

Agenda Item	7.
Report No	CLH 63/19

HIGHLAND COUNCIL

Committee: Care, Learning and Housing

Date: 10 October 2019

Report Title: **Care and Learning Revenue Budget Monitoring Quarter 2 2019/20**

Report By: Chief Executive

1. Purpose/Executive Summary

- 1.1 This report sets out the revenue monitoring statement for Quarter 2, to the end of September 2019. The monitoring statement forecasts an overspend of £0.124m, an improvement against the £0.572m overspend at Quarter 1.
- 1.2 The report also includes an assessment of progress in achieving the significant budget savings for the year.

2. Recommendations

- 2.1 Members are asked to:
 - i. Consider the revenue budget outturn forecast for the year, and the actions being taken to address the budget position in the current year.

3. Implications

- 3.1 Resource – as set out within the report and accompanying appendices.
- 3.2 Legal – nothing to highlight regarding this report.
- 3.3 Community (Equality, Poverty and Rural) – nothing to highlight.
- 3.4 Climate Change / Carbon Clever – nothing to highlight in this report.
- 3.5 Risk – as referred to in section 4 the scale of financial challenges are significant, in terms of underlying pressures which remain and are being addressed through management action taken across the Service. Further work is underway, and is necessary to re-base budgets so that going forward underlying pressures are

addressed and the level of over and underspends across budget headings is reduced. This work continues and is a major focus by Senior Management over the course of this year.

3.6 Gaelic - nothing to highlight in this report.

4. Revenue Monitoring

4.1 As reported to members at quarter 1, the Care and Learning budget for financial year 2019/20 incorporates approximately £12m of budget savings to be delivered by the Service in-year. That represents a significant level of saving and change to be managed, against a backdrop of a number of underlying budget pressures.

4.2 As was evident from the financial position reported at quarter 1, and the further improvement reflected at quarter 2, despite the difficult financial context significant progress has been made in the delivery of the agreed budget savings and in management action to address underlying pressures with the aim of delivering within budget at the financial year end. In 2018/19, the Care & Learning Service overspent by £2.8m with approved savings of £1.7m. For 2019/20, we are currently predicting a £0.124m overspend and on track to deliver approximately £12m savings.

4.3 The projected overspend for 2019/20 of £0.124m represents a material improvement of £0.448m against the quarter 1 position (£0.572m overspend). Further explanation of the improvement, and the remaining variances is set out below and discussed at 4.5.

Description	Movement: Qtr 2 compared to Qtr 1 (- = improvement)
Education Services	-£0.162
Adult Services	-£0.061
Service Management & Resources	£0.945
Childrens Services	-£0.661
Additional Support	-£0.509
Total	-£0.448

4.4 Given the extent to which underlying pressures remain and that there are significant aspects of service which are demand led and can be difficult to predict, there is a need for some caution against the monitoring figures with 6 months of the year remaining.

4.5 **Annex 1** sets out the quarter 1 monitoring statement for the year to 30 September 2019. The main reasons for the improvement from Quarter 1 are as described below.

- Education Services – an improvement of £0.162m relating to further expected underspends on class contact reduction budgets.
- Adult Services – a £0.061m improvement related to staffing vacancies and cost management.
- Service Management and Resources - £0.945m deterioration in the forecast. The main factor being the incorporation of £0.744m of unachieved saving relating to the Care and Learning Management Re-structure. While the status of

this saving has not altered in quarter, and is set out at Annex 2, at quarter 1 this saving had been held as a corporate saving outwith the Care and Learning budget, only now being incorporated within the service budget for the year. This is normal practice in relation to how the Council allocates corporate and centrally held savings during the course of the year. In addition, the forecast overspend on property costs has increased, based on updated estimates. Led by the Chief Executive, a report on the restructuring progress is to be presented to the Highland Council in December 2019.

- Childrens Services - £0.660m improvement from quarter 1. The main positive factor being an improvement on the Out of Authority overspend through the work of the placement services change programme, which is described further below (4.7). That improvement is partly offset by an increase in cost on Fostering and Adoption as a direct consequence of the actions being taken to return young people out of authority to the Highlands.
- Additional Support - £0.509m improvement from quarter 1. The main reason for improvement is in relation to the Council's three special schools. Action has been taken to address the underlying overspend that has existed for a number of years. This has included an interim re-basing of school budgets, with input from Head Teachers, to separate out some of the historic pressure, ensure a more realistic and accountable budget is in place and continuing to review discretionary spend.

In total the factors above represent the £0.448m overall net improvement in the projected overspend from quarter 1 to quarter 2.

4.6 While the net forecast for the Service is a much improved position, as can be seen at Annex 1 there are some positive and negative variances across the Service. Set out below are the main factors, the majority of which are those headline pressures and management action which had been reported at quarter 1.

- Education Services – overall the Education budgets are reporting a £0.382m projected underspend. While detailed school budgets are still being updated to reflect the latest August 2019 school rolls, the current forecast estimated that the revised budget allocation to schools for the latest pupil numbers is sufficient and with the underspend as reported remaining.
- Adult Services – overall the budgets are forecast as being £0.182m underspent at the year end. The main variance areas are in Mental Health Teams and Criminal Justice Services (staffing vacancies) and Supported employment (retirals and lower number of placements).
- Children's Services – overall the budget is showing a net underspend of £1.748m. While still showing an overspend, the forecast for Looked After Children is much improved through the work of the Placement Services Change Programme (see further information later in report). There also continues to be underspends on Family Teams relating to staffing and vacancies, and Childcare and Early Learning based on profile of revenue spend against assumptions for the year. Further information on progress with capital aspects of Early Learning and Childcare expansion is set out later on this agenda.

- Additional Support Services – overall the budget is reporting a projected £1.542m overspend which is an improved position as set out at paragraph 4.4 above. Special Schools overspend is projected at £0.374m compared to £0.770 at Quarter 1. ASN schools / support predicted outturn overspend is £0.113m less at £1.168m overspend relating primarily to underlying pressures within the Additional Support Needs (ASN) allocation to schools. As Members will be aware, and as reflected at Annex 2, the Council has made good progress in delivering the agreed budget savings in ASN for the year. The level of overspend showing is related to underlying and historic pressures, rather than related to delivery of the saving. The underlying pressures will be addressed as part of the ongoing review including the Council's Education Transformation programme which is reported/presented later on this agenda.

Placement Services Change Programme

- 4.7 The significantly improved financial position of the Looked After Children budget is as a result of 42 young people being enabled to return to Highland or circumvented going out of area since June 2018, avoiding costs of over £6m as compared with these young people remaining out of area for a year. Of the 42 returned, 30 have been in this financial year which explains the significant reduction in overspend since the last report in Aug 2019. There are plans to return up to a further 4 children before December 2019.
- 4.8 Due to the extensive activity by the PSCP team and family teams, the programme has considerably exceeded the number of returns estimated in the business case whilst minimising new spot purchased placements to only 3 since April 1st 2019.
- 4.9 In Sept 2019, spot purchased placements were at their lowest level in 6 years at 35 in total and the number of children remaining out of area in residential placements was 27 as compared with 41 at Sept 2018.
- 4.10 The reducing numbers of spot purchased placements means the associated cost is reducing which balances the increased costs of new services and accommodation in Highland. The new outreach and respite service Àrach in Fodderty has been operational since May 2019 which will enable Children's Services to reduce new admissions into residential and purchased placements by 20% per year.
- 4.11 Àrach north staff have been employed to enable the return to Caithness of a young person out of area and to maintain a further two young people in their home area.
- 4.12 Flexible individualised education packages have been developed for each young person returning to Highland using mainstream schools, nurture bases, off-site provisions such as the Bridge in addition to Family Firm and third sector organisations.
- 4.13 A further 4 flats have been acquired for young people returning from OOA or moving out of Highland residential care totalling 18 across: Wick, Dingwall, Inverness and Fort William.

Budget Savings 2019/20

- 4.14 In relation to budget savings, **Annex 2** sets out the status of the Care and Learning Service Savings for the 2019/20 financial year. Members are reminded that the approved savings for the Service were £1.7m in 18/19; nearly £12m for 19/20. Good

progress continues to be made in relation to savings, the one main exception being the saving target for the Management Re-structure which will not be delivered in year as reported earlier at 4.5.

Designation: Chief Executive

Date: 30 September 2019

Author: Brian Porter, Head of Resources

Background Papers:

CARE AND LEARNING SERVICE REVENUE MONITORING REPORT- 2019-20

1st April 2019 to 30th September 2019	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Outturn	£'000 Year End Variance
BY ACTIVITY				
Education Services				
Secondary Schools	33,912	71,286	71,286	0
Primary Schools	31,122	66,298	66,098	(200)
Schools General	(82)	1,604	1,454	(150)
Learning and Teaching	754	1,448	1,416	(32)
	65,706	140,636	140,254	(382)
Adult Services				
Commissioned Adult Services	25,410	100,614	100,614	0
Commissioned HLH Services	2,948	16,191	16,191	0
Services for Vulnerable Adults	1,374	2,697	2,498	(199)
Grants to Voluntary Organisations	699	1,125	1,141	16
	30,430	120,627	120,444	(183)
Service Management and Resources				
School Crossing Patrollers and Escorts	293	742	681	(61)
Pensions, Insurance and Other Pan-Service Costs	1,172	2,274	2,274	0
Resources Teams and Property Costs	1,518	2,915	3,184	269
Service Management Team and Support	1,124	1,486	2,109	623
Hostels	513	1,070	1,135	65
	4,620	8,487	9,383	896
Children's Services				
Looked After Children	11,994	23,299	24,642	1,343
Family Teams	7,793	18,101	17,364	(737)
Childcare and Early Learning	(3,693)	13,348	11,090	(2,258)
Other Services for Children	1,670	3,823	3,726	(97)
Commissioned Children's Services Income from NHS	(2,892)	(10,165)	(10,165)	0
	14,872	48,406	46,657	(1,749)
Additional Support Services				
Additional Support - Schools	13,071	24,444	25,851	1,407
Additional Support - Special Schools	2,333	4,407	4,781	374
Specialist Additional Support Services	2,751	6,181	5,942	(239)
	18,155	35,032	36,574	1,542
TOTAL CARE AND LEARNING	133,784	353,188	353,312	124
	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Outturn	£'000 Year End Variance
BY SUBJECTIVE				
Staff Costs	106,763	221,970	222,128	158
Other Costs	50,194	162,564	162,509	(55)
Gross Expenditure	156,957	384,534	384,637	103
Grants	(18,866)	(19,366)	(19,366)	0
Other Income	(4,307)	(11,980)	(11,959)	21
Total Income	(23,173)	(31,346)	(31,325)	21
NET TOTAL	133,784	353,188	353,312	124

Annex 2 - Care and Learning Budget Savings 2019/20

				Savings (due to delivered in 19/20)	
Service Ref	Theme Ref	Budget Area	(Brief description - should clearly state how savings will be generated) Savings Description	2019/20 £m	RAG Status
C&L/1b	1.2	Staffing Allocations and Absence Management	Re-base all school staffing allocations across Primary, Secondary and ASN schools to ensure transparency and fairness in allocations following national class size guidance and removing all ad-hoc allocations to ensure stable staffing within our communities. This will include procedures for staff absence management and supply staff.	3.500	Green
C&L/3	4.5	Education centrally managed budgets	Reduce the number of seconded and centrally funded non-teaching posts	0.200	Green
C&L/4	1.20	Care & Learning Programme management	Review management of C&L change programmes to provide service overview and closer collaboration between change programmes	0.046	Green
C&L/5	3.17	Sustainable education programme	Sustainable Education Programme - roll-out of the programme with a review of structures and delivery models to ensure delivery is appropriate for the local area	0.200	Amber
C&L/6	1.22	Early Years/ELCC	A review of the whole early years' service will impact positively on the effectiveness and efficiency of the delivery of the expanded ELC provision. This will be based on the principles of quality, flexibility, affordability and accessibility. Additional funding from the Scottish Government is available.	2.000	Green
C&L/7a	3.8	Specialist Teachers	Integrating services by maximising the deployment of specialist teachers to support mainstream teaching staff in meeting the needs of pupils with a high level of need	2.788	Green
C&L/7b	4.1	Benchmarking of Support in Schools	Building on the findings of the redesign review, a change to the allocation of resource, monitoring and training of staff and assessment of need, where ASGs control allocation of resource. Supports embedding this approach into the daily functioning of a school and can target support to those pupils with the greatest need.	0.700	Green

				Savings (due to delivered in 19/20)	
Service Ref	Theme Ref	Budget Area	(Brief description - should clearly state how savings will be generated) Savings Description	2019/20 £m	RAG Status
C&L/7c	1.12	Care & Learning non-staffing efficiencies	Non-staffing efficiencies identified through budget management. This will include savings from training budgets and flexible budgets.	0.250	Amber
C&L/7d	4.7	Care & Learning Vacancy Management	Specialist support services- staffing budget efficiencies through vacancy management	0.250	Green
C&L/7e	4.2	Specialist Education Services	Further rationalisation of specialist education support teams will result in a reduction in front-line support staff, but a greater level of training and flexibility of deployment. With greater service integration development posts can be supported from quality development team.	0.119	Green
C&L/7f	1.23	Early Learning and Childcare Specialist Support	There is a need to provide a greater focus on supporting ASN in early years, with the roll out of 1140 hours. It is proposed that the budget for the Preschool home visiting teaching service will therefore be supported from early years to support this change.	0.260	Green
C&L/9	2.16	High Life Highland	Increased funding reduction in excess of core grant reduction with a focus on increasing revenue	0.405	Green
C&L/12	3.16	Care & Learning Directorate restructure	Senior management restructure - Bringing together education, early years and additional support needs under one head of service in order to improve collaboration and integration across service area; and bringing together all family support, health, social care and Criminal Justice services under one Head of Service	0.744	Red
C&L/14	3.13	School transport for Looked After Children	Reduction of costs transporting Looked After and Accommodated Children to school	0.020	Green

				Savings (due to delivered in 19/20)	
Service Ref	Theme Ref	Budget Area	<i>(Brief description - should clearly state how savings will be generated)</i> Savings Description	2019/20 £m	RAG Status
C&L/15	2.6	Grants to early years organisations	A review of Early Years grant, to ensure that the services funded focus on key service objectives. Although the grant available will be reduced by £258k (from £458k), the remaining money will be redirected into Service Level Agreements	0.258	Green
Corp/1	3.14	Council wide	Review of business support to create an integrated service, reduce duplication and achieve efficiencies.	0.100	Green
				11.840	