

Agenda Item	5.a
Report No	RES/01/26

The Highland Council

Committee: Corporate Resources Committee

Date: 19th March 2026

Report Title: Corporate Revenue Budget Monitoring and Forecast report Quarter 3 of 2025/26

Report By: Chief Officer – Corporate Finance

1. Purpose/Executive Summary

- 1.1 This report sets out the Corporate revenue budget monitoring forecast for Quarter 3 of the current 2025/26 financial year. The report consolidates the individual Service forecasts as considered at respective Strategic Committees, to provide an overall forecast for the Council as a whole.
- 1.2 The purpose of this report is to support the Council's overall financial management and budgetary control arrangements. This report also supports the Committee and its Members in fulfilling the Scheme of Delegation in relation to financial management and remit of Strategic Committees which includes: *“to scrutinise the management of the Revenue and Capital Budgets for the Services included in the Committee’s remit and monitor and control these budgets, including dealing with over- expenditure.”*
- 1.3 This report provides Members with commentary on any material variances within the forecast, and actions taken or proposed by Services in relation to variances. The report also provides a summarised position in relating to savings delivery, based upon detailed forecasts considered at respective Strategic Committees.
- 1.4 The overall Quarter 3 position reflects a net £0.310m improvement from the Quarter 2 position, reflecting cost control and budget recovery actions.
- 1.5 This report and appendices therefore reflect a net £8.245m forecast overspend at year end, compared to £8.555m at Quarter 2. The report provides explanation of main variances in the forecast, basis for movement from the prior Quarter, and commentary on budget risks and uncertainties.
- 1.6 With the Council on 5 March having agreed its budget for 2026/27, and a number of aspects of decisions from that meeting having a bearing on 2025/26, as an addendum to this report and annexes, the report sets out the extent to which 5 March decisions will amend the forecast year end out-turn and reserves position. This includes, for example, taking account of the forecast additional deficit support for NHSH Adult Social Care in 2025/26, and a range of other budget decisions which will result in adjustments to the Council's reserves position.

- 1.7 The report also provides information on the Inverness Castle Experience, and with the Council having previously committed to under-write pre-opening costs and the first year (part-year) of operations, what the expected financial implications are expected to be and seeking formal decision from Members.
- 1.8 Given there remains a year end overspend and deficit forecast, the need for a continued focus on cost control and improvement in the financial position remains. This will be supported by the budget monitoring, control and recovery actions previously reported to Members and remaining in place, and being further enhanced as a result of decisions made by Council on 5 March.

2. Recommendations

2.1 Members are asked to:

- i. Consider the forecast financial position for the year as set out in this report and appendices;
- ii. Consider the explanations provided for any material variances and actions taken or proposed;
- iii. Note the improvement in the forecast from Quarter 2 to Quarter 3;
- iv. Note the further adjustments and forecasts relating to 2025/26, arising as a result of budget decisions made by the Council on 5 March;
- v. Consider the update provided regarding savings delivery;
- vi. Agree to the one-off under-write of the Inverness Castle Experience year one (part year) costs as set out within this report, consisting of pre-opening costs, setup costs and initial off-peak opening period net costs.

3. Implications

- 3.1 Resource – this report provides key financial information regarding the Council's budget and forecast financial performance against that budget, including progress with saving delivery. The report reflects forecasts and actions being taken to address variances and forecast overspends.
- 3.2 Legal - The contents of this report aim to satisfy the requirement of Sections 6 and 7 of the CIPFA Financial Management Code- 'Monitoring financial performance' and 'External financial reporting'.
- 3.4 Risk – this report is in place to support the Council's financial management including financial risks. While overspends are being forecast as noted in the report, through actions taken and decisions made 5 March, it is forecast that the Council should be in a position to maintain its policy target of General Reserves of 3% of its revenue budget. There is the risk to this position should there be any decline in financial position over the final months of the financial year. The Council in practice holds total reserves in excess of its policy target of 3%, however any overspend would impact on the 3% reserves target, or impact on existing investment and change plans (supported by earmarked reserves). There is a risk that where budget recovery plans are in place, they may still take time to implement and take effect, such that actions taken does not wholly address the position in year.
- 3.5 Health and Safety (risks arising from changes to plant, equipment, process, or people) - No particular implications to highlight.

3.6 Gaelic - No particular implications to highlight.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is a monitoring report and therefore an impact assessment is not required.

5. Overview

5.1 The Quarter 3 forecast is showing an improved position of £0.310m overall compared to Quarter 2. This reduces the forecast overspend from £8.555m at Quarter 2, to £8.245m at Quarter 3.

5.2 The table below provides a summary of the figures in **Appendix 1** to give an overall forecast position for Quarter 3 of the 2025/26 financial year. This reflects the underlying Service Quarter 3 forecasts already considered by Strategic Committees.

	2025/26 Annual Budget £m	2025/26 Year-end forecast £m	2025/26 Year-end variance £m	+/- Change compared to Q2 £m
Expenditure				
Service budgets (Appendix 1, Table A- top half)	734.827	749.713	14.886	0.902
Other budgets (Appendix 1, Table A- bottom half)	82.629	77.278	-5.351	-1.464
Contribution to investment funds and other reserves (Appendix 1, Table C)	4.806	4.806	0.000	-
Total (X)	822.262	831.797	9.535	-0.562
Income (Table D- top part)				
Government income	639.397	639.397	0.000	-
Budgeted Council tax income	164.426	165.716	1.290	-0.252
Confirmed use of earmarked and other reserves	18.439	18.439	0.000	-
Total (Y)	822.262	823.552	1.290	-0.252
Difference between expenditure and income to be funded from non-earmarked reserves- 'Budget (surplus)/deficit' (=X-Y)	0.000	8.245	8.245	-0.310

- 5.3 The bottom line of the table above shows that the current forecast for the overall year end position is for a deficit (or net overspend) of £8.245m which if not improved over the remaining Quarter of the year, will need to be funded from the Council's non-earmarked reserve. This being over and above planned or any further use of reserves over the course of the year.
- 5.4 As shown in the top row of the table at 5.2, net service expenditure is forecast to be overspent by £14.886m, with variances across a number of service areas. This is an increase in the overspend of £0.902m from Quarter 2. Section 6 of this report provides more details of the forecast service budget variances.
- 5.5 The second row of the table comprises a number of other budget lines and shows a positive variance (underspend against budget) of £5.351m, an increase of £1.464m in the forecast underspend compared to Quarter 2.
- 5.6 The third row of the table shows contributions to investment funds and other reserves. A break-even position has been forecast.
- 5.7 The first row in the income section of the table at 5.2 reflects the funding the Council receives from government. In any year this may change as the year progresses, with additional or revised allocations of funding being confirmed.
- 5.8 An over-achievement of council tax income against budget is being forecast.
- 5.9 The third row of the income section of the table shows the draw-down of Earmarked balances to support in-year expenditure.
- 5.10 Overall, the combined impact of the net service overspend plus other budget pressures less excess corporate income gives a forecast £8.245m overspend for the year. It can also be noted from **Appendix 1** (table B) to this report that the overspends are primarily in the 'other costs' category of Council spend, with a grant income shortfall related to the Waste pEPR scheme as referenced in this report. With these overspends being partly mitigated by an underspend on 'staff costs' across Council Services. This report provides further narrative on the actions being taken to address that forecast overspend position, the detail of which has been reported to respective Strategic Committees. There remains the expectation that such actions should see further improvement in the position as the year progresses. **Appendix 5** and section 8 of this report provide more detail on the Council's reserves position.
- 5.11 The table below, included as an addendum, reflects further forecasts and adjustments for 2025/26 taking account of decisions made by the Council on 5 March, and further post-quarter end implications including the under-write of the Inverness Castle Experience as set out further in this report.

	£m
Net overspend for the year as part Quarter 3 forecasts, as shown above.	8.245
Adjustment for post-quarter end matters including budget decisions by Council on 5 March*:	
- Adult Social Care deficit support 2025/26*	5.000
- New additional reserve earmarking*	11.411
- Re-purposing of earmarked reserves into general reserve*	-21.900
- Other post-quarter end adjustments	-3.015
Inverness Castle Experience under-write	

- development, pre-opening and setup costs	1.557
- operational forecast Dec'25 – March'26	0.673
Opening General Reserve 1/4/25	-26.951
Closing General Reserve Forecast 31/3/26 (meeting the 3% target)	-24.980

6. General Fund - Service budget variances

- 6.1 **Appendix 1** provides the usual monitoring statement format with Table A providing variance detail by service and other significant budget headings. Details of individual service positions are reported to the respective Strategic Committees. Overall the Council is reporting a net overspend of £14.886m against service budgets.
- 6.2 At Quarter 3 an underspend of £5.016m is being shown against the Loan Charge budget line. This takes account of the latest capital expenditure and treasury management forecasts. Members will be aware from past reports to Council which have highlighted the expected 'lag' between Highland Investment Plan (HIP) revenue budget funding decisions, HIP capital priority decisions, and then the resulting capital expenditure and borrowing requirements. Over the short to medium term a level of underspend in Loan Charges is expected as a result. This is expected to be a temporary position given the Council has agreed its HIP priorities and in due course the level of capital spending, and borrowing to support this, will utilise the full level of revenue funding requirement. In the short-term forecast underspends on loan charges are partly mitigating some of the overspends occurring in service budgets.
- 6.3 **Appendix 2** provides a summary of forecast variances by service and expenditure and income type. Forecast overspends mainly relate to non-staffing (other cost) expenditure and income shortfalls. A number of aspects of the overspend in the current year, will benefit from financial support agreed by the Council on 5 March for 2026/27, including pressure funding and recovery plan support.
- 6.3.1 The Communities and Place service is forecasting an overspend of £3.413m against the core service budget which is in the main due to overspends within Fleet (£2.940m) and Waste (£1.240m) offset by underspends in other service areas. Due to the level of overspend within the Fleet service a full review has been carried out, with a budget recovery plan put in place. Although the forecast overspend within Fleet has increased in Quarter 3 by £0.607m. The overspend within the waste service has increased by £0.263m compared to Quarter 2 due to current market conditions.
- Accounted for separately, and highlighted in the Communities and Place monitoring, is the income predicted for the packaging extended producer (pEPR scheme) funding. Whilst the total income notified as coming to the Council last year was £9.500m and had been accounted for as such in the budget setting process and in the service budget, communication over the summer and after the Council had agreed its budget, indicated the estimated sum to now be £7m. This shortfall is outwith the service and the Council's control. Action is being taken to engage directly with UK Government/DEFRA, and via Cosla, to understand the reasons and rationale for the change and escalate matters given the financial impact on the Council.
- 6.3.2 The Business Solutions service is forecasting an underspend of £0.451m. Underspends due to staff vacancies and additional income from service recharges are more than offsetting increased contract prices which are necessary as the service works towards fully delivering the IT provision inhouse.

- 6.3.3 The Education and Learning service is forecasting an underspend of £0.879m, a increase in the underspend of £0.046m compared to Quarter 2. This position reflects a balance of cost pressures and offsetting savings. There continue to be financial pressures relating to both legacy and new staffing expenditure within Special Schools, totalling £0.783m. This pressure has been offset by underspends in staff turnover across the service including the Early Learning and Childcare budget, CLD & Employability; and also reflecting the impact of part year vacancies in Schools General due to the on-going service restructure. Recruitment to these posts is expected to conclude within the current financial year.
- 6.3.4 The Health and Social Care service is forecasting an overspend of £3.820m, an increase of £0.392m compared to Quarter 2. The forecast overspend in Looked After Children of £5.397m represents an increase of £1.825m compared to Quarter 2 which is due to a number of new Out of Authority Placements. This overspend is partially offset by underspends, mainly resulting from vacancies, in Business Support (£0.219m), Other Services for Children (£0.984m) and Family Teams (£0.338m). A recovery plan has been developed by the service aligned with the Operational Delivery Plan. This plan sets out the financial and service delivery improvements to be achieved through projects within the Person-Centred Solutions Portfolio and was reported via the Strategic Committee in November. Consistent with Quarter 1 and Quarter 2 reporting, the forecast position for the Service is based on an assumed Nil variance on Adult Social Care (ASC), i.e. the Council's funding contribution is expected to be limited to the budget available. Since the quarter 3 report to Strategic Committee, the Council on 5 March 2026 agreed 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.
- 6.3.5 The Infrastructure, Environment and Economy service is forecasting an overspend of £6.633m, which is an increase in the overspend of £0.644m compared to the Quarter 2 position. The main areas contributing to the increase in the overspend are within the Roads and Transport, Harbours and Ferries, and Climate Change and Energy services. Roads and Transport are forecasting an overspend of £1.912m. This is due income being lower than anticipated for the Skye Quarry, and lower than expected car park income which is arising from the closure of some bays at Rose Street due to repairs issues and expenditure attributable to storm events. Harbours and Ferries are forecasting a variance of £2.599m, mainly arising from increased operational (staffing) and maintenance costs associated with the Corran Ferry which includes increased vessel re-fit costs and the requirement to undertake essential repairs to the Corran ferry Slipway, along with costs and implications arising from achieving an increased income target for harbour dues and fuel sales. The forecast overspend within the Climate Change and Energy service of £2.190m is attributed to the under achieved income in Solar PV schemes and Battery Storage schemes.
- 6.3.6 The Performance and Governance service is forecasting an underspend of £0.109m. This is mainly as a result of staff vacancies, along with some increases in income which are partly offset by additional costs. The reduction of £0.151m in the underspend compared to Quarter 2 is mainly attributable to by-election costs.
- 6.3.7 The combined Property and Housing service (excluding HRA) is forecasting an underspend of £0.157m which is an improvement of £0.977m from Quarter 2. Forecast underspends of £0.486m in Project Delivery and £1.170m in CCFM, due to vacancies, are offset by a projected overspend of £1.734m in the Properties budget. This mainly comprises forecast overspends in depots and HLH properties and the asset management savings target of £1.077m. Budget Recovery plans have been

prepared and are being implemented for Property Repairs and Maintenance and Asset Rationalisation savings.

- 6.3.8 The Resources and Finance service is forecasting an overspend of £0.625m which is an increase from Quarter 2 of £0.254m. While the Core Service budget is forecasting an underspend, primary due to staffing and vacancies, this is offset by overspend as a result of slippage in achievement of tourism income and procurement savings. Progress on tourism income is being reported and monitored at the Income Generation Board.
- 6.3.9 The Welfare budget is forecasting an underspend of £0.509m, an increase of £0.050m in the underspend compared to Quarter 2. There is a forecast underspend of £0.156m in the Housing Benefit budget and an underspend of £0.255m is forecast for Free school meal holiday payments based on current uptake.
- 6.3.10 At this point of the year there is no variance anticipated for Non-Domestic Rates Reliefs with further officer review work ongoing. A small underspend of £0.030m is being forecast against the Valuation Joint Board budget.
- 6.3.11 The unallocated budget line is showing a net underspend of £0.305m. This budget consists of a number of elements which as at Quarter 3 are held centrally. Subsequent to Quarter 3, either as a result of subsequent allocation to Service budgets, or as a result of decisions made within the budget for 2026/27 (at Council on 5 March 2026) the majority of these budgets, and associated variances would not be expected to roll forward or recur into 2025/26.

7. Inverness Castle Experience

- 7.1 In its March 2025 budget, the Council made a commitment to under-write any year one (part year) deficit associated with the Castle, recognising that there were pre-opening and setup costs arising prior to opening, and at that time based on a forecast Autumn 2025 opening, there was expected to be a short-term deficit for the off-peak part year operational period.
- 7.2 Inverness Castle opened to the public on 12th December 2025. Based on engagement with High Life Highland officers, data is now available regarding the pre-opening and setup costs which the Council is asked to under-write. These comprise of non-recurrent matters (a) costs associated with the post-project development phase, and (b) the pre-opening phase including setup, equipment and staffing costs.

Cost Category	
	£m
(a) Post- Project Development Costs	0.643
(b) Pre-Opening Costs:	
Staffing	0.423
Marketing and publicity	0.089
Setup, Equipment, I.T. and other Costs	0.402
Total of the Above	1.557

- 7.3 In addition, and given the relatively later opening than originally assumed, and the off-peak nature of the initial opening phase, there is expected to be further additional deficit support required in 2025/26. As forecast below.

	£m
Forecast net operational cost under-write 12 December 2025 to 31 March 2026	0.673

- 7.4 There will be further and ongoing due diligence on the final year end position by Officers, but given the need to ensure HLH have certainty on their year-end position and their own annual accounts closure process, members are asked to support the provision of a financial under-write of a forecast £2.230m, with finalisation and due diligence to be delegated to the Section 95 officer to conclude as part of year end accounts finalisation, with appropriate reporting back to members thereafter.
- 7.5 The intent was, and remains, that any year 1 under-write would be recovered over future years via the rental model. That scenario occurring if/when Castle financial performance exceeds the basis on which the Council's agreed £0.9m saving target was set. Given the Castle has been open for less than 3 months, it would be appropriate to await visitor number data and operational experience over the spring and summer 2026 months, before any review or assessment of the rental model for 2026 and beyond.
- 7.6 It remains that on a full year operational basis, effective 1 April 2026, the Castle is expected to generate a position financial position and the Council has budgeted for a rental income in excess of £0.9m per annum reflective of prior budgetary decisions.
- 8. Housing Revenue Account**
- 8.1 As shown in **Appendix 3**, a net overspend of £0.329m is forecast on the Housing Revenue Account (HRA). This comprises an overspend forecast on expenditure of £0.787m, primarily arising from repairs and maintenance, with this offset by rent income forecast £0.458m ahead of target.
- 9. Actions Taken or Proposed**
- 9.1 The Quarter 1 and 2 reports to this Committee described a number of actions and improvements in budget monitoring and control that had been implemented from the start of this financial year. This was in recognition of the overspends which had arisen in 2024/25, and the expectation that some of these were likely to continue unless action was taken. Each Strategic Committee has now received their own respective budget monitoring report for Quarter 3, and where relevant those Committees have also received reports on recovery plans for specific budgets. The Quarter 3 position is already reflecting some of the positive impact of this budget recovery action, with an overall improvement of £4.309m from Quarter 1 to Quarter 3.
- 9.2 The budget agreed by the Council on 5 March, for 2026/27, is also expected to help support and address some of the underlying budget pressures and challenges in the current year. Decisions made 5 March include funding for cost pressures, the re-basing of certain saving and other budget targets, and for both fleet and children's services, some short to medium term tapered recovery plan support. The effect of which should be to reduce and mitigate the levels of overspend seen in the current year. There still will be ongoing actions around cost control and budget management, given the importance of services and budget holders delivering within budget.

10. Risks and Uncertainties

10.1 As would be expected at this stage in the financial year, a number of the previously reported risks and certainties have now been clarified and resolved or reflected within financial forecasts. This includes, within this report, clarity on the Adult Social Care position and decisions made 5 March for the Council to provide £5m of deficit support in 2025/26. This report also set out information and recommendations relating to Inverness Castle. The main outstanding matters relating to 2025/26 are therefore:

- Storm damage/adverse weather events – the Council has already experienced a number of adverse weather events and storms. There remains the possibility of further events until the end of the financial year is reached. This can give rise to unplanned expenditures, and puts pressure on existing budgets. There is also often a time lag until the quantified financial impact of such events is known. Often insurance arrangements and the Government Bellwin scheme are not able to provide financial support to such cost events, or are only available if certain thresholds are met. Work is ongoing to assess whether any costs incurred to date, and in particular for the early January winter weather, may be eligible to any external financial support.
- Budget overspend/budget recovery actions – there remains both risk and opportunity that the financial position as set out in this report may deteriorate or improve over the final months of the financial year.
- Budget savings delivery – delivery of agreed savings is an important objective, but also with risk around timing or achievement of savings. Through this report, reports to Strategic Committees, and the Operational Delivery Plan, there is significant effort and focus on savings delivery.

11. Reserves

- 11.1 **Appendix 5** summarises the movements on the Council's earmarked and non-earmarked balances during the course of the year and the impact of the forecast revenue budget outturn position on reserves. As noted earlier in this report, the forecasts have also been adjusted to reflect expected movements and adjustments arising from the Council's 5 March budget decisions.
- 11.2 As noted in this report, and consistent with the 5 March report to Council, the Council's non-earmarked general fund reserve is expected to sit at £24.980m at 2025/26 year end, which would be in line with the 3% policy target.
- 11.3 Earmarked reserves, which are reserves held for specific and agreed purposes, currently are forecast to sit at £75.596m by year end. A significant element of that sum may still be drawn down at financial year end to match expenditure incurred in the year across a number of areas, principally delivering change and delivery plan and other investment. The remainder of that earmarked sum will be used to meet existing expenditure commitments that extend into 2026/27 and beyond. A review of Earmarked Balances is underway and will support an updated assessment as the year progresses.

12. Savings Delivery

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

Designation: Chief Officer – Corporate Finance

Date: 9 March 2026

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

Background Papers:

Revenue Expenditure Monitoring Report - General Fund Summary

Quarter 3

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Table A: By Service				
Communities & Place	37,690	47,928	51,341	3,413
C&P Packaging Extended Producer Responsibility Funding	0	-9,500	-7,000	2,500
Business Solutions	15,185	15,281	14,830	-451
Education & Learning	213,788	306,632	305,753	-879
Health, Wellbeing & Social Care	152,551	206,556	210,376	3,820
Infrastructure & Environment and Economy	28,387	46,004	52,637	6,633
Performance & Governance	4,585	6,891	6,782	-109
Property & Housing	53,934	90,124	89,967	-157
Resources & Finance	19,444	15,945	16,570	625
Welfare Services	10,203	8,966	8,457	-509
Service Total	535,767	734,827	749,713	14,886
Valuation Joint Board	0	3,626	3,596	-30
Green Freeport	0	0	0	0
Non Domestic Rates reliefs	1,209	1,247	1,247	0
Loan Charges	0	72,782	67,766	-5,016
Unallocated Budget	0	4,974	4,669	-305
Total General Fund Budget	536,976	817,456	826,991	9,535

Table B: By Subjective

Staff Costs	349,981	498,481	484,222	-14,259
Other Costs	329,103	547,716	566,438	18,722
Gross Expenditure	679,084	1,046,197	1,050,660	4,463
Grant Income	-50,644	-85,076	-81,041	4,035
Other Income	-91,464	-143,665	-142,628	1,037
Total Income	-142,108	-228,741	-223,669	5,072
Total Revenue Expenditure	536,976	817,456	826,991	9,535

Table C: Appropriations to Reserves

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

Table D: Financed By

Aggregate External Finance as notified	376,783	627,540	627,540	0
Additional resources	0	11,857	11,857	0
Council Tax	160,193	164,426	165,716	1,290
Use of earmarked balances	0	12,310	12,310	0
Use of non earmarked balances	0	0	8,245	8,245
Use of other reserves	0	6,129	6,129	0
Total General Fund Budget	536,976	822,262	831,797	9,535

Revenue Expenditure Monitoring Report - General Fund Summary

Quarter 3

	Staff Costs Variance £000	Other Costs Variance £000	Grant Income Variance £000	Other Income Variance £000	Total Variance £000
Table A: By Service					
Communities & Place	(1,705)	3,747	(257)	1,628	3,413
C&P Packaging Extended Producer Responsibility Funding	0	0	2,500	0	2,500
Business Solutions	(929)	2,114	0	(1,636)	(451)
Education & Learning	(2,250)	1,331	36	4	(879)
Health & Social Care	(2,948)	7,600	(720)	(112)	3,820
Infrastructure, Environment & Economy	(3,814)	8,183	39	2,225	6,633
Performance & Governance	416	145	16	(686)	(109)
Property & Housing	(2,289)	2,822	(301)	(389)	(157)
Resources & Finance	(740)	1,438	(76)	3	625
Welfare	0	(3,307)	2,798	0	(509)
Valuation Joint Board	0	(30)	0	0	(30)
Non Domestic Rates reliefs	0	0	0	0	0
Loan Charges	0	(5,016)	0	0	(5,016)
Unallocated Budget	0	(305)	0	0	(305)
Total General Fund Budget	(14,259)	18,722	4,035	1,037	9,535

Revenue Expenditure Monitoring Report - Housing Revenue Account Summary

Quarter 3

	Actual Year to Date £000	Annual Budget £000	Final Outturn £000	Year End Variance £000
Staff Costs	10,810	16,531	15,974	(557)
Other Costs	18,324	25,943	27,287	1,344
Loan charges and interest	0	32,500	32,500	0
Gross Expenditure	29,134	74,974	75,761	787
House Rents	(49,192)	(71,081)	(71,590)	(509)
Other rents	(2,262)	(3,464)	(3,360)	104
Other income	(328)	(367)	(420)	(53)
Interest on Revenue Balances	0	(62)	(62)	0
Gross Income	(51,782)	(74,974)	(75,432)	(458)
Total HRA	(22,648)	0	329	329

Revenue Expenditure Monitoring Report - General Fund Budget		
Quarter 3		
	£m	£m
2025/26 Budget as Agreed by Highland Council on 6 March 2025		818.423
Less : Contributions to Reserves included in Agreed Budget		
Affordable housing contribution from 2nd homes council tax	(3.873)	
Contribution to earmarked balances (Elections Fund)	(0.085)	
Contribution to earmarked balances (SALIX)	(0.745)	
Contribution to other reserves	(0.011)	(4.714)
Less : Ring-fenced Grants (Gaelic, Criminal Justice, PEF Attainment Funding, Support for Ferries*)		(9.959)
Grant Funding Redeterminations		
Nature Restoration Fund	0.001	
Employer NIC	0.001	
CJSW (ring-fenced grant)	(0.020)	
Prisoners (Early Release) (Scotland)	0.034	
Holiday Playschemes and Activities for Disabled Children	0.037	
Employability - Child Poverty Co-ordinators	0.088	
Children's Social Care Pay Uplift in Commissioned Services	0.503	
Islands Cost Crisis Emergency Fund	0.107	
Resettlement Teams	0.147	
Adopt and Adapt	0.070	
Scottish School Milk Subsidy Scheme	0.045	
Rapid Rehousing Transition Plan	0.029	
Discretionary Housing Payments	0.056	
Teachers Pay Award	4.248	
	5.346	
Adjust : Ring-fenced Grant Changes	0.020	5.366
Use of Non-earmarked Balances		0.000
Use of Earmarked Balances		
Northern Meeting Park (Economic Prosperity Fund - Levelling-up Funding)	0.125	
Comms and Engagement Officer - Gaelic	0.052	
Investment INV 26 - Rural Poverty Commission	0.050	
People and Finance Systems Programme	0.398	
My Council	0.165	
Tourism Income - Unique Visitor Experiences	0.219	
Investment INV13 - Leadership and Management Capacity	0.038	
Future Investment Capacity Fund - Service Improvement Solutions	0.073	
Future Investment Capacity Fund - Digital Solutions	0.090	
Future Investment Capacity Fund - Digital Foundations	0.107	
Future Investment Capacity Fund - Corporate Solutions - Data Foundations	0.201	
Future Investment Capacity Fund - Cross Portfolio Programme & Project Management Resources	0.033	
Future Investment Capacity Fund - Corporate Solutions - Future Operating Model	0.088	
Future Investment Capacity Fund - Workforce for The Future - Digital School	0.069	
Future Investment Capacity Fund - Workforce for The Future - Programme Mgt & School Support	0.218	
Tourism Income - Motorhomes	0.005	
Developer Contributions	0.283	
Scottish Crown Estates	0.283	
Moss Park	0.807	
IT Investment Fund	0.022	
Car Parking Income (Skye)	0.040	
Budget 24/25 Savings & Transformation - SWAN Contract ICT Investment	0.794	
Budget 2024-25 - Savings & Transformation - Digital Innovation - renamed My Council	0.105	
Other Covid19 - Ward Discretionary Funds (Covid-19)	0.022	
Place-Based Investment	0.053	
Economic Prosperity Fund	0.128	
Ukrainian Resettlement Fee	0.288	
Budget 2526 - Investment - INV12 Teacher Numbers	0.108	
DSM Balances - Counselling in Schools	0.239	
ASC Investment	2.000	
Family First	1.346	
Replacement Social Work Case Mgt System	0.072	
Whole Family Wellbeing	0.050	
Rapid Rehousing Transition Plan	0.473	
Scottish Welfare Fund	0.597	
		9.639
Use of Other Reserves		0.000
Contribution to Non earmarked Balances		0.000
Contribution to Earmarked Balances		
SALIX	(0.092)	
		(0.092)
Contribution to Other Reserves		0.000
Presentational Adjustments		
Transfer of Ferries Grant from Ring-fenced Grant to GRG	1.521	
Debt Management arrangements (HC 29/02/24 savings R&F-3 50%)*	0.050	
Re-earmarking of earmarked balances for one-off budget pressures	(2.778)	
		(1.207)
Total General Fund Budget at 31 December 2025		817.456

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

Revenue Expenditure Monitoring Report - General Fund Balances

Quarter 3

General Fund Balance

	Earmarked balances £m	Non- earmarked balances £m	Total £m
General Fund Balance at 1 April 2025	93.725	26.951	120.676
Use of balances included in budget as agreed by Highland Council on 6th March 2025	(2.671)	0.000	(2.671)
Contribution to balances included in budget as agreed by Highland Council on 6th March 2025	0.830	0.000	0.830
Use of balances per Appendix 4	(9.639)	0.000	(9.639)
Contribution to balances per Appendix 4	0.092	0.000	0.092
Removal of earmarking	0.000	0.000	0.000
Budget movement in balance per Appendix 1	(11.388)	0.000	(11.388)
Net service underspend/(overspend) per Appendix 1	0.000	(9.535)	(9.535)
Appropriations to other reserves	0.000	0.000	0.000
Appropriations from other reserves	0.000	0.000	0.000
Additional resources	0.000	0.000	0.000
Council tax	0.000	1.290	1.290
Rounding			0.000
General Fund Balance at 31 December 2025	82.337	18.706	101.043
<i>Adjustment for post-quarter end matters including budget decisions by Council on 5 March 2026</i>			
Adult Social Care deficit support 2025/26		(5.000)	(5.000)
New additional reserve earmarking	11.411	(11.411)	0.000
Repurposing of Earmarked Reserves into General Reserve	(21.900)	21.900	0.000
Inverness Castle Experience		(2.230)	(2.230)
Post-quarter end earmarking	4.012		4.012
Post-quarter end draw-downs	(0.264)		(0.264)
Other post-quarter end adjustments		3.015	3.015
Forecast General Fund Balance at 31 March 2026	75.596	24.980	100.576

Revenue Expenditure Monitoring Report - Savings Delivery

Quarter 3

	£m Excl ASC	£m Incl ASC
Green	11.551	11.551
Amber	0.895	0.895
Red	6.274	13.274
Total	18.720	25.720

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