

Agenda Item	7.
Report No	EDU/4/26

The Highland Council

Committee: Education

Date: 25 February 2026

Report Title: Revenue Budget Monitoring Report Quarter 3 2025/26

Report By: Assistant Chief Executive - People

1. Purpose/Executive Summary

- 1.1 The report details the Quarter 3 budget monitoring and forecast position for the Education and Learning Budget 2025/26. The annual service budget is £307m with a predicted end of year underspend forecast of £0.879m, which represents 0.29% of the total revenue budget.
- 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 report also provides a forecast position regarding all budget savings within the remit of the Service.
- 1.5 Revenue monitoring statements showing actual expenditure up to Quarter 3 and year-end estimates are set out in **Appendix 1**. The main variances contributing to the Service pressures and underspends are shown in more detail at **Appendix 2** and the following sub-sections.

2. Recommendations

- 2.1 Members are asked to:
 - i. Scrutinise and approve the forecast financial position for Quarter 3 2025/26 as set out in this report and Appendices;
 - ii. Consider and note the explanations provided for any material variances and actions taken or proposed; and
 - iii. 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, including progress with Service delivery. There are no particular resource implications arising as a result of this report which are not detailed in other sections of this report.
- 3.2 Legal - There are no particular legal implications to highlight.
- 3.3 Risk – There remain some risks and uncertainty around pay settlements for SNCT staff groups (teachers and associated professionals) which could still impact the financial position for the year.
- 3.4 Health and Safety (risks arising from changes to plant, equipment, process, or people) – There are no particular implications to highlight.
- 3.5 Gaelic – There are 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 and update report and therefore an impact assessment is not required.

5. Service Revenue Quarter 3 Monitoring – 1 October 2025 to 31st December 2025

- 5.1 The statements reflect a forecast underspend of £0.877m which equates to 0.29% of the total budget for the service for the year (**Appendix 1**). This represents an increase in the level of underspend anticipated at Quarter 3 when the underspend was reported at £0.833m. Commentary in relation to that change is provided in paragraph 6 below.

6. Commentary on Variances

- 6.1 There continue to be financial pressures relating to both legacy and new staffing expenditure within Special Schools, totalling £0.783m. These pressures have been mitigated by underspends across the following budget areas:
 - **CLD Adult Learning and Youth Work (£0.143m and £0.240m underspend respectively):**
These underspends arise primarily from vacancies and sessional staffing activity below budgeted levels.
 - **Early Learning and Childcare (£0.098m underspend):**
This includes staffing underspends of £0.482m linked to the implementation of

approved savings for 2026/27. However, these savings have been partially offset by increased costs relating to payments to partner centres, driven by higher volumes of payments, including those for Additional Support Needs.

- **Schools General (£0.661m underspend):**
The underspend reflects the part-year effect of the ongoing service restructure. Recruitment to new teams is progressing well and are expected to be in place by the end of the current financial year.
- **Service Management and Support (£0.167m underspend):**
The forecast underspend is mainly attributable to vacant posts.
- **Additional Support – Schools (£0.247m underspend, 0.67% of budget):**
This reflects a net position comprising cost pressures of £0.737m arising from Out of Authority Educational placements, offset by savings resulting from part-year vacancies within Specialist Provisions.

7. Actions Taken or Proposed

7.1 The Service continues to deliver within budget and the variances referenced in the preceding paragraph are being actively monitored and managed.

8. Savings Delivery 2025/26

8.1 Details in relation to required savings are set out in **Appendix 3** to this report. Members will note the progress made to date with savings having been attributed to the relevant budget headings from Q1 onwards or those which are on track to be delivered as part of the year end accounting entries under the DSM scheme.

Designation: Assistant Chief Executive - People

Date: 6 February 2026

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Background Papers: n/a

Appendices: Appendix 1 & 2 – Quarter 3 Budget Monitoring 2025/26
Appendix 3 – Savings Forecast

Dec-25	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Service Management Team & Support	1,358	1,947	1,809	(138)
Pensions, Insurance and Other Pan-Service Costs	1,567	2,325	2,321	(4)
Commissioned HLH Services	(2,248)	16,622	16,622	0
CLD - Adult Learning	624	837	694	(143)
CLD - Youth Work	1,389	2,008	1,768	(240)
Employability	(628)	1,416	1,354	(61)
Grants to Voluntary Organisations	515	700	738	38
Hostels	1,073	1,552	1,617	65
Crossing Patrollers & School Escorts	629	1,006	914	(93)
Secondary Schools	73,180	102,281	102,281	0
Primary Schools	61,485	84,258	84,237	(21)
Schools General	8,989	6,012	5,351	(661)
Learning & Teaching	1,569	564	500	(64)
Early Learning & Childcare	29,472	38,438	38,340	(98)
Additional Support - Schools	27,009	36,737	36,490	(247)
Additional Support - Special Schools	5,291	6,447	7,230	783
Specialist Additional Support Services	2,514	3,482	3,487	5
Grand Total Education & Learning	213,788	306,632	305,753	(879)
BY SUBJECTIVE				
Staff Costs	196,322	268,961	266,711	(2,250)
Other Expenditure	25,049	52,333	53,664	1,331
Gross Expenditure	221,371	321,294	320,375	(919)
Grant Income	(6,247)	(12,657)	(12,621)	36
Other Income	(1,335)	(2,005)	(2,001)	4
Total Income	(7,582)	(14,662)	(14,622)	40
NET TOTAL	213,788	306,632	305,753	(879)

	STAFF COSTS				OTHER COSTS				GRANT INCOME				OTHER INCOME				NET TOTAL			
	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
Dec-25																				
BY ACTIVITY																				
Service Management Team & Support	1,735	1,114	1,532	(202)	260	258	323	64	0	(2)	0	0	(47)	(13)	(47)	0	1,947	1,358	1,809	(138)
Pensions, Insurance and Other Pan-Service Costs	2,102	1,567	2,098	(4)	223	0	223	0	0	0	0	0	0	0	0	0	2,325	1,567	2,321	(4)
Commissioned HLH Services	0	0	0	0	18,102	(1,058)	18,102	0	(1,124)	(1,061)	(1,124)	0	(356)	(129)	(356)	0	16,622	(2,248)	16,622	0
CLD - Adult Learning	955	600	796	(159)	48	80	57	8	(147)	(55)	(147)	(0)	(19)	(1)	(12)	7	837	624	694	(143)
CLD - Youth Work	2,129	1,542	1,894	(235)	89	60	86	(2)	(195)	(201)	(197)	(3)	(15)	(12)	(15)	(0)	2,008	1,389	1,768	(240)
Employability	1,501	1,113	1,466	(35)	2,885	1,094	2,859	(27)	(2,971)	(2,835)	(2,971)	0	0	0	0	0	1,416	(628)	1,354	(61)
Grants to Voluntary Organisations	0	0	0	0	700	515	738	38	0	0	0	0	0	0	0	0	700	515	738	38
Hostels	1,362	982	1,393	32	226	96	232	6	(28)	0	0	28	(8)	(4)	(8)	(1)	1,552	1,073	1,617	65
Crossing Patrollers & School Escorts	1,000	628	913	(87)	6	0	0	(6)	0	0	0	0	0	0	0	0	1,006	629	914	(93)
Secondary Schools	96,280	70,475	96,280	0	7,066	4,316	7,066	0	(1,065)	(1,611)	(1,065)	0	0	(0)	0	0	102,281	73,180	102,281	0
Primary Schools	81,116	61,328	81,110	(7)	6,126	4,612	6,111	(14)	(2,980)	(4,449)	(2,980)	0	(5)	(7)	(5)	0	84,258	61,485	84,237	(21)
Schools General	6,745	3,056	6,055	(690)	975	1,675	1,006	31	(1,247)	4,594	(1,247)	0	(461)	(335)	(463)	(3)	6,012	8,989	5,351	(661)
Learning & Teaching	2,262	1,608	2,216	(46)	291	202	272	(18)	(1,988)	(241)	(1,988)	0	0	0	0	0	564	1,569	500	(64)
Early Learning & Childcare	26,602	18,947	26,120	(482)	13,480	11,469	13,864	383	(563)	(124)	(563)	(0)	(1,081)	(820)	(1,081)	0	38,438	29,472	38,340	(98)
Additional Support - Schools	35,743	25,855	34,749	(995)	1,265	1,304	2,002	737	(272)	(150)	(261)	10	0	0	0	0	36,737	27,009	36,490	(247)
Additional Support - Special Schools	6,379	5,298	7,137	759	146	106	170	24	(78)	(113)	(78)	0	0	0	0	0	6,447	5,291	7,230	783
Specialist Additional Support Services	3,050	2,209	2,950	(100)	447	320	552	105	0	0	0	0	(15)	(15)	(15)	0	3,482	2,514	3,487	5
Grand Total Education & Learning	268,961	196,322	266,711	(2,250)	52,333	25,049	53,664	1,331	(12,657)	(6,247)	(12,621)	36	(2,005)	(1,335)	(2,001)	4	306,632	213,788	305,753	(879)

Budget Savings Forecasts**Appendix 3**

Saving / Income Generation	Latest Annual Forecast	Latest RAG	Annual Target	Forecast Under / Over Target	Comment
Efficiency Savings: Improvements in workforce practice - FY 25-27	£30,000	●	£30,000	£0	This action forms part of the year end accounting for DSM budgets and is expected to be delivered in full.
Operating Model: Realign resources to an area-based model to ensure better alignment - FY 25-28 Annual	£369,000	●	£369,000	£0	Budgets adjusted accordingly and saving expected to be delivered in full.
Efficiency Savings: DSM adjustments and digital learning - FY 24-27	£1,300,000	●	£1,300,000	£0	This action forms part of the year end accounting for DSM budgets and is expected to be delivered in full.
Operating Model: Common framework for management & support arrangements - FY 25-28	£180,000	●	£180,000	£0	Budgets adjusted accordingly and saving expected to be delivered in full.
Operating Model: New School Clusters - management - FY 25-28	£40,000	●	£40,000	£0	Budgets adjusted accordingly and saving expected to be delivered in full.