

The Highland Council

Agenda Item	4
Report No	HCW/19/25

Committee: Health Social Care & Wellbeing Committee

Date: 12 November 2025

Report Title: Revenue Budget Monitoring Report – Q2 2025-2026

Report By: Assistant Chief Executive - People

1. Purpose/Executive Summary

- 1.1 This report sets out the revenue budget monitoring forecast for the Health and Social Care Service for the second quarter of 2025/2026. Details are provided in **Appendix 1** to this report.
- 1.2 The Service is currently reporting an overspend of £3.427m in terms of the forecast outturn position for Quarter 2. Members will recall that at the end of Quarter 1 the figure was £4.118m and hence the figures have shown positive movement of £0.691m. Pressures relate to the delivery of Children's Services and accordingly a robust recovery plan has been prepared to address that challenge - attached at **Appendix 2**. The Plan reflects the work being undertaken as part of the Operational Delivery Plan and articulates the financial and service delivery improvements that will be achieved through the projects within the Person Centred Solutions Portfolio and particularly the Home in Highland Programme.
- 1.3 Budget savings for 2025/2026 are detailed within this report and there is a confidence that elements of these will be achieved in year. As indicated at the last committee, savings which had previously been marked as unallocated have now been realigned to the relevant budget lines.
- 1.4 The position in relation to adult services also requires to be noted. The monitoring statement shows no material variance against the Council's budget for Adults. This is standard reporting given the lead agency model in place which provides for the quantum for the delivery of adult social care services being passed across to NHS Highland (NHS). However, this does not provide for identification of variances in expenditure against the budget and **Appendix 3** (the month 4 forecast provided by NHS) ought be considered in that regard. This anticipates an end of year overspend in the region of £19.3m against the NHS ASC budget, assuming the full delivery of an applied internal savings target of £6.192m (3%). The transformation agenda is intended to support the work ongoing in terms of mitigation of this challenge. Members will also be aware that there is ongoing work to address the model of integration in place and that too is expected to have a positive impact on the budget challenge.

- 1.5 The purpose of this report is, therefore, to support the Council's overall financial management and budgetary control arrangements. This report also supports the Committee and its Members in fulfilling the Scheme of Delegation in relation to financial management and remit of Strategic Committees which includes: *"to scrutinise the management of the Revenue and Capital Budgets for the Services included in the Committee's remit and monitor and control these budgets, including dealing with over- expenditure."*
- 1.6 This report provides Members with commentary on any material variances within the forecast, and actions taken or proposed in relation to those variances. The report also provides a forecast position regarding all budget savings within the remit of the Service.

2. Recommendations

2.1 Members are asked to:

- i. scrutinise and **agree** the forecast financial position for the year as set out in the report and appendices attached to the report;
- ii. **note** the explanations provided for any material variances and actions taken or proposed;
- iii. **note**, the update provided regarding savings delivery;
- iv. **note** and **agree** the Children's Services Recovery Plan; and
- v. **agree** that there should be regular reporting to Committee in terms of the numbers of children accommodated by the Council and the nature of those placements.

3. Implications

- 3.1 **Resource** – This report provides key financial information regarding the Service budget and forecast financial performance, including progress with Service delivery. As noted below in the risk section, and in terms of the figures reported, there remains ongoing uncertainty and challenge in terms of the delivery of care at a time where there are significant financial and workforce challenges. This is the case in terms of children's and adult social care services. Both require to be carefully monitored. The Children's Services Budget Recovery Plan at **Appendix 2** represents detailed and forensic work undertaken by Children's Services Managers to provide a road map to bring the budget back on target. The improved out turn position between quarter 1 and quarter 2 illustrates early progress in addressing service pressures. As already indicated, implementation of the Delivery Plan is also key to the long term sustainability of service priorities.
- 3.2 **Legal** – The Committee will be aware that the model of integration in Highland is currently being considered by the Partnership. At present the "lead agency" model is in place which has an impact on how both children's and adult care services are delivered. In the event that there is a decision to change to a body corporate model, there would be legal implications in terms of the management of resources.
- 3.3 **Risk** - There is a risk in terms of the delivery of children's services which requires to be mitigated in terms of the overspend position. The risk in relation to the adult care service delivered by NHSH is also ongoing and is likely to result in a projected significant overspend against NHSH's budget, the terms of which are regularly discussed at the Joint Monitoring Committee and at Chief Executive level.

The Committee will be aware too that a savings target was set against in 2024/2025 the delivery of Adult Social Care of £7m which has been implemented through the reduction of the quantum to NHSH. There is a risk that NHSH cannot reduce their

costs to satisfy the funding reduction which together with additional pressures culminates in the reported forecast overspend which presents a significant risk to the Partnership financial position. NHSH is reporting a forecast overspend of £19.8m after assuming delivery of £6.192m of savings which there is also a risk of not delivering in full.

Cost control and budget recovery planning is critical to mitigating the financial risks highlighted and, as agreed at the last meeting of this Committee, both adults and children's services budget recovery plans will be considered at a JMC workshop on 14 November 2025.

There remains a risk in relation to certain elements of care delivery as referenced within the Council's Corporate Risk Register and this risk remains relevant. The Partnership has also developed its own risk register which has been shared at this Committee and is available online as part of the papers to the JMC. This Committee is also sighted on the risk in relation to recruitment challenges. That risk creates a risk in terms of service delivery which is also reflected in the Council's Corporate Risk Register. The JMC workshop on 14 November will also be reviewing partnership risks.

3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** - There are no immediate health and safety implications arising from this report.

3.5 **Gaelic** - There are no Gaelic implications arising from this report.

4. Impacts

4.1 In Highland, all policies, strategies, or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 Integrated Impact Assessment - Summary

4.3.1 Although this is a monitoring and update report and an impact assessment is not required, an Integrated Impact Assessment screening was undertaken on 22.10.2025 in relation to the Children's Services Budget Recovery Plan. The conclusions have been subject to the relevant Manager Review and Approval.

4.3.2 The screening process has concluded that there are a range of potential positive impacts in relation to children's rights and equality. The screening determined that there was no requirement for a full impact assessment. Members are asked to consider the summary in **Appendix 4**.

4.3.3

Impact Assessment Area	Conclusion of Screening
Equality	- Children and Young People – <i>Positive</i> - Children affected by disability – <i>Positive</i>
Socio-economic	<i>Positive</i>
Human Rights	<i>Positive</i>
Children's Rights and Well-being	<i>Positive</i>
Island and Mainland Rural	<i>Positive</i>
Climate Change	<i>Positive</i>
Data Rights	<i>Positive</i>

5. Quarter 2 Outturn

5.1 The Service was reporting a forecasted end of year overspend of £4.118m at the end of Quarter 1. As a result, a Recovery Plan has been developed to address service pressures on a sustainable basis. The Children's Services Recovery Plan ("the Plan") is a multi year plan and is key to taking forward the vision of Children's Services as well as the need to address the budget position identified. The Plan is attached as **Appendix 2** to this report and identifies how this budget challenge will be addressed whilst also improving outcomes to Highland's most vulnerable children and young people.

5.2 In summary, the focus of the recovery plan is on the following key areas: -

- Respite provision and associated SDS delivery.
- Out of area costs and associated costs returning children to Highland.
- Expansion of Fostering and Kinship options
- Educational provision for children and young people returning to Highland and those unable to access mainstream provision.

It is recognised that the financial challenge is unlikely to be dealt with within this financial year and Members will note the plan refers to work being delivered over three key phases and over the next 3 – 5-year period.

5.3 Actions taken to manage budget pressures have already resulted in a positive movement of £0.691m, reducing the forecast overspend from £4.118m to £3.427m. Nevertheless, this still represents a material overspend and the Service is committed to ensuring every effort is taken to managing costs down whilst ensuring the needs of service users are protected.

5.4 In terms of the other service areas reflected in the monitoring statements attached as **Appendix 1**, there are no areas to highlight. Spend in terms of Justice is ringfenced and hence balanced and other areas of the service showing underspends are generally as a result of vacancy levels – youth action for example. The Mental Health Officer service is currently operating and delivering service within budget.

6. The Plan

6.1 The vision of the Service is articulated within the Families First strategy which is embedded in the Person Centred Solutions Portfolio in the Operational Delivery Plan. Key to that is the need to keep children and young people within their homes and communities where at all possible and to support placements which allow children to stay within their wider family network if they cannot remain within their own immediate family. A further strand of that strategy provides for the return of children and young

people accommodated outwith Highland to a placement closer to home. The Plan identifies how the Service can secure those aims whilst at the same time achieving savings and a balanced budget.

- 6.2 The Committee will be aware that the financial challenges are largely contained within the Looked After Children budget lines. This is represented by accommodation costs for those children for whom the Council is the corporate parent and whose care is not provided for by their family. Some of those costs are very high, particularly for those young people whose care is provided for independently and out of Highland. Quite apart from the extremely high expenditure involved, this type of provision also does not provide the best care for our children and young people. In terms of the Families First policy which has been approved by this Committee it is recognised that most children thrive within the context of the family with universal welfare services and the need to retain local community connections being key. By giving support to families when required - including extended family members - relationships can be maintained thus reducing trauma and improving short and long term outcomes.
- 6.3 Family support from outwith the family network should be available when needed for as long as it is needed. Some families need more support focused on a range of parental needs, including poverty, mental health, substance use, parental imprisonment, domestic abuse and disability. Such services are key to ensuring that children and young people can remain at home with their families where possible. Where that is not possible, then the Service requires to meet needs in a way which is therapeutic and with a view to children and young people going home when it is in their interests to do so. The Plan builds on that ethos.
- 6.4 Building on the Families First work, a multi-year recovery plan has been developed which is intended to address the overall challenge in 3 phases:
- Phase 1 which looks to deliver in-year savings at an amount between £613k and £1.45m; and
 - Phases 2 and 3 which set out a medium term plan with a view to achieving balance over the next 3-year period.

Phases 2 and 3 are significant in terms of making lasting change. By way of context at the time of writing there are 580 (including UASC) children looked after by Highland Council. The Service provides accommodation to 471 of those children and young people. It is of note that the proportion of children looked after in Highland is broadly comparable with figures for the rest of Scotland. Nevertheless, it is the long term aim of the Service to seek to reduce that number and actively address the challenges in doing so. The Plan attached at **Appendix 2** focuses on outcomes for those 471 accommodated children.

- 6.5 The intention is to reduce reliance on purchased foster placements and purchased residential placements, in particular those placements out of Highland. The following provides a useful example of the comparative costs to explain why this approach has significant financial benefits alongside improved outcomes: -

Residential Care

- In-house (Ashton House) cost per week per bed per child £2,974
- Average cost of current OAA purchased placements £6,542 per week

Foster Care

- Average cost per annum of THC foster placement £28,236
- Average cost per annum of purchased foster placement £59,744

It is clear that in house provision is cheaper as well as being closer to home. There is no significant difference in terms of the quality of such placements and reference to the Care Inspectorate inspections make it clear that services provided directly by Highland Council broadly perform very well. The financial imperative is clear and the need to care for our children and young people locally is articulated within our Families First strategy.

- 6.6 A key driver of the plan is to expand kinship care in order to free up provision in the Council's in-house service and reduce reliance on expensive purchased provision. The spreadsheets attached to the Plan demonstrate the intention to significantly increase the numbers of children in kinship placements to almost 50% of looked after provision. This is consistent with the best performing authorities and is consistent with the vision of the Service. The Service has recruited to its kinship team to deliver this intention.
- 6.7 It should also be noted that in terms of the Plan there will be ongoing work in terms of Self Directed Support (SDS) options which also contribute to the budget challenge. There will be monthly scrutiny of SDS plans under £10,000 and work will be carried out to implement a new resource assessment model that aligns with NHS Highland to provide a more seamless approach at points of transition. Members will be aware too that there are 3 respite facilities to open very soon which will assist with financial improvement. Reporting in terms of that work will be provided once complete.
- 6.8 Phase 3 of the plan provides for the continuation of phase 2 and the anticipated savings of so doing are set out within the Plan at page 11. To conclude, in terms of both phases 2 and 3 the intention is that over the next 3-5 years – starting now - that there be a dual purpose action plan which will deliver on two key strategic objectives being keeping Highland's Children within their own family and/or community wherever possible and by so doing, addressing the budget challenge without effecting the quality of care to children.

7. Adult Services

- 7.1 Members will be aware of the significant challenges which exist in terms of the cost of delivery of Adult Services by NHSH. At the present time, delayed hospital discharges and the availability of care have been a significant focus for the Scottish Government. The Committee will be aware that the delivery of adult social care and the associated funding is discussed at the Joint Monitoring Committee, and that there remain regular and ongoing discussions on financial matters between Senior Officials within both organisations. Due to current significant pressures within adult social care, close partnership working is necessary to seek to deal with potential budget pressures.
- 7.2 A savings target of £7m had been set by the Council for 2025/2026 and currently reflected as a reduction in the quantum. This has been accompanied by the availability of an earmarked reserve available to be drawn down to support the development and delivery of change and innovation through the Delivery Plan in the context of the model of future service delivery set out in the Strategic Plan. This is a challenging position as Members will recall in previous years that a balanced NHSH budget was managed with the availability of reserves held by the Council on behalf of NHSH (totalling circa £16m over two years). Those reserves were depleted in 2023/2024 so were not available for 2024/2025 to contribute to in-year financial pressures. NHSH did not balance their position in 2024/2025 and Members will recall that in May 2025 the Council agreed a draw down of £7.8m from the Earmarked Reserve leaving a residual £12m carried forward into 2025/2026. The position in relation to adult social care remains very challenging and as at the end of month 4 the budget challenge is noted as anticipating a budget deficit in the sum of £19.33m put to the NHS Health & Social Care Committee in terms of **Appendix 3**.

8. Commentary on Variances

- 8.1 In terms of the variances in children's services budget lines shown in **Appendix 1**, Members are asked to note 2 areas as contributing to the final outturn:

Independent and 3rd sector placements – This budget has historically been overspent as a result of the increasing cost of commissioned placements which have escalated over time and ahead of inflation. These pressures have previously been largely offset by underspends elsewhere in the service. The reduction of such placements is a key focus of the Recovery Plan developed by the Service at phases 2 and 3 and the use of the independent and commissioned sector will be reported regularly to Committee in order to track progress in delivering the Plan.

Family Based Care – This budget line is also under pressure and, like the preceding item, is a key focus of the work being addressed by the Recovery Plan. Whilst it is an area which has not previously been consistently overspent, the pressure arises in part as a result of the portion of the previously unallocated savings that has now been transferred into this budget line. It is also an area which forms a key part of the budget recovery plan and the intention is that there will be an improvement in the budgetary position as a result of increased reliance on kinship placements and in house foster placements thereby reducing reliance on expensive purchased foster placements.

Home in Highland Provision – This budget supports the educational provision of those young people who are not educated within mainstream education, many of whom have returned from out of area placements. The service has expanded to offer service to a cohort of young people who are not necessarily looked after but are not accessing mainstream education. As Members will be aware, the Person Centred Portfolio now includes a Learning Without Boundaries workstream which includes the appointment of a Virtual Headteacher which is expected to have a positive impact on (learning) outcomes and the associated costs. Some of these costs will also reduce as there is a reduction in the numbers both leaving and returning to Highland.

- 8.2 Whilst the budget lines in terms of adult social care show a nil variance that arises as a result of the lead agency model in place. Members will note the contents of section 7 which outlines the position in terms of the delivery of adult social care by NHSH. In terms of the draw down of £7.8m referred to in that paragraph Members will recall that notwithstanding the nil variance showing in **Appendix 1** that reference ought be had to the figures provided by NHSH which are attached as **Appendix 3**. In terms of the ongoing financial position for 2025 attached are figures for Month 4 which refers to an anticipated variance of £19.33m, assuming delivery of £6.192m savings on top of this. Members should note that NHSH are currently reporting figures across the board on the basis of a break even position. Council and NHSH officers have also been considering a cost recovery plan and cost containment actions for ASC addressing and reducing the forecast overspend are a priority but there is risk that plans and actions do not meet the required level and/or do not deliver at the pace required. There is no flexibility within the NHSH position to absorb with overspend and is overall projecting a £40m overspend for health (excluding the Adult Social Care position) which is the worst case position that Scottish Government will accept. Positive discussions in relation to the need for a cost containment plan are underway at Chief Executive and Senior Officer level.
- 8.3 Mitigating action in terms of the delivery of adult social care requires close partnership working with NHSH. That is ongoing and is reported to both the Joint Monitoring Committee and is also a key part of the Council's Delivery Plan in terms of

the programme of work associated with the Person Centred Solutions Portfolio. That is reported upon as part of a separate report to this Committee.

It should also be noted that going forward the work to consider the lead agency model is likely to be critical in terms of increased control in relation to the financial position for adult social care.

9. Savings Delivery

9.1 Details in relation to required savings are set out in **Appendix 5**.

9.2 Members will note that the position is challenging and albeit the Delivery Plan provides for the delivery of £0.7m by way of family first work the challenge is more significant than that largely as a result of previously undelivered savings. That position is referenced in the recovery plan and will be monitored in terms of future budget monitoring reports to Committee. In terms of the required savings there are 3 “ragged” as green and 2 currently “ragged” as red.

9.3 Those targets showing red are significant and relate to Adult Social Care. They amount to £7m in terms of the savings required of NHSH. There are ongoing conversations with NHSH in terms of their cost containment plans. These are being pursued at high level and involve the respective Chief Financial Officers of both agencies and will be the focus of a JMC workshop on 14 November.

Designation: Assistant Chief Executive - People

Date: 31 October 2025

Author: Fiona Malcolm – Chief Officer Integrated People Services
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Background Papers: N/A

Appendices: Appendix 1 – Budget Monitoring Statements
Appendix 2 – Children Services Budget Recovery Plan
Appendix 3 - NHS Adult Social Care Month Statement
Appendix 4 – Impact Assessment Screening Summary
Appendix 5 – Savings Delivery

HEALTH, WELLBEING AND SOCIAL CARE MONITORING STATEMENT 2025-26

APPENDIX 1

31/08/2025	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Service Management and Support				
Management Team	510	987	984	(3)
Business Support	632	1,656	1,414	(242)
Adult Services				
Delegated Adult Social Care	46,962	147,585	147,585	0
Mental Health Teams	668	1,770	1,720	(50)
Criminal Justice Service	(529)	0	0	0
Other Services for Vulnerable Adults	521	1,188	1,211	23
Children's Services				
Looked After Children	11,273	26,324	29,898	3,573
Family Teams	8,684	20,917	21,932	1,015
Other Services for Children	5,398	12,806	11,917	(889)
Delegated Child Health	6,055	(11,562)	(11,562)	0
Grand Total Health, Wellbeing and Social Care	80,173	201,671	205,099	3,427
BY SUBJECTIVE				
Staff Costs	19,329	49,459	47,363	(2,096)
Other Expenditure	59,928	172,292	177,810	5,517
Gross Expenditure	79,257	221,751	225,172	3,421
Grant Income	872	(20,049)	(20,038)	11
Other Income	43	(31)	(36)	(5)
Total Income	915	(20,080)	(20,073)	6
NET TOTAL	80,173	201,671	205,099	3,427

31/08/2025	STAFF COSTS				OTHER COSTS				GRANT INCOME				OTHER INCOME				NET TOTAL			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance
BY ACTIVITY																				
Service Management and Support																				
Management Team	1,338	494	1,330	(8)	(350)	16	(345)	5	0	0	0	0	0	0	0	0	987	510	984	(3)
Business Support	1,625	630	1,411	(213)	31	2	3	(29)	0	0	0	0	0	0	0	0	1,656	632	1,414	(242)
Adult Services																				
Delegated Adult Social Care	0	0	0	0	147,585	46,962	147,585	0	0	0	0	0	0	0	0	0	147,585	46,962	147,585	0
Mental Health Teams	1,793	728	1,743	(50)	(23)	13	(23)	0	0	(73)	0	0	0	0	0	0	1,770	668	1,720	(50)
Criminal Justice Service	4,732	1,658	4,732	0	999	85	999	0	(5,728)	(2,272)	(5,728)	0	(2)	(1)	(2)	0	0	(529)	0	0
Other Services for Vulnerable Adults	517	260	545	29	683	263	677	(6)	(11)	(2)	(11)	0	(1)	0	(1)	0	1,188	521	1,211	23
Looked After Children																				
Family Based Care	536	528	1,210	674	5,638	2,603	6,284	646	0	0	0	0	(9)	35	(9)	0	6,165	3,166	7,484	1,319
Residential, In house	5,600	2,194	5,137	(462)	1,538	585	1,478	(60)	(1,374)	(1,850)	(1,374)	0	0	(0)	0	0	5,763	929	5,241	(522)
Respite, In house	1,945	905	2,188	242	866	49	514	(352)	0	0	0	0	0	2	0	0	2,812	956	2,702	(110)
Independent and 3rd Sector placements	0	0	0	0	8,643	4,668	11,360	2,717	0	0	0	0	0	0	0	0	8,643	4,668	11,360	2,717
Through care & aftercare	32	5	18	(13)	1,118	407	1,179	61	0	0	0	0	0	0	0	0	1,150	412	1,197	47
Home to Highland	1,166	631	1,437	271	405	199	437	33	(327)	0	(327)	0	0	1	0	0	1,243	832	1,547	304
LAC Management and Support	542	305	352	(190)	7	6	14	7	0	0	0	0	0	0	0	0	549	311	366	(183)
Family Teams																				
Family Teams - North	3,334	1,172	3,257	(77)	294	191	484	190	0	(0)	(0)	(0)	(1)	(0)	(1)	0	3,627	1,362	3,740	113
Family Teams - Mid	3,479	1,332	3,162	(318)	391	222	552	160	0	0	0	0	0	6	0	0	3,871	1,560	3,713	(157)
Family Teams - West	3,081	1,130	2,735	(347)	315	185	481	166	0	0	0	0	(2)	(2)	(4)	(2)	3,395	1,313	3,212	(183)
Family Teams - South	8,057	2,841	7,380	(678)	845	659	1,619	774	(15)	(1)	(1)	14	0	(1)	(3)	(3)	8,887	3,498	8,995	108
Self Directed Support (Direct Payments)	83	35	84	1	1,055	915	2,189	1,134	0	0	0	0	0	0	0	0	1,138	950	2,272	1,134
Other Services for Children																				
Child Protection	1,090	417	1,075	(15)	41	39	18	(23)	(227)	(235)	(229)	(2)	0	0	0	0	905	221	864	(40)
Health and Health Improvement	1,506	549	1,507	1	130	36	130	1	(750)	(604)	(750)	0	0	0	0	0	886	(19)	888	2
Allied Health Professionals	4,307	1,748	4,154	(153)	223	121	273	50	(54)	(86)	(54)	0	(15)	0	(15)	0	4,460	1,783	4,357	(103)
Primary Mental Health Workers	770	317	741	(29)	10	3	8	(2)	0	0	0	0	0	0	0	0	780	320	749	(31)
Specialist Services	145	0	145	(0)	60	296	36	(24)	0	0	0	0	0	0	0	0	205	296	181	(24)
Youth Action Services	1,356	512	1,284	(71)	386	44	405	19	0	(8)	(0)	(0)	0	7	0	0	1,741	555	1,689	(52)
Other Services for Children	1,629	869	1,126	(503)	1,404	1,375	1,452	49	0	(52)	0	0	(1)	(2)	(1)	0	3,031	2,190	2,577	(454)
Staff Training	798	67	609	(188)	(0)	1	2	2	0	0	0	0	0	0	0	0	798	68	612	(186)
Independent Funds	0	0	0	0	0	(16)	0	0	0	0	0	0	0	0	0	0	0	(16)	0	0
Delegated Child Health	0	0	0	0	0	0	0	0	(11,562)	6,055	(11,562)	0	0	0	0	0	(11,562)	6,055	(11,562)	0
Grand Total Health, Wellbeing and Social Care	49,459	19,329	47,363	(2,096)	172,292	59,928	177,810	5,517	(20,049)	872	(20,038)	11	(31)	43	(36)	(5)	201,671	80,173	205,099	3,427

Children's Services Budget Recovery Plan

Summary

This report provides a summary of the progress to date towards addressing the overall service overspend coupled with forward planning to deliver a sustainable and balanced budget over a 3 years.

The main areas of focus are:

1. Looked After Children (LAC) – shifting the balance of care
2. Budgetary control actions underway including current actions (Phase 1) and those where mitigating actions will show effect after 2025/2026 (Phase 2).

In terms of the number of Highland's looked after children, these are as follows:

- Total Looked After Children 580 (including UASC)
- Looked after and accommodated 471
- Looked after at home 109

Whilst the focus of this Plan is in terms of those children and young people who are looked after and accommodated, the service intends in addition to seek to reduce the number of children who are looked after by focussing on early intervention and family support. That work is ongoing and whilst it will have a beneficial financial impact it has not been included in the projected cost reduction figures in this Plan.

Recovery Plan

Taking the cohort of 66 children requiring residential care at present and the requirement to balance the budget within 3-5 years, the following assumptions within Children's Services are made to enable the budget to be brought back into balance in 2029/2030:

- Kinship Care - we will increase our Kinship Carers to 280 by 2030. This will mean that 48% of all Looked after children will be cared for within this service (the previous target was 220 by 2028). The revised target is comparable with best performing Local Authorities.
- Highland Council residential and foster provision is better value than commissioned residential and foster placements and allows children to remain close to their local communities. Section 1 below identifies the shift to Highland Council residential provision over this period. This would require support from Estates Services in repair and procurement of properties and would also require capital projects to be approved within the Capital Programme. Capacity would increase from 26 to 40 care spaces available. Typical Highland Council residential cost per week per bed per child £2,974 compared to average cost of current commissioned placements £6,542. Average annual cost of a Highland Council foster placement is £28,236 compared to average cost of commissioned foster placement £59,744.

Looked After Children (LAC) - Shifting the Balance of Care

Table 1.1

Table 1.1 demonstrates how shifting the balance of care to family-based care with a more ambitious approach is likely the most effective strategy to reduce the current overspend. The scenario presented below reflects 48% of the looked after population in Kinship care and increases capacity in provided residential from 26 to 40 care spaces. The goals we have set ourselves are evidently ambitious but between the imperatives of addressing the financial deficit coupled with the need to return children from commissioned services to Highland Council delivered services require this level of ambition and commitment.

Our analysis and modelling confirm that Highland Council provision is more cost effective. Our children require us to be this ambitious for them, alongside due diligence in terms of ensuring they receive a consistent, high quality care experience.

Success is dependent on maximizing the use of kinship care in addition to non-commissioned services. Success is also dependent on building resilience in the fostering service. This extends beyond the number of foster carers. We also need to ensure both kinship carers and foster carers have the requisite level of support and skills to manage children. What we have less control over is the number of unaccompanied asylum-seeking children we are mandated to receive. The service will review how it supports UASC, as continuing to use the current model may become unsustainable.

Shifting Balance of Care - 48% Kinship & Increased Provided Residential Care Places												
	At Home (with SW support)	Kinship (inc Residency)	Provided Foster Carer	Purchased foster care	Prospective adopters	Provided residential	Home in Highland (Commissioned)	Home to Highland (Commissioned)	UASC + Crisis Care	Secure care		
Current	109	228	96	53	6	26	20	17	22	3	580	
Average cost per placements		8,777	28,236	59,744		73,231	284,848	317,622		284,848		
2526 Budget		1,533,401	1,300,000	1,737,077		1,904,018	5,060,171	3,582,554			15,117,221	
2526	109	228	96	53	6	26	20	17	22	3	580	
2627	109	228	99	50	6	26	20	12	22	3	575	
2728	109	240	101	37	6	38	13	6	22	3	575	
2829	109	255	114	18	6	35	7	6	22	3	575	
2930	109	280	110	0	6	40	0	6	22	2	575	
												
	At Home (with SW support)	Kinship (inc Residency)	Provided Foster Carer	Purchased foster care	Prospective adopters	Provided residential	Home in Highland	Home to Highland	UASC + Crisis Care	Secure care	Budget	Projected Spend
2526		2,001,156	2,710,656	3,166,432		1,904,006	5,696,960	5,399,574		854,544	15,117,221	21,733,328
2627		2,001,156	2,795,364	2,987,200		1,904,006	5,867,869	3,925,808		880,180	15,117,221	20,361,583
2728		2,106,480	2,851,836	2,210,528		2,782,778	3,928,538	2,021,791		906,586	15,117,221	16,808,537
2829		2,238,135	3,218,904	1,075,392		2,563,085	2,157,674	2,062,227		924,717	15,117,221	14,240,134
2930		2,457,560	3,105,960	-		2,929,240	-	2,103,471		628,808	15,117,221	11,225,039

Note: Table 1.1 also reflects the impact of 5 young people transitioning out of children's services due to the age profile.

Risks & Assumptions

All scenarios:

- takes into account the current approved savings measures
- reflects the overall population of looked after children remaining static at 575 (580 in July 2025, less 5 young people transitioning out of children's services for 2025/2026 due to the age profile). There is a risk that any increase in the LAC population would have an adverse impact on projections.
- assumes phasing in over three years an SDS resource-based allocation method to bring budget back on target by 2028/2029. Any delay to this would have an adverse effect on projections.
- assumes there will be recruitment activity across the Service in the region of £1m over financial years 2026/2027 & 2027/2028. Any movement would impact on projections.
- assumes that pay awards will be funded via the MTFP process therefore no assumptions around pay awards have been factored into the projections
- takes into account an element of inflationary price increase between 2-3% in the commissioned services for Home in Highland, Home to Highland & Secure Care allowing some capacity for costs in excess of what may be available through the MTFP pressures funding.

Budgetary Control Actions underway (Grip & Control)

Phase 1 - Work has been ongoing on identifying and progressing actions to address and reduce the overspend. The table below demonstrates the budget areas being reviewed and further updates will be factored into future monitoring statements as outcomes become clearer:

PHASE 1	Minimum Reduced Spend	Maximum Reduced Spend	Comments
Staffing Establishment Review	£200,000	£300,000	Recurring – housekeeping of staffing budget & reduction in agency costs.
Contract Scrutiny	£177,000	£300,000	Initially one-off but will feature in procurement / commissioning review
Achieved efficiency Savings	£66,000	£166,000	Recurring – allocation of saving target and budgetary control
Increase respite In-house short breaks from October 25	£50,000	£115,540	Recurring will reduce the requirement for specific SDS packages as short break capacity increases
Underspend in Respite Investment	£110,000	£250,000	One-off – delay in implementation of short break provision
Ensure compliance with eligibility criteria.	£0	£300,000	This saving is calculated on having audited 10% of existing SDS cases
Car Club - cost of cancellations	£10,000	£20,000	Recurring – change in practice by staff
Estimated Totals	£613,000	£1,451,540	

Phase 2 – This stage of the review focuses on identifying and implementing actions that will improve the budget position over the 12-month period beginning in September 2025. The full financial impact of these actions is expected to be realised in the 2026/2027 financial year. The potential impact is outlined in the table below.

PHASE 2	Minimum reduced spend	Maximum reduced spend	Comments
Increase Overnight short breaks to 1400 per year	£189,000	£556,000	Additional 3 bed capacity of short breaks 365 days Minimum 1 child per night maximum 3 children per night

Phase 2 will also include an assessment of the capital investment required to refurbish existing assets or acquire new properties to facilitate the projected expansion of in-house residential provision.

Phase 3 – Medium-Term Budget Recovery and Transformation

As outlined in Section 1 of this report, the budget strategy for the next 3–5 years will require significant service transformation, with a key focus on shifting the balance of care from externally purchased services to in-house provision.

This phase is underpinned by a dual-purpose action plan designed to deliver on two strategic objectives:

1. To keep Highland's children within their own families and/or communities wherever possible, and by doing so,
2. To address the financial challenge without compromising the quality of care provided to children.

The table below provides an estimate of the potential budgetary impact associated with achieving the following outcomes:

- Increasing the proportion of looked after children in Kinship Care to 48% of the total population.
- Expanding in-house residential care capacity by 14 places (from 26 to 40).
- Phasing in a Self-Directed Support (SDS) resource-based allocation model to bring the budget back on target by 28/29.

Impact on Projected Service Outturns	25/26 @ Q1 Over/(Under) Spend £m	26/27 Over/(Under) Spend £m	27/28 Over/(Under) Spend £m	28/29 Over/(Under) Spend £m	29/30 £m Over/(Under) Spend £m
48% Kinship & Increased Provided Residential Care	4.1	3.5	0.4	(2.4)	(5.4)

Appendix 3

MONTH 4 2025/2026 – JULY 2025



Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	HHSCP					
293.552	NH Communities	97.573	101.819	(4.246)	306.108	(12.557)
62.341	Mental Health Services	20.421	21.250	(0.830)	62.796	(0.455)
170.541	Primary Care	56.436	57.263	(0.827)	172.161	(1.620)
(23.281)	ASC Other includes ASC Income	(8.447)	(1.607)	(6.840)	(13.790)	(9.491)
503.153	Total HHSCP	165.983	178.725	(12.742)	527.275	(24.123)
	HHSCP					
320.797	Health	105.707	108.667	(2.960)	325.081	(4.285)
182.356	Social Care	60.275	70.058	(9.782)	202.194	(19.838)
503.153	Total HHSCP	165.983	178.725	(12.742)	527.275	(24.123)

Locum/ Agency & Bank Spend	In Month £'000	YTD £'000
Locum	425	1,542
Agency (Nursing)	322	846
Bank	890	3,546
Agency (exclu Med & Nurs)	163	848
Total	1,801	6,783

HHSCP

- YTD overspend of £12.742m reported with this forecast to increase to £24.123m by the end of the financial year
- ASC overspend forecast at £19.838 – this assumes delivery of £6.192m of V&E cost reductions/improvements
- Drugs/ prescribing pressure forecast at £0.813m
- Locum costs of £0.863m contributing to overspend within Primary Care
- Supplementary staffing costs of £6.783m incurred to date
- High cost out of area placements continue to impact on the Mental Health position

Children's Services Recovery Plan - Integrated Impact Screening Summary

Overview

The Children's Services Recovery Plan is a multi-year initiative aimed at shifting the balance of care towards family and community-based support, while also addressing budgetary challenges. The plan is designed to improve outcomes for children and young people across Highland.

Children's Rights Impact

The proposal positively affects several articles of the **UN Convention on the Rights of the Child (UNCRC)**:

- **Article 3** – Best interests of the child: Central to the plan.
- **Article 12** – Right to express views: Potential for positive impact through personalised care.
- **Article 23** – Rights of children with disabilities: Expansion of short break services.
- **Article 27** – Standard of living: Support for families in poverty.
- **Article 28 & 29** – Right to education and development: Reduced out-of-area placements support continuity.
- **Article 31** – Right to relax and play: Community-based placements enhance access to recreation.

Overall impact on children and young people: Positive, with emphasis on emotional stability, education continuity, and stronger social connections.

Human Rights Impact

The plan supports:

- **Article 8** – Right to family life: By reducing out-of-area placements.
- **Article 14** – Protection from discrimination: Promotes equality in service access.
- **Protocol 1, Article 2** – Right to education: Stability supports educational continuity.

Overall human rights impact: Positive

Equalities and Protected Characteristics

Positive impacts identified for:

- **Age** – Focus on children and young people.
- **Disability** – Support through respite and SDS.
- **Sex** – Gender-sensitive support, especially in domestic abuse contexts.

No impact identified for other protected characteristics (e.g., race, religion, sexual orientation).

Poverty and Socio-Economic Impact

Positive impacts across:

- **Prospects and Opportunities** – Improved life chances through localised care.
- **Places** – Strengthened community ties, especially in rural areas.
- **Financial Impact** – Kinship care and SDS provide financial support and reduce reliance on costly placements.

Environmental and Data Considerations

- No impact on greenhouse gas emissions, environment, or climate resilience.
- No personal data will be processed.
- No change to Council services or rural community impact.

Appendix 5

2025/2026 Savings

Saving	RAG Status
0.200m Procurement	On target - budgets have been reduced accordingly
0.700m Family First	Pressure for 2025/2026 reflected in LAC budget to be addressed via medium term budget recovery actions
0.166m 1% Efficiency Target	On target - Allocated to budget lines & incorporated in outturn position
0.050m Justice	On target - Budget reduced accordingly