

Agenda Item	<b>6.b</b>
Report No	<b>RES/35/25</b>

# The Highland Council

**Committee:** Corporate Resources

**Date:** 20 November 2025

**Report Title:** Corporate Capital Monitoring report for Quarter 2 2025/26

**Report By:** Chief Officer - Corporate Finance

## 1. Purpose/Executive Summary

- 1.1 This report provides Members with the corporate capital monitoring statement for the second quarter of the 2025/26 financial year, covering the period to the 31st of August 2025, which presents a summary of the actual spend together with a forecast 2025/26 year-end outturn position.
- 1.2 Net spend on capital projects to the end of Q2 2025/26 totalled £49.104m for the Highland Investment Plan (HIP) against a net annual budget figure of £163.466m. Net spend on capital projects for the Housing Revenue Account (HRA) totalled £16.391m against a net annual budget figure of £66.333m.
- 1.3 The forecast net outturn for the HIP for 2025/26 totals £158.144m and this would give rise to a forecast net underspend against budget of £5.322m. The forecast net outturn for the HRA for 2025/26 totals £58.003m and this would give rise to a forecast net underspend against budget of £8.330m.
- 1.4 The report also highlights how the planned capital expenditure for 2025/26 will be funded, with borrowing being a major source across both the Consolidated HIP and HRA.

## 2. Recommendations

- 2.1 Members are asked to:
  - i. **Scrutinise** and **consider** the net spend for Q2 2025/26, the forecast year end outturn and the funding profile.

## 3. Implications

- 3.1 **Resource:** The Capital Monitoring reports, and the financial information contained therein, represent detailed information relating to the Council's financial activity. The reports present the current and forecast financial positions with no specific resource implications arising. Detailed reporting on the outturn figures and specific projects is considered through the relevant Strategic Committees as is normal practice.

- 3.2 **Legal:** The contents of this report aim to satisfy the requirement of Sections 6 and 7 of the CIPFA Financial Management Code - 'Monitoring financial performance' and 'External financial reporting'.
- 3.3 **Risk:** Risk implications to the budget position, and budget assumptions, will be kept under regular review and any project-specific risks identified will be reported to future Strategic Committees. The affordability of the Highland Investment Plan and HRA Capital Programme as a whole is subject to variations in construction industry inflation and changes in interest rates.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people):** An important aspect of continued capital investment relates to managing health and safety risk. The requirement to safely maintain and enhance Council assets, essential to the delivery of frontline services, remains an increasing challenge to the Council as a number of assets reach the end of their useful economic life.
- 3.5 **Gaelic:** There are no specific Gaelic implications arising as a direct result of 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 and update report and therefore an impact assessment is not required.

#### 5. General Fund Capital Monitoring Q2 2025/26

- 5.1 **Appendix 1** shows the HIP, spend and income for Q2 (period to the 31<sup>st</sup> of August 2025) of financial year 2025/26, along with the forecast outturn position to the end of the financial year. The actual figures provided reflect the net project expenditure, i.e. project costs incurred less project-specific income received. The net budget for 2025/26 is £163.466m. The forecast net expenditure is £158.144m resulting in an underspend of £5.322m.
- 5.2 However, when the forecast overspend of £11.182m for the Uig Harbour redevelopment (discussions are ongoing with Transport Scotland regarding the funding of this overspend and a further update will be provided in due course) is excluded the overall forecast position is an underspend of £16.504m. The forecast outturn is subject to change given it is still early in the financial year and pending future decisions taken as part of the HIP programme. The estimated outturn will continue to be monitored closely, and updates reported to future Committees.
- 5.3 Project level variances are reported to the relevant strategic committees, however significant variances have been summarised in **Appendix 5** for information.

- 5.4 Overall, there has been a net expenditure of £49.104m to Q2, which reflects 30% of the annual budget.
- 5.5 **Appendix 2** presents how the forecast HIP net capital expenditure for 2025/26 will be funded. Borrowing continues to be the largest source of funding with £121.929m forecast, amounting to 77% of forecast net capital expenditure. The General Capital Grant is expected to be £30.121m. The approved HIP includes some projects that are either wholly or partly self-funded, meaning that the borrowing costs associated with the capital expenditure will be repaid either from income generation or savings within the service revenue budget. It is forecast that £5.594m of capital expenditure in 2025/26 will be self-funded in this way.
- 5.6 Individual project spend forms the basis of the capital reports to Strategic Committees and links to those papers are provided below within the Background Papers section.
- 5.7 Members will recall that the May 2025 HIP report to Council and the October 2025 HIP report to Council highlighted a number of known or estimated project cost pressures and risks, reflecting both inflationary/contract cost pressure increases, as new or increased needs. With these estimated to be in the region of £15m-£20m in cost across the duration of the Plan. The Council agreed that “officers progress actions to ensure the programme is managed within the overall funding envelope, as described within Section 7” (of that report).
- 5.8 Officer review and work is ongoing in this regard, and considering a range of mechanisms to manage cost pressures including; review of external/project funding opportunities and assumptions, review of project and budget profiles, consideration of over-programming as a short-term mechanism to manage the Plan. Section 5.2 of the October HIP report highlighted that there is also budget capacity within ‘HIP other project priorities’ which may need to be considered to absorb some of these cost pressures. To aid ongoing management of the Plan and given there may be further new or emerging needs and proposals that may arise, it will be important the Council maintains some flexibility and capacity within its Plan going forward.

## 6. HRA Capital Monitoring Q2 2025/26

- 6.1 **Appendix 3** presents the net outturn figures for the HRA Capital Programme to the end of Q2 (period to the 31<sup>st</sup> of August 2025) 2025/26, along with the forecast net outturn to the end of the financial year. It reports a net expenditure figure of £16.391m which reflects 25% of the annual budget of £66.333m. The forecast annual net outturn to the end of 2025/26 is £58.003m which therefore projects an underspend of £8.330m against budget.
- 6.2 The major anticipated variance is against the mainstream HRA programme. Increased use of external grants for energy efficiency works is reflected in reduced reliance on borrowing for capital works.
- 6.3 **Appendix 4** presents how the forecast HRA net capital expenditure for 2025/26 will be funded. Borrowing continues to be the largest source of funding with £41.392m forecast, amounting to 62% of forecast net capital expenditure. The other major sources of funding include the Scottish Government Grant of £13.179m, Council’s Landbank Fund of £2.084m, and capital funded from current revenue of £1.348m.

Designation: Chief Officer – Corporate Finance

Date: 31 October 2025

Authors: Brian Porter - Chief Officer – Corporate Finance  
Carolyn Pieraccini – Strategic Lead – Financial Services - Place  
Alistair Dempsey-Reid – Principal Accountant (Acting)

Background Papers:

- *Communities & Place Committee, Capital Budget Monitoring Report*  
[https://www.highland.gov.uk/download/meetings/id/85851/6\\_capital\\_monitoring\\_report\\_for\\_the\\_period\\_q2\\_202526](https://www.highland.gov.uk/download/meetings/id/85851/6_capital_monitoring_report_for_the_period_q2_202526)
- *Economy & Infrastructure Committee, General Fund Capital Monitoring:*  
**Not yet available**
- *Housing & Property Committee, Property Capital Monitoring Statement and Progress Update Report:*  
[https://www.highland.gov.uk/download/meetings/id/85826/item\\_5\\_-\\_property\\_capital\\_monitoring\\_statement\\_and\\_progress\\_update](https://www.highland.gov.uk/download/meetings/id/85826/item_5_-_property_capital_monitoring_statement_and_progress_update)
- *Housing & Property Committee, Housing Revenue Account (HRA) Capital Monitoring:*  
[https://www.highland.gov.uk/download/meetings/id/85828/item\\_7\\_-\\_housing\\_revenue\\_account\\_hra\\_capital\\_monitoring\\_report\\_to\\_31\\_august\\_2025](https://www.highland.gov.uk/download/meetings/id/85828/item_7_-_housing_revenue_account_hra_capital_monitoring_report_to_31_august_2025)
- *Highland Council (May 2025), Highland Investment Plan Update:*  
[https://www.highland.gov.uk/download/meetings/id/84951/item\\_4\\_highland\\_investment\\_plan](https://www.highland.gov.uk/download/meetings/id/84951/item_4_highland_investment_plan)
- *Highland Council (October 2025), Highland Investment Plan Update:*  
[https://www.highland.gov.uk/download/meetings/id/85787/item\\_5\\_highland\\_investment\\_plan\\_%E2%80%93\\_progress\\_update](https://www.highland.gov.uk/download/meetings/id/85787/item_5_highland_investment_plan_%E2%80%93_progress_update)

Appendices: Appendix 1 - Capital Expenditure Monitoring GF Q2 2025/26  
Appendix 2 - Capital Expenditure Funding GF Q2 2025/26  
Appendix 3 - Capital Expenditure Monitoring HRA Q2 2025/26  
Appendix 4 - Capital Expenditure Funding HRA Q2 2025/26  
Appendix 5 - Major Projects Q2 2025/26 Summary

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2025 TO 31ST OF AUGUST 2025 (Q2 2025/26)

SERVICE: GENERAL FUND

Project Description	BUDGET	ACTUAL			FORECASTS			VARIANCE		
	2025/26 Capital Budget	2025/26 Actual Expenditure	2025/26 Actual Income	2025/26 Actual Net Year to Date	2025/26 Forecast Expenditure	2025/26 Forecast Income	2025/26 Forecast Outturn	2025/26 Variance F'cast v Budget	2025/26 Reprofile to Next Financial Year	2025/26 Overspend / (Underspend)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
LEARNING ESTATE	66,091	24,958	(804)	24,154	64,297	(250)	64,047	(2,044)	(2,044)	0
PROPERTY STRATEGIC ASSET MANAGEMENT	5,473	3,591	(806)	2,785	12,974	(3,250)	9,724	4,251	4,251	0
HEALTH & SOCIAL CARE PROGRAMME	1,212	994	(31)	963	2,850	(1,638)	1,212	0	0	0
COMMUNITY AND LEISURE FACILITIES	710	10	0	10	710	0	710	0	0	0
ROADS AND BRIDGES	31,479	13,881	(2,053)	11,828	36,690	(4,857)	31,833	354	354	0
ACTIVE TRAVEL & TRANSPORT	3,947	1,248	58	1,306	8,694	(4,847)	3,847	(100)	(100)	0
PARKING	792	142	(66)	76	710	(66)	644	(148)	(148)	0
LIGHTING & COMMUNICATIONS	438	689	0	689	835	(397)	438	0	0	0
FLOOD PROTECTION	2,261	445	0	445	1,728	0	1,728	(533)	(533)	0
HARBOURS & FERRIES	(556)	1,860	2,625	4,485	12,341	(9,300)	3,041	3,597	3,597	0
VISITOR MANAGEMENT	0	23	(50)	(27)	140	(140)	0	0	0	0
WASTE MANAGEMENT	4,652	1,960	(147)	1,813	4,766	(926)	3,840	(812)	(816)	4
BEREAVEMENT SERVICES	3,553	1,476	0	1,476	4,062	0	4,062	509	472	37
PLAY PARKS AND COMMUNITY SPACES	2,295	695	(186)	509	2,478	(183)	2,295	0	0	0
PUBLIC CONVENIENCES	100	(1)	0	(1)	0	0	0	(100)	0	(100)
ICT	4,564	1,008	0	1,008	5,377	(1,304)	4,073	(491)	(491)	0
VEHICLES & PLANT	3,238	304	(77)	227	3,538	(300)	3,238	0	0	0
PLANNING & DEVELOPMENT	4,580	9,027	(11,574)	(2,547)	28,781	(23,550)	5,231	651	651	0
ENERGY EFFICIENCY	0	0	0	0	1,950	(1,950)	0	0	0	0
NON-HRA HOUSING	3,307	1,776	(1,871)	(95)	5,053	(1,872)	3,181	(126)	(126)	0
HIGHLAND INVESTMENT PLAN PROJECTS	25,330	0	0	0	15,000	0	15,000	(10,330)	(10,330)	0
<b>OVERALL TOTAL</b>	<b>163,466</b>	<b>64,086</b>	<b>(14,982)</b>	<b>49,104</b>	<b>212,974</b>	<b>(54,830)</b>	<b>158,144</b>	<b>(5,322)</b>	<b>(5,263)</b>	<b>(59)</b>

11,182 Uig - forecast overspend position

**(16,504)** Less Uig from total

FUNDING OF CAPITAL EXPENDITURE - 1ST APRIL 2025 TO 31ST AUGUST 2025 (Q2 2025/26)

SERVICE: GENERAL FUND

	2025/26 Capital Budget	2025/26 Actual Net Year to Date	2025/26 Forecast Outturn	2025/26 Variance F'cast Outturn v Budget	2025/26 Reprofile to Next Financial Year	2025/26 Overspend / (Underspend)
	£000	£000	£000	£000	£000	£000
<b>Funding</b>						
General Capital Grant	30,121	9,452	30,121	0	0	0
Capital Receipts	500	452	500	0	0	0
Self Funded Projects*	4,322	3,970	5,594	1,272	1,272	0
Borrowing	128,523	35,230	121,929	(6,594)	(6,535)	(59)
<b>TOTAL FUNDING</b>	<b>163,466</b>	<b>49,104</b>	<b>158,144</b>	<b>(5,322)</b>	<b>(5,263)</b>	<b>(59)</b>

\*To reflect project budgets that are either wholly or partly self-funded (ie from income generated or savings).

**Note 1**

General capital grant amount confirmed as at 21 October 2025.

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2025 TO 31ST AUGUST 2025

SERVICE: HOUSING REVENUE ACCOUNT

Project Description	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance	(Reprofiling)/ Acceleration Net
	£000	£000	£000	£000	£000
<b>HRA Capital Programme</b>					
Equipment and Adaptations	1,124	318	813	(311)	(311)
Major Component Replacement	2,667	896	2,267	(400)	(400)
Heating/Energy Efficiency	15,662	4,949	13,250	(2,412)	(2,412)
External Fabric (Major Component Replacement)	491	183	446	(45)	(45)
External Fabric (Environmental Improvements)	2,251	140	2,003	(248)	(248)
Healthy, Safe and Secure	4,695	514	3,199	(1,496)	(1,496)
Contingencies/Retentions	1,194	12	0	(1,194)	(1,194)
<b>Total 2023/24 Programme</b>	<b>28,084</b>	<b>7,012</b>	<b>21,978</b>	<b>(6,106)</b>	<b>(6,106)</b>
<b>Council House Building Capital Programme</b>					
New Council House Buildings	34,949	8,401	32,725	(2,224)	(2,224)
Individual House Purchases	3,300	978	3,300	0	0
<b>Total Council Building Programme</b>	<b>38,249</b>	<b>9,379</b>	<b>36,025</b>	<b>(2,224)</b>	<b>(2,224)</b>
<b>OVERALL TOTAL</b>	<b>66,333</b>	<b>16,391</b>	<b>58,003</b>	<b>(8,330)</b>	<b>(8,330)</b>

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2025 TO 31ST AUGUST 2025

SERVICE: HOUSING REVENUE ACCOUNT

Funding	Revised Net Budget £000	Actual Net Year to Date £000	Year End Estimated Net Outturn £000	Year End Net Variance £000
<b>Investment Programme</b>				
Useable Capital Receipts				0
RHI Income				0
Government Grant	13,179	3,016	13,179	0
Landbank	2,084	482	2,084	0
Evergreen Infrastructure Loan Fund			0	0
Capital from Current Revenue	1,348		1,348	0
Borrowing	49,722	12,894	41,392	(8,330)
<b>GROSS FUNDING</b>	<b>66,333</b>	<b>16,392</b>	<b>58,003</b>	<b>(8,330)</b>

The below is a summary of major project lines with forecast variances >£500k for 25/26.

Project	Committee	Forecast over/under spend 25/26	Comments reported to relevant committees
Tain 3-18 Campus	P&H	(800)	The new building will be operational in February 2026 to ensure that this high-quality building is completed to the required standard.
Nairn Academy	P&H	5,305	Work progressing on site and new building programmed to be operational from August 2026.
Broadford Primary	P&H	(8,799)	Preferred contractor appointed following the completion of Stage 1 tendering process.
School Estate Improvement Programme	P&H	2,500	Various essential works and cost pressures as reported to Council in May 2025.
Property Estate Improvement Programme	P&H	3,131	Various essential works and cost pressures as reported to Council in May 2025.
HIP Phase 1 - Dunvegan	P&H	(3,000)	Project to be delivered in sequence with Broadford project; stakeholders will be updated on progress early in the new school session.
HIP Phase 1 - Programme Contingency	P&H	(1,000)	Contingency unlikely to be required in 2025/26
HIP Phase 1 - Other Priority Projects	P&H	(6,330)	Recommended first batch of priority projects set out in HIP update report for approval at Council meeting in October.
Landfill Restoration Programme	C&P	(517)	Capping works to take place this year. Estimated spend below budget but restoration and compliance works will continue in future years.
ICT Core Equipment	CR	(564)	Contract now in place for a refresh of the local network therefore some significant expenditure in the current year is forecast. Any underspend in the current year will meet costs in 26/27 as the project spans 2 financial years.
Major Bridges General	I&E	(1,823)	Forecast spend for B861 Ness Bridge. £115k to go to Strathcarron Bridge and Old White Bridge works.
Naver Bridge	I&E	2,480	Work to replace aged single track bridge carrying A836 over River Naver in Sutherland. Work has commenced and anticipating new bridge completion Winter 2026 with the demolition of the old bridge by Summer 2026. The project outturn is expected to be £15.37m after taking account of continued site supervision and compensation events. The funding of this additional cost will be raised with the Capital Programme Board.
Lochinver Harbour	I&E	(2,492)	Design for phase 1 is complete. Enabling works contract due to go for tender Autumn 2025.
Portree Harbour	I&E	980	Design for Phase 1 repairs to berthing structure complete. Tender Autumn 2025
Uig Ferry Terminal and Link Span	I&E	11,182	Life budget includes additional £1.1m for the terminal building, funded 60% by grant and 40% by THC capital recoverable through harbour dues. Construction works ongoing. The project in total expects a c£12.5m overrun primarily due to the split outage and talks remain ongoing with Transport Scotland regarding funding. The capital is expected to be repaid from future income stream.
Corran Ferry Shoreside Infrastructure	I&E	(6,183)	Tender responses to be received by 16 October. Construction works due to commence Q4. Underspend due to expectation of external funding this year - underspend to be reprofiled to future years.
Inverness Castle Redevelopment	I&E	1,260	Contract let, delays due to extra work - estimated completion autumn 2025. Budget currently within manageable cost increases (due to delays/extra structural repairs). Additional external funding plus future revenue streams will cover additional costs.