

## Appendix 2 – Quarter 1 Finance Report

### Introduction

### Revenue Forecast

1. The latest revenue forecast outturn (as provided in appendix 4) shows a forecast saving of £8.119m (1.5%).
2. Since 2020/21, Covid 19 has been a global pandemic requiring a combined response from public sector services, which is also having a severe impact on the economy. In 2021/22 Central Government has issued general grant to local authorities, totalling £16.2m, in order to support the additional pressures of continuing to provide vital services during the pandemic while protecting both workforce and local residents.
3. The table below sets out the current forecast of additional costs relating to the pandemic, plus lost income and delayed savings caused by the crisis.

	£m
Additional Costs	4.722
Lost income	0.694
Delayed savings	9.370
Grant funding	(16.204)
Remaining Grant / (Shortfall)	1.418

All grants received by Staffordshire County Council in 2021/22 for Covid 19 related activities are listed below. The General Covid Grant can fund activity in all service areas, the remaining grants are specific and go directly to services. All grants allocated for Covid-related activities will be utilised in full, over the medium term, in order to fund the additional expenditure caused by the pandemic.

	£m
General Covid Grant Funding	16.204
Adult Social Care Lateral Flow Testing	2.039
Adult Social Care Infection Control	3.117
Clinically Extremely Vulnerable	1.477
Local Support Grant	0.523
Practical Support Framework	0.681
Covid Winter Grant	0.678

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Contain Outbreak Management	4.182
<b>Total</b>	<b>28.901</b>

4. The following paragraphs consider the key financial issues in each of the council's portfolios.
5. **Health and Care** **Covid impact - £4.149m**  
**Normal service forecast – £5m saving**
6. *Public Health & Prevention* *Forecast – Breakeven*
7. Adults Public Health is forecast to breakeven. Proposals to supplement the current programme using the uncommitted £5.1m Public Health reserve in 2021/22 are being drawn up and submitted to the Director of Health and Care for consideration and approval.
8. *Adults Social Care & Safeguarding* *Covid impact - £0.2m*  
*Normal service forecast – breakeven*
9. Overall, the service is forecast to breakeven. Covid related costs are forecast to be £0.2m. There are currently a number of vacancies in the Adults Learning Disability Team (ALDT) which are expected to be filled during the year. It is assumed that agency staff will be required in the coming months and that the service will not exceed its budget.
10. Section 75 agreements for both Mental Health North and South are now in place and it is forecast that the costs will equal the budget. It is also forecast that the £0.154m MTFs saving for Mental Health North will be delivered in full.
11. Following the addition of £0.650m into the Learning Disability In-House Residential Care services budget, it is not forecast that historic overspends will be incurred again this year. However, it is possible that there could be pressures in these services and the Specialist Day Opportunities services as a result of Covid 19, but it is assumed that these will be met from Covid 19 grant funding.

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### 12. Care Commissioning

*Covid impact - £3.949m*

*Normal service forecast – £5m saving*

13. The number of older people in residential and nursing placements reduced significantly as a result of Covid 19. It is still unclear what the longer-term impacts of the pandemic will be on the number of residents supported in residential and nursing homes and this will be considered in the wider market position review.
14. While there has been an increase in the number of placements in recent months (mainly due to the completion of pathway 3 reviews), overall numbers are still significantly below the number of placements that have been budgeted for in the current financial year. As a result, the forecast saving on the older people placements budget is £5m. The reduced number of placements means that it is possible we will not achieve the income target for 2021/22 however we will monitor this throughout the financial year.
15. The Council is currently in the process of transferring the provision of services delivered from Meadowyrthe and Bracken (two former in-house residential care homes) from Green Square Accord Housing Association to Nexxus (the council's Local Authority Trading Company), with agreement from Informal Cabinet. It is anticipated that the contract with Green Square Accord Association will end on 30<sup>th</sup> June 2021.
16. The Learning Disability placement budget is forecast to breakeven. There is a continued risk though that the Community Officer and Reviews Programme MTFS saving will not be delivered in full. However, it is expected that continued increases in health income will offset this. The forecast is based on the assumptions that other MTFS savings will be achieved in full. It is assumed that any additional unplanned care cost arising from the on-going Covid 19 pandemic will be met from the additional grant funding. There remains a risk that demographic growth and care price increases could exceed the budget assumptions, and these will be monitored through the year.
17. The council will continue to work with the local Clinical Commissioning Groups (CCGs) to support the discharge of people with learning disabilities or autism from specialist hospitals to community-based settings under the Transforming Care Partnership (TCP). The National Health Service England (NHSE) reduced the amount of funding that accompanied each individual, and therefore there

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has been a substantial pressure for the Staffordshire Health and Care economy. We are expecting a further grant allocation from the government to support future discharges, but this has not yet been confirmed. There remains a risk of further pressures in 2021/22 as a result of this programme.

18. The Mental Health budget is forecast to breakeven. The placement budget was increased in recognition of the growth in placements costs during the last financial year but there remains a risk of further increases in referrals as a result of the impact of Covid 19. It is assumed that the £0.2m Mental Health contract saving will be delivered in full.
19. The new Carers service has now gone live following a delay caused by Covid 19. It is expected that the new service costs will not exceed the budget. It is also assumed that the £0.150m Advocacy contract saving will be delivered in full.
20. The final inflation figures on the Midlands Partnership NHS Foundation Trust (MPFT) Section 75 have not yet been agreed. There is therefore a small risk that these inflation figures could exceed the assumptions built into the budget.
21. The governments February 2021 white paper for the reform of Health and Social Care contained several specific and targeted social care changes including: “The introduction of new Assurance Framework for Social Care including a duty on the CQC to assess local authorities’ delivery of adult social care and a power for the Secretary of State to intervene where the CQC finds that a local authority is falling to meet its duties”. The aim of this framework is to “improve the outcomes and experience of people and their families in accessing high quality care and support, regardless of where they live”.
22. Considering the further demand on Health & Care staff arising from the pandemic and in anticipation of the additional requirements that will be placed on local authorities as a result of the assurance framework , it is now expected that staffing will need to be increased across the directorate. The estimated cost impact, including minor savings assumed that will not now be delivered, is £0.5m. This overspend can be offset from growth that was built into the budget in anticipation of the council having to reimburse providers with back-pay for sleep in arrangements. This funding is no longer required for this purpose as the Supreme Court ruling in March 2021 found that social care staff are not

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entitled to the national minimum wage for every hour they work, including sleep-in shifts.

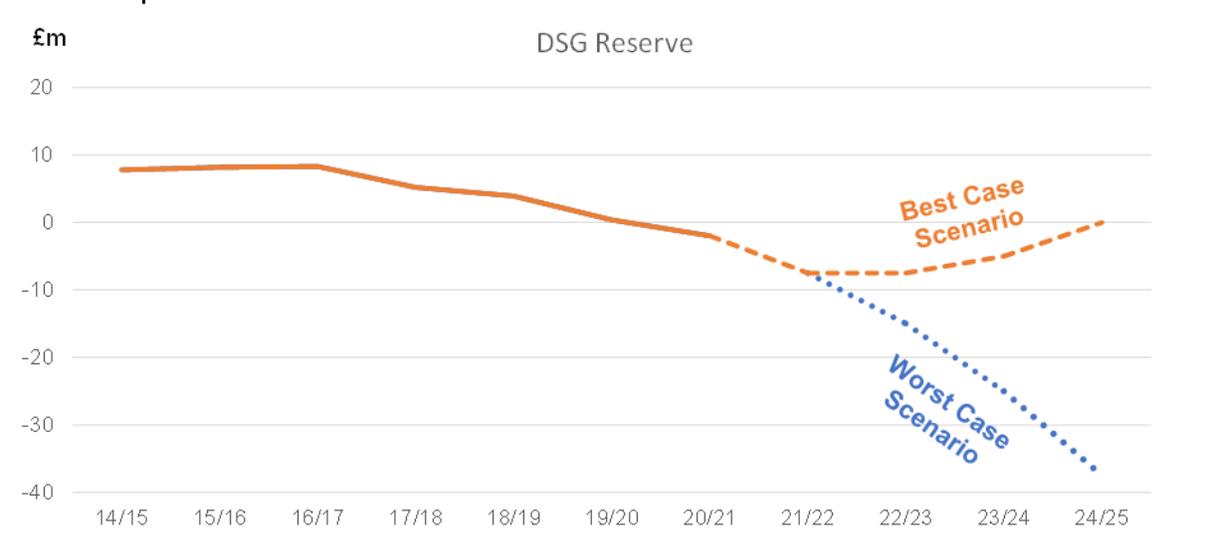
23. The council has been allocated £5.156m in 2021/22 for Adult Social Care Infection Control and Testing Fund ring fenced grant. The guidance identified a proportion of the funding to be passported directly to care homes, drug and alcohol settings and community providers with the remainder to be allocated at the council's discretion. A report setting out proposals to allocate and spend the funding in line with the grant conditions has been approved by SLT. Funding needs to be passported to providers or spent by 30<sup>th</sup> June 2021, with any unspent allocation to be returned to the Department of Health and Social Care.
24. Community testing, Contain Outbreak Management Fund and Clinically Extremely Vulnerable funding has been bought forward into the current year to support ongoing work to deliver these strategies.
25. The additional Covid related costs consist of £2.646m unachievable savings that been reprofiled to future years, £0.560m additional staffing costs that have incurred to support the ongoing response to Covid 19 and ensure continuity of service, additional expenditure incurred to support the provider market such as providing a care home loan scheme of £0.590m and £0.353m other exceptional costs.
26. **Families & Communities** **Covid impact - £8.505m**  
**Normal service forecast - £1.139m saving**
27. *Children's Services* *Covid impact - £7.915m*  
*Normal service forecast - £0.930m saving*
28. The forecast saving of £0.930m are mainly a result of staff vacancies within the Intensive Prevention Services, Family Group Conferencing Team and Short Stay Residential Teams, as well as additional grants for Unaccompanied Asylum Seeking Children and a saving of £0.4m within Looked after Children placements.
29. There is a forecast overspend in the Independent Conference Chair service of around £0.3m due to additional staffing levels.

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30. Due to Covid 19, planned transformation works and savings of £6.4m impacting across Children's Services have been delayed due to external factors and have been reprofiled within the MTFS. It is anticipated that the transformation relating to new staffing structures will be implemented from 1<sup>st</sup> October 2021.
31. Additional exceptional costs of £1.5m are forecast to support an extended summer school programme, support providers that have seen reduced demand for services and additional care package costs to ensure that the most vulnerable are protected and that, in the longer term, business continuity and market sustainability is assured.
32. *Education Services* *Covid impact - £0.4m*  
*Normal service forecast - breakeven*
33. The forecast position is for the service to breakeven. While there is a budget saving of £0.2m in historical pensions liabilities, this will be offset by other one off additional agency costs.
34. SEND transport is currently forecast to be delivered within budget due to additional resources allocation to the service in the MTFS. However there remains a risk that contract retendering due later in the year could lead to further pressures in this area.
35. There are Covid costs relating to SEN transport cleaning.
36. *SEND High Needs Block*
37. The High Needs Block is currently forecast to overspend by £7.5m. This reflects continuing growing demand for SEND support. This overspend will be charged against the DSG reserve which, at the end of 2020/21 was £2m in deficit. Staffordshire County Council is not alone in this difficult financial predicament – this is a position shared by the majority of Councils across the sector.
38. Going forward, it is forecast that the SEND Transformation Programme – with the full roll out of the district hub model – will provide for a more inclusive system that enables the necessary early support and intervention to manage demand within overall resources. However, this will take time and will not generate the immediate savings required to address the current shortfall.

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39. Given the latest forecast overspend in 2021/22, the deficit is likely to increase this year and going forward until such time that the SEND Transformation Plan can impact:



40. Schools Forum, at its meeting in October 2020, approved a deficit management plan utilising surplus Growth Fund money (after amounts have been used to fund National Funding Formula (NFF) shortfalls and contributions to schools for in year growth) that will be transferred to the DSG reserve. It is estimated that for 2021/22 this will be between £1m - £1.5m but given the worsening financial position outlined above further action will be required.

41. *Culture & Communities* *Covid impact - £0.150m*  
*Normal service forecast - breakeven*

42. The forecast is for the service to breakeven, however there is a small pressure due to reduced income within the Archives and Heritage Service of £30,000 which is forecast to be offset by other one off savings mainly within the Shugborough contingency budget.

43. Covid 19 has led to reduced income for the service from reduced trading activity.

44. *Rural County* *Covid impact - £40,000*  
*Normal service forecast - £0.139m saving*

45. The service is forecast to save £0.193m due to one off staffing vacancies held pending the re-organisation of the service to be carried out during the final quarter of the financial year partial offset by increased costs of new IT system and one-off training of staff.

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46. The Covid 19 pandemic has meant loss of income for the service from reduced trading activity, parking and penalty fines.
47. *Community Safety* *Covid impact – nil*  
*Normal service forecast - £70,000 saving*
48. The forecast saving of £70,000 is due mainly as a result of staff vacancies and service contract saving which have results from the impact of Covid 19 and are likely to return to normal levels for the rest of the financial year.
49. **Economy, Infrastructure & Skills** **Covid impact - £1.588m**  
**Normal service forecast - £0.137m saving**
50. *Infrastructure & Highways* *Covid impact - £0.235m*  
*Normal service forecast - breakeven*
51. The forecast for the service is breakeven – there are some small forecast overspends including Highways Maintenance and Lighting and Signals, but these are likely to be offset by savings withing School Crossing Patrols and the Network Management services.
52. The forecast impact of Covid 19 is £0.235m, which is largely a continued loss of income for street parking and bus enforcement in the Regulation and Governance area, a loss of income on land charges and a small number of increased costs on Safe Operating Procedures such as PPE.
53. *Transport, Connectivity & Waste* *Covid impact - £1.153m*  
*Normal service forecast - £0.102m saving*
54. The Transport and Connectivity service is forecast to save £0.102m, this includes £60,000 due to vacancies and forecast additional recharged income in Transport Planning and savings forecast on the operational transport budgets.
55. Additional Covid 19 costs include providing additional cleaning on home to school transport until the end of July and additional transport capacity to avoid full and standing buses at peak times. It should be noted that specific central

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government grant for this ends in June although an allowance has been made to continue support until the end of the summer term.

56. Within the Sustainability and Waste services the forecast is breakeven. This position assumes that the £0.5m MTFS saving for Green Waste Recycling credits will be achieved.
57. There is £1m forecast for the impact of Covid 19 on Waste – this is the cost of additional tonnages which have been seen since March 2020 as a result of the change in working habits but also the loss of third party income to the Energy from Waste sites as a result of this increased tonnage. It should be noted that waste budgets are demand led and will need continued close monitoring throughout the year to track tonnages and costs as social restrictions are eased and any 'new normal' is established.
58. **Corporate Services** **Covid impact - £0.554m**  
**Normal service forecast - £0.325m saving**
59. The service is forecast to save £0.325m, this includes a £0.175m forecast saving in ICT due to vacancies and a forecast saving of £0.2m of additional income in Registrars due to the higher number of weddings that are now being booked for 2021/22 as Covid 19 restrictions are starting to be lifted. These savings are partly offset by a forecast overspend in HR which is the non-delivery of a 2019/20 MTFS saving.
60. The forecast for the impact of Covid 19 is £0.554m which includes costs of the temporary mortuary facility extension and the closure of the first annual leave purchase scheme window.
61. **Centrally Controlled**
62. The business as usual forecast saving is £0.1m which is within Pooled Buildings and relates to savings on energy and electricity costs.
63. There is a forecast spend of £0.124m of Covid 19 pressures which includes some loss of rental income and potential additional costs to modify the office space in Staffordshire Place 1 post Covid 19.

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### 64. **Capital Forecast**

65. Appendix 5 compares the latest capital forecast outturn of £126.7m, an increase from the budgeted position of £108.8m. The key reasons for this increase of £17.9m are set out in the following paragraphs.

### 66. **Health and Care** **Forecast spend £6.926m**

67. There has been a reduction of £1.213m since the budget was set in December, which is due to the significant impact of Covid 19 which has resulted in uncertainty over demand and capacity requirements moving forward, therefore current plans are on hold for building new nursing homes at Histon Hill reducing forecast spend by £1.129m and Rowley Hall reducing forecast spend by £1.131m, with a potential knock on effect for Dementia Centres of Excellence of £0.197m.

68. The Care Director budget now reflects rephasing of additional works into 2021/22 of £0.492m and rephasing of Supported Living Scotch Orchard and Specialist LD Day Services in Lichfield to 2021/22 of £0.280m and £0.150m. Also, the Changing Places grant scheme has been put on hiatus until sufficient interest can be garnered, reducing forecast spend by £72,000.

### 69. **Families and Communities** **Forecast spend £34.629m**

#### 70. *Maintained Schools* *Forecast Spend £33.742m*

71. There has been an overall increase in forecast spend of £18.037m since the budget was set in December. There has been significant additional developer contributions on Schools, including Anker Valley of £2.651m, Netherstow High of £1.346m, Coton Green of £0.964m, Sir Graham Balfour of £0.958m, St Johns Primary Essington of £0.497m and Deanslade 1FE Primary in South Lichfield of £0.404m. There have also been various other developer contributions and rephasing of projects across the whole programme which total to an additional forecast spend of £3.507m on Schools.

72. As a result of increased government investment and a revised allocation system, Staffordshire will this year receive capital funding of £9.6m, which is the highest allocation since 2015/16. This is an increase of £5.7m and is not yet reflected above due to very recent notification of the allocation. This will be brought into the capital programme in due course. This significantly higher

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allocation will give the Council opportunity to further address condition priorities in schools.

73. For Non-Schools spend, there has been the introduction of the new Decarbonisation grant of £3.004m, additional SEND provision of £3.381m and other rephasing of schemes which totals £1.324m.
74. The SEND amount above includes £2.4m of new funding and is Staffordshire's share of a national funding package of £280m confirmed by DfE for 2021/22 (High Needs Provision Capital Allocations (HNPCA)). This will be used to deliver new places and improve existing provision for children and young people with special educational needs and disabilities or who require alternative provision.
75. **Economy, Infrastructure and Skills** **Forecast spend £72.794m**
76. *Economic Planning & Future Prosperity* *Forecast spend £11.968m*
77. There has been an increase of £5.720m since the budget was set in December. This is due to i54 Western Extension costs increasing and rephasing into 2021/22 of £5.091m. In addition a number of projects have been rephased from 2020/21 to 2021/22 totalling £0.642m. In addition, a new scheme has been added – Rural Enterprise Studies with a forecast spend of £35,000 and the A50 scheme now reflects some rephasing into 2022/23 leading to a reduction of £0.366m.
78. There has been an increase on County Farms spend of £0.530m which is due to the implementation of a new minor grants scheme and the introduction of additional works to assets.
79. *Highways Schemes* *Forecast spend £59.017m*
80. There has been a decrease of £10.466m since the budget was set in December 2020. The original budget included a potential need for significant investment in the Highway Network of £18m. The County Council agreed to extend its previous highways investment for one more year by £5m and for that investment to be reviewed as part of the Strategic Plan and MTFS in the summer of 2021. Government funding was £5.2m less than anticipated when

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the original budget was being finalised giving an overall gap of £18.2m. This has been offset by £3.5m being carried forward from previous years due to slippage of schemes, most notably Chetwynd Bridge and additional third-party income of £1.2m.

81. There has been an increase in forecast spend of £2.885m due to rephasing spend into 2021/22 on Stafford Western Access Route due to Covid pressures and flooding, and budget refinements on Lichfield Southern Bypass.

82. *Connectivity* *Forecast spend £1.430m*

83. There has been an increase of £1.271m since the budget was set due to the introduction of the new Gigabit Broadband Voucher Scheme of £1m and the rephasing of Superfast Broadband into 2021/22 of £0.271m.

84. *Waste & Sustainability* *Forecast spend £0.379m*

85. There is a reduction of £0.769m since the budget was set, this is due to rephasing of works on Newcastle Household Waste Recycling Centre (HWRC) into 2022/23 of £0.790m offset by other rephasing of HWRC works into 2021/22 of £49,000 and Health and Safety works at Leek HWRC of £0.208m.

86. **Finance and Resources & ICT** **Forecast spend £0.754m**

87. There has been an increase of £0.359m since the budget due to rephasing of spend on the Wireless Refresh project of £0.150m, Data Centre Refresh of £0.145m and Computer Refresh of £64,000.

88. **Property** **Forecast spend £11.050m**

89. There has been an increase of £4.690m since the budget was set in December, due to a number of factors. These include the introduction of a new scheme – Shire Hall Regeneration of £2m and One Public Estate Funding of £0.189m.

90. There has also been reprofiling of spend to 2021/22 for District Rationalisation of £1.508m, Responding to Accommodation Changes of £0.103m, Greenwood House of £0.444m, Asset Renewal of £0.381m, Newcastle Family Contact Centre of £0.223m. These increases have been offset by reductions on Pre-

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sale planning and improvement costs of £48,000 and removal of Fire Compartmentation budget of £0.110m as the works are covered by revenue maintenance budgets.

### 91. **Financial Health**

92. Appendix 6 provides a forecast outturn performance against the key Financial Health Indicators approved as part of the 2021/22 budget setting process.
93. There have been 97.6% of invoices paid within 30 days of receiving them at the end of February, exceeding the financial health indicator target. This position also reflects early payments to suppliers to help them with cashflow during the pandemic.
94. The estimated level of outstanding sundry debt over 6 months old is £19.913m, this is over the target of £14.7m by £5.213m. This is a decrease of £1.032m since the end of the 2020/21 financial year. 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. It should be noted that a return to full debt recovery services, including legal action was only possible from September 2020 due to Covid 19.
95. The level of CCG health debt over 6 months old is £0.9m below the target figure. This is a decrease of £49,000 since the end of the 2020/21 financial year.
96. Client debt now stands at £9.682m and could potentially increase as a consequence of the on-going 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.

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<b>Debtor Type</b>	<b>2021/22 Target</b>	<b>31/03/2021</b>	<b>30/06/2021 Est</b>	<b>Increase / (Decrease)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Health Bodies & CCGs	3.900	3.018	2.969	<b>(0.049)</b>
Other Govt. and Public Bodies	2.000	4.099	3.247	<b>(0.852)</b>
Other General Debtors (Individuals & Commercial)	4.700	4.110	4.015	<b>(0.095)</b>
Health & Care Client Debt	4.100	9.718	9.682	<b>(0.036)</b>
<b>TOTAL</b>	<b>14.700</b>	<b>20.945</b>	<b>19.913</b>	<b>(1.032)</b>