

Agenda Item	6
Report No	CP/14/25

The Highland Council

Committee: Communities and Place

Date: 14 August 2025

Report Title: Revenue Budget Monitoring Report for the period Q4 2024/25 and Q1 2025/26

Report By: Assistant Chief Executive – Place

1 Purpose/Executive Summary

- 1.1 This report sets out the end of year revenue monitoring position for the Communities and Place Service for 2024/25 and the revenue budget monitoring forecast for Quarter 1 for 2025/26.
- 1.2 The purpose of this report is 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.”
- 1.3 This report provides Members with commentary on any material variances within the forecast, and actions taken or proposed in relation to variances.
- 1.4 The end of year position for the service was a slight improvement on forecast, with an overspend of £3.582m. This is detailed further in section 6 and within **Appendices 1 and 2**. This was primarily due to overspends in fleet, underachievement of income against target in bereavement services and unachieved historical savings.
- 1.5 The report also provides the Quarter 1 monitoring for the service for 2025/26. This is detailed further in section 7 and within **Appendices 3 and 4**. Overspends in fleet remain forecasted however, an improvement plan has been implemented, and the expectation is to see the forecast position improve as the year progresses.
- 1.6 The report also provides a forecast position regarding all budget savings within the remit of the Service. The majority of the savings are forecast to be delivered during 2025/26 although for some savings, the mechanism for achieving them, or time period, is currently under review. This is detailed further in section 8 and within **Appendix 5**.

2 Recommendations

2.1 Members are asked to:-

- i. **Scrutinise** and **approve** the final budget position for 2024/25 as set out in this report and Appendices 1 and 2;
- ii. **Scrutinise** and **approve** the forecast financial position for 2025/26 as set out in this report and Appendices 3 and 4;
- iii. **Consider** and **note** the explanations provided for any material variances and actions taken or proposed; and
- iv. **Consider** and **note** the update provided regarding savings delivery.

3 Implications

- 3.1 **Resource** – this report provides key financial information regarding the Service budget and forecast financial performance against that budget. This is detailed in the report.
- 3.2 **Legal** - This report contributes to the Council's statutory duties to report performance and secure best value in terms of; Section 1(1)(a) of the Local Government Act 1992, and Section 1 of the Local Government in Scotland Act 2003, respectively.
- 3.4 **Risk** – The end of year statement for 2024/25 highlights several areas of overspend. As detailed in the report, the service is taking decisive action to address these areas of overspend. In some service areas, this represents a complete change to how the service will be delivered. Without fundamental change, the risk is that overspend in key areas will continue in 2025/26.
- 3.5 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – There are no significant implications arising from this report.
- 3.6 **Gaelic** – There are no significant 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 This is a monitoring report and therefore an impact assessment is not required.

5 Overview

- 5.1 This report presents the end of year monitoring statement for 2024/25 and the Quarter 1 monitoring statement for the 2025/26 for the Communities and Place Service. The end of year statements, general and detailed forecast, for 2024/25 can be found within **Appendices 1 and 2**. The Quarter 1 general and detailed statements for 2025/26 can be found within **Appendices 3 and 4**.

- 5.2 The end of year statement for 2024/25 notes the outturn for the service was £48.240m, which represents an overspend of £3.582m against the annual budget. Information on this outturn is set out in section 6.
- 5.3 The Quarter 1 monitoring for 2025/26 predicts an overspend of £2.58m against the budget. The reasons for this, including actions being taken by the service, can be found in section 7.

6 Year End Outturns 2024/25 Commentary on Variances

- 6.1 The end of year position for Communities and Place Service for 2024/25 was an overspend of £3.582m. This was a slight improvement on the forecast position at the end of Quarter 3. The main variances were as reported to previous committees and related to overspends in waste, bereavement, fleet and unachieved historical savings. A summary of each, including actions taken, is outlined in sections 6.2-6.7.

6.2 Waste

Overspend of £0.033m which was an improvement of £0.369m from Quarter 3. Overspend on overtime and materials was offset with increased income and underspend on fuel. Landfill tax underspend was partly offset with contractors' costs and repairs to plant and machinery. The Waste Team will focus on income generation and delivering service savings to help avoid an overspend position.

6.3 Public Health and Bereavement Services

Environmental Health achieved an underspend of £0.079m, mainly due to vacancy management.

The overspend of £0.160m in Bereavement Services was due to underachievement of income targets including around advance lair sales. The position will improve in 2025/26 as the income budget targets have been reprofiled as part of the fees and charges review.

The overspend of £0.334m in public conveniences was mainly due to under recovery of income following removal of formal charging. Overtime for cleaning operatives to cover for sickness has contributed, in addition to a successful job evaluation appeal for mobile cleaning operatives, increasing their grade from HC02 to HC03.

6.4 Community Spaces

This area of the service was underspent by £0.315m, an improvement of £0.357m from Quarter 3. Mainly due to vacancies and staff being used in other areas e.g., Bereavement.

6.5 Community Support

The underspend in community support at the end of the financial year was £0.082m. This was primarily as a result of underspends in staffing from customer services due to staff turnover during the year. The underspend was less than forecast due to central support charges applied to the community support budget charges being less than anticipated. The service team is working with finance colleagues to understand the change with a view to addressing for 2025/26.

6.6 **Stores and Logistics**

This area of the budget was overspent by £2.935m at the end of year, which was higher than predicted at Quarter 3 by £0.697m. This is almost solely fleet, total overspend was £2.897m. Of that £1.308m was lease costs and short-term hires; £0.037m licences; £0.060m repairs to leased vehicles; staff underspends of £0.122m but external contractors for garages was overspent by £0.563m; and workshop repairs and maintenance was £0.4m overspent.

6.7 **Service Leadership**

As reported to previous committees, the service leadership part of the service represents historical savings, primarily related to corporate redesign savings which had not been realised. This was reviewed as part of the budget setting process and was agreed that the budget should be reprofiled to remove this.

7 **Quarter 1 Monitoring 2025/26 Commentary on Variances**

7.1 At 30 June 2025, the Communities and Place service is forecasting an overspend of £2.580m against core service budget. Accounted for separately, and highlighted in the monitoring, is the income predicted for the packaging extended producer funding. Whilst the total income notified as coming to the Council last year was £9.500m and had been accounted for as such in the budget setting process and in the service budget, recent communication has indicated this sum to now be £7m. This shortfall is out with the service and the Council's control. Action is being taken to engage directly with DEFRA to understand the reasons and rationale for the change.

7.2 Some service areas are reporting a forecasted overspend – waste, community support, contact and engagement, stores and logistics – whilst public health and bereavement and community spaces are reporting an underspend. Some of this reflects the year end position from 2024/25 and the areas for action required. A summary of the position of each service area, including actions taken, is outlined in sections 7.3-7.8.

7.3 **Waste Management Services**

As outlined in section 8.2, delivery of just under £1.9m savings for this part of the service is on track. However, a new income target, based on previous year's market rates in relation to recycling, is at present tracking behind target. Current conditions are variable and therefore, at this stage, it is not expected to achieve the level of income against target. The team are making every effort to focus on income generation in order to meet the targets identified.

7.4 **Public Health and Bereavement Services**

There is a forecast underspend against the Environmental Health and Bereavement Services functions of the service. This primarily relates to underspends in staffing within the service. There is a forecast overspend of £0.160m for public conveniences, which relates to an expected under recovery for income, due to the removal of formal charging. Income received is from honesty boxes and is not guaranteed. Actions being taken by the service to mitigate this under-recovery of income include reductions in overtime and an increase in shower charging.

7.5 **Community Spaces**

There is a forecast underspend of £0.402m for grounds maintenance and play areas which is primarily related to underspends in staffing which offsets under recovery of income in other areas of the budget.

7.6 **Community Support, Contact and Engagement**

Overall, this part of the service is forecasting a slight overspend at end of year, however, this is prior to action being taken to address this. This relates to a saving agreed as part of the Future Operating Model and allocated to the Community Support and Engagement team for 2025/26. A separate saving to the value of £0.1m was agreed for 2024/25 and delivered through a service restructure. It is therefore not possible to deliver a further £0.09m through this part of the service without compromising service delivery. Work is being undertaken with the finance team to reprofile the saving across the wider service function to bring this back in line with expected expenditure.

7.7 The service team are working with finance colleagues to seek to reprofile budgets across the Waste, Bereavement, Community Spaces and Community Support functions. This will ensure that service budgets effectively reflect the resources required for effective service delivery.

7.8 **Stores and Logistics**

Given the overspend of £2.935m within Stores and Logistics at the end of 2024/25, which was mainly within fleet (totalling £2.897m), a full review has been commenced with a budget recovery plan put in place. This includes a full review of fleet and vehicles operated by Highland Council to reduce the number of assets. The fleet review includes staffing and vacancies within the workshop which is a direct impact on external contractors. The overspend of £0.563m in staffing is due to recruitment issues within key workshop spaces. Short term staff have now been recruited into to workshops and work is being take forward on how to attract mechanics/engineers into Highland Council.

8 **2025/26 Savings Delivery**

8.1 Communities and Place (C&P) has just under £2.6m savings to deliver in 2025/26. This is set out in **Appendix 5**. Of the 10 separate savings lines, 5 are on track to deliver, 4 are anticipated to be delivered but the mechanism for achieving them or time period is currently under review and 1 is currently not anticipated to be delivered.

8.2 The majority of the C&P savings £1.869m, sits within the Waste section of the service. £1.695m of the saving is connected to the RIF service redesign, this is above the already achieved saving of £0.365m in 2024/25 from the part roll-out of the new service. The 2025/26 waste savings are on target and will continue to be carefully tracked throughout the remainder of the year.

8.3 Work is still required to allocate the £0.144m efficiency savings across the service functions, which is why these are currently ragged as Amber. However, these are anticipated to deliver during 2025/26. As reported in section 7.6, the saving attributed to the Community Support and Engagement team requires to be reprofiled within the service to ensure delivery within the 2025/26 period.

- 8.4 Several savings are attributed to the Fleet section of the service. The Fleet review put in place to mitigate the overspend is currently at Phase 1. Phase 1 has identified £0.293m worth of lease agreements that can be redeployed or returned. Due to a skill shortage within key workshops Highland Council utilised external contractors to repair, maintain and inspect fleet. As of Monday 11 August 2025, the workshop team has employed 6 agency mechanics to workshops in Aviemore, Inverness, Dingwall and Brora. This will allow work to be completed in house and a new process put in place if external contractors are required. It is estimated that this will give a reduction in overspend on external contractors of £0.300m. Phase 2 will commence thereafter looking at owned fleet and HGVs. This phase is likely to identify a further reduction in fleet with an income of £0.400m through sales at Auction.

Designation:	Assistant Chief Executive - Place
Date:	31 July 2025
Author:	Alison Clark, Chief Officer - Housing and Communities Paul Reid, Chief Officer –Facilities and Fleet Management Debbie Sutton, Chief Officer – Operations and Maintenance Alan McKinnie, Strategic Lead - Waste Strategy and Operations Alan Yates, Strategic Lead – Environmental Health and Bereavement Services
Background Papers:	None
Appendices:	Appendix 1 – End of Year Monitoring Statement 2024/25 Appendix 2 – End of Year Detailed Monitoring Statement 2024/25 Appendix 3 – Monitoring Statement Q1 2025/26 Appendix 4 – Detailed Monitoring Statement Q1 2025/26 Appendix 5 – C&P Savings 2025/26

31/03/25	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Waste Management Services	27,497	27,464	27,497	33
Public Health and Bereavement Services	3,933	3,517	3,933	416
Community Spaces	1,982	2,297	1,982	(315)
Community Support, Contact and Engagement	2,508	2,591	2,508	(82)
Stores & Logistics	11,748	8,810	11,748	2,937
Administration	572	(21)	572	593
Grand Total Communities & People/Place	48,240	44,659	48,240	3,582
BY SUBJECTIVE				
Staff Costs	38,153	39,424	38,153	(1,271)
Other Expenditure	35,281	32,499	35,281	2,782
Gross Expenditure	73,434	71,923	73,434	1,511
Grant Income	(629)	(317)	(629)	(312)
Other Income	(24,565)	(26,947)	(24,565)	2,383
Total Income	(25,194)	(27,264)	(25,194)	2,070
NET TOTAL	48,240	44,659	48,240	3,582

31/03/25	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																				
Waste Management Services																				
Kerbside Refuse Collections	8,625	9,497	9,497	871	1,809	1,701	1,701	(108)	0	0	0	0	(5,869)	(6,162)	(6,162)	(293)	4,565	5,036	5,036	471
Waste Disposal (Transfer, Haulage & Landfill)	2,171	2,052	2,052	(118)	13,238	12,815	12,815	(423)	0	0	0	0	(579)	(535)	(535)	44	14,830	14,333	14,333	(497)
Recycling Centres, Transfer & Treatment	1,255	1,325	1,325	70	4,692	5,245	5,245	553	0	0	0	0	(265)	(713)	(713)	(448)	5,682	5,856	5,856	174
Street Cleaning	2,204	2,058	2,058	(145)	234	262	262	27	0	0	0	0	(50)	(48)	(48)	2	2,388	2,272	2,272	(116)
Public Health and Bereavement Services																				
Environmental Health & Regulation	3,200	2,970	2,970	(230)	469	411	411	(58)	(131)	(124)	(124)	7	(893)	(691)	(691)	202	2,645	2,566	2,566	(79)
Bereavement Services, Burials & Cremations	5,989	5,207	5,207	(781)	1,039	1,236	1,236	196	0	(26)	(26)	(26)	(7,230)	(6,459)	(6,459)	772	(203)	(42)	(42)	160
Public Conveniences	827	862	862	35	525	640	640	115	0	0	0	0	(277)	(92)	(92)	184	1,075	1,409	1,409	334
Community Spaces																				
Grounds Maintenance & Play Areas	6,926	5,851	5,851	(1,075)	1,351	1,494	1,494	143	(2)	(5)	(5)	(2)	(5,978)	(5,359)	(5,359)	619	2,297	1,982	1,982	(315)
Community Support, Contact and Engagement																				
Policy & Community Support Co-ordination	1,106	1,222	1,222	116	558	652	652	94	(81)	(163)	(163)	(82)	0	(0)	(0)	(0)	1,582	1,711	1,711	129
Customer Contact (Service Points, Centre & Registrars)	1,578	1,384	1,384	(195)	204	162	162	(42)	0	(0)	(0)	(0)	(774)	(748)	(748)	26	1,008	798	798	(211)
Stores and Logistics																				
Fleet & Plant	4,450	4,124	4,124	(326)	7,513	10,427	10,427	2,915	(70)	(270)	(270)	(200)	(3,857)	(3,348)	(3,348)	509	8,036	10,932	10,932	2,897
Stores	949	922	922	-27	653	103	103	(550)	0	(9)	(9)	(9)	(1,009)	(362)	(362)	647	593	654	654	61
Travel Desk	183	160	160	(22)	(1)	1	1	2	0	0	0	0	0	0	0	0	182	161	161	(21)
Administration																				
Service Leadership	(38)	519	519	556	215	132	132	(83)	(31)	(31)	(31)	0	(166)	(47)	(47)	119	(21)	572	572	593
Grand Total Communities & People/Place	39,424	38,153	38,153	(1,271)	32,499	35,281	35,281	2,782	(317)	(629)	(629)	(312)	(26,947)	(24,565)	(24,565)	2,383	44,659	48,240	48,240	3,582

COMMUNITIES AND PEOPLE/PLACE MONITORING STATEMENT 2025-26

APPENDIX 3

30/06/25	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Waste Management Services	5,338	26,326	26,860	534
Public Health and Bereavement Services	1,051	4,362	4,159	(203)
Community Spaces	1,258	2,956	2,554	(402)
Community Support, Contact and Engagement	952	2,571	2,657	86
Stores & Logistics	5,902	9,011	11,577	2,566
Future Operating Model	0	500	500	0
Administration	131	810	809	(1)
Total Communities & People/Place	14,632	46,536	49,116	2,580
Packaging Extended Producer Responsibility Funding	0	(9,500)	(7,000)	2,500
Grand Total Communities & People/Place	14,632	37,036	42,116	5,080
BY SUBJECTIVE				
Staff Costs	9,715	41,657	40,257	(1,400)
Other Expenditure	10,534	32,053	34,198	2,145
Gross Expenditure	20,249	73,710	74,455	745
Grant Income	(48)	(9,782)	(7,413)	2,369
Other Income	(5,569)	(26,892)	(24,926)	1,966
Total Income	(5,617)	(36,674)	(32,339)	4,335
NET TOTAL	14,632	37,036	42,116	5,080

30/06/25	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																				
Waste Management Services																				
Kerbside Refuse Collections	9,040	2,103	10,128	1,088	1,794	308	1,713	(81)	0	0	0	0	(6,358)	(1,963)	(6,351)	7	4,476	448	5,490	1,014
Waste Disposal (Transfer, Haulage & Landfill)	2,279	525	2,323	44	14,215	2,658	13,094	(1,121)	0	0	0	0	(561)	(60)	(519)	42	15,933	3,123	14,898	(1,035)
Recycling Centres, Transfer & Treatment	1,309	331	1,398	89	3,191	993	3,374	183	0	0	0	0	(1,016)	(95)	(713)	303	3,484	1,229	4,059	575
Street Cleaning	2,257	459	2,154	(103)	227	81	307	80	0	0	0	0	(51)	(2)	(48)	3	2,433	538	2,413	(20)
Public Health and Bereavement Services																				
Environmental Health & Regulation	3,323	848	3,020	(303)	460	183	517	57	(131)	3	(124)	7	(655)	(105)	(709)	(54)	2,997	929	2,704	(293)
Bereavement Services, Burials & Cremations	6,178	1,252	5,460	(718)	991	271	1,165	174	0	0	0	0	(7,064)	(1,626)	(6,590)	474	105	(103)	35	(70)
Public Conveniences	847	187	874	27	517	64	637	120	0	0	0	0	(104)	(26)	(91)	13	1,260	225	1,420	160
Community Spaces																				
Grounds Maintenance & Play Areas	7,197	1,664	6,288	(909)	1,689	555	1,759	70	0	0	0	0	(5,930)	(961)	(5,493)	437	2,956	1,258	2,554	(402)
Community Support, Contact and Engagement																				
Community Support and Engagement	1,407	338	1,514	107	426	79	426	0	(81)	(51)	(89)	(8)	(1)	(4)	(6)	(5)	1,751	362	1,845	94
Customer Contact (Service Points, Centre & Registrars)	1,486	709	1,422	(64)	196	70	199	3	0	0	0	0	(862)	(189)	(809)	53	820	590	812	(8)
Stores and Logistics																				
Fleet & Plant	4,509	908	4,019	(490)	7,555	5,305	10,170	2,615	(70)	0	(200)	(130)	(3,782)	(483)	(3,202)	580	8,212	5,730	10,787	2,575
Stores	973	214	886	(87)	101	(58)	105	4	0	0	0	0	(461)	(43)	(357)	104	613	113	634	21
Travel Desk	186	35	156	(30)	0	24	0	0	0	0	0	0	0	0	0	0	186	59	156	(30)
Future Operating Model	0	0	0	0	500	0	500	0	0	0	0	0	0	0	0	0	500	0	500	0
Administration																				
Service Leadership	666	142	615	(51)	191	1	232	41	0	0	0	0	(47)	(12)	(38)	9	810	131	809	(1)
Total Communities & People/Place	41,657	9,715	40,257	(1,400)	32,053	10,534	34,198	2,145	(282)	(48)	(413)	(131)	(26,892)	(5,569)	(24,926)	1,966	46,536	14,632	49,116	2,580
Packaging Extended Producer Responsibility Funding	0	0	0	0	0	0	0	0	(9,500)	0	(7,000)	2,500	0	0	0	0	(9,500)	0	(7,000)	2,500
Grand Total Communities & People/Place	41,657	9,715	40,257	(1,400)	32,053	10,534	34,198	2,145	(9,782)	(48)	(7,413)	2,369	(26,892)	(5,569)	(24,926)	1,966	37,036	14,632	42,116	5,080

	Budget Savings - Communities and Place - RAG Assessment - Q1 2025/26			APPENDIX 5
Saving Ref'	Saving Description	Annual Target for 25/26	Latest RAG	Comments
CP:6	Redesign of service delivery - recycling services	-1,695,000		
CS:4	Strategic operating model - community engagement area structure	-90,000		This is a corporate saving from 2024/25 budget. This cannot be taken from the CSE budget due to a previously agreed £100k saving and therefore service delivery consequences. An alternative saving requires to be found from within the service.
CP:7	Light fleet redesign	-285,000		Overall fleet and plant review is being carried out. With this in mind there will be an overall saving across Highland Council fleet. Phase 1 is currently being carried out
CS:35	1% efficiency savings	-144,000		These savings are still to be allocated across service functions. It is anticipated that these will be delivered over 2025/26.
CP:18	Garden waste collections	-40,000		
CP:17	Business waste collections	-134,000		
C&P:4	Mobile mechanics x 3	-60,000		Mobile Mechanic to commence middle of August 2025, this will be in the Cathness area with montoring put in place
C&P:6	Staff travel utilisation, grey fleet and car club	-100,000		Work is being done on this area to review current car club utilisation and pool car mileage.
C&P:2	Increase shower charging	-2,000		
C&P:3	Disposal by sale/lease of vacant properties	-10,000		