

Agenda Item	7b
Report No	JMC/05/24

# The Highland Council

**Committee:** Joint Monitoring Committee

**Date:** 27 March 2024

**Report Title:** Finance Report – Integrated Children’s Services

**Report By:** Head of Corporate Finance

## 1. Purpose/Executive Summary

- 1.1 This report sets out for members of the Joint Monitoring Committee (JMC), an update on the Council’s overall financial position for 2023/24, as well as the financial position for Integrated Children’s Services functions delivered by the Council through the Lead Agency arrangement.
- 1.2 The figures presented are drawn from the Council's Quarter 3 financial monitoring reports. Updates on pressures and risks in the current year, and progress with savings delivery related to Integrated Children’s Services are also included within the report.
- 1.3 The report also provides an update regarding the budget for 2024/25, now agreed by the Council meeting on 29 February 2024.

## 2. Recommendations

- 2.1 Members are asked to:
  - i. Note this report and financial forecast for Quarter 3 of 2023/24;
  - ii. Note the update provided regarding savings delivery for Integrated Children’s Services;
  - iii. Note the update provided regarding outlook for 2024/25 and beyond.

## 3. Implications

- 3.1 Resource – there are no specific recommendations with resource implications in this report. The report does however provide a comprehensive analysis of the revenue budget position, and quarter 3 forecasts relating to the Integrated Children’s Services budget.
- 3.2 Legal – no particular implications to highlight.

- 3.3 Community (Equality, Poverty, Rural and Island) – no particular implications to highlight. The services provided within the Integrated Children’s Services functions provide for needs across communities, within available resources.
- 3.4 Climate Change / Carbon Clever – no particular implications to highlight.
- 3.5 Risk – the report highlights a number of particular risk areas as they may impact on the revenue budget, in the current year and into future years. The report provides narrative relating to the current staffing and vacancy challenges facing aspects of the children’s services activities, and status update on savings delivery including service redesign.
- 3.6 Health and Safety (risks arising from changes to plant, equipment, process, or people) – no particular implications to highlight.
- 3.7 Gaelic – no implications.

#### 4. Highland Council Overall Budget Position Quarter 3 of 2023/24

- 4.1 The Council’s revenue budget for the current financial year was based upon the following funding assumptions, with updates as at Quarter 3 shown. The movement in budgeted income from Scottish Government grant reflects revisions and additions to funding since the budget for the year was set, which primarily relate to funding for staff pay awards.

Description	Budget As Agreed March 2023 £m	Budget at Quarter 2 £m	Movement +/- £m
Scottish Government Grant Funding ex Ring-Fenced Grants	536.524	554.171	17.647
Council Tax Income	143.563	143.563	-
Use of Reserves*	23.270	19.448	-3.822
Contribution from Earmarked Reserves*	2.171	2.171	-
	705.528	719.353	13.825

Other Core Funding Assumptions:

Budget Savings agreed	22.195	22.195	-
-----------------------	--------	--------	---

*\*Non-recurring items*

- 4.2 Regular reports to the Council, and past reports to JMC, have highlighted the extent to which the budget for the current year is reliant upon a significant number of non-recurring funding measures as reflected above.
- 4.3 The Quarter 3 revenue forecast for the Council overall, is an overspend at year end of £3.709m as set out in the table below.

This is an improvement from the Quarter 2 report, where the forecast had been a £5.717m overspend. The main factors in the improvement from Quarter 2 relate to

the implementation of the 23/24 staff pay award, and adjustments to budget and funding as a result, which has resulted in an improvement against earlier forecasts.

The main contributory factors in the remaining net overspend position are overspends in the Council's Communities & Place, Housing & Property and Infrastructure, Environment and Economy Services, related to income shortfalls, inflation and cost pressures. The most significant single factor relates to the impact of the Corran Ferry being out of service in the first half of the year, which has resulted in £3.3m of exceptional and unplanned overspend arising from lost income, costs of mitigations and cost of repairs.

	Annual Budget £m	Year-end forecast £m	Year-end variance £m
<b>Expenditure</b>			
Service budgets	644.044	650.720	6.676
Other budgets	74.650	72.347	-2.303
Contribution to investment funds and other reserves (Appendix 1, Table C)	0.659	0.659	0
<b>Total (X)</b>	<b>719.353</b>	<b>723.726</b>	<b>4.373</b>
<b>Income (Table D- top part)</b>			
Government income	554.171	554.171	0
Budgeted Council tax income	143.563	144.227	0.664
Confirmed use of earmarked reserves	2.171	2.171	0
<b>Total (Y)</b>	<b>699.905</b>	<b>700.569</b>	<b>0.664</b>
<b>Difference between expenditure and income to be funded from non-earmarked reserves- 'Budget (surplus)/deficit' (=X-Y)</b>	<b>19.448</b>	<b>23.157</b>	<b>3.709</b>

**Appendix 1** provides the Council's overall Quarter 3 budget monitoring position.

4.4 As the year has progressed, a number of major risk areas have been mitigated or reduced, e.g. the settling of agreed pay awards in 2023/24 and confirmation of funding to support that pay award, has removed one significant area of risk.

- Inflation and cost of living continues to have pressure on the costs of service delivery and the goods and services bought by the Council, with careful management of expenditure necessary to manage within budgets agreed by the Council.
- Energy costs - a £8.9m unallocated budget provision for energy cost increases was made in the March budget, with this budget being carefully monitored and the winter months expected to be a key factor in the adequacy of the Council's budgets to cover expenditure in this area.
- Demand led service – there is a degree of unpredictability to aspects of the Council's expenditures, more so in the areas of health and social care. As noted in this report, there remains positive downward trends in relation to the

numbers and costs of Looked after Children, but as detailed below there can still be quarter by quarter increase, or variations in the costs of care.

- 4.5 The following table gives a summarised assessment of progress with delivery of all Council savings for 2023/24.

Service	Total Approved Savings 2023/24 £m	Blue £m	Green £m	Amber £m	Red £m
Communities & Place	1.455	0.615	0.810	0.030	0.000
Depute Chief Executive	0.307	0.307	0.000	0.000	0.000
Education & Learning	9.559	5.046	3.888	0.625	0.000
Health & Social Care	3.138	0.000	1.190	1.948	0.000
Infrastructure, Environment & Economy	2.377	0.330	1.370	0.677	0.000
Performance & Governance	0.363	0.060	0.233	0.070	0.000
Property & Housing	3.430	2.340	0.240	0.850	0.000
Resources & Finance (including Welfare)	1.304	0.946	0.145	0.213	0.000
<b>Service Savings Total</b>	<b>21.933</b>	<b>9.644</b>	<b>7.876</b>	<b>4.413</b>	<b>0.000</b>
Add : Corporate Savings	0.250	0.000	0.000	0.250	0.000
<b>Total</b>	<b>22.183</b>	<b>9.644</b>	<b>7.876</b>	<b>4.663</b>	<b>0.000</b>

Blue-complete

## 5. Children's Services Budget Position 2023/24

- 5.1 The statement at **Appendix 2** 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 (ie management and other central costs) no attempt has been made to split the costs between the two functions. In overall terms, the net position is **a small overspend of £0.063m forecast at year end**. Underlying this total are a number of other offsetting variances, which are commented on in this section of the report.

- 5.2 JMC members will recall from past reports that a major budget element in the 2021/22 and 2022/23 budgets for Children's Services, was the inclusion of a time-limited budget for Covid-19 pressures. This was a budget sum of £2.6m in that first year and reducing to £1.9m in 2022/23. This sum was always intended in being a time-limited source of budget ending in 2022/23, and it was evident from the 2022/23 out-turn and past reports that the need for this budget had not been at levels expected, and it was a factor in the level of underspend reported in those prior years. This budget sum has not recurred into 2023/24 and is therefore a material budget adjustment, albeit as noted in this narrative, an adjustment which was not expected to have an impact based on expenditure trends in the past two years.

### 5.3 Other Services for Children

This budget line is showing an overspend. The single largest factor in which is the sum of £3.138m of budget savings as detailed below, the majority of which is held against this budget, pending full implementation and allocation against the relevant budget lines in due course. It is important to note that in due course, once savings are allocated against relevant budget lines, this would be expected to reduce the underspends reported against those budget lines. This is particularly relevant when noting below the underspends currently being reported against Family Teams and

Looked After Children. The description and status of these savings are as shown below.

Ref	Savings Description	Saving Amount £m	RAG status
1.3b	Family Teams - Reduce agency use	0.300	A
3.2	Health and Social Care Redesign (part)	1.400	A
3.2	Health and Social Care Redesign (part)	1.000	G
3.18	Family First Strategy	0.248	A
3.19	Health and Social Care management savings	0.190	G
	<b>Total Savings</b>	<b>3.138</b>	

#### 5.4 Family Teams

Past reports to Committee over recent years have highlighted a legacy underspend against this budget heading. The Committee will be aware from past reports of 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. The staff vacancies throughout the service are of significant concern and this remains particularly challenging in the Family Teams. This is a risk reflected within the Council's Corporate Risk Register. It is intended that through realignment of budget, this will reflect the shift towards the strategies developed not only by Families First but also as envisaged by the Whole Family Wellbeing Approach. This is part of the ongoing redesign being carried out by the service.

#### 5.5 Looked After Children

5.5.1 'The Promise' is at the heart of practice within Highland Council. Consequently, there has been a focus on shifting the balance of care so that children and young people remain at home – when safe to do so. This is reflected in the Family First strategy.

5.5.2 That vision to safely keep children within their families and communities is achieving impact with less children coming into the statutory social work system. This is evidenced through our 'Looked After Children' statistics over a 3-year trend.

5.5.3 From 2020 to 2022/23 there has been an 18-20% reduction in Looked After Children from:

495 (2020),  
469 (2021),  
402 (2022),  
405 (2023).

That figure is now at 416 having risen from 415 to 425 over quarter 2 and has now reduced again.

5.5.4 It is the aspiration of the service to keep children from being considered as looked after whilst of course continuing to ensure that their safety and wellbeing is properly ensured.

- 5.5.5 In terms of those children and young people in residential placements out with the Highland area, the outlook is extremely positive. There are currently 11 children (down from 23 last year and up 2 from 9 last quarter) outwith the Highland area in spot purchased placements.
- 5.5.6 There are 18 children in total both in and out of Highland. Last quarter was the lowest number of OOA placements ever and a result of significant, continuous effort by the Home to Highland team and the family teams. It is hoped that a further 2 children will move back from OOA placements this financial year. Last quarter was the lowest number of OOA placements ever and a result of significant, continuous effort by the Home to Highland team and the family teams. This will have a positive effect on the budget spend as well as improving outcomes and it is expected that those trends will be shown in reported variances on an ongoing basis.
- 5.5.7 Whilst the trends in relation to residential placements is positive and it is anticipated that it will result in savings it should be noted that whilst the overall numbers are decreasing, the cost of living crisis is such that in real terms the cost of individual placements is significantly increasing. Consequently, we will be monitoring this situation closely and update Committee accordingly.

## 5.6 Fostering, Kinship and Adoption

- 5.6.1 Members will recall that there has been a review of allowances in relation to the payment of foster carers and Kinship carers in 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. The Committee should be aware that this issue has also received national attention in that the Scottish Government agreed in October 2023 to set a National Minimum Allowance across Scotland (back dated to April 1st 2023) to be paid to foster carers and kinship carers. This also included those in receipt of adoption or residence allowances paid by Local Authorities. Though the Committee had agreed to increase allowances in early 2023 there was still a gap between what the Local Authority has been paying and the National Minimum Allowance set by the Scottish Government for three of the age groups. Funding has been agreed by the Scottish Government of £16m to help Local Authorities meet the shortfall, Highland Council has been advised they were to receive £621k to offset the costs of the increase in allowances.
- 5.6.2 The use of local – Highland – provision is a key part of the Family First strategy in terms of seeking to keep children in their communities. It is intended that this strategy will – as well as improving outcomes for children and young people who are looked after – also contribute to savings by reducing reliance on purchased placements out of Highland which come at an increased cost. Meantime in terms of reporting positive trends the increase in allowances for Kinship Carers has meant that more family members are able to afford to take on the care of their younger relatives. There has also been an increase in the number of Kinship Orders being granted which not only legally secures the children with their kin but also has a positive impact on the budget spend. At the end of December, we were supporting 124 children where there is a Kinship order in place. There are currently also 83 children placed with Kinship carers - that is to say those young people who remain looked after but in a kinship placement - and that number is up by one this quarter. Members ought also be aware that the kinship process is currently handled within the Families Teams and it is intended going forward that this be picked up and included within the Adoption and Fostering budgets to reflect the position that these lines are in relation to children being looked after outwith their immediate birth families.

- 5.6.3 In terms of fostering placements out with Highland there had been no placements with Independent Fostering providers since September 2022 until June 2023 when three such placements were made which was reflective of what is a busy time being the school holiday period. There has been one further placement in Highland in November with an Independent Fostering provider of a 15-year-old young person. Since June 2023, three young people have moved from the Independent Fostering Providers to other care arrangements such as foster care, kinship care and home. There are a further 6 children where adoption is the plan who are currently in independent fostering placements and those adoption orders will hopefully be granted this year. The number of young people placed with Independent Fostering Providers both within and out with Highland is 47.
- 5.6.4 This is a positive trend consistent with the Family First Strategy, and it is anticipated will lead to a reduction in what has historically been an overspend and this is reflected in the reported figures.

## 6. Forward Look – 2024/25 and Beyond

- 6.1 Since the last report to JMC, the Council has agreed its revenue budget for 2024/25 and a medium-term financial plan covering three forward years. There is a significant element of transformational change, investment to support that change, and targets for recurring savings delivery agreed within that budget and financial plan. Key aspects as relate to Integrated Children’s Services are as described below. Future reports to JMC will provide update on the 2024/25 financial position and in-year monitoring.
- 6.2 Within an overall three-year total of £54.634m of agreed savings, the following are highlighted, as they relate wholly or partly to Children’s Services activity. There will in addition be a range of other corporate and cross-cutting savings that apply to a range of services, and the integrated children’s services budget will contribute towards. The allocate of these savings to individual services will be progressed over the coming weeks.

Savings:	24/25 £m	25/26 £m	26/27 £m	3 Year Total £m
Children’s Services – Family First Redesign	0.600	0.700	0.700	2.000
Efficiencies from Social Work procurement	0.300	0.200	0.100	0.600
Total	0.900	0.900	0.800	2.600

- 6.3 The following new or additional earmarked reserves were created to support delivery of budget savings and change and transformation in Integrated Children’s Services.

Savings:	Reserve £m
Children’s Services – Family First Redesign	2.000

- 6.4 In relation to pressure or growth funding, the Council has also provided for inflation and cost increases over a range of budgets, including energy/utility budgets, property and maintenance costs, corporate costs including ICT and software licences. These are typically cross-service with allocations to individual service budgets still to be determined. The Council budget also made provision for some additional capital investment capacity, with decisions on which projects/investment areas to be made in March.
- 6.5 The Council is also awaiting confirmation from Scottish Government regarding additional funding commitments within the Scottish Government budget relating to funding for £12 per hour real living wage within commissioned children's social care services. Which may in turn amend/add to the budget assumptions as described above for 2024/25.

Designation: Head of Corporate Finance

Date: 12 March 2024

Author: Brian Porter, Head of Corporate Finance

Background Papers:

Appendices:

1 – Quarter 3 Council Revenue Monitoring Report

2 – Quarter 3 Integrated Children's Services Revenue Monitoring Report



<b>Revenue Expenditure Monitoring Report - General Fund Summary</b>
---

<b>1 April to 31 December 2023</b>
------------------------------------

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
<b>Table A: By Service</b>				
Communities & Place	38,855	43,920	44,970	1,050
Depute Chief Executive	10,797	12,878	12,556	(322)
Education & Learning	170,729	249,842	249,134	(708)
Health, Wellbeing & Social Care	125,797	186,104	185,875	(229)
Infrastructure & Environment and Economy	30,558	43,783	49,718	5,935
Performance & Governance	2,221	6,339	6,121	(218)
Property & Housing	56,148	79,662	80,862	1,200
Resources & Finance	12,455	14,454	14,049	(405)
Welfare Services	8,676	7,062	7,435	373
<b>Service Total</b>	<b>456,236</b>	<b>644,044</b>	<b>650,720</b>	<b>6,676</b>
Valuation Joint Board	2,404	3,140	3,140	0
Non Domestic Rates reliefs	2,650	2,624	2,765	141
Loan Charges	0	60,176	60,176	0
Unallocated Budget	0	10,041	7,134	(2,907)
Unallocated Corporate Savings	0	(1,331)	(868)	463
<b>Total General Fund Budget</b>	<b>461,290</b>	<b>718,694</b>	<b>723,067</b>	<b>4,373</b>

**Table B: By Subjective**

Staff Costs	330,031	420,613	418,815	(1,798)
Other Costs	303,504	518,885	531,449	12,564
<b>Gross Expenditure</b>	<b>633,535</b>	<b>939,498</b>	<b>950,264</b>	<b>10,766</b>
Grant Income	(84,610)	(92,576)	(95,820)	(3,244)
Other Income	(87,635)	(128,228)	(131,377)	(3,149)
<b>Total Income</b>	<b>(172,245)</b>	<b>(220,804)</b>	<b>(227,197)</b>	<b>(6,393)</b>
<b>Total Revenue Expenditure</b>	<b>461,290</b>	<b>718,694</b>	<b>723,067</b>	<b>4,373</b>

**Table C: Appropriations to Reserves**

Contribution to earmarked balances	0	640	640	0
Contribution to non-earmarked balances	0	0	0	0
Affordable housing contribution from 2nd homes council tax	0	0	0	0
Contribution to Other reserves	0	19	19	0
<b>Total Contributions to Balances</b>	<b>0</b>	<b>659</b>	<b>659</b>	<b>0</b>

**Table D: Financed By**

Aggregate External Finance as notified	297,255	529,105	529,105	0
Additional resources	0	19,641	19,641	0
Additional resources - GCG - Pay award	0	5,425	5,425	0
Council Tax	164,035	143,563	144,227	664
Use of earmarked balances	0	2,171	2,171	0
Use of non earmarked balances	0	19,448	23,157	3,709
Use of other reserves	0	0	0	0
<b>Total General Fund Budget</b>	<b>461,290</b>	<b>719,353</b>	<b>723,726</b>	<b>4,373</b>

## HEALTH, WELLBEING AND SOCIAL CARE SERVICE

2023/2024	GROSS EXPENDITURE			GROSS INCOME			NET TOTAL			VARIANCE ANALYSIS			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Quarter 3, April to December	Annual Budget	Actual YTD	Year End Variance	Annual Budget	Actual YTD	Year End Variance	Annual Budget	Actual YTD	Projected Outturn	Staffing Variance	Other Spend Variance	Income Variance	Total Variance
<b>BY ACTIVITY</b>													
<b>Service Management and Support</b>													
Management Team	978	751	27	0	0	0	978	751	1,005	-2	29	0	27
Business Support	1,489	916	-231	0	0	0	1,489	916	1,258	-205	-26	0	-231
COVID-19 Response	0	0	0	0	-108	0	0	-108	0	0	0	0	0
<b>Looked After Children</b>													
Fostering & Adoption	6,986	5,287	-70	0	-1	0	6,986	5,286	6,916	-90	20	0	-70
Residential, In house	2,826	2,352	8	0	-760	0	2,826	1,592	2,834	-55	63	0	8
Respite, In house	1,722	1,398	73	0	0	0	1,722	1,398	1,795	93	-20	0	73
Independent and 3rd Sector placements	7,913	5,913	62	0	0	0	7,913	5,913	7,975	0	62	0	62
Through care & aftercare	1,958	1,010	-720	0	0	0	1,958	1,010	1,238	64	-784	0	-720
Home to Highland	6,135	4,156	-146	-401	-307	0	5,734	3,849	5,588	39	-185	0	-146
LAC Management and Support	784	383	-204	0	0	0	784	383	580	-207	3	0	-204
<b>Family Teams</b>													
Family Teams - North	3,257	2,383	-225	0	-1	-1	3,257	2,382	3,031	-240	15	-1	-226
Family Teams - Mid	3,674	2,819	-149	0	-10	0	3,674	2,809	3,525	-245	96	0	-149
Family Teams - West	3,286	2,241	-348	0	-2	-2	3,286	2,239	2,936	-338	-10	-2	-350
Family Teams - South	8,939	6,492	-659	-15	-4	-1	8,924	6,488	8,264	-740	81	-1	-660
Self Directed Support (Direct Payments)	405	287	142	0	0	0	405	287	547	0	142	0	142
<b>Other Services for Children</b>													
Child Protection	955	648	-97	-124	-226	0	831	422	734	-87	-10	0	-97
Health and Health Improvement	1,524	1,030	-8	-658	-423	0	865	607	857	-10	2	0	-8
Allied Health Professionals	3,846	2,937	8	-11	-82	0	3,835	2,856	3,843	5	3	0	8
Primary Mental Health Workers	607	454	13	0	0	0	607	454	620	17	-4	0	13
Specialist Services	401	297	0	0	0	0	401	297	401	0	0	0	0
Youth Action Services	1,738	1,051	-421	0	-9	0	1,738	1,042	1,317	-402	-19	0	-421
Other Services for Children	917	973	-14	-7	0	7	910	972	903	-17	3	7	-7
Staff Training	185	73	-23	0	-4	0	185	70	162	-30	7	0	-23
Independent Funds	0	-15	0	0	0	0	0	-15	0	0	0	0	0
Unallocated Savings	-2,916	0	2,916	0	0	0	-2,916	0	0	2,916	0	0	2,916
<b>Children's Services income from NHS</b>	0	0	0	-11,274	-6,088	0	-11,274	-6,088	-11,274	0	0	0	0
<b>TOTAL</b>	57,609	43,836	-66	-12,490	-8,025	3	45,118	35,812	45,055	466	-532	3	-63