The Highland Council

Agenda Item	**5**
Report No	**ECI/38/26**

Committee: **Economy and Infrastructure**

Date: **12 November 2026**

Report Title: **Capital Monitoring Report Q2 – 2026/27**

Report By: **Assistant Chief Executive - Place**

1 Purpose/Executive Summary

1.1 This report provides Members with the reported position for the first quarter, Q2 of 2026/27 ending 31 August 2026 on key capital projects throughout the Highlands.

1.2 This report presents the Quarter 2 Capital Monitoring position for 2026/27 as of 31 August 2026 and provides Members with an update on the progress of key capital investment projects across Highland. Total capital expenditure incurred to date amounted to £31.369m, with the overall programme currently forecast to remain within its approved annual budget and on track to deliver planned investment outcomes. Funding continues to be supported by a range of external sources including active travel, timber transport, regeneration, harbour infrastructure, City-Region Deal and developer contribution funding.

2 Recommendations

2.1 Members are asked to **scrutinise** and **approve** the financial position to 31 August 2026 and note the estimated year end forecast.

3 Implications

3.1 **Resource** – Resource implications are discussed in the report. There are ongoing issues with inflation and supply chain that continue to put pressure on individual projects, or ongoing programmes of work. This is being regularly monitored and adjustments made where appropriate. The Capital Programme Board is in place to ensure corporate oversight and monitoring of projects as well as the management of pressures, before being reported to Committee.

3.2 **Legal** – The contents of this report and the annual accounts aim to satisfy the requirement of Sections 6 and 7 of the CIPFA Financial Management Code - ‘Monitoring financial performance’ and ‘External financial reporting’.

3.3 **Risk** – Risk implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future Committees.

3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – There are no implications.

3.5 **Gaelic** – There are no implications.

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 and/or update report and therefore an impact assessment is not required.

5 Capital Programme 2026/27 Q2 Report

5.1 **Appendices 1** and **2** in the Capital Monitoring Statement spreadsheet provide summaries of the financial year 2026/27 Q2 position.

5.2 Overall, there has been a net expenditure of £31.369m for the year to the 31 August 2026. The programme remains on target to spend the allocation within the financial year. Of the project income received, funding streams relate to active travel, timber transport, City-Region deal funding, developer contributions, town centre funding, harbour infrastructure, regeneration funding and vacant and derelict land funding. These funding streams will be offset against specific project costs as they are incurred.

5.3 The formal opening of the Naver Bridge crossing was held on 25 September 2026.

5.4 The Corran Ferry Infrastructure Project construction phase is progressing well. The new marshalling area on the Nether Lochaber side of the crossing is taking shape. The land reclamation is complete, and works continue on the car-park formation, marshalling area and drainage. The rock dredging is also progressing and is near completion. In parallel the construction of the new slipway using imported pre-cast concrete units is well underway. On the Ardgour side of the Corran narrows the slipway piling and berthing structure piling are complete. The structure rock and pre-cast concrete infill is also progressing well. The Contractor, Charles Brand, and the Council's site supervision team continue to work with the local community to maintain existing ferry traffic and construct the new infrastructure. The planned completion for the works is June 2027 as the Contractor is making good progress. The contractual works have until October next year to complete the works however the anticipated completion is earlier. The £26m project remains on budget and slightly ahead of programme.

5.5 Portree Harbour – Work to repair the commercial area of the harbour infrastructure is almost complete. The contractor is Mackenzie Construction Ltd from Glasgow. The work comprised repairs to the sheet piles and deck concrete. Completion has been delayed from September and is now expected in November 2026. The works are on programme and on budget. The original contract value was £1.25m. The expected outturn cost is £1.3m.

A quote was sought for additional work to repair the masonry harbour walls, but this work did not proceed. This is now expected to progress under a separate contract in 2027/28.

5.6 Portree Link Road – This distributor road will create a link between the A855 Staffin Road and the A87 trunk road. The Council's contractor Strath Civil Engineering from Dingwall is working to create two roundabouts and the link road and work is progressing well. Surfacing is expected to be completed before the end of October 2026. Planned completion and opening is expected in early November 2026. The expected outturn cost will be around £2.5m.

6 Road Assets

6.1 Scottish Forestry has grant funded three improvement schemes in the 2026/27 round of funding applications. This STTS funding totals £0.200m which, when added to the Highland Council's committed funding, provides a value for all schemes of £0.575m. The Council funding contribution will total £0.375m. The schemes are on the A884 in Lochaber between its junction with the A861 and Lochaline. The projects will provide improved passing places, improved drainage, culvert replacements, edge strengthening, widening and patching. The role of the Highland Timber Transport Group Project Officer continues, which is partly funded by the Strategic Timber Transport Fund and external partners.

6.2 Area teams have progressed with surface treatment schemes and will continue to report progress to their respective committees.

The Road Marking Team has so far renewed 156 junctions and just under 75km road length of centre lines. As with several road maintenance activities, the application of road markings is dependent on suitable weather conditions.

Designation:	Assistant Chief Executive - Place
Date:	20 October 2026
Author:	Paul Reid, Chief Officer Fleet and Facilities Management Debbie Sutton, Chief Officer Operations and Maintenance
Background Papers:	None
Appendices:	Appendices 1 and 2 – Q2 Capital Monitoring

THE HIGHLAND COUNCIL
MONITORING OF CAPITAL EXPENDITURE Q2
2026/27 (TO END OF AUGUST 2026)
SERVICE: INFRASTRUCTURE, ENVIRONMENT & ECONOMY

Appendix 1

	BUDGET	ACTUALS TO END OF AUGUST 2026			FORECASTS TO END OF 26/27			VARIANCE			
Project Description	**2026/27 Capital Budget**	**2026/27 Actual Expenditure**	**2026/27 Actual Income**	**2026/27 Actual Net Year to Date**	**2026/27 Forecast Expenditure**	**2026/27 Forecast Income**	**2026/27 Forecast Outturn**	**2026/27 Variance F'cast Outturn v Budget**	**2026/27 To Reprofile to Next Financial Year**	**2026/27 Overspend / (Underspend)**	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	**Comments**
ROADS											
Roads General Infrastructure Improvements	23,937	11,975	(200)	11,775	24,787	(850)	23,937	0	0	0	This line covers the roads capital spend across the different areas. Income reflects community regeneration funding for projects primarily on Skye & Raasay.
Strategic Timber Transport Scheme (STTS)	615	73	(5)	68	605	(228)	377	(238)	(238)	0	The remaining capital is available for further match funding that may be required later in the year or for any overspends.
Bridges, Retaining Walls & Culverts	741	379	11	390	764	(23)	741	0	0	0	Works on-going and on target to spend bugeted figure
Road Safety Improvement Fund	0	103	(52)	51	1,044	(1,044)	0	0	0	0	
20Mph Zones	0	21	81	102	21	81	102	102	0	102	Funded by Tier 1 Active Travel.
Inshes Roundabout	60	4	0	4	60	0	60	0	0	0	Project has been deferred to align with timescale for A96 Inshes to Smithton. Funding balance to be c/fwd to 27/28.
A890 Stromeferry Rockface Stabilisation	566	26	0	26	566	0	566	0	0	0	Works planned for Winter/Spring 2026/27.
B851/B862 South Loch Ness Road Improvements	464	369	0	369	464	0	464	0	0	0	On programme
Portree Link to A855	950	1,199	(924)	275	1,950	(924)	1,026	76	76	0	Works will be completed Nov 2026
Dingwall Development Infrastructure	100	0	0	0	0	0	0	(100)	(100)	0	Work expected to take place in 27/28 so to carry forward.
Other Minor Schemes	1	1	1	2	0	1	1	0	0	0	
BRIDGES											
Major Bridges General	2,574	90	0	90	500	0	500	(2,074)	(2,074)	0	Works at Ness Bridge have been deferred until 27/28.
Naver Bridge	1,960	1,479	0	1,479	1,960	0	1,960	0	0	0	Work complete, bridge offical opening 25/09/26
Infirmary Bridge	85	26	0	26	85	0	85	0	0	0	Further works being planned
Balnaan Bridge	750	0	0	0	0	0	0	(750)	(750)	0	Project approved by Council 17 September 2026. Project spend profile to be confirmed in due course.
White Bridge	0	30	0	30	30	0	30	30	30	0	Funded from Major Bridges General
ACTIVE TRAVEL & TRANSPORT											
Active Travel Transformation Highland Wide	966	418	(20)	398	2,439	(1,497)	942	(24)	0	(24)	Small underspend to fund Riverside Way retention
ATIF Tier 2 Design	0	18	0	18	186	(186)	0	0	0	0	
Culbokie Active Travel Village	0	3	(39)	(36)	15	(39)	(24)	(24)	0	(24)	Project complete. Balance to help fund Riverside Way
Wick Street Design	0	403	(36)	367	350	(350)	0	0	0	0	ATIF Tier 2 project - Funding from Transport Scotland.
Muir of Ord Active Travel Improvements	0	97	0	97	116	(116)	0	0	0	0	Dependent on outcome of ATIF Tier 2 funding bid.
Rosskeen to Invergordon	0	0	0	0	990	(990)	0	0	0	0	ATIF Tier 2 project - Funding from Transport Scotland.
Muir of Ord to Highfields	0	0	0	0	650	(650)	0	0	0	0	ATIF Tier 2 project - Funding from Transport Scotland.
Edinbane	0	0	0	0	1,275	(1,275)	0	0	0	0	Still awaiting final figure confirmation for Edinbane from Transport Scotland.
West of the Ness	0	0	0	0	300	(300)	0	0	0	0	ATIF Tier 2 project - Funding from Transport Scotland.
Community Links Plus	0	4	0	4	48	0	48	48	0	48	Riverside Way retention - Funded from Active Travel Tranformation budget
Tier 1 Active Travel Fund Scottish Government	1,488	500	0	500	1,338	0	1,338	(150)	(48)	(102)	Underspend to fund 20mph Zones where there is no further funding for 26/27
People & Place LADA	0	0	(36)	(36)	98	(98)	0	0	0	0	£65k of 26/27 funding along with £33k deferred from 25/26.
National Cycle Network - Ness Bridge	20	6	0	6	6	0	6	(14)	(14)	0	
Electric Vehicle Infrastructure	0	0	8	8	2,530	(2,530)	0	0	0	0	
Bus Infrastructure Fund Tier 1	3,234	36	0	36	2,500	0	2,500	(734)	(734)	0	
Bus Infrastructure Fund Tier 2	0	100	0	100	2,000	(2,000)	0	0	0	0	Awaiting confirmation of total available funding for 26/27.
Bus Shelters	36	0	0	0	36	0	36	0	0	0	
In-House Bus Operations	0	37	(37)	0	37	(37)	0	0	0	0	Purchase of 3 buses funded from revenue budget.
PARKING											
Inverness Lorry Park	2	0	0	0	0	0	0	(2)	(2)	0	
Torvean Resurfacing	76	1	0	1	1	0	1	(75)	(75)	0	
Rose Street Multistorey	164	5	0	5	140	0	140	(24)	(24)	0	
Parking Machines & Equipment	98	0	0	0	50	0	50	(48)	(48)	0	
Glencoe Village Car Park*	175	70	(56)	14	968	(793)	175	0	0	0	
Broadford Car Park	50	0	0	0	50	0	50	0	0	0	
Rosemarkie Car Park*	200	20	(20)	0	220	(20)	200	0	0	0	
Ullapool Motorhome Waste Disposal Unit	0	61	(60)	1	65	(65)	0	0	0	0	Funding in 26/27 is from Motorhomes earmarked reserve.
Loch Vaas / Laggantygown Cemetery Footpath & Carpark	0	4	15	19	80	(80)	0	0	0	0	Includes Community Regeneration Funding.
Ardvreck Car Park Improvements	0	67	(104)	(37)	104	(104)	0	0	0	0	Expenditure in 26/27 is funded by RTIF.
Whaligoe Steps Car Park & Junction	2	2	0	2	2	0	2	0	0	0	Budget position to be discussed at Capital Programme Board.

LIGHTING, CCTV & RADIO MASTS											
Structural Lighting Works	230	454	0	454	903	(273)	630	400	400	0	A budget review is ongoing. Income reflects funding from Salix exclusively for LED works.
Radio Masts	106	0	0	0	106	0	106	0	0	0	
Public Space CCTV Modernisation	6	0	0	0	0	0	0	(6)	(6)	0	
FLOOD PROTECTION											
Caol & Lochyside FPS	210	0	0	0	0	0	0	(210)	(210)	0	
River Nairn & Auldearn Burn FPS	30	34	0	34	34	0	34	4	4	0	Any acceleration funded from line - Flood Protection General
River Gynack FPS	9	1	0	1	9	0	9	0	0	0	Any acceleration funded from line - Flood Protection General
River Peffery Dingwall Business Park	60	7	0	7	60	0	60	0	0	0	Additional modeling work ongoing, forecast on track
Flood Protection General	2,717	63	0	63	1,000	0	1,000	(1,717)	(1,717)	0	To carry forward to 27/28.
Flood Risk Management Act	347	156	0	156	347	0	347	0	0	0	On-going, on programme
Coastal Change Management	861	110	0	110	666	0	666	(195)	(195)	0	Balance c/fwd is related to a Coastal Change Adaptation project which is still in the development phase.
Coastal Flood Protection Studies	154	0	0	0	154	0	154	0	0	0	
Surface Water Management Plans	150	16	0	16	150	0	150	0	0	0	On-going and on target
HARBOURS & FERRIES											
Harbours Health & Safety and General Structural	128	16	0	16	338	0	338	210	210	0	To be funded from acceleration of future years budget.
Kinlochbervie Harbour Work	1,962	17	0	17	50	0	50	(1,912)	(1,912)	0	Slippage into 27/28. The scope of this project is under consideration and update to be provided in due course.
Lochinver Harbour	2,956	298	0	298	650	0	650	(2,306)	(2,306)	0	Phase 1 enabling works proceeding this year and design for phase 2 on-going. Project proceeding and budget not utilised this financial year to carry forward.
Portree Harbour	1,930	1,186	0	1,186	1,930	0	1,930	0	0	0	Project proceeding on target.
Sconser Raasay Ferry Infrastructure	0	3	0	3	3	(3)	0	0	0	0	Fully Funded by SG.
Uig Ferry Terminal and Link Span*	368	111	0	111	1,029	0	1,029	661	661	0	On target to complete this FY. Once final costs confirmed further discussions around external funding will take place.
Corran Ferry Shoreside Infrastructure	9,740	7,719	0	7,719	20,311	(11,534)	8,777	(963)	(963)	0	
Corran Ferry New Electric Vessel & Power Supply	0	51	613	664	5,533	(5,533)	0	0	0	0	The current forecast is the best estimate based on an initial Quantitative Cost Risk Analysis exercise completed in 2025. We will not be able to provide an accurate spend profile until we receive final tender prices (Est Feb 2027) from the selected shipyard, including the staged capital payment schedule agreed in the build contract.
PLANNING & DEVELOPMENT											
Town & Countryside Regeneration	368	0	0	0	268	0	268	(100)	(100)	0	Improvement projects at Smoo (works on internal cave structures, steps and fencing) and Foyers (including replacement bridge, path and viewpoints). Upgrading of lighting at Culloden Avenue. Replacement fencing and site enhancement at Kilt Rock for March 27. Dell of Spey lighting and pathworks work may occur during final quarter of 26/27 but some spend may slip into next financial year. Results of reports from Misc Assets, Bridges and Structures will inform additional major structural works required.
Wester Ross Visitor Hubs	64	0	0	0	64	0	64	0	0	0	Ullapool River Footbridge project aim to spend by end of financial year.
Green Infrastructure Merkinch	79	0	0	0	79	0	79	0	0	0	
Storr Footpath Improvements	71	58	(40)	18	91	(40)	51	(20)	(20)	0	Annual end of season footpath works as required. As agreed, surplus to be held for larger projects as identified. Main path and upper loop path have been upgraded. The lower loop path and fencing on site require spend. Works to commence at the end of the main tourist season.
Storr Visitor Experiences	0	50	0	50	247	(247)	0	0	0	0	Required additional Storr Phase 2 spend falling into 26/27 outwith original construction quote, along with capitalised fixtures and fittings. Forecast Septic Tank replacement and Rangers hut feasibility study included in YE forecast - To be funded from EMR.
ICFGF – Seed Funding – External projects	0	0	(1,255)	(1,255)	6,232	(6,232)	0	0	0	0	
ICFGF – Seed Funding – Longman Hydrogen	0	0	0	0	50	(50)	0	0	0	0	
ICFGF - Seed Funding - Tomich Junction	(113)	127	0	127	1,150	0	1,150	1,263	1,263	0	Discussions around the funding of this project remain ongoing.
Misc Assets, Bridges & Structures	59	22	0	22	59	0	59	0	0	0	Commitments in place for inspection and reporting of structures for three sites at Mallaig, Smoo and Foyers. Additional reports are required and will be ordered via new Scotland Excel Framework. There are approximately an additional twenty structures requiring Principal Inspections.
Inverness Castle Redevelopment	(1,041)	1,306	(683)	623	1,918	(2,403)	(485)	556	556	0	Final position to be discussed with Capital Programme Board early in 2027.
City Region Deal Projects	0	104	(2,355)	(2,251)	2,065	(2,065)	0	0	0	0	
ZCCR - Bught Park Stadium	0	4	0	4	124	(124)	0	0	0	0	
ZCCR - Energy Centre Inverness	0	0	(1,412)	(1,412)	105	(105)	0	0	0	0	
ZCCR - Northern Meeting Park	0	30	0	30	233	(233)	0	0	0	0	
Community Regeneration Capital Funds											
Nature Restoration Fund	957	170	0	170	465	0	465	(492)	(492)	0	NRF spend on Council projects to include the purchase of 2 cut and lift flail mowers for Amenity Services; the completion of 1st tranche of woodland management plans; establishment of a Local Environmental Record Centre; tree planting in Dingwall; actioning recommendations from the Loch an' Chleibh (Muir of Ord) hydrological survey; habitat restoration works and development of a management plan for the new Ardersier Common Local Nature Reserve; allocation of monies to action and implement nature-positive measures at key Council greenspaces (as identified in the Greenspace Biodiversity Management Strategy, currently out to consultation), starting in Q4 and running into 27/28. In addition the NRF community grants scheme for 26/27 is currently open for applications. Projects committed in previous years are expected to be fully paid out by end of this financial year. An update on the 26/27 allocation will be provided at Q3.

Highland Coastal Communities Fund	0	461	(423)	38	500	(500)	0	0	0	0	
Islands Programme	0	335	(940)	(605)	908	(908)	0	0	0	0	
Place Based Investment Programme 21/22 Fund	0	0	(375)	(375)	375	(375)	0	0	0	0	
Place Based Investment Programme 23/24 Fund	0	21	(132)	(111)	132	(132)	0	0	0	0	
Place Based Investment Programme 25/26 Fund	0	122	(804)	(682)	500	(500)	0	0	0	0	Balance of income not paid over to projects will carry over into 27/28.
Town Centre Fund	0	0	(130)	(130)	130	(130)	0	0	0	0	Funding committed for Inverness Campus Pitch project.
Vacant & Derelict Land Fund	0	0	(556)	(556)	0	0	0	0	0	0	Discussions remain ongoing with Scot Gov regarding these funds. An update will be provided later in the financial year when there is clarity around whether the project will be proceeding.
Carbon Neutral Islands Fund	0	186	(206)	(20)	206	(206)	0	0	0	0	
Regeneration Capital Grant Fund	0	397	(540)	(143)	1,088	(1,088)	0	0	0	0	Funding awarded for 26/27 is £1.6m. Any balance not paid out to projects this year will carry over to 27/28.
Community Led Local Development	0	36	0	36	213	(213)	0	0	0	0	Confirmed grant award for 26/27 is £213k.
UK Shared Prosperity Fund	0	0	55	55	80	(80)	0	0	0	0	To fund projects at UHI.
Pride in Place Programme	0	0	(118)	(118)	118	(118)	0	0	0	0	Funding for community-led projects across Sutherland. Projects should enter the delivery phase in early 2027 and so an update on expected spend in this financial year will be given at Q3. Any funds committed and not spent this financial year will carry forward to 27/28.
Reuse & Repair Fund Capital	0	0	0	0	50	(50)	0	0	0	0	Only a small level of capital spend expected this financial year. Projects are in the process of being committed and an update will be provided at Q3.
Energy Efficiency											
Solar PV Built Estate	0	29	0	29	411	(411)	0	0	0	0	Funded from Salix Recycling Fund.
Other Salix Funded Projects	0	8	0	8	8	(8)	0	0	0	0	
Investment INV5 Renewable Energy	0	34	0	34	34	(34)	0	0	0	0	
Renewable Energy Asset Investment	0	0	(1)	(1)	1	(1)	0	0	0	0	Minor spend remaining for e-Bike Battery Charging Locker at HQ.
OVERALL TOTAL	**61,722**	**31,369**	**(10,775)**	**20,594**	**100,607**	**(47,713)**	**52,894**	**(8,828)**	**(8,828)**	**0**	

*Project budgets are either wholly or partly self-funded
(ie from income generated or savings).

THE HIGHLAND COUNCIL
CAPITAL MAJOR PROJECT WHOLE LIFE REPORTING - Q2 2026/27 (TO END OF AUGUST 2026)
SERVICE: INFRASTRUCTURE, ENVIRONMENT & ECONOMY

Appendix 2

	WHOLE LIFE BUDGET			ACTUALS TO END OF AUGUST 2026			FORECAST TO END OF PROJECT			PROJECT ASSESSMENT			COMMENTS
Project Description	**LIFE BUDGET EXPENDITURE**	**LIFE BUDGET INCOME**	**LIFE BUDGET NET**	**ACTUAL EXPENDITURE TO DATE**	**ACTUAL INCOME TO DATE**	**ACTUAL NET TO DATE**	**FORECAST EXPENDITURE**	**FORECAST INCOME**	**FORECAST NET**	**COST**	**TIMING**	**SCOPE**	**COMMENTS**
	£000	£000	£000	£000	£000	£000	£000	£000	£000				
Naver Bridge	15,495	0	15,495	15,014	0	15,014	15,495	0	15,495	G	G	G	Work to replace aged single track bridge carrying A836 over River Naver in Sutherland. Bridge officially opened September 2026.
Uig Ferry Terminal and Link Span	76,716	-46,880	29,836	76,459	-46,880	29,579	77,268	-46,880	30,388	A	G	G	Additional external funding was agreed in 2025/26. The project is approaching completion. There will be further discussions about additional external funding once final costs are known.
Inshes Roundabout	9,987	0	9,987	387	0	387	9,987	0	9,987	G	G	G	Project has been deferred to align with timescale for A96 Inshes to Smithton.
Corran Ferry Shoreside Infrastructure	30,023	-20,000	10,023	16,238	-8,406	7,832	30,023	-20,000	10,023	G	G	G	Project is in progress and planned completion is May 2027.
Corran Ferry New Electric Vessel & Power Supply	28,000	-28,000	0	664	0	664	28,000	-28,000	0	G	G	G	£28m funding through City Region Deal towards a new electric vessel and supporting electrical infrastructure. No funding has been claimed or received yet.