Agenda Item	**6.a**
Report No	**RES/30/26**

The Highland Council

Committee:	**Corporate Resources**
Date:	**27 August 2026**
Report Title:	**Corporate Revenue Budget Monitoring – Out-turn for 2025/26 and Quarter 1 forecast for 2026/27**
Report By:	**Chief Officer, Corporate Finance**

1. Purpose/Executive Summary

1.1 This report reflects the revenue budget out-turn position for financial year 2025/26 as reflected in the Council's draft unaudited annual accounts for the year which were considered by the June Council meeting. Each Strategic Committee has considered its own relevant report for the Services within its remit, and this report reflects the overall Council position. As reflected in that report to June Council, the out-turn position was a deficit for the year, and with the resulting impact that the Council's General Reserves were lower than forecast, and sitting circa £4m below the Council's targeted policy level.

1.2 This report also sets out the first revenue budget monitoring forecast for the current 2026/27 financial year. It reflects a forecast for Quarter 1 of 2026/27, and is a consolidated position for the Council as a whole, and reflecting forecasts for Services considered by respective Strategic Committees during this month. That Quarter 1 forecast is showing a net £5.945m overspend across all expenditure budgets, reducing to a net forecast £2.498m deficit once forecast excess council tax income and use of other reserves is considered.

1.3 The forecast for 2026/27 takes account of budget decisions made in March of this year, and further budget and management actions, to mitigate and address the financial pressures occurring in 2025/26 and their impact into 2026/27. Nonetheless, the Quarter 1 forecast reflects residual overspends across a number of budget headings, albeit at lower levels than in 2025/26, and results in a net deficit for the year based on current forecasts.

1.4 Actions are in place, given it is essential that this position is addressed and improves over the course of the year, to avoid deficit and with the aim of delivering a net surplus to assist with returning general reserves back to the policy position. A net surplus of circa £4m-£5m would return the Council's General Reserves back to the policy level of holding a minimum level of General reserves equating to 3% of budget, i.e. a target of £25m. The report reflects actions already underway, and further actions being progressed to mitigate these financial risks and with the intent of moving the Council into surplus for the year.

1.5 Achieving a surplus position will require ongoing and concerted action, and this includes a more rigorous approach to cost control and the approach to non-essential spending, which is being progressed as a key management action. There remain risks and uncertainties regarding the final position, including factors outwith the Council's direct control such as ongoing economic uncertainty and risks around inflation, interest rates and supply chain price rises, including fuel prices.

2. Recommendations

2.1 Members are asked to:

i. Note the out-turn position for 2025/26 based on draft unaudited accounts, as set out in this report;
ii. Consider the forecast financial position for 2026/27 as set out in this report and appendices;
iii. Consider the explanations provided for any material variances and actions taken or proposed in response to the overspends forecast, including the more rigorous approach to cost reduction and non-essential spending;
iv. Note the consolidated assessment of savings delivery forecasts.

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. While there are no direct resource implications arising from the recommendations in this report, the report sets out information on financial risks and implications, and the actions being taken to mitigate them with the objective of protecting the Council's overall financial position.

3.2 Legal - The contents of this report are reported to members to satisfy the requirement of Sections 6 and 7 of the CIPFA Financial Management Code which has been adopted by the Council - 'Monitoring financial performance' and 'External financial reporting'.

3.4 Risk – the Quarter 1 forecasts reflect a forecast net deficit and as a result the risk that Council General Reserves are reduced as a result. The report is clear on the need for the Council to address that deficit position, and aim to target a surplus for the year, to address over-spending and also to assist with the return of the Council's General Reserves back to the 3% policy target. The report also sets out some of the current and further planned actions to support this objective. There are risks relating to current forecasts, and that stated intent. There is the risk that actions may not have the desired effect, or may take longer to reduce spending and improve the financial position. There is also the risk that wider economic events, including the ongoing impact of the conflict in the Middle East, continue to see increased inflation, costs of good and services, and interest rates beyond current levels or for a more sustained duration. While these wider economic events are not within the Council's control, the need for action to mitigate the financial risk and impact of such events is. The report also references the extent to which some Services net positions have been improved by time-limited recovery plan support agreed by Members, this particularly being the case for Communities and Place (fleet) and Health, Wellbeing and Social Care (Children's Services). In both cases there remains significant underlying overspends and pressures, and the Council's budget plans for 2027/28 and beyond assume the tapering down and cessation of recovery plan financial support on the basis Services achieve cost reduction targets as set out in their recovery plans. The reported level of overspend in NHS Highland's Adult Social Care budget is also a significant and ongoing risk. There is no overspend assumption reflected within the Quarter 1 forecast position for the Council, on the basis of (a) the expectation that NHS Highland, and ongoing support from the Council in relation to change and transformation, mitigates these risks, (b) the Integration Scheme in place does not specifically attribute a risk share or formula amount upon the Council and (c) as in recent years were there to be any additional deficit support funding sought from the Council this would need formal decision, and would be expected to be firstly set against and be affordable within the earmarked reserve set aside by the Council for Adult Social Care. While there are clearly a number of key risks and uncertainties as described, and this report sets out the actions being progressed to mitigate these, there is also the 'upside' view that a Quarter 1 position is still relatively early in the year, and on a prudent forecasting basis may not reflect the effect of all actions underway or planned, the effect of which and confidence levels in their delivery and impact, will only develop as the year progresses.

3.5 Health and Safety (risks arising from changes to plant, equipment, process, or people) – no specific implications to highlight.

3.6 Gaelic – no specific 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. 2025/26 Out-turn (per the draft unaudited Annual Accounts)

5.1 As reported to the June Council, the out-turn position as per the draft unaudited accounts was as summarised below.

	General Fund £m
Net Deficit compared to budget	10.873
Resulting in a net reduction in General Reserves of	6.037
Being a shortfall in General Reserves against policy of	4.066

	Housing Revenue Account (HRA) £m
Net HRA out-turn compared to budget	Nil
Net movement in HRA revenue reserves	Nil

Appendix A provides the summarised General Fund out-turn for 2025/26. With more detail on individual Service out-turn positions via the Strategic Committee report links at the end of this report.

5.2 The June Council considered a comprehensive report on the out-turn and the Annual Accounts, and since that time each Strategic Committee has considered the out-turn position for their own respective Service areas. The incorporation within this report is therefore to conclude that reporting cycle for the 2025/26 out-turn, and this report provides links to those other reports (see end of this report) for Members interest.

5.3 The main focus of this report is therefore the 2026/27 quarter 1 forecast, as the most current and relevant position pertaining to the current financial year, and where there are a number of key risk areas, and a focus of specific actions to address projected overspends.

6. 2026/27 Quarter 1 Forecasts

6.1 The Quarter 1 forecast is showing a net deficit for the year of £2.498m, being the difference between expenditure and income forecasts and budget, and representing the forecast net impact (reduction) on General Reserves arising from that deficit forecast.

6.2 The table below provides a summary of the figures in **Appendix 1** to give an overall forecast position for Quarter 1 of the 2026/27 financial year. This reflects the underlying Service Quarter 1 forecasts already considered by Strategic Committees.

	Annual Budget £m	Year-end forecast £m	Year-end variance £m
Expenditure			
Service budgets (Appendix 1, Table A- top half)	759.616	769.777	10.128
Other budgets (Appendix 1, Table A- bottom half)	85.216	81.033	(4.183)
Contribution to investment funds and other reserves (Appendix 1, Table C)	14.785	14.785	-
Total (X)	**859.617**	**865.562**	**5.945**
Income (Table D- top part)			
Government income	658.412	658.412	-
Budgeted Council tax income	183.323	184.270	0.947
Confirmed use of earmarked and other reserves	17.882	20.382	2.500
Total (Y)	**859.617**	**863.064**	**3.447**
Difference between expenditure and income to be funded from non-earmarked reserves- 'Budget (surplus)/deficit' (=X-Y)	**-**	**2.498**	**2.498**

6.3 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 £2.498m which if not improved over the course of the year, will need to be funded from the Council's non-earmarked reserve. This being over and above planned or any further use of reserves over the course of the year.

6.4 As shown in the top row of the table at 6.1, net service expenditure is forecast to be overspent by £10.128m, with variances across a number of service areas. Section 7 of this report provides more details of the forecast service budget variances. For context and contrast, the equivalent net service expenditure positions for the prior year were as follows:

£16.130m Overspend Out-turn 2024/25
£17.044m Overspend Quarter 1 2025/26
£19.441m Overspend Out-turn 2025/26

6.5 The second row of the table comprises a number of other budget lines and shows a positive variance (underspend against budget) of £4.183m which is predominantly arising in the Council's loans charges budget and reflects impact of accumulated slippage in capital expenditure over the current and recent years.

6.6 The third row of the table shows contributions to investment funds and other reserves. A break-even position has been forecast.

6.7 The first row in the income section of the table at 6.1 reflects the funding the Council receives from government. In any year this may change as the year progresses, with additional or revised allocations of funding being confirmed.

6.8 An over-achievement of council tax income against budget is being forecast. With 2026/27 being the first year of the changes in charges agreed by Council in March 2026 for second homes and long-term empty properties, forecasts will be reviewed and updated as the year progresses to assess forecast income levels relative to budget forecasts, for these major changes in council tax.

6.9 The third row of the income section of the table shows the draw-down of Earmarked balances to support in-year expenditure. **Appendix 4** to the report shows the detail of the movements in the Council's earmarked reserves in the year to date and illustrates other earmarked reserves where funding has been drawn down for its intended purpose.

6.10 Overall, the combined impact of the net service overspend plus other budget pressures less excess corporate income gives a forecast £2.498m 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 these overspends being partly mitigated by an underspend on 'staff costs' across Council Services. This report provides further narrative on the actions being taken to address that forecast overspend position, the detail of which has been reported to respective Strategic Committee. There remains the expectation that such actions should see further improvement in the position as the year progresses. **Appendix 5** and section 8 of this report provide more detail on the Council's reserves position.

7. General Fund – 2026/27 Quarter 1 Service Budget Variances

7.1 **Communities and Place** - The Quarter 1 monitoring report, predicts an overspend of £2.306m, this is mainly from Fleet, Kerbside Refuse Collections and Recycling Centres, Transfer & Treatment and Street Cleansing. The net overall overspend for the waste service is estimated at £1.403m, this is due to ongoing pressures in kerbside refuse collections and recycling centres from 2025/26. The overspend of £1.109m within Stores and Logistics at the end of May 2026/27, was mainly within fleet. Again, this is a continuation of cost pressures from 2025/26, a recovery plan is in place and recovery plan financial support has been given for 2026/27 whilst the service implements cost savings plans.

7.2 **Business Solutions** - the forecast year-end position for 2026/27 as at Quarter 1 is for a £0.190m underspend. There are some increasing contract costs and in year, one-off project costs, but at this stage in the year the expectation is that these will be offset by a combination of pressure feeds agreed in the 2026/27 budget, utilisation of Earmarked Reserves, rigorous contract management and staffing vacancy management.

7.3 **Education and Learning** – an overspend of £0.636m at Quarter 1 is forecast, with the main pressure areas reflective of continuation of pressures reflected in the previous financial year. A continuing pressure of £0.601m remains in respect of legacy staffing positions within Special Schools and is the main pressure area not currently mitigated, and therefore impacting the net position for the Service overall. This pressure has reduced from the level reported in 2025/26 following the allocation of £0.400m of recurring pressure funding through the March 2026 Budget. There is ongoing management action to support continued improvement and management of staff costs to bring them within the budgeted allocation. There remain a number of other underlying pressures areas and overspends, albeit with some mitigations in place in-year. These include: the Additional Support – Schools budget is showing a net £0.053m overspend, the underlying position is reflecting more significant pressures, with a £0.9m overspend against the staffing standard budget, but being mitigated by a comparable underspend in the area specialist teams budget, arising from the phased implementation of a new structure. Savings delivery is also a risk area, and impacting on the forecast out-turn for the year, the most significant of which relates to £0.5m of the agreed DSM saving considered at risk, but mitigated by other assumed underspends or use of short-term funding sources. Overall there is a recurring £1.8m DSM saving the delivery of which is dependent upon an overall excess surplus within DSM budgets at year end.

7.4 **Health and Social Care** - The Quarter 1 monitoring shows a balanced forecast position following the provision of £3.5m for recovery plan financial support in 2026/27. This financial support is non-recurring and was made on the basis that the Children's Services recovery plan required time and financial support for actions to be progressed. There are significant underlying pressures reflected in the report to Strategic Committee, and if not for that short term financial support a material overspend would have been reflected. With the planned tapering out of recovery plan financial support in 2027/28, it is essential that recovery plan actions take effect and have positive financial impact over the course of this year. No variance against the Adult Social Care quantum is assumed or shown, but there clearly remains significant residual risks relating to the NHS Highland Adult Social Care budget which in their own internal monitoring is showing a projected £27.1m overspend at year end.

7.5 **Infrastructure, Environment and Economy** – The quarter 1 monitoring forecasts an overspend of £3.977m. Climate Change and Energy is forecasting an overspend of £2.014m. This mainly relates to the length of time being taken to deliver significant saving programmes , which have been delayed by insurance issues, grid connection delays and lack of market interest. Work is ongoing on establishing a plan of installs which have now been awarded and can be approved once install SOP is agreed. Trading Operations is forecasting a variance of £1.111. The main reason for this is the ongoing refit and maintenance costs associated with Corran Ferry. Further challenges in Harbours surrounding fuel prices and the demand for fuel by Harbour users. Ongoing regular monitoring is being undertaken in both Corran Ferry and Harbours. Roads and Transport is forecasting a year end overspend of £0.957m. Of this £0.242m is primarily due to income targets that are set for Car Parks, however it is hoped that following successful recruitment this position will be recovered in year. In addition, an overspend of £0.610m is currently forecast for integrated transport services arising from staff costs and consultant/software costs associated with a new IT system. Every effort is being made to reduce this level of forecast overspend and future monitoring reports will provide a more up to date assessment which will include future commercial opportunities such as a renal transport delivery model with NHS.

7.6 **Performance and Governance** - a small net overspend of £0.037m is forecasted and there are no significant underlying material variances forecast.

7.7 **Property and Housing** - Within the Property Service across the various budget headings, excluding Asset Rationalisation Savings, there is a forecast underspend of £0.157m. In relation to Asset Rationalisation Savings, the combined budget saving target for 2026/27 of £1.438M, which includes the unachieved savings target carried forward from 2025/26, does not currently report any forecast savings being achieved. However, based on the full range of asset rationalisation activities undertaken to date, currently in progress, and planned for delivery, it is considered that savings of around £0.4m could be achieved during the current financial year and subject to progress would be reflected in future forecasts. Non HRA Housing is forecasting an underspend of £0.181m. There is an overspend of £0.232m against the homelessness budget; this reflects the ongoing pressure of homelessness in Highland as reported in the annual homelessness update to May Committee, this is offset with significantly reduced expenditure on housing support services (£0.507m less than budgeted); this was achieved through reprofiling of services to deliver low-level tenancy sustainment to targeted households internally, while continuing to deliver enhanced support services through external providers directly to households who have experienced or are threatened by homelessness.

7.8 **Resources & Finance** – a net underspend of £0.562m is being forecast, with this reflecting a forecast slippage/shortfall in procurement savings delivery of £0.509m, but with this being more than mitigated by underspends in Corporate Finance, and within the People budget, both predominantly in relation to staffing.

7.9 **Welfare** - The demand-led welfare gross budget of £52.9m is reporting a projected underspend of £0.376m, which is mainly attributable to the Council Tax Reduction Scheme with this being reflected against the Council Tax income budget.

7.10 **Inverness Castle Experience (ICE)** - In relation to the ICE, Members will recall from past reports that the Council had agreed a £0.9m saving target effective in the current financial year (the first full year of operations) to be delivered through a rental arrangement with HLH linked to financial performance. Members will also recall that in 2025/26 the Council provided additional financial support totalling £2.046m in recognition of the part-year opening (in December 2025) and pre-opening costs. High Life Highland has now provided their own Quarter 1 forecasts for the Experience and these are indicating that actual and forecast visitor numbers and income levels are below budgeted levels. As a result, this represents a risk against the Council's £0.9m rental income target, and based on current HLH forecasts there may be an ongoing need for additional financial support in the current year. The report therefore reflects these HLH ICE forecasts and the potential that additional in-year financial support of up to £2.5m may be required (which includes the £0.9m target). HLH are actively working on plans to mitigate this position further, develop plans and actions to ensure financial recovery, and engaging with Council Officers in relation to how it can support that ongoing process of reviewing financial strategies and recovery plans. Further information will be reflected in future reports. HLH, as has been the case in recent years, are likely to require a Letter of comfort from the Council regarding their annual accounts and audit process, and officers are continuing to engage with HLH on this matter and any further information or due diligence to support this approach.

8. Housing Revenue Account (HRA) 2026/27 Quarter 1

8.1 The Housing Revenue Account is currently projected to have a surplus of £0.031m at year-end.

8.2 Expenditure to date is largely in line with budget with an anticipated year-end spend of £81.702m against a budget of £82.020m. On the income side, income from rental income is projected to be £0.288m lower than anticipated. This is as a result of some house completions being delayed into 2027/28

9. Actions Taken and Being Progressed

9.1 As set out in this report, the Quarter 1 forecast while showing an overspend at Service level, is at a lower level than in recent years. This is reflective of actions taken over past year, and decisions made by Members in the March 2026 budget which provided budget pressure funding and recovery plan support in key budget risk areas. The Council can however not be complacent regarding that year on year improvement, and there remains a forecast overspend position. As reflected in this report further action is being taken with the intent of further improving the position over the course of the year.

9.2 For many of the remaining pressures reflecting as overspend at Quarter 1, these in the main reflect underlying and persistent pressures which are expected to take some time, and likely beyond this financial year, to resolve. These include some of the following overspend areas:

- Communities and Place - Fleet overspend £1.1m
- Education and Learning – Special Schools overspend £0.6m overspend
- Infrastructure, Environment and Economy:
    - Shortfall and slippage in climate change/energy savings delivery £2.0m
    - Corran Ferry overspend on repairs and other costs £0.9m
    - Roads & Transport overspend across a number of budget lines £0.9m.
- Property & Housing – shortfall in property rationalisation savings £1.4m.

9.3 While these specific pressures may take some time to address, that does not remove the need for organisation wide efforts, and targeted action within Services, to ensure that broader cost control and management actions are in place. Delivering cost reduction and underspend in other budget headings, will be essential to mitigate the impact of those major pressure areas listed above, and this is the approach being taken forward as management action.

9.4 Members will already be aware of a range of actions put in place over the past year, including budget recovery plans for key risk areas, financial strategies for all Services, enhanced budget holder reports and dashboards. These have been under-pinned by a number of briefings to managers to both sign-post to relevant resources and guidance, but to ensure clear consistent instructions regarding their obligations and need for action.

9.5 Recognising that Quarter 1 is still showing significant areas of pressure, further management action is being progressed which will include specific instructions to all managers around the need for more rigorous cost control, the need for underspends to be achieved to mitigate overspend areas, and a focus on non-essential spend. Further action to increase the pace of savings delivery in certain areas is also required. Briefing to all operational managers are scheduled during August, being led by the Chief Executive and Section 95 Officer.

10. Reserves

10.1 **Appendix 5** summarises the current forecast 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 actions being taken to address and mitigate overspends, are with the intent of not only avoiding a net deficit for the year, but with the aim of delivering a net underspend which would assist in recovering General Reserves back to their targeted policy level. This will require significant improvement in the forecast position in future reporting periods. In relation to Earmarked Reserves (EMRs), it is expected that further drawdowns will take place over the course of the year to reflect planned and intended use, and therefore it is expected that the level of EMRs would reduce as the year progresses.

11. Savings Delivery

11.1 **Appendix 6** provides a high-level summary of the Red/Amber/Green (RAG) status of savings delivery, taken from the Council's PRMS performance management system. Further details on specific savings, those within the Operational Delivery Plan, as well as other savings, are set out within Service reports to Strategic Committees.

Designation: Chief Officer – Corporate Finance

Date: 13 August 2026

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

Background Papers:

Communities and Place Committee 13 August 2026

Economy and infrastructure committee 20 August 2026

Education committee 26 August 2026 – link not yet available

Health, Social Care and Wellbeing Committee 19 August 2026

Housing and Property Committee 12 August 2026 – Report 1, Report 2

Corporate Resources Committee 27 August 2026 – this agenda

Appendices: Appendix A – 2025/26 Summary of Draft out-turn for the year
Appendix 1 – General Fund summary 2026/27 Quarter 1
Appendix 2 – Additional analysis - General Fund 2026/27 Quarter 1
Appendix 3 – Housing Revenue Account (HRA) 2026/27 Quarter 1
Appendix 4 – General Fund budget movements and reconciliation
Appendix 5 – General Fund Reserves and Balances forecast
Appendix 6 – Summary position on overall savings delivery

Appendix A

Revenue Expenditure Monitoring Report - General Fund Summary			
1 April to 31 March 2026			

Table A: By Service

	Annual Budget £000	Final Outturn £000	Year End Variance £000
Communities & Place	48,283	52,073	3,790
C&P Packaging Extended Producer Responsibility Funding	(9,500)	(6,954)	2,546
Business Solutions	16,372	15,893	(479)
Education & Learning	310,869	311,148	279
Inverness Castle Financial Support	0	2,046	2,046
Health, Wellbeing & Social Care	213,368	216,530	3,162
Infrastructure & Environment and Economy	50,164	57,637	7,473
Performance & Governance	10,558	11,005	447
Property & Housing	91,102	91,007	(95)
Resources & Finance	17,384	18,264	880
Welfare Services	9,085	8,477	(608)
Service Total	**757,685**	**777,126**	**19,441**
Valuation Joint Board	3,626	3,437	(189)
Hi Trans	91	91	-
Green Freeport	329	329	-
Non Domestic Rates reliefs	1,247	1,239	(8)
Loan Charges	72,803	67,161	(5,642)
Unallocated Budget	(33)	0	33
Total General Fund Budget	**835,748**	**849,383**	**13,635**

Table B: By Subjective

Staff Costs	501,209	485,663	-15,546
Other Costs	577,105	610,982	33,877
Gross Expenditure	**1,078,314**	**1,096,645**	**18,331**
Grant Income	-94,423	-97,903	-3,480
Other Income	-148,143	-149,359	-1,216
Total Income	**-242,566**	**-247,262**	**-4,696**
Total Revenue Expenditure	**835,748**	**849,383**	**13,635**

Table C: Appropriations to Reserves

Contribution to earmarked balances	22,070	22,070	0
Contribution to non-earmarked balances	21,900	21,900	0
Affordable housing contribution from 2nd homes council tax	3,873	4,147	274
Contribution to Other reserves	1,211	1,211	0
Total Contributions to Balances	**49,054**	**49,328**	**274**

Table D: Financed By

Aggregate External Finance as notified	627,540	627,540	0
Additional resources	14,349	14,705	356
Council Tax	164,426	165,697	1,271
Use of earmarked balances	50,606	50,606	0
Use of non earmarked balances	17,064	27,936	10,872
Use of other reserves	10,817	12,227	1,410
Total General Fund Budget	**884,802**	**898,711**	**13,909**

Appendix 1

Revenue Expenditure Monitoring Report - General Fund Summary

1 April to 30 June 2026

Table A: By Service

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Communities & Place	10,899	52,155	54,461	2,306
C&P Packaging Extended Producer Responsibility Funding	0	(7,114)	(6,954)	160
Business Solutions	6,509	13,678	13,488	(190)
Education & Learning	42,037	314,167	314,804	637
Health, Wellbeing & Social Care	41,452	217,574	217,573	(1)
Infrastructure & Environment and Economy	(1,544)	47,181	51,158	3,977
Performance & Governance	3,572	7,223	7,260	37
Property & Housing	18,528	88,377	89,794	1,417
Resources & Finance	5,954	17,416	16,854	(562)
Welfare Services	4,197	8,959	8,782	(177)
Inverness Castle Experience	0	0	2,524	2,524
Service Total	**131,604**	**759,616**	**769,744**	**10,128**
Valuation Joint Board	1,167	4,075	4,075	0
Green Freeport	0	0	0	0
Non Domestic Rates reliefs	970	927	970	43
Loan Charges	0	77,970	72,895	(5,075)
Unallocated Budget	0	2,244	3,093	849
Total General Fund Budget	**133,741**	**844,832**	**850,777**	**5,945**

Table B: By Subjective

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Staff Costs	86,240	510,985	502,755	(8,230)
Other Costs	92,087	557,670	568,615	10,945
Gross Expenditure	**178,327**	**1,068,655**	**1,071,370**	**2,715**
Grant Income	(26,632)	(76,280)	(74,586)	1,694
Other Income	(17,954)	(147,543)	(146,007)	1,536
Total Income	**(44,586)**	**(223,823)**	**(220,593)**	**3,230**
Total Revenue Expenditure	**133,741**	**844,832**	**850,777**	**5,945**

Table C: Appropriations to Reserves

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Contribution to earmarked balances	0	9,020	9,020	0
Contribution to non-earmarked balances	0	0	0	0
Affordable housing contribution from 2nd homes council tax	0	3,754	3,754	0
Contribution to Other reserves	0	2,011	2,011	0
Total Contributions to Balances	**0**	**14,785**	**14,785**	**0**

Table D: Financed By

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Aggregate External Finance as notified	82,284	656,471	656,471	0
Additional resources	0	1,941	1,941	0
Council Tax	51,457	183,323	184,270	947
Use of earmarked balances	0	11,414	11,414	0
Use of non earmarked balances	0	0	2,498	2,498
Use of other reserves	0	6,468	8,968	2,500
Total General Fund Budget	**133,741**	**859,617**	**865,562**	**5,945**

Appendix 2

Revenue Expenditure Monitoring Report - General Fund Summary

1 April to 30 June 2026

Table A: By Service

	Staff Costs Variance £000	Other Costs Variance £000	Grant Income Variance £000	Other Income Variance £000	Total Variance £000
Communities & Place	(1,230)	1,126	(257)	2,667	2,306
C&P Packaging Extended Producer Responsibility Funding	0	0	160	0	160
Business Solutions	(254)	1,112	0	(1,048)	(190)
Education & Learning	(390)	979	14	34	637
Health & Social Care	(1,187)	1,963	(777)	0	(1)
Infrastructure, Environment & Economy	(2,921)	6,046	(7)	859	3,977
Performance & Governance	262	114	(59)	(280)	37
Property & Housing	(916)	3,720	(898)	(489)	1,417
Resources & Finance	(1,661)	1,316	0	(217)	(562)
Welfare	67	(3,772)	3,518	10	(177)
Inverness Castle Experience		2,524			2,524
Valuation Joint Board	0	0	0	0	0
Green Freeport	0	0	0	0	0
Non Domestic Rates reliefs	0	43	0	0	43
Loan Charges	0	(5,075)	0	0	(5,075)
Unallocated Budget	0	849	0	0	849
Total General Fund Budget	**(8,230)**	**10,945**	**1,694**	**1,536**	**5,945**

Appendix 3

Revenue Expenditure Monitoring Report - Housing Revenue Account Summary

1 April to 30 June 2026

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Staff Costs	2,597	18,772	16,630	(2,142)
Other Costs	3,621	28,448	30,271	1,823
Loan charges and interest	0	34,800	34,800	0
Gross Expenditure	**6,218**	**82,020**	**81,701**	**(319)**
House Rents	(9,674)	(77,842)	(77,858)	(16)
Other rents	(586)	(3,737)	(3,656)	81
Other income	(50)	(379)	(156)	223
Interest on Revenue Balances	0	(62)	(62)	0
Gross Income	**(10,310)**	**(82,020)**	**(81,732)**	**288**
Total HRA	**(4,092)**	**0**	**(31)**	**(31)**

Revenue Expenditure Monitoring Report - General Fund Budget

1 April to 30 June 2026

	£m	£m
2026/27 Budget as Agreed by Highland Council on 5 March 2026		867.976
Less : Contributions to Reserves included in Agreed Budget		
Affordable housing contribution from 2nd homes council tax	(3.754)	
Contribution to earmarked balances (Elections Fund)	(0.085)	
Contribution to earmarked balances (SALIX)	(0.837)	
Contribution to other reserves	(2.011)	(6.687)
Less : Ring-fenced Grants (Gaelic, Criminal Justice, PEF Attainment Funding, Support for Ferries)		(8.599)
Grant Funding Redeterminations		
DHPS - LHA Rate Freeze Mitigation	0.228	
Customer First	(0.124)	
Funding for Mansion Tax	0.152	
Education Psychologists	0.021	
Whole Family Wellbeing	0.008	
Children’s Care and Justice – Raising the Age of Referral	0.134	
Adopt and Adapt Funding	0.070	
Real Living Wage uplift	0.033	
School Meals	0.095	
Resettlement Teams	0.147	
Targetted Revaluation	(0.026)	
Scottish Disability Payments	(0.020)	
Scottish Recommended Allowance uplift	0.239	
Nature Restoration	0.051	
ALEO Clawback	(0.059)	
	0.949	
Adjust : Ring-fenced Grant Changes	0.000	0.949
Use of Non-earmarked Balances		
		0.000
Use of Earmarked Balances		
Property Maintenance	(0.423)	
Whole Family Wellbeing	1.601	
Budget 2024-25 Pressures - People and Finance Systems Programme	(0.926)	
Budget 2026-27 - Investments - INV9 My Future Highland/Workforce North	(1.200)	
Budget 2026-27 - Investments - INV11 Repair the Highlands - Phase 2	(0.300)	
Cap Parking Income - Skye	0.200	
VJB - Elections Act 2022 (New Burdens)	0.023	
ICT Investment Funds	0.018	
Budget 2024-25 - Pressures - People and Finance Systems Programme	0.113	
Future Investment Capacity Fund - Corporate Solutions - Future Operating Model	0.021	
Future Investment Capacity Fund - Corporate Solutions - Data Foundations	0.080	
Future Investment Capacity Fund - Corporate Solutions - Digital Foundations	0.047	
Future Investment Capacity Fund - Cross Portfolio Programme & Project Mgmnt Resources	0.036	
		(0.710)
Use of Other Reserves		
		0.000
Contribution to Non earmarked Balances		
		0.000
Contribution to Earmarked Balances		
Salix	(0.098)	
Housing Challenge Fund	(1.000)	
Adult Social Care	(7.000)	
		(8.098)
Contribution to Other Reserves		
		0.000
Presentational Adjustments		
Rounding	0.001	
		0.001
Total General Fund Budget at 30 June 2026		**844.832**

Revenue Expenditure Monitoring Report - General Fund Balances

1 April to 30 June 2026

General Fund Balance

	Earmarked balances £m	Non-earmarked balances £m	Total £m
General Fund Balance at 1 April 2026	65.189	20.914	86.103
Use of balances included in budget as agreed by Highland Council on 5th March 2026	(12.123)	0.000	(12.123)
Contribution to balances included in budget as agreed by Highland Council on 5th March 2026	0.922	0.000	0.922
Use of balances per Appendix 4	0.710	0.000	0.710
Contribution to balances per Appendix 4	8.098	0.000	8.098
Removal of earmarking	0.000	0.000	0.000
Budget movement in balance per Appendix 1	(2.393)	0.000	(2.393)
Net service underspend/(overspend) per Appendix 1	0.000	(5.945)	(5.945)
Appropriations to other reserves	0.000	0.000	0.000
Appropriations from other reserves	0.000	2.500	2.500
Additional resources	0.000	0.000	0.000
Council tax	0.000	0.947	0.947
Rounding	0.000	0.000	0.000
General Fund Balance at 30 June 2026	62.796	18.416	81.211

Appendix 6

Revenue Expenditure Monitoring Report - Savings Delivery

1 April to 30 June 2026

	£m Excl ASC	£m Incl ASC
Green	**8.810**	**8.810**
Amber	**0.000**	**0.000**
Red	**9.219**	**18.212**
To be confirmed	**3.582**	**3.582**
Total	**21.611**	**30.604**

Reflecting position incuding/excluding the £8.993m Adult Social Care savings target, of which £6.393m is c/fwd from 2025/26