

Agenda Item	7.a
Report No	RES/04/26

The Highland Council

Committee: Corporate Resources

Date: 19 March 2026

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

Report By: Assistant Chief Executive – Corporate

1. Purpose/Executive Summary

- 1.1 This report sets out the revenue budget monitoring and forecast for the Corporate Cluster for 2025/26 as at Quarter 3.
- 1.2 For 2025/26, as at quarter 3 the forecasted year-end position for the Services within the Corporate Cluster is a £0.066m overspend, which is 0.15% of the total budget. This forecasted outturn is very similar to the Quarter 2 forecast (£0.088m overspend).
- 1.3 The 2025/26 forecasted year-end position for the Welfare Budget is a £1.170m underspend. This includes a £0.661m underspend on Council Tax Reduction which is reflected within the Council Tax income line in the Council's Corporate Monitoring report.
- 1.4 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.”*
- 1.5 This report provides Members with commentary on any material variances within the forecast, and actions taken or proposed in relation to variances.
- 1.6 The report also provides a forecast position regarding all budget savings within the remit of the Service.

2. Recommendations

- 2.1 Members are asked to:
 - i. Scrutinise and **approve** the forecast financial position for 2025/26 as set out in this report and **Appendix 1**;
 - ii. Consider and **note** the explanations provided for any material variances and actions taken or propose; and
 - iii. Consider and **note** the update provided regarding savings delivery.

3. Implications

- 3.1 **Resource:** This report provides key financial information regarding the Service budget and forecast financial performance against that budget, including progress with Service delivery.
- 3.2 **Legal:** This report contributes to the Council's statutory duties to report performance and secure best value in terms of; Section 1(1)(a) of the Local Government Act 1992, and Section 1 of the Local Government in Scotland Act 2003, respectively.
- 3.2.1 For the provision of welfare support, the Council has a legal duty to provide such services for specified groups, which, as detailed in the Welfare Budget, includes for example the outsourced services delivered by Citizens Advice. These duties are specified in the Social Work (Scotland) Act 1968, the Carers (Scotland) Act 2016 and the Child Poverty (Scotland) Act 2017.
- 3.2.2 The Corporate Cluster is also responsible for ensuring policies are in place, and support is provided for managers and employees to ensure the Council continues to comply with all employment and health and safety requirements.
- 3.3 **Risk:** There are no risk implications arising as a direct result of this report.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people):** There are no immediate health and safety implications arising from this report.
- 3.5 **Gaelic:** There are no implications for Gaelic arising from this report.

4. Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is a monitoring report and therefore an impact assessment is not required.

5. Overview and commentary on variances – forecast for 2025/26 as at Quarter 3

- 5.1 This report presents the monitoring and forecasting statements for 2025/26 for the Corporate Cluster and the Welfare Budget. These can be found at **Appendix 1**.
- 5.2 For 2025/26, as at quarter 3 the forecasted year-end position for the Corporate Cluster is a £0.066m overspend, and for the Welfare Budget a £1.170m underspend is forecasted.

- 5.3 **Business Solutions:** the forecast year-end position for 2025/26 as at Quarter 3 is for an underspend of £0.451m.
- 5.4 The forecast is for a higher underspend compared to the Q2 forecast of £0.023m underspend. This is due mainly to 3 factors – increased staffing underspend due to 1 staff retirements, internal promotions to posts across the Council; drawdown of funds from earmarked reserves to cover staff costs for the Data Foundations project; and contract cost reductions relating to Microsoft and the Public Sector Geospatial Agreement for the provision of mapping.
- 5.5 Members were also advised in August 2025 that a risk had arisen relating to the potential for additional SWAN contract costs in 2026/27. All Highland Council circuits have now migrated to the new SWAN contract ahead of the 31 March 2026 required date. Additionally, all the other SWAN partners have now either completed their migrations or are on track to complete by the deadline. This means that the financial risk has now been fully mitigated. Members are reminded that the completion of the SWAN2 migration has delivered a total annual revenue saving of £1.015m.
- 5.6 **Resources & Finance:** overall, a year-end overspend of £0.626 is forecast, mainly arising in the activities for Tourism income and Procurement. Revenues & Business Support, People and Corporate Finance are forecasting staff underspends mainly being delivered through workforce planning and through ongoing process review and system improvements. Prior year savings within the Directorate will be reallocated in 2026/27 against the various teams/activities. Actions are also being taken forward by Officers, including as set out paragraphs 5.7 and 5.8 below.
- 5.7 **Tourism:** As reported at a separate item on today's Agenda, (Delivery Plan - Income Generation), income from The Storr continues to perform well, with works to extend the overall retail and events space by 100% progressing as planned. Following the successful application to the UK Shared Prosperity Fund for £0.550m to the Economy & Infrastructure Committee on 29 May 2025, Phase 2 of The Storr will build on the success of the initial project by further enhancing services for both visitors and the local community, and support for local businesses and associated employments. Unit installation is scheduled to be complete by April 2026, with the expanded facilities anticipated to open in by June 2026. Furthermore, through the Redesign Board the Council is progressing the way forward for expansion of unique visitor experiences and additional income generation opportunities. It is also anticipated that new income can be generated from a range of other sources, such as charging in respect of black waste disposal and freshwater replenishment facilities.
- 5.8 **Procurement:** Against a target of £1.693m for all Council Services which is included in a single line in the Corporate Cluster, savings of £0.908m in 2025/26 are forecasted. Work continues across all Services and the Shared Procurement Service to identify further savings. Officers are focused on the conversion of identified opportunities into realised savings and to seek opportunities to increase the level of forecast delivery.
- 5.9 **Performance & Governance (P&G):** Performance & Governance is forecasting an underspend of £0.109m. A new Audit structure was implemented from June 2025 for reasons including the introduction of the new Global Internal Audit Standards that has resulted in more onerous compliance requirements both for the provision of internal audit services and for internal auditors. Recruitment is now complete whilst vacancies across other sections of P&G overall including legal and committee services

contribute towards the anticipated underspend. Trading Standards income is currently under target and work continues to maximise all income streams. The costs involved in five by-elections during 2025/26 have also resulted in spend in excess of budget.

- 5.10 **Welfare Budget:** The demand-led gross budget for welfare of £52.4m is forecasting a projected underspend of £0.661m in the Council Tax Reduction Scheme with this being reflected against the Council Tax income budget. An underspend of £0.255m is forecast for free school meal holiday payments based on current uptake, and steps continue to be taken to obtain the necessary information from parents and guardians to enable eligible payments to be issued. Housing Benefit is a demand-led budget where the Council receives subsidy towards payment made.
- 5.11 The Council maintains a long-standing commitment to reducing poverty and promoting financial inclusion for households. The Welfare Support Team, alongside Citizens Advice, continues to encourage and support take-up of this demand-led budget to ensure households receive their full entitlements. Work is also progressing on further benefit take-up initiatives aimed at identifying individuals who may be eligible for unclaimed benefits. This includes providing assistance throughout the claims process and offering support with formal appeals where required.

6. Savings Delivery

- 6.1 An update on savings including forecasts is available at **Appendix 2** to this report.

Designation: Assistant Chief Executive – Corporate

Date: 27 February 2026

Author: Allan Gunn, Assistant Chief Executive – Corporate
Jon Shepherd, Chief Officer – Business Solutions
Sheila Armstrong, Chief Officer – Revenues & Commercialisation

Appendices: Appendix 1 – Revenue Monitoring Statements for 25/26
Appendix 2 – Budget Savings Forecasts 25/26

Appendix 1 – REVENUE MONITORING STATEMENTS 2025/26 (Qtr 3)

Business Solutions

Dec-25	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Digital Innovation Savings	0	(222)	(222)	0
ICT Services	15,185	15,503	15,052	(451)
Grand Total Depute Chief Executive	15,185	15,281	14,830	(451)
BY SUBJECTIVE				
Staff Costs	6,766	9,586	8,657	(929)
Other Expenditure	9,443	7,496	9,610	2,114
Gross Expenditure	16,209	17,083	18,267	1,184
Grant Income	0	0	0	0
Other Income	(1,024)	(1,801)	(3,437)	(1,636)
Total Income	(1,024)	(1,801)	(3,437)	(1,636)
NET TOTAL	15,185	15,281	14,830	(451)

RESOURCES & FINANCE MONITORING STATEMENT 2025-26

Dec-25	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Directorate	4,239	728	778	50
Tourism Income	367	(626)	(59)	567
Corporate Procurement Savings	0	(1,693)	(908)	785
People	3,466	4,288	4,131	(157)
Revenues & Business Support	8,584	9,334	8,947	(387)
Corporate Finance	2,788	3,915	3,682	(232)
Grand Total Resources & Finance	19,444	15,945	16,570	626
	-	-	0	0
BY SUBJECTIVE				
Staff Costs	16,462	18,769	18,029	(740)
Other Expenditure	5,265	534	1,972	1,438
Gross Expenditure	21,728	19,303	20,001	698
Grant Income	(264)	(745)	(821)	(76)
Other Income	(2,020)	(2,613)	(2,609)	4
Total Income	(2,284)	(3,358)	(3,430)	(72)
NET TOTAL	19,444	15,945	16,570	626

RESOURCES & FINANCE MONITORING STATEMENT 2025-26

	STAFF COSTS				OTHER COSTS				GRANT INCOME				OTHER INCOME				NET TOTAL			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance
Dec-25																				
BY ACTIVITY																				
Directorate																				
Directorate	555	339	599	44	173	3,992	179	7	0	0	0	0	0	0	0	0	728	4,332	778	50
Salary Sacrifice	0	0	0	0	0	(93)	0	0	0	0	0	0	0	0	0	0	0	(93)	0	0
Tourism Income	(113)	180	232	345	187	586	298	111	0	0	0	0	(700)	(399)	(590)	110	(626)	367	(59)	567
Corporate Procurement Savings	0	0	0	0	(1,693)	0	(908)	785	0	0	0	0	0	0	0	0	(1,693)	0	(908)	785
People																				
HR Services	1,229	1,128	1,178	(51)	45	83	5	(40)	0	0	0	0	7	0	7	0	1,281	1,211	1,189	(92)
Future Operating Model	88	68	88	(0)	0	0	0	0	0	0	0	0	0	0	0	0	88	68	88	0
Learning & Development	841	709	914	72	63	96	64	1	0	0	0	0	(240)	(192)	(243)	(2)	664	613	735	71
Health, Safety & Wellbeing	578	322	430	(148)	244	196	291	47	0	0	0	0	0	0	0	0	822	518	722	(100)
Emergency Planning	91	99	139	48	3	1	2	(1)	0	0	0	0	(36)	(83)	(81)	(44)	58	18	60	2
Payroll	1,297	1,002	1,284	(12)	122	56	96	(26)	0	0	0	0	(43)	(20)	(43)	(0)	1,376	1,038	1,338	(38)
Revenues & Business Support																				
Revenues	4,239	3,844	4,039	(201)	327	631	404	77	(745)	(597)	(821)	(76)	(1,575)	(1,331)	(1,564)	11	2,246	2,546	2,057	(189)
Business Support	7,007	5,546	6,613	(394)	(132)	302	27	159	0	0	0	0	(17)	5	33	50	6,859	5,854	6,673	(185)
Creditors	216	173	199	(16)	14	12	16	2	0	0	0	0	0	0	1	1	230	185	217	(13)
Corporate Finance																				
Accounting	2,741	1,923	2,314	(427)	448	80	744	296	0	0	0	0	(8)	0	(130)	(122)	3,181	2,003	2,928	(253)
Procurement	0	4	0	0	734	(688)	755	21	0	334	0	0	0	0	0	0	734	(350)	755	21
Pensions	(0)	1,124	(0)	0	(0)	10	(0)	0	0	0	0	0	0	(1)	0	0	(0)	1,134	(0)	0
Grand Total Resources & Finance	18,769	16,462	18,029	(740)	534	5,265	1,972	1,438	(745)	(264)	(821)	(76)	(2,613)	(2,020)	(2,609)	4	15,945	19,444	16,570	626

PERFORMANCE & GOVERNANCE MONITORING STATEMENT 2025-26

Dec-25	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Members	1,866	2,442	2,456	13
Performance & Governance Corporate	790	1,049	1,066	17
Performance & Governance Directorate	336	87	120	33
Corporate Communications	507	594	585	(9)
Legal	905	657	573	(84)
Licensing	(1,575)	(817)	(790)	27
Democratic Services	471	738	612	(127)
Elections	364	324	453	129
Trading Standards	(2,650)	683	749	66
Corporate Audit & Performance	3,569	1,133	959	(174)
Grand Total Performance & Governance	4,585	6,891	6,782	(109)
	-	-	-	0.00
BY SUBJECTIVE				
Staff Costs	7,414	9,036	9,452	416
Other Expenditure	3,626	1,258	1,403	145
Gross Expenditure	11,039	10,294	10,855	561
Grant Income	(27)	(50)	(33)	16
Other Income	(6,428)	(3,354)	(4,040)	(686)
Total Income	(6,455)	(3,404)	(4,074)	(670)
NET TOTAL	4,585	6,891	6,782	(109)

PERFORMANCE & GOVERNANCE MONITORING STATEMENT 2025-26

	STAFF COSTS				OTHER COSTS				GRANT INCOME				OTHER INCOME				NET TOTAL			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance
Dec-25																				
BY ACTIVITY																				
Members																				
Members	2,296	1,758	2,286	(9)	175	108	169	(6)	0	0	0	0	(28)	0	0	28	2,442	1,866	2,456	13
Performance & Governance Corporate																				
Performance & Governance Corporate	866	609	876	10	203	181	190	(13)	0	0	0	0	(20)	0	0	20	1,049	790	1,066	17
Performance & Governance Directorate																				
Performance & Governance Directorate	98	330	96	(2)	(10)	7	24	34	0	0	0	0	0	0	0	0	87	336	120	33
Communications & Resilience																				
Corporate Communications	529	430	517	(12)	75	84	76	1	(2)	0	0	2	(8)	(8)	(8)	0	594	507	585	(9)
Corporate Governance																				
Legal	976	963	835	(141)	(53)	69	(2)	51	0	(27)	2	2	(267)	(100)	(263)	4	657	905	573	(84)
Licensing	1,371	1,225	2,106	735	188	123	237	49	0	0	0	0	(2,376)	(2,923)	(3,132)	(757)	(817)	(1,575)	(790)	27
Democratic Services	773	466	671	(102)	27	5	8	(19)	(48)	0	(36)	12	(14)	0	(31)	(17)	738	471	612	(127)
Elections	218	175	234	16	106	189	219	113	0	0	0	0	0	0	0	0	324	364	453	129
Trading Standards	882	666	891	9	41	81	79	38	0	0	0	0	(240)	(3,397)	(221)	19	683	(2,650)	749	66
Corporate Audit & Performance																				
Corporate Audit & Performance	1,028	790	940	(88)	506	2,779	404	(102)	0	0	0	0	(401)	0	(385)	16	1,133	3,569	959	(174)
Grand Total Performance & Governance	9,036	7,414	9,452	416	1,258	3,626	1,403	145	(50)	(27)	(33)	16	(3,354)	(6,428)	(4,040)	(686)	6,891	4,585	6,782	(109)

WELFARE MONITORING STATEMENT 2025-26

Dec-25	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Housing Benefit	6,463	4,278	4,106	(172)
Council Tax Reduction Scheme	14,460	15,134	14,473	(661)
Scottish Welfare Fund Grants	1,309	1,840	1,840	0
Educational Maintenance Allowances	5	0	0	0
School Clothing Grants	738	861	769	(92)
Advice Services	1,198	1,055	1,065	10
Other Welfare	490	932	677	(255)
Grand Total Welfare	24,663	24,100	22,929	(1,170)
	-	-	-	-
BY SUBJECTIVE				
Staff Costs	0	0	0	0
Other Expenditure	42,832	52,412	48,444	(3,968)
Gross Expenditure	42,832	52,412	48,444	(3,968)
Grant Income	(18,169)	(28,312)	(25,514)	2,798
Other Income	0	0	0	0
Total Income	(18,169)	(28,312)	(25,514)	2,798
NET TOTAL	24,663	24,100	22,929	(1,170)

WELFARE MONITORING STATEMENT 2025-26

	STAFF COSTS				OTHER COSTS				GRANT INCOME				OTHER INCOME				NET TOTAL				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End	
	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance	
Dec-25																					
BY ACTIVITY																					
Housing Benefit	0	0	0	0	32,034	24,481	29,074	(2,960)	(27,756)	(18,018)	(24,968)	2,788	0	0	0	0	4,278	6,463	4,106	(172)	
Council Tax Reduction Scheme	0	0	0	0	15,134	14,460	14,473	(661)	0	0	0	0	0	0	0	0	15,134	14,460	14,473	(661)	
Scottish Welfare Fund																					
Community Care Grants	0	0	0	0	1,430	865	1,430	0	0	0	0	0	0	0	0	0	1,430	865	1,430	0	
Crisis Grants - awarded	0	0	0	0	410	444	410	0	0	0	0	0	0	0	0	0	410	444	410	0	
Educational Maintenance Allowances	0	0	0	0	420	155	420	0	(420)	(151)	(420)	0	0	0	0	0	0	5	0	0	
School Clothing Grants Awarded	0	0	0	0	861	738	769	(92)	0	0	0	0	0	0	0	0	861	738	769	(92)	
Advice Services																					
Citizens Advice Bureau	0	0	0	0	1,191	1,198	1,191	0	(136)	0	(126)	10	0	0	0	0	1,055	1,198	1,065	10	
Other Welfare																					
Free School Meals Holidays	0	0	0	0	736	461	481	(255)	0	0	0	0	0	0	0	0	736	461	481	(255)	
Families Distress & Trauma Fund	0	0	0	0	0	(8)	0	0	0	(1)	0	0	0	0	0	0	0	(8)	0	0	
Universal Period Products	0	0	0	0	196	37	196	0	0	0	0	0	0	0	0	0	196	37	196	0	
Grand Total Welfare	0	0	0	0	52,412	42,832	48,444	(3,968)	(28,312)	(18,169)	(25,514)	2,798	0	0	0	0	24,100	24,663	22,929	(1,170)	

Appendix 2 – Budget Savings Forecasts 25/26

Budget Ref.	Saving / Income Generation	Annual Target	Latest RAG	Comment (where target not forecasted to be fully delivered)
HC 290224 CS:31 & HC 060325 R&F:5	Op Model Saving/Efficiency Savings: Corporate Management Team Restructure - FY 24-26	£245,000		
HC 290224 PG:2	Income Generation: Primary Partnership Model - Trading Standards - FY 24-27	£15,000		
HC 060325 R&F:3, HC 290224 R&F:3 [part]	Income Generation: Increased Council Tax collections - FY 25-26	£250,000		
HC 290224 RF:3 [part] & HC 060325 R&F:4	Income Generation: Corporate Debt Management arrangements - FY 24-27	£250,000		
HC 290224 CS:19	Unique Highland Visitor Exp: Income Forecast - FY 25-27	£150,000		
HC 290224 CS:35	1% Efficiency Target: Savings - FY 24-27	£985,000		
HC 290224 Corp-1 & HC 060325 R&F:6	Efficiency from Procurement: saving opportunities - FY 24-28	£1,693,000		Adjusting for risk and profile of delivery (incl part year effect) a lower in year position is forecast. Focus on progressing/maximising delivery and identifying other opportunities to increase forecast.
HC 290224 CS:4	Future Operating Model: Savings - FY 24-27	£415,000		
HC 290224 DCE-1	Efficiencies from Procurement: New SWAN contract - FY 25-27	£162,000		
HC 290224 CS:18	Campervans/ Motorhomes: Income Forecast 25-27	£250,000		Infrastructure sites are due to begin operation by July 2026.
HC290224 CS:17 & HC 060325 R&F:8&9	Fees & Charges: Income Forecast FY 25-28	£3,176,000		
HC 290224 CS:6	Food in Schools : Savings - FY 24-27	£262,000		
HC 290224 CS:34	Service Improvement Solutions: (also known as “Digital Innovation”) Savings - FY 25-28	£222,000		

£8,153,000