breakeven*

89. The forecast for the service is a breakeven position. There is a small saving of £0.1m which will be used to contribute towards one-off redundancy costs during the year which are associated with the Family Hubs restructure.

90. A large majority of the services budget is funded from government grants, including Resettlement funding of £10.9m, Household Support Fund of £11m and Holidays and Activities Fund of £2.4m. These programmes have Cabinet approved plans to utilise these allocations and to deliver national programmes of work for the benefit of local residents.

91. **Economy, Infrastructure & Skills** **Forecast – Breakeven**

92. Business & Enterprise *Forecast – Breakeven*

93. The service is forecast to breakeven at quarter 1. There is a potential budget shortfall due to loss of European Regional Development Funding however additional income is expected from planning fees and in the Farms and Enterprise Centre budget areas to offset this.

94. Infrastructure & Highways *Forecast - Breakeven*

95. The forecast for the service is a breakeven position, although there are various overspends and savings across the budget area.

96. This position assumes that any underspend of highways transformation monies from 2022/23 is used on priority work in the early part of this financial year. It also assumes the additional revenue inflation allocation is needed as the situation around increased costs and material supplies remains challenging for Highways budgets. These areas will continue to be monitored closely as part of the usual budget monitoring process.

97. Transport, Connectivity & Waste *Forecast - Breakeven*

98. The Transport and Connectivity service is forecast to breakeven although there are several uncertainties in this area.

99. There are expected risks in the Concessionary Fares budget area as future government directives could change and the impact of the Department for Transport (DfT) Toolkit review is still unclear. There is provision to mitigate these risks in the MTFS, but the impact is still uncertain. Furthermore, any

savings in this area will need to be ringfenced to support the bus network in future years.

100. In other budget areas within Transport, the effect of inflationary pressures (including the rising fuel costs) has been felt through 2022/23. Terminated contracts that have had to be renewed at short notice are coming in at much higher costs and this trend is expected to continue into 2023/24. These pressures will need to be monitored closely to understand any impact in this and future financial years.

101. The Sustainability and Waste service is forecast to breakeven at quarter 1. This position assumes that the £0.565m MTFS saving in the Dry Mix Recycling Credits budget will be achieved.

102. The inflationary pressures in the Woodfuels area in 2022/23 are likely to continue but it is hoped that these can be offset by additional third party income across the Energy from Waste sites and additional electricity revenues.

103. *Skills* *Forecast - Breakeven*

104. The Skills service is forecast to breakeven. While there is a forecast saving due to vacancies in the team, this may be required to offset pressures following the Transfer of Undertakings (Protection of Employment) (TUPE) of staff back into the service from Entrust.

105. *Culture, Rural & Communities* *Forecast – Breakeven*

106. The service is currently forecast to breakeven. There is a potential pressure in the Coroners areas which is hoped can be offset by savings elsewhere withing the service. There is also a commitment to fund £50,000 towards Library Website developments included in this forecast.

107. **Corporate Services** **Forecast – Breakeven**

108. The service is forecast to breakeven. This position assumes the £0.220m property rationalisation MTFS saving will be achieved.

109. It is likely that there will be some additional income above budget in Registrars due to the higher number of weddings that are being booked now all Covid restrictions are lifted and the appointment of a dedicated events planner in this areas. This addition income will offset the annual leave purchase scheme pressure as much fewer staff are choosing to buy additional leave than previously forecast.

110. **Finance** **Forecast - Breakeven**

111. At quarter 1, the Finance directorate is forecast to achieve a break even position. There will be some small savings due to staffing vacancies but these savings will be needed to offset any capacity issue in the Adult Financial Services team.

112. **Centrally Controlled**

113. The forecast for centrally is to breakeven. This position assumes that the inflationary increases through the MTFS on energy budgets within Pooled Building are sufficient to meet the higher costs. This will be monitored regularly through the usual budget monitoring process.

114. There is a breakeven position forecast on Landlords Repairs and Maintenance and Insurances at quarter 1.

115. **Capital Forecast**

116. Appendix 5 compares the latest capital forecast outturn of £126.0m, an increase from the budgeted position of £110.9m. The key reasons for this increase of £15.1m are set out in the following paragraphs.

117. **Health and Care** **Forecast spend £2.269m**

118. There has been a reduction of £3.638m since the MTFS report. This is mainly due to the reprofiling of new build nursing home projects into future years.

119. **Children and Families** **Forecast spend £36.801m**

120. Maintained Schools *Forecast Spend £36.604m*

121. There has been a decrease of £8.670m since the MTFS. There has been rephasing of £10m of SEND Grant and £10m of Basic Needs into 2024/25 reflecting realistic spend and delivery profiles for projects in these areas.

122. There has been an increase of £2.9m in the Schools Capital Allocation for 2023/24 in addition to £4.5m of slippage from 2022/23.

123. Other increases include refining of budgets for large projects such as Netherstow High School of £0.197m, Deanslade Primary School of £0.617m, St Leonards Primary of £0.985m, Scienta Reach2 of £0.336m, new school at Parks Farm of £0.168m, Madeley High Academy of £0.177m.

124. The remaining change is made up of a number of other smaller instances of slippage into 2023/24 and budget refinements on projects across the whole programme.

125. **Economy, Infrastructure and Skills** **Forecast spend £79.769m**

126. *Economic Planning & Future Prosperity* *Forecast spend £8.347m*

127. There has been a reduction of £0.317m since the MTFS. Included within this overall reduction are significant changes on projects – A50 contingency reduced and reprofiled by £1.630m, new Stafford Town Centre project contribution increase of £0.870m, cost increases at i54 Strategic Employment Site following a review of £0.404m and slippage of £0.690m into 2024/25 for Chatterly Valley. There have been smaller movements across a number of other projects within this service area.

128. *Highways Schemes* *Forecast spend £64.083m*

129. There has been an increase of £23.131m since the MTFS report. There has been significant increase in investment by the Council including £5m in minor carriageway maintenance and £10m in the overarching highways programme of £10m.

130. Additionally further grant resources have become available including Active Travel Fund of £0.743m, additional DfT resources of £2.210m and HS2 Road Safety Funds of £0.508m. There are also further developer contributions for IT and Third Party Contributions for IT and Bridges.

131. There has been a rephasing of the budget for Stafford Western Access Route in line with the latest forecast completion timescale of £1.891m.

132. *Connectivity* *Forecast Spend £0.808m*

133. There has been an increase of £87,000 since the MTFS, which is due to the reprofile of the Gigabyte voucher schemes due to delays, eligibility changes and voucher amounts in the process of being amended.

134. *Rural County* *Forecast Spend £0.388m*

135. There has been a reduction of £6,000 since the MTFS, due to small increase due to rephasing on Rights of Way Maintenance of £4,000, ongoing M6 Toll associated costs due to land ownership issues of £50,000 and additional grant of £9,000. There has been the introduction of a new project – Tamworth 4 Footpath resurfacing of £30,000. These additions have bene offset by rephasing of Chasewater Section 106 into future years of £99,000.

136. Waste & Sustainability *Forecast Spend £1.290m*

137. The forecast spend has increased by £0.315m since the MTFS. This is due to the introduction of a new project to acquire a flare at Bemersley Recycling Centre of £45,000 and the introduction of a County wide 5 year investment plan starting in 2023/24 of £1.245m. These increases are offset by delays with Newcastle Household Waste Recycling Centre which is now in business planning phase and potentially set for works to start late in 2023/24, reducing this years forecast by £0.975m.

138. **Property, Finance and Resources & ICT** **Forecast spend £6.503m**

139. There has been an increase of £3.748m since the MTFS. This increase is mainly due to the introduction of a new project – Tamworth Library Refurbishment of £1.159m and further investment in District Property Rationalisation to support MTFS pressures of £1.350m.

140. **Financial Health**

141. Appendix 6 provides a forecast outturn performance against the key Financial Health Indicators approved as part of the 2023/24 budget setting process.

142. There have been 97.7% of invoices paid within 30 days of receiving them at the end of May, exceeding the financial health indicator target.

143. The Debt Key Performance Indicator (KPI) has been refreshed, which reflects the following:

- The same KPI and targets have been in place since the commencement of 2019/20. Increased income and other changes over the intervening period mean that the previous target was out of date
- The decision of Social Care Ombudsman to require bill for residential care to be issued by SCC rather than the provider has close to doubled the volume and value of social care invoices raised
- The previous single KPI did not focus sufficient attention on debt recovery or risk
- The Covid pandemic and the cost of living crisis have changed the collection environment.

144. Due to increasing income levels year on year (in particular in residential care) the target will need to be reviewed and revised annually.

145. The estimated level of outstanding sundry debt over 6 months old is £19.943m, this is under the revised target of £21.5m by £1.557m. This position is an increase of £0.896m since the outturn 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.

146. The level of CCG health debt over 6 months old is now £0.647m, £0.453m below the target figure.

147. Non-Residential Client debt now stands at £11.589m 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	2023/24 Target	31/03/2023	30/06/2023	Increase / (Decrease)
	£m	£m	£m	£m
Health Bodies & CCGs	1.200	0.341	0.647	**0.306**
Other Govt. and Public Bodies	2.800	2.289	2.105	**(0.184)**
Other General Debtors (Individuals & Commercial)	5.200	5.018	5.224	**0.206**
H&C Non-Res Client Debt	11.000	11.399	11.589	**0.190**
H&C Residential Client Debt	1.300	-	0.378	**0.378**
TOTAL	**21.500**	**19.047**	**19.943**	**0.896**

148. **Prudential Indicators**

149. Appendix 7 provides a forecast outturn performance against the Prudential Indicators approved as part of the 2023/24 budget setting process.

150. The County Council operated within the limits and Prudential Indicators for Treasury Management as set out in the County Council’s Treasury Management practices, except for the indicator relating to variable interest rates. This indicator is calculated based on the highest expected cash balance in year, but this was surpassed towards the end of last financial year when forward funding was received.

151. Given the current volatile economic situation, these indicators are being monitored even more closely than usual. At the time of writing it is considered that the Treasury Management Strategy does not need amending but this will be subject to regular monitoring and any changes will be reported to Cabinet as part of the Half Year Treasury Management report.