

Agenda Item	4
Report No	HC/01/26

The Highland Council

Committee: Highland Council

Date: 5 March 2026

Report Title: Medium Term Financial Plan 2026/27 to 2028/29 and Revenue Budget and Council Tax 2026/27

Report By: Chief Officer – Corporate Finance (Section 95 Officer)

1. Purpose/Executive Summary

- 1.1 The Council is required by legislation to set a balanced budget, and to set a council tax for the forthcoming year no later than 11 March. This report and recommendations, provide the basis for the Council to fulfil these legal obligations.
- 1.2 This report sets out the Council's updated Medium Term Financial Plan for 2026/27 – 2028/29, the proposed revenue budget and council tax for 2026/27, and indicative revenue budgets for the following two financial years, 2027/28 and 2028/29. The report builds upon the Medium-term Financial Plan as agreed in March 2025.
- 1.3 This report, prepared by the Chief Officer – Corporate Finance (Section 95 Officer), provides Members with all the necessary and relevant information to support budget and council tax decision making, and to deliver a balanced budget for the year. The report is in essence represented by two elements:
1. This officer report and relevant tables and annexes within, providing the Section 95 Officers advice, information and recommendations as relate to relevant parts of the budget; and
 2. Distinct from the Officer aspects of this report, those elements which represent the Administration's Budget Proposals for the three-year period, are appended to this report and reflected within the report in relevant sections, tables and within report recommendations.
- 1.4 A summary of key elements of the budget is set out below.

Key budget elements £m	2026/27	2027/28	2028/29
Pay cost increases provided for	20.205	14.149	13.626
Budget Cost Increases & Pressures (recurring)	18.933	17.881	10.200
Budget Cost Increases & Pressures (from reserves)	10.623	1.511	-
Administration Core Revenue Growth & Investment	3.500	-	-
Administration One-Off Growth & Investment	8.500	-	-
Other New Burdens & Commitments (inc SG funds)	10.077	-	-
Highland Investment Plan / Capital Project support*	4.705	4.976	5.258

(*HIP 2% earmarking plus £1.5m p.a. for core capital)

Key budget elements £m	2026/27	2027/28	2028/29
Package of budget savings, income generation and financial flexibilities (new plus previously agreed after adjustment for rebasing)	28.244	19.353	13.444
Use of reserves to balance the budget	Nil	Nil	Nil
Budget gap still to be closed for future years	-	4.833	0.824
Proposed Revenue Budget	867.976	873.383	889.049

1.5 A range of annexes and supporting information is enclosed with this report to support member decision making. A full list is provided at the end of this report. Particular annexes highlighted to Members are as follows:

Annex 4 Administration Investment Proposals
Annex 5a/b Administration Budget Saving Proposals
Annex 7a/b Administration Council Tax proposals.

1.6 As an aid to interpreting figures in this report. Across this report and associated annexes, all £ figures are shown as millions (£m) unless otherwise stated. All figures are shown on a recurring and incremental basis unless otherwise stated i.e. they represent the year-on-year impact of a saving or a cost pressure. Anything one-off or non-recurring in the budget report will typically include narrative to make clear that is the case.

2. Recommendations

2.1 Members are asked to:

- i. Note the budget context, information, assumptions and risks, as set out within this report and provided by the Section 95 Officer;
- ii. Note reports over the past year from Audit Scotland and the Accounts Commission, as referenced in this report, providing positive commentary on the Council's financial management and other financial arrangements.
- iii. Note the additional processes, actions and controls being introduced to further enhance and improve the Council's financial management and budgetary control arrangements;
- iv. Agree the three-year package of new, additional and revised budget saving, income generation and other saving proposals put forward by the Council Administration as set out at **annex 5a and 5b**;
- v. Agree the growth and investment funding proposed by the Council Administration as set out on **annex 4**;
- vi. Agree the package of budget pressures and new burdens as set out on **annex 2**;

- vii. Agree to the Partner Funding arrangements relating to NHS Highland and High Life Highland as set out in section 9;
- viii. Agree that, in relation to Adult Social Care for the 2025/26 financial year, that an additional up to £5.0m of additional one-off funding, in recognition of cost pressures and overspend, is provided to NHS Highland, to be funded from Reserves;
- ix. Note the updated position relating to reserves and taking account of the budget proposals and recommended earmarking and re-purposing as set within this report (**annex 6**);
- x. Agree, in relation to Council Tax, a 7% increase for 2026/27, represented by a 5% core increase to balance the budget for the year plus 2% earmarked for capital investment through the Highland Investment Plan, with details of the resulting Council Tax as shown in **annex 7a**;
- xi. Agree that, in relation to Council Tax on Second Homes and Long-term Empty Properties, the Council will utilise the flexibility to be introduced via legislation and increase premium charges on Second Homes and Long-term Empty properties as set out in paragraph 18.5 and **annex 7b**;
- xii. Note the indicative assumptions on Council Tax for 2027/28 and 2028/29 as per **annex 7a**, with these subject to future review and formal decision as part of annual budget setting; and
- xiii. Agree the proposed Revenue Budget for 2026/27 as set out within this report and on **Annex 3**.

3. Implications

- 3.1 Resource - by its nature this report has a significant number of resource implications. The report sets out the context and assumptions within the Council's Medium Term Financial Plan, the resulting projected budget gap as was, and the risks and uncertainties related to that position. The report sets out a range of recommendations and provides associated information within the body of the report, and annexed information, to allow Members to understand the financial implications before them. The report specifically highlights particular risks pertaining to this budget plan. The report details the Council's reserves forecast, and updated recommendations and plans regarding their use, with this set in the context of the Reserve Strategy agreed by the Council in December 2023. Reserves being one aspect of how the Council manages its financial position and mitigates against financial risk. This report is the conclusion of a series of reports to Council over the past 5-6 months and supported by briefings provided to Members and groups to support their understanding of the Council's budget outlook.
- 3.2 Legal – the formal setting of a budget and council tax has specific legal and related implications, as follows.

(i) In terms of Section 93 of the Local Government Finance Act 1992 ('the 1992 Act') Members have a duty to set both Council Tax and therefore by implication the next year's budget before 11 March in any year. Section 93(4) of the 1992 Act states "in

calculating such part of the total estimated expenses to be incurred by a local authority as falls to be met out of council tax, account shall be taken of any means by which those expenses may otherwise be met or provided for”.

(ii) Therefore, Council is required to estimate how much income it will receive from grant allocations, what its expenditure might be, what other budgetary actions can be taken, before then agreeing the Council Tax rate to fund the difference. This process is commonly referred to as setting a balanced budget.

(iii) Section 95 of the Local Government (Scotland) Act 1973 (the 1973 Act) states, “...every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.” In The Highland Council the ‘proper officer’ in terms of the 1973 Act is the Chief Officer - Corporate Finance (Part IV Scheme of Delegation and Administration).

(iv) The Council’s financial arrangements must conform with the governance requirements of the Cipfa/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (‘the Code’). Therefore, the proper officer must ensure that the Council corporately and the Officer himself discharges their respective obligations and responsibilities.

3.3 Risk - the budget as set out within this report is based on a number of assumptions, and in any year’s budget there are risks associated with the assumptions made and the recommendations proposed. Mitigation for such risks is based on review and challenge of assumptions before they are presented to Members, as well as review and benchmarking with other Councils in relation to financial planning assumptions. As was the case in February 2024 and March 2025, and remains the case for this budget plan, the scale of the budget gap, and as a result the scale of financial savings set out in this report is significant, and represents a considerable challenge in relation to implementation and delivery. This is mitigated through the Council’s Operational Delivery Plan and supporting approaches, to ensure suitable resourcing, monitoring and governance of change, transformation and savings delivery. The Delivery Plan, and the budget, is also based on the use of reserves and a multi-year planning approach to implement the savings and redesign or transformation of service.

Finally, this budget is built upon the draft grant settlement for 2026/27, as adjusted for known or anticipated amendments. The Local Government Finance Order will be considered by Parliament by end February and Councils will have their grant settlement confirmed at that date. If there are changes arising from the Order, these may need considered by Council on 5 March 2026 if they have a material impact, or any more modest changes may be matters which can be dealt with as post-budget events. In any year there are changes to the grant settlement over the course of the year, following formal decision by the Council. And such changes are managed as business as usual through existing budget planning arrangements, and reporting via the Corporate Resources Committee. An overview of key risks as they relate to the budget and this report are set out in **annex 1**.

- 3.4 Health and Safety (risks arising from changes to plant, equipment, process, or people) - any particular risk implications have been considered within the specific impact section of saving proposals. The budget provides additional funding to address resourcing, capacity and risk management in budget areas including health and safety, and asset investment and ongoing maintenance.
- 3.5 Gaelic - any specific implications are assessed within specific saving proposals and referenced within the saving proposal document.

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 All budget savings and investment proposals have been screened in line with the Council's approach to Integrated Impact Assessment. A summary of the assessment is included within each of the templates detailing any impacts identified, both positive and negative. There are 2 proposals which required full impact assessments: *Corporate/13 Review of NDR Relief* and the proposal to *Increase Council Tax for Second Homes and Long Term Empty Properties*. These full assessments can be found at <https://www.highland.gov.uk/council-government/integrated-impact-assessment>.

5. Budget Setting, the Legislative and External Context, and Cipfa FM Code

- 5.1 It is vital that Members understand the legislative requirements placed upon them and the Council to set a balanced budget, and in turn other key requirements and expectations defined within Codes of Practice adopted by the Council that are relevant to budget setting. The role of the Section 95 Officer, as defined in legislation, is also a key consideration. This report sets out in conclusion a statement by your Section 95 Officer, in compliance with the Cipfa Financial Management (FM) Code, regarding the budget, the sufficiency of reserves and the Council's financial sustainability, this underpinned by a suite of financial resilience and sustainability indicators attached to this report.
- 5.2 The Council has adopted the Chartered Institute of Public Finance and Accountancy (Cipfa) Financial Management (FM) Code. The Code is in place to support good financial management, and defines a number of key principles and expectations on Officers and Members regarding financial management and the budget setting process, which are reflected within this report.
- 5.3 Legislative position. Section 93 of the Local Government Finance Act 1992 states that Members have a duty to set both Council Tax and therefore by implication the next year's budget before 11 March in any year. This duty must be carried out by the full Council and cannot be delegated. This Section of the legislation also sets out process of budget setting commonly referred to as setting a balanced budget or the

balanced budget requirement. The legal implications section of this report provides some further information in this regard.

5.4 The Cipfa FM Code. The Council has adopted the Cipfa FM Code, which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It is for all the corporate management team to work with elected Members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. The FM Code has seven sections covering the following key areas (with sections 3 and 4 being of greatest relevance to this paper):

1. Responsibilities of the chief financial officer and leadership team
2. Governance and financial management style
3. Long to medium-term financial management
4. The annual budget
5. Stakeholder engagement and business plans
6. Monitoring financial performance
7. External financial reporting

With regard to long to medium-term financial management the Code requires that the authority has carried out a credible and transparent financial resilience assessment and understands its prospects for financial sustainability in the longer term and has reported this clearly to Members. The authority is also required to comply with the Cipfa Prudential Code for Capital Finance in Local Authorities as well as have a rolling multi-year medium-term financial plan consistent with sustainable service plans. Through this report, and reports to Members over the past year on budget, the Council is meeting the requirements of the Cipfa FM Code.

5.5 Members will be well aware of some of the very serious scenarios in recent years within English Local Government and a number of Councils publishing S114 Notices which in effect puts an immediate 'handbrake' on some spending and results in a requirement for some very serious decisions and interventions. There is no legal equivalent of a S114 Notice in Scotland. What Members do however need be aware is that the stark situation facing some English Local Authorities which has led to S114 notices, is not unique to England, and Scottish Councils are faced with the same real and significant challenges with expenditure demands far exceeding current and projected funding levels. Across Scottish Local Government, Section 95 Officers are considering further indicators and measures of financial resilience which can inform and support decision making going forward. This report includes a suite of financial sustainability indicators to support Member decision making. The absence of the S114 legislative process in Scotland does not alter the role of the Section 95 Officer and the need of that Officer to provide appropriate reports and make appropriate recommendations to ensure financial prudence and financial resilience.

5.6 Financial sustainability is a key consideration for the Council, and decisions made through this report are intended to support the Council's Medium Term Financial Planning and financial resilience and sustainability. This report provides the Section 95 Officer's assessment of the Council's financial sustainability, to inform Member decision making, and incorporates a number of indicators agreed by the Council to strengthen its ongoing measurement of financial performance, resilience and sustainability.

- 5.7 Over the course of the past year the Council has received a number of reports from Audit Scotland and the Accounts Commission, which provide positive commentary on the Council’s financial management and approach to change and financial sustainability. For reference links to relevant reports are set out below.

[Audit Scotland 2024/25 Annual Audit Report](#) (key messages on page 24 of link)

[Accounts Commission: Local government in Scotland: Financial bulletin 2024/25](#)

- 5.8 Some of the key messages within these reports include:

Audit Scotland:

“Financial Management: 3: The council has effective and appropriate arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.”

“Financial Sustainability: 4: The audit work performed on the arrangements the body has in place for securing financial sustainability found that these were effective and appropriate.”

“Use of Resources to Improve Outcomes: 6: The council has demonstrated there are appropriate arrangements in place for securing financial sustainability including regular reporting to full council. Overall we found that these arrangements were effective and appropriate.”

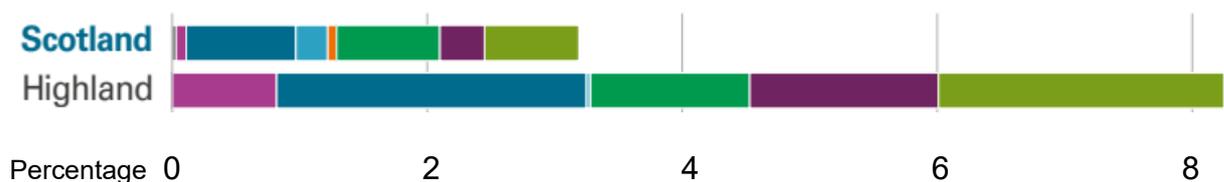
“Best Value: 7: The Highland Council has effective and appropriate arrangements in place for securing Best Value.”

Accounts Commission (excerpt from report):

Exhibit 4.

The bridging actions councils identified within their 2024/25 budgets as a proportion of net cost of services

Over half of all bridging actions were made up of recurring savings and use of reserves across Scotland.





The graphic from the Accounts Commission report above, gives context to the scale of savings and other measures agreed by the Council to balance the budget in that year, relative to Scotland as a whole. With the graphic also demonstrating the broad range of measures agreed by the Council, and the extent of income generation and other elements contrasted with the Scottish average position.

Enhancing Budgetary and Financial Controls

- 5.9 While the Council has in place, and has continued to develop and enhance its financial management arrangements, and has had the positive external commentaries and analysis as set out above, it is also important to avoid any sense of complacency, and to continue to review and assess the appropriateness of arrangements. This is particularly so given some of the budget pressures, forecast overspends and other financial challenges reported to Members over the past year.
- 5.10 As a result, and included within this report are two key enhancements and improvements to financial management and budgetary control arrangements.
1. **Financial Strategy for Services:** this new draft template document (**annex 9a**) will be further developed and implemented for 2026/27. The intent behind this draft document is to ensure a single clearly documented and transparent financial strategy is in place for key and major areas of budget activity, to ensure that each Chief Officer (or other senior officers as appropriate) has clarity on the budgetary resources available to them, and a clarity on the financial actions and accountabilities that relate to delivering within that budget. While the document is itself new, it is largely founded on cementing a number of existing component plans and documents (budget targets, budget control principles and requirements, recovery plan actions and targets, etc) into a single document.
 2. **Updated Terms of Reference for the Officer Budget Review Group (BRG).** (**annex 9b**) The BRG has operated for over 12 months now, is Chaired by the Chief Executive, and had been introduced to provide a further layer of officer scrutiny and governance on financial and budgetary matters. This was the main Officer governance through which recovery plans were scrutinised and supported over the past year. The Terms of Reference have been further reviewed and strengthened, and are included within this report for Members information.
- 5.11 The proposed budget for the year also provides for a range of funding towards cost increases, budget pressures, budget re-basing, and tapered recovery plan support. Taken together these budget elements support the appropriate re-basing of the Council's budget, and to support financial management and control arrangements.

- 5.12 As part of the scheduled Devolved Schools Management (DSM) review to take place during 2026, it is also intended that work is taken forward to explore scope and options to increase the level of budget delegation to schools.

6. Introduction and Budget Overview

- 6.1 The context for this report is the forecast financial gap which had faced the Council and been reflected in reports to Council over the past 6 months. As shown below, the Council had estimated a residual net budget gap and requirement for further savings of £46.7m over the forthcoming 3-year period.

Per October 2025 MTFP	26/27 £m	27/28 £m	28/29 £m	
Forecast Budget Gap after agreed savings and other funding assumptions	11.343	11.151	14.224	
Contingency/flexibility adjustments	5.000	5.000	Tbc	
Target for further efficiency, savings and other measures to close the gap	16.343	16.151	14.224	46.718 over 3 years

This forecast took account of savings already agreed for 2026/27 and 2027/28, and planning assumptions on Council tax and other matters.

The main factors leading to the forecast financial gap, were:

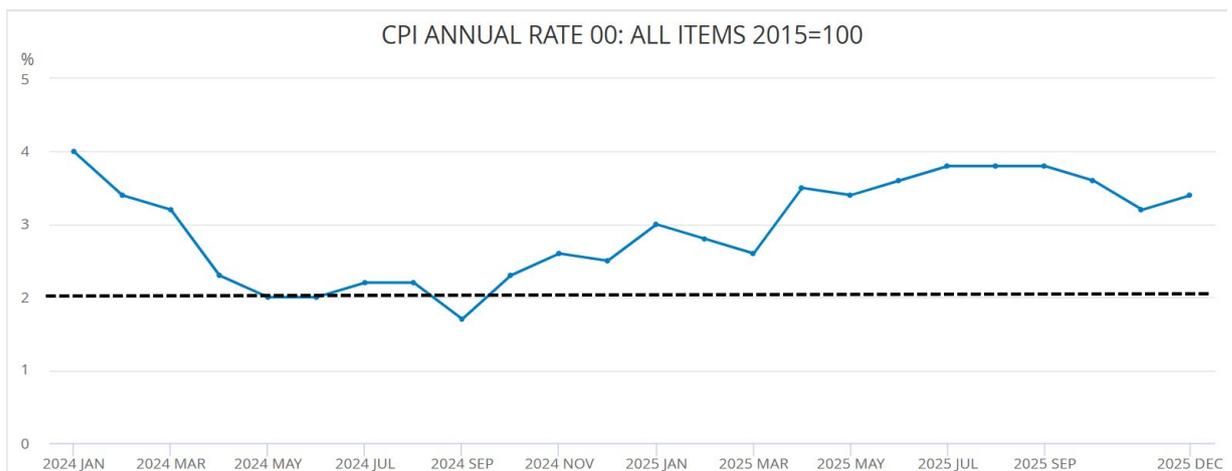
- an increase in pay award costs based on agreed pay settlements with staff groups;
- an assumed core flat cash grant settlement with a specific assumed reduction in 2026/27 based on the tapering out of grant for loan charge support;
- other cost pressures including the need to address a lower level of income from the UK Government Waste levy via the Extended Producer Responsibility (EPR) scheme; and
- The addition of a 'new' 3rd year to the Plan, as shown above resulted in a new additional gap and saving requirement for that year.

- 6.2 While the financial assumptions underpinning the forecast above have been kept under ongoing and regular review, the most material uncertainty, and potential implication for the forecast was the awaiting of the outcome of the Scottish Government Draft Budget for 2026/27 and resulting grant settlement for Local Government. Further information on the grant settlement is set out later in this report. The Council has been faced with a much later clarity on its grant settlement position for 2026/27 than in recent years. The relatively late November UK Government Budget (circa 1 month later than normal) had a knock-on effect with the Scottish Government Draft Budget and grant settlement being published on 13 January rather than the typical December timescale. The later announcement of these budgets has undoubtedly had a knock-on effect on the Council's budget planning, and meant it has been very late in the Council's budget planning timetable, before clarity and certainty on grant settlement was available.

- 6.3 This updated Medium Term Financial Plan, and the financial context facing the Council in setting its 2026/27 revenue budget, continues to be an environment of significant financial cost pressures and risks, driven by pay and inflationary cost pressures, risks and impacts from in-year budget pressures and overspend, and grant funding settlements which despite a welcome cash increase, nonetheless falls short of the levels of funding which Cosla, as the representative body of Local Government, had been lobbying for. In relation to Social Care, which is of particular relevance in Highland given pressures on the Adult Social Care budget, Cosla had been lobbying for £750m of additional funding for Social Care pressures alone.
- 6.4 As a result, there has been the need for the Council to consider and agree further additional budget savings, over and above those agreed in March 2025, to achieve a balanced budget for the year. As has been reported to Members, risks and pressures in the Adult Social Care budget, and given the £20m-plus overspend in that area, has also been recognised as a significant financial risk, and in turn therefore a key feature of this updated Medium-Term Financial Plan. Despite some of these risks and challenges, and the wider context, the multi-year planning approach taken by the Council over the last two-years has nonetheless assisted with the Council's ability to plan and budget for addressing these financial challenges.
- 6.5 A core lobbying point for Cosla in recent years, has been to see a reduction in ring-fencing of Scottish Government funding, and as a result greater flexibility given to Councils. In recent years Grant Settlements, there has been a general trend in funding being baselined or mainstreamed, and over the past 2 years in particular, general cash increases in grant for Council's to determine priorities against. While welcome, there does however remain significant elements of the grant settlement that continue to have some direction or 'strings' regarding use. For the 2026/27 grant settlement in particular there are a number of new Scottish Government policy initiatives which had not at the time of their announcement had prior engagement with Cosla regarding the cost and implications of implementation. These include the recent breakfast club, wrap around childcare and sporting opportunities funding streams (see section 9). There also remain significant directions regarding the pass through of funding for Real Living Wage and Adult Social Care funding as described in section 9. There remains uncertainty and risk relating to Scottish Government funding associated with Education delivery, and in particular based on recent years, the extent to which Scottish Government may seek to be directive in the use of funds, in particular regarding the maintaining of teacher numbers. The Education budget continues to be an area of the Council's spend where there is significant external policy direction which reduces the flexibility of the Council in making its own spending choices and priorities.
- 6.6 The Medium-Term Financial Plan takes account of the Council's Reserves Strategy as agreed in December 2023, and builds upon budget decisions made in February 2024 and March 2025, recognising that Reserves are finite, and not a sustainable funding source to balance the budget. The Council's strategy is for Reserves to be used to support investment, change and transformation, and as set out in this report, the proposed revenue budget for 2026/27 and indicative budgets for the following two years, makes no assumed use of Reserves to balance the budget. Due to forecast reductions in General Reserves over 2025/26, due to service overspend as reported to Strategic Committees, and other events, this report also sets out a revised Earmarked Reserve (EMR) position which reflects review and return of EMRs back to the General Reserve, to ensure the Council remains within its policy to retain a minimum 3% General Reserve.

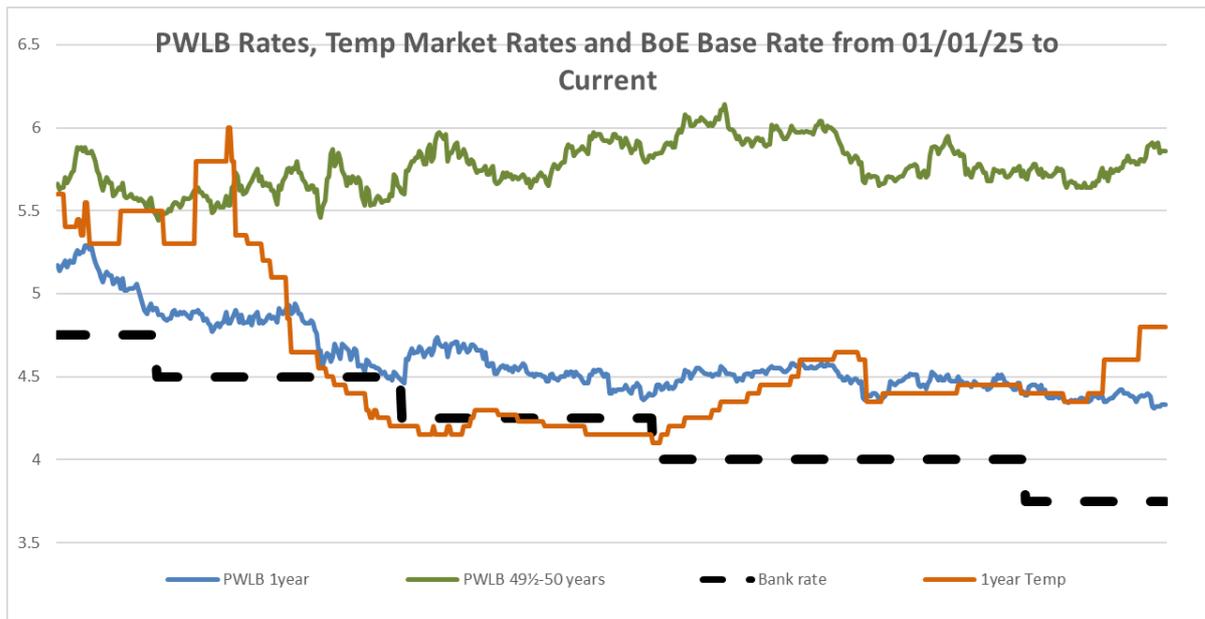
7. Financial Outlook and Economic Context

- 7.1 Inflation, Pay Awards, Interest Rates and Grant Settlement continue to be some of the main external factors, outwith the Council's direct control, and which have a significant bearing on the Council's financial outlook.
- 7.2 Inflation, as measured by the CPI index has remained above the UK Government's 2% target over much of the past year, albeit with economic forecasts showing an expected return to that target over the coming years. Significant aspects of additional budgeted expenditure for the next 3 years directly relate to the need to provide for increased costs of goods, services and contracts.



Source: ONS

- 7.3 The Council has the clarity and certainty of agreed pay settlements for its main staff groups over the course of 2025/26 and 2026/27. With Scottish Government grant settlements only providing some funding towards pay settlements, with the expectation that Councils are directly meeting the main increase in cost, the level of recent pay settlements does put significant pressure on the Council's budget and results in additional targets for savings being required to balance the budget and meet pay settlement costs. As noted later in this report, for future budget years, it is assumed that inflation levels will return to or near UK Government inflation targets and in turn future pay settlements will be more in alignment with target inflation levels.
- 7.4 Interest rates directly impact on the Council's borrowing costs, and costs of financing the Highland Investment Plan and Capital Projects. Interest rates have been slower to reduce than levels originally forecast over the past couple of years. While Bank of England base rates have reduced over the past year, it is important to remember that the Council's main borrowing source is the Public Works Loans Board (PWLB) whose interest rates are derived from Government Bond Gilt Yields, not the BoE Base Rate. As a result, the Council's borrowing costs are more influenced by UK and International Economic and Political circumstances, than simply Bank of England Base rate decisions. The Corporate Resources Committee receives regular quarterly Treasury Management reports, and as shown in the graph below, there can be significant variations between Bank of England Base Rate, PWLB and Temporary Market Interest Rates.



7.5 Grant Settlement prospects over the next 2 years also look more challenging, relative to 2025/26 and 2026/27. The table below, a direct lift from the Scottish Government Draft Budget for 2026/27, shows a 'flat cash' overall Local Government finance settlement over the 3-year period shown i.e. while a cash increase in revenue settlement was received for 2026/27, this is not expected to recur. This 'flat cash' outlook will also be expected to include any new or additional funding Scottish Government may need to direct to new policy initiatives over that period, so were the effect of that to be known and excluded, there is the potential for this outlook to potentially represent a core cash reduction for Local Government. It is however important to note that the figures for years 2 and 3 operate within the overall UK Government Spending Review, with some economic commentators suggesting a view that the UK Government's own outlook may be more pessimistic than may turn out to be the case. So there may be some upside opportunity of the public sector outlook improving. Given the Council expects to receive an illustrative year 2 and 3 grant settlement by the end of March, to support future budget planning, there is no intent to revise the Council's current core planning assumptions for these years at this time.

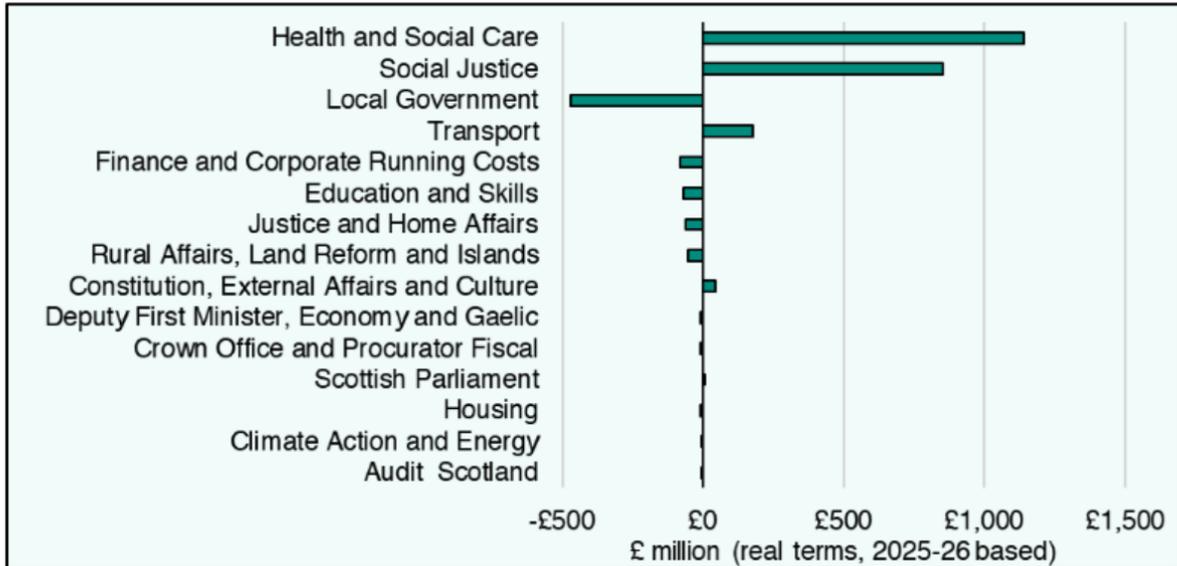
Tables 3&4: Spending Review Portfolio spending plans, cash terms

	2026-27	2027-28	2028-29	2029-30 for Capital and Financial Transactions only
Scottish Spending Review	£m	£m	£m	£m
Health and Social Care	21,952	22,786	23,896	1,032
Finance and Local Government*	15,204	15,135	15,139	699

The following analysis, provided by an economist utilised by the Scottish Cipfa Directors of Finance section, provides some further analysis of the Scottish Government Draft Budget figures, indicating in real-terms the movements in resource (revenue) budgets across SG departmental portfolios across years. Indicating in

particular the challenges facing Local Government given the level of funding being directed towards Health and Social Care in particular.

Table 5: changes in resource spending, 2025-26 to 2028-29 by portfolio, real terms, £ million



Source: Scottish Cipfa Directors of Finance Section/JM

8. Budget Assumptions

8.1 The table below summarises the core budgetary assumptions used within this report. Some of which have been reviewed and refined as part of the ongoing budget process. The accompanying notes provide context to these assumptions and also highlight relevant risks or uncertainties that may relate. Further information on risks is enclosed as a separate annex.

	2026/27	2027/28	2028/29
Pay award budget assumptions (note 1)	3.5%	2%	2%
Non-pay Inflation provision (note 2)	Nil	Nil	Nil
Employer pension costs (note 3)	No change	Tbc	Tbc
Core budget pressures provision (note 4)	£18.9m	£17.9m	£10.2m
Core Loan Charges for Capital (note 5)	£1.5m	£1.5m	£1.5m
HIP earmarking for Capital (note 5)	2% = £3.2m	2% = £3.5m	2% = £3.8m
Scottish Government core grant settlement (note 6)	As notified	0% flat cash	0% flat cash
Income Inflation (note 7)	See note	See note	See note

Note 1: Pay: 3.5% represents the agreed level of pay settlement for the majority of the Council's staff groups for 2026/27. Beyond 2026/27, the 2% CPI figure shown above is the UK Government Target for inflation, and a presumption that pay settlements normalise back to those inflation target levels. There remains the risk that CPI remains higher than UK government target, or that pay claims and expectations continue to exceed assumptions. There may be the prospect that there could be scenarios whereby additional funding, e.g. from Scottish Government, could be forthcoming at a later stage or where pay settlements have direct Scottish

Government involvement in negotiations e.g. Teachers. Every +/- 1% on pay costs has an impact of approximately +/- £5m on the budget.

Note 2: Non-Pay Inflation: the Council has not made any specific and over-arching allowance for inflation on non-pay costs. Rather than inflating all costs by a given percentage, which would neither be reflective of underlying costs or be affordable, the Council instead makes provision within budget pressures for specific and relevant increases in certain budgets for inflation or other factors. This approach is consistent with that taken by the Council for a number of years.

Note 3: Employer Pension Contributions: The budget must provide for known or expected changes in the cost to the Council as an employer through pension contributions. There are no such known changes for 2026/27. In relation to the Local Government Pension Scheme (LGPS), there is an actuarial valuation underway which is expected to conclude over the course of 2026. The outcome of that valuation, and decisions made by the Pension Committee on behalf of the Pension Fund, may lead to revised employer contribution rates effective 1 April 2027. Any consequences would need considered for the 2027/28 budget year and beyond, once known. Were there to be any future revisions to the Teachers' Pension scheme, it is assumed as in the past these changes would typically be accompanied by some additional Scottish Government funding.

Note 4: Core budget pressures: as per note 2 above, rather than make blanket provision for a percentage uplift in non-pay costs, the Council budget provides for specific and targeted pressure funding to address inflation and other service delivery pressures. More information on pressures is set out later in this report.

Note 5: Loan Charges: represent the revenue budget increases provided to meet the costs of borrowing for capital. The budget assumptions shown above are based on a core increase in that loan charge budget to fund the core capital investment (which pre-dates the establishment of the Highland Investment Plan). Over and above which is the assumed 2% earmarking of council tax income, to support the HIP borrowing costs. These assumptions, and the overall forecast of loan charge costs, take account of economic and other factors impacting on interest rates. There remains the down-side risk or up-side opportunity that interest rates may differ from that assumed. Insofar as the majority of the Council's borrowing is tied to fixed rates, and only new borrowing or maturities represent exposure to current interest rates, there is some mitigation to the impact of interest rate movements. Loan charges are inevitably an aspect of the budget which is difficult to make firm forecasts on, more so into later years, given there are so many variables (level of capital spend, timing of capital spend, prevailing interest rates, timing of borrowing, source of borrowing, market conditions, etc). As such ongoing review and re-basing of loan charges on an annual basis will be required, and in turn the level of capital investment the budget can support may need vary in future years to reflect interest rate implications.

Note 6: Scottish Government grant: the grant for 2026/27 is as described later in this report and as per draft estimates provided by Scottish Government. For the subsequent two financial years, a core flat cash (0% p.a.) has been assumed. There remains the risk and uncertainty as to what the actual level of grant settlement in future years may be. Every 1% +/- on the Council's grant equates to approximately +/- £6m of grant.

Note 7: Income Inflation: the budget is not based upon a single or blanket percentage assumption on income or increases to those budgets. The Council's income covers a range of categories including grant income, recharges both internal and external, and income from fees and charges. Saving proposals as set out in this report make specific provision for increases/uplifts in fees and charges.

9. Budget Additions and Adjustments

9.1 The following section details a number of budget additions or adjustments for the Medium-Term Financial Plan. This section of the report describes the budget pressures that have been set out for Member consideration, as well as the budget planning assumptions as they relate to core partnerships.

Budget Cost Increases and Pressures Provided For

9.2 The budget makes provision for a range of cost increases and adjustments to the budget, with the overarching description being used is 'budget pressures'. The table below provides a summarised analysis of the types of cost increase and other budget adjustments that are being provided for. While many budget additions relate to increases in cost of current service delivery (e.g. inflationary pressures, in year cost pressures) there are also some which represent new burdens or additional activity which are provided for. The providing of funding for budget pressures is an important aspect of the budget, to ensure based on best information available, core budgets are reviewed and revised to take account of known cost impacts. Affordability is however a key consideration, with the higher the level of pressures to be provided for, directly relating to the level of savings or other measures that might be required to balance the budget. Officer due diligence has been applied to these budget pressures to ensure robust scrutiny and challenge in arriving at the budgets as set out in this report. **Annex 2** provides further information on the pressures provided for in the budget.

	Proposed 2026/27 £m	Indicative 2027/28 £m	Indicative 2028/29 £m
New Expenditure Commitments	0.877	0.150	0.028
Re-base Prior Year Savings	6.950	-0.493	-0.780
Inflationary Increases	4.318	0.509	0.510
Other Cost Pressures provided for	4.078	-	-
Property maintenance budget increase as a result of PPP handback financial flexibility	-	1.881	0.200
Investment to support delivery of new Savings Proposals	0.710	-	-
Capital staff recharge multiplier - improve efficiency and sustainability	2.000	2.000	1.450
Unallocated pressures provision to be considered for future years budget planning	-	13.834	8.792
Total Recurring Pressures Met from Within the Budget	18.933	17.881	10.200
Less : Presentational Adjustment for Rebasing of Savings	-6.950	0.493	0.780

Recurring Pressures per Budget Summary at para 11.1 and Annex 3	11.983	18.374	10.980
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In addition to recurring revenue budget provided for 'budget pressures' above, the budget also incorporates new expenditure commitments expected to arise from new or additional Scottish Government funding.

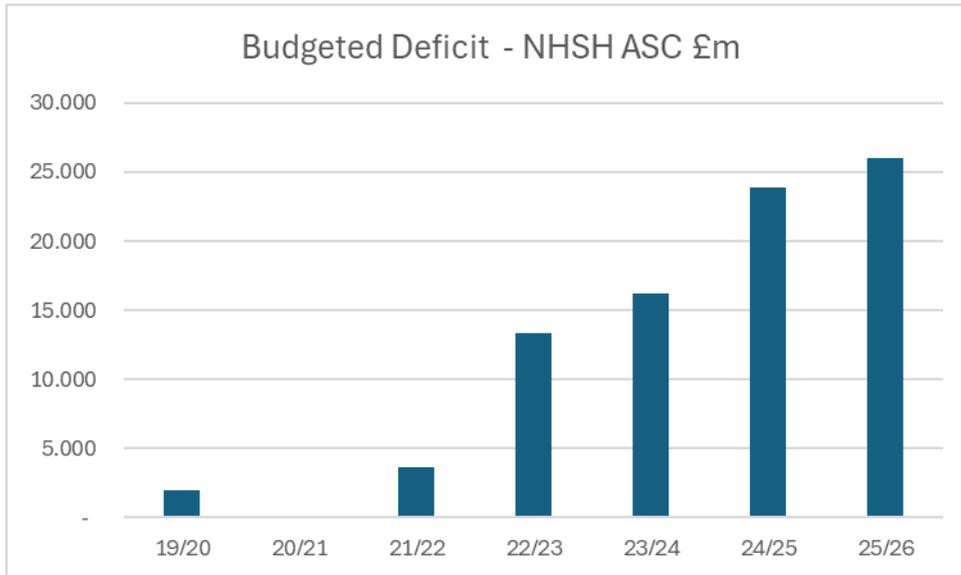
New Commitments Met from Scottish Government Additional Funding – see annex 2 for further details	10.077	-	-
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The budget also incorporates funded pressures and other costs which are non-recurring in nature and are funded from reserves, rather than core revenue budget.

One-off pressures as considered March 2025	2.112	0.111	-
New one-off pressures within this budget	8.511	1.400	-
One-off or Non-recurring Pressures Met from Reserves	10.623	1.511	0.000

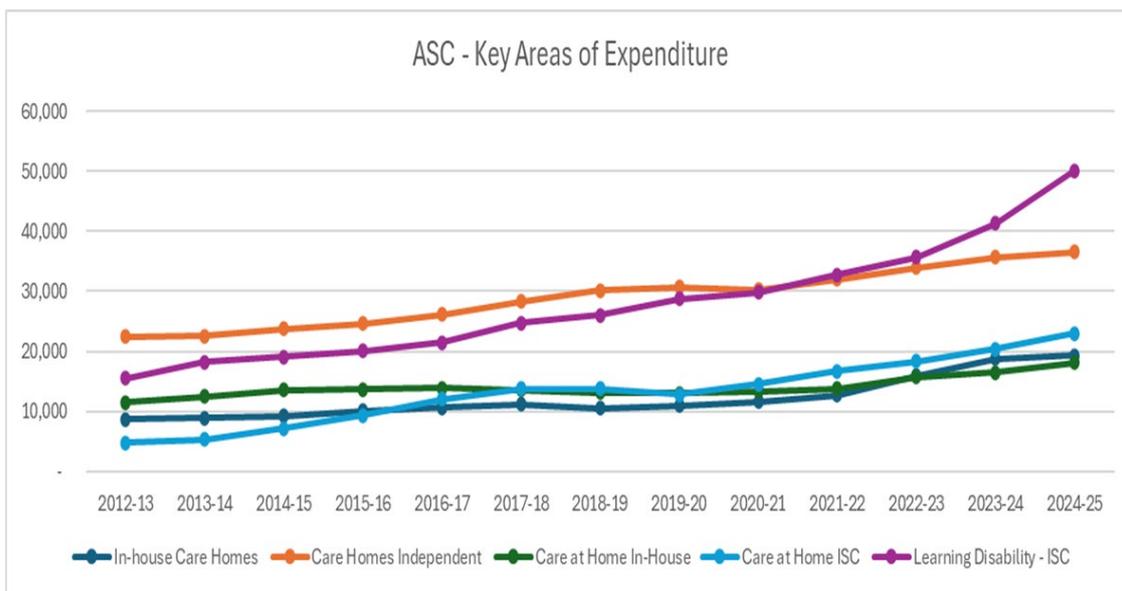
NHS Highland Adult Social Care (ASC)

- 9.3 Past reports to Council on the Council's Medium-Term Financial Plan, and other in-year budget monitoring reports, have highlighted the financial pressures and risks relating to Adult Social Care (ASC). This being in the context of a significant level of overspend in NHS Highland's Adult Social Care budget. While under the current Lead Agency Agreement the responsibility for delivery of Adult Social Care sits with NHS Highland, financial responsibilities include provisions in the Integration Scheme for contributions to overspends, with the Council responsible for providing the core quantum of funding for ASC, including funding provided within the Local Government Grant Settlement, with responsibility for delivering services and outcomes within the ASC budget sitting with NHS Highland. In practice the Council and NHH have taken a partnership approach to the financial burdens of ASC, and in recent years a particular joint focus has been on the Models of Integration review of governance arrangements, and the taking forward of cost recovery and transformation.
- 9.4 While the current financial context is the in-year 2025/26 projected overspend of £26m from NHS Highlands's financial reporting, as shown in the graph below, the increasing budgeted gap or deficit against NHS Highland's Adult Social Care budget has grown over a number of years. This being primarily as a result of inflation, pay increases, sustainability of care providers and response to changes in policy.



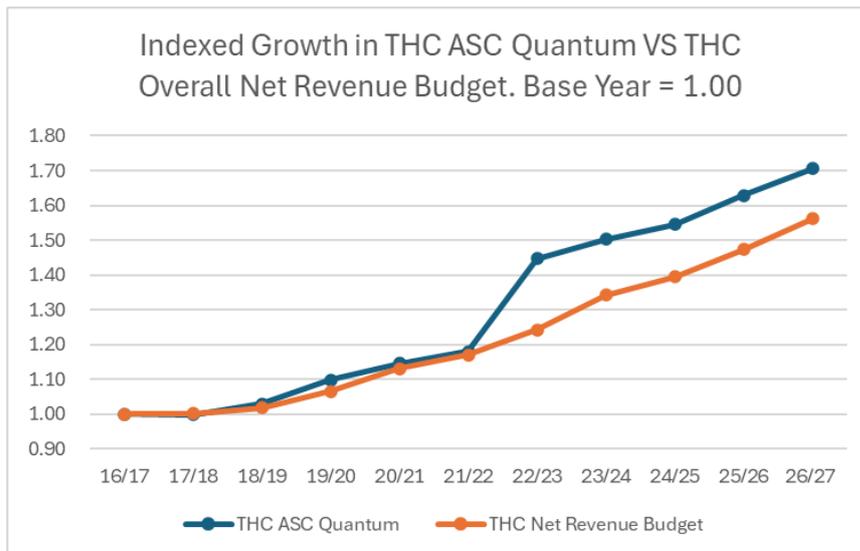
Source: NHS Highland

The following graph also demonstrates the growth in ASC expenditure, and the relative movement in spending if different ASC budget areas, over time.



Source: NHS Highland

9.5 The following graph contrasts the growth in the Council’s overall revenue budget over recent years (including proposed 2026/27 budget), contrasted with the growth in the Council’s budgeted funding for Adult Social Care (the ASC quantum) over the same period. It highlights in particular, the relative growth in the ASC quantum funding from 2022 onwards. The majority of the ASC funding growth provided by the Council over the period has been in the form of the pass through of additional Scottish Government funding for ASC.



9.6 Within the proposed budget, there are a number of elements related to Adult Social Care. Which recognises ASC as one of the key risks facing the Council.

In relation to new and additional financial commitments from the Council for Adult Social Care reflected within this report, this can be summarised as follows.

	£m
New one-off non-recurring deficit support for 2025/26*	5.000
Net new and recurring revenue funding added in 2026/27	7.040
New investment in 2026/27 to support cost recovery & transformation	7.000

*the proposed budget assumes part funding of this deficit support by £3.2m from the ASC transformation reserve, the balance coming from General Reserves.

Further information on the different elements of the budget are set out below.

- Additional In-Year 2025/26 Deficit Support – recognising the in-year and legacy financial pressures and overspends in the current financial year, over and above the budgeted quantum agreed by the Council, it is proposed that the Council agrees to a further additional one-off funding of up to £5.0m for 2025/26. This in recognition of the forecast headline overspend in the NESH ASC budget of £26m. With this financial deficit being supported in-year by:
 - £10m of additional one-off Scottish Government financial support to NESH ASC;
 - £11m met by NESH;
 - £5m being the balance coming from the Council.
- Recurring Revenue Budget Net Increases comprising of:
 - Baselineing of £1.660m funding for Employer National Insurance Increases (eNIC) from 2025/26 revenue budget allocated.
 - Baselineing of previously agreed Adult Social Care financial saving and transformation targets.
 - Contribution towards core ASC pay award cost increases. £1.950m to represent an estimated 3% contribution towards pay costs.

- Pass-through of Scottish Government funding for ASC covering Real Living Wage cost increases in commissioned service providers, and an uplift in Free Personal and Nursing Care funding. Total £8.311m pending confirmation of final SG funding.
- Over and above the items set out above, a further £7m increase in funding for Adult Social Care allocated to support cost recovery, change and transformation. This being a single year funding commitment, with potential for future-year provision, subject to future grant settlements.

9.7 In relation to funding provided by Scottish Government towards Adult Social Care as described within this section, there remains similar language regarding “direction” on pass-through of funding as has been the case in recent years.

“The funding allocated to IAs (Integration Authorities) should be additional and not substitutonal to 2025-26 budgets for services which are delegated. Therefore, Local Authority social care budgets for allocation to IAs must be at least £167 million greater than 2025-26 recurring budgets.” (source: letter dated 13 January from Scottish Government Interim Chief Finance Officer Health and Social Care, to NHS and Integration Authority Chief Executives and Chief Financial Officers).

This letter related to the national £167m increase in funding for Real Living Wage and Free Personal and Nursing Care in ASC. Subsequent to the letter the First Minister announced an additional ‘top up’ funding of £20m nationally towards Real Living Wage in ASC and other sectors. It is therefore assumed the direction relates to the totality of ASC funding including an element of that top up. The level of budget built in for RLW increases in 2026/27 is based on the Council’s estimated cost, and exceeds the overall level of funding provided by Scottish Government. The table in the next paragraph demonstrates that overall in net terms, the year-on-year increase in Adult Social Care quantum (contrasted with the original 2025/26 quantum) is expected to be greater than the SG pass through additionality. With there also being other funding towards ASC, outwith the quantum.

9.8 The following table summarises the proposed adjustments and additions to funding for Adult Social Care, and the resulting budget quantum for the year.

	£m
2025/26 Adult Social Care budget quantum as agreed March 2025	147.585
<u>Add:</u>	
Baselining of eNIC funding for ASC	1.660
Non-recurring additional deficit support for 2025/26	5.000
Revised 2025/26 quantum (incl non-recurrent funding)	154.245
<u>Less:</u>	
Non-recurring 2025/26 deficit support not continuing into 2026/27	-5.000
Baseline recurring 2025/26 revenue funding	149.245
<u>Add:</u>	
Contribution towards ASC pay awards 2026/27	1.950
Pass-through of Scottish Government Funding additions for ASC:	
- Real Living Wage in commissioned services funding	8.311
- Free Personal and Nursing Care funding uplift	Tbc
Sub-total: Budget Increases	10.261

<u>Less:</u>	
Previously agreed Feb'24/Mar'25 ASC saving target 2026/27	-2.600
ASC allocation of previously agreed CS:34 Digital Innovation saving	-0.121
Correction to Carers Act funding to split between Adults/Childrens	-0.500
Sub-total: Budget decreases and adjustments	-3.221
Proposed 2026/27 Adult Social Care budget quantum	156.285
Net Increase in budget relative to revised 2025/26 baseline	+7.040 +4.7%
Net Increase in budget relative to original 2025/26 baseline	+8.700 +5.9%

The provision of sums within the budget towards Adult Social Care employer's National Insurance and Pay award costs is based on the principle of reciprocity, i.e. that for the Council's Children's Health Service budgets, NHS Highland would provide funding on similar principles towards the Council's relevant costs.

- 9.9 With regard to support for cost recovery and transformation, the following table reflects the current position with the forecast balance of the previously agreed £20m earmarked reserve, supplemented by the further additional £7m included within this budget.

	£m
Original earmarked reserve set-aside	20.000
<u>Less:</u>	
Drawdown during 2024/25 financial year	-7.875
Estimated drawdown during 2025/26 for change & transformation	-1.749
Estimated drawdown during 2025/26 for additional deficit support (contribution towards £5m deficit support)	-3.200
Sub-total: Projected closing reserve balance as at 31/3/26	7.176
Further additional financial support within the 2026/27 budget	7.000
Revised earmarked reserve projected balance 1 April 2026	14.176

Against the total shown above, there are an estimated £7.149m of future commitments and forecast drawdowns from the reserve over the years 2026/27 onwards, taking account of planned transformation programme and project expenditure. With the result that at the time of writing, and based on the table above, there would be £7.027m of uncommitted reserves remaining.

Over and above the transformation reserve above, the following existing agreed and earmarked sums to support Moss Park remain.

	£m
Moss Park, Fort William Earmarked Reserve	
Original earmarking to support purchase and works to the building	1.760
Actual and forecast drawdowns of funding	-0.807
Forecast balance as at 31/3/26	0.953

- 9.10 While the financial support as set out within this section is significant in value, it does need seen in the context of a core and underlying Adult Social Care overspend in 2025/26 of £26m. Only some elements of the Council's financial support will contribute directly towards addressing that overspend, with significant elements related instead to future and additional cost pressures, rather than the legacy position. There will therefore remain an absolute need for significant cost

containment, financial recovery and transformation, and delivered at greater pace than has been the case to date.

The following graphic analyses the potential use/impact of the additional financial support identified within this budget.

	Towards £26m Legacy Overspend	Towards New/Future Cost Pressures and Increases	Towards Future Recovery and Transform- ation Support	Towards Capital and Other Property Related Costs (Moss Park)
£1.660m eNIC budget feed	<input checked="" type="checkbox"/>			
£5.000m Deficit Support (one-off)	<input checked="" type="checkbox"/>			
£7.040m Net budget increase		<input checked="" type="checkbox"/>		
£7.000m ASC 2026/27 recovery and transformation support			<input checked="" type="checkbox"/>	
£1.760m Moss Park reserve				<input checked="" type="checkbox"/>

- 9.11 Until such time as Adult Social Care expenditure is brought into alignment with the available recurrent budget, there remains the risk that ongoing overspend against budget arises, and there would then be the risk of an ongoing impact for the Council's budget and reserves in future years.

High Life Highland

- 9.12 In February 2024 the Council's Medium Term Financial Plan included a multi-year analysis of the Council's funding commitments in relation to High Life Highland (HLH), these were based upon short-term additional deficit support as part of HLH's post Covid recovery. Based on that plan, 2025/26 was the last year of forecast additional deficit support, with 2026/27 therefore representing the year where the Council's financial support to HLH would be focused only on the recurring revenue budget provided in support of the Service Delivery Contract (SDC) and service obligations delivered by HLH for the Council. That remains the financial planning basis for this 2026/27 revenue budget. The proposed budget for the year reflects a £1m provision towards HLH pay award costs, as per the terms of the SDC. As agreed in March 2025, the budget also reflects an estimated £0.900m additional income to the Council from the Inverness Castle Experience. Saving targets for HLH over the three-year period shown below are reflective of their transition from a post Covid recovery into a more sustainable financial position and ability to further contribute to Council savings.

	26/27 (£m)	27/28 (£m)	28/29 (£m)
Additional Deficit Support beyond core Service Delivery Contract obligations	Nil	Nil	Nil
Contribution towards pay costs	1.017	Tbc	Tbc
Saving and income generation targets set by the Council			
- Inverness Castle Experience (agreed)	0.900	Tbc	Tbc
- Other HLH operations	0.096	0.168	0.252

Early Learning & Childcare: Private Voluntary and Independent (PVI) Sector Funding

- 9.13 The proposed budget for 2026/27 includes additional funding from Scottish Government associated with the provision of funding to support payment of the Real Living Wage in the ELC PVI sector. Given draft guidance to support rate setting has only recently been received by the Council, there is ongoing work to develop a proposed rate and undertake further engagement and formalisation of a revised rate for the new year.
- 9.14 Any budget implications as they relate to other partners, where applicable, will be detailed in other aspects of the budget, e.g. budget pressures or budget savings.

10. Scottish Government Draft Budget and Grant Settlement 2026/27

- 10.1 The Scottish Government Draft Budget 2026/27 was issued on 13 January and the Draft Local Government Finance Circular detailing draft grant allocations for each Council was issued formally the following day. Links to both documents are set out below.

[Scottish Government Draft Budget 2026/27](#)

[Local Government Finance Circular 1/2026](#)

Subsequent to which, by end February the Scottish Parliament is due to consider the Local Government Finance (LGF) Order which will formalise the grant settlement for Scottish Councils. The formal passing of the LGF Order is therefore expected to be after the issue of this Council report, but prior to the Council formally deciding its budget on 5 March. As has been the case in past years, Directors of Finance have received a range of supplementary spreadsheets and accompanying information to support analysis of the grant settlement, and in turn to make assumptions and estimates on certain adjustments and corrections expected to be formalised within the LGF Order, and which are therefore reflected in this report.

- 10.2 As a result, this means this budget report is based on a degree of estimation and assumption on grant, until such time as the LGF Order is passed. This however is a fairly typical situation in any budget year, with the timing of the LGF Order often being later than the Council's agenda for its Special Meeting being issued. Through the preparation of this report and the supporting information used in forecasting the grant settlement, the Section 95 Officer is comfortable with the basis on which Members are asked to set their budget for the forthcoming year. Should there be any further or subsequent change to the grant settlement, these are not expected to be significant or material relative to the size of the budget, and in any year there will always be further in-year changes to the settlement, which are managed as part of normal financial monitoring and control, and reporting via Strategic Committees.
- 10.3 Directors of Finance have been advised that as part of a renewed approach to multi-year settlements for Local Government, the Scottish Government intend to issue illustrative grant settlements for 2027/28 and 2028/29 by the end of March. This would be a welcome development, given in recent years the Council has only received single-year grant settlements. Once this information is received, and suitably analysed, any implications for ongoing budget planning will be reported to Members. Given the figures are expected to be illustrative only, and would therefore be subject to change and future Scottish Government budget decisions, it will remain

the case that it will only be annual grant settlements issued typically in December or January of each year which give a greater certainty and inform budget setting.

- 10.4 In relation to the grant settlement for 2026/27, Members will recall that a core flat cash grant settlement had been assumed, alongside which a specific reduction in loan charge grant support of -0.75% had been assumed. This latter element reflecting a long-standing ‘tapering out’ of this aspect of the grant settlement which has impacted different Councils in different years depending on historic profiles of loan debt which the support originally related to. These assumptions have now been overtaken and revised in light of the now notified grant settlement for 2026/27.
- 10.5 Ultimately the grant settlement notified reflected an improvement in cash terms against these forecasts, as a result of (i) a general cash increase in funding for local government and (ii) a change to the ‘floor mechanism’ which protects Councils against more significant movements in grant each year, relative to the Scottish average. The table below summarises the headline impact of the grant settlement, and compared with forecasts. The table also reflects the ‘budget reality’ assessment whereby of the cash increase provided, while not ring-fenced, still had to provide for certain assumed Scottish Government funding, including towards pay costs, which had the result of reducing the net impact of the increase.

Changes in 2026/27 Grant Settlement – assumptions versus notified:

	Core Settlement	Loan Charge Support Reduction	Overall Position
Original MTFP Planning Assumption Sept 2025 onwards	0% Flat Cash £0 change to grant	-0.75% Grant Reduction (after floor) -£4.8m cash reduction in grant (after floor)	-0.75% overall reduction -£4.8m overall cash reduction
Revised current MTFP financial impact of notified grant settlement within this report	+1.6% Core* Uncommitted Cash increase £11.034m gross grant increase, before provision for pay and other cost commitments.	-0.5% Grant Reduction (after floor) -£2.595m cash reduction in grant (after floor)	£8.439m net cash increase in core revenue grant

*this reflects Cosla’s stated uncommitted cash increase in the Local Government revenue settlement across Scotland. Which excludes any ring-fenced or directed funds over and above, to allow comparison to the MTFP planning assumptions.

- 10.6 The table below provides some high-level information on the component parts of the grant settlement, clearly showing the draft position as per the grant circular, and the revised estimate of grant funding which it is expected will be confirmed via the passing of the Local Government Finance Order. With the adjustments and estimated allocations representing less than 0.9% of the Council’s overall grant settlement forecast.

	2026/27 £m
General Revenue Funding	455.174
Ring-fenced Grants	8.573
Non-domestic Rates Distribution	196.440
Total Grant Settlement per Circular 1/2026	660.187
Add : Estimated net impact of correction of errors identified during settlement checking process and other adjustments to Circular	-0.280
Add : Estimated allocation of funding undistributed in FC 1/2026	
Discretionary Housing Payments	3.102
Teachers Pay	2.061
Scottish Disability Assistance Administration	0.117
Free School Meals	tbc
Free Personal & Nursing Care	tbc
Estimated additional funding for Real Living Wage uplift (allocation of £20m Scotland total funding)	0.875
Revised Estimate of Grant Settlement	666.062

- 10.7 In relation to Scottish Government additional funding where there are new burdens or expectations, or funding is supporting investment proposals, these are detailed elsewhere in this report. There remain a number of Scottish Government funding streams which are not as yet allocated to local government, or where no estimate of funding share for Highland has been advised or estimated. These include in policy areas such as breakfast clubs, wrap around childcare and sporting opportunities, where there are ongoing national discussions including Cosla. In due course, once any funding allocations are known, these will be added into the budget and reflected in reports to Strategic Committees as appropriate. In all cases it is assumed that any expenditure against additional grant funding streams, will be contained within the funding available.

11. Budget Summary

- 11.1 Taking account of the information as set out in this report, the overall revenue budget proposed for 2026/27, and indicative budgets for the following two financial years, are as set out below. Further information is also set out in **annex 3**.

Budget Summary	2026/27 £m	2027/28 £m	2028/29 £m
Opening Budget for the Year	823.231	867.976	873.383
Less : Non-recurring Items funded from Reserves	-5.449	-12.123	-1.511
Pay Cost Increases	20.205	14.149	13.626
Base Budget Adjustments	2.629	-0.242	-0.674
Budget Cost Increases & Pressures (recurring) (excluding rebasing of savings)	11.983	18.374	10.980
Budget Cost Increases & Pressures (from reserves)	10.623	1.511	-
Administration Core Growth and Investment Proposals	3.500	-	-

Administration Growth and Investment Proposals (non recurrent)	8.500	-	-
Other New Burdens & Commitments (inc SG funds)	10.077	-	-
Highland Investment Plan / Capital Project support	4.705	4.976	5.258
Total budget additions	66.773	26.645	27.679
Budget savings (see section 13)	-17.908	-12.024	-7.989
Financial flexibilities (see section 13)	-4.120	-4.381	-3.200
Budget gap still to be closed	-	-4.833	-0.824
Net budget for the year	867.976	873.383	889.049

As noted elsewhere in this report, the budget as set out above assumes no use of reserves to balance the budget across the three years.

- 11.2 As can be seen from the table, the budget represents a balanced budget for 2026/27, and in relation to the following two financial years, while there remains a residual budget gap still to be closed, this needs to be considered in the context of: (a) the forecast residual gap is relatively modest in the context of the overall budget; (b) no reserve use has been assumed across the three years to balance the budget and therefore the commitment and intent to identify, where necessary, further savings and other measures is in place; (c) there remains further time before the consideration of budget setting for those future years, to develop further proposals to close the residual estimated gap.
- 11.3 The budget as set out shows total sums for growth/investment, and new and additional savings. The Administration's proposals in relation to each are set out in the following sections.

12. Investment

- 12.1 The Administration Budget proposals regarding Investment are set out on **annex 4**. This annex also sets out context information on investment agreed March 2025 which was recurring and therefore continues into 2026/27 and beyond.
- 12.2 Funding of investment proposals are as described within that annex, being a revenue growth fund of £3.500m, with further investment proposals supported via projected earmarked reserves. In addition, and as noted in section 19 of this report, the budget also incorporates the earmarking of a sum equivalent of 2% of council tax income each year, to support capital within the Highland Investment Plan.

Investment Item	Recurring Revenue £m	Non- Recurrent £m
Revenue Investment Fund	3.500	
Adult Social Care Investment		7.000
Reserves earmarked for investment		1.500
Total Investment – Annex 4	3.500	8.500
	12.000	

13. Budget Savings & Financial Flexibilities

13.1 This section of the report relates to those aspects of the proposed budget which were developed to address the forecast budget gap, and reflect a package of financial flexibilities, and new and additional saving and income generation proposals. The details of which are set out in **annexes 5a**.

13.2 Previously agreed February 2024 and March 2025 budget savings, as adjusted for any re-basing of those savings, are set out on **annex 5b**.

13.3 In summary, the overall position for savings and financial flexibilities is as shown below.

Budget Savings & Financial Flexibilities Summary	2026/27 £m	2027/28 £m	2028/29 £m
Budget savings as agreed March 2025 (Annex 5b)	18.660	5.112	-
Adjustments to re-base the previously agreed savings (Annex 5b and see also pressures list)	-6.950	0.493	0.780
New saving proposals (Annex 5a)	6.853	6.419	7.209
Total package of savings within the budget	18.563	12.024	7.989
Financial flexibilities as agreed March 2025	1.200	-	-
New/additional financial flexibilities	8.481	7.329	5.455
Total financial flexibilities within the budget	9.681	7.329	5.455

Total package of budget savings and financial flexibilities within the budget	28.244	19.353	13.444
Total over 3 years	61.041		

Members will note that in the budget summary at Annex 3 savings and financial flexibilities which impact on the council tax budget are included within the funding section, rather than within savings or financial flexibilities. The savings and financial flexibilities as included in Annex 3 and paragraph 11.1 after these presentational adjustments are as follows :

Total package of savings within the budget as above	18.563	12.024	7.989
Less : Impact on council tax budget	-0.655	-	-
Total savings included in budget summary	17.908	12.024	7.989

Total financial flexibilities within the budget as above	9.681	7.329	5.455
Less : Impact on council tax budget	-5.561	-2.948	-2.255
Total savings included in budget summary	4.120	4.381	3.200

13.4 Financial flexibilities include the following, with further information set out elsewhere in this report.

- Council Tax on Second Homes and Long-term Empty Properties. Section 18 (Council Tax and Annex 7b) provides further information.
- Learning Estate Investment Programme (LEIP) schools funding and Schools PPP1 contract handback budget adjustments. The income/budget funding aspect are reflected within the financial flexibilities section of this report, with any associated expenditure plans reflected within annex 2 pressures. The LEIP and PPP1 contract budget implications are supporting additional budget provision for property repairs and maintenance within the proposed budget.
- While no specific assumptions or proposals are incorporated at this time, planning targets for further financial flexibilities in years 2 and 3 (2027/28 and 2028/29) are shown within the proposed budget, recognising there are a

number of future events, or potential opportunities which the Council may be able to incorporate into future years budgets. These include the ongoing Pension Fund actuarial review which will result in a review and potential revision to employer pension contribution rates from 2027/28 onwards, and the potential for future levies or other flexibilities being available to the Council.

14. Operational Delivery Plan

14.1 As has been the case over the past 2 years, the Council's Operational Delivery Plan (ODP) is the main route for the delivery, monitoring and governance to ensure savings, change, transformation and investment plans are achieved. Once the budget for the year is agreed, for any aspects of the budget which require incorporation into the ODP's existing portfolios and projects, the necessary changes and additions to the ODP will be progressed and reflected in future reports to Strategic Committees where relevant.

15. Budget Engagement

15.1 Understanding community priorities and views are a core part of informing the budget setting process. This information sits alongside service information and staff and Member views, along with information from previous engagement, to shape the budget.

15.2 Views were sought from the public between 5 December and 5 January 2026. This engagement focused on gathering views on a range of matters including what services are important to communities, on ideas for where money could be saved, how we deliver our services and opportunities for generating more income. It also provided an opportunity for raising awareness with our communities and stakeholders of the budget position, along with our ambitions for growth and investment. This information, along with information gathered from engagement in previous years, has assisted in shaping the proposals that have come forward.

15.3 Views were gathered in a range of ways:

- A general survey was hosted on the Engage HQ platform but also available in libraries and service points;
- A specific youth survey was developed and hosted on the Engage HQ platform and circulated to secondary pupils across Highland and the Council's youth development team shared communications with their young people mailing list, youth organisations and youth development officers for circulation;
- A discussion forum was hosted on the Engage HQ platform, seeking views across a range of topics including income generation, in-sourcing vs outsourcing, public transport but also enabling individuals to post their own suggestions/comments; and
- A number of focus groups were held with key stakeholder groups. This included a session with Business Representatives, two Community Council engagement sessions and two sessions with Third Sector representatives.

15.4 There were just over 2,000 separate visitors to the Engage Highland Budget Challenge page over the engagement period. In terms of promotion, there were 10 social media posts including graphics, animation and videos. These posts received 52,267 views on Facebook, 2,553 impressions on LinkedIn and 2,410 views on X. Instagram focused on a video from the Youth Convener which had 1,396 views.

- 15.5 There were 278 responses to the main survey and a further 107 to the youth survey. Key messaging included:
- The main priorities for residents remained in line with the survey undertaken in 2023 – Road repairs and potholes, refuse/bin collection, winter maintenance, primary and secondary education and swimming pools/leisure centres.
 - Services most important for the community were also in line with the findings from 2023 – road repairs and potholes, refuse/bin collection, primary and secondary education, winter maintenance and care at home.
 - Views on increases in charging varied across the different charging strands; with lower increases supported across car parking in towns, garden waste, school lets and bulky uplift charges and higher increases supported across electrical vehicle charging, car parking at visitor attractions, harbour and wedding fees.
 - Feedback suggested that for burials, cremations and school meals, the majority felt fees should either be held at existing levels or limited to a 2% increase.
 - The majority of respondents – 80% - indicated support for increasing council tax on second and empty homes.
 - Amongst young people, the most important services/activities were found to be sports/leisure activities, social spaces, work experience opportunities and outdoor spaces.
 - When asked about what matters most to you about your future, the most important services/activities were noted as high quality education, subject choice at school, employment opportunities and careers advice.
- 15.6 A number of focus groups with key stakeholders were also held over the course of January. Key messaging from this engagement included:
- Positive feedback from business representatives on the Council's bus operation.
 - Housing and transport noted as critical in relation to enabling growth and business operation.
 - Greater opportunities for businesses to work with the Council on areas such as work experience, employability opportunities, promotion and economic growth opportunities.
 - Community Councils highlighted the challenges in relation to funding and covering core expenses of operating.
 - A number of Community Councils mentioned the importance of local place plans - the benefits of them, how to develop them and potential funding to support the development of them.
 - A range of issues were raised by Community Councils including winter gritting, school let charges, the importance of understanding impacts in rural areas, expansion of Highland Council bus services and the importance of linked transport to support travel.
 - Third sector partners noted improvements in key areas in how the Council is working with the sector in partnership.
 - The importance of advice, guidance and aligned approaches across the public sector on how to support third sector organisations to be financially sustainable.
 - The importance of engaging with the sector to assist shaping the new PODs and they types of multi-use space that could support community/third sector use.

- The importance of the future operating model to consider culture and ways of working to improving engagement, involvement and partnership with the third sector.

- 15.7 Overall the engagement has helped to shape the budget proposals. Examples of where engagement has helped shape proposals include:
- Approach to fees and charges.
 - Increase Council Tax on Second and Empty Homes and develop a Housing Challenge Fund to support bringing empty properties back into use.
 - Increase Community Council Grant Funding.
 - Investment in the introduction of a mobile service to provide housing, benefits, service support and training along with partners in the public and third sector.
 - Creation of a co-investment fund with Skills Development Scotland which will focus on workforce support and development including working with businesses to support apprenticeships.
- 15.8 A summary of the budget challenge feedback can be found at the following link: www.highland.gov.uk/budget
- 15.9 In relation to Elected Member engagement, there has been a series of reports to each Council meeting from September 2025 onwards, regarding the Council's Medium-Term Financial Plan. There has also been the opportunity for individual groups to receive informal briefings on matters relating to the budget in advance of Council.
- 15.10 Briefings of Trade Union representatives have also taken place in relation to the lead-up to this report and Member decision making on 5 March 2026.

16. Workforce Planning

- 16.1 The Council's staff are its greatest asset: vital to the delivery of high-quality, good-value services. Ensuring our teams have the skills, support and ambition to deliver significant transformation requires workforce planning to work in tandem with financial planning.
- 16.2 The Future Operating Model is defining a new way of working, alongside partners and communities, and identifying new roles. To ensure our people have the skills and aptitudes we will need in the future, we need to design career pathways and jobs differently, recruit people with the right values, and encourage individuals to work across a variety of teams or services. Our workforce planning toolkit enables this.

We also need to make best use of the staff that we have, deploying people into new areas where needed and removing vacant posts that are no longer required. Our aim is to empower and motivate staff by creating roles which encourage them to drive positive change. Investment in three additional Attendance Support Officer roles and flu vaccinations for staff will support services to consistently and proactively manage attendance, promoting staff health and wellbeing.

- 16.3 Investment of £0.9m in an improved HR and Payroll system will make possible better data analysis, enabling us to plan our workforce better. This digital transformation builds on previous successful programmes to improve pensions and finance systems and upgrade the Council website, making better use of technology so that our people have more time to spend with the clients who need them most.

17. Reserves

- 17.1 Reserves are an important part of the Council's budget strategy, and in December 2023 the Council approved a reserves strategy, including the endorsement of retaining as a minimum, general reserves equivalent to 3% of the Council's budget, which for the purposes of this report would equate to around £24.8m. That Reserves Strategy, and also subsequent decisions made by the Council, have increased the focus on the use of reserves for investment, change and transformation, and avoiding reliance on reserves to balance the budget as a key pathway to a more financially sustainable position. The budget proposed within this report has no reserves use assumed to balance the budget over the three years.
- 17.2 The Council has two main aspects to its General Fund reserves, the non-earmarked reserves being the General Reserve which has the 3% minimum target, and in turn earmarked reserves which are sums earmarked for a range of specific purposes.
- 17.3 The intent would be for the Council to continue to retain its General Reserve at the 3% minimum level, as a general contingency for future or unforeseen events. Conversely earmarked reserves are sums set aside for use, and with the clear expectation therefore that these reserves do reduce over time, reflecting their drawdown and use for the purposes for which they were set aside.
- 17.4 The main risk to the overall level of the Council's General Fund Reserves, are unplanned expenditure and overspends, which has been a particular risk and impact over the course of 2025/26. Members will be aware of the level of projected overspend against budget during the current year, and the actions taken to address that position through recovery plans for key budget areas, and ongoing review and enhancement to budgetary control arrangements. Despite the positive impact of recovery plan activity during the year, forecasts indicate an expected year end overspend on Council Services. The Quarter 3 forecast will be considered by the March Corporate Resources Committee. Over and above those overspends reported in year, there is the impact of other matters referenced in this report which would further reduce reserves. These include the additional £5.0m deficit support for NHS Highland Adult Social Care as set out in section 9.
- 17.5 The effect of these factors, without further mitigation or action, would be to reduce the Council's General Fund reserve below the 3% policy minimum. As demonstrated in the table below, and through this budget, it is proposed that further new and revised earmarking and re-purposing of reserves takes place to provide for the Council to budget on the basis of its General Reserve being held at 3%. This position has only been achieved through review of existing earmarked reserves, and the return of a number of earmarked reserves back to the General Reserve. **Annex 6** provides an updated forecast and analysis of the Council's Reserve position, reflecting the various forecasts and effect of planned transfers to and from earmarked reserves. The table set out below provides a summarised position.

	As a % of the Revenue Budget	General Reserves (Non Earmarked) £m	Earmarked General Reserves £m
Opening Position 1/4/2025	3.3%	26.951	93.725
Forecast Net Movement in the Year (net overspend forecast including £5m Adult Social Care NHHSH deficit support)		-12.460	-7.640
Re-purposing of Earmarked Reserves back into the General Reserve		21.900	-21.900
New/additional earmarking for investments, pressures and other proposals within this report		-11.411	11.411
Revised Forecast Closing Position 31/3/26	3.0%	24.980	75.596

17.6 Any forecast use of or re-purposing of reserves are at this stage indicative in terms of financial value and impact, to be finalised as part of the Council's Annual Accounts closure for the 2025/26 financial year. Any improvement in the year end out-turn, may reduce the need for re-purposing or transfers to the level indicated. Conversely, there remains the risk that should the in-year position deteriorate, and the resultant position mean the General Reserve fell below the 3% minimum, further actions would be necessary and considered as part of the year-end Accounts closure process and reported to Members at the appropriate time.

18. Council Tax

18.1 Council tax represents what is essentially the final and balancing aspect of any year's budget decisions. Council tax income represents around 20% of the Council's income for its budget. As noted earlier in this report, legally by 11 March the Council must set its council tax for the coming financial year.

18.2 The Administration's proposed Council tax for 2026/27 is for an increase of 7% in total, comprising a base 5% increase plus an additional 2% earmarked to support capital investment via the Highland Investment Plan. **Annex 7a** provides details of the proposed charges by Council tax band, resulting from this proposal.

18.3 Council tax for future years, 2027/28 and beyond, will be a matter for Council to consider on an annual basis as part of formal budget setting. As per reports to Council over the past two years, an underlying assumption within the Medium-Term Financial Plan is an annual 5% core council tax increase plus a further 2% earmarked for the Highland Investment Plan.

18.4 In relation to Council Tax on second homes and long-term empty properties, the Scottish Parliament, through the Housing (Scotland) Act 2025, has provided additional discretionary powers to local authorities. These powers include the removal of the 100% cap on 2nd homes and long-term empties (LTE). That means for example Councils can charge more than the current total charged of 200% on 2nd homes and long-term empties.

- 18.5 **Annex 7b** sets out proposed variations to the charges levied on second homes and long-term empty properties effective 1 April 2026. Given the policy intent behind the legislative changes is to support housing challenges and assist bringing more properties back into housing use, financial modelling for this budget incorporates an assumed forecast reduction in the number of properties which would be liable for the charge i.e. as a result of the increased charges proposed to be levied, it is assumed this will lead to decisions and actions by owners which would remove properties from being liable to these charges.

The proposed charges are shown in the table below :

Classification	Description	2026/27	2027/28	2028/29
Long-Term Empty	A property is designated as a Long-Term Empty dwelling if it has been continuously unoccupied for a period exceeding 12 months. This charge will be applicable for up to 24 months from the date that the property is determined a Long-Term Empty for the purposes of Council Tax.	250%	250%	250%
	This charge will be applicable after 24 months have elapsed from the date that the property is determined a Long-Term Empty for the purposes of Council Tax.	250%	350%	400%
Second Home	A property is classed as a second home when it is not anyone's sole or main residence, is furnished, has been lived in for 25 days or more during the previous 12 months.	300%	350%	400%

19. Capital and the Highland Investment Plan

- 19.1 Through the proposed budget, there is a continuation of the set-aside of revenue funding to provide for borrowing costs associated with the Highland Investment Plan. The table below sets out the proposed 2% earmarking of council tax income. For years 2 and 3 this is based on the same 5% + 2% council tax planning assumption as has been described in reports to Members over the past year, with these still being subject to formal decision as part of future annual budget setting. For context the

funding set aside on an ongoing basis since the HIP inception year and 'seed' funding in 2024/25 is shown.

	2024/25 Agreed £m	2025/26 Agreed £m	2026/27 Proposed £m	2027/28 Estimate £m	2028/29 Estimate £m
2% earmarking for Highland Investment Plan	2.800	2.997	3.205	3.476	3.758

The revenue totals described above would be allocated into the Council's loan charge budgets (to meet borrowing costs) and through which would support the capital investment agreed to date by Members via the HIP.

The totals shown in the table are exclusive of the net additional council tax income resulting from the changes to the charges levied on second homes and long-term empty properties effective 1 April 2026 within this proposed budget. On the basis the now well established HIP 2% earmarking pre-dates the further council tax proposals within this budget, and also given in relation to second homes there are other linked investment proposals, met from council tax income, to create a Housing Challenge Fund.

20. Statement by the Section 95 Officer

- 20.1 A requirement of the Cipfa Financial Management Code is that the budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves. To underpin and ensure that Members have a clear understanding of the financial resilience and sustainability of the Council. That statement by the Council's Section 95 Officer, the Chief Officer - Corporate Finance, is provided below. A suite of financial resilience and sustainability indicators is enclosed as **annex 8**. This is provided in support of the Section 95 Officer's statement, and to provide a basis for the Council to monitor financial sustainability on an ongoing basis.

Statement on the 2026/27 - 2028/29 Revenue Budget and sufficiency of reserves

- 20.2 The revenue budget and this report is based on a range of key financial assumptions and this report details those particular and significant risks as they relate to the budget. The estimates and assumptions that are used, have been based on the best information available, including reference to other external information sources or comparison data with other Councils where available, and based on the judgement of relevant professional staff. The report and revenue budget builds upon work over the past year and the foundation of the Medium-Term Financial Plans agreed in February 2024 and March 2025.
- 20.3 This report provides a forecast of the Council's reserve position, and further relevant context information. This report also includes particular budget proposals relating to the earmarking or re-purposing of reserves. The Council in December 2023 agreed a Reserves Strategy for the Council, and this underpins the assumptions and proposals within this report. The Council is currently in a positive reserves position, with the overall level of reserves beyond the 3% minimum level. The majority of those reserves being earmarked for a range of specific purposes as set out within the

annex to this report. As per the Council's Reserves Strategy, a particular focus is the earmarking and use of reserves to support investment, change and transformation.

The recommendations within this report, are based on the balancing of the 2026/27 revenue budget, and indicative budgets for the following 2 years which make no use of reserves to balance the budget. Any reserve use is to meet non-recurring expenditure and investment items, in line with the Council's Strategy.

The use of reserves to balance the budget is not a sustainable approach.

While the level of reserves overall exceeds the 3% minimum, and as set out in section 17, it is forecast that General Reserves will meet the 3% minimum target level, this has only been possible through significant re-purposing of existing earmarked reserves.

The level of overspend forecast in 2025/26, added to which is the proposed additional deficit support for NHS Highland towards Adult Social Care, has resulted in a significant reduction in Reserves from what they otherwise would have been.

Reserves overall are forecast to have reduced by £20.1m over the course of 2025/26, with £12.460m of this related to budget overspending or unplanned expenditure. There is the potential that the use of and drawdown of earmarked reserves by financial year end may be higher than forecast within this budget report.

It is essential that the Council continues the financial management and budget control and recovery actions in place, enhanced by those further actions set out in this report, to avoid a situation where the levels of budget overspend seen in 2025/26 continue. That is not sustainable and would further significantly reduce available reserves.

Based on the level, type and plans in place for remaining earmarked reserves, there is not expected to be the same scope for future re-purposing, giving greater emphasis to the importance of avoiding levels of overspend and unplanned expenditure as seen in 2025/26.

Adult Social Care remains one of the most significant financial risks facing the Council, and even with significant additional sums as set out within the proposed budget, there remains the very real risk and likelihood of ongoing overspend and risk to the Council's General Reserves through any further deficit support that may be sought or agreed for NHS Highland.

The budget proposals within this report, and based on current forecasts, should allow the Council to retain a 3% minimum reserve level, and a significant level of earmarked reserves beyond that. While there remains the risk that budget overspending or other factors could reduce this 3% level, the Council's earmarked reserves, given not all of which are wholly committed at this time, also provide a backstop contingency.

The Reserves held by the Council are in the opinion of the Section 95 Officer in line with the Council's Reserves Strategy, and at a sufficient level.

Statement on medium to long-term financial sustainability

- 20.4 There remain significant risks and challenges in relation to the costs of service delivery and fulfilling Council obligations, with pay, inflationary and demand led pressures increasing costs year on year, and those cost increases out-stripping the level of grant settlements available or expected to be. As indicated in this report, while the Council has seen a cash increase in its grant settlement for 2026/27, it would appear that the prospects for future years look much more challenging with Local Government facing a real terms reduction in funding over the medium term, with Scottish Government Budget priorities appearing to be more focused towards Health and Social Care and Social Justice. There remains a need to continue to deliver an ongoing programme of cost efficiency, change and transformation to ensure the Council can deliver on its core priorities and obligations, and operate within the financial resources available to it. The Council will increasingly have to consider and balance its priorities, recognising that within the financial constraints it operates, it will have to continue to make choices in the levels of funding and investment it can devote to different service areas.
- 20.5 Despite these challenges, the Council has laid important foundations to support its financial position, and these have been recognised in recent positive commentaries from external bodies including Audit Scotland. This report and now 3rd iteration of the Medium-Term Financial Plan, builds on decisions made in February 2024 and March 2025, with 3-year budget planning now firmly embedded in the Council's processes. The Council has also noted in past reports the need to develop further longer-term financial modelling tools and datasets, with these matters due to be reported to Council during 2026 to inform future planning. These become of particular relevance given the implications of the Green Freeport and other economic developments across the Highland Region. These have the potential to produce significant positive economic and financial benefits to the region and Council, but in turn the Council needs ensure its budget, workforce and other plans are being developed to ensure the needs of new additional citizens, households and employers are also being planned for. Longer-term financial modelling and planning will support this activity.
- 20.6 The Operational Delivery Plan provides the focus, resourcing, governance and monitoring to support the Council's delivery of budget savings, change and transformation, with the earmarking of reserves a key element of how change is being resourced within the Council. Core themes of income generation, redesign and new operating models, amongst others will define the shape of the Council in coming years.
- 20.7 It is the view of the Section 95 Officer that the Council is therefore continuing to make important and positive steps towards improving its medium to long-term financial sustainability. There does however remain the risk and challenge that funding levels in future years will not keep pace with costs of service delivery, and savings, cost reduction and service redesign will continue to be essential to achieve financial sustainability. Close cost control, financial management and monitoring, and tracking of progress through the Delivery Plan will also be critical to the Council.

Designation: Chief Officer – Corporate Finance

Date: 20 February 2026

Authors:

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Background Papers:

Appendices: Annex 1 – Risks
Annex 2 – Budget Pressures
Annex 3 – Budget Summary
Annex 4 – Administration Investment Proposals
Annex 5a/b – Administration New/Additional Saving Proposals
Annex 6 – Earmarked Reserves
Annex 7a/b – Administration Council Tax proposals
Annex 8 – Financial Resilience and Sustainability Indicators
Annex 9a – Financial Strategy for Services Template (Draft)
Annex 9b – Officer Budget Review Group Terms of Reference

Annex 1 : Medium Term Financial Plan Risks

Risk	Risk Descriptor/Impact	Risk Mitigation
Economic Risks (inflation, interest rates, the economy)	<p>Inflation is higher than assumed or provided for in the budget. Leading to higher costs and potential implications for service delivery.</p> <p>Interest rates are higher than assumed or provided for in the budget, leading to higher borrowing costs and potential implications for capital investment capacity.</p> <p>Other wider economic factors including employment, cost of living, etc impact the costs or practicalities of Council service delivery.</p>	<p>Proposed budget provides for estimated budget pressure increases in a number of goods, service and contractual arrangements.</p> <p>Council maintains reserves to offer some contingency against in-year issues.</p> <p>Treasury management activity takes account of regular daily/weekly reviews of interest rates and forecasts, and borrowing activity is undertaken in line with Council policy and seeking best rates in the prevailing circumstances and considering term/maturity of debt.</p> <p>Council maintains corporate and service risk registers, and workforce plans, to try and mitigate wider staffing or economic risks that may arise.</p>
Budget Savings Delivery not achieved	<p>Risk if budget savings are not achieved to the value, or to the timescale expected, this may impact the Council's budget and with consequences for service delivery.</p>	<p>All saving proposals have gone through a significant review and scrutiny process.</p> <p>Reserves and other resources have been deployed to support delivery of savings, change and transformation.</p> <p>The Operational Delivery Plan provides the project delivery, monitoring and governance for savings delivery.</p> <p>Review of previously agreed savings, and the re-basing of those where appropriate, has been undertaken.</p>

Risk	Risk Descriptor/Impact	Risk Mitigation
<p>Grant Settlement Uncertainty</p>	<p>Risk that there are parts of the grant settlement which are unknown, uncertain, or at risk.</p> <p>Risk that the grant settlement, or parts thereof may be provision and still subject to revision or to Parliamentary approval.</p> <p>Risk that single year grant settlements are received and leave uncertainty regarding funding for future years.</p>	<p>Regular engagement through Cosla and working with other Directors of Finance to maximise assurance and understanding of the grant settlement.</p> <p>Prudent and evidence based assumptions for any funding streams estimated.</p> <p>Expectation Scottish Parliament approves the LGF Order (formalising the Local Government grant settlement) by end February and before the Special Council meets to agree its budget.</p> <p>Prudent 'flat cash' assumption made for years 2 and 3 (2027/28 and 2028/29) pending further clarity on future grant settlements.</p> <p>Scottish Government Officials have indicated a multi-year illustrative grant settlement for Councils may be available by end March to inform future years budget planning.</p>

Risk	Risk Descriptor/Impact	Risk Mitigation
<p>Waste EPR (Extended Producer Responsibility) funding risks and uncertainties</p>	<p>Risk that this relatively new (in 2025/26) funding stream varies significantly or materially from the estimates in the budget.</p> <p>Risk that the policy intent of the levy (to reduce packaging and waste/recycling volumes) may lead to a decline in income stream going forward.</p> <p>Risk that the Scottish Government may adjust grant settlements to local government in future years, in recognition of this new and additional income stream.</p>	<p>The proposed budget for 2026/27 re-bases the assumed income from the levy in light of the significant reduction in income notified for 2025/26 following agreement of the budget (the Council had originally budgeted for £9.5m and then subsequently in summer 2025 was advised of a significantly lower £6.9m levy income estimate). The Council has been notified of an estimated levy income of £7.1m for 2026/27 and the budget is based on this assumption.</p> <p>The Council remains engaged through Cosla and professional associations to ensure it is aware of any national developments that may arise.</p> <p>With 2026/27 being year 2 of the levy scheme, there should be less risk and volatility around the level of income and mechanisms for distribution of funding shares to local authorities.</p> <p>While the policy intent should drive a reduction in volumes, were that to result in a reduced income stream, it may also result in lower costs of waste collection, disposal and recycling. Insofar as the Council's costs remain significantly greater than the EPR funding stream, any reduction in costs could potentially compensate for any reduction in income.</p> <p>The Council, via Cosla, will continue to engage with Scottish Government regarding grant settlement and funding levels for Local Government overall. No adjustment was made to the 2026/27 grant settlement in light of the levy income.</p>

Risk	Risk Descriptor/Impact	Risk Mitigation
<p>Adult Social Care – financial sustainability</p>	<p>NHS Highland budget projections show a level of spend beyond their budget provision and the budget quantum provided by the Council.</p> <p>This is not a financially sustainable position with risks in relation to service delivery, and NHH/Council financial positions.</p>	<p>Council had set aside £20m in Earmarked Reserves to support change and transformation in Adult Social Care.</p> <p>The proposed budget for 2026/27 includes further budget additions and earmarking of funds to support Adult Social Care.</p> <p>Council is working in partnership with NHH on delivery of change and transformation.</p> <p>Council Operational Delivery Plan includes projects and associated monitoring and governance of change and transformation delivery.</p> <p>It has been agreed to review current Lead Agency Arrangements to consider whether different structures and governance changes may be appropriate.</p>

Risk	Risk Descriptor/Impact	Risk Mitigation
<p>Scottish Government Directions regarding Education provision</p>	<p>Financial risk related to Scottish Government funding for education and any directions issued or which may be issued in future regarding the maintaining of teacher numbers, or other matters which may put grant funding levels at risk.</p> <p>Scottish Government proposals regarding reduction in class contact time by 1.5 hours per week which would significantly increase the costs of education delivery, beyond that provided for in the budget and beyond the current funding envelope provided for in the grant settlement.</p> <p>Any further directions regarding Education and use of SG funding not known at this time which could have budgetary implications.</p>	<p>Ongoing engagement via Cosla and with Scottish Government regarding SG expectations.</p> <p>Some further clarity regarding Scottish Government funding of £1m nationally to support modelling around class contact time.</p> <p>Working with professional associations nationally.</p>

Risk	Risk Descriptor/Impact	Risk Mitigation
<p>Pay Settlements exceed budget assumptions and affordability</p>	<p>Risk that pay settlements may exceed the sums provided for in the budget.</p> <p>Scottish Government pay policy, while not applicable to local government, sets an above inflation pay policy.</p> <p>Given the significance of pay budgets as a proportion of the overall budget, any % change can have significant financial implications.</p> <p>Could lead to in-year financial implications which may require change to budget plans to accommodate.</p>	<p>Council has certainty for 2026/27 based on pay settlements agreed for that year.</p> <p>Council via Cosla continues to engage in pay settlement discussions.</p> <p>Council maintains a reserves policy of 3% of the revenue budget to give scope to manage budgetary risks.</p>

Risk	Risk Descriptor/Impact	Risk Mitigation
Level of Reserves	<p>Risk the level of general reserves falls below the Council's strategy of a 3% minimum level of reserves held.</p> <p>Risk the overall level of reserves, general and earmarked, falls below the level of commitments the Council has identified for those reserves.</p>	<p>The Council has a strategy position relating to a minimum level of reserves.</p> <p>The Council currently maintains overall reserves, including earmarked reserves, which are significantly in excess of the 3% minimum target.</p> <p>While the risk and impact of overspend and unplanned expenditure is expected to significantly reduce reserves in 2025/26, the proposed budget for 2025/26 takes steps to review, re-purpose and transfer earmarked reserves back to the General Reserve, with the intent of maintaining the 3% minimum target.</p>

Risk	Risk Descriptor/Impact	Risk Mitigation
<p>Climate Change and Net Zero</p>	<p>Risk that the impacts of climate change, may lead to additional costs and financial risks to the Council. Which could include the financial impact of more severe weather events, amongst other financial risks.</p> <p>Risk that the cost of action to mitigate climate change risks, and to take forward Net Zero actions, may exceed available funding or funding capacity.</p>	<p>The Council holds General Reserves, with a target for a 3% minimum level, to provide mitigation against unplanned expenditure and other financial risks including adverse weather events.</p> <p>The Council has and continues to develop longer-term financial plans to support forward financial planning and risk management. The Council’s Highland Investment Plan, and work taken forward in relation to HRA longer-term financial modelling, can assist with the mitigation of risks and supporting the Council’s investment decision making.</p>

Budget Pressures

(A) RECURRING PRESSURES MET FROM WITHIN THE BUDGET

Service or Budget Area	Description of Pressure	Pressures			
		2026/27 £m	(Incremental Change) 2027/28 £m	(Incremental Change) 2028/29 £m	3 Year Total £m
Resources & Finance	HRP (HR & Payroll system) ongoing system support and development costs (linked to new HRP project implementation)	0.000	0.150	0.028	0.178
Welfare	Increased housing benefit costs attributable to agreed HRA rent increases	0.102			0.102
Property & Housing	Utilities, maintenance and rates of New Northern Meeting Park and Bought Park Facilities (LUF) net of assumed income generation	0.150			0.150
Infrastructure, Environment & Economy	Contingency for transport contractual increases	0.600			0.600
Communities & Place	Council wide engagement platform costs	0.025			0.025
Sub-total: New Commitments		0.877	0.150	0.028	1.055
Infrastructure, Environment & Economy	Re-base previously agreed Climate Change and Energy Team 26/27 savings: Solar PV, Commercial Estate Solar PV, Commercial Scale Solar, Battery Storage (Refs HC 29/02/24 CS:11, CS:13, CS:15 & CS:16)	4.030	-0.500		3.530
Property & Housing	Re-base previously agreed Property and asset rationalisation additional 26/27 savings: Reconfiguring the school estate, demonstrator projects, network of facilities, accelerated rationalisation of offices and depots (Refs HC 29/02/24 CS:23, CS:25, CS:28 & HP:3)	1.550	-0.400	-0.100	1.050
Corporate	Re-base previously agreed Digital Innovation savings - Finding Foster Carers (Ref HC 29/02/24 CS:34) (as foster care growth is embedded in the Children's Services recovery plan activity)	0.290	0.307		0.597
Education & Learning	Re-profile previously agreed New School Clusters - management (Ref HC 06/03/25 E&L:4)	0.020	-0.020		0.000
Infrastructure, Environment & Economy	Re-profile previously agreed Delivery of Council mid market rent model (Ref HC 06/03/25 I&E:11)	0.060	-0.060		0.000
Infrastructure, Environment & Economy	Re-profile previously agreed Route Optimisation (Winter Gritting) (Ref HC 06/03/25 I&E:8)	0.100	-0.100		0.000

Infrastructure, Environment & Economy	Re-base previously agreed Efficiencies within fleet and cross service savings across Car Club, Grey Fleet and private hire (Ref HC 06/03/25 I&E:18)	0.200	0.250		0.450
Resources & Finance	Re-profile HR and Payroll process redesign and new ways of working (Ref HC 29/02/24 R&F:1)	0.250	-0.100	-0.150	0.000
Property & Housing	Re-profile Commercial Lease Fees - New rental income from third party leases (Ref HC 29/02/24 HP:8)	0.075	-0.075		0.000
Resources & Finance	Re-profile Unique Tourist Visitor Experiences (Ref HC 29/02/24 CS:19)	0.150	0.150	-0.300	0.000
Infrastructure, Environment & Economy	Re-profile EV Charging income (Ref HC 29/02/24 CS:12)	0.050	-0.100	-0.100	-0.150
Infrastructure, Environment & Economy	Re-base Harbour Dues income	0.100	0.100		0.200
Infrastructure, Environment & Economy	Re-profile Income from Council sites for SSEN infrastructure projects (Ref HC 06/03/25 I&E:12)	0.075	0.055	-0.130	0.000
Sub-total: Rebase/reprofile prior savings (see also Annex 5b)		6.950	-0.493	-0.780	5.677
Performance & Governance	Proposed increase in COSLA membership subscription rates	0.008	0.009	0.010	0.027
Communities & Place	CPI Increases on existing waste contracts (3.8%)	0.640			0.640
Communities & Place	Container plastic recycling - forecast income reduction	0.030			0.030
Property & Housing	Property – schools PPP and Wick Campus contract inflation	0.600	0.500	0.500	1.600
Corporate	Corporate Utilities Pressure - pan Council	0.357			0.357
Property & Housing	Increase in Non-Domestic Rates on Council properties (net effect of poundage and revaluation)	0.552			0.552
Corporate	Estimated Increase in Valuation Joint Board requisition	0.150			0.150
Health, Wellbeing & Social Care	Contribution towards Adult Social Care Pay Cost increases	1.950			1.950
Resources & Finance	Audit Scotland audit fee annual increase plus in year pressure	0.031			0.031
Sub-total: Inflationary Increases		4.318	0.509	0.510	5.337
Business Solutions	Additional costs for line of business system contracts (including ArcGIS, ECDM, CareFirst, CRM, PRMS and ResourceLink). Combination of inflationary increases, volume-based increases (e.g. additional users) and additional functionality	0.195			0.195
Resources & Finance	Additional collection costs attributable to increases in postage costs, legal fees, bank charges and general operating costs.	0.230			0.230
Resources & Finance	Additional staffing resource to support revenue and income team	0.219			0.219

Resources & Finance	Support service delivery and deliver increased resilience in Communications, Emergency Planning and Health & Safety across the Council. <u>including out of hours communications cover and equipment.</u>	0.125			0.125
Business Solutions	To re-base budget and provide for both the new HRP system solution and the corporate finance system.	0.288			0.288
Business Solutions	IFRS16 software licence (to comply with new accounting standards)	0.037			0.037
Infrastructure, Environment & Economy	Street lighting - Cyclical programme of structural testing required with external contractor	0.080			0.080
Infrastructure, Environment & Economy	Sconser Quarry - re-base budget to align cost and income assumptions	0.560			0.560
Infrastructure, Environment & Economy	School Transport re-base budget due to a Caithness operator ceasing to trade	0.111			0.111
Communities & Place	Fleet Maintenance - Additional budgetary allocation given the rising costs of parts and spares.	0.200			0.200
Communities & Place	Re-base Central Support Charges budget to address legacy recharge	0.185			0.185
Education & Learning	Re-base and provide additional budget for the Council's ASN Special Schools to address legacy overspend	0.400			0.400
Education & Learning	Provision of Budget increase towards the cost of Educational Out of Authority Placements	0.350			0.350
Infrastructure, Environment & Economy	Planning and economic development pressures - provision towards income and cost pressures, supported by additional income from fee income as reflected within saving templates.	0.186			0.186
Infrastructure, Environment & Economy	Planning and Building Control team resource and capacity additions - supported by additional fee income as reflected within saving templates.	0.231			0.231
Communities & Place	Reduced income from recycling due to worsening market conditions connected to the sale of recycling	0.300			0.300
Infrastructure, Environment & Economy	Industrial Income Portfolio - re-base budget to address legacy budget pressure.	0.354			0.354
Education & Learning	Hostels Income Targets re-base	0.027			0.027
Sub-total: Other cost pressures		4.078	0.000	0.000	4.078
Resources & Finance	Investment to support delivery of savings proposal Corp/4 (Advertising & Sponsorship Income). Budget provision for a Modern Apprentice post to support in-sourcing the service.	0.025			0.025

Infrastructure, Environment & Economy	Investment to support delivery of savings proposal Place/5 (Public Transport Unit). Funding to support Community Transport Group operated transport route, to derive a saving. £25k being the cost of the Council providing a vehicle.	0.025			0.025
Infrastructure, Environment & Economy	Investment to support delivery of savings proposal Place/23 (Quarry). Funding to install dry storage at Sconser Quarry and increase staffing compliment by 2 FTE. To support saving and income generation.	0.300			0.300
Infrastructure, Environment & Economy	Investment to support delivery of savings proposal Place/24 (Roads - Traffic Management). Budget for 2 FTE posts to support the delivery of a saving from insourcing the activity.	0.070			0.070
Corporate	Investment to support delivery of savings proposal Strategic/3 and Place/4 (Attendance Support) . Provision for an additional 3 FTE attendance support officers, and provision of funding for flu vaccination programme.	0.290			0.290
Sub-total: Investment to support delivery of new Savings Proposals		0.710	0.000	0.000	0.710
Corporate	Recurring revenue additions for pan-Council property maintenance budgets (facilitated by financial flexibilities via LEIP funding and PPP1 handback)		1.881	0.200	2.081
Corporate	Capital staff recharge multiplier - improve efficiency and sustainability	2.000	2.000	1.450	5.450
Corporate	Unallocated Provision and Contingency for 2027/28 and 2028/29		13.834	8.792	22.626
TOTAL RECURRING PRESSURES MET FROM WITHIN THE BUDGET		18.933	17.881	10.200	47.014

(B) NEW COMMITMENTS MET FROM SCOTTISH GOVERNMENT ADDITIONAL FUNDING**Annex 2**

Note : This table includes new commitments where only a Scotland total funding amount is known, and any share for Local Government and the Council is to be confirmed.

Service or Budget Area	Description of Commitment	Commitments			
		2026/27 £m	(Incremental Change) 2027/28 £m	(Incremental Change) 2028/29 £m	3 Year Total £m
Education & Learning	Real Living Wage - ELC*	0.560			0.560
Health, Wellbeing & Social Care	Real Living Wage - Adult Social Care*	8.311			8.311
Health, Wellbeing & Social Care	Real Living Wage - Children's Services*	0.630			0.630
Welfare	School Clothing Grants	0.011			0.011
Corporate	Scottish Assessors - Barclay Review	0.088			0.088
Health, Wellbeing & Social Care	Criminal Justice Social Work (increase in ring-fenced grant)	0.160			0.160
Welfare	Discretionary Housing Payments	0.317			0.317
Health, Wellbeing & Social Care	Free Personal & Nursing Care (£7m Scotland total local government funding)	tbc			0.000
Property & Housing	Free School Meals (£3m Scotland total local government funding)	tbc			0.000
Corporate	Scottish Assessors - Mansion Tax (£5m Scotland total local government funding)	tbc			0.000
Education & Learning	Breakfast Clubs (£15m Scotland total funding)	tbc			0.000
Education & Learning	Wrap Around Activities Childcare Provision (£2.5m Scotland total funding)	tbc			0.000
Education & Learning	Sporting Opportunities (£40m Scotland total funding)	tbc			0.000
TOTAL COMMITMENTS MET FROM SCOTTISH GOVERNMENT FUNDING ADDITIONS		10.077	0.000	0.000	10.077

* the above reflects the estimated full cost of providing for the RLW, which in some instances is higher than the level of grant funding provided

(C) ONE-OFF OR NON-RECURRING PRESSURES MET FROM RESERVES**Annex 2**

Note: In this section, the amounts represent the pressure to be met from reserves in the budget year, rather than the incremental change to the revenue budget

Service or Budget Area	Description of Pressure	Pressures			
		2026/27 £m	2027/28 £m	2028/29 £m	3 Year Total £m
Property & Housing	Previously agreed and earmarked (March 2025 Budget) - Pressure funding over 3 years 2024/25 onwards for property maintenance, inspection and repairs	2.000	0.000	0.000	2.000
Infrastructure, Environment & Economy	Previously agreed and earmarked (March 2025 Budget) - UNESCO Flow Country world heritage site 3 year partnership funding support	0.112	0.111	0.000	0.223
Health, Wellbeing & Social Care	Recovery Plan Support - Children's Services. Tapering down budget support as part of recovery plan actions to bring expenditure back into alignment with budget on a multi-year basis.	3.500	0.400		3.900
Communities & Place	Recovery Plan Support - Fleet Service. Tapering down budget support as part of recovery plan actions to bring expenditure back into alignment with budget on a multi-year basis.	2.000	1.000		3.000
Resources & Finance	HRP (Human Resources & Payroll) Project implementation costs	0.926			0.926
Communities & Place	Investment for savings proposal Place/1 (Fleet Workshop)	0.085			0.085
Corporate	Insurance Fund a top up to the Council's fund which provides self-insurance.	2.000			2.000
TOTAL PRESSURES MET FROM RESERVES		10.623	1.511	0.000	12.134

Pressures – Supplementary Information – Capital Multiplier and LEIP Schools Fund and PPP1 Contract Handback

Introduction

The budget, and the proposed pressures, include two particular items which merit further description as set out within this supplementary briefing, given the technical nature of these pressures and the detailed work which has underpinned the provision of amounts within the budget.

Capital Multiplier

Included within the proposed pressures for inclusion of funding, are the following new/additional amounts for this budget, which are shown in the context of sums previously agreed and built into prior years budgets.

	2024/25 Agreed £m	2025/26 Agreed £m	2026/27 Proposed £m	2027/28 Indicative £m	2028/29 Indicative £m
Capital staff recharge multiplier - improve efficiency and sustainability. Revenue budget pressure additions.	2.000	2.550	2.000	2.000	1.450
Total over the period					10.000

What is the Multiplier? The multiplier is a percentage added to the standard staff hourly charge-out rate. Its purpose is to recover additional non-direct costs associated with delivering both Revenue and Capital projects. These non-direct costs may include items such as personal protective equipment (PPE), training, travel, subsistence, and other necessary overheads.

What Services are in scope? The principal services within the Council that recover costs through charging out staff time to both Revenue and Capital projects are Property, Project Design Unit, Energy, Lighting, Amenities and Roads.

What effect/outcomes does the revenue budget changes support? The revenue budget pressure funding as set out in the table above will reduce the revenue budget income targets for staff time recharged to capital and other budgets. This will bring the 'multiplier' down to a more appropriate level. This will support more sustainable and

management revenue budget and staffing arrangements, and in turn will create more capacity within the capital programme. I.e. the level of staff time recharge to capital will reduce and in doing so create further capacity within the capital plans overall.

What is the total cost/budget impact? As set out in the table above, a multi-year approach to feeding revenue budget in to address the multiplier is proposed, with the estimated overall cost being £10m.

LEIP Schools Funding and Schools PPP1 Contract Handback

This 3-year budget cycle incorporates some significant funding and budgetary changes arising from LEIP schools and the end of the schools PPP1 contract in August 2027.

Within this budget, new and additional funding from Scottish Government/Scottish Futures Trust for LEIP Schools is incorporated (Tain Campus and Nairn Academy – 2026 handovers), and budgetary changes arising from the handback and contract cessation in August 2027 of the Schools PPP1 contract (Glenurquhart HS, Adnamurchan HS and hostel, Spean Bridge PS and Strathdearn PS).

These changes have also provided opportunity to build into the budget additional and sustainable funding for revenue maintenance of the Council’s property estate, to recognise the new/added maintenance and facilities management responsibilities that arise from LEIP and PPP1 handback, but also to provide capacity for increased and sustainable maintenance budget for the wider property estate.

The expected profile of LEIP schools funding is shown below. This is based on current assumed project handover dates. Funding for the Broadford project is expected to be confirmed with Scottish Futures Trust in due course.

	25/26	26/27	27/28	28/29	29/30
Funding/Budget - estimated profiles					
LEIP - Tain	tbc	1,867,033	1,795,646	1,438,712	1,438,712
LEIP - Nairn		1,052,520	1,578,780	1,368,570	1,263,465
LEIP - Broadford		tbc	tbc	tbc	tbc
LEIP - Sub total		2,919,553	3,374,426	2,807,282	2,702,177

For budget planning purposes, the following are the estimated full year (i.e. 2028/29) implications of the cessation of the PPP1 contract. With a part year effect to arise in 2027/28 (August 2027 onwards).

Heading	Value £ (m)	Comments
Current annual Unitary Charge contract payment	5.86	Total annual contract payment including pass-through costs.
Scottish Government grant: Annual Level Playing Field Support	-1.56	Annual support from Scottish Government. Ceases at point of contract handback.
Net current annual cost to the Council	4.30	Total contract payment minus annual SG grant support.
To be utilised as follows:		
Post-Handback FM/R&M/LCM* Council cost estimates (National Benchmarks +20% uplift)	0.98 0.20	Estimated budget allocation for Council inherited obligations. Includes an estimated £170k p.a. for LCM*.
Pass through costs (NDR/Utilities/etc)	0.93	Assumed to be the same pre- and post- contract expiry.
Net post contract expiry/handback annual cost to the Council	2.11	
Estimated post-expiry budget surplus	2.19	Utilised within the budget to support recurring revenue budget additions for property repairs and maintenance.

FM=Facilities Management, R&M=Repairs and Maintenance, LCM=Life cycle maintenance

The incorporation of LEIP income within the budget, and the contractual changes arising from PPP1 handback are reflected within the “financial flexibilities” element of the budget, with associated expenditure/budget commitments reflected as funded budget pressures.

The following summarises the revenue budget additions reflected within the report (shown within the budget pressures summary tables) which have been possible as a result of the funding and budgetary changes arising from LEIP and PPP1 handback.

	2026/27 £m
Earmarking within reserves to provide an additional sum over and above the c£7m core property maintenance budgets	2.000 (non-recurring)

	2027/28 £m	2028/29 £m
Recurring revenue additions for pan-Council property maintenance budgets (facilitated by financial flexibilities via LEIP funding and PPP1 handback). Incremental revenue budget additions shown.	1.881	0.200

Budget Summary

Annex 3

	2026/27	2027/28	2028/29
	£m	£m	£m
Opening Budget for the Year	823.231	867.976	873.383
Less: Non-recurrent items funded from reserves	-5.449	-12.123	-1.511
Pay and Pensions	20.205	14.149	13.626
Base Budget Adjustments	2.629	-0.242	-0.674
Budget Cost Increases & Pressures (recurring) *	11.983	18.374	10.980
Budget Cost Increases & Pressures (from reserves)	10.623	1.511	0.000
Administration Core Revenue Growth & Investment Proposals	3.500	0.000	0.000
Administration One-Off Growth & Investment Proposals	8.500	0.000	0.000
Other New Burdens & Commitments (inc SG funds)	10.077	0.000	0.000
Loans Charges Increase - Core capital	1.500	1.500	1.500
Loans Charges Increase - Highland Investment Plan	3.205	3.476	3.758
Budget savings (new plus previously agreed) *	-17.908	-12.024	-7.989
Financial Flexibilities (new plus previously agreed)	-4.120	-4.381	-3.200
Budget gap still to be closed	0.000	-4.833	-0.824
Final Budget	<u>867.976</u>	<u>873.383</u>	<u>889.049</u>
<i>Funding :</i>			
Revenue Grant Funding	666.062	666.062	666.062
Council Tax *	183.323	200.275	217.649
Use of General Fund Reserves for Specific Items	12.123	1.511	0.000
Use of Other Reserves (Transfer relating to PPP Financial Flexibility)	6.468	5.535	5.338
Total Funding	<u>867.976</u>	<u>873.383</u>	<u>889.049</u>

* After presentational adjustments to net off the rebasing of previously agreed savings originally included as pressures against budget savings and to transfer budget savings and financial flexibilities which impact on the council tax budget into the funding section of the budget summary

Annex 4

Investment Proposals Booklet

ANNEX 4

INVESTMENT PROPOSALS

In 2025 – 2026, £4.539 million of recurring revenue for investments were built into the budget plan which was passed. With this funding continuing into the 2026/27 revenue budget. This was an important realignment of budget spend to emerging Council priorities.

This included over £2 million of investment in education, with a specific focus on additional support needs. It also included investments into improving community operations, developing a future operating model for Highland Council and investment in Countryside Rangers to improve the

These agreed plans were coherent with the Highland Council programme and have been being implemented through strategic committees in the year 2025 – 2026 and in close consultation with trade unions colleagues. The investment in these remains ongoing.

In 2026 – 2027, there is additional recurring investment of £3.5 million included in the proposed budget, which builds on the developments of the previous years and which is documented in detail in the following pages.

This includes:

a £1 million fund to help meet the Highland Housing Challenge, bringing a new scheme comprising loans and grants into effect to enable the upgrade of long term empty properties.

Over £600k of additional investments into communities through various schemes.

Over £500k revenue investment in roads and further investments of similar levels into the future operating model of Highland Council and to enable the forthcoming recommendations of the Poverty and Equalities Commission.

In addition, there is single year funding provided for a number of priorities. £7 million available to top up the Social Care Transformation Fund. There is circa £1.6 million to create and manage a My Highland Future Investment fund in partnership with Skills Development Scotland. There is an additional £0.300 million to top up the Repair the Highland fund.

In total this equates to £12 million of new investments within this budget, aligned to Highland Council programme priorities.

Investment Funding 2026/27 - 2028/29

Within this proposed budget the following new and additional investment is proposed.

		Recurring Revenue 2026/27 Onwards £m	One-off Investment £m
INV1	Poverty and Equality	0.500	
INV2	Future Operating Model	0.500	
INV3	Roads Revenue Maintenance	0.500	
INV4	Housing Challenge Fund	1.000	
INV5	Community Investment - Schools PEF	0.406	
INV6	Community Investment - Ward Discretionary Budgets	0.105	
INV7	Community Investment - Comfort Scheme	0.072	
INV8	Community Investment - Community Councils	0.055	
INV9*	My Highland Future	0.362	1.200
INV10	ASC cost recovery and transformation		7.000
INV11	Repair the Highlands Fund - Phase 2		0.300
	Sub-totals	3.500	8.500
	Overall total		12.000

*INV9 a further cost of £0.040m is reflected in 2027/28 to provide for the full year effect of the recurring revenue costs of the proposed team costs. Taking revenue total to £0.402m.

This compliments and builds upon the £4.539m of recurring revenue investment funding agreed in the March 2025 budget as summarised below.

	Recurring Revenue 2025/26 Onwards £m	One-off Investment £m
Future Operating Model	0.500	
Additional Support Needs	1.048	
Improving Care and Respite	0.250	
Poverty and Equality	0.570	0.300
Improving Planning Enforcement	0.060	
Countryside Access Rangers	0.655	
Ecology Strategy/Amenities	0.450	
Invest in Our Leaders of the Future	1.006	0.200
Sub-total	4.539	0.500

Note: the table above shows only those investments with a recurring revenue funding continuing from 2025/26 into 2026/27 and beyond. The non-recurrent funding associated with those investments is shown for context only. Any wholly non-recurrent investments from March 2025 are not shown.

INV/01 : Poverty and Equality

Investment Value: £ 0.500m

Investment

2026-27

2027-28

2028-29

£0.500m

£0.000m

£0.000m

Delivering on the Our Future Highland Programme

This investment has the potential to support delivery of both the Person Centred solutions and My Future Highland portfolios

What are the risks / mitigations?

At this point the recommendations/Calls to Action from the Commission are not known and therefore cannot be costed.

Proposition for Consideration

Initial investment funding set aside in advance of the Poverty and Equality Commission's findings and recommendations due summer 2026.

Description

The Highland Poverty and Equality Commission will report in June 2026. In advance of the recommendations and Calls to Action that the Commission have indicated they will be making, this investment will provide resource to progress early actions and areas of work.

It is expected that this would represent initial investment and it is anticipated that the recommendations of the Commission will assist in shaping the Council's budget for 2027/28.

This additional funding builds upon funding already agreed in the March 2025 budget to support Poverty and Equality.

What are the benefits?

Preventing and mitigating the impacts of poverty on individuals, families and communities across Highland.

How would the public be affected?

The findings of the Commission will be directly exploring how to improve the lives of people living in and experiencing poverty. These funds should therefore have a direct, positive impact to progress early actions identified by the Commission.

Impact on Staff

FTE: Not known.

This is dependent upon the recommendations from the Commission.

Deliverability

This is dependent upon the Calls to Action and recommendations from the Commission.

Impact on Groups / Communities

Direct impact is not yet known and will be dependent upon actions. However this investment has the potential to have a positive socio-economic impact, positive impact on children's rights, and on key groups with protected characteristics who are more likely to be impacted by poverty (disabled people.)

INV/02: Future Operating Model

Investment Value: £ 0.500m

Investment

2026-27

2027-28

2028-29

£0.500m

£0.000m

£0.000m

Delivering on the Our Future Highland Programme

The investment will support the delivery of the Future Operating Model Programme.

What are the risks / mitigations?

Full year costs may not be incurred in 2026/27 recognising the lead time to implement some of the new aspects in this proposal.

Proposition for Consideration

Introduce a mobile service – this will travel across the Highland's remote and rural locations to provide housing, benefits, service support, training, as well as prevention activities with partners and 3rd sector and could be used for roadshows in the community and to provide community resilience support in emergencies. Resource Investment to support the delivery of Future Operating Model including various projects & opportunities, and communications including internal and community engagement.

Description

As described above, this further £0.500m investment would add to and compliment the £0.500m of recurring revenue agreed in the 2025/26 revenue budget, taking the total recurring revenue investment to £1.0m per annum.

What are the benefits?

Robust and 'at pace' delivery of projects for the Future Operating Model
 Increased welfare, well being and prevention of crisis in the community by offering a delivery of services that remove the need for individuals to travel and delivering equity across communities.
 Supporting partners to deliver services

How would the public be affected?

Increased welfare, well-being and prevention of crisis in the community by offering a delivery of services that reduce the need for individuals to travel and delivering equity across communities.

Impact on Staff

FTE: 4
 (New posts)

Deliverability

High level of deliverability.

Impact on Groups / Communities

3rd sector and partners will be involved, reducing duplication through collaboration and assisting in preventative actions and screening.

INV/03 : Roads Revenue Maintenance

Investment Value: £ 0.500m

Investment

2026-27

2027-28

2028-29

£0.500m

£0.000m

£0.000m

Delivering on the Our Future Highland Programme

Making a positive difference to lives of people; continuing our expanded programme for improving road condition and maintenance.

What are the risks / mitigations?

Full year costs may not be incurred in 2026/27 recognising the lead time to implement some of the new aspects in this proposal.

Proposition for Consideration

To increase revenue investment into the Roads Service.

Description

An allocation of the £500k will go towards mitigating the increased costs of materials to deliver roads maintenance activities such as tar, chips and salt. In addition the inflationary increases for the cost of annual licence fees, the out of hours service, and the Scottish Roads Maintenance Condition Survey.

The remaining allocation will be invested into projects to deliver the efficiencies and improvements identified by the roads redesign project.

What are the benefits?

Robust and 'at pace' delivery of improvements and efficiencies identified through the roads redesign project.

How would the public be affected?

Increased investment in the roads service will ensure the public see an improving road condition.

Impact on Staff

FTE: N/A

Deliverability

High level of deliverability.

Impact on Groups / Communities

Communities will see improved road conditions.

INV/04 : Housing Challenge Fund

Investment Value: £ 1.000m

Investment

2026-27

2027-28

2028-29

£1.000m

£0.000m

£0.000m

Delivering on the Our Future Highland Programme

This investment would support delivery of the Person Centred portfolio, My future Highland and Redesigning our Asset Base.

What are the risks / mitigations?

This is dependent upon working with owners of empty properties and encouraging them to take up the Challenge Fund.

Proposition for Consideration

This will provide a £1.m p.a. fund to support the Highland Housing Challenge. To be funded through income generated by Council Tax levied on Second Homes.

Description

The Fund will support initiatives to increase the availability of housing in the Highlands, to help address the Housing Challenge. A flexible approach will be taken, with initial plans, learning from experience in other Councils, to introduce a scheme of grants and loans to support bringing long-term empty properties back into occupation and use.

What are the benefits?

The Challenge Fund will provide an incentive and support to enable people to bring empty properties back into use bringing wider community benefits by providing more homes.

How would the public be affected?

The Highland Housing Challenge has evidenced the demand for housing across the Highland area, with an additional 12,000 properties (24,000 in total) needed in the area over the next 10 years. There are currently just under 9,000 people on the Highland Housing Register seeking a home.

The purpose of this investment is to bring empty properties back into use, providing homes for people in communities across Highland.

**Impact on Staff
FTE: Nil**

Deliverability

A funding scheme is being developed to support the implementation of the Housing Challenge Fund.

Impact on Groups / Communities

This has the potential to have a positive impact on a range of individuals and communities. It has the potential to have a positive socio-economic impact on individuals by providing homes, a positive impact on children and children's rights by providing stable homes, a positive impact on rural areas bringing properties back into use.

INV/05 : Community Investment - Schools Pupil Equity Fund top-up

Investment Value: £0.406 m

Investment

2026-27

2027-28

2028-29

£0.406m

£0.000m

£0.000m

Delivering on the Our Future Highland Programme.

This measure is connected to the following Programme Themes: A Fair and Caring Highland and Resilient and Sustainable Communities. Also aligned to the Person Centred Solutions and Workforce for the Future portfolios in the Delivery Plan.

What are the risks / mitigations?

Ensuring payments are not direct cash awards to individuals/families will guard against potential detrimental impact on benefits.

Proposition for Consideration

An increase on a recurring revenue basis, to the schools Pupil Equity Fund. The funding will reducing the Pupil Equity Funding (PEF) recharge to the minimum, giving more capacity to schools, with a 2% top up to reflect implications of rural poverty.

Description

£320,000 would be provided to enable the full £4.3m Pupil Equity Funding (PEF) to be distributed to schools (minus the cost of a single PEF coordinating officer). In addition, a further 2% would be awarded - equating to £86,000 - to reflect that PEF criteria has no rural weighting which results in many schools in Highland receiving very low or no PEF funding. The remaining investment would be held in a new fund, administered by the Welfare Advice Team, to make purchases on behalf of families following referral by schools or elected members linked to supporting educational and training expenses and opportunities.

In addition, cross ASG collaboration will be encouraged for the use of PEF at the planning stage by:

- a) Promoting the benefits of ASG-wide or cluster approaches where appropriate
- b) providing examples of suitable uses of PEF that could be jointly planned (e.g. shared transport for events, cross-ASG learning experiences, joint wellbeing programmes, sharing staff) and
- c) encouraging dialogue between headteachers within an ASG to explore shared priorities and opportunities for collaboration.

What are the benefits?

Funding is targeted at closing the poverty related attainment gap by providing wider opportunities for children to engage successfully.

How would the public be affected?

Families would be supported across Highland

Impact on Staff

FTE:
n/a

Deliverability

Straightforward to implement as systems are already in place to track and monitor.

Impact on Groups / Communities

Positive impact on children in poorer areas and those in rural communities

INV/06 : Community Investment - Ward Discretionary Budgets

Investment Value: £0.105m

Investment

2026-27	2027-28	2028-29
----------------	----------------	----------------

£0.105m	£0.000m	£0.000m
----------------	----------------	----------------

Delivering on the Our Future Highland Programme

The investment has the potential to support delivery around Person Centred Solutions and My Future Highland portfolios.

What are the risks / mitigations?

This is an increase to an existing fund and therefore no known risks.

Proposition for Consideration

An increase of £5,000 per Ward taking the sum available per Ward to £19,300 each year.

Description

This investment will increase the available discretionary funds available for allocation within each ward across Highland. The fund is primarily for community groups and organisations.

What are the benefits?

Increased funds available for local projects.

How would the public be affected?

Increased funds will be available for local groups to apply for.

Impact on Staff

FTE:
NA

Deliverability

The funds, and the process for applying are already in place.

Impact on Groups / Communities

There should be an indirect positive impact across equality, poverty, children's rights and rural/island as increased funds are available for projects, some of which would directly benefit groups supporting people within these groups/communities.

INV/07 : Community Investment - Comfort Scheme

Investment Value: £0.072m

Investment

2026-27

2027-28

2028-29

£0.072m

£0.000m

£0.000m

Delivering on the Our Future Highland Programme

Making a positive difference to lives of people; work with partners to promote visitor management.

What are the risks / mitigations?

No risks highlighted given this builds upon an existing scheme.

Proposition for Consideration

Increase payments to Comfort Scheme providers by £100 per month per facility.

Description

The current annual cost to operate the Comfort Scheme is circa £140k. Increasing the monthly payment made to each Comfort Scheme provider is proposed. Increasing the current payment structure as below;
 £50 becomes £150
 £100 becomes £200
 £200 becomes £300
 £300 becomes £400
 This would be at an annual cost of £72k.

What are the benefits?

Comfort Scheme providers will receive a higher contribution towards their running costs by increasing the payments made for the 3 year agreements.

How would the public be affected?

Continued access to suitably funded Comfort Scheme facilities.

Impact on Staff

FTE: N/A

Deliverability

Can be delivered from 1st April 2026 by increasing Comfort Scheme payments for the new three year agreements.

Impact on Groups / Communities

Increased payment made to Comfort Scheme providers, many of whom are community groups and organisations.

INV/10 : Community Investment - Community Councils

Investment Value: £0.055m

Investment

2026-27

2027-28

2028-29

£0.055m

£0.000m

£0.000m

Delivering on the Our Future Highland Programme

This investment will support delivery around Person Centres Solutions and My Future Highland portfolios.

What are the risks / mitigations?

This is a direct increase to the current grant and therefore no risks are anticipated.

Proposition for Consideration

To increase and double the core funding to community councils from £350 to £700.

Description

Community Councils current receive a core grant of £350 plus 13p per elector and an additional sum of £50 for rural Community Councils. Feedback received as part of the budget engagement process has highlighted the increased costs being experienced by Community Councils. It is therefore proposed to double the core grant for Community Councils from £350 to £700. This will increase the average grant from £570 to £920.

What are the benefits?

The benefits are an increase to the core Community Council grant to support Community Councils perform their roles.

How would the public be affected?

This will provide increased sums to support Community Councils in their operation which will assist in their roles of representing their local community.

Impact on Staff
FTE: NA

Deliverability
A direct increase to the current grant.

Impact on Groups / Communities

There is no anticipated impact as a result of the investment.

INV/12 : My Highland Future**Investment Value: £1.602m****Investment**

2026-27

2027-28

2028-29

£1.562m

£0.040m

£0.000m

Delivering on the Our Highland Future Programme

The investment will support the delivery of the regional workforce development to unlock future economic growth as part of delivering on the Council's commitment to Workforce North.

What are the risks / mitigations?

Co-investment requires to be agreed with Skills Development Scotland. Planning required to avoid duplication in terms of existing funding provision and support.

Proposition for Consideration

Creation of a Co-Investment Fund with Skills Development Scotland to support regional plans for workforce development to address skills shortages and improve access to opportunity.

Description

The Workforce North Co-investment Fund is structured around the delivery of three workstreams:

Workforce Support: Expansion of Modern Apprenticeship across Highland by supporting SME recruitment and retention of apprenticeships, and establishing a Council-led Shared Apprenticeship Scheme, where Highland Council acts as employer of resort if SME circumstances change.

School/Employer Partnerships: supporting the rapid expansion of Foundation Apprenticeships, senior-phase work-based learning, and employer-led training activity. It includes early-intervention in-school programmes for young people at risk of leaving school without a positive destination, closing the transition gap between school and post-school pathways.

Employability & Skills Development: providing targeted programmes for individuals, particularly those furthest from the labour market, to develop the skills, confidence, and qualifications needed to enter work or progress into Modern Apprenticeships.

What are the benefits?

A scalable mechanism for co-invested workforce development. Deliver measurable improvements in skills, employability, and business productivity. Enabling a £1.2m match with SDS funds.

How would the public be affected?

A new, employer-focused fund, intended to accelerate regional workforce growth and drive economic transformation across the Highlands. Workforce upskilling, reskilling and apprentice recruitment in target sectors will address skills gaps and in key sectors and support economic growth across the region.

Impact on Staff**FTE:**

6 fte (new posts) through £0.402m investment in revenue funding. Additional posts may also be created through the £2.4m grant scheme.

Deliverability

High level of deliverability. The fund will operate as a £2.4m grant scheme (£1.2m THC/£1.2m SDS) administered by the Highland Council.

Impact on Groups / Communities

Communities will have increased access to industry orientated training activities including up skilling, reskilling and apprenticeship opportunities

INV/10 : Adult Social Care cost recovery and transformation

Investment Value: £7.000m

Investment

2026-27	2027-28	2028-29
----------------	----------------	----------------

£7.000m	£0.000m	£0.000m
----------------	----------------	----------------

Delivering on the Our Future Highland Programme

Contributes towards A Fair and Caring Highland and Resilient and Sustainable Communities.

What are the risks / mitigations?

There remains significant budget pressures and overspends facing Adult Social Care which this funding will assist in addressing, but will require wider cost recovery and other action also.

Proposition for Consideration

Alongside other aspects of Adult Social Care funding support and additionality, this investment provides an additional £7m to support Adult Social Care.

Description

The Council has previously set aside £20m in earmarked reserves to support Adult Social Care, with a focus on support of change and transformation.

This new investment proposal for 2026/27 provides a further £7m to compliment those existing funds.

These sums are in addition to the core 'quantum' of budget funding provided by the Council to support the delivery of Adult Social Care.

This additional investment will be managed through existing governance arrangements in place. A flexible approach to use is envisaged, with a core focus on support adult social care delivery, cost recovery and transformation.

What are the benefits?

Scope to support transformation in Adult Social Care services and mitigate some of the financial risks.

How would the public be affected?

Will support delivery of Adult Social Care Services and assist with the existing financial challenges in ASC, while supporting plans to transform service delivery.

Impact on Staff

FTE: No impact on Council staffing.

Deliverability

This funding would be available to support Adult Social Care based around partnership agreements and governance/processes already in place.

Impact on Groups / Communities

Transformed and more sustainable services should be beneficial to groups and communities.

**INV/11 : Repair the Highlands Fund
- Phase 2**

Investment Value: £0.300m

Investment

2026-27	2027-28	2028-29
----------------	----------------	----------------

£0.300m	£0.000m	£0.000m
----------------	----------------	----------------

Delivering on the Our Future Highland Programme

We said we would create a sustainable Highland Environment and become a global centre for renewable energy.

What are the risks / mitigations?

Engagement with communities to inform scheme development and uptake will be undertaken. Risk that bids may exceed the funds available and managed as a result.

Proposition for Consideration

Building on the £0.5m investment allocated in the March 2025 budget, this provides further top up funding for the Repair the Highlands Fund.

Description

This fund is for communities to bid into for repair, reuse, upcycling schemes.

- Spread over two years: grants would be prepared to be disbursed late in 2025 / early 2026, giving groups time to grow support;
- Conform to Corporate Plan Outcome 4.6 Reduce residual waste, and increase re-use, repair, recycling and upcycling
- Supported by Net Zero and Community Wealth Building strategies.

What are the benefits?

People will benefit from community wealth building approaches.

How would the public be affected?

This investment will enable communities to develop schemes to improve approaches to reuse and recycling. This will support building capacity and retaining wealth within the local area.

Impact on Staff

FTE:

n/a

Deliverability

Expansion of funding for the existing scheme.

Impact on Groups / Communities

There will be a positive impact on climate as a result of recycling approaches but also a potential positive socio-economic outcome as a result of potential availability of upcycled goods within communities generally but specifically for those on lower incomes.

Annex 5a

New Savings Templates Booklet

Savings Proposals

Savings Name	Ref	2026/27 £m	2027/28 £m	2028/29 £m	3 Year Total £m
STRATEGIC SAVINGS					
Targeted reduction of staffing budgets	Strategic/1	0.900	1.825	2.737	5.462
Senior leadership restructure	Strategic/2	0.151	0.095	0.000	0.246
Reduction in overtime and agency spend	Strategic/3	0.430	0.817	0.734	1.981
Income Generation : Fees & charges set by THC	Strategic/5	0.003	-0.169	0.790	0.624
Improve value for money through service review process	Strategic/7	0.000	1.250	1.250	2.500
Total Strategic Savings		1.484	3.818	5.511	10.813
CORPORATE CLUSTER SAVINGS					
Removal of vacant ICT Manager post (HC10)	Corporate/1	0.068	0.000	0.000	0.068
Action to significantly reduce breakages re. Chromebooks	Corporate/9	0.120	0.000	0.000	0.120
Reduce Data Centre contract costs	Corporate/10	0.075	0.000	0.000	0.075
Direct Debit Bank Checker	Corporate/2	0.010	0.010	0.010	0.030
Council Tax Reduction	Corporate/5	0.655	0.000	0.000	0.655
Introduction of online billing; reduction in postages & related-overheads	Corporate/6	0.000	0.020	0.020	0.040
Review of NDR Relief	Corporate/13	0.120	0.000	0.000	0.120
Advertising and sponsorship income, plus Modern Apprentice	Corporate/4	0.045	0.020	0.005	0.070
Re-tender for Employee Assistance Programme	Corporate/12	0.005	0.000	0.000	0.005
Review of loans fund expenses and cost recovery	Corporate/8	0.050	0.000	0.000	0.050
Total Corporate Cluster Savings		1.148	0.050	0.035	1.233
PEOPLE CLUSTER SAVINGS					
Service Redesign Pathways & Lifelong Learning	People/1	0.300	0.000	0.000	0.300
Realign Pre-School Staff Resource to an area-based model	People/2	0.150	0.000	0.000	0.150
Realign resource to establish Future Highland Academy	People/3	0.100	0.000	0.000	0.100
Improve Safer Routes to Schools	People/7	0.164	0.099	0.000	0.263

Savings Name	Ref	2026/27 £m	2027/28 £m	2028/29 £m	3 Year Total £m
Non-Teaching Turnover Primary & Secondary	People/8	0.821	0.000	0.000	0.821
HLH Pathway to Sustainable Funding	People/5	0.096	0.168	0.252	0.516
UASC Support Recharge	People/13	0.050	0.000	0.000	0.050
Recovery Plan Acceleration (capital investment based)	People/14	0.000	1.103	0.611	1.714
Flexible Childcare Income Uplift (Benchmarking Council Provision & Private Sector)	People/11	0.054	0.056	0.059	0.169
Total People Cluster Savings		1.735	1.426	0.922	4.083
PLACE CLUSTER SAVINGS					
Income generation - Commercial workshops - offer repairs and MOT's to external customers	Place/1	0.150	0.050	0.100	0.300
Commercial Catering - expand provision of catering to NHS	Place/2	0.050	0.025	0.025	0.100
In House Bus Service - Route Optimisation	Place/3	0.200	0.050	0.035	0.285
Income generation - Provision of void cleans to housing service	Place/4	0.050	0.025	0.015	0.090
Community Transport vs 3rd Party Providers	Place/5	0.050	0.025	0.015	0.090
Fleet - Provide CPC Training in house	Place/6	0.020	0.020	0.020	0.060
Fleet - RCV reduction	Place/7	0.200	0.100	0.050	0.350
Corran Ferry Fare Increase	Place/8	0.135	0.000	0.000	0.135
Commercial sales of products in our stores	Place/9	0.080	0.020	0.010	0.110
Pool car share with NHS	Place/10	0.030	0.000	0.000	0.030
Review current structure Fleet and Facilities	Place/11	0.030	0.000	0.000	0.030
Planning Fees - Non Statutory Application	Place/12	0.080	0.010	0.010	0.100
Increase in export certificate fees	Place/13	0.004	0.000	0.000	0.004
Increase Building Warrant and Planning Fees (SG set)	Place/41	0.507	0.000	0.000	0.507
Public Analyst Contract review and renewal	Place/14	0.010	0.000	0.000	0.010
Provide Food Hygiene Courses	Place/15	0.002	0.002	0.002	0.006
Increase Current Lair Fees	Place/16	0.007	0.000	0.000	0.007
Increase Current Internment Fees	Place/17	0.005	0.000	0.000	0.005
Increase attended Cremation fees	Place/18	0.000	0.003	0.002	0.005
Introduce a fee for triple depth graves	Place/19	0.008	0.000	0.000	0.008
Lair surrender purchases - change to cost paid at time of purchase	Place/20	0.001	0.001	0.001	0.003
Restructure of Roads and Amenities	Place/22	0.000	0.060	0.000	0.060
Quarry business case (income possible with revenue and capital investment)	Place/23	0.000	0.200	0.200	0.400
Delivery of own Traffic Management Service	Place/24	0.100	0.150	0.000	0.250

Savings Name	Ref	2026/27 £m	2027/28 £m	2028/29 £m	3 Year Total £m
Roads - Deliver an in house barrier installation service	Place/25	0.100	0.100	0.000	0.200
Roads - Purchase roller and paver to deliver internal and external works	Place/26	0.119	0.000	0.000	0.119
Income generation - offer play park installations on a commercial basis	Place/27	0.018	0.024	0.036	0.078
Reduction of hired equipment for grass cutting	Place/28	0.010	0.000	0.000	0.010
Increase mandatory parking fees at Rose Street Car Park	Place/29	0.020	0.000	0.000	0.020
Increase the number of invitation to pay car parks	Place/30	0.050	0.030	0.000	0.080
Income generation - increase street lighting design fee	Place/31	0.030	0.010	0.000	0.040
Income generation - Offer electrician service out with Council	Place/32	0.000	0.020	0.020	0.040
Commercial Leases Renegotiation	Place/35	0.025	0.200	0.200	0.425
Removal of community loan fund management fee	Place/36	0.045	0.000	0.000	0.045
Increase in CRF contribution towards core investment work	Place/37	0.100	0.000	0.000	0.100
Busco - Management Fee/Dividend	Place/34	0.200	0.000	0.000	0.200
Attendance Support Officer	Place/40	0.050	0.000	0.000	0.050
Total Place Cluster Savings		2.486	1.125	0.741	4.352
TOTAL SAVINGS		6.853	6.419	7.209	20.481

Strategic/1 : Targeted reduction of staffing budgets

Savings Value: £5.462

2026-27

2027-28

2028-29

£0.900m

£1.825m

£2.737m

Context

A comprehensive review was conducted to analyse historic workforce expenditure patterns across the services delivered within the General Fund Revenue Budget. The values take account of previously agreed savings from the March 2025 MTFP & new service specific proposals detail in this report.

What are the risks / mitigations?

There is a risk that removing vacant posts could impact service delivery or that future vacancy levels may not match historic trends. To mitigate this, services will assess workload requirements, and the saving will be phased over three years to support a managed transition.

Saving in Detail

A review of historic workforce expenditure has identified a consistent pattern of staffing underspend within the Revenue Budget. Over the past six financial years, the average annual underspend has been £9.5m. This position reflects a range of factors, including ongoing recruitment challenges, vacancy management & normal levels of organisational turnover. These findings provide important context for understanding current financial performance and will support future workforce planning and budget-setting activities.

How we would implement this Investment £0.000m

Given the scale & consistency of the historic staffing underspend, the position provides a clear basis for a savings measure centred on the targeted removal of vacant posts. This measure will require detailed service-level assessment to ensure that operational implications are fully understood & appropriately mitigated. Nevertheless, this approach represents a structured & evidence-based proposal to support the Council's medium-term financial plan. The savings values have been calculated at 0.5%, 1% & 1.5% of the core General Fund staffing budget (excluding DSM) across the 26/27 to 28/29 financial years.

What are the benefits?

Removing vacant posts provides a manageable way to make savings without reducing the current workforce. This supports the Council's medium-term financial plan & helps protect essential services. The approach is grounded in several years of consistent underspend on staffing. This means the proposal is based on real patterns rather than assumptions, helping the Council make well-informed decisions.

How would the public be affected?

The Council has found that, for several years, it has consistently spent less on staffing than expected. Because this pattern has continued for a long time, some vacant posts will be removed to help reduce the budget gap. Most of the posts being considered are already vacant, so any direct impact on services should be limited. However, removing posts permanently could affect how quickly some services can respond or how much capacity they have in the future, especially if demand increases.

Impact on Staff

FTE:

There is a notional 102 fte reduction over 3 years (Yr 1 17, Yr 2 34 & Yr 3 51) because the posts being considered are already unfilled, the proposal avoids the need for compulsory redundancies and reduces the risk of material disruption for current

Deliverability

Overall, the aim is to help the Council save money in a controlled and evidence-based way, while protecting essential services for the public.

Impact on Groups / Communities

Removing vacant posts should have limited direct impact on communities, because these jobs are already unfilled. Services will be asked to consider any impact as the assessment of vacant posts is carried out.

Strategic/2 : Senior leadership restructure

Savings Value: £0.246m

2026-27

2027-28

2028-29

£0.151m

£0.095m

£0.000m

Context

The Council took a decision in 2023 to reduce senior management, removing Directors and creating a new structure of Assistant Chief Executives and Chief Officers. Savings of £0.125m in 2024/25 and £0.245m in 2025/26 have already been taken.

What are the risks / mitigations?

Implementation of existing HR policies will support the delivery of this saving and help mitigate risk of delivery timescales.

Saving in Detail

Further savings of £0.151m in 2026/27 and £0.095 in 2027/28 will be realised as remaining legacy posts are made obsolete. This will therefore mean the restructuring of the senior leadership team is forecasted to deliver more than £0.600m annual recurring savings from 28/29, or 23%.

How we would implement this Investment £0.000m

No investment

What are the benefits?

There is a clearer relationship between form and function.

There is clarity of purpose for the senior leadership team. Performance improvements as reported by Audit Scotland since 2023 including Transformation and Financial Sustainability.

How would the public be affected?

The public benefit from a more clearly defined corporate leadership team structure and culture which is wholly devoted to delivering success.

Impact on Staff FTE: 1.5fte reduction

Deliverability High

Impact on Groups / Communities

No impact

Strategic/3 : Reduction in overtime and agency spend

Savings Value: £1.981m

2026-27

2027-28

2028-29

£0.430m

£0.817m

£0.734m

Context

Sickness absence is rising in all local authorities. Spending on overtime and agency could be reduced by supporting better health and wellbeing amongst staff. Workforce Management including overtime worked at individual-level as well spend controls will also be reviewed.

What are the risks / mitigations?

Risk of low take up of flu vaccinations, to be mitigated by proactive internal communications.

Saving in Detail

Overtime (generally paid at time and a half) and agency costs for 2025/26 are predicted to be over £9.5m. A 20% reduction is planned by increasing the support to services to manage absences. Offering all staff free flu vaccinations will further support their wellbeing and ability to attend work. Better data analytics will support more robust Workforce Management.

How we would implement this Investment £0.250m

An investment of £0.150m in additional Attendance Support Officers (ASOs) will support Services, aiming to reduce occurrences and length of sickness absence by proactively implementing attendance policy. Overtime levels per staff and spend controls will be reviewed. An investment of £0.100m will allow for the provision of flu vaccinations to be offered to all staff, as viruses are one of the most common reasons for absence.

What are the benefits?

Increased staff physical and mental wellbeing.
Reduction in overtime and agency costs.

How would the public be affected?

Positive impact on improvements in continuity of service provider / services provided.

Impact on Staff FTE:

No impact on FTE.

Deliverability

Medium

Impact on Groups / Communities

No impact

Strategic/5 : Income Generation : Fees & charges set by THC

Savings Value: £0.624m

2026-27

2027-28

2028-29

£0.003m

£(0.169m)

£0.790m

Context

The Council receives income for a range of chargeable services for which the Council determines charging levels. This proposal is to increase these in line with agreed percentage rises.

What are the risks / mitigations?

There is a risk that current demand on services provided reduces, and therefore current levels of income may not be sustained into future years.

Saving in Detail

Additional income from April 2026 as a result of proposals to increase fees and charges for a number of services provided by the Council. These are described as *Person-Centred* (such as Bereavement Services and School meals), *Others* (such as Commercial Refuse Collections and special collections/bulky uplifts) and *Fixed* (Ferry and Harbour Dues). The Council's Charging Policy, as agreed by the Corporate Resources Committee in December 2024, informs the proposals which build on the indicative savings agreed in March 25 for 26/27 and 27/28.

How we would implement this

Investment £0.000m

The percentage increase proposed are as follows:
26/27 - Person Centred 3.8%; Others 5.8%; Fixed 5%; Commercial Waste 3.8%.
27/28* - Person Centred 2.2%; Others 4.2%; Fixed 5%; Commercial Waste 2.2%
28/29* - Person Centred 2.1%; Others 4.1%; Fixed 5%; Commercial Waste 2.1%
 * (indicative, based upon current CPI projections as at Sept prior year)

What are the benefits?

The overall positive impact on the budget setting process and the protection of jobs and services.

How would the public be affected?

Increased costs in the provision of some services provided by the Council.

Impact on Staff

FTE:
Nil

Deliverability

This change can be delivered from 1st April 2026 by increasing the current fees and charges.

Impact on Groups / Communities

There is the potential for some negative socio-economic impact as a result of increases in charges. This is mitigated by the increases for person centred charges, such as bereavement and school meal charges, to be limited to an inflationary uplift.

Person Centred	Other	Fixed
Public Conveniences	Advertising & Sponsorship Income	Ferry Dues
Burial Fees	Air Quality Monitoring	Pier / Harbour Dues
Burial Certificate Fees	Analytical Fees	Commercial Waste
Citizenship Ceremonies Fee Income	Animals License Fees	3rd Party Trade Waste
Cremations	Commercial Bulky Uplift	
Foundations (Headstones)	Commercial Refuse Collection	
Function Catering Income	Commercial Waste Admin Fee	
Sale Of Lairs	Domestic Bulky Uplifts	
School Meals Income	EH Border Control Post (BCP) fees	
	Event Income	
	Events Waste Service	
	Fish Export Certificate	
	<u>Memorialisations</u>	
	Planning Fees Advertising	
	Sale of Wheelie Bins	
	Sale of Wheelie Bins 3rd Party	
	Special Collects/Uplifts Waste	

Fees and charges proposals are presented within overall strategic savings along with proposals shown within specific Service proposals all of which has been to due diligence.

Strategic/7 : Improve value for money through service review process

Savings Value: £2.500m

2026-27

2027-28

2028-29

£0.000m

£1.250m

£1.250m

Context

The Council's annual gross budget is more than £1billion. In addition to robust financial monitoring, Audit Scotland reports positively on its financial sustainability. This proposal focusses upon aiming to deliver efficiencies by a forensic focus and enhanced understanding of *Value for Money*.

What are the risks / mitigations?

The critical analysis will be undertaken within existing resources.

Saving in Detail

Based upon a critical review and benchmarking of Local Financial Returns (LFRS) and other data returns, and performance metrics such as the Local Benchmarking Framework (LGBF), this proposal aims to identify and inform the delivery of service efficiencies. By benchmarking with other councils, the opportunity to share learning and good practice can be achieved supported by a detailed and evidenced basis.

How we would implement this Investment £0.000m

Utilising existing staff resources and specialist analytical skills and subject matter expertise in the council, comprehensive analysis will be undertaken of a range of performance data, to inform opportunities for enhanced efficiencies and service improvements. This will also draw on the experience of a successfully implemented review of Revenues & Benefits, and other analytical activity undertaken in the Council. It is anticipated that this activity and review will be taken forward through the Redesign Board.

What are the benefits?

The aims could include improved service outcomes that represent greater *Value for Money* thus protecting the public purse.

How would the public be affected?

The aims could include improved service outcomes that represent greater *Value for Money* thus protecting the public purse.

Impact on Staff

FTE:
None. Positive impact on all staff involved in identifying opportunities for improvement.

Deliverability

The improvement opportunities, work packages, projects, etc identified from this forensic analysis and benchmarking will deliver efficiencies.

Impact on Groups / Communities

The aims could include improved service outcomes that represent greater *Value for Money* thus protecting the public purse.

Corp/1 : Removal of vacant ICT Manager post

Savings Value: £0.068m

2026-27

2027-28

2028-29

£0.068m

£0.000m

£0.000m

Context

A phased transformation of ICT delivery in the Council has enabled more services being delivered in-house and a move to "the cloud-based" operating systems. The removal of this post is part of the implementation of a new management structure.

What are the risks / mitigations?

No risks.

Saving in Detail

A vacant ICT Manager post will be deleted from the establishment. This post is no longer needed following the implementation of new management structure.

**How we would implement this
Investment £0.000m**

The post is vacant and the new management structure is in place. No investment required.

What are the benefits?

Improved workforce planning and a new management structure with clear responsibilities.

How would the public be affected?

No impact

Impact on Staff

FTE: 1

Deletion of 1fte post.

Deliverability

Fully deliverable.

Impact on Groups / Communities

No impact.

Corp/9 : Action to significantly reduce breakages re. Chromebooks

Savings Value: £0.120m

2026-27

2027-28

2028-29

£0.000m

£0.000m

£0.000m

Context

Chromebooks are a key tool for learning and teaching in Highland. Unfortunately, damage to devices has risen steadily in recent years - approx 60% increase since 2021.

What are the risks / mitigations?

Risk that pupil behaviour does not change. Mitigation will be provided by the proactive support of school leaders.

Saving in Detail

Chromebook repairs are undertaken in-house by a 5-person team in ICT. Revenue cost p.a. is £300k (£240k staff costs, £60k parts etc). A capital budget of £1.2m p.a. is provided for the rolling refresh of devices as they reach natural end of life. Currently £150k of the revenue costs are met by charging schools for repairs. This proposal is to implement full cost recovery for repairs (minus 10% to account for actual device faults). Costs would be allocated to schools based on "tickets" raised. If breakages reduce significantly, costs and charges will also reduce, thereby incentivising improvements in behaviour.

How we would implement this

Investment £0.000m

The mechanism is already in place to charge schools for a proportion of some of the costs. This would be amended to cover full cost recovery. The intention is to make schools fully aware of and accountable for damage caused. Any action taken in schools to reduce damage will result in direct cost savings. A variable charging scale will be used that will provide additional incentives to schools that perform well.

What are the benefits?

Driving a change in behaviour should result in reduced costs and reduced wastage.

How would the public be affected?

Driving a change in pupil behaviour through schools will help to provide pupils with functioning devices when needed. Monitoring will continue and a review will be undertaken during 2026/27 to consider further steps that may need to be taken to increase the lifespan and safekeeping of devices by pupils.

Impact on Staff

FTE: 0

If breakages significantly reduce then the size of the repair team can be reduced. This would be managed through standard workforce planning.

Deliverability

Full cost recovery is fully deliverable.

Impact on Groups / Communities

Reduced wastage and costs will lead to overall benefits for all.

Corp/10 : Reduce Data Centre contract costs

Savings Value: £0.075m

2026-27

2027-28

2028-29

£0.075m

£0.000m

£0.000m

Context

A phased transformation of how ICT is delivered in the Council has been taking place and a move to new data centre arrangements by March 2027. It is anticipated that Council can reduce costs earlier than that date.

What are the risks / mitigations?

Risk that contract negotiations will not result in a further reduction. To be mitigated by robust engagement based on a strong case. TUPE already agreed for 1 member of supplier staff.

Saving in Detail

Delivery of outcomes from the ICT Strategy is enabling a more rapid move away from the Council's "on premise" data centre than originally expected. Therefore it is likely that the service contracts associated with that can be reduced on a phased basis over the next year with an expected reduction in contract costs.

How we would implement this Investment £0.000m

Alternative technical arrangements will be in place by April 2026 which will enable "on premise" data centres services to reduce significantly. An existing saving of £150k for 26/27 was agreed in the 2025/26 budget. By effective management it is expected that a further reduction can be achieved.

What are the benefits?

Further building in-house capability to deliver service. Wider benefits from ICT Strategy outcomes are better value for money, increased resilience and increased ability to innovate.

How would the public be affected?

No impact.

Impact on Staff

FTE: +1

1 member of staff will transfer to the Council under TUPE.

Deliverability

This saving is deliverable and all technical and infrastructure dependencies will be in place by April 2026.

Impact on Groups / Communities

No impact.

Corp/2 : Direct Debit Bank Checker

Savings Value: £0.030m

2026-27

2027-28

2028-29

£0.010m

£0.010m

£0.010m

Context

All Direct Debit payment details must be verified using specialist software prior to accepting payments by this method for council services.

What are the risks / mitigations?

No risks as service will continue to be supplied.

Saving in Detail

This saving can be achieved from a review of existing supplier arrangements, and contract renewal.

**How we would implement this
Investment £0.000m**

Supplier management contractual review.

What are the benefits?

Continued legal compliance.

How would the public be affected?

No impact.

Impact on Staff

FTE: 0

No impact

Deliverability

This saving is deliverable through supplier management and contract review.

Impact on Groups / Communities

No impact.

Corp/5 : Council Tax Reduction

Savings Value: £0.655m

2026-27

2027-28

2028-29

£0.655m

£0.000m

£0.000m

Context

Council Tax Reduction is a means-tested Scottish Government scheme. Council Tax Reduction awards are credited to the Council Tax bill for eligible households, resulting in a reduced amount to pay.

What are the risks / mitigations?

There are no identified risks

Saving in Detail

Council Tax Reduction is means tested and provides a reduction in the amount of council tax payable by eligible households. This is a demand-led entitlement with supports provided by both the Council's Welfare Support Team and Citizens Advice for households seeking assistance with the application process. While various steps are taken to promote this entitlement, and to identify households with entitlements, this savings proposal represents an underspend in the budget.

**How we would implement this
Investment £0.000m**

No investment required.

What are the benefits?

Saving delivered in no reduction in service or impact on council tax payers.

How would the public be affected?

There would be no impact on the public. Eligible households will continue to receive their full entitlements to this financial support, which is awarded as a credit to the council tax bill.

Impact on Staff

FTE: 0

No impact.

Deliverability

This saving is fully deliverable.

Impact on Groups / Communities

No impact as households with entitlement will continue to be awarded Council Tax Reduction.

**Corp/6 : Introduction of online billing;
reduction in postages & related-
overheads**

Savings Value: £0.040m

2026-27

2027-28

2028-29

£0.000m

£0.020m

£0.020m

Context

Around 250,000 paper bills and recovery notices are issued each year for Council Tax. This proposal would introduce facilities for council tax payers to access their council tax bills online, thus removing the paper bill for those opting for online billing. Paper billing will continue to be available for those not choosing the online option.

What are the risks / mitigations?

There is a risk that a low number of council tax payers adopt online billing. To mitigate this risk a communication and promotion strategy would be implemented, alongside staff training to enable channel shift.

Saving in Detail

This proposal would involve implementing online facilities to enable council tax payers to access their council tax bills in digital format instead of receiving paper bills. Around 250,000 paper council tax bills and reminders are issued to council tax payers each year. Council tax online facilities will extend access for council tax payers, is a key element of the My Council programme, and may increase the number of council tax payments received by Direct Debit.

How we would implement this

Investment £0.000m - TBC

Implementation costs are already provided within the My Council programme.

What are the benefits?

Improved access for council tax payers, the ability for payers for download their bill at any time for other purposes. Reduced printing and postage costs, and environmental benefits by reducing paper usage and waste.

How would the public be affected?

Households are used to receiving most of their utility bills electronically. This proposal would enable council tax payers to opt into online billing which would enable them to view and download their bills. The option of paper billing will continue to be available for those not opting for online billing.

Impact on Staff

FTE: 0

No impact.

Deliverability

Implementation would be managed through a Programme Board and steps taken to promote online facilities. This will include social media promotions and staff training.

Impact on Groups / Communities

Positive impact by improving access to council tax bill.

Corp/13 : Review of NDR Relief

Savings Value: £0.120m

2026-27

2027-28

2028-29

£0.120m

£0.000m

£0.000m

Context

Review of Non-Domestic Rates relief following update to eligibility criteria as determined by the Scottish Government, and devolved to the Council.

What are the risks / mitigations?

Staff training will ensure that ratepayers can be supported to fully complete review forms.

Saving in Detail

Non-Domestic Rates is a national system with eligibility criteria generally set by the Scottish Government, with some relief criteria decisions devolved to councils. The Scottish Budget included changes to eligibility criteria for specified Non-Domestic Rates relief. A review will be undertaken of lands and heritages which are shootings and deer forests, and the Small Business Bonus Scheme.

How we would implement this

Investment £0.000m

No investment is required. The review will be undertaken within existing resources.

What are the benefits?

Reviews are undertaken to ensure the accuracy of rating liabilities.

How would the public be affected?

Ratepayers currently receiving relief will be required to return a fully completed review form to determine rating liabilities and future relief from 2026./27.

Impact on Staff

FTE: 0

None

Deliverability

Fully deliverable.

Impact on Groups / Communities

Ratepayers currently receiving relief will be required to return a fully completed review form to determine rating liabilities and future relief from April 2026. A full impact assessment has been carried out which has highlighted some negative impacts for island and mainland rural communities. Details of the full impact assessment can be found here: <https://www.highland.gov.uk/policies-strategy/integrated-impact-assessment>

Corp/4 : Advertising and sponsorship income

Savings Value: £0.070m

2026-27

2027-28

2028-29

£0.045m

£0.020m

£0.005m

Context

The Council's assets provides opportunities to generate income from advertising and sponsorship.

What are the risks / mitigations?

That income isn't realised at the anticipated level. The new MA post supported by key specialist staff within the Council can provide mitigation.

Saving in Detail

By bringing the management of the contract in house, it is estimated that Corporate Communications could increase income, year on year, while also creating a new Business Admin MA in the Comms team which would both support the administration of the contract and provide an entry level pathway.

How we would implement this Investment £0.025m

Appointment of 1 modern apprentice

What are the benefits?

Advertising opportunities more readily available for Council campaigns. Increased income generation. Entry level pathway for the Comms team. Admin support for the Comms team allowing professional comms staff to spend more time on their specialism.

How would the public be affected?

No impact.

Impact on Staff

FTE: 1
1 additional MA post created.

Deliverability

High

Impact on Groups / Communities

No impact

Corp/12 : Re-tender for Employee Assistance Programme

Savings Value: £0.005m

2026-27

2027-28

2028-29

£0.005m

£0.000m

£0.000m

Context

EAP provides all staff with counselling, advice and support with financial, mental health and other concerns. This is provided through an external contract.

What are the risks / mitigations?

Risk that no lower cost alternative will be available. This has been mitigated by exploring the market and current provider quotes.

Saving in Detail

The existing Employee Assistance Programme (EAP) contract ends 31 March 2026 . As part of the procurement process, initial exploration of the market has been undertaken which suggests that the market is competitive and a reduction in future contract costs can be achieved.

How we would implement this Investment £0.000m

No investment

What are the benefits?

Saving with no impact on service or staff.

How would the public be affected?

No impact

Impact on Staff

FTE: 0

Staff would continue to benefit from an EAP, potentially with improved or extended services.

Deliverability

High

Impact on Groups / Communities

No impact.

Corp/8 : Review of loans fund expenses and cost recovery

Savings Value: £0.050m

2026-27

2027-28

2028-29

£0.050m

£0.000m

£0.000m

Context

The Council's Loan charge revenue budget is circa £73m in the 2025/26 financial year, with this consisting of interest costs of the Council's borrowing, instalments (for capital expenditure) and expenses being the costs of borrowing.

What are the risks / mitigations?

No particular risks identified. Loans fund expenses will continue to be accounted for in line with relevant guidance and be subject to external audit as part of the Annual Accounts and year end process.

Saving in Detail

This saving relates to the expenses associated with operating the Council's Loans Fund, which is the Fund through which all borrowing costs associated with capital investment are managed. The Council has reviewed and benchmarked its costs, and identified opportunity for savings, including improved cost recovery.

How we would implement this Investment £0.000m

Arrangements for the accounting for and recovery of loans fund expenses will be revised for the 2026/27 financial year.

What are the benefits?

This saving relates to the expenses associated with operating the Council's Loans Fund, which is the Fund through which all borrowing costs associated with capital investment are managed. The Council has reviewed and benchmarked its costs, and identified opportunity for savings, including improved cost recovery.

How would the public be affected?

There will be no impact. This is an accounting change to how costs are managed and accounted for, with no impact on the public.

Impact on Staff

FTE: 0
No impact

Deliverability

No risks identified, changes will be made as part of normal in year accounting arrangements.

Impact on Groups / Communities

No impact

People/1 : Service Redesign Pathways & Lifelong Learning

Savings Value: £0.300m

2026-27

2027-28

2028-29

£0.300m

£0.000m

£0.000m

Context

CLD & employability are jointly managed and delivered under pathways and lifelong learning.

What are the risks / mitigations?

There is a risk that all the intended outcomes within the CLD plan will not be achieved. Increased workload across the team. Mitigation is the redesign of the service delivery model taking into account all available resources. Current vacancies within the structure will assist with savings delivery.

Saving in Detail

bringing a number of related services under the 'People' umbrella allows for a redesign of the service creating efficiencies by enabling integrated models of work and removal of duplication. Realignment of sessional budgets will provide a more consistent service.

How we would implement this Investment £0.000m

Audit roles and responsibilities and existing structures aligning to outcomes of delivery plan to create a more streamlined approach.

What are the benefits?

It is anticipated that the overall service delivery would be improved by increasing the collaboration of two distinct teams to deliver on the outcomes of My Highland Future portfolio.

How would the public be affected?

The public would benefit from a more joined-up model improving links with young people and adults in need of support from the employability service.

Impact on Staff

FTE: circa 4.0 FTE
Minimal due to current vacancies.

Deliverability

The design improvements would strengthen support across communities. A restructure would be carried out as per HR policy with current vacancies reducing the impact of this change.

Impact on Groups / Communities

The design improvements will result in a service that would strengthen support across communities. A restructure would be carried out as per HR policy with current vacancies reducing the impact of this change.

People/2 : Realign Pre-School Staff Resource to an area-based model

Savings Value: £0.150m

2026-27

2027-28

2028-29

£0.150m

£0.000m

£0.000m

Context

The Service is moving to a strengthened decentralised model, moving resources from the centre to area teams based on 8 ASG Clusters.

What are the risks / mitigations?

Restructuring teams can be unsettling and so requires good communication and engagement with staff, unions and stakeholders.

Saving in Detail

Making better connections between services across the People Cluster to deliver improved joined up service delivery. Provides wider opportunities for ELC staff and job progression.

How we would implement this Investment £0.000m

The saving would be made through a combination of changes starting with removing vacant positions no longer required and a review of roles and re-assigning other posts to areas.

What are the benefits?

Improved services delivered through greater clarity of role, function and responsibility.

How would the public be affected?

Improved services delivered through greater clarity of role, function and responsibility.

Impact on Staff

FTE: 0

No negative impact on staff will be achieved through removal of vacant posts or redeployment.

Deliverability

The design improvements will result in a service, the review would be carried out as per HR policy and current vacancies reducing the impact.

Impact on Groups / Communities

The proposal is likely to have a positive impact on young people and their families in need of support from the services by providing a more joined up service.

People/3 : Realign resource to establish Future Highland Academy

Savings Value: £0.100m

2026-27

2027-28

2028-29

£0.100m

£0.000m

£0.000m

Context

The Future Highland Academy will align existing support for specialised emotional and behavioural support for young people to focus on enhanced vocational study opportunities.

What are the risks / mitigations?

An Integrated Assessment Screening will be undertaken as part of the redesign process to ensure targeted mitigations are in place if required.

Saving in Detail

Specialist provisions are currently carrying the equivalent of this saving. The redesign will take place following the recruitment a manager. The Learning without Boundaries work stream within the Person-Centred Solutions Portfolio is focused on ensuring services are tailored to need and resources are optimised and linkages made across a range of complimentary initiatives. Improved reporting of inputs, outputs and outcomes will ensure delivery of a high quality, value for money service.

How we would implement this Investment £0.000m

Audit of existing roles and responsibilities and workforce to the delivery of the Future Highland Academy aligning outcomes to a more streamlined approach.

What are the benefits?

There will be a focus on delivering improved education opportunities and outcomes to all children and young people out with mainstream. There will be an increased focus on vocational qualifications and employability skills.

How would the public be affected?

Specialist education services across Highland for young people requiring emotional and behavioural support will be maintained or improved by greater consistency and oversight.

Impact on Staff FTE: 0

No negative impact on staff given existing vacancies.

Deliverability

The redesign improvements will result in a restructure of remits, the review would be carried out as per HR policy and current vacancies reducing the impact.

Impact on Groups / Communities

The redesign will result in a positive impact for young people as a result of improvements of service delivery in terms of vocational learning and employability support. This is also likely to lead to a positive socio-economic impact with young people leaving schools with greater skills to support the employability pipeline.

People/7 : Improve Safer Routes to Schools

Savings Value: £0.263m

2026-27

2027-28

2028-29

£0.164m

£0.099m

£0.000m

Context

Currently not all schools and communities have access to a crossing patroller which is not equitable. Current operations make them difficult to recruit resulting in long standing vacancies and gaps in safety.

What are the risks / mitigations?

Perceived loss of historical service mitigated by redesign and collaborative working to ensure consistent application of safer routes to schools.

Saving in Detail

Review and implement change around Safer Routes to Schools practice to reflect the need for consistent approaches to road safety arrangements. Review roles and responsibilities within this area creating more sustainable models to adjust for hard to fill posts, including exploring potential to align with other roles (FM/Adm/clerical/amenities) where these are still required.

How we would implement this

Investment £0.000m

Safer routes to school programme will augmented by the creation of two new posts to ensure the continued safety of children and young people.

What are the benefits?

More equitable application of effective practice. Ensuring appropriate and reliable safety measures are in place a for children which are resistant to workforce fluctuation. the investment in two new FTE will provide for stable road safety measures and enhance road safety awareness.

How would the public be affected?

More consistent pan-Highland approach to improving road safety will be available to all stakeholders.

Impact on Staff

FTE: 6 approx.

The saving will be phased in over two years, there are a number of vacancies already in existence.

Deliverability

This saving would be deliverable via redesign and closer partnership working across the People & Place Clusters.

Impact on Groups / Communities

The small number of schools and communities who benefit from a crossing patroller may perceive an impact.

**People/8 : Non-Teaching Turnover
Primary & Secondary**

Savings Value: £0.821m

2026-27

2027-28

2028-29

£0.821m

£0.000m

£0.000m

Context

All schools have clerical and or administrative support allocated to them based on their school roll as part of their devolved school management budget.

What are the risks / mitigations?

There would be oversight of movement of staff by the workforce planning team to ensure there is mitigation for small schools.

Saving in Detail

This saving is based on the assumption that there will be staff movement annually that mirrors what has happened in previous years. It calculates the budget that is not used when recruitment is underway for a vacant post.

**How we would implement this
Investment £0.000m**

A slippage target of 9% will be applied to non-teaching budgets related to Admin and Clerical posts in schools. The process to recover the savings will remove the excess budget from individual schools DSM allocations that is accumulated because of actual turnover, i.e. the budget saved between a resignation and appointment, (typically two months).

What are the benefits?

By removing un-used budget this saving avoids direct impact on schools for either clerical/admin requirements or learning and teaching, representing an efficient use of resources.

How would the public be affected?

The public will not be affected by this proposal

**Impact on Staff
FTE: 0**

There is no impact because the saving is not based on holding posts vacant; removing posts or delaying or stopping recruitment.

Deliverability

This will require regular monitoring of vacancies and calculation of savings achieved during the recruitment process.

Impact on Groups / Communities

No impact

People/5 : HLH Savings

Savings Value: £0.516m

2026-27

2027-28

2028-29

£0.096m

£0.168m

£0.252m

Context

As planned, 2026/27 is the first post-Covid year that the HLH has not required a balancing payment from the Council. In addition, HLH will deliver savings through a range of efficiencies and income measures.

What are the risks / mitigations?

The plan requires continued income growth across all charity services and assumes 12.5% increase in Trading Company margin. This will be kept under close scrutiny by HLH management across the year.

Saving in Detail

Going into financial year 2026/27, HLH had a residual budget gap of £1.7m. This has been addressed through a range of income and efficiencies and includes £516k saving to THC as part of a three year package of measures.

How we would implement this

Income growth through increased customer numbers and targeted price increases
 Staff savings achieved following a management restructure.
 Also of note is the income that will be generated by the Inverness Castle Experience. Figures have not been included here as this has already been factored into budgets and reported elsewhere.

What are the benefits?

A focus on income and efficiencies means that HLH services have been protected.

How would the public be affected?

The quality of provision will continue to improve with continued investment in infrastructure and programming. Price increases will be carefully managed, based on the principle of customer feedback and focused on equity of provision and maintaining the principle of accessibility at an affordable price for Highland Communities.

Impact on Staff

FTE: 0
 savings have been made from vacancies prompting a restructure

Deliverability

Planned measures are considered be deliverable however income generation presents risks particularly as HLH currently operates on zero reserves.

Impact on Groups / Communities

Impact are anticipated to be limited. The quality of provision will continue to improve with continued investment in infrastructure and programming. Price increases will be carefully managed, based on the principle of customer feedback and focused on equity of provision and maintaining the principle of accessibility at an affordable price for Highland Communities.

People/13 : UASC Support Recharge

Savings Value: £0.050m

2026-27

2027-28

2028-29

£0.050m

£0.000m

£0.000m

Context

Every local authority has a mandated number of UASC's and funding is provided to support this activity.

What are the risks / mitigations?

None required

Saving in Detail

The service have calculated that the current cohort of Unaccompanied Asylum Seeking Children can be supported at a reduced cost of £50k, by drawing on grant funding arrangements.

How we would implement this

Investment £0.000m

By utilising grant funding specifically provided for this purpose.

What are the benefits?

Positive financial impact at no risk to service delivery

How would the public be affected?

There would be no impact.

Impact on Staff

FTE: 0

No impact

Deliverability

The budget will be reduced accordingly

Impact on Groups / Communities

No impact.

People/14 : Recovery Plan Acceleration

Savings Value: £1.714m

2026-27

2027-28

2028-29

£0.000m

£1.103m

£0.611m

Context

The Children's Services Budget Recovery Plan has been agreed and set out a timetable for shifting the balance of care which brings linked savings.

What are the risks / mitigations?

Shortage of properties and the number of children requiring support exceeding the planning assumptions. A Project Board will ensure progress is kept under close scrutiny and any issues escalated for action asap.

Saving in Detail

The service is actively taking steps to increase the capacity to provide residential placements in Highland which will have the impact of accelerating the savings anticipated by the Recovery Plan. In year 1 investment will be provided to accelerate the actions required to deliver service improvement and cost reduction.

How we would implement this Investment £0.000m

This will require capital investment to secure more properties in Highland and to refurbish existing properties which is being explored through the capital programme and spend to save approaches.

What are the benefits?

Keeping Children and Young people within their local communities.

How would the public be affected?

Keeping Highland children within or closer to their communities.

Impact on Staff FTE: 0

No negative impact on staff. Would result in additional staff recruitment to support more young people being looked after in Highland.

Deliverability

Subject to the availability of suitable properties.

Impact on Groups / Communities

The proposal is likely to have a positive impact on young people, noting a number of these young people will also have a disability, and on children's rights overall, as a result of keeping Highland children within or closer to their communities.

**People/11 : Flexible Childcare
Income Uplift (Benchmarking
Council Provision & Private Sector)**

Savings Value: £0.169m

2026-27

2027-28

2028-29

£0.054m

£0.056m

£0.059m

Context

The current budget for flexible childcare income across ELC provisions is £1.1m

What are the risks / mitigations?

Continue to charge less than PVI allowing for parental choice. May impact lower income families however as registered services, tax credit vouchers can be used, and support can be gained from partner services regarding income maximisation and benefits.

Saving in Detail

Proposal to increase charges for additional ELC hours (over 1140) and school aged childcare from current rate of £5.05 to £5.30 in 26/27, £5.57 in 27/28 & £5.85 in 28/29.

**How we would implement this
Investment £0.000m**

No investment required. The mechanism already exists for charges in childcare so this would be implemented easily. Impact on staff.

What are the benefits?

Increased in income to invest in improvements. Local Authority settings more closely aligned with charging within PVI sector.

How would the public be affected?

The impact would be minimal as this increased costs of 5% uplift per annum would continue to be below the rate of between £6.00-£7.00 charged by PVI settings.

Impact on Staff

FTE: 0

No impact on staff as systems already in place to process payments in this way.

Deliverability

Easy to deliver

Impact on Groups / Communities

The increase in charges could have a negative socio-economic impact on some families however this increase is minimal and continues to remain below the rate charged by other PVI settings.

Place/1 : Workshop - Commercial

Savings Value: £0.300m

2026-27

2027-28

2028-29

£0.150m

£0.050m

£0.100m

Context

To enable of workshops to be commercial and offer our services to external customers. The first workshop would be Fort William and the plan would be to sign up to be a VW authorised repair agent as well as becoming a MOT testing lane.

What are the risks / mitigations?

The risks are minimal due to the support we have with VW and the lack of repair agents in the area.

Saving in Detail

This is income Generation that we don't currently have in place. This should be managed through the fleet team with support from finance. The opportunity to expand across all areas of Highlands once set up would enhance further income.

How we would implement this Investment £0.085m

MOT testing equipment and MOT tester training. Further investment is required to support modern technology in the workshop to allow external opportunity.

What are the benefits?

It helps staff retention and allows us to expand our facilities to private business as well as supporting blue light colleagues.

How would the public be affected?

Positive impact with improve facilities for mechanical repairs and MOT testing facilities.

Impact on Staff

FTE: 0

Allows apprentice to become full time after winning awards etc.

Deliverability

No concerns

Impact on Groups / Communities

None

Place/2 : Catering - Commercial

Savings Value: £0.100m

2026-27

2027-28

2028-29

£0.050m

£0.025m

£0.025m

Context

Currently the catering team provide catering provision to national treatment centre. This opportunity is to expend the provision into Raigmore Hospital through a collaborative approach with NHS.

What are the risks / mitigations?

Limited risk as this is currently in place and mitigation would be to cease or reduce in event of failure or deploy the workload to other kitchens

Saving in Detail

Additional Income through the extended catering provision to NHS. The current process is in place therefore should offer reassurance that this can work and be developed - the early indication from NHS is that we extend to 600 sandwiches every 2nd day.

**How we would implement this
Investment £0.000m**

The process is well developed therefore this should be viewed as an extension to current income generation

What are the benefits?

Further development on commercial catering provision utilising our existing infrastructure to generate income.

How would the public be affected?

No impact

Impact on Staff

FTE: 0

Additional workload

Deliverability

No concerns

Impact on Groups / Communities

None

Place/3 : In House Bus - Route Optimisation

Savings Value: 0.285m

2026-27

2027-28

2028-29

£0.200m

£0.050m

£0.035m

Context

In House bus team taking over stagecoach routes from 19th Feb 2026 which includes a high costing Conon Bridge contract.

What are the risks / mitigations?

No risk or mitigation as agreed and starting on 19th Feb 2026

Saving in Detail

Stagecoach have informally given notice of their intention to withdraw services from Milton of Leys, Drakies, Culduthel, Slackbuie and Dalneigh. The Highland Council Buses team have designed timetables which provide hourly services to these areas until early evening, Monday to Saturday, with some exceptions when buses are required for school journeys. These will require three buses and four additional drivers. These timetables would broadly maintain the level of service with these areas have had since July 2025. Further to this and to support the introduction of the new services the in house bus team have explored high costing contracts to offset the increase costs of providing addition service in Inverness.

How we would implement this

Investment £0.000m

This is past implementation stage.

What are the benefits?

Supporting communities with transport offerings.

How would the public be affected?

Improved access to public transport

Impact on Staff

FTE: 0

No impact

Deliverability

The example provided in detail shows this can be done and discussions are taking place in other areas.

Impact on Groups / Communities

Potential positive socio-economic impact and positive impact on key groups with protected characteristics who rely on public transport.

Place/4 : Void Cleans

Savings Value: 0.090m

2026-27 **2027-28** **2028-29**

£0.050m **£0.025m** **£0.015m**

Context
Highland Council Cleaning services providing void cleans to housing colleagues which is currently provided through an external provider at high costs. This would offer extended income for CCFM and reduced costs for housing.

What are the risks / mitigations?
Staff sickness - mitigation would be a bigger pull on other resource with the CCFM network

Saving in Detail
In partnership with procurement colleagues there has been ongoing discussion on how to deliver and its clear to see the rising contractor costs can be controlled through an internal process whilst offering income through the commercial CCFM team.

How we would implement this
Investment £0.060m
Additional equipment and cleaning materials are required.

What are the benefits?
Better value for public money

How would the public be affected?
No impact

Impact on Staff
FTE: 0
Dependent on growth currently there enough resource within the commercial team with some minor changes

Deliverability
This is very much part of the commercial teams role therefore delivery is no issue.

Impact on Groups / Communities
No impact.

Place/5 : Community Transport vs 3rd Party Providers

Savings Value: 0.090m

2026-27

2027-28

2028-29

£0.050m

£0.025m

£0.015m

Context

Extend current service provision to allow community transport providers to deliver school transport and utilise there fleet to deliver community based transport between school times.

What are the risks / mitigations?

Failure to recruit community based transport drivers - mitigations to this is that we have moved to develop a driver trainer to support community transport providers

Saving in Detail

This proposal is for contract 4800/105/ASN - St Clements School from the Fortrose, Munloch & Culbokie areas to be operated by a Community Transport Group (Communities in Motion CiM) based in Culbokie. The contract is currently being operated by a commercial contractor at an annual cost of £39,753. The vehicle will be provided by Highland Council and will be available to CiM to use for the group's activities at all times other than when operating the above home to school contract. - this is an example agree to commence on 1st April

How we would implement this Investment £0.025m

As per the example above and this would be further supported by SLA and support by finance colleagues.

What are the benefits?

Reduce contractor costs to deliver school transport and improved community transport links

How would the public be affected?

Improved community transport offerings

Impact on Staff

FTE: 0

No impact

Deliverability

The example provided in detail shows this can be done and discussions are taking place in other areas

Impact on Groups / Communities

Improve community led transport networks and better offering to NHS for patient transport schemes

Place/6 : CPC Training in house

Savings Value: 0.060m

2026-27

2027-28

2028-29

£0.020m

£0.020m

£0.020m

Context

All Vocational Drivers within Highland Council must attend a yearly CPC course which is currently provided by external partners. We are in a position to move this in house as we now have a trained person within the in house bus as well as having opportunities to deliver to

What are the risks / mitigations?

None

Saving in Detail

This is an opportunity to generate income and reduce costs paid to contractors which show CPC training is carried out at present in the Roads and Waste service as well as the in house bus service.

How we would implement this Investment £0.000m

What are the benefits?

Cost controls and opportunity to expand

How would the public be affected?

Nil

Impact on Staff

FTE: 0

Demand driven but potential to back fill

Deliverability

CPC is a legal requirement therefore current process in place to deliver - needs to be moved in house

Impact on Groups / Communities

No impact.

Place/7 : RCV reduction

Savings Value: 0.350m

2026-27

2027-28

2028-29

£0.200m

£0.100m

£0.050m

Context

With the ongoing review of HGV Fleet and the recent delivery of new RCVs an opportunity to review requirements of fleet size working with waste services exists.

What are the risks / mitigations?

Smaller fleet with less spare capacity however mitigation with newer fleet

Saving in Detail

Reduction of RCV fleet by two vehicles, to ensure that efficiencies are achieved in running and maintenance costs. The vehicles will be sold, with a subsequent addition to the capital fund.

**How we would implement this
Investment £0.000m**

Reduction of fleet size within the RCV range and 2 RCV sent to auction

What are the benefits?

Income through sale and a slight reduction in the maintenance spend

How would the public be affected?

Only noted during outage and breakdown if service is impacted

Impact on Staff

FTE: 0

Nil

Deliverability

No concern as usual process followed

Impact on Groups / Communities

No impact.

**Place/8 : Corran Ferry -
Fare Increase**

Savings Value: 0.135m

2026-27

2027-28

2028-29

£0.135m

£0.000m

£0.000m

Context

Current review of corran ferry fares with the view of putting an increase forward based on inflation and in line with other ferry operators

What are the risks / mitigations?

Risk would be lack of stakeholder group engagement

Saving in Detail

This is increased income through applying inflation related fare increase as well as reviewing costings for larger and heavy vehicles crossing given the additional wear and tear

**How we would implement this
Investment £0.000m**

Fares will increase from 1st April 2026, following engagement with stakeholder group to outline this inflationary uplift.

What are the benefits?

Increased income, and fares in line with ferry operations

How would the public be affected?

Increased costs

Impact on Staff

FTE: 0
Nil

Deliverability

Robust engagement and options for fare structure through the stakeholder groups will be undertaken. The fare increase is also aligned to the new ticketing system which will naturally improve income through more robust checks.

Impact on Groups / Communities

Potential socio-economic impact on individuals and business owners. Potential negative impact on children's rights, rural areas and on lower income users such as elderly/disabled users. Mitigation in place includes concessionary books for senior citizens and locals. Registered disabled drivers go free. Increases are in line with inflation and other ferry operators.

Place/9 : Commercial Sales

Savings Value: 0.110m

2026-27

2027-28

2028-29

£0.080m

£0.020m

£0.010m

Context

Allow for commercial and private sales of products through our stores. We can offer a wide range of products through our buying power which creates income.

What are the risks / mitigations?

Nil as we currently carry stock

Saving in Detail

Stores are keen to develop a sales outlet that offers the opportunity to sell a mixed range of products that would be available through our buying power. This can be offered to private and fellow public sector organisations as well as staff .

How we would implement this Investment £0.000m

Internal and external marketing

What are the benefits?

Staff discounts and income generation

How would the public be affected?

Opportunities to partner or buy from Highland Council

Impact on Staff

FTE: 0

Nil

Deliverability

Strong and robust communication internally and externally.

Impact on Groups / Communities

No impact.

Place/10 : Pool car share with NHS

Savings Value: 0.030m

2026-27

2027-28

2028-29

£0.030m

£0.000m

£0.000m

Context

Car Club schemes are designed to support business travel and Highland Council have a robust network in place. Opportunity has arisen to share our scheme with NHS Highlands which should be treated as additional income.

What are the risks / mitigations?

No risk as current scheme in place

Saving in Detail

Highland Council has a car club fleet based across the Highlands and NHS are looking to share access. This will support a reduction in grey mileage claims but also increase utilisation. There is an agreed SLA and charging model which the car club technology can administrate.

**How we would implement this
Investment £0.000m**

Everything as been agreed and process in place

What are the benefits?

Increased utilisation and better utilisation of public sector assets

How would the public be affected?

No impact

Impact on Staff

FTE: 0

Nil

Deliverability

All work complete and ready to be put into place.

Impact on Groups / Communities

Positive climate impact through improved car usage.

Place/11 : Review current structure

Savings Value: 0.030m

2026-27

2027-28

2028-29

£0.030m

£0.000m

£0.000m

Context

Opportunity to review the Fleet and Facilities area in terms of structure and posts. This has shown improvements across the area which will improve pay costs

What are the risks / mitigations?

Nil

Saving in Detail

Review current management structure and vacancies to provide improved structure.

How we would implement this Investment £0.000m

Formal process supported by HR

What are the benefits?

Improved vacancy management and structure

How would the public be affected?

No Impact

Impact on Staff

FTE: 0

Reduction on vacant positions

Deliverability

Ongoing within the teams

Impact on Groups / Communities

Nil

Place/12 : Non Statutory Planning Activity

Savings Value: 0.100m

2026-27

2027-28

2028-29

£0.080m

£0.010m

£0.010m

Context

Increased application fees for non Statutory application for planning -will be put in place. The demand is increasing mainly from energy related projects statutory

What are the risks / mitigations?

No risk

Saving in Detail

Additional income through additional non statutory applications for non statutory planning work has been made possible through the increased economic activity in the area, including energy related projects. This includes pre-application advice, the discharging of conditions and other priority determination services.

How we would implement this Investment £0.000m

Demand driven process managed through the team

What are the benefits?

Additional income

How would the public be affected?

Nil

Impact on Staff

FTE: 0

Deliverability

Delivery within current model and the team need to be prepared for additional application which can be monitored through performance stats.

Impact on Groups / Communities

No impact

Place/13: Increase in export certificate fees

Savings Value: 0.004m

2026-27

2027-28

2028-29

£0.004m

£0.000m

£0.000m

Context

The proposal is to have a single fee structure and increase export certificate fees by 3%.

What are the risks / mitigations?

There is a risk that export certificate sales could reduce as an effect of the increase but this is expected to be unlikely.

Saving in Detail

Those wishing to export food and drink products often require an export certificate. Environmental Health can provide a standard certificate and a charge is made for this service. The proposal is to have a single fee structure and increase the fee charged by 3%.

How we would implement this Investment £0.000m

N/A

What are the benefits?

The income received can be used to support the operation of the Environmental Health Service.

How would the public be affected?

Those requiring to export goods will be required to pay more for certification.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

This change can be delivered from 1st April 2026 by implementing a single fee structure and increasing the current fee by 3%.

Impact on Groups / Communities

This will result in an increase in charges for those requiring an export certificate. Any impact is likely to be limited.

Place/41 :Planning Fees and Building Warrant fees

Savings Value: 0.507m

2026-27

2027-28

2028-29

£0.507m

£0.000m

£0.000m

Context

Planning and Building Warrant fees are set nationally so there is a degree of certainty over the income that will be received on the basis of the pipeline of activity that officers are aware of.

What are the risks / mitigations?

There is a risk that there is an economic downturn and forecast levels of income are not achieved.

Saving in Detail

Building Warrant fees are due to increase by 12% in 2026/2027. Based on current levels of activity this is forecast to increase income by £327k. Planning Fee income is set to raise at inflationary levels, which will result in additional income of £180k based on current levels of activity. It should be noted that some of this fee increase is being provided back to the planning and building standards teams to deal with cost increases, staffing capacity and provide for new technology solutions for process improvement.

How we would implement this Investment £0.417m

£186k of the investment being made in the service will deal with cost increases and contract uplifts. The balance (£231k) will be used to focus on strengthening the teams with particular pressures (e.g. transport planning and major projects) and seeking to recruit new staff. There will also be investment in process improvements.

What are the benefits?

Additional income will lead to further investment in the service

How would the public be affected?

Planning and Building Warrant fees will increase.

Impact on Staff

FTE: 5

This investment could lead to up to a further 5 members of staff across Planning and Building Standards.

Deliverability

These forecasts are based on professional assessment on the levels of activity underway.

Impact on Groups / Communities

There will be an impact as a result of increased costs for building projects but this will be minimal within the overall costs of a project. There is mitigation in place for groups that may attract reduced fees i.e. community councils, community sports facilities and/or disability access to residential property.

Place/14 : Public Analyst Contract review

Savings Value: 0.010m

2026-27

2027-28

2028-29

£0.010m

£0.000m

£0.000m

Context

Public Analyst services are provided via a contract for Environmental Health and Trading Standards, this contract needs reviewed and renewed.

What are the risks / mitigations?

There is a risk that the contract negotiation does not achieve the desired saving. A national project is reviewing this service which may impact the saving.

Saving in Detail

Currently there is a contract for Public Analyst services used by Environmental Health and Trading Standards. There is a need to renegotiate the contract to achieve the saving.

How we would implement this Investment £0.000m

N/A

What are the benefits?

The benefit will be a reduced cost to the service for the Public Analyst service.

How would the public be affected?

No direct impact

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

In order to deliver this a successful negotiation of the contact will be required.

Impact on Groups / Communities

No direct

Place/15 : Provide Food Hygiene Courses

Savings Value: 0.006m

2026-27

2027-28

2028-29

£0.002m

£0.002m

£0.002m

Context

There is an opportunity to roll out a Food Hygiene course across Highland from within the Councils current resource.

What are the risks / mitigations?

There is a risk that course bookings are not sufficient to achieve the levels of income projected, however following a pilot held in Sutherland in 2025 it is expected to be a reasonable target.

Saving in Detail

According to food hygiene regulations, all food handlers must be supervised and, or instructed and, or trained in food hygiene matters. This proposal is to deliver food hygiene courses, across Highland by an in house trainer.

How we would implement this Investment £0.000m

N/A

What are the benefits?

The income received can be used to support the operation of the Environmental Health Service.

How would the public be affected?

Those interested would have the opportunity to attend a Council run Food Safety training course.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

Courses can be offered from 1st April 2026 as a continuation of the pilot, and rolled out more widely from 2026/27. Courses will be advertised on the Council website, social media and via press releases.

Impact on Groups / Communities

No impact.

Place/16 : Increase Lair Fees

Savings Value: 0.007m

2026-27

2027-28

2028-29

£0.007m

£0.000m

£0.000m

Context

The proposal is, where there is a current fee, to increase the lair fees by 3%.

What are the risks / mitigations?

There is a risk that lair sales could reduce as an effect of the increase but this is expected to be unlikely.

Saving in Detail

Current fees are;
 Under 18 years old - no charge
 One adult (single depth) - £658
 Two adults (double depth) - £935
 Cremated Remains (up to 4 caskets) - £503
 The proposal is, where there is a fee, to increase the fees by 3%.

How we would implement this Investment £0.000m

N/A

What are the benefits?

The income received can be used to support the operation of the Bereavement Services.

How would the public be affected?

An increased fee to pay to purchase a lair.

Impact on Staff

FTE: 0
 N/A no reduction in staff

Deliverability

This change can be delivered from 1st April 2026 by increasing the current fee.

Impact on Groups / Communities

This will result in an increase in charges for those purchasing a lair. Any impact is likely to be limited.

Place/17 : Increase Internment Fees

Savings Value: 0.005m

2026-27

2027-28

2028-29

£0.005m

£0.000m

£0.000m

Context

The proposal is, where there is a current fee, to increase the lair fees by CPI.

What are the risks / mitigations?

There is a risk that internment could reduce as an effect of the increase but this is expected to be unlikely.

Saving in Detail

There is no fee currently for under 18 years old.
 Current fees are; Internment (Monday to Friday); Adult - £1,003.00, Cremation casket - £234.00
 Internment (Saturday); Adult - £1,254.00, Cremation casket - £293.00
 Internment (Sunday and Public Holidays); Adult - £1,505.00, Cremation casket - £352.00.
 The proposal is, where there is a fee, to increase the fees by CPI.

How we would implement this Investment £0.000m

N/A

What are the benefits?

The income received can be used to support the operation of the Bereavement Services.

How would the public be affected?

An increased fee to pay for an internment.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

This change can be delivered from 1st April 2026 by increasing the current fee.

Impact on Groups / Communities

This will result in an increase in charges for those paying for an internment. Any impact is likely to be limited.

Place/18 : Increase attended Cremation fees

Savings Value: 0.005m

2026-27

2027-28

2028-29

£0.000m

£0.003m

£0.002m

Context

The proposal is, where there is a current fee, to increase the attended cremation fees by CPI.

What are the risks / mitigations?

There is a risk that attended cremations could reduce as an effect of the increase but this is expected to be unlikely.

Saving in Detail

Following the completed refurbishment works to the crematorium the proposal is to increase the fee for an attended cremation by CPI.
 Current cremation fees; under 18 years old, no charge. (Monday to Friday, including use of the chapel)
 Adults - £1,003, Additional chapel time - £183.
 Cremation (Saturday and Public Holiday, including use of the chapel) Adults - £1,165.

How we would implement this Investment £0.000m

N/A

What are the benefits?

The income received can be used to support the operation of the Bereavement Services.

How would the public be affected?

An increased fee to pay for an attended cremation.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

This change can be delivered from 1st April 2027 by increasing the current fee.

Impact on Groups / Communities

This will result in an increase in charges for those paying for an attended cremation. Any impact is likely to be limited.

Place/19 : Higher fee for triple depth graves

Savings Value: 0.008m

2026-27

2027-28

2028-29

£0.008m

£0.000m

£0.000m

Context

The proposal is to introduce a triple depth lair fee.

What are the risks / mitigations?

There is a risk that triple depth lair sales are reduced as an effect of the increase but this is expected to be unlikely.

Saving in Detail

Currently no fee is charged for a triple depth lair, the proposal is to introduce a triple depth lair fee.

How we would implement this Investment £0.000m

N/A

What are the benefits?

The income received can be used to support the operation of the Bereavement Services.

How would the public be affected?

An increased fee to pay for a triple depth lair.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

This change can be delivered from 1st April 2026 by introducing this new fee.

Impact on Groups / Communities

This will result in an increase in charges for those purchasing a triple depth lair. Any impact is likely to be limited.

Place/20 : Lair surrender purchases

Savings Value: 0.003m

2026-27

2027-28

2028-29

£0.001m

£0.001m

£0.001m

Context

Currently when a lair is surrendered the fee paid for that lair is based on the current lair fee minus a small admin fee. With this proposal the lair fee paid for a surrender would be the fee paid at the time of purchase, minus a small admin fee.

What are the risks / mitigations?

There is a risk that there will be a reduction in the number of lair surrenders per annum, but this is expected to be unlikely.

Saving in Detail

When a lair is surrendered the cost paid for the lair will be based on the fee paid at the time of purchase, not at the current lair sale rate, minus a small admin fee.

How we would implement this Investment £0.000m

N/A

What are the benefits?

The benefits will be the applicant surrendering the lair receives what they paid for the lair back (minus a small administration fee).
The benefit to the Service is reduced costs in accepting lair surrender applications.

How would the public be affected?

Those who wish to surrender a lair would receive back slightly less than was paid for the lair originally.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

This change can be delivered from 1st April 2026 by implementing the lair surrender rate, based on rate at time of purchase.

Impact on Groups / Communities

This will result in the person surrendering the lair receiving back only what they paid for the lair, minus the admin fee. Any impact is likely to be limited.

Place/22 : Restructure

Savings Value: 0.060m

2026-27

2027-28

2028-29

£0.000m

£0.060m

£0.000m

Context

As part of the roads and amenities redesign it is expected efficiencies will result in a reduced workforce.

What are the risks / mitigations?

Delivering the saving through vacancy management alone.

Saving in Detail

Implementing the efficiencies from the roads and amenities redesign project is likely to result in a small reduction in manual workforce. This will be managed via vacancy management.

How we would implement this Investment £0.000m

N/A

What are the benefits?

Increase in service efficiency.

How would the public be affected?

There is no direct impact from this proposal.

Impact on Staff

FTE: 3

Reduction in three manual worker posts.

Deliverability

This will be managed within normal vacancy management.

Impact on Groups / Communities

It is not anticipated to have any direct impact on particular groups or communities.

Place/23 : Quarry business case

Savings Value: 0.400m

2026-27

2027-28

2028-29

£0.000m

£0.200m

£0.200m

Context

Introduce dry storage facilities and recruit two operatives to increase quarry production.

What are the risks / mitigations?

Current demand due to major developments and increased capital budgets could be reduced. This is expected to be unlikely.

Saving in Detail

Savings can be made by introducing dry storage to reduce production costs and increase production/output. Increasing the establishment will reduce the dependence on contractors and increase production/outputs and maximise utilisation of existing coated materials plant.

How we would implement this Investment £0.300m

To install dry storage buildings and increase the number of posts in the establishment by 2 FTEs.

What are the benefits?

Reduced production costs, improved efficiencies and reduced CO2 emissions. Reduced dependence on external sources of material and improved succession planning.

How would the public be affected?

The public will benefit from the quarry having an increased delivery capacity resulting in a price per square metre reduction in costs allowing further capital works to be completed.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

Procurement of dry storage buildings can commence from 1st April 2026. Recruitment of 2 FTEs can commence from 1st April 2026.

Impact on Groups / Communities

Anticipated to have a positive impact in both rural and urban communities due to increased efficient production leading to improved service delivery.

Place/24 : Delivery of own Traffic Management

Savings Value: 0.250m

2026-27

2027-28

2028-29

£0.100m

£0.150m

£0.000m

Context

Deliver an in house traffic management service.

What are the risks / mitigations?

Current demand due to major developments and increased capital budgets could be reduced. This is expected to be unlikely.

Saving in Detail

Establishing an in house traffic management service, by employing two FTEs to deliver this.

How we would implement this Investment £0.070m

Develop and establish an in house traffic management service. Appointment of two FTEs.

What are the benefits?

Reduced costs, reduced dependence on external contractors. When not working on traffic management staff can be deployed into wider service delivery.

How would the public be affected?

There is no direct impact from this proposal.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

Establishment of service can be commenced from 1st April 2026.

Impact on Groups / Communities

This proposal relates to decreasing reliance on contractors. There is no anticipated impact on particular groups or those within particular communities.

Place/25 : Create barrier squad

Savings Value: 0.200m

2026-27

2027-28

2028-29

£0.100m

£0.100m

£0.000m

Context

Deliver an in house barrier installation service.

What are the risks / mitigations?

This is an auditable service requiring sector scheme approval. Quality Assurance would be monitored by Engineering staff.

Saving in Detail

Establishing an in house barrier installation service, by employing two FTEs to deliver this.

**How we would implement this
Investment £0.070m**

Develop and establish an in house barrier installation service. Appointment of two FTEs.

What are the benefits?

Reduced costs, reduced dependence on external contractors. When not working on barrier installation staff can be deployed into wider service delivery.

How would the public be affected?

There is no direct impact from this proposal.

Impact on Staff

FTE: 0
N/A no reduction in staff

Deliverability

Establishment of service can be commenced from 1st April 2026

Impact on Groups / Communities

This proposal relates to decreasing reliance on contractors. There is no anticipated impact on particular groups or those within particular communities.

Place/26 : Purchase roller and paver

Savings Value: 0.119m

2026-27

2027-28

2028-29

£0.119m

£0.000m

£0.000m

Context

Purchase plant to reduce annual costs and improve capital delivery efficiencies.

What are the risks / mitigations?

There will be a requirement to service and maintain the equipment but it is expected this can be delivered locally.

Saving in Detail

Savings can be made by purchasing surfacing plant, rather than hiring it. Reducing reliance on external contractors and securing equipment to deliver the service.

How we would implement this Investment £0.100m

Purchase a roller and paver to deliver both internal and external works.

What are the benefits?

Reduced costs, improved efficiencies, will enable the ability to bid for external works. Reduced dependence on contractors . Can deliver surfacing pan Highland with dedicated plant.

How would the public be affected?

There is no direct impact from this proposal.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

Procurement of roller and paver can be commenced from 1st April 2026.

Impact on Groups / Communities

This proposal relates to decreasing reliance on hire companies. There is no anticipated impact on particular groups or those within particular communities.

**Place/27 : Play park installations
(income)**

Savings Value: 0.078m

2026-27

2027-28

2028-29

£0.018m

£0.024m

£0.036m

Context

To introduce the opportunity for the Play Technician team to become more commercial and provide a play equipment installation service out with the Council, to private developers and neighbouring Authorities (Moray and Perthshire)

What are the risks / mitigations?

There is a risk that income from play park installations is not increased however this is expected to be unlikely.

Saving in Detail

Utilising the existing Play Technician team to install play equipment on a commercial basis. This service could be offered to private developers, other Local Authorities or private businesses.

**How we would implement this
Investment £0.000m**

N/A

What are the benefits?

The income received can be used to support the operation of the Play Technician team.

How would the public be affected?

There is no direct impact from this proposal.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

This will be delivered within existing resources, using the existing Play Technician team.

Impact on Groups / Communities

Minimal to no impact anticipated.

Place/28 : Reduced hired equipment

Savings Value: 0.010m

2026-27

2027-28

2028-29

£0.010m

£0.000m

£0.000m

Context

Reduce the current hired grass cutting machinery requirements.

What are the risks / mitigations?

There is a risk that the reduced number of machines could impact the levels of grass cutting. This will be mitigated by ensuring sufficient route planning is carried out, based on a reduced number of machines.

Saving in Detail

Currently Amenities have a contract for the provision and maintenance of grass cutting machinery. The proposal will see the number of machines hired within this contract reduced.

How we would implement this Investment £0.000m

N/A

What are the benefits?

Improved efficiencies in Grass Cutting Service.
Reduction/Savings in Fuel/Vehicle usage.

How would the public be affected?

There is no direct impact from this proposal.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

An amendment can be made on the number of hired machines, within the scope of the contract. This can be delivered from 1st April 2026.

Impact on Groups / Communities

This proposal relates to route optimisation to improve job efficiency. It is not anticipated to have any direct impact on particular groups or communities. It is anticipated to have a positive climate impact in relation to a reduction in fuel and vehicle use.

Place/29 : Increase mandatory parking fees

Savings Value: 0.020m

2026-27

2027-28

2028-29

£0.020m

£0.000m

£0.000m

Context

The proposal is to increase overnight parking charges at Rose Street Car Park in 2026/27 and in 2027/28.

What are the risks / mitigations?

People may choose to park elsewhere leading to income target not being achieved and this could lead to inappropriate parking. Parking enforcement will manage inappropriate parking.

Saving in Detail

This proposal is to increase overnight parking charges at Rose Street Car Park;
 from £8 for 18 hours up to £10 for 18 hours in 2026/27 and £12 for 18 hours in 2027/28
 from £9 for 24 hours up to £12 for 24 hours in 2026/27 and £15 for 24 hours in 2027/28

How we would implement this Investment £0.000m

The revised parking arrangements will be publicised, and parking enforcement will be carried out.

What are the benefits?

There will be increased income generated for Parking Services.

How would the public be affected?

The cost of the mandatory 24 hours parking fee at Rose Street will be increased.

Impact on Staff

FTE: 0
 N/A no reduction in staff

Deliverability

Changes to the current charging schedule will be necessary.

Impact on Groups / Communities

This will result in an increase in charges for 24 hour parking in Rose Street. Any impact is likely to be limited.

Place/30 : Increase invitation to pay parking

Savings Value: 0.080m

2026-27

2027-28

2028-29

£0.050m

£0.030m

£0.000m

Context

The Council currently operates 26 car parks that are invitation to pay (ITP), generating around £330k gross income.

What are the risks / mitigations?

People may choose not to pay for parking which will mean the income target is not met. Promotion of the scheme will help to mitigate this. Members may not approve ITP in their local car parks.

Saving in Detail

This proposal is to increase the number of car parks with invitation to pay (ITP) parking.

How we would implement this Investment £0.000m

The revised parking arrangements will be publicised, and parking enforcement will be carried out.

What are the benefits?

There will be increased income generated for Parking Services and focuses on maximising income from visitors. The current arrangements for splitting the income with area committees will remain in place, and the committee will continue to be able to reinvest that income in projects.

How would the public be affected?

The number of sites with invitation to pay fees will be increased.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

Changes to the current charging schedules displayed at the ITP sites will be necessary.

Impact on Groups / Communities

This will result in an increase in the number of sites where ITP is in place. Any impact is likely to be limited.

Place/31 : Increase design scheme income generation

Savings Value: 0.040m

2026-27

2027-28

2028-29

£0.030m

£0.010m

£0.000m

Context

The proposal is to increase the fee charged for a street lighting design scheme to be increased by 3%.

What are the risks / mitigations?

There is a risk that design scheme requests could reduce as an effect of the increase but this is expected to be unlikely.

Saving in Detail

The proposal is to increase the fee charged by Street Lighting to Developers by 3%.

How we would implement this Investment £0.000m

N/A

What are the benefits?

The income received can be used to support the operation of the Street Lighting Service.

How would the public be affected?

There is no direct impact from this proposal.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

This change can be delivered from 1st April 2026 by introducing this increased fee.

Impact on Groups / Communities

This will result in an increase in charges for those paying for a street lighting design scheme. Any impact is likely to be limited.

Place/32 : Offer electrician service out with Council

Savings Value: 0.040m

2026-27

2027-28

2028-29

£0.000m

£0.020m

£0.020m

Context

The proposal is to offer the services of Council Electricians out to commercial or domestic properties.

What are the risks / mitigations?

There is a risk that the opportunity to provide this service is not taken up from external customer, but this is likely to be low.

Saving in Detail

Develop a process to introduce an offer on an electrician service out with the Council to domestic and commercial properties. This will generate an income for the service.

How we would implement this Investment £0.000m

N/A

What are the benefits?

The income received can be used to support the operation of the Street Lighting Service.

How would the public be affected?

The option of hiring a Council Electrician to complete works on properties, domestic or commercial would be available to them.

Impact on Staff

FTE: 0

N/A no reduction in staff

Deliverability

Establishment of service can be commenced from 1st April 2026.

Impact on Groups / Communities

The impact is likely to be positive on communities as they will have another choice of service provider to deliver their electrician service requirements.

Place/35 : Commercial Leases Renegotiation

Savings Value: 0.425m

2026-27

2027-28

2028-29

£0.025m

£0.200m

£0.200m

Context

The Council has a wide portfolio of commercial and industrial properties that are subject to rent reviews and renegotiation of leases on an annual basis

What are the risks / mitigations?

Risks are that rental levels may reduce rather than increase. The team will monitor the rental market and identify any issues in advance of leases being renegotiated.

Saving in Detail

This income is a normal uplift in the income from the various leases that are renegotiated during the three year timeframe. Rents are set through negotiation and are reported through the Housing & Property Committee. This is a fair assessment of the additional income that will flow from this activity, recognising that year 1 is lower to reflect an overestimate in the last financial year.

How we would implement this Investment £0.000m

Work is underway through the Commercial Property team on an rent reviews and lease negotiation.

What are the benefits?

Additional income to the Council through commercial activity.

How would the public be affected?

Occupiers of Council buildings will see an uplift in rents as part of normal commercial arrangements.

Impact on Staff

FTE: 0

N/A

Deliverability

This is part of normal day to day activity and is based on a professional estimate by the team responsible so is therefore deliverable.

Impact on Groups / Communities

No impacts.

Place/36 : Removal of community loan fund management fee

Savings Value: 0.045m

2026-27

2027-28

2028-29

£0.045m

£0.000m

£0.000m

Context - CLF was created in 2022 to support community organisations wishing to grow, with a focus on community assets. It is managed through HOIL. There has been limited take up to date & HOIL have been able to manage the CLF product without the £500k contribution.

What are the risks / mitigations? -

HOIL can continue to offer the CLF using existing funds available, or alternatively they can withdraw the product and continue to collect outstanding CLF repayments. Withdrawal of the management fee needs to be absorbed by HOIL.

Saving in Detail

The original community loan fund was for £0.5m. Since 2022, 16 loans have been awarded - 7 have been repaid in full, 7 remain outstanding with a total balance of £0.191m. 2 loans have been approved but not drawn down totalling £0.15m. Given challenges of transferring Council funds to HOIL, the loans have been made from existing HOIL funds. Due to the low take up, it is proposed to remove the community loan investment and associated management fee. The saving will be taken from the management fee ceasing.

How we would implement this Investment £0.000m

Removal of management fee from HOIL. Existing loans would be managed from existing resources until such time they are paid off.

What are the benefits?

Maintaining a separate loan is not a good use of resources - particularly given the low take up. Alternative sources of funding is available for groups - both loan and grant.

How would the public be affected?

There would be limited impact on the public and on community groups. There has been a low take up of the loan fund to date. Many community groups are not in a position to take on a loan, seeking grant funding instead. Loans tend to be used for bridging funds or gap funding and would still be able to be provided through HOIL.

Impact on Staff

FTE: 0

HOIL would need to review their staffing levels to reflect the change in funding.

Deliverability

The budget would be removed. Existing loans would continue to be managed through HOIL

Impact on Groups / Communities

There could be an indirect impact on groups whose activities include supporting individuals with protected characteristics or disadvantaged communities. However, this impact is likely to be minimal as alternative sources of loan finance are available.

Place/37 : Increase in CRF contribution towards core investment work

Savings Value: 0.100m

2026-27

2027-28

2028-29

£0.100m

£0.000m

£0.000m

Context

Annually, a contribution of £0.3m is made towards Community Regeneration work from Scottish Crown Estate funding. This is support the wider regeneration work of the team.

What are the risks / mitigations?

If in the future, this revenue stream reduced or ceased, there would be a financial impact on the core budget.

Saving in Detail

A further £0.1m to be taken from the overall allocation. There would remain £2.151m for local distribution and £0.416 for the Strategic fund.

How we would implement this Investment £0.000m

Funds would be taken from the overall allocation

What are the benefits?

Ensuring the wider work of the team is adequately resourced.

How would the public be affected?

No direct impact although there would be £0.1m less to distribute at a local level. These are one off awards and therefore there is no impact on ongoing service delivery.

Impact on Staff

FTE: 0
No impact

Deliverability

The additional funds would be taken from the budget before local distribution.

Impact on Groups / Communities

There is the potential for indirect impact on particular groups who may represent or deliver services to groups with protected characteristics or within communities that are particularly disadvantaged. However, there is no direct impact given that the funds are discretionary and provided on a one off basis.

Place/34 : Management Fee/Dividend

Savings Value: 0.200m

2026-27

2027-28

2028-29

£0.200m

£0.000m

£0.000m

Context

The Council is the owner and sole shareholder of D&E Coaches Limited. Following one year of operation under Council ownership, the company continues to trade well and is in a positive financial position.

What are the risks / mitigations?

There is a risk that removing this from the company will affect business operation. However, there has been a thorough assessment of the financial and operational standing and these risks are mitigated.

Saving in Detail

Given the positive trading position of the company it is intended that a dividend is drawn down from the company to support Council Services. The Board of Directors is currently made up of two of the Assistant Chief Executives and the Board is supported by a range of advisers from across the Council.

How we would implement this Investment £0.000m

There will be a drawdown of £200k from the company accounts, following due diligence and governance through the D&E Board.

What are the benefits?

The Council is benefitting directly from the strong performance of the company.

How would the public be affected?

There will be no affect on the public

Impact on Staff

FTE: 0
N/A

Deliverability

The financial position of the company ensures that this proposal is immediately deliverable, subject to governance through the D&E Board.

Impact on Groups / Communities

No Impact.

Place/40 :New Attendance Support Officer with savings measured by improvement in attendance

Savings Value: 0.050m

2026-27

2027-28

2028-29

£0.050m

£0.000m

£0.000m

Context

There are particular issues in some parts of the Place cluster with short and long term absence. This saving is intended to reduce the reliance on agency workers, by working with teams to investigate causes of absence and managing returns to work.

What are the risks / mitigations?

Risk is that the post is not filled. Efforts will be made to widen recruitment efforts.

Saving in Detail

With this investment in an Attendance Support Officer, the emphasis will be on ensuring that absence management is implemented in specific teams where rates of absence are higher. There are health & safety aspects of operational activity that do require a certain number of operatives to be available, so agency is often used to cover gaps. By working in a more targeted manner, we will seek to ensure absence rates are reduced, with a saving in agency staff costs.

How we would implement this Investment £0.040m

Employ a Place Cluster Attendance Support Officer.

What are the benefits?

Reduced sickness absence and financial benefit through reduction of agency spend.

How would the public be affected?

N/A

Impact on Staff

FTE: 1
Positive

Deliverability

Post will be advertised and filled.

Impact on Groups / Communities

No impact

Previously Agreed Savings After Rebasing & Reprofiting

Annex 5b

	2026/27 £m	2027/28 £m	2028/29 £m
Previously Agreed Savings as at March 2025	18.660	5.112	0.000
Rebasing & reprofiling of savings as per Annex 2 - the funding of which met from 'Pressures' funding	-6.950	0.493	0.780
Updated Previously Agreed Savings after Rebasing & Reprofiting	11.710	5.605	0.780

Analysis of Updated Previously Agreed Savings

*(savings marked * and highlighted are those re-based. And also reflected in the 2026/27 to 2028/29 rebasing and reprofiling as set out in Annex 2 - Pressures)*

Reference	Description	Previously Agreed Savings as at March 2025			Updated Previously Agreed Savings after Rebasing & Reprofiting		
		2026/27 £m	2027/28 £m	2028/29 £m	2026/27 £m	2027/28 £m	2028/29 £m
HC 290224 CS:6	Food in Schools : Delivering Sustainability	0.351			0.351		
HC 290224 CS:22 & HC 060325 HSW:2	Children's Services : Family First Approach	0.700	0.500		0.700	0.500	
HC 290224 CS:29	Redesign of Adult Social Care	2.600			2.600		
HC 290224 HP:9	Redesign of the Delivery of Trades Services	0.300			0.300		
HC 290224 CS:34	Digital Innovation - DB01 Pre-empting Demand for Adults Services	0.102	0.102		0.102	0.102	
HC 290224 CS:34	Digital Innovation - DB02 Digitally Involving the Community in Care	0.019	0.018		0.019	0.018	
HC 290224 CS:34	Digital Innovation - DB18 Automated Highways Monitoring	0.132	0.131		0.132	0.131	
HC 290224 CS:34	Digital Innovation - DB20 Finding Foster Carers *	0.290	0.307		0.000	0.000	
HC 290224 CS:34	Digital Innovation - DB41 Using AI to Automate SARS and FOI Requests	0.021	0.021		0.021	0.021	
HC 290224 CS:34	Digital Innovation - DB12 Planning Application Intelligent Automation	0.087	0.087		0.087	0.087	
HC 290224 HP:7	Modernisation of Cleaning Service	0.043			0.043		
HC 290224 EL:13	Early Years Delivery Model	0.500			0.500		
HC 290224 EL:11	Education: Primary Management Restructure	0.495			0.495		
HC 290224 CS:4	Strategic Operating Model - Review E&L management structure	0.100			0.100		
HC 060325 E&L:1	Realign resources to an area-based model to ensure better alignment	0.225	0.150		0.225	0.150	
HC 060325 E&L:2	Common framework for management & support arrangements	0.200	0.220		0.200	0.220	
HC 060325 E&L:4	New School Clusters - management *	0.020	0.210		0.000	0.230	
HC 060325 E&L:7	Review school needs to design integrated Single Status roles	0.100	0.150		0.100	0.150	
HC 060325 C&P:1	Asset Management System and Removal of Manual Job Card Processes	0.050			0.050		
HC 060325 I&E:11	Delivery of Council mid market rent model *	0.060	0.120		0.000	0.180	
HC 060325 DCE:1	Review of management structure & future Data Centre provision	0.150			0.150		
HC 290224 CS:28	Reconfiguring School Assets *	0.500			0.000	0.100	0.100
HC 290224 CS:25	Demonstrator Projects *	0.400			0.000	0.200	

Reference	Description	Previously Agreed Savings as at March 2025			Updated Previously Agreed Savings after Rebasing & Reprofiting		
		2026/27 £m	2027/28 £m	2028/29 £m	2026/27 £m	2027/28 £m	2028/29 £m
HC 290224 CS:26	More Energy Efficient Buildings	0.300			0.300		
HC 290224 CS:23	Implement Network of Community Facilities for Services *	0.500			0.100	0.100	
HC 290224 HP:3	Accelerated Rationalisation of Offices & Depots *	0.250			0.000	0.000	
HC 290224 Corp-1 & HC 060325 R&F:6	Procurement saving opportunities	0.500	0.500		0.500	0.500	
HC 290224 DCE-1	New SWAN contract - revenue saving net of capital investment required	0.593			0.593		
HC 290224 CS:20	Efficiencies from Social Work Procurement	0.100			0.100		
HC 290224 CS:35	1% efficiency target from relevant service budgets	0.945			0.945		
HC 290224 EL:16	DSM adjustments and digital learning	0.500			0.500		
HC 060325 E&L:8	Improvements in workforce practice	0.020			0.020		
HC 060325 HSW:1	Realignment of expenditure to match grant - Justice Services	0.050			0.050		
HC 060325 C&P:6	Staff travel utilisation, grey fleet and car club	0.100	0.100		0.100	0.100	
HC 060325 I&E:8	Route Optimisation (Winter Gritting) *	0.100	0.100		0.000	0.200	
HC 060325 I&E:10	Digitisation of Job Card Processes	0.100	0.100		0.100	0.100	
HC 060325 I&E:18	Efficiencies within fleet and cross service savings across Car Club, Grey Fleet and private hire *	0.200	0.250		0.000	0.000	
HC 060325 R&F:1	HR and Payroll process redesign and new ways of working *	0.300			0.050	0.100	0.150
HC 060325 R&F:2	Review business support posts (excluding schools) that are located outwith the Resources & Finance Service		0.050			0.050	
HC 060325 R&F:7	Review of operational and service management structures	0.320	0.320		0.320	0.320	
HC 290224 HP:8	Commercial Lease Fees - New rental income from third party leases *	0.075			0.000	0.075	
HC290224 CS:17 & HC 060325 R&F:8&9	Fees & Charges	0.834	0.934		0.834	0.934	
HC 290224 RF:3	Corporate Debt Management arrangements & scope to increase collection	0.030			0.030		
HC 290224 HP:5	Delivering additional Cleaning & FM Services to Housing Services	0.021			0.021		
HC 290224 PG:2	Primary Partnership Model - Trading Standards	0.020			0.020		
HC 290224 CP:18	Garden Waste Collections	0.027			0.027		
HC 290224 CP:17	Business Waste Collections	0.093			0.093		
HC 290224 CS:3	Infrastructure Support Service	0.100			0.100		
HC 290224 CS:19	Unique Tourist Visitor Experiences *	0.150	0.300		0.000	0.150	0.300
HC 290224 CS:12	EV Charging *	0.100			0.050	0.100	0.100
HC 290224 CS:11	Battery Storage *	0.200			-0.230		
HC 290224 CS:13	Maximise and Expand Solar PV *	0.500			0.000	0.500	
HC 290224 CS:16	Solar Panels – Commercial Estate *	0.300			-0.200		
HC 290224 CS:15	Commercial Scale Solar PV *	2.600			0.000		tbc

Reference	Description	Previously Agreed Savings as at March 2025			Updated Previously Agreed Savings after Rebasing & Reprofileing		
		2026/27 £m	2027/28 £m	2028/29 £m	2026/27 £m	2027/28 £m	2028/29 £m
HC 060325 C&P:2	Increase shower charging	0.002	0.002		0.002	0.002	
HC 060325 C&P:3	Disposal by sale/lease of vacant properties	0.010	0.010		0.010	0.010	
HC 060325 H&P:1	Increased Rental income from Industrial & Investment Properties	0.200	0.200		0.200	0.200	
HC 060325 I&E:2	Increase in Harbour Dues *	0.100	0.100		0.000	0.000	
HC 060325 I&E:12	Income from Council sites for SSEN infrastructure projects *	0.075	0.130		0.000	0.075	0.130
HC 060325 I&E:13, E&L:3	Surpluses from Inverness Castle Operation	0.900			0.900		
TOTAL SAVINGS		18.660	5.112	0.000	11.710	5.605	0.780

Earmarked Reserves - Summary

Annex 6a

	2025/26 Opening Balance per 2024/25 Accounts £m	2025/26 Transfers £m	2025/26 Earmarking £m	2025/26 Drawdowns £m	Transfer from Non- earmarked Reserves £m	HC 05/03/26 Re- purposing to maintain 3% General Reserve £m	Updated Forecast Balance £m
Budget Pressure and Investment	36.660	-4.061		-4.075		-15.700	12.824
Delivery Plan Investment - Corporate Solutions	2.204			-1.158			1.046
Delivery Plan Investment - Income Generation	2.240			-0.224			2.016
Delivery Plan Investment - Net Zero, Energy Investment & Innovation	1.477						1.477
Delivery Plan Investment - Person Centred Solutions	15.228			-3.346		-3.200	8.682
Delivery Plan Investment - Reconfiguring Our Asset Base	0.271						0.271
Delivery Plan Investment - Workforce for the Future	0.579			-0.287			0.292
Delivery Plan Investment - Cross Portfolio Programme & Project Mgt	0.290			-0.100			0.190
Restricted Use Reserves	26.746	-0.379	4.934	-0.831			30.470
Grants & Match Funding	5.229	-0.787		-1.357			3.085
Investment Impairment Reserve	1.000					-1.000	0.000
Legacy Investment Funds (Phases 1-4)	3.462			-0.307			3.155
Moss Park	1.760			-0.807			0.953
Other Legacy Reserves	3.279	-0.270		-0.082			2.927
HC 05/03/26 - Pressures from Reserves (Note 1)					9.911		9.911
HC 05/03/26 - Investment from Reserves (Note 2)					1.500		1.500
Further target for re-purposing & re-allocating existing earmarked reserves	-6.700	5.497				-2.000	-3.203
Total	93.725	0.000	4.934	-12.574	11.411	-21.900	75.596

Note 3

Notes

	£m
1. Total pressures met from reserves per Annex 2 - Budget Pressures	9.911
Recovery Plan Support - Children's Services - Multi-year	3.900
Recovery Plan Support - Fleet Support - Multi-year	3.000
HRP Implementation Costs	0.926
Investment for savings proposal Place/1 (Fleet Workshop)	0.085
Insurance Fund top-up	2.000
	<u>9.911</u>
2. Total investment met from reserves per Annex 4 - Budget Pressures	1.700
My Future Highland/Workforce North	1.200
Repair the Highlands Fund - Phase 2	0.300
	<u>1.500</u>
3. Re-purposed Earmarked Reserves transferred to General Reserve to meet 3% target	21.900
From ASC EMR towards ASC 25/26 deficit support	3.200
INV/4 Community Transport - reduction/re-purposing	5.000
INV/12 Teacher Numbers - reduction/re-purposing	1.700
INV/5 Investment in shared renewable energy - reduction/re-purposing	6.000
Demonstrator EMR - re-purposing (as project costs met from capital)	3.000
Impairment reserve - re-purpose	1.000
Target for further EMR re-purposing in 2026	2.000
	<u>21.900</u>

Earmarked Reserves - Further Detail

Annex 6b

		2025/26 Opening Balance per 2024/25 Accounts £m	2025/26 Transfers £m	2025/26 Earmarking £m	2025/26 Drawdowns £m	Transfer from Non- earmarked Reserves £m	HC 05/03/26 Re- purposing to maintain 3% General Reserve £m	Updated Balance £m
	Categorization in Annex 6a							
Budget 2024-25 - Savings & Transformation - Education Innovation	Budget Pressure and Investment	0.500						0.500
Budget 2024-25 - Savings & Transformation - Cleaning Service Modernisation	Budget Pressure and Investment	0.118						0.118
Budget 2024-25 - Savings & Transformation - Assets - Demonstrator Projects	Budget Pressure and Investment	3.000					-3.000	0.000
Budget 2024-25 - Savings & Transformation - Assets - Network of Facilities	Budget Pressure and Investment	1.000						1.000
Budget 2024-25 - Savings & Transformation - Offices & Depots Rationalisation	Budget Pressure and Investment	0.500						0.500
Budget 2024-25 - Savings & Transformation - SWAN Contract ICT Investment	Budget Pressure and Investment	1.304			-1.009			0.295
Budget 2024-25 - Pressures - HLH	Budget Pressure and Investment	1.898						1.898
Budget 2024-25 - Pressures - Property Maintenance	Budget Pressure and Investment	4.000			-2.000			2.000
Budget 2024-25 - Pressures - Waste & Recycling POPS	Budget Pressure and Investment	1.395	-1.145					0.250
Budget 2024-25 - Pressures - Interest & Treasury Management Fund	Budget Pressure and Investment	2.916	-2.916					0.000
Budget 2024-25 - Pressures - Gaelic Translation Yr1	Budget Pressure and Investment	0.052			-0.052			0.000
Budget 2025-26 - Pressures - Flow Country World Heritage Site	Budget Pressure and Investment	0.335			-0.112			0.223
Budget 2025-26 - Pressures - Grounds Maintenance - Project Delivery	Budget Pressure and Investment	0.100			-0.100			0.000
Budget 2025-26 - Pressures - Community Planning	Budget Pressure and Investment	0.075			-0.075			0.000
Budget 2025-26 - Pressures - Mid Market Rent Model	Budget Pressure and Investment	0.064			-0.064			0.000
Budget 2025-26 - Pressures - Social Work Case Management System	Budget Pressure and Investment	1.884			-0.072			1.812
Budget 2025-26 - Pressures - Longman Park Travelling Site	Budget Pressure and Investment	0.320			-0.320			0.000
Budget 2025-26 - Investment - INV4 Community Transport	Budget Pressure and Investment	6.000			-0.026		-5.000	0.974
Budget 2025-26 - Investment - INV5 Renewable Energy	Budget Pressure and Investment	8.000					-6.000	2.000
Budget 2025-26 - Investment - INV6 Rural Poverty Commission	Budget Pressure and Investment	0.300			-0.050			0.250
Budget 2025-26 - Investment - INV7 Repair the Highlands Challenge Fund	Budget Pressure and Investment	0.500						0.500
Budget 2025-26 - Investment - INV10 Community & Family Wellbeing	Budget Pressure and Investment	0.200			-0.050			0.150
Budget 2025-26 - Investment - INV12 Teacher Numbers	Budget Pressure and Investment	2.000			-0.108		-1.700	0.192
Budget 2025-26 - Investment - INV13 Leadership & Management Capacity	Budget Pressure and Investment	0.200			-0.038			0.162
	Budget Pressure and Investment	36.660	-4.061	0.000	-4.075	0.000	-15.700	12.825
Budget 2024-25 - Savings & Transformation - Digital Innovation - renamed My Council	Delivery Plan Investment - Corporate Solutions	0.274			-0.270			0.004
Budget 2024-25 - Savings & Transformation - Assets - Terra Tracker	Delivery Plan Investment - Corporate Solutions	0.022						0.022
Budget 2024-25 - Pressures - People and Finance Systems Programme	Delivery Plan Investment - Corporate Solutions	0.776			-0.398			0.378
Future Investment Capacity Fund - Corporate Solutions - Data & Digital Solutions - renamed Service Improvement Solutions	Delivery Plan Investment - Corporate Solutions	0.079			-0.073			0.006
Future Investment Capacity Fund - Corporate Solutions - Data Foundations	Delivery Plan Investment - Corporate Solutions	0.578			-0.201			0.377
Future Investment Capacity Fund - Corporate Solutions - Digital Foundations	Delivery Plan Investment - Corporate Solutions	0.270			-0.129			0.141
Future Investment Capacity Fund - Corporate Solutions - Future Operating Model	Delivery Plan Investment - Corporate Solutions	0.205			-0.088			0.117
	Delivery Plan Investment - Corporate Solutions	2.204	0.000	0.000	-1.158	0.000	0.000	1.046
Budget 2024-25 - Savings & Transformation - Tourism Income - Motorhomes	Delivery Plan Investment - Income Generation	0.750			-0.005			0.745
Budget 2024-25 - Savings & Transformation - Tourism Income - Unique Visitor Experiences	Delivery Plan Investment - Income Generation	1.490			-0.219			1.271
	Delivery Plan Investment - Income Generation	2.240	0.000	0.000	-0.224	0.000	0.000	2.016
Future Investment Capacity Fund - Net Zero & Energy - Net Zero Programme Team	Delivery Plan Investment - Net Zero, Energy Investment & Innovation	0.630						0.630
Future Investment Capacity Fund - Net Zero & Energy - Energy Saving Measures	Delivery Plan Investment - Net Zero, Energy Investment & Innovation	0.409						0.409
Future Investment Capacity Fund - Net Zero & Energy - Solar PV - Commercial	Delivery Plan Investment - Net Zero, Energy Investment & Innovation	0.164						0.164
Future Investment Capacity Fund - Net Zero & Energy - Investment Pipeline	Delivery Plan Investment - Net Zero, Energy Investment & Innovation	0.274						0.274
	Delivery Plan Investment - Net Zero, Energy Investment & Innovation	1.478	0.000	0.000	0.000	0.000	0.000	1.478
Budget 2024-25 - Savings & Transformation - Family First	Delivery Plan Investment - Person Centred Solutions	1.903			-1.346			0.557
Budget 2024-25 - Savings & Transformation - ASC	Delivery Plan Investment - Person Centred Solutions	12.125			-2.000		-3.200	6.925
Budget 2024-25 - Community Led Capacity Building	Delivery Plan Investment - Person Centred Solutions	1.200						1.200
	Delivery Plan Investment - Person Centred Solutions	15.228	0.000	0.000	-3.346	0.000	-3.200	8.682
Future Investment Capacity Fund - Asset Reconfiguration - New Area Community Hubs	Delivery Plan Investment - Reconfiguring Our Asset Base	0.271						0.271
	Delivery Plan Investment - Reconfiguring Our Asset Base	0.271	0.000	0.000	0.000	0.000	0.000	0.271
Future Investment Capacity Fund - Workforce for the Future - Programme Mgt & School Support	Delivery Plan Investment - Workforce for the Future	0.287			-0.218			0.069
Future Investment Capacity Fund - Workforce for the Future - Digital School	Delivery Plan Investment - Workforce for the Future	0.292			-0.069			0.223
	Delivery Plan Investment - Workforce for the Future	0.579	0.000	0.000	-0.287	0.000	0.000	0.292
Future Investment Capacity Fund - Cross Portfolio Programme & Project Management Resources	Delivery Plan Investment - Cross Portfolio Programme & Project Mgt	0.290			-0.100			0.190
	Delivery Plan Investment - Cross Portfolio Programme & Project Mgt	0.290	0.000	0.000	-0.100	0.000	0.000	0.190
Developers' Contributions	Restricted Use Reserves	12.365			-0.309			12.056
DSM Balances	Restricted Use Reserves	1.572						1.572

		2025/26 Opening Balance per 2024/25 Accounts £m	2025/26 Transfers £m	2025/26 Earmarking £m	2025/26 Drawdowns £m	Transfer from Non- earmarked Reserves £m	HC 05/03/26 Re- purposing to maintain 3% General Reserve £m	Updated Balance £m
	Categorization in Annex 6a							
DSM Balances - Counselling in Schools	Restricted Use Reserves	0.531			-0.239			0.293
Elections	Restricted Use Reserves	0.500		0.085				0.585
Green Freeport	Restricted Use Reserves	0.329		0.125				0.454
Car Parking Income - Badenoch & Strathspey	Restricted Use Reserves	0.002						0.002
Car Parking Income - Caithness	Restricted Use Reserves	0.029						0.029
Car Parking Income - Inverness	Restricted Use Reserves	0.098						0.098
Car Parking Income - Lochaber	Restricted Use Reserves	0.026						0.026
Car Parking Income - Skye	Restricted Use Reserves	0.285						0.285
Car Parking Income - Sutherland	Restricted Use Reserves	0.028						0.028
Car Parking Income - Wester Ross	Restricted Use Reserves	0.041						0.041
SALIX Recycling Fund	Restricted Use Reserves	1.777		0.837				2.614
SALIX Recycling Fund - Management Fees	Restricted Use Reserves	0.163						0.163
Scottish Crown Estate	Restricted Use Reserves	8.620		3.887	-0.284			12.223
Short Term Lets Licensing Income	Restricted Use Reserves	0.380	-0.380					0.000
	Restricted Use Reserves	26.745	-0.380	4.934	-0.831	0.000	0.000	30.468
New Concerto Property Database System - Module Development Work	Grants & Match Funding	0.179						0.179
RRTP Homelessness	Grants & Match Funding	0.473			-0.473			0.000
Whole Family Wellbeing	Grants & Match Funding	2.249						2.249
National Trauma Training	Grants & Match Funding	0.048						0.048
FWES Employability	Grants & Match Funding	0.787	-0.787					0.000
Regional Economic Partnership Fund (Western Isles)	Grants & Match Funding	0.107						0.107
Ukrainian Resettlement Fund	Grants & Match Funding	0.724			-0.288			0.436
Local Heat & Energy Efficiency Strategies	Grants & Match Funding	0.067						0.067
Scottish Welfare Fund	Grants & Match Funding	0.597			-0.597			0.000
	Grants & Match Funding	5.230	-0.787	0.000	-1.357	0.000	0.000	3.085
Investment Impairment Reserve	Investment Impairment Reserve	1.000					-1.000	0.000
	Investment Impairment Reserve	1.000	0.000	0.000	0.000	0.000	-1.000	0.000
Economic Prosperity Fund	Legacy Investment Funds (Phases 1-4)	1.148			-0.253			0.894
Place-Based Investment	Legacy Investment Funds (Phases 1-4)	0.053			-0.053			0.000
Supporting Safe & Effective working	Legacy Investment Funds (Phases 1-4)	0.034						0.034
Community Loans Fund	Legacy Investment Funds (Phases 1-4)	0.500						0.500
Roads - Maintenance	Legacy Investment Funds (Phases 1-4)	1.544						1.544
Climate Action, Green Energy and Jobs	Legacy Investment Funds (Phases 1-4)	0.157						0.157
Rural Transport	Legacy Investment Funds (Phases 1-4)	0.026						0.026
	Legacy Investment Funds (Phases 1-4)	3.462	0.000	0.000	-0.307	0.000	0.000	3.155
Moss Park	Moss Park	1.760			-0.807			0.953
	Moss Park	1.760	0.000	0.000	-0.807	0.000	0.000	0.953
Outdoor Education Fund	Other Legacy Reserves	0.460						0.460
PPP Handback	Other Legacy Reserves	0.150	-0.150					0.000
Welfare - Flexible Fund to Support People Impacted by Restrictions (R-31)	Other Legacy Reserves	0.135						0.135
Other Covid19 - Ward Discretionary Funds (Covid-19)	Other Legacy Reserves	0.022			-0.022			0.000
Education Transitional Funding	Other Legacy Reserves	0.009						0.009
IT Investment Fund	Other Legacy Reserves	1.269	0.380		-0.022			1.626
Recycling Improvement Fund including Skips, Recycling Centre infrastructure & Recycling Banks	Other Legacy Reserves	0.037			-0.037			0.000
Staffing Conditions & Development Fund (SCDF) - Office Reviews	Other Legacy Reserves	0.785	-0.500					0.285
Legal Underspend	Other Legacy Reserves	0.060						0.060
Flexible Working/New Ways of Working	Other Legacy Reserves	0.213						0.213
Walks to Water/Flow Country World Heritage Site	Other Legacy Reserves	0.014						0.014
Match funding for ESF Poverty & Social Inclusion	Other Legacy Reserves	0.125						0.125
	Other Legacy Reserves	3.279	-0.270	0.000	-0.082	0.000	0.000	2.927
Further target for re-purposing & re-allocating existing earmarked reserves		-6.700	5.497				-2.000	-3.203
HC 05/03/26 - Pressures from Reserves						9.911		9.911
HC 05/03/26 - Investment from Reserves						1.500		1.500
Total		93.725	0.000	4.934	-12.574	11.411	-21.900	75.596

Proposed Council Tax Charges 2026/27 & Indicative Council Tax Charges 2027/28 and 2028/29

Proposed/Indicative Change			7%		7%		7%	
Band	Multiplier Factor	2025/26 Council Tax £	2026/27 Proposed Change £	2026/27 Proposed Council Tax £	2027/28 Indicative Change £	2027/28 Indicative Council Tax £	2028/29 Indicative Change £	2028/29 Indicative Council Tax £
DBR	5/9	848.38	59.39	907.77	63.55	971.32	67.99	1,039.31
A	6/9	1,018.06	71.27	1,089.33	76.25	1,165.58	81.59	1,247.17
B	7/9	1,187.74	83.14	1,270.88	88.96	1,359.84	95.20	1,455.04
C	8/9	1,357.41	95.03	1,452.44	101.67	1,554.11	108.79	1,662.90
D	9/9	1,527.09	106.90	1,633.99	114.38	1,748.37	122.39	1,870.76
E	473/360	2,006.43	140.45	2,146.88	150.28	2,297.16	160.81	2,457.97
F	585/360	2,481.52	173.71	2,655.23	185.87	2,841.10	198.89	3,039.99
G	705/360	2,990.55	209.35	3,199.90	223.99	3,423.89	239.68	3,663.57
H	882/360	3,741.37	261.91	4,003.28	280.23	4,283.51	299.85	4,583.36

Council Tax Charging for Second Homes and Long-Term Empty Properties

Background

In June 2024, the Council agreed a Highland Housing Challenge in recognition of both the issues in meeting the current need for housing across communities in Highland and the anticipated future demand for housing based upon the economic opportunities coming to the area. Forecasts suggest that 24,000 new homes are required over the next 10 years to meet housing demand in Highland. This is 12,000 more than the current anticipated completion rates of 12,000 over this period.

A significant shift is therefore required to deliver against this new housing demand. The proposed changes to the Council Tax charges for second homes and long-term empty properties provide opportunities to help with the requisite shift to increase housing supply.

The Housing (Scotland) Act 2025 was passed by the Scottish Parliament on 30 September 2025 and received Royal Assent on 6 November 2025. It introduces major reforms to the private rented sector (PRS), including long-term rent controls, enhanced tenant rights, and new duties for preventing homelessness. It also introduces additional powers for local authorities to charge higher Council Tax on second homes and long-term empty properties by removing the existing cap.

The Highland Council has 3,369 second homes and 2,466 long-term empty properties. This equates to approximately 4.6% of the Council's council tax base. The Highland Council has notably more second homes and long-term empty properties than any other local authority in Scotland and for long-term empty properties, 41% have been empty for more than 3 years.

Analysis of data from the Wealth and Assets Survey 2018-2020 shows that owners with more than one property both in Scotland (and in GB) overall were on average wealthier, and also had higher incomes compared to home-owners without an additional property and households without any property wealth. Increased Council Tax charging for second homes and long-term empty properties is intended to encourage owners to bring their properties back into occupation as principal homes, improve the availability of housing within local communities, reduce the negative impacts associated with empty or under-used properties, and promote fairness and consistency across the Council Tax system.

The range of relevant legislation includes:

- The Local Government Finance Act 1992
- Council Tax (Exempt Dwellings) (Scotland) Order 1997
- Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013
- Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023
- Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2026

In 2025/26 the Council Tax charges determined by The Highland Council for both Long-Term Empties and Second Homes are set at the maximum cap of 200%. The legislative change from 1 April 2026 **removes** the cap on Second Homes and Long-Term Empty properties.

Proposed Council Tax Charging for Second Homes and Long-Term Empty Properties commencing from 1 April 2026

As noted above, the legislative changes from 1 April 2026 are the **removal of the cap** on second homes and long-term empty properties. It remains the case for Local Authorities to determine such charges, including those which are no longer subject to the cap.

For unoccupied properties the legislation remains **unchanged**, ie depending on individual circumstances, an unoccupied property can attract a Council Tax charge of up to 100%.

Only when a property is continuously unoccupied for a period exceeding 12 months can it then be classed as a Long-Term Empty Property for Council Tax purposes.

The charges for second homes take effect from 1 April in the relevant financial year. For Long-Term Empty properties, the applicable charge will be determined depending on the period of inoccupation and individual circumstances.

The proposed charges are shown below, followed by some examples.

Classification	Description	2026/27	2027/28	2028/29
Unoccupied	Depending on individual circumstances, an unoccupied property can attract a Council Tax charge of up to 100%.	Up to 100%	Up to 100%	Up to 100%
Long-Term Empties	A property is designated as a Long-Term Empty dwelling if it has been continuously unoccupied for a period exceeding 12 months. This charge will be applicable for up to 24 months from the date that the property is determined a Long-Term Empty for the purposes of Council Tax.	250%	250%	250%
	This charge will be applicable after 24 months have elapsed from the date that the property is determined a Long-Term Empty for the purposes of Council Tax.	250%	350%	400%
Second Home	A property is classed as a second home when it is not anyone's sole or main residence, is furnished, has been lived in for 25 days or more during the previous 12 months.	300%	350%	400%

There also follows some examples relating to Long-Term Empties.

Example 1	Date	Total Charge
Property becomes unoccupied	01-Mar-23	Up to 100%
Property becomes Long-Term Empty	01-Mar-24	200%
	01-Apr-26	250%
	01-Apr-27	350%
	01-Apr-28	400%

Example 2	Date	Total Charge
Property becomes unoccupied	01-Apr-24	Up to 100%
Property becomes Long-Term Empty	01-Apr-25	200%
	01-Apr-26	250%
	01-Apr-27	350%
	01-Apr-28	400%

Example 3	Date	Total Charge
Property becomes unoccupied	01-Oct-26	Up to 100%
Property becomes Long-Term Empty	01-Oct-27	250%
	01-Oct-29	400%

The Highland Council Policy

1. The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2026 enable local authorities to:
 - Establish a national default rate for Council Tax premiums for second homes and long-term empty homes of 100%
 - Provides interpretation provision in regulation 2 of the 2013 Regulations to separate long-term empty homes from the general definition of unoccupied dwelling
 - Determine how those premiums apply in their area from 1 April 2026 including increasing or reducing the premium, applying no premium, or applying a discount, and to apply different approaches for different cases, classes of dwelling or areas.

2. **Exemptions and Mandatory Discounts**
 - 2.1 Time-limited Council Tax exemptions in the Highland Council area are applied in line with national legislation and depend on the specific circumstances of each case. Exemptions may apply where a property is unoccupied due to bereavement, long-term care, hospitalisation, imprisonment, uninhabitable conditions, repossession, or where all residents are full-time students or otherwise disregarded. Eligibility is assessed on individual circumstances, and the list of possible exemptions is not exhaustive.
 - 2.2 From 1 April 2024, The Highland Council is no longer permitted to apply the Council Tax premium to long-term empty homes that have been purchased by a new owner within the previous six months where repairs or renovations are underway to bring the property back into use. This measure is intended to support owners who are actively working to re-occupy empty homes. The Council retains discretion to extend this six-month period where they consider it appropriate to permit necessary works to be completed.
 - 2.3 The increased flexibility does not affect eligibility for statutory exemptions under the Council Tax (Exempt Dwellings) (Scotland) Order 1997.

3. **Discretionary Considerations**
 - 3.1 The Highland Council's Revenues section retains discretion to decide whether specific liabilities may be excluded from the premium, taking account of the circumstances. Each case will be considered on its own merits, and a decision will be made based on the evidence provided.

The table below details a description of unoccupied, Long-Term Empties and Second Homes.

Category	Description
Unoccupied	Depending on individual circumstances, an unoccupied property can attract a Council Tax of up to 100%.
Long-Term Empties	<p>A property is designated as a long-term empty dwelling when it meets all of the following statutory conditions:</p> <ul style="list-style-type: none"> • The property is not used as anyone's sole or main residence. • The property has been continuously unoccupied for over 12 months. • is not of a class of dwellings specified in the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013, Schedule 2 – that is property being actively marketed for sale or rent for a period not exceeding 24 months and able to show that the price sought is appropriate
Second Home	<p>A property is classed as a second home when it meets all of the following criteria:</p> <ul style="list-style-type: none"> • It is not anyone's sole or main residence. • It is furnished. • It has been lived in for 25 days or more during the previous 12 months. • If a property has not been lived in for at least 25 days in the previous 12 months, it must be classified as an unoccupied property, or Long-Term Empty and not a second home.

Financial Resilience and Sustainability Indicators

Introduction

The following financial resilience and sustainability indicators are provided to support the consideration of the Council's Medium-Term Financial Plan, and Section 95 Officer's assessment of the Council's financial sustainability. It is expected the suite of indicators will be refined and developed as part of the Council's ongoing financial planning.

The Chartered Institute of Public Finance and Accountancy (Cipfa) has issued a briefing note which defines the meaning of financial resilience as: *"In simple terms, this is the ability, from a financial perspective, to respond to changes in delivery or demand without placing the organisation at risk of financial failure. This means having the agility and flexibility to forecast and manage both expenditure and income to meet requirements as they change while delivering a balanced budget."*

i. Plans and Strategies

Purpose: ensuring the Council has relevant financial plans and strategies in place, and these are considered/approved by members. Listed below are only those core financial plans and strategies reflected within these indicators. A range of further supplementary financial plans and strategies also exist and are reported to relevant Committees.

Duration of Medium-Term Financial Plan/Strategy	3 years (2026/27 – 2028/29)
Status of the Medium-Term Financial Plan	For approval 5 March 2026
Reserves Strategy	Approved December 2023
Operational Delivery Plan	Approved 9 May 2024
Capital Programme/Highland Investment Plan	5 year programme 2024/25 – 2028/29 Agreed 27 June 2024

ii. Reserves

Purpose: an assessment of the Council's level of reserves, and relevant trend information and forecasts related to these. The level of reserves, and plans and strategies for use, are a key part of Council resilience and sustainability.

Council's Minimum General Fund non earmarked Reserves Target per Reserves Strategy	3% of revenue budget Equivalent to circa £24.8m				
General (non-earmarked reserves) amount relative to target	31/3/2025 Closing Position per Audited Accounts £27.0m/3.4% Forecast 31/3/26 position as set out within March 2026 MTFP is £24.780m (3%).				
Total level of usable reserves	£157.5m Per 31/3/25 Audited Accounts Equivalent to 20% of Revenue Budget				
3-year movement in reserves (past three financial years – source Annual Accounts)					
Reserve Category	31/03/22	31/03/23	31/03/24	31/03/25	3 Year Net Movement
All Useable Reserves*	155.8	174.7	201.8	157.5	1.7
General Fund Non-Earmarked Reserves	19.3	70.5	47.3	27.0	7.7
General Fund Earmarked Reserves	99.5	61.3	110.8	93.7	-5.8
Housing Revenue Account HRA Reserve	7.9	3.9	4.7	5.1	-2.8
*in addition to the revenue reserves detailed in the table, all useable reserves includes capital fund, insurance fund and other useable reserves not reflected item by item in the table above. Full details available within Council Annual Accounts for each year.					

iii. **Closing the Budget Gap, Savings and Delivery**

Purpose: the level of forecast savings to be delivered, the nature of these, and the extent to which these close the forecast gap per the Medium-Term Financial Plan. It is important to ensure the Council develops and delivers recurring means to balance its budget. The risk of short-term or non-recurring measures is they do not address a budget gap, they simply defer addressing the budget gap.

Agreed/Planned Mitigations/Measures to address the Gap:

Measures to address the Gap	2026/27	2027/28	2028/29
Recurring Savings	18.563	12.024	7.989
Non-Recurring Savings	0	0	0
Use of Reserves *	0	0	0
Forecast budget gap still to be closed	0	4.833	0.824

* MTFP is based upon forecast budget gap not making use of reserves.

Net Residual/Outstanding Budget Gap

(based on proposals within this 5 March 2026 Council report)

Residual Budget Gap	2026/27	2027/28	2028/29
Gap still to be closed £'m	0	4.833	0.824
Gap as a % of net revenue budget	0%	0.6%	0.1%

Ratio of Mitigations/Measures which are recurring/non-recurring

Ratio of Mitigations recurring/non-recurring	2026/27	2027/28	2028/29
Recurring Savings	100%	100%	100%
Non-Recurring Savings	0%	0%	0%
Use of Reserves	0%	0%	0%

iv. **Budget Out-turn**

Purpose: trend information in relation to performance against budget. Delivering within budget and avoiding unplanned over-spending are key considerations in relation to financial resilience and sustainability.

General Fund Revenue out-turn £ over/under budget, and as a % of Budgeted Expenditure (past 3 years)

General Fund Revenue Outturn	2022/23	2023/24	2024/25	2025/26 Forecast
£'m over/(under) budget	(36.7)	(1.1)	3.4	12.5
% over/(under) budget	-5.3%	-0.1%	0.4%	1.5%

v. **Capital Investment and Borrowing**

Purpose: core indicators relating to capital investment and the level of Council borrowing (debt) for capital purposes, and costs of repaying that borrowing.

Further information is set out within Prudential Indicators as reported to Council as part of the annual Treasury Management Strategy Statement and Investment Statement (TMSS/IS). Data shown is based upon the 2025/26 TMSS/IS with the 2026/27 Strategy due to be considered by Council 26 March.

Total External Borrowing (capital borrowing excl PPP/PFI and other liabilities)	2024/25 Actual £1.294 Bn 2025/26 Forecast £1.430 Bn
Total Capital Financing Requirement (CFR)	2024/25 Actual £1.406 Bn 2025/26 Forecast £1.517 Bn
Amount over/under CFR (this represents the extent to which Council borrowing is more or less than the level of capital to be financed. An under position reflects the extent to which internal cashflows are being used, rather than borrowing.)	2024/25 Actual £0.112 Bn Under 2025/26 Forecast £0.087 Bn Under
Ratio of financing costs to net revenue funding: Excluding PPP/PFI costs and IFRS costs (Local HIP Indicator with a 10% cap)	2024/25 Actual 8.0% 2025/26 Forecast 8.4%

vi. **Effective Monitoring and Reporting**

Purpose: plans, strategies and indicators, while important, need be under-pinned by effective arrangements for monitoring and reporting.

Budget Monitoring Reports (revenue and capital)	Budget holders have access to financial insights <u>in real time</u> including Budgets, Actuals & transactional information (including payroll) through a combination of Dashboards & Enquiry Screens.
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	Quarterly reports are produced and presented to Strategic Committees
Budget Savings Delivery Monitoring	Savings Delivery is monitored and reported through the Council's Operational Delivery Plan, with regular reports to Strategic Committees.

DRAFT
The Highland Council

**Financial Strategy for the Period
1st April 2026 - 31st March 2029**

Service: Please select from List

Cluster: Please select from list

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1. Financial Strategy

1.1. Purpose

The purpose of this strategy is to establish clear expectations, responsibilities & governance for Senior Leadership to ensure effective financial management, accountability and alignment with organisational objectives.

1.2. Scope

This strategy applies to Chief Officers and other members of the Extended Core Management Team as appropriate. It supports strong financial stewardship, informed decision making and compliance with internal policies and external regulations.

1.3. Strategic Objectives

- Promote a culture of ownership and financial accountability
- Ensure organisational funds are used efficiently, appropriately and in line with strategic priorities in support of the Operational Delivery Plan.
- Strengthen financial forecasting and reduce the risk of overspend.
- Improve transparency and consistency in financial management practices.
- Enable proactive identification and management of financial risks.

1.4. Roles & Responsibilities

Senior Leaders will:

- Support the Section 95 Officer in maintaining the proper administration of the Council's affairs.
- Contribute to the preparation of robust, achievable budgets via the Medium-Term Financial Plan, ensuring alignment with operational requirements and the priorities set out in the Operational Delivery Plan.
- Strive to secure Best Value by way of economic, efficient and effective use of resources.
- Strengthen accountability among cluster budget holders by establishing clear expectations and governance.
- Monitor Financial Performance regularly including reviewing actuals, commitments and forecasts.
- Investigate variances and implement corrective actions where required.
- Approve expenditure in line with delegated budget limits and procurement procedures.
- Escalate emerging pressures, risks or significant variances in a timely manner.
- Engage with Finance to support accurate forecasting and financial reporting.

The Corporate Finance Team will:

- Provide timely, accurate financial information and reporting tools including a suite of Financial Insights Dashboards.
- Offer guidance and challenge where appropriate to support sound financial management.
- Support budget managers with forecasting, profiling and variance analysis.
- Ensure compliance with financial regulations

1.5. Governance & Oversight

Financial performance will be monitored regularly through the Strategic Committees, Corporate Resources Committee, and the Budget Review Group. All material variances must be fully explained and supported by documented recovery plans where required.

1.6. Monitoring & Reporting

The quarterly monitoring cycle will include:

- Year to Date Expenditure & Income position
- Forecast Year End Outturn
- Commentary on material Variances
- Mitigating actions taken or proposed
- Commentary on Savings Delivery

This approach enables early intervention and supports financial resilience.

1.7. Capability & Support

Appropriate training, guidance materials and access to financial systems will be provided to ensure responsible officers have the skills and tools required to fulfil their responsibilities.

These materials are signposted in the [Reference Documents](#) section of this paper.

1.8. Continuous Improvement

This strategy will be reviewed periodically to reflect organisational changes, regulatory requirements and best practice in financial management.

1.9. Accountability Statement

Senior leaders are entrusted with public funds and are expected to exercise professional judgment due diligence and responsible stewardship in every financial decision in accordance with the [Financial Regulations](#).

4. Tracking Investment

4.1. Summary of Investments

The table below reflects the Investments made as part of the Medium-Term Financial Plan.

Investment	Investment Value £'000	Responsible Officer
Total		

4.2. Investment Plans/Actions

This section of the plan will be used by Chief Officers to set out progress and actions toward delivering the investments approved through the Medium-Term Financial Plan (MTFP). It will provide an update on how agreed investment proposals are being implemented, highlight any risks or delays, and outline the management actions in place to ensure delivery remains on track and aligned to strategic priorities.

Investment Proposal:
PRMS Updated: XX/XX/XX
Responsible Officer:
<u>Actions:</u>
<u>Risks/Mitigations:</u>

5. Value for Money

5.1. 5.1 Defining Value for Money

Best Value (BV) in Scottish local authorities is a statutory duty under the [Local Government in Scotland Act 2003](#) to ensure continuous improvement in performance, balancing quality, cost, and sustainability. It mandates that councils deliver effective services through, efficiency, equality, and community collaboration.

5.2 Delivering Best Value within Highland

Chief Officers will provide narrative demonstrating how Best Value is being delivered within the Highland context, drawing on key returns relevant to their areas of service delivery.

Examples of data sources to assist in analysing Value for Money include;

- Annual Accounts
- Local Government Benchmarking Framework
- Local Financial Returns (LFR's)

6. Reference Documents

6.1. Medium Term Financial Plan per March 2026 Council

6.2. CIA Finance System

6.2.1. CIA [Resources Site](#)

6.2.2. CIA Finance System [CIA Sign-in Page](#)

6.3. Financial [Regulations](#)

6.4. Procurement Guidance

6.4.1. [Procurement](#) Information & Guidance

6.4.2. [Contract Standing Orders](#)

6.5. [Local Government Benchmarking Framework](#)

6.6. [Traineasy](#)

Officer Budget Review Group Terms of Reference

1. Purpose

The Officer Budget Review Group (BRG) will be responsible for overseeing financial control and financial management activities including, but not limited to, budget monitoring, recovery plan and financial strategy activities across the Council's revenue budgets. The BRG will also consider other strategic financial or Value For Money (VFM) activities which support or enhance the Council's financial management and financial sustainability. Given a separate Capital Programme Board is in place, with regard to capital the BRG may nonetheless give consideration to capital related matters where these align with or become necessary as part of the overall remit of the BRG.

2. Scope

The BRG will receive, scrutinise and keep under review the following:

- a) Medium and long-term financial strategy, this includes budget savings, income generation, budget pressures, growth & investment, internal recharges and capital multiplier, and Council reserves;
- b) Oversight of Delivery Plan progress and interdependencies ;
- c) Current budget monitoring forecasts and reports;
- d) Review of new/additional funding streams from Scottish Government, and determining recommendations on use and allocation;
- e) Review of Value for Money (VFM) information, business intelligence (including Local Financial Returns) that influences and impacts financial outcomes, which could include but not be limited to data and business intelligence related to staffing numbers and costs, goods/services/procurement, income etc;
- f) Consider quarterly performance reports from the Shared Procurement Service;
- g) Monitor financial impact of Community Wealth Building, Developer Contributions and Social Value from Renewables;
- h) Set the process for annual budget planning;
- i) Such other information as will support financial management, financial control and financial sustainability.

3. Membership

Membership of the Group will comprise the following:

- Chief Executive (Chair)
- Assistant Chief Executive - People
- Assistant Chief Executive – Place
- Assistant Chief Executive – Corporate
- Chief Officer - Corporate Finance
- Strategic Lead – Corporate Finance (Corporate Cluster)
- Strategic Lead – Corporate Finance (People Cluster)
- Strategic Lead – Corporate Finance (Place Cluster)

- Chief Officer – HR and Communications

Such other Chief Officers and other Officers as required to support specific items of business will attend as required.

4. Meeting Arrangements

- a) The Budget Review Group will meet as a minimum monthly, or more regularly where required.
- b) The minutes of the BRG will be circulated to Corporate Management Team for information.