

Agenda Item	3.b
Report No	JMC/03/23

HIGHLAND COUNCIL

Committee: Joint Monitoring committee

Date: 24 February 2023

Report Title: Integrated Children's services – Quarter 3 monitoring for 2022/23 and budget 2023/24

Report By: Executive Chief Officer Health and Social Care; Head of Finance

1. Purpose/Executive Summary

- 1.1 This report provides Members with a revenue monitoring position for Quarter 3 of the current 2022/23 financial year for the Integrated Children's services elements of Highland Council's Health and Social Care service. **Appendix 1** sets out the monitoring forecast in detail.
- 1.2 The overall forecast is for the Integrated Children's services budget to be underspent by £2.246m by year end. The Quarter 3 underspend position primarily reflects £1.9m of additional funding that was added to the budget on a one-off basis from Council reserves to meet anticipated additional costs arising as a result of the Covid pandemic. As the year has progressed it has become evident that only a minimal level of expenditure against this funding is required.
- 1.3 The report also looks ahead to financial year 2023/24, giving the wider financial context facing the Highland Council and NHS Highland and the anticipated impact of that outlook on Integrated Children services. Both organisations face severe funding challenges, with inflationary factors impacting on expenditure not offset by equivalent increases in funding.
- 1.4 Three significant investment measures in Integrated Children's Services are proposed within the Highland Council's 2023/24 revenue budget, including:
- £1.306m to increase allowances to foster carers, kinship carers and adoptive parents,
 - £1m of investment in the Families First strategy
 - £1.4m of Scottish Government funded investment in Whole Family Wellbeing (with an expectation of further monies to be received during 2023/24)
- 1.5 Given funding constraints a package of cost reductions will need to be delivered in order to match expenditure to available funding. Wherever possible these savings will be delivered through improved service delivery that delivers better outcomes for

children and families at a reduced cost. In certain instances some reductions in services will be required.

2. Recommendations

2.1 Members are asked to:

- i. Note the forecast revenue position as at Quarter 3 of the 2022/23 financial year and the narrative in relation to the underspend in Integrated Children's services.
- ii. Note the 2023/24 financial outlook and anticipated funding contributions from partners.

3. Implications

3.1 Resource (Budget and Staffing) – the report and appendices provide an up to date forecast of the 2022/23 financial position. As noted below in the risk section, there remains ongoing uncertainty and challenge in financial forecasting as a result of current economic factors.

3.2 Legal – no particular implications to highlight.

3.3 Community (Equality, Poverty and Rural) – the Service continues to respond to service need across our communities, within the resources available.

3.4 Climate Change / Carbon Clever – no implications to highlight.

3.5 Risk – this report and appendices reflects best available information and assessment of expected service impacts. Looking ahead to 2023/24 the most significant risks relate to the annual staff pay award and other inflationary factors.

3.6 Gaelic – no implications to highlight.

4. 2022/23 Quarter 3 Monitoring Forecast

4.1 **Appendix 1** sets out the Quarter 3 monitoring position for the Integrated Children's service budgets. The statement reflects those elements of the structure of the Council's Health and Social Care service which include activity in this area. Where budget lines relate to both children's and adult service areas no attempt has been made to split the costs between the two functions.

4.2 As can be seen from the appendix, against a net budget for the year of £44.747m, a year end underspend of £2.246m is forecast at this time and an accompanying narrative is provided at para 4.3 – 4.7 below.

4.3 The main factor in the overall underspend relates to the Covid-19 Response budget heading. Work is ongoing in relation to planned spend against this budget line in terms of refurbishments to residential units which were not carried out during the pandemic.

4.3.1 In the March 2021 budget, the Council agreed to the provision of £2.6m of funding into the Service budget in recognition of the following expected Covid-19 pressures. These expected pressures included: an increase in numbers of out of

authority placements as increasing numbers of children go into these placement and delays in returning children to alternative local settings due to the lockdowns; and increased demand for foster placements. This funding was intended to be short term to address Covid-19 pressures and in the March 2022 budget it was continued for 2023/24, but at the reduced level of £1.9m.

- 4.3.2 Very positive trends are being shown in Looked After Children, with the forecast number of children in out of authority residential provision approaching the lowest level it has been for some years. As a result, the call on the Covid-19 pressure budget heading is much reduced. However, it is also worth noting that this funding is being used to support refurbishments to residential accommodation which did not take place during Covid and hence can be attributed to this line.
- 4.4 Over the course of the financial year much work has gone on within the service in relation to budget re-alignment. That work has seen a necessary and overdue review of budget lines to re-baseline budgets so that they are reflective of current context, available resource, service demand and delivery arrangements. Through this work budgets have been re-allocated across Service headings and budget lines to move away from what in some cases were historic budget baselines and rationales. Much of that work across the budget has been concluded, with it being the following areas where work is ongoing – Looked After Children Unit budgets, Family Team budgets, and some other children’s services. The realignment exercise is ongoing in relation to those budgets and will have an impact, once concluded, on what are significant underspends in the Family Teams. Delays and difficulties in the recruitment of professional staff continue to have a significant impact on that underspend.
- 4.5 The effect of this work has not impacted the bottom line for the Service as a whole and has been an internal exercise of re-allocation of budgets within the Service. This work has been taken forward through close working between the Council’s Finance Team and Health and Social Care Managers. This is largely a technical exercise of re-alignment of budget headings, rather than a re-design or amendment of actual physical staffing deployed on the ground. However, in parallel to this, work has focussed on staff numbers; mix of teams; practice and service delivery; - all within the confines of service re-design and achieving service savings targets. This work is ongoing and is linked to the redesign of the family teams.
- 4.6 The following sections provide some further narrative relating to variances shown within the Quarter 3 position, and other service developments.
- 4.7 Family Teams – past reports have highlighted a legacy underspend against this budget heading, as well as the actions being taken to (a) address some of the local and national challenges around recruitment, (b) redesign of the service and (c) re-alignment of the budget. Underspends exist in terms of staff vacancies in professional social work posts and the ongoing work in relation to the family team redesign has had an impact in terms of Quarter 3.
- 4.8 Fostering, Kinship and Adoption - work is ongoing to develop options and recommendations in relation to the review of allowances. There is an acknowledgement that allowances have not increased for many years and as a result, this has had negative impacts on recruiting and retaining foster carers in particular. However, we remain committed to reducing the use of external fostering provision by increasing Highland Council provision. At this time, external fostering is significant and contributes to an overspend in this area.

4.9 Looked After Children – ‘The Promise’ is at the heart of practice within Highland Council. Consequently, we have been focussed on shifting the balance of care so that children and young people remain at home – when safe to do so. We are building on and developing our practice to work intensively with families with children on the cusp of care as well as ensuring our community resources are targeting needs and improving outcomes. Key to that and the family first policy is the need to deliver care locally – and where kinship options are not available it is helpful to reference again the need for fostering options to also be local to support a child’s sense of belonging to their community.

5. Financial outlook 2023/24

5.1 The financial outlook for 2023/24 remains incredibly challenging for both the Highland Council and NHS Highland with both organisations facing budget gaps of a magnitude not previously encountered. The key drivers behind those funding gaps reflect wider inflationary factors and the impact of those factors on staff pay awards and other external contractual prices. The impacts of those inflationary factors on expenditure are not being compensated by equivalent increases in funding from the Scottish Government.

5.2 As part of its wider budgeting process the Council is making a number of key assumptions:

- A minor (0.3%) increase in core revenue funding in cash terms (with further additional funding provided for specific service investment, principally adult social care)
- An allowance of 3.5% for staff pay awards
- Provision of around £30m for budget pressures, chiefly due to inflationary factors.

5.3 Whilst the Council does not separately identify budget pressures related to Integrated Children’s Services, using a broad brush inflationary figure of 3.5% on the gross expenditure budget of £56.859m suggests that cost pressures in this areas could be in the region of £2m. Particular cost risk items relates to the potential staff pay award for 2023/24 which may be above the budget provision made of 3.5%, and potential inflationary uplifts in provider costs in particular relating to looked after children costs.

5.4 The Council is committed to delivering transformational change across its Integrated Children’s Services budgets and intends to make the following investments in this area during financial year 2023/24:

- £1.306m to increase allowances to foster carers, kinship carers and adoptive parents (subject to agreement at the Council’s budget meeting on the 2nd March);
- £1m of investment in the Families First strategy;
- £1.4m of Scottish Government funded investment in Whole Family Wellbeing (with an expectation of further monies to be received during 2023/24).

5.5 Recognising the vital role undertaken by Council foster carers, kinship carers and adoptive parents a recurring £1.306m investment is proposed to increase allowances and enhance support and training to increase the number of Highland-based carers and provide greater support to existing carers.

Addressing the financial support to carers will make a real tangible difference in the lives of many children in Highland. It will enable 'ordinary' people to continue to do extraordinary things by loving, nurturing and caring for other peoples' children, within a healthy system of family care in kinship, fostering and adoption, matched to the needs of the individual child.

These improved outcomes for children should also deliver financial benefits to the Council through increased growth in kinship care (the most cost-effective form of care) and reductions in independent foster care and independent residential care.

- 5.6 A £1m investment in the Families First strategy, funded from the Council's earmarked reserves, will develop approaches that aim to safely maintain as many children and young people at home within their families and their local Highland communities. Families First is rooted in the aspirations of The Promise and the principles of GIRFEC (Getting It Right For Every Child) and is a whole system, long-term strategy that focuses on early intervention, recognising that the family and community is the most important environment to promote the healthy development of children.

By devoting additional resources to these key areas of vulnerability it will be possible to reduce the immediate financial burden to the Council of using expensive private agencies whilst also developing life skills and resilience to prevent escalation to expensive interventions in later life. Consequently, not only are we doing the right thing, but also investing in prevention to deliver a reduction in costs over the short to medium term.

- 5.7 The Scottish Government has responded to The Promise by committing to invest a £500m Whole Family Wellbeing Funding (WFWF) over the lifetime of the current Parliament. WFWF will support the whole system transformational change required to reduce the need for crisis intervention, and to shift investment towards prevention and early intervention. In Highland £1.4m has been received in 2022/23 with a similar amount expected in 2023/24. An update paper to the Council's Health and Social Care committee was provided on the 9th November 2022 with a link to the paper provided below:
[https://www.highland.gov.uk/download/meetings/id/80693/4 -
whole family support strategic report](https://www.highland.gov.uk/download/meetings/id/80693/4-_whole_family_support_strategic_report)

Planned use of the WFWF is as follows:

- To identify and fund a project manager post to plan and implement the Lochaber programme as a pilot, prior to rolling this out across Highland.
- To establish a project and delivery team and plan to develop a partnership approach using the national principles for holistic whole family support that would report to the Integrated Children's Services Board and ultimately the CPP Board.

- 5.8 In order to meet the cost pressures identified in section 5.2 and fund the recurring investment in increased allowances, a savings target of £3.7m or 7.9% is the Health and Social Care Service contribution to the Council's revenue budget gap for 2022/23. This is based on the Children's Services budget only.

It is anticipated that this savings target will be met by a combination of the benefits derived from the aforementioned investment, a review of staffing within the family teams and the senior staffing team, and reductions in the use of agency staff. However, at present, the savings proposals identified are £562k short of the target

5.9 and so further savings will need to be identified and brought forward to a mid year budget meeting of the Council.

As has happened in previous years it is anticipated that NHS Highland will provide an uplift in the quantum of funding provided for the commissioned elements of the Integrated Children's service in line with the change in the overall NHS Highland funding settlement from the Scottish Government.

5.10

Designation: Executive Chief Officer Health and Social Care; Head of Finance

Date: 16 February 2023

Author: Edward Foster, Head of Finance; Fiona Malcolm, Head of Integration (Adult Social Care)

Background Papers:

HEALTH, WELLBEING AND SOCIAL CARE SERVICE

2022/2023	GROSS EXPENDITURE			GROSS INCOME			NET TOTAL			VARIANCE ANALYSIS			
	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Projected Outturn	£'000 Staffing Variance	£'000 Other Spend Variance	£'000 Income Variance	£'000 Total Variance
Quarter ended 31st December 2022													
BY ACTIVITY													
Service Management and Support													
Management Team	781	658	-3	-7	0	7	774	658	778	0	-3	7	4
Business Support	970	584	-65	0	0	0	970	584	905	-66	1	0	-65
COVID-19 Response	1,900	1	-1,650	0	-109	0	1,900	-108	250	0	-1,650	0	-1,650
Looked After Children													
Fostering & Adoption	5,616	4,525	444	0	-1	-1	5,616	4,524	6,059	-125	569	-1	443
Looked After Children (Residential) In house	3,034	2,323	-96	0	-57	0	3,034	2,266	2,938	-166	70	0	-96
Looked After Children (Respite) In house	1,633	1,194	-32	0	0	0	1,633	1,194	1,601	-43	11	0	-32
Looked After Children (Residential) Independent / 3rd Sector	8,008	6,604	1,670	0	0	0	8,008	6,604	9,678	0	1,670	0	1,670
Looked After Children (Through care & aftercare)	1,994	990	-598	-31	-28	0	1,963	962	1,365	1	-599	0	-598
Looked After Children (Alternatives to OOA)	5,251	3,431	-206	-292	-353	0	4,959	3,078	4,753	-244	38	0	-206
Looked After Children Management and Support	446	313	-23	0	0	0	446	313	423	-23	0	0	-23
Family Teams													
Family Teams - North	2,932	2,062	-310	0	-2	-1	2,932	2,060	2,621	-290	-20	-1	-311
Family Teams - Mid	3,398	2,667	-5	0	-4	0	3,398	2,663	3,393	-1	-4	0	-5
Family Teams - West	2,988	2,173	-165	0	-3	-3	2,988	2,170	2,820	-138	-27	-3	-168
Family Teams - South	8,170	5,680	-552	-15	-27	-3	8,155	5,653	7,600	-527	-25	-3	-555
Self Directed Support (Direct Payments)	399	183	-58	0	0	0	399	183	341	0	-58	0	-58
Other Services for Children													
Child Protection	728	511	-155	-31	-184	0	697	327	542	-155	0	0	-155
Health and Health Improvement	1,442	845	-60	-603	-198	0	839	647	779	-63	3	0	-60
Allied Health Professionals	3,459	2,509	-27	-30	-177	0	3,429	2,332	3,402	-28	1	0	-27
Primary Mental Health Workers	503	316	-44	0	0	0	503	316	459	-36	-8	0	-44
Specialist Services	395	305	7	0	0	0	395	305	402	0	7	0	7
Youth Action Services	1,650	983	-227	0	-10	0	1,650	973	1,423	-194	-33	0	-227
Other Services for Children	983	696	-71	-7	-66	4	976	630	909	-15	-56	4	-67
Staff Training	179	113	-23	0	-8	0	179	105	156	-23	0	0	-23
Independent Funds	0	-16	0	0	0	0	0	-16	0	0	0	0	0
Unallocated Savings	0	0	0	0	0	0	0	0	0	0	0	0	0
Commissioned Children's Services income from NHS	0	0	0	-11,096	-117	0	-11,096	-117	-11,096	0	0	0	0
TOTAL	56,859	39,650	-2,249	-12,112	-1,344	3	44,747	38,306	42,501	-2,136	-113	3	-2,246