The Highland Council

Agenda Item	**5**
Report No	**AC/21/26**

Committee: **Audit Committee**

Date: **11 November 2026**

Report Title: **Best Value Thematic Report 2025/26 – Asset Management**

Report By: **Strategic Lead (Audit & Risk)**

1. Purpose/Executive Summary

1.1 This report presents the 2025/26 Best Value Thematic Report from our External Auditors. This is the fourth thematic review undertaken by Audit Scotland, and is on the topic of Asset Management. The review examined how well the Council is managing assets to achieve its corporate objectives and respond to challenges around financial sustainability and climate change. The report is provided at **Appendix 1**.

1.2 Overall, the report is very positive, identifying a number of strengths within the Council including: an effective approach to asset management; clear strategic alignment between the Strategic Asset Management Plan, service-level asset management plans and capital investment; also clear alignment between the asset management plans and the Highland Investment Plan (HIP), the affordability of the capital programme and asset management plans have been properly considered, there is good collaborative working with partners and a clear approach for Community Asset Transfer Requests.

1.3 The Council's Best Value report, considered by Council in June 2025, included the following finding from the Accounts Commission:
"We note with concern the council's borrowing costs, which are relatively high as a percentage of net revenue – 11.6 per cent compared to the Scottish average of 5.8 per cent. We note that the capital plan will be reviewed at key phases to assess affordability and prudence and look forward to future audit assessments, including understanding the full impact of these plans given ongoing revenue budget challenges."

Members will recall that in May 2024, Council agreed the mechanisms to fund the HIP to ensure that capital investment remains affordable, prudent and sustainable. However, this was not acknowledged by the Accounts Commission in their BV report. Therefore, it is reassuring to note that Audit Scotland have reported that the Council has clearly considered affordability of its capital programme and asset management plans.

1.4 Audit Scotland, our External Auditors, will attend the Committee to present this report.

2. Recommendations

2.1 The Committee is asked to **scrutinise**, **consider** and **note** the report findings, in particular the key messages on pages 3 and 4, and the improvement action plan at Appendix 1 of the report.

3. Implications

3.1 Resource – there are no direct resource implications arising from this report.

3.2 Legal – the Council has a statutory duty to deliver Best Value (BV). Audit Scotland holds Councils to account for this duty by assessing how effectively they are delivering BV and publicly reporting on the outcome.

3.3 Community (Equality, Poverty and Rural) – there are no direct implications arising from this report.

3.4 Climate Change/ Carbon Clever –there are no direct implications arising from this report.

3.5 Risk – timely implementation of the management agreed actions will assist in driving improvement and ensuring that the Council has effective arrangements to demonstrate that it provides Best Value. By doing so, this will reduce the risk of reputational damage arising from any adverse BV report findings.

3.6 Health and Safety (risks arising from changes to plan, equipment, process or people) – there are no implications arising from this report.

3.7 Gaelic – there are no implications 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 an update report and therefore an impact assessment is not required.

5. Report background, findings and recommendations

5.1 This is the fourth thematic best value review undertaken by Audit Scotland. The earlier reviews have considered the topics of leadership; workforce and innovation; and transformation, and these have previously been reported to the Audit Committee.

5.2 This thematic review examined how well the Council is managing assets to achieve its corporate objectives and respond to challenges around financial sustainability and climate change. The auditors considered the following questions, with their report findings and judgements split into 3 parts:

Part 1 – To what extent does the council have a clear asset management strategy and plans that are affordable, align with its corporate objectives, the changing needs of its population, and net zero commitments?

Part 2 – To what extent do the council's governance and accountability arrangements support effective asset management?

Part 3 – To what extent does the council have a robust approach to working with partners and communities in managing its assets?

The format of the report differs from the previous thematic reports issued and makes a number of judgements supported by the evidence obtained during the audit. There are 16 judgements in total and overall, the majority of these are extremely positive. Where the judgement has identified that improvement is required, an audit recommendation has been made (see section 5.4).

5.3 The report contains 9 key messages which are set out in pages 3-4. These are summarised below under the relevant part number.

Part 1 – Asset management planning

1. The Council demonstrates an effective approach to its asset management. The strategic approach is outlined in its 2026 Strategic Asset Management Plan (SAMP) which considers the changing needs of its population, new ways of working and how this will support meeting its net zero emission commitments.
2. There is clear strategic alignment between the SAMP, service-level asset management plans and the capital investment programme. The Asset Management Framework also supports the delivery of its strategic objectives.
3. There is clear alignment between the Council's Highland Investment Plan (HIP) and its asset management plans. It has clearly considered affordability in its plans, with the HIP focusing on saving activity.
4. The Council has sufficiently considered the affordability of its capital programme and asset management plans.
5. A proactive approach to managing and mitigating significant building safety risks related to Reinforced Autoclaved Aerated Concrete has been undertaken.
6. The Council has a reported backlog of property maintenance, with the risk rated amber on the corporate risk register. It is not yet possible to measure the progress against the backlog maintenance until condition surveys are completed. These have been undertaken for 70% of the sites and is due to be complete by the end of 2026/27.

Part 2 – Governance and performance

7. Reporting and monitoring arrangements could be improved to ensure transparency and enable effective decision making. The Council has, in general, demonstrated continuous improvement over the last three years against relevant Local Government Benchmarking Framework indicators however it remains below the national and family group averages.

Part 3 – Partnership working and community engagement

8. The Council works collaboratively with partners to manage and deliver shared assets locally. It has a clear approach to engaging with communities on asset

management planning and can demonstrate how it has worked with communities to inform its decision making in relation to assets.

9. The Council has a clear approach for supporting Community Asset Transfer (CAT) requests which has been fully complied with. Transparency could be improved by ensuring CAT request key documentation is available on-line and ensuring guidance remains up to date.

5.4 The report contains 3 audit recommendations and full details can be found in the action plan at Appendix 1 (pages 23-24) together with the management agreed actions, named responsible officer and target date for completion. A summary of the recommendations and their links to the key messages are set out below.

1. The Council should create clear performance reporting arrangements for each oversight group/ Committee for the Reconfiguring Our Asset Base tracker including project costs, delivery milestones, timelines and progress against targets. Reporting should clearly identify the impact of delays on service delivery and any corrective actions required to address slippage. (key message 7)
2. The Council should prioritise the completion of the condition survey programme and regularly update and report on the estimated backlog maintenance value. (key message 6)
3. The Council should ensure that documentation related to CATs processes are up to date and available on the Council's website. (key message 9)

5.5 The Council has not yet been informed of the next thematic topic. Members will be updated once this information is available.

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Date: 01 September 2026

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Background Papers:
Report HC/19/25 - Highland Council Best Value Report

Appendices: Appendix 1 – BV4 Thematic Report – Asset Management

Best Value thematic work – Asset management

The Highland Council

How well councils are managing assets to achieve their corporate objectives and respond to challenges around financial sustainability and climate change

Prepared by Audit Scotland
August 2026

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Key messages

1 Highland Council demonstrates an effective approach to its asset management. The strategic approach is outlined in its 2026 Strategic Asset Management Plan. This gives consideration to the changing needs of its population and new ways of working and also sets out how it will support the council to meet its net zero emission commitments.

2 There is clear strategic alignment between the Strategic Asset Management Plan, service-level asset management plans and the capital investment programme. The Asset Management Framework also supports the delivery of the council's strategic objectives.

3 There is clear alignment between the council's Highland Investment Plan (HIP) and its asset management plans. The council has clearly considered affordability in its plans, with the HIP focusing on saving activity.

4 The council has sufficiently considered the affordability of its capital programme and asset management plans. This is evidenced via its "ratio of financing costs to net revenue stream." The Treasury Management Strategy Statement notes that the general and the housing revenue funds are below the cap set by the council, although both are higher than the Scottish average. The council has acknowledged the need for a revised, lower cap within the Housing Revenue Account (HRA) and has implemented interim caps for the HRA and non-treasury investment activities.

5 A proactive approach to managing and mitigating significant building safety risks related to Reinforced Autoclaved Aerated Concrete (RAAC) has been undertaken.

6 The council has a reported backlog of property maintenance, with the risk rated amber on the corporate risk register. Management reported that their approach to addressing the backlog is still in progress, with tailored solutions being developed and due to be reported to members in Q4 2026/27. It is not yet possible to measure the progress against the backlog maintenance until condition surveys are completed. Condition surveys have been undertaken for 70 per cent of the sites and the cycle of surveys is due to be complete by the end of 2026/27.

7 The council's reporting and monitoring arrangements would benefit from some improvements to tracking and reporting to ensure transparency and enable effective decision making. The council has, in general, demonstrated continuous improvement over the last three years against relevant Local Government Benchmarking Framework indicators however it remains below the national and family group (Group 1) averages.

8 The council works collaboratively with partners to manage and deliver shared assets locally. It has a clear approach to engaging with communities on asset management planning and can demonstrate how it has worked with communities to inform its decision making in relation to assets.

9 The council has a clear approach for supporting Community Asset Transfer (CAT) requests. While transparency could be improved by ensuring CAT request key documentation is available on-line and ensuring guidance remains up to date, the approach has been fully complied with.

Introduction

1. Asset management directly impacts how councils provide services and achieve their own corporate priorities and longer-term financial sustainability. Limited capital budgets make it challenging for councils to maintain their existing assets and estates, invest in new assets and achieve net zero targets. Exhibit 1 sets out some principles for effective asset management, informed by CIPFA guidance and the Infrastructure Investment Plan for Scotland.

Exhibit 1

Principles for effective asset management

Principle	What this looks like in practice
Strategic alignment	Councils' asset management strategies align with their corporate objectives, financial plans, new ways of working, population needs and net zero commitments.
Investment hierarchy	To support sustainability and cost-effectiveness, asset management strategies prioritise: 1. Maintaining and optimising existing assets 2. Repurposing or upgrading existing assets to meet the needs of the community 3. New investment only when necessary
Monitoring condition and performance	Councils regularly assess the condition, suitability and performance of their assets, to help inform investment priorities and support continuous improvement.
Governance and accountability	Councils have clear roles and responsibilities for asset management, with regular, transparent reporting and senior oversight.
Community asset transfers	Councils have transparent and robust processes in place to assess and support requests for community asset transfers.
Place-based approaches	Councils collaborate across services and other public and third sector organisations to manage assets as a collective resource across their local area. This has the potential to achieve savings, better align service provision and create opportunities for joint working.

Source: Audit Scotland

2. The Code of Audit Practice sets out the requirements for Best Value audit work. This report covers the thematic aspect of the Best Value audit requirements. The Accounts Commission has directed auditors to report on how well councils are managing their assets. In carrying out the work, auditors have considered the following questions:

- Part 1 – To what extent does the council have a clear asset management strategy and plans that are affordable, align with its corporate objectives, the changing needs of its population, and net zero commitments?
- Part 2 –To what extent do the council's governance and accountability arrangements support effective asset management?
- Part 3 – To what extent does the council have a robust approach to working with partners and communities in managing its assets?

3. An improvement action plan is included at Appendix 1 of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

4. The coverage of the work is in line with the expectations for council's arrangements for the seven Best Value themes in the Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020.

1. Asset management planning

5. Councils' capital programmes are a necessary component of modernising services to improve outcomes for local communities. Doing this successfully requires good strategic medium to long-term asset management and planning. The Accounts Commission's Local government budgets 2025/26 briefing reported that capital funding for 2025/26 had increased but remained lower than in 2023/24 and that investing in new buildings and assets is increasingly expensive. Councils are relying on borrowing as the main source of funding for capital projects. In 2025/26, councils intend to borrow £3.13 billion, an increase from £2.67 billion in 2024/25.

Findings and evidence relating to the council's asset management strategic planning arrangements

Judgements	Evidence
1. The council has a clear, up-to-date and well-informed asset management strategy that clearly sets out its approach and priorities for managing and developing its assets. It covers a sufficient period enabling strategic planning and is clear about how progress will be monitored and when priorities will be reviewed.	1. The council agreed its asset management strategy (Strategic Asset Management Plan) in January 2026. It clearly sets out its approach and priorities for managing and developing its assets. For example the strategy includes a transition plan which sets out how the council will align assets with evolving service models, workforce needs and community expectations. 2. The council's asset management strategy provides a high level overview of land and property including the number of assets and other key numbers e.g. office utilisation, carbon emissions, backlog of essential work. The strategy notes that detailed information on condition is included within a yearly service plan. 3. In order to support a better understanding of the estate, reviews of place based and general asset types are ongoing and feeding into the councils Power BI dashboard, which will provide live data on the estate once fully populated (currently in beta testing). 4. The council's asset management strategy sets out how the organisation, services and the community are changing, through supporting trend information. Further analysis is undertaken for each individual project and programme to support the completion of the strategic assessment.

Judgements	Evidence
	5. The council's Asset Management Strategy covers a three-year period (2025-2027), providing an appropriate foundation for longer-term asset planning. The strategy acknowledges that it is the first iteration and is therefore focused on establishing core principles and addressing current priorities. It also states that future versions will explore the wider asset portfolio in greater depth, demonstrating a commitment to the ongoing review and development of the strategy. The next update is scheduled for 2027, supporting the continued refinement of the council's strategic approach to asset management. 6. The strategy clearly sets out how the assets support service delivery plans (e.g. the school estate, health and social care facilities) and provides examples of planned or 'in development' activities with supporting context and the impact of these. The key elements of the strategy are willingness to change, community pods, multi-agency sharing, streamlining, focus on place / communities, sustainability and effective use of existing and new technology. 7. The council's asset management strategy outlines the approach and governance arrangements for managing and developing its assets. The key governance group is the Strategic Asset Management Board, which includes cross-service leadership, to support scrutiny and accountability. This group reports through a hierarchical chain of groups and ultimately to the council's Housing and Property Committee. A Service Area Property Representative is identified for each area and they report to the Strategic Asset Management Board and work with the Asset Management Team.
2. The council's asset management strategy aligns with its corporate objectives, new ways of working, the changing needs of its population, and clearly sets out how net zero commitments will be met.	1. The link between the corporate outcomes and the asset management principles / objectives is not explicit. Instead, the Strategy Asset Management Plan embeds the requirements of the corporate outcomes, using them to guide priorities and influence decision-making throughout the strategy. The corporate outcomes are distilled into projects through the Delivery Plan, which are then highlighted within the asset strategy. 2. The council has clearly considered the changing needs of its population and potential demand for services. For example population projections indicate that by 2043, the school-age population will decline by 15 per cent, while the over-65 population will increase by 40 per cent. This evidence supports the council's approach to a flexible

Judgements	Evidence
	estate, with Community Points of Delivery and developing housing options for vulnerable and elderly. 3. The council has clearly considered how its assets can be optimised to reflect new ways of working / providing services. For example there are multi-agency community points of delivery to improve access and reduce the public estate; and a network of secure, strategically located, community integrated depot facilities to improve logistical efficiencies. 4. The Strategic Asset Management Plan clearly links to the council's Climate Change and Net Zero Strategy, with the plan providing an overview on how these strategies will impact assets. In addition these strategies are considered as part of asset decision making, using the Strategic Asset Management Plan tool. Therefore the linked strategies will be included in asset management reporting. 5. The council has developed a Social Value Charter for Renewables Investment which allows green energy developers to support lasting economic and social benefits to local communities. One strategy used by the council in this area is supporting those projects which in turn support further funding / investment e.g. the Glen Earrach pump hydro scheme gives 5 per cent of the annual gross margin to a Community Wealth Fund (estimated £20 million annually).
3. The council has clear plans for asset management related themes and programme projects identified through the asset management strategy. These align with the delivery and capital programmes, however the quality of reporting is not sufficient (see Judgement 8).	1. The council has not developed specific asset type management plans, instead it's focussing on specific themes, programmes and projects which integrate asset management. A single tracker, the Rationalising Our Asset Base (ROAB) tracker, is used by all teams to monitor costs and activities. These are reported through the ROAB portfolio board. 2. As noted in Judgement 9 below, the ROAB tracker provides limited information on projected costs and expected delivery timescales. 3. The ROAB tracker is primarily concerned with savings. Each project / programme / proposal is assessed using the new Strategic Assessment Tool. The tool is based on an options appraisal approach covering a range of financial and non-financial information. Where any capital expenditure is identified then this would need to be considered by the Capital Programme Board. 4. As part of our audit work, we reviewed one programme and one project from the council's strategic

Judgements	Evidence
	asset management plan (the Highland Depot Transformation Programme and the Highland HQ review) alongside the Delivery Plan and the General Fund Capital Programme and confirmed clear links existed between them. 5. The Highland Depot Transformation Programme is a key project in the Strategic Asset Management Plan and contributes to the Community Points of Delivery (POD) approach and addressing a backlog in depot maintenance. The POD approach is expected to deliver savings of £1.225 million in the next three years. Further 'Place-based reviews' are required before detailed decisions can be made on exact timelines and costs. 6. The Highland HQ review is one of the projects within the Area Reviews Programme. The Strategic Assessment Tool has been used to describe each of the relevant options for this project. This project will directly impact the visibility and accessibility of the council. The current building is in the heart of Inverness and includes the council chambers and an adjacent car park. A completed options appraisal is due to be presented to the Corporate Management Team and Senior Leadership Team in August 2026.
4. The council has considered affordability in its capital programme and asset management plans but debt to expenditure ratios remain notably higher than Scottish averages. **5. The council assesses potential funding sources and undertakes scenario / risk assessments at a strategic level, as part of regular financial management but also considers elements of funding and whole life costs as part of individual programmes, projects and themes.**	1. The council continues to operate in a challenging financial landscape with ongoing cost pressures, high interest rates, and economic uncertainty. These conditions have a direct influence on borrowing costs and the affordability of capital plans. 2. There is evidence that the council has sufficiently considered affordability of its capital programme and asset management plans. The Highland Investment Plan (HIP) was developed by the council as a strategic response to the region's long-term infrastructure and service delivery needs. A key part of this strategy is guiding council's transition toward a more modern, flexible, and resilient property estate. As stated within the plan, the HIP aims to ensure that public investment is affordable and sustainable. 3. Whilst not explicitly described as an investment hierarchy, the council's strategic documents highlight as its key priorities: • Asset management (including urgent maintenance) • Asset rationalisation (including co-location) • Asset re-design (may include new build)

Judgements	Evidence
	The capital programme makes provision for a core budget for each of the main asset investment needs. These budgets provide for essential investment to maintain service delivery and invest in health and safety, risk and compliance needs within the constraints of available funding. 4. The Prudential Code sets out a range of indicators that are required as part of the council's capital investment and treasury strategies. These are agreed by the full Council annually as part of the Treasury Management Strategy Statement. The "ratio of financing costs to net revenue stream" forms a core part of considering the HIP and reflects what proportion of the council's annual revenue budget, is committed to meeting the annual costs of repaying debt. 5. As stated in the Treasury Management Strategy Statement, the council will need to ensure this indicator remains at a level that is affordable, prudent, and sustainable and it is recommended that this indicator does not exceed more than 10 per cent for the totality of all general fund capital investment and associated loan charge costs. 6. As reported in the Treasury Management Strategy Statement from March 2026, the estimated general fund ratio for 2025/26 is 8.4 per cent. This is below the 10 per cent cap set by the council but is notably higher than the Scottish average of 5.4 per cent. For HRA this is 41.5 per cent below the council set cap of 43 per cent but again notably higher than the Scottish average of 21.4 per cent. The Treasury Management Strategy Statement and the HRA Financial Strategy (presented to the Housing and Property Committee in January 2026) recognises that with regards to the HRA, too much of the current revenue budget is going to service the debt rather than delivering services / upgrades for tenants. The council have recognised that going forward the cap will be subject to routine monitoring and review as part of financial management and planning. 7. The council assesses potential funding sources and undertakes scenario / risk assessments at a strategic level, as part of regular financial management. 8. Funding sources and whole life costs are also considered as part of individual programmes, projects and themes. The Strategic Asset Management Plan includes a number of funding sources including borrowing, revenue

Judgements	Evidence
	investments and council tax increases. In February 2024, a £54.6 million savings package was approved and achieved 80.4 per cent, focusing on service redesign, property management changes, efficiencies, and income generation. In May 2024, a policy of ring fencing council tax income to fund the Highland Investment Plan (HIP) was agreed at 2% annually. 9. The Highland Investment Plan (HIP) follows a 3-step process of creating funding, earmarking and allocated funding and project development and delivery. The HIP also documents the funding decisions around specific projects such as the Corran Ferry, Roads and Transport Infrastructure and the Learning Estate Investment Programme (LEIP). 10. One of the principles of the Strategic Asset Management Plan is to design, construct, manage and maintain the estate with a whole life approach. The Strategic Assessment Tool is used to assess property-related proposals and options appraisals to support decision making. Completion of this requires consideration and documentation of whole life costs. The HIP sets out the approach for the school estate which includes accounting for the whole life cycle costings of school buildings. 11. As part of the work done to establish the HIP, the council have carried out financial modelling, over a 20-year period (2024/25 to 2043/44) based on a number of financial assumptions. One aim of this is demonstrating how future growth in the revenue budget could support a similar increase in the loan charge budget to provide for increased capital. It is also noted that individual phases of capital programme investment will need to be financially modelled and assessed for their affordability as part of the regular and rolling medium term financial planning cycle, and the annual budget setting process. 12. Risks are also considered as part of the Treasury Management Strategy Statement for example fluctuating interest rates impacting borrowing costs, council tax assumptions, borrowing availability and economic conditions.
6. The council has taken a proactive approach to managing and mitigating significant building safety risks.	1. The council have estimated the backlog of essential maintenance work at £217.11 million. The Property Maintenance Team has initiated a rolling programme of condition surveys with 70 per cent now completed. 2. Condition assessments are undertaken as part of a yearly programme with quarterly reports provided to the Property

Judgements	Evidence
7. The council had a clear plan in place to mitigate the significant building safety risks it identified.	and Housing Committee. The 2025 Existing Asset Condition survey in month 9 (December 2025) reported that the programme of assessments was on target, though there was a backlog of maintenance across the estate. 82 surveys have taken place 2025/26, which takes recent assessments (2020/21 to 2025/26) to 70 per cent of the total number of sites (80 per cent of the floor size). 3. The council took specific action (review assets, take action or monitor risk) in relation to high profile building safety risks including flammable cladding and RAAC. These were reported to the relevant management and council committees. Whilst the council has not identified RAAC in any housing or operational buildings, following desktop and on-site assessments, RAAC has been identified in the school estate. The two affected buildings are Charleston and Nairn Academies, where remediation works have now taken place. Monitoring of all non-remediated and remediated properties as part of regular condition monitoring activities. A new school building in Nairn will be completed in September 2026 removing the need for further monitoring. Charleson Academy is now included within the HIP.

2. Governance and performance

6. It is essential that the council has effective governance arrangements in place to enable transparency, oversight and scrutiny of progress with implementing its capital programme and asset management strategy. This enables better-informed decision making and corrective action where needed.

Findings and evidence relating to the council's governance arrangements and performance

Judgements	Evidence
8. The Reconfiguring Our Asset Base (ROAB) tracker shows limited information on projected costs and expected delivery timescales. Monitoring reports do not include timescales or long-term trends against asset management targets and did not clearly explain the impact any delays may have on service delivery or identify correction actions required to address slippage. Refer Improvement Action Plan, point 1.	1. The council has appropriate leadership arrangements in place for its capital programme and asset management strategy. For example, the Strategic Asset Management Board in place is responsible for the development and implementation of the Strategic Asset Management Plan. The Board is chaired by the Chief Officer of Property and Assets and members include service representatives and the asset management team. The Board meet every four to six weeks. Their main responsibilities include review and approval of business cases and providing oversight and scrutiny on property and asset related recommendations. 2. Progress with the capital programme and asset management plan is reported regularly to the Strategic Asset Management Board and the Corporate Management Team. Formal updates are subsequently reported to the Housing and Property Committee and the Corporate Resources Committee.
9. Whilst there is evidence of scrutiny and challenge within council minutes due to limitations in the councils reporting framework (trends, progress towards overall plan etc), decisions are made with incomplete information.	3. Where capital expenditure is required, asset management decisions are escalated to the Capital Programme Board for approval. However, the council advised that in practice, due to prioritisation, only a small number of projects have been given capital investment. 4. The Strategic Asset Management Plan includes an action to develop a project tracker within Concerto to provide the Strategic Asset Management Board with a real-time view of progress across asset management workstreams. Our review of the Depot project from the ROAB tracker extract

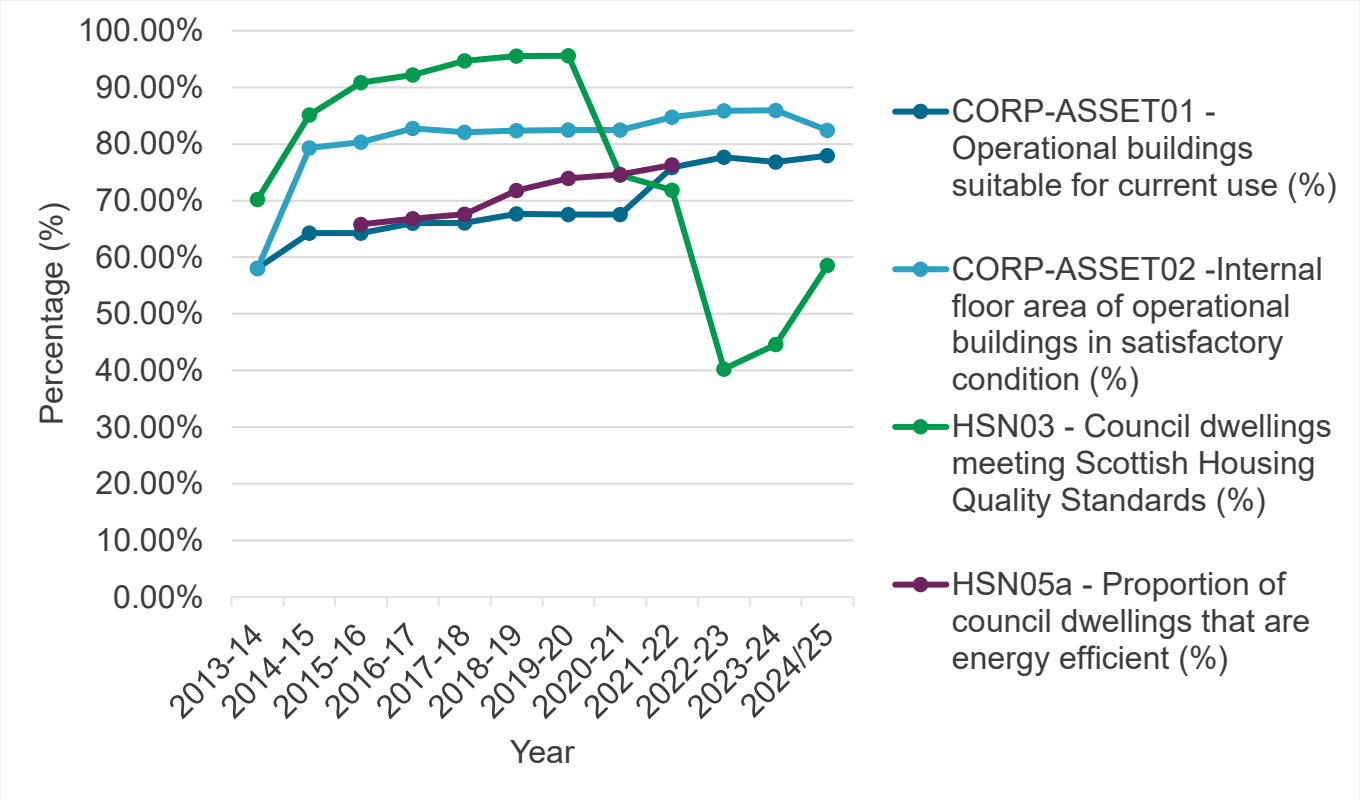
Judgements	Evidence
	indicates there are gaps in project information and, the tracker is not being used to its full potential. For example there are areas of the tracker that include forecast financial benefits, recent savings, capital receipts, costs avoided and income generated can be included in reporting but these have not been utilised (refer Judgement 3). The Depot project reviewed did however include updates on recent activity, actions required and non-financial benefits. However, there was limited forecast project costs and expected delivery timescales reported. 5. In the council's 2024/25 Best Value thematic report on transformation, we reported that the council uses Performance and Risk Management Software (PMRS) for monitoring and reporting on the Delivery Plan 2024-2027. The system supports reporting to Portfolio Boards, Corporate Management Team (CMT) and Elected Members. 6. An Asset Management Overview presentation was presented to the Highland Property Partnership in May 2026. The presentation includes an overview of the ROAB portfolio including RAG status, key milestones, savings targets for 2024-2027 and seven actions on the savings plans. However, these actions are high-level and do not include timescales and the reporting did not show long-term trends against corporate asset management targets. The report also did not clearly explain the impact any delays may have on service delivery or identify correction action required to address slippage. Overall, this summary alongside reporting on significant projects e.g. Depot, Area Review etc. provide useful updates but do not provide a complete picture of performance against the asset management plan (refer Judgement 8). 7. There is evidence of adequate scrutiny and oversight of progress on specific projects through the Strategic Asset Management Board. A review of meeting minutes demonstrates that projects are regularly reviewed with decisions either agreed, deferred to future Strategic Asset Management Board meetings or referred to the Capital Programme Board for approval where required. Additional oversight is provided through the Housing and Property Committee, the ROAB Board and the CMT. In April 2026, a report to submitted to CMT sought approval for the closure of Brora Fleet Repair Workshop. The report included consideration of associated risks, impact, mitigations, key benefits and proposed next steps, providing a clear basis for decision-making. However this

Judgements	Evidence
	approach does not allow decisions to be taken with a complete picture of performance against the asset management plan (refer Judgement 8).
10. The council is not on track to deliver the commitments in its capital programme on time or on budget. **11.The council has sufficient recording systems in place to manage and monitor its assets, however we have found the reporting on overall trends and progress within the governance structure to be insufficient (judgement 8 and 9)** **12. The council's performance in the LGBF indicators has improved over the last three years but remains mixed for each of the indicators in Exhibit 2.**	1. The corporate capital monitoring report is presented to the Corporate Resources Committee quarterly. In March 2026, it was reported that there was a project underspend of £26.081 million for the General Fund Capital Expenditure and £14.427 million underspend for the HRA, against the annual budgets. A summary of forecast project variances exceeding £0.5 million, including both overspends and underspends, is provided within the report. Commentary is included on the principal factors contributing to these variances, such as project delays, construction cost pressures, and expenditure being reprofiled to the 2026/27 budget period. It should be noted that underspends have impact on future revenue budgets with increased maintenance costs or reduced income from deteriorating assets. 2. The council are aware of the backlog in property maintenance, with the risk to providing safe and effective properties rated as amber on the corporate risk register. Management reported that their approach to addressing the backlog is still in progress, with tailored solutions being developed and reported to members. A £2.0 million budget from reserves has been allocated for 2026/2027 for property maintenance. Condition surveys are used to assess and quantify maintenance needs, however only 70 per cent of the surveys have been completed. Therefore it is not possible to measure the progress against the backlog maintenance. The council aim to complete the condition survey programme in the final quarter of 2026/2027. Once complete, the council plans to use this information to prioritise maintenance work and monitor performance through the Asset Management Dashboard to move to a more planned and preventative approach. 3. The corporate performance management system, PRMS, allows for recording and reporting of progress being made against delivery targets, savings and outcomes for asset rationalisation. These are recorded on a monthly, quarterly and annual basis. Dashboards to be produced for each of the ROAB projects showing progress over time and impacts of all milestones, savings, risks. These provide useful updates but do not provide a complete picture of performance against the asset management plan (refer Judgement 8 and 9). Overall the council has demonstrated continuous improvement over the last three years against

Judgements	Evidence
	relevant Local Government Benchmarking Framework indicators. Since 2010/11 the council has improved in 3 indicators-however it remains below the national and family group (Group 1) averages. The council is in the lower quartile for indicators CORP-ASSET01 and 02, top quartile for HSN03 and HSN05A as shown in Exhibit 2.

Exhibit 2

Trend in performance against Local Government Benchmarking Framework indicators



Note: Data for the Proportion of council dwellings that are energy efficient percentage (%) indicator has not been collected since 2021/22. Energy efficiency targets for social housing are temporarily on hold ending the development of a new standard that aligns with Scotland's next zero target.

Source: Audit Scotland using Local Government Benchmarking Framework

Recommendation 1

The council should create clear performance reporting arrangements for the Reconfiguring Our Asset Base (ROAB) Tracker, including project costs, delivery milestones, timelines and progress against targets. Reporting should clearly identify the impact of delays on service delivery

and any corrective actions required to address slippage (refer Improvement Action Plan point 1).

Recommendation 2

The council should prioritise the completion of the condition survey programme and regularly update and report on the estimated backlog maintenance value (refer Improvement Action Plan point 2).

3. Partnership working and community engagement

7. It is essential that councils consider how they can collaborate across services and with other public and third sector organisations to manage assets. This has the potential to achieve savings, better align service provision and create opportunities for joint working. Councils should also have transparent and robust processes in place for supporting and assessing community asset transfer requests and engaging with their communities on asset management plans and priorities.

Findings and evidence relating to the council's partnership working and community engagement arrangements

Judgements	Evidence
13. The council has a clear framework to engage with the public, community groups, key stakeholders and other public, private and third sector organisations. **14. The council are activity engaging with the public and private sector to manage the risks associated with delivering a large number of change / improvement projects.** **15. A place-based approach, with a focus on innovation, is evident in strategies, plans, programmes and projects, and demonstrated through examples where assets are being or will be used more effectively and delivering the expected outcomes**	1. The council has taken an integrated approach, identifying opportunities for stakeholder engagement through the strategic direction / priorities in the Highland Outcome Improvement Plan (HOIP), including feedback from Community Planning Partners. The HOIP is linked to the asset management strategy through the Delivery Plan, which categorises activity using People, Place and Prosperity (referred to as Economy in Delivery Plan) themes. 2. Adopting a place-based approach with 11 Area Committees (supported by 11 Place Plans (partnership led frameworks guiding local priorities and investment) has allowed the council to engage with communities. The plans consolidate local priorities across the HOIP People, Place and Prosperity strategic priorities. 3. In order to deliver the HOIP the council actively seeks opportunities to work with partners in the public and private sector to provide funding and other support. For example: • Inverness Castle redevelopment project: the council has successfully worked with Highlands and Islands Enterprise and the Scottish Government for funding; Spider Entertainment as operations management partner, and Northern Meeting Park (interpretive panels

Judgements	Evidence
	partners Highland Life Highland, Heritage Lottery Fund and Historic Environment Scotland (also conservation and promotional services). These projects were designed to increase the sporting and cultural attractions, whilst preserving heritage assets and contributing net zero carbon targets. • Portree estate rationalisation and community / multi-agency hub: the council is working with Highlands and Islands Enterprise, NatureScot, Skills Development Scotland, and Portree and Braes Community Trust as well as physical outreach mobile service delivery units including High Life Highland, Stagecoach / Scottish Citylink and Citizens Advice Bureau. The goal is to increase face to face support across a range of services whilst providing early intervention and reducing inequalities. 4. The Strategic Asset Management Board includes representatives from across the business including the Housing and Communities (Community Planning) and Area Representatives when required. This ensures a connection to wider council services and ongoing communications with points of contact within the community. 5. Reports on relevant HOIP activity are discussed at Ward Business Meetings to enable broad input from asset users and members, and to inform the approach to wider public engagement and decision making by the appropriate council committee. 6. The council can demonstrate how outcomes from engagement with communities feeds into decision-making. For example: • Improving active travel provision along the River Ness: previous consultations raised concerns including road safety such as coaches passing each other, vehicle speed and poor pedestrian infrastructure. Although work is ongoing the design phase, using a temporary traffic order, allowed the trial of infrastructure before permanent construction - testing and adjusting layouts based on real time user feedback. • The council has identified that due to anticipated growth (e.g. from creation of the Inverness and Cromarty Firth Green Freeport) that it faces a housing challenge. In response to this, a Highland Housing Challenge Partnership Action Plan has been developed. This plan is a collaborative strategy developed through extensive

Judgements	Evidence
	stakeholder engagement including summits and seminars held in October 2025 and June 2025 (respectively). 7. The council budget was shaped from public feedback on what services are important to communities, where money could be saved, how services can be delivered and income generating opportunities. Engagement took place via survey, discussion forums, focus groups and social media. Feedback helped direct resources to a challenge fund for bringing empty homes back into use, increase in community grant funding and the introduction of mobile services.
16. There is a clear approach to supporting and assessing the community asset transfer process, however published documents would benefit from minor updates to improve transparency and align with the new structures in place (e.g. approval group name has changed over time).	1. The community asset transfer (CAT) process is embedded with the community planning process, using local area plans. As part of their development of the plans, communities have been encouraged to think about CATs as a possible mechanism to deliver on priorities identified through the Area Place Planning process. 2. The council website provides a wide range of information for communities as well as links to other organisations such as the Scottish Government and Highland Third Sector Interface. The Community Support and Engagement Team also provide support to potential applicants. 3. The council does not have a single overarching CAT policy, instead providing a range of resources on the council website, including flowcharts and related guidance e.g. use of wildflowers and energy efficiency. The CAT process comprises three main stages: • Expression of interest; • Assessment/consideration and • Negotiation of Contract. Our testing of two CAT requests confirmed that they followed the process as described by the council's documentation. 4. The council assesses requests transparently against the criteria including community benefit, capacity to delivery, level of community support, sustainability and resourcing. Assessments are reviewed by the CAT Board (previously known as the Asset Management Property Board) with additional reviews by the relevant Area Committee for asset values over £1,000 and the Housing and Property Committee for asset values over £100,000.

Judgements	Evidence
	5. We noted that the links to documents for some current and concluded CAT requests were not available. The council believe the gaps in publication of CAT information was due to a migration issue when the new website was published. The council have since resolved this issue. 6. The council noted 15 applications pre 2024/25 which have been approved by not yet concluded. The council advised that there are a number of reasons for delays including changing priorities within the community groups such as needing more time to work up a proposal, seeking more funding, statutory permissions as well as legal delays.

Recommendation 3

The council should ensure that documentation related to CAT processes are up to date and available on the council website (refer Improvement Action Plan point 3).

Appendix 1: Improvement action plan

Issue / risk	Recommendation	Agreed management action / timing
1. Reconfiguring Our Asset The Reconfiguring Our Asset Base (ROAB) Tracker has gaps in project information related to the Depot project. In addition reporting to the Highland Property Partnership and others on the ROAB portfolio did not include timescales or trends against corporate asset management targets. **Risk:** There is a risk that the gaps in information tracked for the Reconfiguring Our Asset Base portfolio could result in a lack of transparency and ineffective decision making.	The council should create clear performance reporting arrangements for each oversight group / committee for the ROAB Tracker, including project costs, delivery milestones, timelines and progress against targets. Reporting should clearly identify the impact of delays on service delivery and any corrective actions required to address slippage.	**Management response:** These actions align with the Council's proposal for evolving the ROAB Tracker as a means of monitoring and progressing the delivery of depots and all asset management projects, objectives and savings. Reporting arrangements will be confirmed through a new Terms of Reference for the ROAB Board. **Responsible officer:** Scott Dalgarno, Strategic Lead (Property & Asset Management) Louise Matheson, Service Lead (Asset Management & Commercial Property) **Timing:** 31 December 2026
2. Condition Survey Programme The condition survey programme is not yet complete. **Risk:** There is a risk that, in the absence of a complete and up-to-date condition survey programme for all council assets, resources may not be prioritised effectively,	The council should prioritise the completion of the condition survey programme and regularly update and report on the estimated backlog maintenance value.	**Management response:** Completion of the Condition Survey Programme is a core corporate priority for the Council, and the work is well underway by a dedicated team. The condition surveys are

Issue / risk	Recommendation	Agreed management action / timing
resulting in expenditure being directed towards lower-priority or non-urgent works rather than assets requiring more immediate intervention.		scheduled to be complete by the end of 2026. **Responsible officer:** Tom Murdison, Service Lead (Corporate Property) Neil McDougall, Corporate Property Manager **Timing:** 31 December 2026
3. Community Asset Transfer Guidance Community asset transfer (CAT) information on the website has minor discrepancies e.g. Asset Management Property Board is now called CAT Board and incomplete information regarding CAT requests. **Risk:** There is a risk that inaccurate or incomplete CAT information published on the council's website may result in stakeholders being provided with outdated or misleading information, reducing transparency and potentially affecting the consistency and fairness of the CAT application and decision-making process. This could also result in reputational damage to the council and challenges to the governance of asset transfer decisions.	The council should ensure that documentation related to CATs processes are up to date and available on the council website.	**Management response:** Information on Community Asset Transfers on the Council's website is being reviewed and updated in line with the recommendation. **Responsible officer:** Dot Ferguson, Senior Community Development Manager – West and Mid Mark Greig, Community Development Manager, Inverness City **Timing:** 31 December 2026

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