Appendix 3 – Quarter 4 Finance Report

Introduction

Revenue Forecast

1. The latest revenue forecast outturn (as provided in appendix 4) shows a forecast overspend of £4.0m (0.58%), compared to the quarter 3 forecast overspend of £5.4m (0.9%).

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

3. **Health and Care** **Forecast – £5.201m saving**

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

5. The Public Health budget is forecast 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 - £2.287m saving*

7. There remain a number of vacancies in the Adults Learning Disability Team (ALDT) which has led to a forecast saving of £0.830m. The team is supported by temporary external capacity which is being funded from reserves.

8. Mental Capacity and Deprivation of Liberty Safeguards (DoLS) Act overspend is £1.294m. This is because additional capacity to reduce the DoLS backlog has been funded with £1.256m from the revenue budget rather than drawing on reserves. In addition, staffing is overspent by £0.038m due to posts being created to prepare for Adult Social Care Assurance.

9. There is a £0.272m forecast overspend 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. In house services are now forecast to save £2.245m which reflects vacancies in the residential services and Independence at Home homecare service being

funded from the Adult Social Care Discharge grant. This is offset by a small overspend within the Complex Needs Services.

11. Other variances in the Adults Social Care and Safeguarding budget amount to a saving of £0.778m and include in year staffing vacancies.

12. Care Commissioning *Forecast - £2.914m saving*

13. The Older Peoples budget is forecast to save £2.660m. 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 £3.849m on the home care budget, mainly due to the utilisation of £2.0m non-recurrent funding in year. This is offset by a forecast overspend on the Residential and Nursing budget of £0.893m, which includes a transfer of £0.350m costs from Mental Health. Other variances result in a forecast overspend of £0.296m. The review of placement costs between Older People and Mental Health continues to progress, the outcome of which may impact on the position for Older People and will be reflected in future reports.

14. The Physical Disabilities budget is forecast to save £1.363m. The Home Care budget forecast to save £0.933m and the direct payments budget forecast to save £0.610m due to lower than anticipated demand across both services. Other variances result in a small forecast overspend of £0.180m.

15. There is a forecast overspend of £0.155m for legacy items such as pension costs and operational support.

16. There is a forecast additional client income of £1.530m, in line with increased expenditure on residential and nursing placements.

17. The Learning Disability budget is forecast to overspend by £1.601m. 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 which commissioners will develop a plan of action to avoid the overspend becoming recurrent.

18. The Mental Health budget is forecast to overspend by £2.295m, which includes a transfer of £0.350m costs to Older People. This is due to an increase in the number and price of supported living placements. There is a risk of further

increases in demand and price over and above the additional budget in the MTFS, but this will be monitored. Commissioners will develop a plan of action to avoid the overspend becoming recurrent.

19. The Carers budget is forecast to save £0.302m and the Advocacy contract is forecast to save £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. There is a forecast saving on the reablement contract of £0.576m due to final contract value being lower than the sum assumed when the budget was set.

20. Other variances in the Care Commissioning budget amount to an underspend of £0.539m.

21. **Covid Funding**

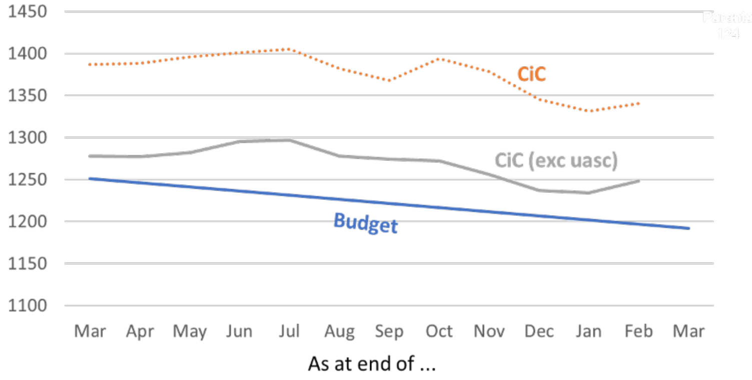
22. The Contain Outbreak Management Fund (COMF) of £9.703m has been brought forward to 2023/24. Grant conditions require that this must be spent on Covid related activities and there is a final cut-off date where all funds must be utilised by 30th September 2024, when any remaining grant will need to be returned. Forecast spend for 2023/24 is £4.312m with £5.391m being carried forward to 2024/25 and expected to be spent in full.

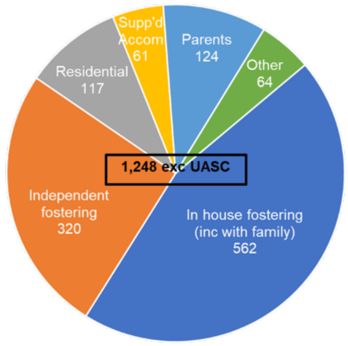
23. **Children & Families** **Forecast - £11.498m overspend**

24. Children's Services *Forecast – 9.862m overspend*

25. The forecast for the service is an overspend of £9.8m at quarter 4, an increase from the quarter 3 position of £9.3m.

26. At the end of February, the number of Children in Care (CiC) was 1,340 (1,248 excluding Unaccompanied Asylum Seekers). The current number of CiC remains 50 (4%) lower than at the highest point at the end of July earlier this year. 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, exacerbated by rising costs of inflation, is forecast to be £10m overspent:





27. The Service is taking mitigating actions to address as far as possible the pressures for CiC Placements including:
    - Continuously monitor 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
    - Maximising income contributions from key partners
    - Engaging with providers to actively source quality placements and ensure a vibrant market so that costs of care are competitive

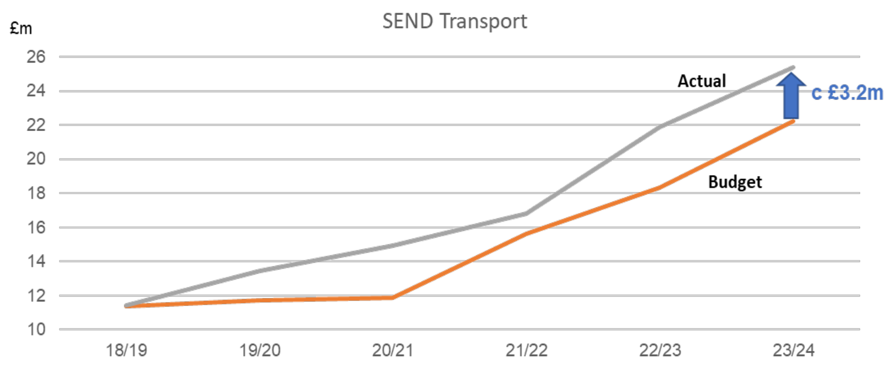
28. In recent times, the service has been hindered by on-going recruitment and retention problems leading to inconsistent support and capacity. This was recognised in the MTFS, and significant additional resource brought into the budget this year to address those concerns. The service has secured people within several roles and is actively recruiting to others, planning to realign services and appointing to new positions; however this will take time and, for now, continues to rely on more expensive agency support for essential service delivery leading to an underlying forecast overspend of £1.8m 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 and is forecast to total £2.5m.

29. There are also other forecast overspends of £0.5m including additional provision for aged debts. There is a risk that the overspend will increase further if high need or complex placements are brought into SCC care before the year end.

30. *Education Services* *Forecast - £2.384m overspend*

31. The service is forecast to overspend by £2.384m, improving on the forecast overspend of £2.721m at quarter 3.

32. The forecast overspend is primarily due to pressures in the Special Educational Needs and Disabilities (SEND) transport budget which in recent years has seen a significant increase in demand as a result of the rise in Educations, Health and Care Plan (EHCPs). Costs increased significantly in 22/23 as a result of the rising costs of inflation and despite a further increase in budget this year it is likely that a further overspend of £3.2m will arise this year:



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

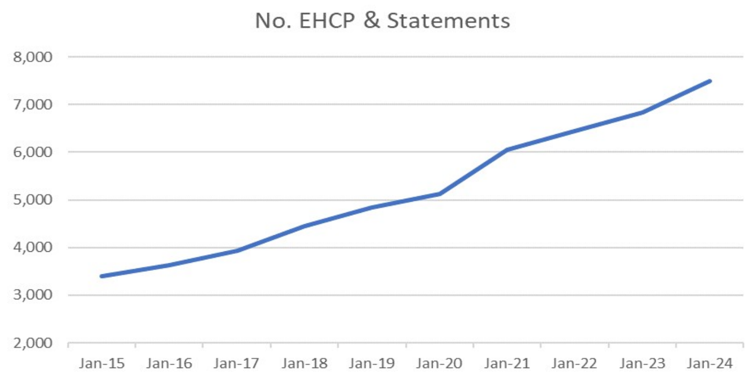
34. There is an additional pressure of £0.5m within the Educational Psychology service due additional locum costs to meet the continuing increasing demand for EHCP assessments.

35. Savings across Education Services include historic teacher pensions contributions and provision for school deficit converters. There are additional savings within school admissions and planning teams due to extra income of £0.3m.

36. *SEND High Needs Block*

37. The High Needs Block (HNB) is forecast to overspend by £21m and reflects:

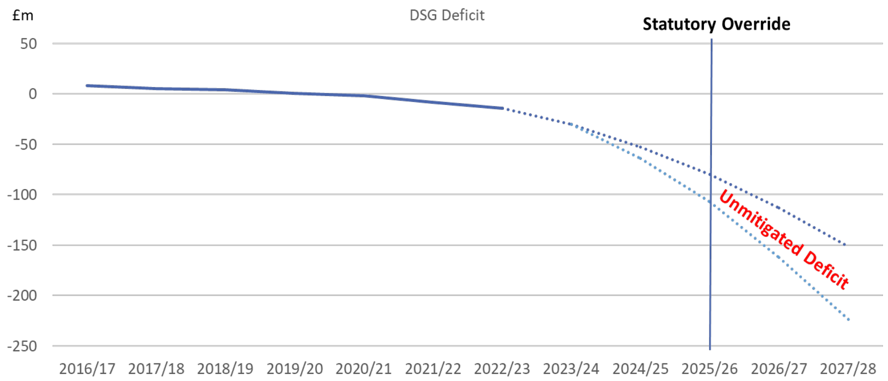
- Continuing growing demand for SEND support. This is impacting across all areas but especially the Independent sector with numbers now more than double what they were just four years ago and, given the more expensive placement cost, by some way the largest budget pressure in the HNB.
- Increasing complexity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



38. This is a position shared by many Councils across the sector. The Government has put in place a 'statutory override' requiring that accumulated Designated School Grants (DSG) deficits should remain ringfenced separate to the Council's other reserves and that this has now been extended through to 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 and, given the forecast overspend this year, will be over £30m in deficit at the end of the current year. The Council's 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. 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.



40. *Partnerships & Wellbeing* *Forecast - £0.747m saving*

41. The forecast for the service is a saving of £0.747m, an increased saving of £0.246m compared to quarter 3. This is mainly due to savings against the short breaks contract £0.2m, along with one off staffing savings of £0.1m and a reduction in the costs associated with the transfer in-house of the Early Years Entrust contract of £0.4m.

42. 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.

43. **Economy, Infrastructure & Skills** **Forecast – £1.106m saving**

44. *Business & Enterprise* *Forecast – £0.313m saving*

45. The service is forecast to save £0.313m, an increase in savings of £0.178m compared to the quarter 3 report. The decrease is a result of reduced spend on supplies and services and increased income in Business Support, County Farms and Planning.

46. There is funding for short term projects including UKSPF and BEAS which is temporary for this financial year and next.

47. Infrastructure & Highways — *Forecast - Breakeven*

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

49. This 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, with some monies being redirected to enable the continuation of capital workstack reduction activities. 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 - £0.169m saving*

52. The Transport & Connectivity service is forecast to save £0.169m, a decrease of £0.036m compared to the quarter 3 report. 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 underspend in this area will need to be ringfenced to support the bus service in future years.

53. The Sustainability & 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 W2R Waste to 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' £0.400m to cover the remaining £1.0m necessary for the Local Transport Assessment work.

55. *Skills* *Forecast - £0.590m saving*

56. The Skills service is forecast to save £0.590m at quarter 4, an increase in saving of £0.031m compared to the quarter 3 report. £500,000 is the result of savings from the Schools Careers Service, which was brought back in house this year from Entrust. This saving has been earmarked going forward for the continuation of the Jobs and Careers Service and the Careers Hub. The remaining saving is the result of vacancies not being filled across the service.

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

58. The service is forecast to breakeven at quarter 4, a minor increase of £1,000 in spend compared to quarter 3.

59. This is made up of a £50,000 pressure within Rural County from increased expenditure on equipment and service purchasing costs and an underachievement of income, partly offset by savings from vacancies and reduced transport costs.

60. This overspend is offset by a forecast saving on Culture of £0.033m. This is made up of staffing vacancies across Libraries and Archives vacancies offsetting an underachievement in income. This also assumes a £348,000 contribution into the Libraries Refurbishment reserve at year end.

61. A further saving of £0.017m is forecast in Community Safety resulting from additional in year income from works in Trading Standards, largely offsetting the previously assumed costs for legal works due to cattle in our care due to delays in the court system.

62. *EI&S Business Support* *Forecast - £0.035m saving*

63. The service is forecast to save £0.035m at quarter 4, a minor increase in saving of £0.002m compared to the quarter 3 report. This is related to small savings across training and pension liabilities budgets.

64. **Corporate Services** **Forecast – £0.641m saving**

65. The service is forecast to save £0.631m, which is an increase of £0.284m from the reported quarter 3 position.

66. The additional saving is a result of increased income earned by Legal Services of £250,000, an increased saving in Strategic Property of £60,000 and increased income received of £30,000, as well as an additional saving of £14,000 from staff vacancies.

67. These forecast savings are slightly offset by an increase in the shortfall of income within Commercial Services of £40,000 and £20,000 in the Communications Service, and a slight increase in expenditure on annual web streaming licences in Member and Democratic Services of £10,000.

68. **Finance** **Forecast - £0.048m saving**

69. The service is forecast to save £0.048m at quarter for, an additional minor saving on £0.002m compared to the quarter 3 report. This saving position includes provision for future capacity in the Adult Finance Services team, offset by temporary staffing vacancies.

70. **Centrally Controlled** **Forecast - £0.500m saving**

71. The forecast for this area is save £0.500m, which is an increase of £0.500m compared to the reported quarter 3 position.

72. There is a saving of £1.500m as a result of significant savings against gas and electricity budgets due to anticipated cost increases not materialising.

73. This saving is offset by a £1m pressure on insurance charges. This is a result of increased insurance claims relating to Highways, which have increased significantly from 2022/23.

74. Additional income generated on short term investments has resulted in a significant forecast underspend on the Capital Financing budget. This is due to interest rates remaining higher for longer than originally assumed within the budget. This underspend will be carried forward in the Inflation reserve and will

be used to fund some of the inflationary pressures in the MTFS from 2024/25 onwards.

75. There is a small amount remaining in the Care Market pressures budget which will be allocated to fund the procurement and implementation of a new social care system.

76. **Capital Forecast**

77. Appendix 5 compares the latest capital forecast outturn of £125.7m, a decrease of £1.3m when compared with the quarter 3 forecast of £127.0m. The key reasons for this decrease of £1.3m are set out in the following paragraphs.

78. **Health and Care** **Forecast spend £0.426m**

79. There has been an increase of £0.118m from the quarter 3 report due to a refinement to the budget of the Hawthorn House extension and refurbishment project of £116,000 plus a slight increase in costs at the Douglas Road Respite Service of £2,000.

80. **Children and Families** **Forecast spend £36.999m**

81. Maintained Schools *Forecast Spend £36.802m*

82. There has been a small increase of £0.063m from the quarter 3 report due to an increase from minor budget refinements across various projects with the respective Education programme of £63,000.

83. **Economy, Infrastructure and Skills** **Forecast spend £81.753m**

84. Economic Planning & Future Prosperity *Forecast spend £3.119m*

85. There has been a reduction of £1.191m from the quarter 3 report. This is a result from uncertainty over cashflow for the Chatterley Valley project as the contractor has gone into administration and the budget has been rephased into the 2024/25 financial year, reducing costs by £690,000.

86. There has also been a reprofiling of the Newcastle Enterprise Centre Extension and Refurbishment project due to delays with tender, reducing costs by £68,000, minor rephasing of the Forward Programme to 2024/25 of £11,000 and Eastgate

Regeneration of £35,000 and A50 compensation payments of £301,000, along with minor budget refinements and rephasing across a number of projects, reducing costs by £28,000 and introduction of the new Stafford Tech Park Drainage project, adding £20,000

87. County Farms has reduced costs from budget refinement of the general budget and reduced cost of sales totalling £16,000 and a further reduction in costs with budget of £61,000 being rephased into 2024/25.

88. Highways Schemes *Forecast spend £73.661m*

89. There has been a minor decrease of £1,000 from the quarter 3 report. This is a result of a decrease due to reprofiling and refining of budgets for SWAR with the latest project progress reports moving spend of £681,000 into 2024/25, offset by an increase in costs from additional workstack costs to be funded for revenue surplus and reserves, totalling £680,000.

90. Skills *Forecast Spend - £0.212m*

91. The Gigabit Broadband Voucher has no forecast adjustments from the quarter 3 report.

92. *Rural County* *Forecast Spend - £0.347m*

93. There has been a decrease of £0.090m from the quarter 3 report. Decrease due to the rephasing of Greenways ARF, with £41,000 of costs reprofiled into 2024/25 and £40,000 of costs reprofiled into 2025/26 and rephased costs of the MHCLG grant of £9,000 into 2024/25.

94. *Waste & Sustainability Projects* Forecast Spend - £1.239m

95. There has been a small decrease of £0.100m from the quarter 3 report. This decrease is due to rephasing of Newcastle HWRC of £15,000 and HWRC Mobilisation of £85,000 in line with the 5 year delivery plan into 2024/25.

96. **Property, Finance and Resources & ICT** **Forecast spend £6.525m**

97. There has been a decrease of £0.068m since the quarter 3 report. This decrease is due to the net effect of minor budget refinements across a number of

projects totalling £52,000 and the rephasing of elements of the Wireless Refresh project of £100,000 into 2024/25.

98. These decreases are offset by an increase in the anticipated impact of inflationary price rises on cost of vehicle acquisitions, totalling £84,000.

99. **Financial Health**

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

101. There have been 97.6% of invoices paid within 30 days of receiving them at the end of May, exceeding the financial health indicator target.

102. The Debt Key Performance Indicator (KPI) is set at £27.75m for 2023/24 with an updated target approved for 2024/25.

103. The estimated level of outstanding sundry debt over 6 months old is £24.568m. This is under the revised 2023/24 target of £27.75m by £3.182m. This position is an increase of £0.326m since the quarter 3 report. The debt recovery process involves chasing by a range of methods with the eventual escalation to the external collection agent or to Legal for the possibility of a court decision to recover the debt.

104. The level of CCG health debt over 6 months old is now £0.341m, £0.859m below the target figure.

105. Non-Residential Client debt now stands at £13.984m. For both adult social care residential and non-residential debt, our key performance indicator, collectible debt over 6 months is over target. Debt has increased in line with the increased value of invoiced income. In 2020/21 client income was £28.4m, last year it increased to £52.2m and for the 2023/24 year estimated income is £75.3m. Of that increase, £18m has arisen out of the “Net to Gross” billing change for residential care, the remainder is for non-residential care reflecting both an increased number of clients and an increase in the cost of care. Our other KPI, debt recovery performance as a percentage of income, is significantly better than target which supports the view that the rise in debt is driven by increased income. The targets for collectible debt over 6 months have been revised to reflect income changes and will used in the reports from 24-25 Quarter 1

onwards. Performance in other categories of debt is better than or in line with targets.

Debtor Type	2023/24 Target	31/12/2023	31/03/2024	Increase / (Decrease)
	£m	£m	£m	£m
Health Bodies & CCGs	1.200	0.339	0.341	**0.002**
Other Govt. and Public Bodies	2.800	2.102	1.929	**(0.173)**
Other General Debtors (Individuals & Commercial)	5.200	5.514	6.739	**1.225**
H&C Non-Res Client Debt	11.000	14.980	13.984	**-0.996**
H&C Residential Client Debt	1.300	1.307	1.575	**0.268**
TOTAL	**21.500**	**24.242**	**24.568**	**0.326**

106. **Prudential Indicators**

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

108. 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.

109. 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.