Agenda Item	5.a
Report No	RES/43/26

The Highland Council

Committee: **Corporate Resources**

Date: **19 November 2026**

Report Title: **Corporate Revenue Budget Monitoring – Quarter 2 forecast**

Report By: **Chief Officer, Corporate Finance**

1. Purpose/Executive Summary

1.1 This report sets out the Quarter 2 revenue budget monitoring forecast for the current 2026/27 financial year. It is a consolidated position for the Council as a whole, and reflecting forecasts for Services considered by respective Strategic Committees during this Committee cycle.

1.2 The Quarter 2 forecast is showing a net £10.490m overspend across all expenditure budgets, reducing to a net forecast £6.980m deficit once forecast excess council tax income and planned use of other reserves is considered. This is a material deterioration from the Quarter 1 position which had forecast a £2.498m deficit, therefore there has been an adverse movement in deficit of £4.482m between the quarters.

1.3 Members have been advised in past reports of a range of actions put in place over the past year, recognising the nature of pressures facing the Council, and the absolute need for action to address budget overspending. While it is evident these actions have had some positive effect across a number of budget areas, there have been significant adverse changes in the financial forecasts particularly in the Fleet and Children's Services/Looked After Children budgets which are the main factors in the increase in deficit forecast.

1.4 While unforeseen expenditure or circumstances can arise, and particularly in demand-led service areas, this does not remove the need for the Council as a whole, and individual budget holders and managers, to take appropriate action to address overspending where it arises, and to support the Council in achieving a balanced financial position in-year. There will therefore need be further concerted action to improve the financial position over the remainder of the year. The impact of these Quarter 2 forecasts, represents a further reduction in General Reserves, with it projected that those reserves may sit at £13.9m at year end, significantly below the 3% policy target of c£26m (the forecast £13.9m would represent a c1.6% reserve level). The risk and impact of which is to reduce flexibility for the Council in managing its financial position going forward, and the potential that future years budgets need go further in relation to savings and other measures to return reserves to the policy target. While the Council holds further earmarked reserves, currently in excess of £60m, these are earmarked for specific purposes. The decline in General Reserves increases the likelihood of more fundamental review of existing priorities and investment plans, due to be funded from earmarked reserves, will be necessary.

1.5 Members are aware from the Quarter 1 report that Senior Management had already taken a range of actions, including instructions to managers regarding non-essential spending. The Quarter 2 forecasts now require an even more robust and concerted range of actions than those already taken, recognising that action now is essential and will protect, and is in the long-term interests of the Council. Member support of in-year officer actions is important, recognising that action taken in-year may reduce the need for more difficult budget decisions to be made in March 2027.

2. Recommendations

2.1 Members are asked to:

i. Consider the forecast financial position for 2026/27 as set out in this report and appendices;
ii. Note the key movements from Quarter 1 to Quarter 2 and main factors in the increase in forecast financial deficit for the year;
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. As noted in this report, the forecast deficit represents a significant financial risk and impact on the Council's budget and reserves position, and as a result robust and concerted action is and will continue to be taken with the aim of improving the 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 2 forecasts reflect a forecast net deficit and deterioration in the position compared to Quarter 1. As a result there is a very clear impact on Council General Reserves as a result. Reduced reserves, well below the Council's policy target, greatly reduce the Council's flexibility and ability to deal with future events or cost pressures that may arise.

Reserves exist to help manage unforeseen weather events, unexpected cost pressures and current or future economic risks. The report is clear on the need for the Council to address that deficit position, and protect the Council's reserves position. There are inevitably risks relating to current forecasts, and that actions taken or planned 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 in excess of the in-year net position, and the Council's current 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. There will need be review and re-assessment of these plans and assumptions.

The reported level of overspend in NHS Highland's Adult Social Care (ASC) budget is also a significant and ongoing risk. There is no ASC overspend assumption reflected within the Quarter 2 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.

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. 2026/27 Quarter 2 Forecasts

5.1 The Quarter 2 forecast is showing a net deficit for the year of £6.980m, 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.

5.2 The table below provides a summary of the figures in **Appendix 1** to give an overall forecast position for Quarter 2 of the 2026/27 financial year. This reflects the underlying Service Quarter 2 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)	764.164	781.032	16.868
Other budgets (Appendix 1, Table A- bottom half)	86.011	79.633	(6.378)
Contribution to investment funds and other reserves (Appendix 1, Table C)	19.160	19.160	-
Total (X)	**869.335**	**879.825**	**10.490**
Income (Table D- top part)			
Government income	663.130	663.130	-
Budgeted Council tax income	183.323	184.071	0.748
Confirmed use of earmarked and other reserves	22.882	25.644	2.762
Total (Y)	**869.335**	**872.845**	**3.510**
Difference between expenditure and income to be funded from non-earmarked reserves- 'Budget (surplus)/deficit' (=X-Y)	**-**	**6.980**	**6.980**

5.3 The bottom line of the table above shows that the current forecast for the overall year end position is for a deficit (or net overspend) of £6.980m which if not improved over the course of the year, will need to be funded from the Council's non-earmarked general reserve. This being over and above planned or any further use of reserves over the course of the year.

5.4 As shown in the top row of the table at 5.2, net service expenditure is forecast to be overspent by £16.868m, with variances across a number of service areas. Section 6 of this report provides more details of the forecast service budget variances.

5.5 The second row of the table comprises a number of other budget lines and shows a positive variance (underspend against budget) of £6.378m which is predominantly arising in the Council's loans charges budget. Members will be aware from past reports, and Treasury Management reports on this agenda, which highlight the rising trend in interest rates over this financial year, and the risks and impacts as a result. Broadly speaking the Council is experiencing borrowing rates at the current time which are c1.1–1.2% higher than had been assumed at the start of the year. Notwithstanding an overall underspend in loan charges, and this primarily driven by accumulated slippage in capital expenditure in current and recent years, and increased capital income, there has been estimated a circa £2.1m interest rate cost pressure on the Council this year which is within this forecast and mitigated by the effect of slippage. The risk to the Council is that higher interest rates may persist for some time, or may represent costs the Council is locked into, whereas capital slippage is expected to be a short-term factor, with Highland Investment Plan spend profiles increase in coming years.

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

5.7 The first row in the income section of the table at 5.1 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.

5.8 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.

5.9 The third row of the income section of the table shows the draw-down of Earmarked balances to support in-year expenditure. **Appendix 8** 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.

5.10 This report provides further narrative on the actions being taken to address that forecast overspend position, the detail of which has been reported to respective Strategic Committees.

6. General Fund – 2026/27 Quarter 2 Service Budget Variances

6.1 The following table summarises the key service and cluster movements from Quarter 1 to Quarter 2, with further narrative in place in the following paragraphs to explain variances and movements by Service. The most significant factor, as shown in the table below, is a very significant adverse movement in the Health, Wellbeing and Social Care Service financial forecast of £5.1m.

Cluster/Service	Quarter 1 Forecast Over/(Under) £m	Quarter 2 Forecast Over/(Under) £m	Movement Between Quarters £m
Corporate / Business Solutions	(0.190)	(0.218)	(0.028)
Corporate / Performance & Governance	0.037	(0.001)	(0.038)
Corporate / Resources & Finance	(0.562)	(0.692)	(0.130)
Corporate / Welfare	(0.177)	(0.117)	0.060
Corporate Sub-total	**(0.892)**	**(1.028)**	**(0.136)**
People / Education & Learning	0.637	0.793	0.156
People / Health Wellbeing & Social Care	(0.001)	5.147	5.148
People Sub-total	**0.636**	**5.940**	**5.304**
Place / Communities and Place	2.466	3.696	1.230
Place / Infrastructure, Environment and Economy	3.977	4.110	0.133
Place / Property & Housing	1.417	1.739	0.322
Place Sub-total	**7.860**	**9.545**	**1.685**
The Inverness Castle Experience (TICE)	**2.524**	**2.411**	**(0.113)**
Service Total	**10.128**	**16.868**	**6.740**

6.1 **Communities and Place** –an overspend of £3.696m against budget is forecast, this primarily relates to overspends related to fleet and Waste. The Waste service is estimating to be overspent by £1.400m due to increased residual waste arisings compared to previous years, increased fuel costs and increased costs of disposal of

waste. The Fleet service is estimating an overspend of £2.449m which is an increase of £1.300m from Q1, the overspend is mainly due to revenue spend through lease costs. A Recovery plan is in place and includes a fleet reduction process and review of hired plant and fleet, but based on the Quarter 2 figures recovery plan actions require review and need go further than had been assumed.

6.2 **Business Solutions** – an underspend of £0.218m is forecast, slightly higher but broadly in line with the Quarter 1 position. The main factors in the underspend position are underspends in staff costs, with these mitigating against some underlying contract cost pressures.

6.3 **Education and Learning** – The Quarter 2 forecast position is a projected overspend of £0.793m. The main contributor is continued pressure within the Special Schools budget, resulting in a forecast overspend of £1.079m. This reflects the ongoing funding requirement for additional support arrangements at Drummond School, together with additional costs associated with covering planned leave at St Duthus and St Clement's The forecast pressure on the Additional Support Schools budget has increased slightly since Quarter 1 to £0.104m, primarily due to the planned recruitment of new Inclusion Support Officer posts, which has reduced the level of vacancy underspend, together with continued pressure on Educational Out of Authority placement costs. This has been partially offset by a reduction in the forecast pressure within the ASL Staffing Standard budget, supported by enhanced financial monitoring arrangements facilitated through the new service management structure. There remains a significant risk to the delivery of the recurring DSM Adjustments saving of £1.8m. Management action continues towards mitigating the forecast overspend through control of discretionary expenditure, careful management of recruitment activity while maintaining service delivery, and the planned use of Transitional Earmarked Reserves.

6.4 **Health and Social Care** - The Service is currently reporting an overspend of £5.147m as the forecast outturn position for Quarter 2 this is a significant deterioration from the Quarter 1 reported breakeven position. There have been eight new Out of Authority Placements in that period with a further placement anticipated. In total that means the total of out of authority placements are 36 including one young person in a secure placement. Members will be aware of recovery plan actions which have been focused on actions to reduce the number and cost of such placements, with the Quarter 2 figures highlighting there remains significant work to be done to get this budget back into a sustainable financial position. Work is underway across the service as a whole to manage costs in order to provide mitigation towards this in the remainder of the financial year.

6.5 **Infrastructure, Environment and Economy** –an overspend of £4.110m against budget is forecast, and in the main this relates to overspends in Roads and Transport, Trading Operations, and Climate Change and Energy, and is broadly in line with the forecasts at Quarter 1. Roads and Transport are forecasting a year end overspend of £0.890m this is primarily due to car parking income targets not expected to be achieved and the rising costs of ASN transport. Trading Operations are forecasting a year end overspend of £1.167m due to a drop in marine gas oil sales due to overall fuel price and overspend on the Corran Ferry due to Repairs and a reduction in passengers compared to previous years. Climate Change and Energy are forecasting £1.922m overspend which is largely due to under recovery of income against large scale projects.

6.6 **Performance and Governance** – a broadly balanced budget position is forecast at Q2 with this being a slight improvement against the Quarter 1 forecasts.

6.7 **Property and Housing** – The quarter 2 monitoring projects an overspend of £1.739m, which is mainly in relation to unachieved savings in Asset Rationalisation and broadly in line with Quarter 1. Work is ongoing to review savings opportunities and based on the full range of asset rationalisation activities undertaken to date, currently in progress, and planned for delivery, it is considered that a number of savings could be achieved during the remainder of the financial year.

6.8 **Resources & Finance** – an underspend of £0.692m is forecast, with this being an increased underspend compared to Quarter 1. There are a number of underlying budget variances within this net position, and these include staff underspends delivered through workforce planning and ongoing process review and system improvement, with these underspends mitigating against pressures relating to tourism income and procurement savings achieved. Separate reports on this agenda provide further detail on the corporate cluster budget and delivery plan monitoring.

6.9 **Welfare** – an underspend of £0.117m is forecast, with this being slightly reduced from the forecast at Quarter 1, and relates mainly to the Housing Benefit budget.

6.10 **The Inverness Castle Experience (TICE)** - In relation to High Life Highland (HLH) and TICE, there is a separate substantive report on this agenda providing Members with further information. Drawn from that report, the Q2 Council revenue monitoring reflects the same £2.411m forecast financial impact for the Council, being a forecast deficit support requirement from HLH of £1.255m and over and above which the forecast that the Council's rental income assumptions of £1.156m for the Castle cannot be fulfilled this year. This represents an improvement and reduction in financial impact of £0.113m since Quarter 1, with the separate report from the HLH Chief Executive providing further explanation and context. As covered in previous reports, there will be an exchange of letters between Council and HLH this calendar year to fulfil Letter of Comfort requirements regarding the Council's financial support, its expectations, and to allow HLH to conclude their annual accounts and audit process.

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

7.1 The Housing Revenue Account is currently projected to have a surplus of £0.034m at year-end.

7.2 Expenditure to date is largely in line with budget with an anticipated year-end spend of £81.903m against a budget of £82.020m. On the income side, income from rental income is projected to be £0.232m lower than anticipated. This is as a result of some house completions being delayed into 2027/28.

8. Actions Taken and Being Progressed

8.1 While the Quarter 2 forecasts represent a deterioration in the financial forecast and deficit for the year, the Quarter 2 reports do nonetheless highlight where the actions taken over the course of the year, and since Quarter 1, have had some positive impact. The following highlights some key areas where there is evidenced improvement in the forecasts as at Quarter 2.

- Overall staffing budget forecasts – the underspend forecast on all staff costs, has increased from £8.2m at Quarter 1 to £11.2m at Quarter 2, which is mitigating impacts of some of the overspends in other budget areas. The staffing underspend represents only circa 2.2% of the Council's overall staffing budget, and needs considered in the context of general staff turnover levels being in the region of 13% each year, and an overall staffing within the Council which had increased by circa 180 Full Time Equivalent posts between 2025 and 2026.

- Service incomes (grant income and other income including fees and charges, is £3.6m ahead of budget at Quarter 2, compared with £3.2m at Quarter 1.

8.2 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 reflected in past reports to Members. These actions 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.

8.3 Recognising that Quarter 2 is showing a significant overall deterioration since Quarter 1, and notwithstanding this is in two specific areas of expenditure (fleet and looked after children), there needs be a much more robust set of actions taken going beyond what had been assumed at Quarter 1. Senior Management are currently reviewing and seeking to implement further controls, and this may include further cost control and vacancy management control action. As should be clear from this report, these are essential actions to protect the Council's financial position, protect Council reserves and ongoing financial sustainability, and recognising that action taken in year can reduce the need for tougher choices to be made in future budgets. Support across all aspects of the Council, Members and officers, is essential to ensure maximise the likelihood of actions having maximum positive effect on spending controls.

9. Reserves

9.1 **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 stated earlier the forecast overspend and deficit would further reduce General Reserves with these now forecast as £13.9m at year end (1.6% of budget) and well below the stated policy target. In relation to Earmarked Reserves (EMRs), these exist over and above the General Reserve, and 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.

10. Savings Delivery

10.1 **Appendix 6** provides a high-level summary of the Red/Amber/Green (RAG) status of savings delivery, taken directly 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. For timing or other factors, there can be differences between what is reflected in other reports, and the 'point in time' status of the PRMS system.

Designation: Chief Officer – Corporate Finance

Date: 6 November 2026

Authors: Brian Porter, Chief Officer – Corporate Finance
Carolyn Pieraccini – Strategic Lead (Place)
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Background Papers:

Communities and Place Committee 05 November 2026

Economy and infrastructure committee 12 November 2026

Education committee 18 November 2026 – link not yet available

Health, Social Care and Wellbeing Committee 11 November 2026

Housing and Property Committee 04 November 2026 – Report 1, Report 2

Corporate Resources Committee 19 November 2026 – this agenda

Appendices:

Appendix 1 – General Fund summary 2026/27 Quarter 2
Appendix 2 – Additional analysis - General Fund 2026/27 Quarter 2
Appendix 3 – Housing Revenue Account (HRA) 2026/27 Quarter 2
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 1

Revenue Expenditure Monitoring Report - General Fund Summary

1 Apr to 30 Sep 2026

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Table A: By Service				
Communities & Place	23,942	44,985	48,681	3,696
Business Solutions	10,003	13,826	13,608	(218)
Education & Learning	121,847	315,460	316,253	793
Health, Wellbeing & Social Care	97,972	220,279	225,426	5,147
Infrastructure & Environment and Economy	10,245	48,175	52,285	4,110
Performance & Governance	6,686	7,369	7,368	(1)
Property & Housing	38,698	88,367	90,106	1,739
Resources & Finance	11,661	17,504	16,812	(692)
Welfare Services	6,752	9,099	8,982	(117)
Inverness Castle Experience	0	(900)	1,511	2,411
Service Total	**327,805**	**764,164**	**781,032**	**16,868**
Valuation Joint Board	2,154	4,075	3,798	(277)
Hi Trans	0	0	0	0
Green Freeport	0	0	0	0
Non Domestic Rates reliefs	958	927	958	31
Loan Charges	0	77,970	71,389	(6,581)
Unallocated Budget	0	3,039	3,488	449
Total General Fund Budget	**330,918**	**850,175**	**860,665**	**10,490**
Table B: By Subjective				
Staff Costs	215,680	515,069	503,875	(11,194)
Other Costs	222,343	560,732	578,843	18,111
Gross Expenditure	**438,023**	**1,075,801**	**1,082,718**	**6,917**
Grant Income	(49,089)	(77,120)	(75,091)	2,029
Other Income	(58,016)	(148,506)	(146,962)	1,544
Total Income	**(107,105)**	**(225,626)**	**(222,053)**	**3,573**
Total Revenue Expenditure	**330,918**	**850,175**	**860,665**	**10,490**
Table C: Appropriations to Reserves				
Contribution to earmarked balances	0	13,395	13,395	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**	**19,160**	**19,160**	**0**
Table D: Financed By				
Aggregate External Finance as notified	215,664	656,471	656,471	0
Additional resources	0	6,659	6,659	0
Council Tax	115,254	183,323	184,071	748
Use of earmarked balances	0	16,414	16,414	0
Use of non earmarked balances	0	0	6,980	6,980
Use of other reserves	0	6,468	9,230	2,762
Total General Fund Budget	**330,918**	**869,335**	**879,825**	**10,490**

Appendix 2

Revenue Expenditure Monitoring Report - General Fund Summary

1 Apr to 30 Sep 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	(1,410)	2,853	(221)	2,474	3,696
Business Solutions	(362)	1,375	0	(1,231)	(218)
Education & Learning	(389)	1,088	100	(6)	793
Health & Social Care	(2,579)	8,286	(551)	(9)	5,147
Infrastructure, Environment & Economy	(4,714)	7,420	5	1,399	4,110
Performance & Governance	297	76	0	(374)	(1)
Property & Housing	(985)	4,334	(936)	(674)	1,739
Resources & Finance	(1,119)	471	1	(45)	(692)
Welfare	67	(3,825)	3,631	10	(117)
Inverness Castle Experience	0	2,411	0	0	2,411
Valuation Joint Board	0	(277)	0	0	(277)
Hi Trans	0	0	0	0	0
Green Freeport	0	0	0	0	0
Non Domestic Rates reliefs	0	31	0	0	31
Loan Charges	0	(6,581)	0	0	(6,581)
Unallocated Budget	0	449	0	0	449
Total General Fund Budget	**(11,194)**	**18,111**	**2,029**	**1,544**	**10,490**

Appendix 3

Revenue Expenditure Monitoring Report - Housing Revenue Account Summary

1 Apr to 30 Sep 2026

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Staff Costs	7,036	18,772	17,646	(1,126)
Other Costs	9,229	28,448	29,457	1,009
Loan charges and interest	0	34,800	34,800	0
Gross Expenditure	**16,265**	**82,020**	**81,903**	**(117)**
House Rents	(32,314)	(77,842)	(77,610)	232
Other rents	(1,576)	(3,737)	(3,813)	(76)
Other income	(196)	(379)	(384)	(5)
Interest on Revenue Balances	0	(62)	(62)	0
Gross Income	**(34,087)**	**(82,020)**	**(81,869)**	**151**
Total HRA	**(17,821)**	**0**	**34**	**34**

Appendix 4

Revenue Expenditure Monitoring Report - General Fund Budget

1 Apr to 30 Sep 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)	
Breakfast Clubs	0.745	
Scottish Crown Estate	3.636	
Children and Young People's Neurodevelopment Support Fund	0.337	
	5.667	
Adjust : Ring-fenced Grant Changes	0.000	5.667
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	0.022	
Budget 2024-25 - Pressures - People and Finance Systems Programme	0.113	
Future Investment Capacity Fund - Corporate Solutions - Future Operating Model	0.025	
Future Investment Capacity Fund - Corporate Solutions - Data Foundations	0.122	
Future Investment Capacity Fund - Corporate Solutions - Digital Foundations	0.103	
Future Investment Capacity Fund - Cross Portfolio Programme & Project Mgmnt Resources	0.071	
Legal Underspend	0.060	
Developer Contributions	0.615	
Scottish Crown Estate	0.441	
Budget 2024-25 - Savings & Transformation - Tourism Income - Motorhomes	0.060	
Education Transitional Funding	0.009	
Budget 2024-25 - Savings & Transformation - Education Innovation	0.500	
Budget 2024-25 - Savings & Transformation - Tourism Income - Unique Visitor Experiences	0.051	
DSM balances - Counselling in Schools	0.237	
DHPs	0.026	
Scottish Welfare Fund	0.114	
Covid Funding - Welfare (LIFT)	0.022	
ICT Investment Funds - Short Term Lets ICT Solution	0.018	
Budget 2024-25 - Savings & Transformation - Family First	0.679	
Budget 2024-25 - Savings & Transformation - ASC	1.891	
Budget 2025-26 - Pressures - Social Work Case Management System (Mosaic)	0.134	
		4.290
Use of Other Reserves		
		0.000
Contribution to Non earmarked Balances		
		0.000
Contribution to Earmarked Balances		
Salix	(0.723)	
Housing Challenge Fund	(1.000)	
Adult Social Care	(7.000)	
Developer Contributions	(0.114)	
Scottish Crown Estate	(3.636)	
		(12.473)
Contribution to Other Reserves		
		0.000
Presentational Adjustments		
Rounding	0.001	
		0.001
Total General Fund Budget at 30 Sep 2026		**850.175**

Appendix 5

Revenue Expenditure Monitoring Report - General Fund Balances

1 Apr to 30 Sep 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	(4.290)	0.000	(4.290)
Contribution to balances per Appendix 4	12.473	0.000	12.473
Removal of earmarking	0.000	0.000	0.000
Budget movement in balance per Appendix 1	(3.018)	0.000	(3.018)
Net service underspend/(overspend) per Appendix 1	0.000	(10.490)	(10.490)
Appropriations to other reserves	0.000	0.000	0.000
Appropriations from other reserves	0.000	2.762	2.762
Additional resources	0.000	0.000	0.000
Council tax	0.000	0.748	0.748
Rounding	0.000	0.000	0.000
General Fund Balance at 30 Sep 2026	62.171	13.934	76.105

Appendix 6

Revenue Expenditure Monitoring Report - Savings Delivery

1 Apr to 30 Sep 2026

	£m Excl ASC	£m Incl ASC
Green	**10.119**	**10.119**
Amber	**0.000**	**0.000**
Red	**9.343**	**18.336**
To be confirmed	**2.149**	**2.149**
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
Based on PRMS updates
This data is a direct extract from the Council's PRMS system at a point in time, and therefore for timing or other reasons may show some differences relative to other reports considered by members.