Appendix 3 – Quarter 3 Finance Report

Introduction

Revenue Forecast

1. The latest revenue forecast outturn (as provided in appendix 4) shows a forecast overspend of £5.4m (0.9%), compared to the quarter 2 forecast overspend of £7.7m (1.1%).

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

3. **Health and Care** **Forecast – £4.842m saving**

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

5. The Public Health budget is forecast to breakeven. Inflationary costs are likely to exceed any increases in the Public Health Ring Fenced Grant which may produce a cost pressure in future years, however it is anticipated that this could be met from Public Health reserves.

6. *Adults Social Care & Safeguarding* *Forecast - £2.229m saving*

7. There remain a number of vacancies in the Adults Learning Disability Team (ALDT) which has led to a forecast saving of £0.833m. The vacancies are planned to be filled during the remainder of the year. The team is currently being supported by some temporary external capacity which is being funded from reserves.

8. Posts created in order to prepare for adult social care assurance is forecast to result in a small overspend of £0.750m however it is anticipated that this will not exceed £0.5m in year. Recurrent funding for these posts has been built into the Medium Term Financial Strategy (MTFS). There is a forecast overspend of £0.383m 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 where and if necessary.

9. There is a £0.272m forecast pressure for the Section 75 contract with the Midlands Partnership University NHS Foundation Trust (MPUFT) due to the 2023/24 pay award being higher than budgeted.

10. Other variances in the Adult Social Care and Safeguarding budget led to a forecast saving of £0.605m.

11. In house services are forecast to save £2.196m which reflects vacancies in the residential services and Independence at Home homecare service being funded from the Adult Social Care Discharge grant. This is slightly offset by a small overspend within the Complex Needs Service.

12. *Care Commissioning* *Forecast - £2.613m saving*

13. The Older Peoples budget is forecast to save £1.813m. The ongoing management of demand and prices continues to have a positive impact on the financial position. This position is a consequence of a forecast saving of £3.440m on the Home Care budget, mainly due to the utilisation of £2m non-recurrent funding in year. This is offset by a forecast overspend on the Residential and Nursing budget of £1.653m. Other variances result in a small forecast saving of £26,000. A review of the allocation of costs between Older People and Mental Health budgets is in progress, the outcome of which may impact on the above position and will be reflected in future reports.

14. The Physical Disabilities budget is forecast to save £1.139m. The Home Care budget is forecast to save £0.744m due to the utilisation of non-recurrent funding in year. There is also a forecast saving on direct payments of £0.334m as the number of people in receipt of a direct payment during the year has been lower than anticipated. Other variances result in a small forecast saving of £16,000.

15. There is a forecast overspend of £0.157m for legacy items such as pensions costs.

16. There is a forecast additional income of £1.657m for client income, in line with increased expenditure on residential and nursing placements.

17. The Learning Disability budget is forecast to overspend by £1.038m. This is due to an increase in the number and price of supported living placements and because the £1.2m 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.

18. The Mental Health budget is forecast to overspend by £1.775m. This is 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 is a risk of further increases in demand and price and commissioners will explore actions to mitigate these. Work is ongoing to review the allocation of placements between Older People and Mental Health, the outcome of which may impact this position and will be subject of future reports.

19. There are forecast savings on the Carers budget of £0.302m and on the Advocacy contract of £0.183m, both due to lower activity than assumed in the budgets. These are partially offset by some additional temporary commissioning costs, forecast to be £0.188m. Further to this, there is a forecast saving on the reablement contract of £0.496m, due to final contract value being lower than the sum assumed when the budget was set.

20. Other variances in the Care Commissioning budget total a forecast saving of £0.181m.

21. **Covid Funding**

22. The Contain Outbreak Management Fund (COMF) of £9.703m has been brought forward to 2023/24. Grant conditions require that this must be spent on Covid related activities and there is a final cut-off date where all funds must be utilised by 30th September 2024, when any remaining grant will need to be returned.

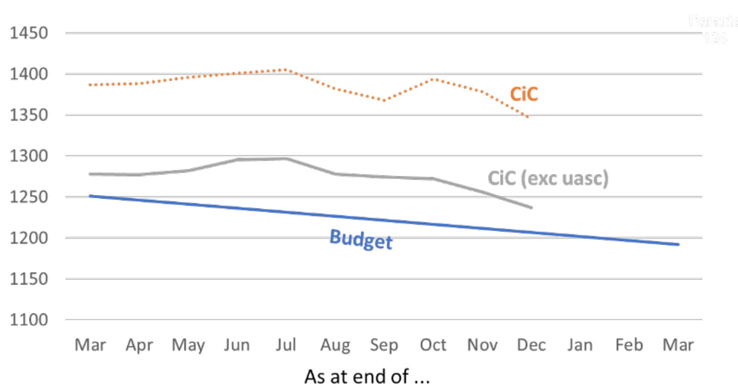
23. While spend is progressing against approved proposals, there is a risk that £1.4m of the £2.8m earmarked for Learning Disabilities property refurbishment will not be utilised by the deadline. If this is the case, there is an opportunity to mobilise further proposals to ensure the full utilisation of the COMF. Any funding shortfall on the renovation projects as a result will be monitored and proposed mitigations will be subject of future reports and necessary approvals.

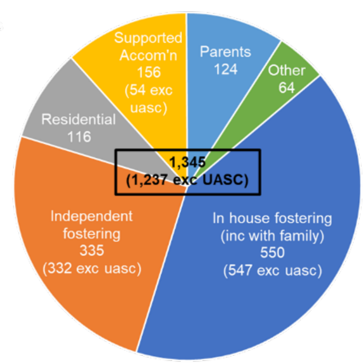
24. **Children & Families** **Forecast - £11.538m overspend**

25. Children's Services *Forecast - £9.317m overspend*

26. The forecast for the service is an overspend of £9.3m, an increase from the quarter 2 position of £8.7m.

27. There has been a reduction in the number of Children in Care (CiC) in recent months. At the start of January, the number of CiC was 1,345 (1,237 excluding Unaccompanied Asylum Seekers). This is 60 children lower than at the highest point at the end of July this year. Unfortunately demand remains significantly higher than the level assumed in the transformation programme – especially for more expensive residential provision – and, given the pressure which has accumulated through the year so far, the CiC Placements budget and Section 17 support is forecast to be £9.6m overspent.





28. The service is taking mitigating actins to address as far as possible the pressures for CiC Placements including:
    - Continuously monitoring thresholds for children entering care, especially those requiring residential provision
    - Reviewing and expending Edge of Care provision to mitigate and avoid escalation
    - Reviewing and improving the reunification support offer
    - A review of all existing children in care by cohort, considering areas working well and areas for potential improvement
    - Maximizing income contributions from key partners
    - Engaging with providers to actively source quality placements and ensure a vibrant market so that the costs of care are competitive

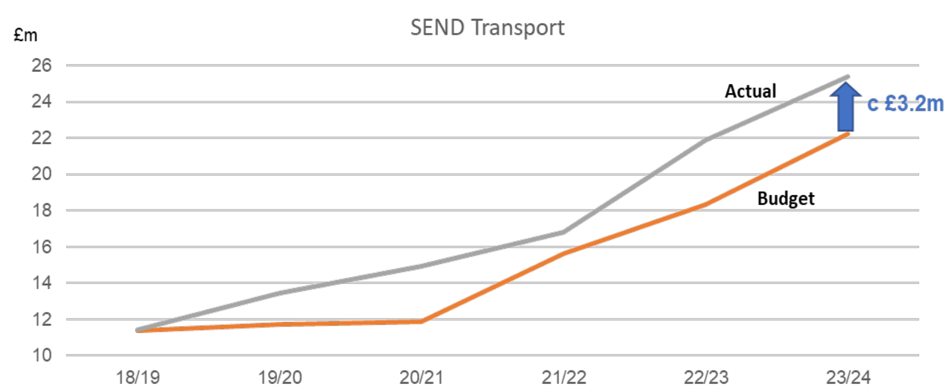
29. In recent times, the service has been hindered by on-going recruitment and retention problems leading to inconsistent support and capacity. This was recognised in the MTFS, and significant additional resources brought into the budget this year to address these concerns. The service has secured people within several roles and is actively recruiting to other roles, 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 £1.3m across the District structure. This is offset by vacancy savings and one off savings due to the staged implementation of the workforce review/restructure that is currently being worked through, forecast to total £2.4m.

30. There are also other forecast overspends of £0.8m, including additional provision for aged debts. There is a risk that this forecast overspend will increase if further high need or complex placements are brought into SCC care before the year end.

31. *Education Services* *Forecast - £2.722m overspend*

32. The service is forecast to overspend by £2.7m, a slightly improved position from the £2.9m forecast at quarter 2.

33. The forecast overspend is primarily due to pressure in the Special Educational Needs and Disabilities (SEND) transport budget which in recent years has seen a significant increase in a demand as a result of the rise in Education, Health and Care Plan (EHCPs). Costs increased during 2022/23 as a result of rising inflation, and despite a further increase in budget this year it is forecast that there will be an overspend of £3.2m.



34. 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, for example, to improve average occupancy levels and to identify the most efficient transport routes.

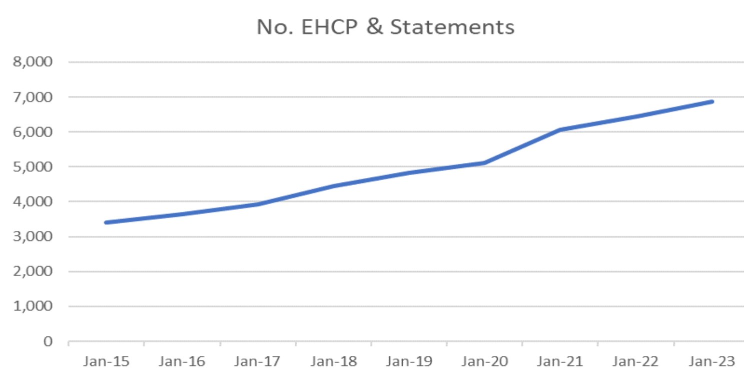
35. There is an additional pressure within the Educational Psychology service which is forecast to total £0.3m, due to additional locum costs arising as a result of the increasing demand for EHCP assessments.

36. There are other small savings across the service, including historic teacher pensions contributions, and provision for school deficit converters, which total a forecast of £0.8m.

37. SEND High Needs Block

38. The High Needs Block (HNB) is forecast to overspend by £20m and reflects

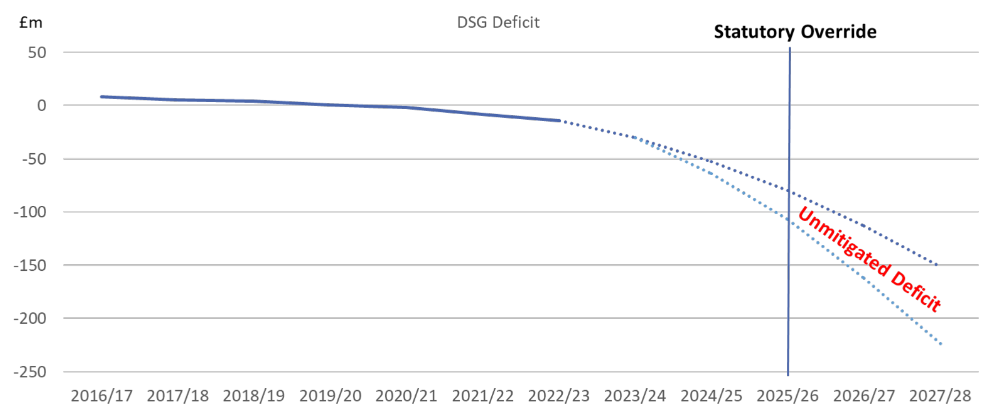
- Continuing growing demand for SEND support. This is impacting across all areas but especially the Independent sector with numbers now more than double what they were just four years ago and, given the more expensive placement cost, by some was the largest budget pressure in the HNB.
- Increasing complexity of need and costs impacting all areas.
- From April 2022 the Council implemented a new 'Education Banding Tool' for assessing a child's EHCP. Following concerns of increasing costs, this has been temporarily suspended while further consideration is undertaken.



39. This is a position shared by many Councils across the sector. The Government has put in place a 'statutory override' requiring that accumulated Dedicated Schools Grant (DSG) deficits should remain ringfenced, separate to

the Council's other reserves and this has now been extended through to the end of 2025/26.

40. Accordingly, this forecast overspend will be charged against the DSG reserve which, at the end of 2022/23 was already £14.2m in deficit, and, given the forecast overspend this year, will likely be over £30m in deficit at the end of this year. The Councils Deficit Management Plan (DMP), that is consistent with the wider objectives outlined in the SEND Strategy, outlines the targeted interventions that will seek to mitigate the existing shortfall that is expected to rise over the next 4 years; however, this will take time and is unlikely to address in full the worsening position without further Government support. A key element of the 2024/25 DMP is for a 0.5% funding switch from the Schools Block to the High Needs Block as permitted under Government guidelines; this was initially rejected by Schools Forum, but the Council's subsequent disapplication request to the Secretary of State has since been approved and will provide for an additional £3.2m next year.



41. *Partnerships & Wellbeing* *Forecast - £0.501m saving*

42. The forecast for the service is a saving of £0.5m, an increase from the quarter 2 forecast of £0.1m. This is mainly due to savings against the health and wellbeing contract of £0.1m, along with one off staffing savings of £0.1m. There has also been a reduction in the costs associated with the transfer in-house of the Early Years Entrust contract of £0.3m.

43. A large majority of the Wellbeing and Partnerships budget is funded from government grants, including Resettlement grants of £10.6m, 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.

44. **Economy, Infrastructure & Skills** **Forecast – £0.933m saving**

45. Business & Enterprise *Forecast – £0.135m saving*

46. The service is forecast to save £0.135m, which is an increase from the quarter 2 position of £8,000 saving. The main reasons for this increase are that a provision for staffing costs has not been required, and that a number of external funding contracts are being agreed for the delivery of business support services over the next two years. These funding agreements include UK Shared Prosperity Fund (UKSPF) funding from District and Borough Councils, as well as Business Energy Advice Service (BEAS) funding from the West Midlands Combined Authority (WMCA), and Funding from the Local Enterprise Partnership (LEP) to deliver legacy activities.

47. Infrastructure & Highways *Forecast - Breakeven*

48. The forecast for the service is to breakeven, although there are various overspends and saving forecast across the budget area.

49. The position continues to assume 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 will be used to offset the land charges budget pressure.

50. The current forecast position also assumes that the emerging new priority work can be delivered through carry forward of unspent highways transformation monies. 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.

51. Transport, Connectivity & Waste *Forecast - £0.205m saving*

52. The Transport and Connectivity service is forecast to save £0.205m in year. There continue to be risks in the Concessionary Fares service as future Government directives could change and the impact of the Department for Transport Toolkit review is still unclear. There is provision to mitigate these

risks, but the impact is still uncertain. Furthermore, any savings achieved in this area will need to be ringfenced to support the bus service in future years.

53. The Sustainability and Waste service is forecasting a breakeven position, which includes the delivery of the £0.565m MTFS Dry Mixed Recycling credits saving.

54. It is proposed that the additional third-party waste income and electricity generated income surpluses from the Waste to Recycling Energy plant contract are to be carried forward to fund the remaining 4 years of the 5 year Household Waste Recycling Centres (HWRC) capital investment programme, and to earmark £0.4m to cover the remaining £1m necessary for the Local Transport Assessment work.

55. *Skills* *Forecast - £0.559m saving*

56. The Skills service is forecast to save £0.559m, an increase from the £82,000 saving forecast at quarter 2. The main reason for this increase is the identification of saving on the Schools Career Service contract, which has been brought in house this year from Entrust. This saving is worth £0.458m in 2023/24 and forecast to be £0.3m on going. This saving is earmarked in future years to enable the extension of the Staffordshire Jobs and Careers Service, which currently has temporary funding for its net cost. In addition to this, there is a forecast saving on staffing costs due to vacancies to be filled over the coming months. Some of this forecast saving is earmarked for use to fund an extension to the Ignite Student Start Up programme.

57. *Culture, Rural & Communities* *Forecast – £1,000 saving*

58. The service is forecast to achieve a small saving of £1,000 which is a reduction to the £0.130m saving forecast at quarter 2. This is largely made up of a forecast overspend of £85,000 in Community Safety due to costs for cattle in our care due to delays in the court system, which has been partly offset by increases in income and savings against contracts. There is a forecast overspend of £50,000 for Rural Services due to an increase in expenditure on equipment and services and an underachievement of income, partly offset by vacant posts and a reduction in transport costs.

59. The forecast overspend in Community Safety and Rural is partly offset by a forecast saving for Culture of £0.135m. This is made up of staffing vacancies

and a reduction in transport costs for the Libraries service, as well as small savings in the Archives service due to additional income.

60. EI&S Business Support *Forecast - £33,000 saving*

61. The service is forecast to save £33,000 due to small savings across training and pension liabilities budgets.

62. **Corporate Services** **Forecast – £0.357m saving**

63. The service is forecast to save £0.357m, which in an increase of £0.127m from the quarter 2 position.

64. The additional saving is a result of turnover of staff and vacant posts which have not been filled in Commercial of £80,000, Strategic Property of £80,000 and Member and Democratic Services of £50,000. There is also additional income within the Governance Team of £13,000.

65. These forecast savings have been slightly offset by a shortfall in income withing the Communications Service of £25,000 as well as several increases in expenditure across the service in areas such as innovation, amongst others.

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

67. At quarter 2, there has been no change in the forecast saving for the service. This saving position includes provision for future capacity in the Adult Finance Services team, offset by temporary staffing vacancies.

68. **Centrally Controlled**

69. The forecast for this area is breakeven.

70. In line with the approach contained in the Medium Term Financial Strategy (MTFS), a contribution of £3m has been made to the Information Technology Reserve as part of the funding required for replacement systems. Also, in accordance with existing practice, additional contributions have been made to care risk and inflation reserves to help mitigate known risks over the next few years of the MTFS.

71. **Capital Forecast**

72. Appendix 5 compares the latest capital forecast outturn of £127.0m, a decrease of £9.0m when compared with the quarter 2 forecast of £136.0m. The key reasons for this decrease of £9m are set out in the following paragraphs.

73. **Health and Care** **Forecast spend £0.308m**

74. There has been a decrease of £1.218m from the quarter 2 report, this is due to the rephasing of several budgets into 2024/25 and 2025/26 in line with the latest project timelines. This includes Hawthorne House Extension/Refurbishment of £0.270m, Care Director Upgrade of £0.170m, Adult Social Care Provider Monitoring System of £0.166m and Brackenberry Renovation of £0.692m. There has been a small increase on Douglas Road Respite Service of £80,000.

75. **Children and Families** **Forecast spend £36.936m**

76. Maintained Schools *Forecast Spend £36.739m*

77. There has been a decrease of £8.896m since the quarter 2 report. There have been several schemes rephased into 2024/25 including Madeley High of £1.029m, Oldfields Hall of £2.735m, unallocated Basic Needs of £1.5m, Merryfield's of £0.670m, Rocklands of £0.460m, Littleton Green of £0.751m, unallocated Schools Capital Allocation of £1.738m and unallocated High Needs Provision Capital Allocation of £0.650m.

78. These reductions have been offset by additional Section 106 funding for St Leonards Primary of £0.366m and small budget refinements across the programme of £0.273m.

79. **Economy, Infrastructure and Skills** **Forecast spend £83.135m**

80. Economic Planning & Future Prosperity *Forecast spend £4.310m*

81. There has been a reduction of £1.932m since the quarter 2 report. There is uncertainty over the cashflow for the Chatterly Valley project as the contractor has gone into administration, therefore we have adopted a prudent stance and further rephased budget of £0.686m into 2024/25.

82. There has also been reprofiling of Newcastle Enterprise Centre Extension and Refurbishment project of £0.208m due to the delays with tender, reprofiling of i54 Employment Site of £0.217m and i54 Western Extension of £0.470m reflecting provisions for risk and contingency to 24/25 and 25/26.

83. Rephasing of the Forward Programme into 2024/25 means a reduction in forecast spend in year of £0.172m. Farms budgets have been rephased by £80,000. There have also been minor budget refinements across a number of programmes totalling £99,000.

84. Highways Schemes — Forecast spend £73.662m

85. There has been an increase of £5.507m since the quarter 2 report. This increase is due to the introduction of Network North Funding of £3.188m in 2024/25 enhancing Carriageway Maintenance budgets, as well as a reflection of latest forecast spend levels for Carriageways and Integrated Transport.

86. There has also been a £1m increase due refinements in Developer Funded Scheme budget refinements, as well as a reduction of £0.846m for the Stafford Western Access Route which is in line with the latest project progress reports.

87. Skills — Forecast Spend - £0.212m

88. The Gigabit Broadband Voucher Scheme has been rephased by £0.188m into 2024/25 to better reflect the forecast project delivery plan.

89. *Rural County* — *Forecast Spend - £0.437m*

90. There has been an decrease of £0.153m since the quarter 2 report, which is mainly due to the rephasing of Greenways into future years of £0.1m, M6 Toll rephasing due to ongoing land ownership issues of £50,000.

91. *Waste & Sustainability Projects* — Forecast Spend - £1.339m

92. There has been a small increase of £62,000 since the quarter 2 report, due to budget refinements for the JCB/CAT Fleet replacement budget of £0.103m and the introduction of NHRC Lighting Repairs programme of £40,000. There have

been rephasing and refinements of other schemes totalling a reduction of £81,000.

93. **Property, Finance and Resources & ICT Forecast spend £6.593m**

94. There has been a decrease of £0.6m since the quarter 2 report. There has been a project scope review which has resulted in a number of projects within the District Property Rationalisation being carried over into 2024/25 totalling £0.760m. There has also been rephasing of £0.3m for the Back up Solution Premises Hardware project as this is still under review.

95. There has been the introduction of a new project for Burntwood Youth Centre Demolition, increasing the forecast spend by £0.2m, and there is forecast acquisition of 10 new vehicles for the Network team and 1 vehicle for the Fostering team, increasing the forecast spend by ££0.260m.

96. **Financial Health**

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

98. 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.

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

- The aged debt indicator has been re-calculated in the light of increased income levels and changes to charging arrangements, it is expected that the target will be reviewed and amended for 2024/25

100. Due to increasing income levels year on year (in particular in residential care) and changed to charging arrangements, the target will need to be reviewed and revised annually, the target will be updated for 2024/25.

101. The estimated level of outstanding sundry debt over 6 months old is £24.242m, this is over the revised target of £21.5m by £2.742m. This position is an increase of £3.738m since the quarter 2 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.

102. The level of CCG health debt over 6 months old is now £0.339m, £0.861m below the target figure.

103. Non-Residential Client debt now stands at £14.980m 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**	**30/09/2023**	**31/12/2023**	**Increase / (Decrease)**
	£m	**£m**	**£m**	**£m**
Health Bodies & CCGs	1.200	0.876	0.339	**(0.537)**
Other Govt. and Public Bodies	2.800	1.977	2.102	**0.125**
Other General Debtors (Individuals & Commercial)	5.200	4.527	5.514	**0.987**
H&C Non-Res Client Debt	11.000	12.474	14.980	**2.506**
H&C Residential Client Debt	1.300	0.650	1.307	**0.657**
TOTAL	**21.500**	**20.504**	**24.242**	**3.738**

104. **Prudential Indicators**

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

106. 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.

107. 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.