Appendix 3 – Quarter 2 Finance Report

Introduction

Revenue Forecast

1. The latest revenue forecast outturn (as provided in appendix 4) shows a forecast overspend of £7.7m (1.1%), compared to the quarter 1 forecast overspend of £9.5m (1.39%).

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

3. **Health and Care** **Forecast – £3.487m saving**

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

5. The Public Health and Prevention budget is forecast to break even in year. However, discussions with Midlands Partnership University NHS Foundation Trust (MPUFT) are ongoing, to determine the impact of the 2023/24 NHS Pay award, which could create a significant pressure in future years. Moving forward, the Public Health Reserve will also be used to mitigate possible risks regarding the uncertain future of the Public Health Ring Fenced Grant allocation.

6. *Adults Social Care & Safeguarding* *Forecast - £2.304m saving*

7. There remain a number of vacancies in the Adults Learning Disability Team (ALDT) which has led to a forecast saving of £0.972m. The vacancies are planned to be filled during the year. The Adult Social Care team is currently being supported by some temporary external capacity which is being funded from reserves. There is also a risk that the budget reprofile for the delayed implementation of Adult Social Care Reform will result in a budget pressure of £0.750m. There is a forecast pressure of £0.288m to secure some additional temporary resource to tackle a backlog of best interest assessments. Approval has been given to fund this pressure from Health and Care reserves and the necessary accounting adjustments will be made at the end of the financial year. There is a small £0.181m forecast overspend for the Section 75 contract with the MPUFT due to the 2023/24 NHS pay award being slightly higher than budgeted. Other variances in the Adult Social Care and Safeguarding budget amount to a forecast saving of £0.161m.

8. The Learning Disability In-House services are forecast to save £0.239m. This is largely due to vacancies in the residential services offset by a small overspend in the Complex Needs Services. This is the first full year of operation for the new Independence at Home homecare service. The cost of this service is being met in the current financial year by the Adult Social Care Discharge Grant which creates non-recurrent forecast saving of £2.151m.

9. Care Commissioning — Forecast - £1.182m saving

10. The Older Peoples budget is forecast to save £3.212m. The on-going management of demand and prices continues to have a positive impact on the financial position.

11. The position is a consequences of the home care budget for older people which is forecast to save £3.290m, mainly due to some non-recurrent funding available in year. There is also a forecast saving of £0.483m on direct payments for older people as the number of people in receipt of a direct payment during the year has been lower than anticipated. Additionally, there is a forecast saving of £0.219m on the older people day care budget resulting from lower than anticipated activity in the early part of the year. There is a forecast pressure of £0.259m on the residential and nursing budget for older people, having adjusted for assumed activity and price pressures for the remainder of the financial year. Other variances in older people's expenditure result in a small forecast overspend of £0.476m.

12. The Physical Disabilities placement budget is forecast to save £1.149m. The Physical Disabilities home care budget is forecast to save £0.699m due to some non-recurrent funding available in the current year. There is also a forecast saving of £0.454m on direct payments as the number of people in receipt of a direct payment during the year has been lower than anticipated. Other variances in Physical Disabilities expenditure result in a small forecast overspend of £4,000.

13. The Learning Disability placement budget is forecast to overspend by £1.647m. This is mainly due to an increase in the number and price of supported living placements and because the £1.2m Medium Term Finance Strategy (MTFS) saving is not expected to be fully achieved. There is a risk of further increases in demand and price and commissioners will explore actions to mitigate these and bring expenditure back within budget.

14. The Mental Health budget is forecast to overspend by £1.618m. This is mainly due to an increase in the number and price of supported living placements over and above the additional budget in the 2023/24 MTFS. There remains a risk of further increases in demand and price and commissioners will explore actions to mitigate these to bring expenditure back within budget.

15. There is a £0.335m forecast saving on the Carers budget and also a £85,000 forecast saving on the Advocacy contract both due to lower activity than assumed in the budget. These are partially offset by some additional temporary commissioning costs forecast to be £0.211m. Other variances in the Care Commissioning budget amount to a forecast pressure of £0.122m.

16. **Covid Funding**

17. The Contain Outbreak Management Fund (COMF) of £9.703m has been brought forward to 2023/24, of which £3.430m is committed by previous Cabinet decisions leaving £6.281m. Grant conditions require that this must be spent on Covid related activities and there is a final cut-off date where all the funds must be utilised – 30 September 2024 – or any remaining grant will need to be returned.

18. Proposals for the remaining funds are as follows:

- £2.6m on Health Inequalities work in the districts and boroughs on behalf of the Leader's Board
- £0.736m for an expansion of the Warmer Homes programme
- £1.250m for a Health Visitor Transformation Fund
- £1m on a Drug and Alcohol / complex needs multi-service building purchase in Cannock
- £0.4m on Childrens Public Health in Pupil Referral Units
- £50,000 as a contribution to the Saplings Project.
- £0.245m on the Emotionally Based School Avoidance Project.

19. Cabinet is asked to note the use of the COMF in line with the grant conditions as outlined above.

20. **Market Sustainability & Improvement Fund (MSIF) – Workforce Fund**

21. At the end of July 2023 the government allocated a further £570m of ringfenced funding across the 2023/24 and 2024/25 financial years to local authorities to improve and increase adult social care provision. £365m has been made available in the current financial year with £205m available for 2024/25.

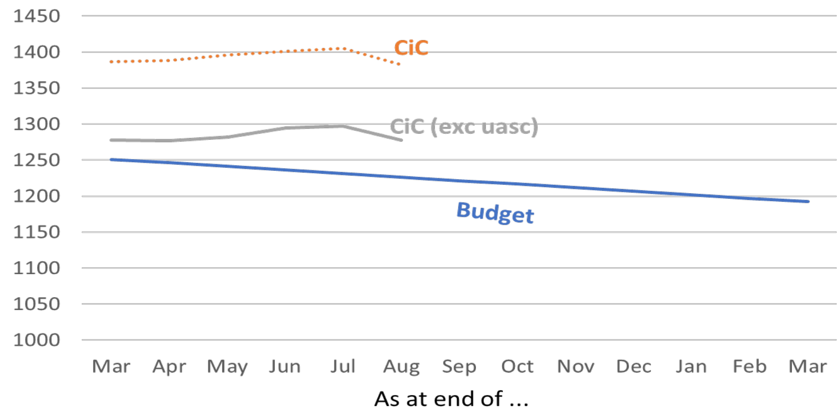
22. The funding can be used to:
    - Increase fee rates paid to adult social care providers
    - Increase adult social care workforce capacity and retention, or
    - Reduce adult social care waiting times

23. Under the grant conditions, the Council will need to:
    - Allocate the full allocation made to the Council of £5.387m in 2023/24 to adult social care and confirm that it has been added to existing budgets
    - Evidence improvement in at least one of the target areas using Department for Health and Social Care performance metrics and
    - Provide a final report in May 2024 on spend and progress.

24. **Children & Families** **Forecast - £11.550m overspend**

25. Children's Services *Forecast - £8.791m overspend*

26. The forecast for the service is an overspend of £8.791m. The number of Children in Care (CiC) remains largely unchanged from the start of the year (currently at 1,382) and after allowing for increasing numbers of Unaccompanied Asylum Seeking Children for whom we receive additional central government grant funding, this number is still significantly removed from the approved business case and underlying assumptions that make up the existing MTFS. If numbers do not reduce, then the pressure on the service will steadily increase. The CiC Placement and Section 17 budgets, exacerbated by the rising cost of inflation is forecast to be £9.7m overspent.



27. The service is taking mitigating actions to address as far as possible pressures for CiC placements, including:
    - Continuously monitoring thresholds for children entering care, especially those requiring residential provision
    - Review and expand Edge of Care provision to mitigate and avoid escalation
    - Review and improve the reunification support offer
    - Review all existing CiC by cohort, considering areas working well and areas for potential improvement
    - Maximise income contributions from key partners
    - 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
    - The West Midlands have submitted a bid to become a Regional Care Collaborative which will see greater co-ordination of children's places leading to reduced costs and better relationships with the market.

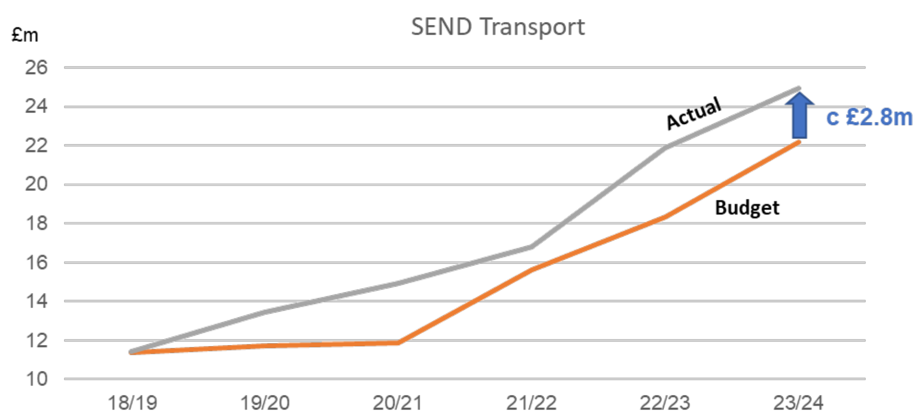
28. In recent times, the service has been hindered by on-going recruitment and retention problems leading to inconsistent support and capacity. This was recognised in the MTFS and significant additional resource was brought into the budget to address these concerns. The service has secured people within several roles and is actively recruiting to others, planning to realign services and apportioning 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. This leads to a forecast overspend of £1.7m across the service. This is offset by vacancy savings and one off savings due to the

delayed implementation of the workforce review and restructure that is currently being worked through, forecast to save £2.1m.

29. There are also other mitigating saving of £0.6m, mainly additional unaccompanied asylum seeking children (uasc) grant, to provide the overall forecast overspend of £8.7m.

30. *Education Services* *Forecast - £2.877m overspend*

31. The service is forecast to overspend by £2.877m. 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 and Health Care Plans (EHCPs). Costs increased significantly last financial year as a result of the rising costs of inflation, exacerbated by the conflict in Ukraine, and despite a further increase in budget this year it is likely that a further overspend of £2.8m will arise in 23/24.



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

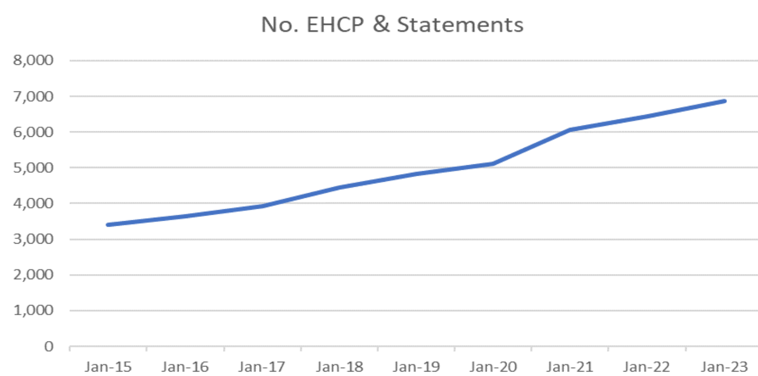
33. There is an additional pressure within the Educational Psychology service which is now forecast to overspend by £0.3m. This is a result of additional locum costs arising as a result of the increasing demands for EHCP assessments.

34. There are other small forecast savings across the service, including historic pension contributions, and provision for school deficit converters, totalling £0.2m that provide for a forecast overspend of £2.9m in year.

35. *SEND High Needs Block*

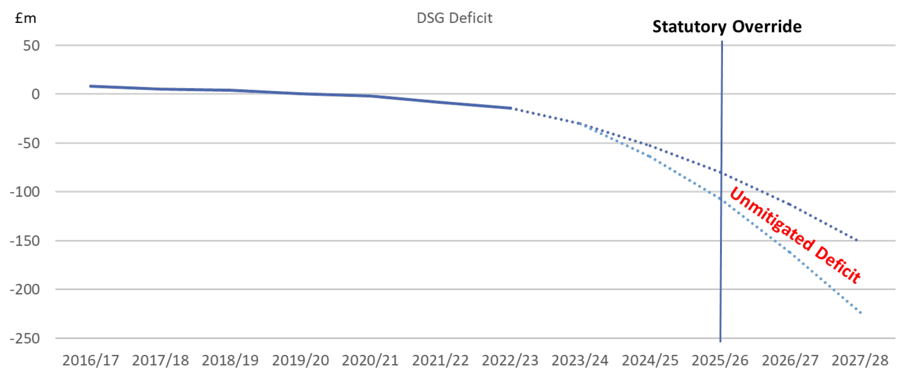
36. The High Needs Block (HNB) is forecast to overspend by £20m. This reflects the continuing growing demand for SEND Support which is impacting across all areas but especially the Independent Sector with numbers now double what they were four years ago, and given the more expensive placement cost, this is by some way the largest budget pressure in the HNB. There is increasing complexity of need and costs impacting all areas.

37. From April 2022 the Council implemented a new 'Education Banding Tool' for assessing a child's EHCP. Following concerns of increasing costs, this has been temporarily suspended while further consideration is undertaken.



38. Staffordshire County Council is not alone in this difficult financial predicament, it is a position shared by the majority of Councils across the sector. The Government has put in place a 'statutory override' requiring that accumulation DSG deficits should remain ring-fenced separate to the Council's other reserves, and this has been extended through to the end of 2025/26

39. Accordingly, this overspend will be charged against the DSG reserve which, at the end of 2022/23 was already £14.2m in deficit. Given the current forecast overspend this will likely be over £30m in deficit at the end of the current year. The Council's deficit management plan, that is consistent with the wider objectives outlined in the SEND Strategy, outlines the targeted interventions that will seek to mitigate the exiting shortfall. This will take time and at this stage, does not appear to have had any significant impact on what is a worsening position.



40. Partnerships & Wellbeing — Forecast - £0.118m saving

41. The forecast for the service is a saving of £0.118m, which is mainly due to one off staffing savings and a reduction in the short breaks provision take up.

42. A large majority of the Wellbeing and Partnerships budget is funded from government grants, including Resettlement grants of £10.9m, Household Support Fund of £11m, Holidays and Activities Fund of £2.4m and Supporting Families of £2.6m. The programmes included in the service have Cabinet approved plans to utilise the allocations and to deliver national programmes of work for the benefit of local residents.

43. **Economy, Infrastructure & Skills — Forecast – £0.102m saving**

44. Business & Enterprise — Forecast – £8,000 saving

45. The service is forecast to achieve a very small saving of £8,000 in 2023/24 with some uncertainty related to project costs, income generation and key decisions. The Shire Hall Business Centre is expected to have a shortfall of income compared to costs, but this should be subsidised by surpluses at the other Enterprise Centres, in particular Cannock Chase, Lymedale and Waterside Court.

46. Infrastructure & Highways — Forecast - Breakeven

47. The forecast for the service is a breakeven position although there are various savings and overspends forecast across the service.

48. This position assumes that additional network management income will be used to offset a budget pressure in the traffic signals energy cost area and that staffing vacancies in the school crossing patrol teams are used to offset the land charges budget pressure and the reduced Section 38 income.

49. This forecast position also assumed that new priority work in the first part of this financial year can be delivered through the carry forward of unspent highways transformation monies from 2022/23. 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.

50. Transport, Connectivity & Waste *Forecast - £0.137m saving*

51. The Transport and Connectivity service is forecast to have a saving of £0.148m in year. 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, but the impact remains uncertain. Furthermore, any savings in this area will need to be ringfenced to support the bus network in future years.

52. The Sustainability and Waste service is forecast to have a small overspend of £10,000 in year. This assumes that the £0.565m MTFS saving in the Dry Mix Recycling Credits budget area has been achieved.

53. There is forecast to be further one-off additional third party income and further electricity revenues generated at the Energy from Waste W2R plant which is being utilised to fund further capital works on the Household Waste Recycling Centre (HWRC) sites.

54. The overall position for the service also includes moving £0.253m into reserves to cover the remaining amount of the £1m necessary for the next 4 years of Local Transport Assessment Works.

55. *Skills* *Forecast - Breakeven*

56. The Skills service is forecast to save £82,000 in year, due to some retirement vacancies which remain partially unfilled at quarter 2. This saving is netted

down by funding for an extension to the Ignite Student Start up scheme in the current year.

57. *Culture, Rural & Communities* *Forecast – £0.130m overspend*

58. The service is forecast to overspend by £0.130m, which is largely made up of a continued significant pressure in the Trading Standards service. The County Council is incurring costs for cattle in our care due to delays in the court system. These costs include legal fees, feed, vet, and housing costs for the seized cattle. This pressure is offset somewhat by one-off staffing vacancies in the Libraries service and will continue to be monitored as we move through the financial year.

59. **Corporate Services** **Forecast – £0.230m saving**

60. The service is forecast to save £0.230m, and this position assumes the £0.220m property rationalisation MTFS saving has been achieved.

61. It is likely that there will be some significant additional income above budget in Registrars due to the higher number of weddings that are being booked after all Covid restrictions are now lifted and the appointment of a dedicated events planner in this area. This additional income will offset the annual leave purchase scheme pressure and also allows provision for additional ICT hardware and additional capacity in the Business Support area in future years.

62. **Finance** **Forecast - £46,000 saving**

63. At quarter 2, the Finance directorate is forecast to achieve a saving of £46,000, which includes provision for future capacity in the Adult Financial Services team, offset by temporary staffing vacancies.

64. **Centrally Controlled**

65. The forecast for this area is breakeven, which assume that the inflationary increases through the MTFS 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.

66. **Nexxus Trading Services Ltd**

67. Nexxus, like many Adult Social Care providers, continues to face difficult trading conditions, particularly around recruitment and retention of staff. Despite challenges the company is forecasting a small profit for the 2023/24 financial year. A governance review is currently underway, the outcome of which will be implemented in Autumn 2023.

68. **Capital Forecast**

69. Appendix 5 compares the latest capital forecast outturn of £136.0m, an increase from the quarter 1 position of £126.0m. The key reasons for this increase of £10m are set out in the following paragraphs.

70. **Health and Care** **Forecast spend £1.526m**

71. There has been a reduction of £0.743m since the quarter 1 report. There has been reprofiling into 2024/25 for Hawthorne House Extension and Refurb project of £1.543m offset by the introduction of Brackenberry Renovation project of £0.8m.

72. **Children and Families** **Forecast spend £45.832m**

73. Maintained Schools *Forecast Spend £45.635m*

74. There has been an increase of £9.030m since the quarter 1 report. There has been programme development and budget finalisations, including the introduction of developer contributions which has lead to the increase in forecast spend. Increased forecasts in projects include – Madeley High School expansion of £1.153, Colwich Primary School of £0.180m, Winshill Primary of £21,000, New Primary School North of Stafford of £5.514m, Dunstall Farm Primary of £3.842m and a new Primary school at Tamworth golf course of £1.445m.

75. There have been some reductions to projects such as reduction in basic needs forecast of £1.041m and West Hill Primary of £80,000.

76. **Economy, Infrastructure and Skills** **Forecast spend £81.400m**

77. Economic Planning & Future Prosperity *Forecast spend £6.242m*

78. There has been a reduction of £2.105m since the quarter 1 report. This decrease is due to uncertainty over cash flows for Chatterly Valley project as the contractor has gone into administration, we have adopted a prudent stance and rephased the budget of £0.516m into 2024/25. There has also been some reprofiling of budgets including Newcastle Enterprise Centre Extension and Refurb of £1.082m due to delays in planning, and Stafford Future High Street project of £0.220m in line with anticipated Stafford Borough Council works plan.

79. There have been some smaller rephasing of budgets into 2024/25 on Farms general budget of £54,000 and Farms Reinvestments budgets of £0.109m.

80. Highways Schemes — Forecast spend £68.155m

81. There has been an increase of £4.072m since the quarter 1 report, due to the introduction of new Levelling Up Fund funding to the programme of £5m, offset by refinements on budgets for Stafford Western Access Route of £0.364m, Lichfield Southern Bypass of £0.125m, and other smaller projects totalling £0.439m.

82. *Connectivity — Forecast Spend £0.4m*

83. There has been a decrease of £0.408m since the quarter 1 report, which is due to reprofiling of the total service budget in line with the latest project delivery plan and anticipated cash flow.

84. *Rural County — Forecast Spend £0.590m*

85. There has been an increase of £0.202m since the quarter 1 report due to the introduction of the Rights of Way Improvements budget line previously reported within Highways.

86. **Property, Finance and Resources & ICT — Forecast spend £7.193m**

87. There has been an increase of £60,000 since the quarter 1 report, this is mainly due the acquisition of a replacement gritter of £82,000, increase of £10,000 for the Data Centre Network Refresh project and a reduction of £32,000 for the Seasbridge Centre Demolition project.

88. **Financial Health**

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

90. There have been 97.9% of invoices paid within 30 days of receiving them at the end of May, exceeding the financial health indicator target.

91. The Debt Key Performance Indicator (KPI) has been amended, 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.

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

93. The estimated level of outstanding sundry debt over 6 months old is £20.504m, this is under the revised target of £21.5m by £0.996m. This position is an increase of £0.561m since the quarter 1 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.

94. The level of CCG health debt over 6 months old is now £0.876m, £0.324m below the target figure.

95. Non-Residential Client debt now stands at £12.474m 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**	**30/06/2023**	**30/09/2023**	**Increase / (Decrease)**
	£m	**£m**	**£m**	**£m**
Health Bodies & CCGs	1.200	0.647	0.876	**0.229**
Other Govt. and Public Bodies	2.800	2.105	1.977	**(0.128)**
Other General Debtors (Individuals & Commercial)	5.200	5.224	4.527	**(0.697)**
H&C Non-Res Client Debt	11.000	11.589	12.474	**0.885**
H&C Residential Client Debt	1.300	0.378	0.650	**0.272**
TOTAL	**21.500**	**19.943**	**20.504**	**0.561**

96. **Prudential Indicators**

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

98. 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.

99. 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.