

Agenda Item	6.b
Report No	JMC/18/22

Committee: The Highland Council / NHS Highland Joint Monitoring Committee

Date: 5th October 2022

Report Title: Highland Council Finance report

Report By: Head of Finance

1. Purpose/Executive Summary

- 1.1 This report presents an update to members of the JMC on the Highland Council's overall budget for 2022/23 and financial outlook for 2023/24 and beyond. A budget paper presented to the full meeting of the Highland Council on the 22nd September identified that the Council is currently forecasting an in-year overspend of £9.6m and faces a budget gap of £40.9m for financial year 2023/24. It is essential that Members of the JMC understand that context and the ensuing constraints that will be placed on all areas of the Council's budget, including that for Health and Social Care.
- 1.2 The report also provides a more detailed view of the children's services elements of the Council's Health and Social Care budget for financial year 2022/23. As at the end of Quarter 1 the service was projecting a balanced budget position across all activity areas. At this early stage in the year it is difficult to predict out-turns with a high degree of certainty however the service is seeing a positive trend in relation to reduced secure care and out of area residential placements. If this trend continues and can be sustained, this should reflect positively within financial forecasts over the remainder of the year.

2. Recommendations

- 2.1 Members are asked to:
- i) Note the contents of this report

3. Implications

- 3.1 There are no resource implications arising directly as a result of this report, rather it provides detailed information on the Council's financial position and future outlook. Future service planning will need to reflect affordability constraints.
- 3.2 There are no specific Legal, Community (Equality, Poverty, Rural and Island), Climate Change / Carbon Clever or Gaelic implications arising directly as a result of this report.

4. Highland Council- Wider Financial context

4.1 A report entitled 'Financial Crisis- Our Council and Our Communities' was presented to the meeting of the Highland Council on the 22nd September. A link to the report is provided below:

https://www.highland.gov.uk/download/meetings/id/80507/item_11_financial_crisis_%E2%80%93_our_council_and_our_communities

4.2 That report provided key contextual financial information including:

- The wider context for public sector finances across Scotland
- Key financial risks facing the Council
- The Highland Council's overall forecast revenue budget position for the current financial year (2022/23)
- The Council's budget outlook for financial year 2023/24 and beyond
- A summary of the budget strategies the Council will employ to deliver both short and medium term financial benefits.

A brief summary of the key aspects of those items is included below.

4.3 For the current financial year the Council is forecasting an in-year budget overspend of £9.6m. This forecast overspend is primarily arising as a result of inflationary factors with the following key elements:

- The excess unbudgeted cost of the current pay offer made to staff (£5m)
- Net forecast overspend against service budgets, much of which relates to inflationary impacts (£3.6m)
- Unbudgeted utility cost pressures (£1m)
- Delayed delivery in asset management saving (£0.6m)
- Offsetting factors- Council tax income and unallocated budgets (-£0.6m)

4.4 The Council's forecast budget gap for 2023/24 is £40.9m. This figure reflects the excess cost of forecast expenditure over forecast income if the same services are to be provided at the same level and in the same manner next year as this. The forecast gap arises as a result of anticipated pay and other inflationary pressures. A budget gap at this level represents the largest gap the Council has faced in recent memory.

4.5 Given the scale of the challenge facing the Council a number of strategies to reduce spending were approved, to help mitigate both the forecast overspend in the current financial year and support the development and delivery of budget savings into 2023/24. The scale of the challenge facing the Council will mean that these strategies will need to be implemented at pace and within timelines the Council has not historically worked to. Such pace may mean compressed opportunity for staff and stakeholder engagement and consultation or deliver unanticipated impacts.

4.6 The approved budget strategies are listed below and will need to apply to all areas of Council activity, including all aspects of Health and Social Care:

- People Strategy- reduce, reshape, reprioritise
- Increasing income
- Service prioritisation and redesign
- Asset management
- Contract management

- Capital programme review
- Reserves review

5. Health and Social Care service budget information

- 5.1 2022/23 quarter 1 revenue monitoring statements for the Health and Social Care service were presented to the Council's Health, Social Care and Wellbeing Committee on the 24th August. A link to that report is provided below. Due to the scheduling of this JMC meeting the 2022/23 quarter 1 statements are the most current available.
https://www.highland.gov.uk/download/meetings/id/80306/item_9_revenue_budget_monitoring_august_2022
- 5.2 The core principle of integration of teams, budget, structures, processes and systems has largely been successfully implemented in children's services. This integration has centred around improving outcomes for Highland's children and families including health outcomes. The commissioned child health resource currently embedded within the "Family Teams" includes health visitors, school nurses and staff nurses and all nursing support.
- 5.3 The resource outwith the Family Teams includes Child Protection, Looked After Children Nurses, Youth Justice, Health and Disability nurses and Primary Mental Health Workers, Health Development and Allied Health Professionals.
- 5.4 Relevant extracts of the 2022/23 budget position for the Health and Social Care service relating to commissioned children's services are provided in the sections below along with relevant narrative. At this early stage in the year a balanced outturn position has been forecast across all budget heads.

5.5 Looked after Children

	Net Budget £000	Q1 Actual £000
Looked after children		
Fostering & Adoption	5,567	1,479
Looked After Children (Residential) In house	3,522	680
Looked After Children (Respite) In house	1,633	350
Looked After Children (Residential) Independent / 3rd Sector	8,008	2,139
Looked After Children (Through care & aftercare)	2,034	230
Looked After Children (Alternatives to OOA)	4,978	779
Looked After Children Management and Support	634	115
	26,376	5,772

As of August 2022, Highland currently has only 2 children in secure care provision. This equates to a reduction of some 10 young people in the past two years. Moreover, despite a spike in out of area external residential provision in 2020/21, the numbers have decreased to 19, which brings us closely back to our lowest position in Highland of 18 young people out of area. Furthermore, the Home to Highland team (previously the Placement Programme) advise that if plans progress as expected this year, a further 5 young people shall return home to the Highlands. This will be the lowest on record since the Placement Programme was initiated to tackle the spiralling numbers of vulnerable young people going out of area into high-cost external provision. Further detailed analysis of the overall LAC budget, linked to the budget re-alignment exercise, will be concluded and brought to the Health and Social Care Committee as part of the Quarter 2 reporting.

5.6 Family Teams

	Net Budget £000	Q1 Actual £000
Family Teams		
Family Teams - North	2,926	622
Family Teams - Mid	3,972	772
Family Teams - West	3,090	655
Family Teams - South	8,613	1,788
Self Directed Support (Direct Payments)	399	71
	19,000	3,908

There continues to be significant recruitment and retention challenges of children's social workers across the family teams. While there are a number of complex factors locally, recruitment and retention challenges are not unique to Highland. The professional social work body, Social Work Scotland, has stressed that the profession is facing crisis and is at a 'tipping point' (Setting the Bar, May 2022). An extensive review and validation exercise is currently underway with the service accountant to interrogate the establishment within the context of these challenges. More positively, the 'grow your own' trainee programme continues to be a key solution for Highland. Feedback through national networks has highlighted that Highland now has the largest number of trainees (adults and children's trainee social workers) in Scotland progressing through the scheme. We continue to build on these strengths exploring how we can develop even more capacity into this highly successful approach. A more detailed update on the staffing position and budget will be brought to Committee as part of the Quarter 2 report.

5.7 Other Services for Children

	Net Budget £000	Q1 Actual £000
Other Services for Children		
Child Protection	725	33
Health and Health Improvement	582	86
Allied Health Professionals	3,831	624
Primary Mental Health Workers	620	117
Specialist Services	397	161
Youth Action Services	1,648	212
Other Services for Children	923	157
Staff Training	174	28
Independent Funds	0	-16
Unallocated Savings	-3,437	0
	5,463	1,402

The Other Services for Children budget contains a variety of budget lines, many of which directly relate to health functions. The unallocated savings line reflects a saving target to be delivered across all service areas across the Health and Social Care budget.

5.8 For 2022/23 the Health and Social Care service is undertaking a budget realignment exercise in order to ensure the budget better reflects planned spend.

Designation: Head of Finance

Date: 3rd October 2022

Author: Edward Foster, Head of Finance

Background Papers:

https://www.highland.gov.uk/download/meetings/id/80200/item_6b_highland_council_finance_report

https://www.highland.gov.uk/download/meetings/id/80507/item_11_financial_crisis_%E2%80%93_our_council_and_our_communities

https://www.highland.gov.uk/download/meetings/id/80306/item_9_revenue_budget_monitoring_august_2022