

The Highland Council

Agenda Item	6.a
Report No	RES/34/25

Committee: Corporate Resources

Date: 20 November 2025

Report Title: Corporate Revenue Budget Monitoring and Forecast report Quarter 2 of 2025/26

Report By: Chief Officer – Corporate Finance

1. Purpose/Executive Summary

- 1.1 This report sets out the Corporate revenue budget monitoring forecast for Quarter 2 of the current 2025/26 financial year. The report consolidates the individual Service forecasts as considered at respective Strategic Committees, to provide an overall forecast for the Council as a whole.
- 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 by Services in relation to variances. The report also provides a summarised position in relating to savings delivery, based upon detailed forecasts considered at respective Strategic Committees.
- 1.4 As a result of focused effort over the past quarter, and the impact of budget recovery actions as reported to relevant Strategic Committees, the overall Quarter 2 position reflects a **£3.999m improvement** from Quarter 1. £3.060m of this relates to net improvement in the overall Service budget forecasts, with the remaining £0.939m improvement across other budgets and council tax income.
- 1.5 This report and appendices therefore reflect a net £8.555m forecast overspend at year end, compared to £12.554m at Quarter 1. The report provides explanation of main variances in the forecast, basis for movement from the prior quarter, and commentary on budget risks and uncertainties.
- 1.6 The report also references a £2.3m improvement in the General Reserves position arising from Audit period adjustments to the 2024/25 Annual Accounts, as recently reported to the Audit Committee. While this represents a 2024/25, rather than a 2025/26 improvement, it nonetheless increases General Reserves from prior levels and provides further mitigation in the context of the in-year forecast overspend.

- 1.7 Despite the welcome improvement in forecasts since Quarter 1, there remains an overspend forecast and remaining risks and uncertainties in the budget. A continued focus on budget recovery and cost control is in place, with the objective of further reducing the overspend position. The risk to the organisation of overspends is a reduction in reserves available to support agreed change and investment plans, a risk to those plans, and an increased need for budget savings in the next financial year. Those risks remain until further progress with and effect of budget recovery action plans are seen in future reports.

2. Recommendations

- 2.1 Members are asked to:

- i. **Consider** the forecast financial position for the year as set out in this report and appendices;
- ii. **Consider** the explanations provided for any material variances and actions taken or proposed;
- iii. **Note** the improvement in forecasts from Quarter 1 to Quarter 2;
- iv. **Consider** the update provided regarding savings delivery.

3. Implications

- 3.1 **Resource:** this report provides key financial information regarding the Council's budget and forecast financial performance against that budget, including progress with saving delivery. The report reflects forecasts and actions being taken to address variances and forecast overspends.
- 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:** there is a risk to the Council's financial position, level of reserves and forward plans if overspending is not addressed over the course of the year. The Council holds reserves in excess of its policy target of 3%, however any overspend would impact on the 3% reserves target, or impact on existing investment and change plans (supported by earmarked reserves). For the purposes of this report, **Appendix 5** reflects the forecast effect on General Reserves reducing from £26.9m (which sits above the 3% target) down to £18.396m (c2.2%). There is a risk that where budget recovery plans are in place, they may still take time to implement and take effect, such that actions taken does not wholly address the position in year. There remain some risks and uncertainty around pay settlements for some staff groups which could still impact the financial position for the year. The reported level of overspend in NHS Highland's Adult Social Care budget is also considered a significant risk, with this also recently commented on by Audit Scotland in their Best Value 3 thematic report.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people):** No particular implications to highlight.
- 3.5 **Gaelic:** No particular implications to highlight.

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 The Quarter 2 forecast is showing an improved position of £3.999m overall compared to Quarter 1. This reduces the forecast overspend from £12.554m at Quarter 1, to £8.555m at Quarter 2.
- 5.2 The table below provides a summary of the figures in **Appendix 1** to give an overall forecast position for Quarter 2 of the 2025/26 financial year. This reflects the underlying Service Quarter 2 forecasts already considered by Strategic Committees.

	2025/26 Annual Budget £m	2025/26 Year-end forecast £m	2025/26 Year-end variance £m	+/- Change compared to Q1 £m
Expenditure				
Service budgets (Appendix 1, Table A- top half)	721.022	735.006	13.984	-3.060
Other budgets (Appendix 1, Table A- bottom half)	83.745	79.858	-3.887	-0.845
Contribution to investment funds and other reserves (Appendix 1, Table C)	4.806	4.806	0.000	-
Total (X)	809.573	819.670	10.097	-3.905
Income (Table D- top part)				
Government income	634.802	634.802	0.000	-
Budgeted Council tax income	164.426	165.968	1.542	-0.094
Confirmed use of earmarked and other reserves	10.345	10.345	0.000	-
Total (Y)	809.573	811.115	1.542	-0.094
Difference between expenditure and income to be funded from non-earmarked reserves- 'Budget (surplus)/deficit' (=X-Y)	0.000	8.555	8.555	-3.999

- 5.3 The bottom line of the table above shows that the current forecast for the overall year end position is for a deficit (or net overspend) of £8.555m which if not improved over the course of the year, will need to be funded from the Council's non-earmarked reserve. This being over and above planned or any further use of reserves over the course of the year.
- 5.4 As shown in the top row of the table at 5.1, net service expenditure is forecast to be overspent by £13.984m, an improvement of £3.060m from Quarter 1, with variances across a number of service areas. Section 6 of this report provides more details of the forecast service budget variances.
- 5.5 The second row of the table comprises a number of other budget lines and shows a positive variance (underspend against budget) of £3.887m.
- 5.6 The third row of the table shows contributions to investment funds and other reserves. A break-even position has been forecast.
- 5.7 The first row in the income section of the table at 5.1 reflects the funding the Council receives from government. In any year this may change as the year progresses, with additional or revised allocations of funding being confirmed.
- 5.8 An over-achievement of council tax income against budget is being forecast.
- 5.9 The third row of the income section of the table shows the draw-down of Earmarked balances to support in-year expenditure. **Appendix 8** to the report shows the detail of the movements in the Council's earmarked reserves in the year to date and illustrates other earmarked reserves where funding has been drawn down for its intended purpose.
- 5.10 Overall, the combined impact of the net service overspend plus other budget pressures less excess corporate income gives a forecast £8.555m overspend for the year. It can also be noted from **Appendix 1** (table B) to this report that the overspends are primarily in the 'other costs' category of Council spend, with a grant income shortfall related to the Waste pEPR scheme as referenced in this report. With these overspends being partly mitigated by an underspend on 'staff costs' across Council Services. This report provides further narrative on the actions being taken to address that forecast overspend position, the detail of which has been reported to respective Strategic Committee. There remains the expectation that such actions should see further improvement in the position as the year progresses. **Appendix 5** and section 8 of this report provide more detail on the Council's reserves position.

6. General Fund - Service Budget Variances

- 6.1 **Appendix 1** provides the usual monitoring statement format with Table A providing variance detail by service and other significant budget headings. Details of individual service positions are reported to the respective Strategic Committees. Overall, the Council is reporting a net overspend of £13.984m against service budgets.
- 6.2 At Quarter 2 an underspend of £3.639m is being shown against the Loan Charge budget line. This takes account of capital expenditure and treasury management forecasts. Members will be aware from past reports to Council which have highlighted the expected 'lag' between Highland Investment Plan (HIP) revenue budget funding decisions, HIP capital priority decisions, and then the resulting capital expenditure and borrowing requirements. Over the short to medium term a level of underspend in

Loan Charges is expected as a result. This is expected to be a temporary position given the Council has agreed its HIP priorities and in due course the level of capital spending, and borrowing to support this, will utilise the full level of revenue funding requirement. In the short-term forecast underspends on loan charges are partly mitigating some of the overspends occurring in service budgets.

6.3 **Appendix 2** provides a summary of forecast variances by service and expenditure and income type. Forecast overspends mainly relate to non-staffing (other cost) expenditure and income shortfalls.

6.3.1 The Communities and Place service is forecasting an overspend of £2.451m against the core service budget which is in the main due to overspends within Fleet (£2.333m) and Waste (£0.977m) offset by underspends in other service areas. Due to the level of overspend within the Fleet service a full review has been commenced with a budget recovery plan put in place. There are positive early signs, with an improvement in the overspend since Q1 of £0.242m with further improvements expected during the next two quarters, with an estimated up to £1.1m of improvement in the position from actions identified to date, and further recovery work ongoing. The overspend within the waste service has increased by £0.443m due to current market conditions. Work is ongoing, including work on a recovery plan for the service, to focus on income generation within the service to meet the target identified by the end of the financial year.

Accounted for separately, and highlighted in the Communities and Place monitoring, is the income predicted for the packaging extended producer (pEPR scheme) 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, communication over the summer and after the Council had agreed its budget, indicated the estimated 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 UK Government/DEFRA, and via Cosla, to understand the reasons and rationale for the change and escalate matters given the financial impact on the Council.

6.3.2 The Business Solutions service is forecasting an underspend of £0.023m. This is due to staff vacancies, additional income from service recharges, and increased contract prices which are necessary as the service works towards fully delivering the IT provision inhouse.

6.3.3 The Education and Learning service is forecasting an underspend of £0.833m, an increase from the prior quarter. This position reflects a balance of cost pressures and offsetting savings. Legacy staffing arrangements within special schools continue to create financial pressure amounting to £0.739m. This pressure has been offset by underspends in staff turnover across the service including the Early Learning and Childcare budget, CLD & Employability; and also reflecting the impact of part year vacancies in Schools General due to the on-going service restructure. Recruitment to these posts is expected to conclude within the current financial year.

6.3.4 The Health and Social Care service is forecasting an overspend of £3.427m, a £0.690m improvement from Quarter 1. As previously reported, financial pressures within Children's Services relate primarily to overspends in Looked After Children £3.573m and Family Teams £1.015m. These pressures are partially offset by underspends from vacancies in Business Support (£0.242m) and Other Services for Children (£0.889m). A recovery plan has been developed by the service aligned with the Operational Delivery Plan. This plan sets out the financial and service delivery

improvements to be achieved through projects within the Person-Centred Solutions Portfolio and was reported via the Strategic Committee in November. Consistent with Q1 reporting the forecast position for the Service is based on an assumed Nil variance on Adult Social Care (ASC), i.e. the Council's funding contribution is expected to be limited to the budget available. There remains a clear risk to this assumption given the level of pressure and overspend being reported by NHS Highland on ASC functions. As set out within the monitoring report to the Council's Health Social Care and Wellbeing Committee, NHSH have reported an underlying ASC pressure and overspend of £19.3m within their own budget report, this being after assumed delivery of a targeted level of savings.

- 6.3.5 The Infrastructure, Environment and Economy service is forecasting an overspend of £5.989m, which is an increase in the overspend of £0.392m from Q1. The main areas contributing to the increase in overspend are within the Roads and Transport, Harbours and Ferries, and Climate Change and Energy services. Roads and transport are forecasting an overspend of £1.686m. This is due income being lower than anticipated for the Skye Quarry, and lower than expected car park income which is arising from the closure of some bays at Rose Street due to repairs issues. Harbours and Ferries are forecasting a variance of £2.148m, mainly arising from increased operational (staffing) and maintenance costs associated with the Corran Ferry which includes increased vessel re-fit costs and the requirement to undertake essential repairs to the Corran Ferry slipway, along with costs and implications arising from achieving an increased income target for harbour dues and fuel sales. There was an increase in the overspend within the Climate Change and Energy service of £0.401m, which was attributed to the under achieved income in Solar PV schemes and Battery Storage schemes.
- 6.3.6 The Performance and Governance service is forecasting an underspend of £0.260m, an improved position of £0.229m from Q1. This is mainly as a result of staff vacancies, along with some increases in income which are partly offset by additional costs.
- 6.3.7 The combined Property and Housing service (excluding HRA) is forecasting an overspend of £0.820m which is an improvement of £1.630m from Q1. Historical savings have been allocated across the property services, and will be achieved through prioritising repairs and maintenance in order to remain within the overall budget target, and within CCFM due to high levels of vacancies. Domestic Rates are underspent due to an in-year rate rebate being claimed. Further Asset Rationalisation savings have been achieved up to Q2 but a large remaining savings target of £1.077m still remains. Budget Recovery plans have been prepared and are being implemented for Property Repairs and Maintenance and Asset Rationalisation savings.
- 6.3.8 The Resources and Finance service is forecasting an overspend of £0.371m which is an increase from Q1 of £0.196m. While the Core Service budget is forecasting an underspend, primary due to staffing and vacancies, this is offset by overspend as a result of slippage in achievement of tourism income and procurement savings. Progress on tourism income is being reported and monitored at the Income Generation Board.
- 6.3.9 The Welfare budget is forecasting an underspend of £0.459m which is an improved position from Q1 of £0.469m. The mid-year estimate for Housing Benefit is projecting an underspend of £0.156m. An underspend of £0.245m is forecast for Free school meal holiday payments based on current uptake.

- 6.3.10 At this point of the year there is no variance anticipated for Non Domestic Rates Reliefs with further officer review work ongoing. An underspend is being forecast against the Valuation Joint Board budget.
- 6.3.11 The unallocated budget line is showing a net underspend of £0.042m. This budget consists of a number of elements which are held centrally pending allocation out to Services as a result of certain matters being clarified. The majority of agreed pressure funding has been allocated to Service budgets, and over the course of the year the amount held centrally will reduce and by year end the budget would be expected to be at or near Nil. The main elements held unallocated at this time include: -
- Pay award funding (pending resolution of teachers pay settlement and also pending confirmation of Scottish Government funding in support of agreed pay settlements).
 - Utilities pressure funding agreed by Council, held centrally until later in year and clearer picture on utility costs and forecasts available.
 - Various other agreed pressures and savings, held centrally pending discussion with Services.

The net underspend shown reflects assessment of the expected year end position, considering risks and pressures against these budget elements.

7. Housing Revenue Account

- 7.1 As shown in **Appendix 3** the Housing Revenue Account (HRA) is forecast to deliver a net underspend of £0.034m with this comprising an overspend forecast on expenditure of £0.224m (primarily arising from repairs and maintenance, and voids) with this offset by rent income £0.258m ahead of target.

8. Actions Taken or Proposed

- 8.1 The Quarter 1 report to this Committee described a number of actions and improvements in budget monitoring and control that had been implemented from the start of this financial year. This was in recognition of the overspends which had arisen in 2024/25, and the expectation that some of these were likely to continue unless action was taken. Each Strategic Committee has now received their own respective budget monitoring report for Quarter 2, and where relevant those Committees have also received reports on recovery plans for specific budgets. The Quarter 2 position is already reflecting some of the positive impact of this budget recovery action, with an overall improvement of £3.999m from Quarter 1 to Quarter 2.
- 8.2 From budget recovery plans reported to date, and as summarised in the table below, it can be seen that the potential improvement from these plans goes beyond the level of improvement in forecasts reflected at Quarter 2. This is before consideration of further impact of recovery plans which are still under development. This approach is to give time, and to give assurance, that budget improvement is only reflected in these budget reports once there is sufficient progress with implementation, and certainty. This approach is also in recognition that within recovery plans, some of the financial forecasts may take time to be achieved, may only have a part year effect in 2025/26, or may take more than one year to be delivered. There remains the

potential, subject to further budget recovery action, that the Quarter 3 position reflects further improvement as a result of budget recovery activity.

Recovery Plan	Minimum Potential cost reductions £m	Maximum Potential cost reductions £m
Fleet	£1.004m	£1.573m
Children's Services	£0.613m	£1.452m
Property / Asset Management	Tbc	Tbc
Roads & Transport	£0.600m	£1.500m
Climate Change	Tbc	Tbc
Trading Ops (Harbours & Ferries)	Tbc	Tbc
TOTALS	£2.217m	£4.525m

9. Risks and Uncertainties

9.1 There remain a number of key risks and uncertainties relating to the current financial years financial position which could impact the figures and forecasts reflected in this report. These include risks related to: -

- Adult Social Care – the forecast overspend by NHS Highland against their ASC budget as referenced earlier in this report, and this risk this could result in financial implications for the Council. At this time the Council's ASC budget continues to forecast that the Council's funding for ASC will remain within the ASC budget quantum.
- Pay award settlements – teachers pay settlement has yet to be agreed and there remains the risk until such time as it is, and in turn funding arrangements with Scottish Government are clarified.
- Inverness Castle – as reflected in a separate report to Members on this agenda, the Council committed in March 2025 to under-write any year one deficit for the Castle Experience. Given only part year opening of the facility this year, a short-term deficit is expected, albeit the level of which will depend on performance once the facility opens.
- Storm damage/adverse weather events – the Council has already experienced a number of adverse weather events and storms at this early stage of the year. This gives rise to unplanned expenditures, and puts pressure on existing budgets. There is also often a time lag until the quantified financial impact of such events is known. Often insurance arrangements and the Government Bellwin scheme are not able to provide financial support to such cost events or are only available if certain thresholds are met.
- Budget overspend/budget recovery actions – as described in this report, there remains a forecast overspend and despite improvement since Quarter 1, and ongoing focused action, if the Council remains in overspend this would reduce and negatively impact on the Council's reserves position.
- Budget savings delivery – delivery of agreed savings is an important objective, but also with risk around timing or achievement of savings. Through this report, reports to Strategic Committees, and the Operational Delivery Plan, there is significant effort and focus on savings delivery.

A comprehensive reporting on financial risks was considered by Council on 30 October relating to the Medium-Term Financial Plan (MTFP) which provides a more comprehensive analysis of financial risks, implications and mitigations.

10. Reserves

- 10.1 **Appendix 5** summarises the movements on the Council's earmarked and non-earmarked balances during the course of the year and the impact of the forecast revenue budget outturn position on reserves. The level of overspend forecast will further reduce reserves from earlier estimates unless addressed over the remainder of the year.
- 10.2 The Council's non-earmarked general fund reserve is expected to sit at £18.396m at 2025/26 year end, which would be below the 3% policy target. Hence the importance of the ongoing budget recovery and cost control action to protect Council reserves.
- 10.3 Earmarked reserves, which are reserves held for specific and agreed purposes, currently are forecast to sit at £90.431m by year end. A significant element of that sum may still be drawn down at financial year end to match expenditure incurred in the year across a number of areas, principally delivering change and delivery plan and other investment. The remainder of that earmarked sum will be used to meet existing expenditure commitments that extend into 2026/27 and beyond. A review of Earmarked Balances is underway and will support an updated assessment as the year progresses.

11. Savings Delivery

- 11.1 In order to deliver a balanced budget for the year approved savings of £12.943m, agreed in February 2024 and March 2025 for 2025/26 need to be delivered. Slippage, carry forward and adjustment of saving targets from prior years, the majority of which related to Adult Social Care, have also been added to the savings targets being tracked for delivery. Taking the total tracked savings for 2025/26 to £25.720m. A high-level summary of the delivery of those savings, can be seen at **Appendix 6**. Each Strategic Committee receives their own forecast and summary of progress with savings delivery, covering both Delivery Plan and other agreed budget savings. Within this report a consolidated overview of those reported positions is set out. As noted in earlier comments in section 6, where there is forecast slippage in savings delivery this will be reflected in the forecast Service positions, and part of Service action planning to address overspends will of course focus on increasing the pace of savings delivery.

Designation: Chief Officer – Corporate Finance

Date: 7 November 2025

Author: Brian Porter, Chief Officer – Corporate Finance
Carolyn Pieraccini – Strategic Lead (Place)
Jennifer McGonagle – Strategic Lead (People)
Alison McDonald – Principal Accountant

Revenue Expenditure Monitoring Report - General Fund Summary
Quarter 2

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Table A: By Service				
Communities & Place	24,408	47,852	50,303	2,451
C&P Packaging Extended Producer Responsibility Funding	0	-9,500	-7,000	2,500
Business Solutions	11,847	14,037	14,014	-23
Education & Learning	138,767	300,630	299,797	-833
Health, Wellbeing & Social Care	80,173	201,671	205,099	3,428
Infrastructure & Environment and Economy	13,049	45,742	51,731	5,989
Performance & Governance	4,980	6,922	6,662	-260
Property & Housing	34,978	89,651	90,471	820
Resources & Finance	11,806	15,704	16,075	371
Welfare Services	5,594	8,313	7,854	-459
Service Total	325,602	721,022	735,006	13,984
Valuation Joint Board	1,875	3,626	3,420	-206
Green Freeport	0	0	0	0
Non Domestic Rates reliefs	1,551	1,247	1,247	0
Loan Charges	0	72,782	69,143	-3,639
Unallocated Budget	0	6,090	6,048	-42
Total General Fund Budget	329,028	804,767	814,864	10,097

Table B: By Subjective

Staff Costs	220,078	492,473	481,869	-10,604
Other Costs	196,308	542,679	557,801	15,122
Gross Expenditure	416,386	1,035,152	1,039,670	4,518
Grant Income	-35,757	-88,009	-82,111	5,898
Other Income	-51,601	-142,376	-142,695	-319
Total Income	-87,358	-230,385	-224,806	5,579
Total Revenue Expenditure	329,028	804,767	814,864	10,097

Table C: Appropriations to Reserves

Contribution to earmarked balances	0	922	922	0
Contribution to non-earmarked balances	0	0	0	0
Affordable housing contribution from 2nd homes council tax	0	3,873	3,873	0
Contribution to Other reserves	0	11	11	0
Total Contributions to Balances	0	4,806	4,806	0

Table D: Financed By

Aggregate External Finance as notified	225,678	627,540	627,540	0
Additional resources	0	7,262	7,262	0
Additional resources - GCG - Pay award	0	0	0	0
Council Tax	103,350	164,426	165,968	1,542
Use of earmarked balances	0	4,216	4,216	0
Use of non earmarked balances	0	0	8,555	8,555
Use of other reserves	0	6,129	6,129	0
Total General Fund Budget	329,028	809,573	819,670	10,097

Revenue Expenditure Monitoring Report - General Fund Summary

Quarter 2

Table A: By Service

	Staff Costs Variance £000	Other Costs Variance £000	Grant Income Variance £000	Other Income Variance £000	Total Variance £000
Communities & Place	(1,496)	3,061	(265)	1,151	2,451
C&P Packaging Extended Producer Responsibility Funding	0	0	2,500	0	2,500
Business Solutions (Former Depute Chief Executive)	(922)	2,279	0	(1,380)	(23)
Education & Learning	(1,883)	1,040	7	3	(833)
Health & Social Care	(2,096)	5,518	11	(5)	3,428
Infrastructure, Environment & Economy	(2,152)	8,191	310	(360)	5,989
Performance & Governance	(23)	85	9	(331)	(260)
Property & Housing	(1,198)	2,306	(347)	59	820
Resources & Finance	(834)	730	(69)	544	371
Welfare	0	(4,201)	3,742	0	(459)
Valuation Joint Board	0	(206)	0	0	(206)
Non Domestic Rates reliefs	0	0	0	0	0
Loan Charges	0	(3,639)	0	0	(3,639)
Unallocated Budget	0	(42)	0	0	(42)
Total General Fund Budget	-10,604	15,122	5,898	-319	10,097

Revenue Expenditure Monitoring Report - Housing Revenue Account Summary
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Quarter 2

	Actual Year to Date £000	Annual Budget £000	Final Outturn £000	Year End Variance £000
Staff Costs	6,529	16,531	15,848	(683)
Other Costs	10,055	25,943	26,850	907
Loan charges and interest	0	32,500	32,500	0
Gross Expenditure	16,584	74,974	75,198	224
House Rents	(28,266)	(71,081)	(71,409)	(328)
Other rents	(1,368)	(3,464)	(3,385)	79
Other income	(270)	(367)	(376)	(9)
Interest on Revenue Balances	0	(62)	(62)	0
Gross Income	(29,904)	(74,974)	(75,232)	(258)
Total HRA	(13,320)	0	(34)	(34)

Revenue Expenditure Monitoring Report - General Fund Budget
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1 April to 30 September 2025

	£m	£m
2025/26 Budget as Agreed by Highland Council on 6 March 2025		818.423
Less : Contributions to Reserves included in Agreed Budget		
Affordable housing contribution from 2nd homes council tax	(3.873)	
Contribution to earmarked balances (Elections Fund)	(0.085)	
Contribution to earmarked balances (SALIX)	(0.745)	
Contribution to other reserves	(0.011)	(4.714)
Less : Ring-fenced Grants (Gaelic, Criminal Justice, PEF Attainment Funding, Support for Ferries*)		(9.959)
Grant Funding Redeterminations		
Nature Restoration Fund	0.001	
Employer NIC	0.001	
CJSW (ring-fenced grant)	(0.020)	
Prisoners (Early Release) (Scotland)	0.034	
Holiday Playschemes and Activities for Disabled Children	0.037	
Employability - Child Poverty Co-ordinators	0.088	
Children's Social Care Pay Uplift in Commissioned Services	0.503	
Islands Cost Crisis Emergency Fund	0.107	
	0.751	
Adjust : Ring-fenced Grant Changes	0.020	0.771
Use of Non-earmarked Balances		
		0.000
Use of Earmarked Balances		
Northern Meeting Park (Economic Prosperity Fund - Levelling-up Funding)	0.125	
Investment INV 26 - Rural Poverty Commission	0.050	
People and Finance Systems Programme	0.342	
My Council	0.165	
Tourism Income - Unique Visitor Experiences	0.079	
Investment INV13 - Leadership and Management Capacity	0.038	
Future Investment Capacity Fund - Service Improvement Solutions	0.073	
Future Investment Capacity Fund - Digital Solutions	0.090	
Future Investment Capacity Fund - Digital Foundations	0.067	
Tourism Income - Motorhomes	0.005	
Tourism Income - Unique Visitor Experiences	0.069	
Developer Contributions	0.391	
Comms and Engagement Officer - Gaelic	0.052	1.545
Use of Other Reserves		
		0.000
Contribution to Non earmarked Balances		
		0.000
Contribution to Earmarked Balances		

SALIX	(0.092)	
		(0.092)
Contribution to Other Reserves		
		0.000
Presentation Adjustments		
Transfer of Ferries Grant from Ring-fenced Grant to GRG	1.521	
Debt Management arrangements (HC 29/02/24 savings R&F-3 50%) *	0.050	
Re-earmarking of earmarked balances for one-off budget pressures	(2.778)	
		(1.207)
Total General Fund Budget at 30 September 2025		804.767

* Included as a reduction in budgeted expenditure in the HC 06/03/25 budget report but incorporated into the budget as an increase in council tax income

Revenue Expenditure Monitoring Report - General Fund Balances
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Quarter 2

General Fund Balance

	Earmarked balances £m	Non- earmarked balances £m	Total £m
General Fund Balance at 1 April 2025	93.725	26.951	120.676
Use of balances included in budget as agreed by Highland Council on 6th March 2025	(2.671)	0.000	(2.671)
Contribution to balances included in budget as agreed by Highland Council on 6th March 2025	0.830	0.000	0.830
Use of balances per Appendix 4	(1.545)	0.000	(1.545)
Contribution to balances per Appendix 4	0.092	0.000	0.092
Removal of earmarking	0.000	0.000	0.000
Budget movement in balance per Appendix 1	(3.294)	0.000	(3.294)
Net service underspend/(overspend) per Appendix 1	0.000	(10.097)	(10.097)
Appropriations to other reserves	0.000	0.000	0.000
Appropriations from other reserves	0.000	0.000	0.000
Additional resources	0.000	0.000	0.000
Council tax	0.000	1.542	1.542
Rounding			0.000
General Fund Balance at 30 September 2025	90.431	18.396	108.827

Revenue Expenditure Monitoring Report - Savings Delivery

Quarter 2

	£m Excl ASC	£m Incl ASC
Green	11.659	11.659
Amber	0.445	0.445
Red	6.616	13.616
Total	18.720	25.720

Reflecting position including/excluding the £7m Adult Social Care saving carried forward from 2024/25.