Agenda Item	7
Report No	HCW/25/26

The Highland Council

Committee: **Health Social Care & Wellbeing**

Date: **11 November 2026**

Report Title: **Revenue Budget Monitoring Report – Q2 2026-2027**

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 2026/2027. Details are provided in **Appendix 1** to this report.

1.2 The Service is currently reporting an overspend of £5.147m in terms of the forecast outturn position for Quarter 2. This is a deterioration of £5.146m on the reported position in Quarter 1 which is very significant and will be addressed in this report. Members will recall that at the end of Quarter 1 the service was reporting a net balanced position on the basis that there had been an investment of £3.5m without that investment the overspend would have been that figure i.e. £3.5. The investment is shown as a separate line and without that investment the in-year forecast overspend would be £8.647m. There have been eight new Out of Authority Placements in that period with a further placement anticipated which has added £2M to that expenditure. It is that budget line which represents the major pressure on the service. Further detail and other factors are set out in paragraph 7 of this report. Work is underway across the whole service to manage all costs downwards to help to offset these pressures.

1.2.1 The Service has continued to progress Phase 1 of the Budget Recovery Plan. Key to that plan is the delivery of improvements that will be achieved through the projects within the Person-Centred Solutions Portfolio and particularly the Home in Highland Programme such that ultimately fewer children will be cared for in residential establishments or move to in-house, local residential provision.

1.3 Budget savings for 2026/2027 are detailed within this report. There is likely to be a potential shortfall on Procurement Savings of £100 000. As indicated at the last committee, savings which had previously been marked as unallocated have now been realigned to the relevant budget lines which properly reflect where the pressures exist which is principally in relation to the delivery of services to looked after children.

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 the delivery of adult social care. This is standard reporting given the lead agency model in place which provides for the full budget quantum for the delivery of adult social care services being passed across to NHS Highland (NHSH). However, this does not provide for identification of variances in expenditure against the budget. **Appendix 2 figures** (which provides the month 4 figures as provided by NHSH**)** should be considered in that regard. This anticipates an end of year overspend in the region of £27.73m against the NHSH ASC budget, assuming the full delivery of an applied internal savings target of £6.192m (3%). This is a deterioration of the figures reported to the Committee in Quarter 1. It is unlikely that savings will be delivered in full and the savings attached to the Delivery Plan are unlikely to be achieved. The transformation agenda is intended to support the work ongoing in terms of mitigation of this challenge. That work is being reported regularly to the Joint Monitoring Committee.

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** the numbers of children accommodated by the Council and the nature of those placements in terms of the delivery of the recovery plan.

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.

3.2 **Legal** – The Committee will be aware that the model of integration in Highland was being considered by the Partnership. That work is now paused given the impact of the Programme for Government. Accordingly, 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 pressures in Adults and Children's services budgets are regularly discussed at the Joint Monitoring Committee and at Chief Executive level.

There is a risk that NHSH cannot reduce their costs to satisfy the current budget challenge 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 for adult social care of £27.730m after assuming delivery of £6.192m of savings which there is also a risk of not delivering in full.

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 creates a risk in terms of service delivery which is also reflected in the Council's Corporate Risk Register.

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 October 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 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 have previously considered the summary below.

4.3.3

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

5. Quarter 2 Outturn

5.1 At Quarter 1 the Service was reporting a balanced year end taking account of the £3.5m investment. The forecasted end of year overspend is now £5.147m. This is of serious concern. Improvements in terms of the measures developed by the service in tandem with the Budget Recovery Plan, approved at Committee in November 2025, to address service pressures on a sustainable basis have taken place but have had limited impact to date. These have included, for example, a focus on the recruitment of both foster carers and kinship carers. The Committee will recall that the Children's Services Budget 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. Key to that delivery is the intention to, where possible, keep children in local placements which are provided by kinship or family members. Where foster care or a residential placement is required then that should also, where possible, be provided locally by the Council.

5.2 As of Quarter 2 the position has however worsened due, in part, to an increase in number of out of authority placements resulting a revised forecast of the now reported overspend. Key to addressing the overspend is the placement of children and young people and details of movement in that respect is included in the table at **Appendix 3.**

The Committee will note that a further eight children and young people are now in a residential placement out of authority. This brings the total of out of authority placements to 36 including one young person in a secure placement. Members will be aware that these placements are the most costly, as well as not necessarily delivering the best outcomes to children and young people, and in terms of the figures have a negative impact. It should be stressed that decisions regarding out of authority placements are taken at a senior level, including all appropriate specialists, and are on the basis of being the only appropriate option. It should also be noted that estimated costs are on the basis of those 36 young people remaining in those placements taking into account the current estimated discharge date, but the Committee should be assured that work is ongoing to bring those dates forward and the young people concerned back to Highland.

5.3 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 with a projected overspend of £0.006m.

5.4 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 ongoing work in relation to higher value packages including a review of the current approval arrangements. In recognition of increasing demand, complexity of need and affordability pressures work progresses to implement a new Resource Assessment Model to support consistent and sustainable decision-making and a more transparent approach to resource allocation.

6. **Adult Services**

6.1 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.

6.2 A savings target of £8.99m has been set by the Council for 2026/2027 and is reflected as a reduction in the quantum. This is accompanied by 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. The position in relation to adult social care remains very challenging and as at the end of month 4 a budget deficit in the sum of £27.73m was put to the NHS Health & Social Care Committee in terms of **Appendix 2.**

7. Commentary on Variances

7.1 In terms of the variances in children's services budget lines shown in **Appendix 1**, Members are asked to note the following areas within the Looked After & Accommodated Children lines 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 at a rate in excess of inflation. 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 is reported regularly to Committee in order to track progress in delivering the Plan and is included at **Appendix 3**. As reported above the number of children and young people has increased by eight which has had a consequential impact on the year end forecast position. It should be noted that as well as the increase in terms of numbers of young people accommodated there are also the inflationary uplifts (in excess of

4%) plus associated costs for additional support for some particularly complex young people.

Independent Foster 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. This too is an area which has 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.

7.2 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 6 which outlines the position in terms of the delivery of adult social care by NHSH. 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 2**. In terms of the ongoing financial position for 2026/2027, attached are figures for Month 4 which refers to an anticipated variance of £27.73m assuming delivery of £6.192m savings on top of this. To date it is understood that NHSH are anticipating in year savings of £1.1m in terms of this target. 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 projecting a £62.940m overspend for health overall (excluding the Adult Social Care position).

7.3 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 and the Committee will note that the partnership is now engaged in a programme of transformation albeit that is not expected to deliver significant savings in year

8. Savings Delivery

8.1 Details in relation to required savings are set out in **Appendix 4**.

8.2 Members will note that the position is challenging and albeit the Delivery Plan provides for the delivery of £0.7m by way of the Improving Children's Care & Support workstream 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. It should also be recognised that the Delivery Plan Report is backward looking, considering Quarter 2, whereas this report is looking ahead to the end of the financial year.

8.3 Targets showing red are significant and relate to Adult Social Care. They amount to £8.99m 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.

Designation:	Assistant Chief Executive - People
Date:	20 October 2026
Author:	Fiona Malcolm – Chief Officer Integrated People Services
Appendices:	Appendix 1 – Budget Monitoring Statements Appendix 2 - NHS Adult Social Care Month 4 Statement Appendix 3 – Numbers of children and young people accommodated by the HC Appendix 4 – Savings Delivery

HEALTH, WELLBEING AND SOCIAL CARE MONITORING STATEMENT 2026-27 APPENDIX 1

30/09/2026	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Service Management and Support				
Management Team	543	3,212	3,117	(95)
Business Support	912	1,838	1,808	(31)
Adult Services				
Delegated Adult Social Care	65,200	156,285	156,285	0
Mental Health Teams	915	1,931	1,938	6
Justice Service	186	62	62	0
Other Services for Vulnerable Adults	835	1,317	1,347	30
Children's Services				
Looked After and Accommodated Children	10,006	18,631	19,514	882
Family Teams and Youth Action	12,206	23,891	23,947	56
Independent Foster Care	1,448	1,266	2,653	1,387
Independent and 3rd Sector placements	6,090	8,216	14,695	6,478
Other Services for Children	4,953	11,825	11,757	(68)
Delegated Child Health	(5,323)	(11,696)	(11,696)	(0)
Grand Total Health, Wellbeing and Social Care	**97,972**	**216,779**	**225,426**	**8,647**
Recovery Plan Non-Recurring Investment	0	3,500	0	(3,500)
Net Total Health, Wellbeing and Social Care	**97,972**	**220,279**	**225,426**	**5,147**
BY SUBJECTIVE				
Staff Costs	24,861	52,377	49,799	(2,578)
Other Expenditure	83,122	188,766	197,051	8,286
Gross Expenditure	**107,983**	**241,143**	**246,851**	**5,707**
Grant Income	(10,101)	(20,776)	(21,327)	(551)
Other Income	90	(88)	(97)	(9)
Total Income	**(10,011)**	**(20,865)**	**(21,424)**	**(560)**
NET TOTAL	**97,972**	**220,279**	**225,426**	**5,148**

Appendix 2

MONTH 4 2026/2027 – ADULT SOCIAL CARE

Services Category	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m	Outturn £m	YE Variance £m
Total Older People - Residential/Non Residential Care	67.261	22.478	24.883	(2.405)	73.938	(6.677)
Total Older People - Care at Home	41.430	13.783	15.648	(1.865)	48.663	(7.233)
Total People with a Learning Disability	53.773	17.930	19.350	(1.420)	61.861	(8.088)
Total People with a Mental Illness	11.404	3.810	3.563	0.247	10.887	0.517
Total People with a Physical Disability	10.280	3.438	3.571	(0.133)	11.261	(0.981)
Total Other Community Care	13.905	4.719	4.316	0.402	13.692	0.214
Total Support Services	(4.089)	(1.179)	2.379	(3.558)	1.178	(5.267)
Care Home Support/Sustainability Payments	-	-	0.137	(0.137)	0.214	(0.214)
Total Adult Social Care Services	**193.963**	**64.979**	**73.847**	**(8.868)**	**221.694**	**(27.730)**

ADULT SOCIAL CARE

- An overspend of £27.730m is forecast by the end of the financial year
- Costs continue to rise with further high cost packages being in place
- 2 significant reductions in the quantum over recent years in addition to a static funding level has driven up the ASC funding gap/ overspend position
- £1.871m of supplementary staffing costs within in-house care homes are included within the position

Appendix 3

Shifting the Balance of Care - Progress in 2026/27



	At Home (with SW support)	Kinship (Residency order)	Kinship	Provided Foster Carer	Purchased foster care	Children's Houses	Placements	Secure care	Total
Sep'25	109	127	99	96	53	26	34	2	546
Jan'26	103	127	99	113	48	26	41	5	562
Feb'26	94	127	102	117	47	26	41	5	559
Mar'26	90	128	100	117	48	26	42	4	555
Apr'26	89	129	102	117	47	24	38	3	549
May'26	96	127	104	117	48	24	43	0	559
Jun'26	100	129	105	115	49	23	46	0	567
Jul'26	101	129	107	114	49	21	47	0	568
Aug'26	104	127	111	114	47	22	48	0	573
Sept'26	110	134	107	114	48	23	45	1	582
Target Yr 1	109	127	101	96	53	26	35	3	550
RAG Status	●	●	●	●	●	●	●	●	●

Health, Welbeing and Social Care - Savings Progress 2026/2027

Appendix 4

Saving / Income Generation	Latest Annual Forecast	Latest RAG	Annual Target	Forecast Under / Over Target	Comment
Children's Services: Family First Approach: Savings FY 24-28	£1,200,000	●	£1,200,000	£0	Allocated across staff budgets as "Vacancy Management" will be achieved by staff turnover and delayed recruitment
UASC Support Recharge - FY 26-29	£50,000	●	£50,000	£0	Staff budget amended, post now funded from UK Grant
Reduction in overtime and agency spend || Health, Wellbeing & Social Care	£124,141	●	£124,141	£0	Allocated across staff budgets as "Vacancy Management" will be achieved by staff turnover and delayed recruitment
Efficiency Savings: Realignment of expenditure to match grant - Justice Services - FY 25-27	£50,000	●	£50,000	£0	Achieved
Efficiencies from Social Work Procurement: Savings FY 24-27	£0	●	£100,000	-£100,000	Contract reviews on-going, unlikely to achieve saving in full in 2627