The Highland Council

Agenda Item	**3**
Report No	**HC/01/25**

Committee: **Highland Council**

Date: **6 March 2025**

Report Title: **Medium Term Financial Plan 2025/26 to 2027/28 and Revenue Budget and Council Tax 2025/26**

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

1. Purpose/Executive Summary

1.1 The Council is required by legislation to set a balanced budget, and to set a council tax for the forthcoming year no later than 11 March. This report and recommendations, provide the basis for the Council to fulfil these legal obligations.

1.2 The Council has adopted the Chartered Institute of Public Finance and Accountancy (Cipfa) Financial Management (FM) Code. The Code is in place to support good financial management, and defines a number of key principles and expectations on Officers and Members regarding financial management and the budget setting process, which are reflected within this report.

1.3 This report sets out the Council's updated Medium Term Financial Plan for 2025/26 – 2027/28, the proposed revenue budget and council tax for 2025/26, and indicative revenue budgets for the following two financial years, 2026/27 and 2027/28. The report builds upon the Medium-term Financial Plan as considered by the Council in February 2024, and reflects relevant context, and decisions, from subsequent reports to Council over the past year.

1.4 The report details recommendations to deliver a balanced budget, and includes information relating to budget assumptions, risks, budget pressures, growth and investment, as well as savings, reserves and council tax. The report is based on proposals brought forward by the Council Administration. A summary of the budget as proposed is set out below.

1.5

Budget Summary £m	**2025/26**	**2026/27**	**2027/28**
Opening Budget for the Year	779.545	818.423	823.737
Less: non-recurrent items	-	-5.449	-2.112
Pay, pensions, NIC & other budget adjustments	27.220	13.745	13.725
Budget Pressures (recurring)	20.433	15.000	10.000
Budget Pressures (met from reserves)	5.449	2.112	0.111
Growth and Investment	4.539	-	-
New Burdens and Commitments	8.512	-	-
Highland Investment Plan (revenue)	2.997	3.236	3.498
Total Budget Additions	**69.150**	**34.093**	**27.334**
Budget savings (new plus previously agreed)	-19.472	-18.825	-4.146

Waste Extended Producer levy income	-9.500	-	-
Financial flexibilities (February 24)	-1.300	-1.200	-
Budget gap still to be closed	-	-3.305	-9.721
Net budget for the year	**818.423**	**823.737**	**835.092**

1.6 The context for this report is the forecast financial gap which had faced the Council and been reflected in past reports to Members, taking account of decisions made by the Council in February 2024, and in turn the implications of the October 2024 UK Government Budget and in turn Scottish Government draft budget for 2025/26. Over the duration of the updated Medium Term Financial Plan, the Council had been forecasting a headline gross budget gap of up to £131m over three years, with this estimated as reducing to a net £38m–£54m having taken account of agreed budget savings and other budget assumptions. All planning assumptions have been revised and updated within this report, and reflecting the implications of the UK Government Budget and Scottish Government draft budget 2025/26.

1.7 This updated Medium Term Financial Plan, and the financial context facing the Council in setting its 2025/26 revenue budget, continues to be an environment of significant financial cost pressures and risks, driven by pay and inflationary cost pressures, and as a result the need to deliver further additional budget savings to achieve a balanced budget for the year. The financial impact of increased Employer National Insurance contributions, in particular, has had a significant impact on the Council's budget outlook for 2025/26. There has in turn been some mitigation of the financial risks and challenges faced, as a result of decisions made by the Council in February 2024, and a grant settlement for 2025/26 which represents a cash increase in funding and a greater degree of non-ring fenced funding additionality.

1.8 A recent report by the Accounts Commission contains a number of key messages which provides very clear context to the financial outlook for, and financial challenges faced by Local Government.

"Despite an increase in overall revenue and capital funding for councils in 2024/25, and the Scottish Government's budget proposals in December 2024 indicating a further real terms uplift in funding for 2025/26, the financial outlook for Scotland's councils remains challenging."

"Using reserves to routinely balance budgets is not sustainable."

"Councils need to intensify transformation activity, progressing at scale and pace to ensure their financial sustainability. How councils plan to use their reserves, make savings and transform their services needs to become more transparent. The need to consult local communities and clearly communicate the implications for local services of the budget decisions taken has never been more important."

Extract from Local government in Scotland Financial bulletin 2023/24 (Accounts Commission, January 2025)

https://audit.scot/publications/local-government-in-scotland-financial-bulletin-202324

1.9 Financial sustainability is a key consideration for the Council, and decisions made through this report are intended to support the Council's Medium Term Financial Planning and financial resilience and sustainability. This report provides the Section 95 Officer's assessment of the Council's financial sustainability, to inform Member decision making, and incorporates a number of indicators for adoption by the Council to strengthen its ongoing measurement of financial performance, resilience and sustainability.

1.10 The Medium-Term Financial Plan takes account of the Council's Reserves Strategy as agreed in December 2023, and builds upon budget decisions made in February 2024, recognising that reserves are finite, and not a sustainable funding source to balance the budget. The Council's strategy is for reserves to be used to support investment, change and transformation, and as set out in this report, the proposed revenue budget for 2025/26 and indicative budgets for the following two years, makes no assumed use of reserves to balance the budget. This represents a significant change and improvement from the last Medium-Term Financial Plan.

1.11 A range of annexes and supporting information is enclosed with this report to support Member decision making. A full list is provided at the end of this report.

1.12 As an aid to interpreting figures in this report. Across this report and associated annexes, all £ figures are shown as millions (£m) unless otherwise stated. All figures are shown on a recurring and incremental basis unless otherwise stated i.e. they represent the year-on-year impact of a saving or a cost pressure. Anything one-off or non-recurring in the budget report will typically include narrative to make clear that is the case.

2. Recommendations

2.1 Members are asked to:

i. Note the budget context, information, assumptions and risks, as set out within this report and provided by the Section 95 Officer;

ii. Agree the three-year package of new and additional budget saving proposals put forward by the Council Administration as set out at **annex 5**;

iii. Agree the package of budget pressures and new burdens as set out on **annex 2**;

iv. Agree the growth and investment funding proposed by the Council Administration as set out on **annex 4**;

v. Agree to the Partner Funding arrangements relating to NHS Highland, High Life Highland and Early Learning and Childcare partners as set out in section 9;

vi. Note the updated position relating to reserves and taking account of the budget proposals and recommendations within this report (**annex 6)**;

vii. Agree in relation to Council Tax, a 7% increase for 2025/26, represented by a 5% core increase to balance the budget for the year plus 2% earmarked for capital investment through the Highland Investment Plan, with details of the resulting Council Tax as shown in **annex 7**;

viii. Note the indicative assumptions on Council Tax for 2026/27 and 2027/28 as per **annex 7**, with these subject to future review and formal decision as part of annual budget setting;

ix. Agree the proposed Revenue Budget for 2025/26 as set out within this report and on **Annex 3**.

3. Implications

3.1 Resource - by its nature this report has a significant number of resource implications. The report sets out the context and assumptions within the Council's Medium Term Financial Plan and projected budget gap, and the risks and uncertainties related to that position. The report sets out a range of recommendations and provides associated information within the body of the report, and annexed information, to allow Members to understand the financial implications before them. The report specifically highlights particular risks pertaining to this budget plan. The report details the Council's reserves forecast, and updated recommendations and plans regarding their use, with this set in the context of the Reserve Strategy agreed by the Council in December 2023. Reserves being one aspect of how the Council's manages its financial position and mitigates against financial risk. This report is the conclusion of a series of reports to Council over the past 5-6 months and supported by briefings provided to Members and groups to support their understanding of the Council's budget outlook.

3.2 Legal – the formal setting of a budget and council tax has specific legal and related implications, as follows.

(i) In terms of Section 93 of the Local Government Finance Act 1992 ('the 1992 Act') Members have a duty to set both Council Tax and therefore by implication the next year's budget before 11 March in any year. Section 93(4) of the 1992 Act states *"in calculating such part of the total estimated expenses to be incurred by a local authority as falls to be met out of council tax, account shall be taken of any means by which those expenses may otherwise be met or provided for"*.

(ii) Therefore, Council is required to estimate how much income it will receive from grant allocations, what its expenditure might be, what other budgetary actions can be taken, before then agreeing the Council Tax rate to fund the difference. This process is commonly referred to as setting a balanced budget.

(iii) Section 95 of the Local Government (Scotland) Act 1973 (the 1973 Act') states, "*…every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs."* In The Highland Council the 'proper officer' in terms of the 1973 Act is the Chief Officer - Corporate Finance (E Part IV Scheme of Delegation and Administration).

(iv) The Council's financial arrangements must conform with the governance requirements of the Cipfa/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'). Therefore, the proper officer must ensure that the Council corporately and the Officer himself discharges their respective obligations and responsibilities.

3.3 Risk - the budget as set out within this report is based on a number of assumptions, and in any year's budget there are risks associated with the assumptions made and the recommendations proposed. Mitigation for such risks is based on review and challenge of assumptions before they are presented to Members, as well as review and benchmarking with other Councils in relation to financial planning assumptions.

As was the case in February 2024, and remains the case for this budget plan, the scale of the budget gap, and as a result the scale of financial savings set out in this report is significant, and represents a considerable challenge in relation to implementation and delivery. This is mitigated through the Council's Operational Delivery Plan and supporting approaches, to ensure suitable resourcing, monitoring and governance of change, transformation and savings delivery. The Delivery Plan, and the budget, is also based on the use of reserves and a multi-year planning approach to implement the savings and redesign or transformation of service.

Finally, this budget is built upon the draft grant settlement for 2025/26, as adjusted for known or anticipated adjustments. The Local Government Finance Order will be considered by Parliament 27 February 2025 and Councils will have their grant settlement confirmed at that date. If there are changes arising from the Order, these may need considered by Council on 6 March 2025 if they have a material impact, or any more modest changes may be matters which can be dealt with as post-budget events. In any year there are changes to the grant settlement following formal decision by the Council. An overview of key risks as they relate to the budget and this report are set out in **annex 1**.

3.4 Health and Safety (risks arising from changes to plant, equipment, process, or people) - any particular risk implications have been considered within the specific impact section of saving proposals.

3.5 Gaelic - any specific implications are assessed within specific saving proposals and referenced within the saving proposal document.

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.

All budget savings and investment proposals have been screened in line with the Council's approach to Integrated Impact Assessment. A summary of the assessment is included within each of the templates detailing any impacts identified, both positive and negative. There are 2 savings proposals which required full impact assessments: I&E/3 Corran Ferry Fare Increases, the R&F/7 Review of Operational and Service Management Structures. These full assessments can be found at https://www.highland.gov.uk/directory/50/a_to_z

5. Budget Setting, the Legislative Context and Cipfa FM Code

5.1 It is vital that Members understand the legislative requirements placed upon them and the Council to set a balanced budget, and in turn other key requirements and expectations defined within Codes of Practice adopted by the Council that are relevant to budget setting. The role of the Section 95 Officer, as defined in legislation, is also a key consideration. This report sets out in conclusion a statement by your Section 95 Officer, in compliance with the Cipfa Financial Management (FM) Code, regarding the budget, the sufficiency of reserves and the Council's financial sustainability, this underpinned by a new suite of financial resilience and sustainability indicators attached to this report.

5.2 Legislative position. Section 93 of the Local Government Finance Act 1992 states that Members have a duty to set both Council Tax and therefore by implication the next year's budget before 11 March in any year. This duty must be carried out by the full Council and cannot be delegated. This Section of the legislation also sets out process of budget setting commonly referred to as setting a balanced budget or the balanced budget requirement. The legal implications section of this report provides some further information in this regard.

5.3 The Cipfa FM Code. The Council has adopted the Cipfa FM Code, which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It is for all the corporate management team to work with elected Members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. The FM Code has seven sections covering the following key areas (with sections 3 and 4 being of greatest relevance to this paper):

1. Responsibilities of the chief financial officer and leadership team
2. Governance and financial management style
3. Long to medium-term financial management
4. The annual budget
5. Stakeholder engagement and business plans
6. Monitoring financial performance
7. External financial reporting

With regard to long to medium-term financial management the Code requires that the authority has carried out a credible and transparent financial resilience assessment and understands its prospects for financial sustainability in the longer term and has reported this clearly to Members. The authority is also required to comply with the Cipfa Prudential Code for Capital Finance in Local Authorities as well as have a rolling multi-year medium-term financial plan consistent with sustainable service plans. Through this report, and reports to members over the past year on budget, the Council is meeting the requirements of the Cipfa FM Code.

5.4 Members will be well aware of some of the very serious scenarios in recent years within English Local Government and a number of Councils publishing S114 Notices which in effect puts an immediate 'handbrake' on some spending and results in a requirement for some very serious decisions and interventions. There is no legal equivalent of a S114 Notice in Scotland. What Members do however need be aware is that the stark situation facing some English Local Authorities which has led to S114 notices, is not unique to England, and Scottish Councils are faced with the same real and significant challenges with expenditure demands far exceeding current and projected funding levels. Across Scottish Local Government, Section 95 Officers are considering further indicators and measures of financial resilience which can inform and support decision making going forward. This report includes a new suite of financial sustainability indicators to support Member decision making. The absence of the S114 legislative process in Scotland does not alter the role of the Section 95 Officer and the need of that Officer to provide appropriate reports and make appropriate recommendations to ensure financial prudence and financial resilience.

6. Background

6.1 The Council adopted a multi-year financial planning approach during 2023 which in turn led to the agreement of a three-year Medium-Term Financial Plan in February 2024, which covered the period 2024/25 to 2026/27. This report builds on the foundations of that work, and decisions made in February 2024, and 'rolls' that plan forward for a new three-year period covering 2025/26 to 2027/28. It is important the Council continues to adopt a medium-term financial planning approach, recognising the important benefits in relation to forward planning and managing financial risk and challenge, and to ensure compliance with best practice and Codes of Practice.

6.2 The preparation for this budget planning cycle commenced Autumn 2024, and with a series of reports to Council from October 2024 onwards, along with briefing sessions for Members and groups where required. While there have been some significant changes in wider economic and political circumstance impacting on this updated financial plan, in particular the UK Government Budget of October 2024 and in turn Scottish Government Budget of December 2024, the financial planning approach continues to build on the assumptions, processes, decisions and principles per the February 2024 Plan.

6.3 Budget planning undertaken over the past 6 months has been during a period of considerable uncertainty regarding the outlook for the public sector and resulting grant settlements. With significant change over that period as the Council has had to assess possible scenarios arising from UK and Scottish Government budgets, and in turn update these to reflect known circumstance. Further information on how key assumptions have changed over the budget planning cycle is described later in this report.

6.4 This report sets out the proposed revenue budget for 2025/26 and indicative budgets for 2026/27 to 2027/28 as part of the updated Medium-Term Financial Plan. It contains details of new and additional saving proposals, and investment proposals, which represent the Administration's budget proposals for the period.

7. Financial Outlook and Economic Context

7.1 Members will recall that the situation at February 2024 was a budget gap over three financial years totalling £113m, and a package of savings and other decisions agreed at that time to address that projected gap over a three-year cycle, including the setting of a balanced budget for 2024/25.

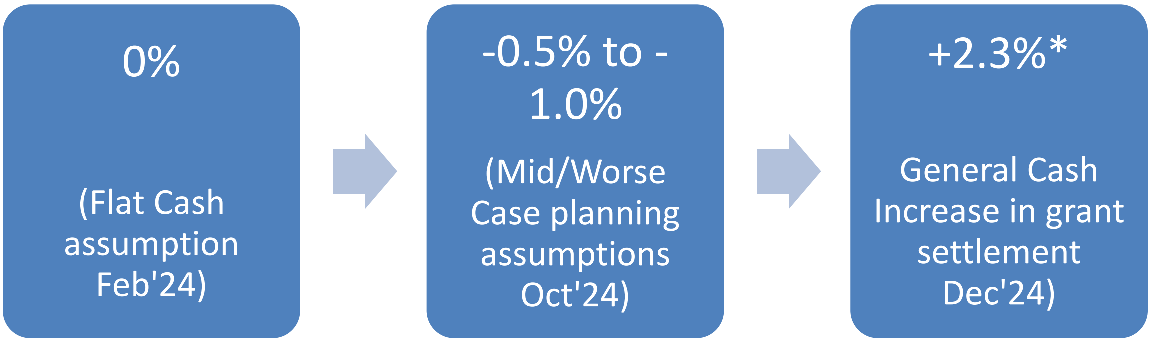
7.2 Since that time, there have been a number of significant developments over the past year, which has had significant bearing on the financial outlook and budget position, and in turn has led to significant change to the Council's financial planning assumptions and outlook. Alongside these developments has been a degree of significant uncertainty regarding grant settlement outlook, which has also led to a significant change to assumptions.

7.3 Reports to Council over past months have provided information on that changing financial outlook, with an initial assessment at October 2024 that the headline gap over the new three-year planning cycle could be up to £132m depending on scenarios, reducing to £54m once agreed budget savings and other funding assumptions were factored in. Those assumptions pre-dated the UK Government

Budget and were based on the real risk at that time the Council may need plan for a cash reduction in grant (rather than its baseline ‘flat cash’ assumption). The UK Government Budget, and then the Scottish Government budget of December 2024 however led to some significant changes to budget assumptions. On one hand the level of grant settlement and funding into Local Government was higher than had been assumed, however with the risk and impact related to increases in National Insurance Contributions (NICs) for employers, and considerable uncertainty on the funding position associated with that change. The Council was also advised at the turn of the financial year of a significant new income stream via UK Government related to the Waste Extended Producer Responsibility which had not prior to that time been factored into financial plans.

7.4 Further detail on the Scottish Government grant settlement for 2025/26 is provided later in this report, and Members will recall the briefing on this topic included in the agenda of the 12 December Council meeting. A notable change in the settlement for 2025/26 was a Scottish Government stated general cash uplift of +2.3% (over and above other grant funding changes and additions). This contrasts with past years and in turn the Council’s planning assumptions, which had not expected this outcome. The diagram below indicates the shift in financial planning assumptions over the past year. Every 1% adjustment in grant assumptions, is equivalent to around £6m in terms of budget impact.

Diagram: Movement in core grant funding assumptions



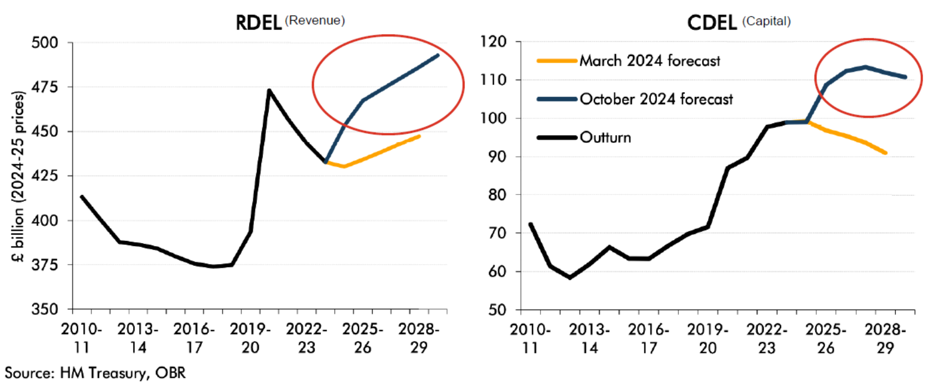
**per Scottish Government: stated cash increase equivalent of the all Scotland £289m General uplift in Local Government settlement. Excludes funding related to 24/25 or new expenditure commitments.*

7.5 The +2.3% was the Scottish Government stated position as at December 2024. This related to the element of the grant settlement which was not ring-fenced or directed to particular outcomes or requirements. It represents £289m of the then £869m overall increase for Local Government. The difference between these figures being Scottish Government funding additions which were tied to expenditure commitments or directions and therefore assumed to have a neutral effect in relation to the Council’s budget gap. This +2.3% was the comparable figure to the Council’s underlying budget planning assumptions as shown in the diagram.

7.6 While the grant settlement position for 2025/26 is clearly improved versus earlier assumptions, that is in the context of inflation and interest rates remaining relatively high, a range of new expenditure commitments and burdens to be accommodated within the budget, and a legacy impact of a number of prior years where the Council has been faced with significant year on year challenges in containing expenditure within available resources. There are also indications from the UK Government Budget that 2025/26 is the year where most growth in the public sector was targeted, with an expected slow-down in public spending in real terms in subsequent years as indicated in **the graph below**. Since that time there has also been a slow-down in economic growth across the UK and inflationary pressures trending up and sitting above the UK Government target. With a further UK Spending Review to take place in 2025, it appears likely that 2026/27 and beyond may well see settlements for the public sector which are lower than in 2025/26. As a result for this financial plan, it is prudent to assume a 'flat cash' grant settlement outlook for years 2 and 3 (2026/27 and 2027/28).

Graph 1: Real Terms UK Government Departmental Budget Envelopes

Figure 1: Real terms, total, departmental resource and capital budget envelope



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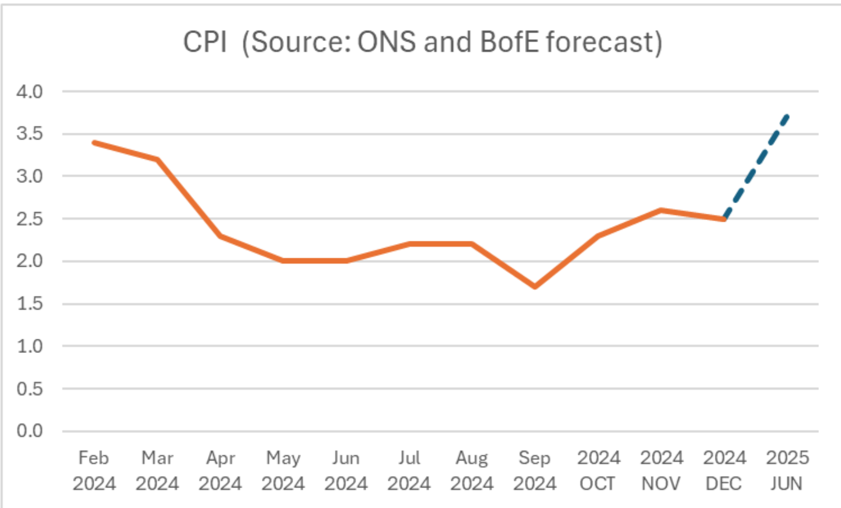
7.7 Inflation, as measured by the CPI index has also trended up over the past months and with the latest Bank of England forecast suggesting inflation may peak at 3.7% in the first half of 2025 before starting to ease thereafter. The UK Government Target for inflation is 2%.



Graph as at 14/2/25

8. Budget Assumptions

8.1 The table below summarises the core budgetary assumptions used within this report. Some of which have been reviewed and refined as part of the ongoing budget process. The accompanying notes provide context to these assumptions and also highlight relevant risks or uncertainties that may relate. Further information on risks is enclosed as a separate annex.

	2025/26	**2026/27**	**2027/28**

Pay award budget assumptions (note 1)	2.5%	2%	2%
Non-pay Inflation provision (note 2)	Nil	Nil	Nil
Employer pension costs (note 3)	No change	No change	No change
Core budget pressures provision (note 4)	£20.4m	£15m	£10m
Core Loan Charges (note 5)	£1.5m	£1.5m	£1.5m
Scottish Government core grant settlement (note 6)	As notified	0% flat cash	0% flat cash
Income Inflation (note 7)	See note	See note	See note

Note 1: Pay: 2.5% represents the level of CPI inflation at the time of preparing this report and has been the core pay inflation assumption for 2025/26. The figure is above the UK Government Target for inflation with the 2% target used for the subsequent two years. In relation to risk, there is the risk that CPI inflation peaks beyond that level during 2025 before an expected reduction, and the risk that employee pay claims and expectations exceed the stated provision. To date a number of claims for 2025/26 have been submitted nationally and do exceed these assumptions. The Council however has to also consider affordability considerations, that any pay settlement will ultimately be a negotiated position, and finally there may be the prospect that there could be scenarios whereby additional funding, e.g. from Scottish Government, could be forthcoming at a later stage or where pay settlements have direct Scottish Government involvement in negotiations e.g. Teachers. Every +/- 1% on pay costs has an impact of approximately +/- £4m on the budget.

Note 2: Non-Pay Inflation: the Council has <u>not</u> made any specific and over-arching allowance for inflation on non-pay costs. Rather than inflating all costs by a given percentage, which would neither be reflective of underlying costs or be affordable, the Council instead makes provision within budget pressures for specific and relevant increases in certain budgets for inflation or other factors. This approach is consistent with that taken by the Council for a number of years.

Note 3: Employer Pension Contributions: The budget must provide for known or expected changes in the cost to the Council as an employer through pension contributions. There are no such known changes for the period 2025/26 – 2027/28. Were teachers pension costs to change, typically Scottish Government have provided additional in year funding to recognise costs. In relation to the Local Government Pension Scheme (LGPS), the rates used are those per the most recent actuarial valuation as at 31/3/2023. The next valuation will be 31/3/2026, the outcome of which would apply effective 1 April 2027. Any consequences would need considered for the 2027/28 budget year, once known.

Note 4: Core budget pressures: as per note 2 above, rather than make blanket provision for a percentage uplift in non-pay costs, the Council budget provides for specific and targeted pressure funding to address inflation and other service delivery pressures. More information on pressures is set out later in this report.

Note 5: Loan Charges: the core budget assumptions shown are based upon the current capital programme. There remains the risk that interest rates remain higher for longer than current forecasts, or that when they fall they may do so at a slower pace than forecast. Loan charges are inevitably an aspect of the budget which is difficult to make firm forecasts on, more so into later years, given there are so many variables (level of capital spend, timing of capital spend, prevailing interest rates, timing of borrowing, source of borrowing, market conditions, etc). As such ongoing review and re-basing of loan charges on an annual basis will be required. The figures set out above <u>exclude</u> the increase to the loans charges budget resulting from the

Highland Investment Plan and 2% earmarking of the revenue budget for that purpose, which are additional to the core loan charge assumption, and subject to annual decision making by members.

Note 6: Scottish Government grant: the grant for 2025/26 is as described later in this report and as per draft estimates provided by Scottish Government. For the subsequent two financial years, a core flat cash (0% p.a.) has been assumed. There remains the risk and uncertainty as to what the actual level of grant settlement in future years may be. Every 1% +/- on the Council's grant equates to approximately +/- £6m of grant.

Note 7: Income Inflation: the budget is not based upon a single or blanket percentage assumption on income or increases to those budgets. The Council's income covers a range of categories including grant income, recharges both internal and external, and income from fees and charges. The Council in February 2024 agreed saving measures across three years in relation to fees and charges, and within this report any new or revised proposals relating to fees and charges are included within the package of savings.

9. Budget Additions and Adjustments

9.1 The following section details a number of budget additions or adjustments for the Medium-Term Financial Plan. This section of the report describes the budget pressures that have been set out for member consideration, as well as the budget planning assumptions as they relate to core partnerships.

Budget Pressures

9.2 The budget makes provision for a range of budget pressures across the range of category headings as summarised below. While many relate to increases in cost of current service delivery (e.g. inflationary pressures, in year cost pressures) there are also some which represent new burdens or additional activity which are provided for. The addressing of budget pressures is an important aspect of the budget, to ensure based on best information available, core budgets are reviewed and revised to take account of known cost impacts. Affordability is however a key consideration, with the higher the level of pressures to be provided for, directly relating to the level of savings or other measures that might be required to balance the budget. Officer due diligence has been applied to these budget pressures to ensure robust scrutiny and challenge in arriving at the budgets as set out in this report. **Annex 2** provides further information on the pressures provided for in the budget.

	Proposed 2025/26 £m	**Indicative 2026/27 £m**	**Indicative 2027/28 £m**
As considered February 2024 with updated profile	4.139	7.359	0.395
New Expenditure Commitments	2.877	-	-
Re-base Prior Year Savings	6.729	0.165	-0.966
Inflationary Increases	3.140	-	-
Other Cost Pressures	3.548	0.392	-
Unallocated pressures provision to be considered for future years budget planning	-	7.084	10.571

Total Recurring Pressures Met from Within the Budget	**20.433**	**15.000**	**10.000**

New Commitments Met from Scottish Government Additional Funding	**8.512**	**-**	**-**

One-off or Non-recurring Pressures Met from Reserves	**5.449**	**2.112**	**0.111**

Increase in Employer National Insurance Contributions (NIC)

9.3 As Members will be aware, in the UK Government Budget of October 2024 an increase in the cost of employer contributions was confirmed. With this change having a direct impact and cost for the Council's own staffing budgets, as well as a risk and impact in terms of the likely increase in costs of goods, services and contracts generally.

9.4 For much of the budget planning phase there has been uncertainty as to the potential level of grant funding that may come forward, with an expectation via Scottish Government that the level of funding via UK Government was likely to fall short of their assessment of likely cost to the Scottish Budget. Based on the information available at that time, the Council had been estimating a scenario whereby the Council may only be funded for its own staff cost NIC impact, and only to a level of circa 50%.

9.5 On 4 February the Cabinet Secretary advised Parliament that a sum of £144m would be made available to Local Government for NIC increases, with this being stated as equivalent to 60% of direct staffing costs. For Highland, pending confirmation of an allocation from this total, it is estimated the Council's funding share might be £6.390m. This therefore represents a part-funding of the Council's direct NIC staffing cost pressure, the full cost of which is estimated as £9.047m (ie the Council would need to assume it has to fund the difference of £2.657m). Based on the statement made, no funding has been provided within the £144m for any wider NIC cost implications on commissioned services or other costs of goods and services in local government. The Cabinet Secretary did indicate that should additional funding be forthcoming from UK Government, this may in turn be passed on.

9.6 Within this budget, there is therefore a need to ensure the Council can accommodate the estimated £9.047m cost, and the resulting net pressure after grant funding of £2.657m. This however makes no assumption on any other costs associated with NIC, and it is reasonable to expect there may be wider cost implications and risks to be considered.

9.7 While at this stage there is no funding provided to the Council for these indirect NIC costs, the budget assumptions reflect an amount which would allow the Council to make some recognition of the cost impact of NIC in those core partners as listed within this report. While not full funding, this nonetheless takes some of the risk and pressure off those partners and providers, while in turn expecting that, like the Council, they also need consider what other actions, savings, cost reductions, etc they need take to balance their own financial position. No specific amount or contribution per organisation is stated at this time, given there remains uncertainty regarding the national funding position, and whether UK or Scottish Governments may find means to increase the funding available for NIC costs. The Council would also need ensure that those organisations were not also in receipt of any direct Government funding for NIC, to avoid any double-funding. In cash terms, a sum of £2.633m has been set aside in the budget as a contingency allocation, and the Council will engage with the in-scope partner organisations to progress how funding towards NIC costs can be factored into 2025/26 funding arrangements.

In scope partner organisations:
- NHS Highland (for Adult Social Care provision)
- High Life Highland
- ELC PVI sector partners (via ELC rates)

9.8 For the avoidance of doubt, there is no grant funding received by the Council, nor any budget allocated for any other impact of NIC increases on other contracts, goods or services procured by the Council. The Council will therefore need to seek to contain any claims or cost increases arising from other contracts and expenditure on goods and services within the existing budget. There is therefore a risk with regard to the impact of National Insurance on the 2025/26 and future years budgets.

<u>NHS Highland Adult Social Care</u>

9.9 The budget as set out in this report would provide for the following with regard to the Council's budget provision for funding provided to NHS Highland to provide Adult Social Care.

9.10

2024/25 Adult Social Care budget	141.522
Less: 2025/26 Saving target agreed February 2024	-3.000
Add: Pass through of Scottish Government Funding additions for Adult Social Care Re-basing of existing agreed budget saving target (recurring budget feed adjustment) Contribution towards National Insurance Contribution cost increases	6.063 3.000 Tbc
2025/26 Adult Social Care budget	147.585
Net Increase in budget	+6.063 +4.3%

Note: there may be other adjustments in-year to reflect agreed transfers or funding assumptions, which is normal practice.

9.11 In addition, per the Council's February 2024 medium term financial plan, the Council holds an Earmarked Reserve of £20m to support change and transformation within Adult Social Care and the Council continues to work in partnership, and with internal governance and monitoring through the Council's Operational Delivery Plan, to support progress with savings delivery. The Council's earmarked reserves over and above the £20m, also provide for the agreed Council funding towards Moss Park (capital purchase and health and safety works and maintenance costs).

9.12 While the Council's proposed budget for Adult Social Care would be as set out above, there remains ongoing risk and challenge within NHS Highland's Adult Social Care budget to contain current over-spending and cost pressures, alongside delivery against saving/cost improvement plan targets. As per the most recent report considered by NHS Highland Health and Social Care Committee, the Board was forecasting an overall £49.9m overspend for 2024/25, which per that report exceeded the Scottish Government brokerage limit. In relation to Adult Social Care, within that total, an overspend of £17.8m year to date was reported, with this forecast to reduce to £5.1m on the presumption of further action to address the adult social care position. £2.3m of Adult Social Care cost improvement and efficiency is assumed within these figures.

9.13 Pressure on the NHSH Adult Social Care budget remains a significant area of risk and re-emphasises the importance of delivering the necessary change, transformation and cost control to manage within available resources. Other than the revenue budget and reserve use as described above, the Council has made no other provision for Adult Social Care costs.

High Life Highland

9.14 In February 2024 the Council's Medium Term Financial Plan included a multi-year analysis of the Council's funding commitments in relation to High Life Highland (HLH). These were based upon short-term additional deficit support as part of HLH's post Covid recovery. Based on that plan, 2025/26 was the last year of forecast additional deficit support, with it being forecast that in 2026/27 HLH would be back to operating within the budgeted recurring revenue support provided by the Council through the Service Delivery Contract. HLH has delivered their forecast £3.07m in savings over financial years 2023/24 and 2024/25. Further discussion has taken place with HLH, and as set out below, based on HLH's income and savings target of £2.150m for 2025/26, this confirms the estimated £0.894m additional deficit support from the Council in 2025/26. These funds are already set-aside in the Council's Earmarked Reserves.

	25/26 (£m)	26/27 (£m)
HLH Forecast Budget Gap	3.040	1.439
HLH Income, Efficiencies, Reductions, New Revenue Streams	-2.150	-1.535
Net Remaining Deficit (funding from Council Reserves)	**0.894**	**-0.096 *Surplus**

Source: HLH budget forecasts

9.15 In relation to the Inverness Castle Project, 2025/26 will be first year of operation and discussions with HLH have been ongoing regarding the short-term setup and pre-opening costs, and how these can be managed. To date the planning assumption and budget analysis has shown that initial costs could be covered by the projected year 1 surplus once the facility is open. With positive projections as to the level of full year operating surplus in 2026/27, and Council budget saving proposals relating to that projected surplus in 2026/27. There remains a risk in regard to year 1 however, in terms of ongoing consideration of VAT status of Castle visitor income, and a risk the operating surplus may not then cover year 1 opening costs. To mitigate this position, a Council commitment to under-write any year 1 deficit is proposed, should this arise. This needs considered in the context of expected significant surplus beyond year 1 and saving proposals to realise that surplus in the Council's budget proposals.

Early Learning and Childcare (PVI) Rates 2025/26

9.16 In line with Scottish Government Guidelines the PVI (Private, Voluntary, Independent Sector) ELC payment rates have been reviewed and new rates for 2025-26 are proposed for agreement by Council. Regular engagement with the PVI sector representatives has been facilitated over the last year and in January 2025 a meeting specifically to discuss rates uplift was held. The rates proposed in this report take account of the engagement activity, guidance from Scottish Government, and are within the budget parameters assumed.

The Scottish Government sustainable rates guidance proposes that:

- the minimum uplift for PVI rates should be 3.75% on current rates to provide to the increase in Real Living Wage, to be paid from April or backdated if yet to be agreed;
- meal payments must be paid as a separate rate;
- the 2-year-old payments should reflect the higher staff ratio by being paid at a higher rate than 3-5s rates;
- Childminders should be paid the same rates as all other partners in the private or voluntary sector.

Based on agreed practice over the last 2 years, Highland Council proposes an uplift of 5% on the ‘staffing element’ of the PVI rate in line with the Real Living Wage uplift. Being equivalent to the minimum 3.75% increase to the overall rate.

In addition, to provide an uplift to recognise some of the inflationary impacts on other costs has also been factored in (at 2% on part of the rate). The rate also holds the same reinvestment rate as applied in 2024/25 at 2%.

The meal rate is proposed to raise by 3.3%, given no meal rate uplift was included last year.

	Current Rates	Proposed 2025/26 Rates*	%uplift
2s	£7.24	£7.55	4.3%
3-5s	£6.39	£6.66	4.3%
Meals	£3	£3.10	3.33%

*Rates exclude any additional provision towards National Insurance Contribution costs (see relevant section in report)

9.17 Any budget implications as they relate to other partners, where applicable, will be detailed in other aspects of the budget, e.g. budget pressures or budget savings.

10. Scottish Government Grant Settlement 2025/26

10.1 The Scottish Government Draft Budget was issued 4 December and the Draft Local Government Finance Circular detailing draft grant allocations for each Council was issued on 12 December 2024. There has been considerable clarification and post-circular checking of the settlement which led to some errors being identified, at a national level there has also been developments with Scottish Government announcing some additional funding and changes to their Draft Budget, as part of their national negotiations on the passing of the budget via Parliament. As referenced earlier, there was also a subsequent announcement regarding £144m of National Insurance Contribution funding.

10.2 From information received, officers have been able to therefore re-assess what is considered to be the likely net effect of the correction of these errors and incorporation of the additional or amended funding streams since the grant circular was released. This however is still based on a degree of estimation and assumptions, and the Council will not receive a revised and final grant settlement circular until this passing of the Budget and Local Government Finance Order through the Scottish Parliament, which is expected to take place on 27 February 2025. While strictly speaking this means this budget report is based still on a degree of estimation and assumption on grant, with some risk as a result, this is not an unusual position and typically is the case in most years. Through the preparation of this report the Section 95 Officer is comfortable that there is sufficient information and understanding to allow the setting of the budget based on the assumed level of grant funding. Any changes, were they to arise, are not expected to be significant, and in any year there will always be further in-year changes to the settlement, which are managed as part of normal financial monitoring and control, and reporting via Strategic Committees.

10.3 This year has been particularly complex given the number of changes and clarifications required in relation to the grant settlement, and the significant uncertainty which existed in relation to NIC grant funding in particular, given that was only advised early February 2025.

10.4 As set out in the report to Council on 12 December, the Scottish Government Draft budget and resulting grant circular, had three main component elements in relation to additional grant funding: (i) Funding to meet existing commitments including 24/25 pay, pension and other commitments; (ii) New or additional funding but with some direction, expectation or new burdens (spending) associated; and (iii) New and additional funding but with no specific direction associated. For Highland it has been modelled to estimate that the net effect of the settlement, and factoring in the general cash uplift in grant, has resulted in a £14.029m improvement when contrasted with budget planning assumptions, and this has been a key element of reducing the forecast budget gap.

10.5 Due to the complexities of the grant settlement, for this year in particular, the change in presentation of the SG Budget for 25/26, and some outstanding reconciliation information still to be received from Scottish Government, it is not possible to give a clear and comparable position which contrasts the 25/26 grant with 24/25 in terms of a cash or % increase year on year. As stated above, there is clearly an overall general cash uplift, and over and above which additional funding associated with new burdens and commitments.

10.6 The table below provides some high-level information on the component parts of the grant settlement, clearly showing the draft position as per the grant circular, and the revised estimate of grant funding which it is expected will be confirmed via the passing of the Local Government Finance Order.

	2025/26 £m
General Revenue Funding	446.245
Ring-fenced Grants	6.721
Non-domestic Rates Distribution	167.986

Total Grant Settlement per Circular 10/2024	**620.952**
Add : Estimated allocations of funding undistributed in Circular 10/2024, including the impact of corrections to errors in Circular 10/2024	15.127
Revised Estimate of Grant Settlement before Funding for NIC Increase	**636.079**
Add : Estimated Allocation of £144m Funding for NIC Increase	6.390
Revised Estimate of Grant Settlement including Funding for NIC Increase. Total Funding assumed for 2025/26 Budget	**642.469**

10.7 In relation to Scottish Government additional funding where there are new burdens or expectations, or funding is supporting investment proposals, these are as detailed elsewhere in this report.

11. Budget Summary

11.1 Taking account of the information as set out in this report, the overall revenue budget proposed for 2025/26, and indicative budgets for the following two financial years, are as set out below. Further information is also set out in **annex 3**.

Budget Summary	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**
Opening Budget for the Year	779.545	818.423	823.737
Less: non-recurrent items	-	-5.449	-2.112
Pay, pensions, NIC & other budget adjustments	27.220	13.745	13.725
Budget Pressures (recurring)	20.433	15.000	10.000
Budget Pressures (met from reserves)	5.449	2.112	0.111
Growth and Investment **(see section 12)**	4.539	-	-
New Burdens and Commitments	8.512	-	-
Highland Investment Plan (revenue)	2.997	3.236	3.498
Total Budget Additions	**69.150**	**34.093**	**27.334**
Budget savings **(see section 13)**	-19.472	-18.825	-4.146
Waste Extended Producer levy income	-9.500	-	-
Financial flexibilities (February 24)	-1.300	-1.200	-
Budget gap still to be closed	-	-3.305	-9.721
Net budget for the year	**818.423**	**823.737**	**835.092**

As noted elsewhere in this report, the budget as set out above assumes no use of reserves to balance the budget across the three years.

11.2 As can be seen from the table, the budget represents a balanced budget for 2025/26, and in relation to the following two financial years, while there remains a residual budget gap still to be closed, this needs to be considered in the context of: (a) the forecast residual gap is relatively modest in the context of the overall budget; (b) no reserve use has been assumed across the three years to balance the budget and therefore the commitment and intent to identify, where necessary, further savings and other measures is in place; (c) there remains further time before the consideration of budget setting for those future years, to develop further proposals to close the residual estimated gap.

11.3 The budget as set out shows total sums for growth/investment, and new and additional savings. The Administration's proposals in relation to each are set out in the following sections.

12. Investment

12.1 The Administration Budget proposals regarding Investment are set out on **annex 4.**

12.2 Funding of investment proposals are as described within that annex, being a revenue growth fund of £4.539m, with further investment proposals supported via projected earmarked reserves. In addition, and as noted in section 19 of this report, the budget also incorporates the earmarking of a sum equivalent of 2% of council tax income each year, to support the capital within the Highland Investment Plan.

Investment Item / Funding Source	3 year totals £m
Revenue Investment Fund	4.539
Reserves earmarked for investment	17.200
Sub-total – Annex 4 Investment	21.739
Highland Investment Plan – revenue (section 19)*	9.731
3 year total – additional revenue investment proposed	31.470

*in addition to the 'seed' funding of £2.8m for 2024/25

13. Budget Savings

13.1 The Administration's new and additional budget saving proposals are set out on **annex 5a**.

13.2 Previously agreed February 2024 budget savings, as adjusted for any re-basing of those savings, are set out on **annex 5b.**

13.3 In summary, the overall position for savings is as shown below.

Budget Savings Summary	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**
Budget Savings as agreed February 2024	13.474	15.081	-
Adjustments to re-base the February 2024 savings (see also pressures list)	-6.729	-0.165	0.966
New/additional saving proposals	6.198	3.744	4.146
Total package of savings within the budget	**12.943**	**18.660**	**5.112**
Less : Increased council tax collection included in savings but added to funding within budget	-0.200	-	-
Add back : Re-basing adjustments included within budget pressures	6.729	0.165	-0.966
Savings included in net budget calculation	**19.472**	**18.825**	**4.146**

Members will note a presentation adjustment/reconciliation in the table above, to reflect that the financial impact of re-basing agreed savings has also been reflected within the list of budget pressures.

14. Operational Delivery Plan

14.1 All new and additional savings, have been grouped into themes to align with the Council's Operational Delivery Plan (ODP), which will continue to be the delivery, monitoring and governance route to ensure savings, change and transformation plans are achieved. Once the budget for the year is agreed, the necessary changes and additions to the ODP will be progressed to capture agreed new and additional savings with this expected to be considered by Council in May.

15. Budget Engagement

15.1 The core budget themes and saving proposals for the Medium-Term Financial Plan reflect those which formed the basis of budget engagement during 2023 and into early 2024. With this also being the basis of further budget engagement in the latter part of 2024 and into 2025. The main themes from those who engaged continued to be better, more integrated use of assets, greater alignment in delivery of services across public sector partners, improved use of technology to deliver services, generating income from visitors and a stronger approach to enforcement.

15.2 In relation to elected Member engagement, there has been a series of reports to Council from October 2024 onwards, regarding the Council's Medium-Term Financial Plan. There have also been briefing sessions offered to political groups, to provide the opportunity for members to be informally briefed on matters relating to the budget in advance of Council.

15.3 Briefings of Trade Union representatives have also taken place in relation to the lead-up to this report and member decision making on 6 March 2025. A series of staff engagement sessions have also been held across Highland which have been focusing on the Delivery Plan.

16. Workforce Planning

16.1 The Council is undergoing significant change which is being driven by the Operational Delivery Plan (ODP) approved in 2024. It is essential the Council's medium term financial plan and workforce resources align to the ODP workstreams. Our workforce is central to providing the means to deliver this transformation and valued services to our communities.

16.2 The budget proposals contain growth and investment, which will provide opportunities for our staff. Developing our workforce for the future and the design of services in our future operating model are supported by our workforce planning strategy. The proposals will also deliver efficiencies and change to our operating model to achieve savings. Reductions to staffing levels from the proposals will be delivered through a combination of vacancy management, retraining, reallocation of staff resource and process improvement. There will continue to be effective engagement with staff and union colleagues where there are projected staffing implications in years two and three to mitigate any risks. Integrated impact assessments have been undertaken on the proposals and implications shown in the attached templates.

17. Reserves

17.1 Reserves are an important part of the Council's budget strategy, and in December 2023 the Council approved a reserves strategy, including the endorsement of retaining as a minimum, general reserves equivalent to 3% of the Council's budget, which for 2025/26 would equate to around £24.6m. That Reserves Strategy, and also subsequent decisions made by the Council, have increased the focus on the use of reserves for investment, change and transformation, and avoiding reliance on reserves to balance the budget as a key pathway to a more financially sustainable position. The budget proposed within this report has no reserves use assumed to balance the budget over the three years.

17.2 The Council has two main aspects to its General Fund reserves, the non-earmarked reserves being the General reserve included in which is the 3% minimum target, and in turn earmarked reserves which are sums earmarked for a range of specific purposes.

17.3 Members will recall from a number of reports over the past year of some new and additional earmarking agreed and associated with the Operational Delivery Plan and also other investment and budget decisions made by the Council, and also of a review and re-purposing of some Earmarked Reserves, the outcome of which was reported to Council in December 2024. These decisions have been factored into the updated outlook for reserves.

17.4 The Medium-Term Finance Plan of February 2024 had been based on a use of reserves to balance the budget, and a phasing out of that approach over the three-year phase of that plan, recognising that reserves were finite and the need to ensure the budget was supported by sustainable and recurring measures. Based on the information set out in this report, there is scope for the Council to accelerate that plan and for this three-year Plan, to have no reserves use to balance the budget. The table below gives some context to past budget decisions and plans, contrasted with what could be assumed for the purposes of this new budget Plan.

	2023/24 Agreed	2024/25 Agreed	2025/26 Plan	2026/27 Plan	2027/28 Plan
Actual/Agreed	23.270				
Feb'24 Plan		9.927	12.922	1.129	NIL
Current Plan	-	-	NIL	NIL	NIL

17.5 **Annex 6** provides a forecast and analysis of the Council's reserves. While new and additional earmarking is set out within the report, this is ultimately subject to the final out-turn position for 2024/25, noting the risk that over-spending in the current financial year, if not contained, may reduce the forecast level of reserves and reduce the capacity available within earmarked reserves for investment.

18. Council Tax

18.1 Council tax represents what is essentially the final and balancing aspect of any year's budget decisions. Council tax income represents around 20% of the Council's income for its budget. As noted earlier in this report, legally by 11 March the Council must set its council tax for the coming financial year.

18.2 The Administration's proposed Council tax for 2025/26 is for an increase of 7% in total, comprising a base 5% increase plus an additional 2% earmarked to support capital investment via the Highland Investment Plan. **Annex 7** provides details of the proposed charges by Council tax band, resulting from this proposal.

18.3 Council tax for future years, 2026/27 and beyond, will be a matter for Council to consider on an annual basis as part of formal budget setting. As per reports to Council over the past year, an underlying assumption within the Medium-Term Financial Plan is an annual 5% core council tax increase plus a further 2% earmarked for the Highland Investment Plan.

19. Capital and the Highland Investment Plan

19.1 In relation to the Highland Investment Plan, and to support capital investment, the table below sets out what 2% of earmarked council tax income would represent in relation to a revenue funding stream. For years 2 and 3 this is based on the same 5% + 2% council tax planning assumption as has been described in reports to members over the past year, with these still being subject to formal decision as part of future annual budget setting. The initial year 1 'seed' funding for the HIP is also shown for context.

	2024/25 Agreed £m	2025/26 Proposed £m	2026/27 Estimated £m	2027/28 Estimated £m
2% earmarking for Highland Investment Plan	2.800	2.997	3.236	3.498

The revenue totals described above would be earmarked into the Council's loan charge budgets (to meet borrowing costs) and subject to decisions on investment priorities, could equate to a quantum of capital funding capacity of approximately £50m p.a. (£200m over four years). The actual capacity would vary depending on prevailing interest rates, and the nature of capital investment project and capital repayment profile associated.

19.2 Council on 27 March is due to consider a further report on Highland Investment Plan which would provide further information regarding delivery of the HIP and project priorities, capital costs and phasing.

19.3 In addition to the existing core capital programme, and the HIP as described above, the Scottish Government Grant settlement 2025/26 resulted in some changes or additions to grant funding for capital in 2025/26. This included the following main elements/additions:

- Increase in General Capital Grant 2025/26: a £2.3m increase (being £1.8m after allowing for existing Play Park grant funding assumptions and commitments);
- New Climate Emergency grant funding 2025/26. An estimated £2.7m, pending formal confirmation by Scottish Government.
- Nature restoration fund – increase pending further information from Scottish Government on allocations.

Decisions regarding these capital funding stream additions will be made as part of the HIP and future capital reports to Council.

20. Statement by the Section 95 Officer

20.1 A requirement of the Cipfa Financial Management Code is that the budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves. To underpin and ensure that Members have a clear understanding of the financial resilience and sustainability of the Council. That statement by the Council's Section 95 Officer, the Chief Officer - Corporate Finance, is provided below. New for this Medium-Term Financial Plan, and drawing together a range of existing financial indicators and measures, a suite of financial resilience and sustainability indicators is enclosed as **annex 8**. This is provided in support of the Section 95 Officer's statement, and to provide a basis for the Council to monitor financial sustainability on an ongoing basis.

Statement on the 2025/26 - 2027/28 Revenue Budget and sufficiency of reserves

20.2 The revenue budget and this report is based on a range of key financial assumptions and this report details those particular and significant risks as they relate to the budget. The estimates and assumptions that are used, have been based on the best information available, including reference to other external information sources or comparison data with other Councils where available, and based on the judgement of relevant professional staff. The report and revenue budget builds upon work over the past year and the foundation of the Medium-Term Financial Plan agreed in February 2024.

20.3 This report provides a forecast of the Council's reserve position, and further context information within giving trend and other information on the Council's reserve movements over time. This report also includes particular recommendations relating to the earmarking and use of reserves. The Council in December 2023 agreed a Reserves Strategy for the Council, and this underpins the assumptions and proposals within this report. The Council is currently in a positive reserves position, with the overall level of reserves beyond the 3% minimum level, the majority of those reserves being earmarked for a range of specific purposes as setout within the annex to this report. As per the Council's Reserves Strategy, a particular focus is the earmarking and use of reserves to support investment, change and transformation.
It is of particular note that the recommendations within this report, are based on the balancing of the 2025/26 revenue budget, and indicative budgets for the following 2 years which make no use of reserves to balance the budget. This is a significant and positive change from previous years budgets where there remained a reliance on reserves to balance the budget. The Council has been able to accelerate its plans to cease the use of reserves to balance the budget, recognising the importance of recurring and sustainable measures to balance the budget. This is a significant and important measure of the Council's financial sustainability.
The budget proposals within this report allow the Council to retain a 3% minimum reserve level, and a significant level of earmarked reserves beyond that. While there remains the risk that budget overspending or other factors could reduce this 3% level, the Council's earmarked reserves, given not all of which are wholly committed at this time, also provide a backstop contingency with scope for the Council at a future point to revisit earmarking assumptions should it want, or indeed ever need to. The Reserves held by the Council are in the opinion of the Section 95 Officer in line with the Council's Reserves Strategy, and at a sufficient level.

Statement on medium to long-term financial sustainability

20.4 The Executive Summary to this report quotes from a recent Accounts Commission report which highlights the financial challenges still faced by Councils in Scotland. There remain significant risks and challenges in relation to the costs of service delivery and fulfilling Council obligations, with pay, inflationary and demand led pressures increasing costs year on year, and those cost increases out-stripping the level of grant settlements available or expected to be. It is also forecast that while the grant settlement for 2025/26 was (relative to recent years) a more positive outcome, it is likely that at a UK funding level, 2026/27 and beyond may again see more difficult public sector funding settlements contrasted with 2025/26. The need to continue to deliver an ongoing programme of cost efficiency, change and transformation is essential to ensure the Council can deliver on its core priorities and obligations, and operate within the financial resources available to it.

20.5 Despite these challenges, the Council has laid important foundations to support its financial position, and ensure it is as well placed as can be in relation to financial resilience and sustainability. This report and now 2nd version of the Medium-Term Financial Plan, builds on decisions made in February 2024 and with 3-year budget planning now embedded in the Council's processes. The legacy of £54m of savings agreed in February 2024 on a multi-year basis has aided with the managing of this updated budget planning cycle and reduced the further additional savings requiring to be agreed within this report. The Operational Delivery Plan provides the focus, resourcing, governance and monitoring to support the Council's delivery of budget savings, change and transformation, with the earmarking of reserves a key element of how change is being resourced within the Council. Core themes of income generation, redesign and new operating models, amongst others will define the shape of the Council in coming years. The Council has also seen positive reports from Audit Scotland over the past year which has recognised the Council's positive progress in relation to the following:

"The council has effective and appropriate arrangements to secure sound financial management;
There are appropriate and effective financial management arrangements in place…;
Medium and longer-term financial plans are in place and have been updated to align with the recent council restructure;
There are effective and appropriate arrangements in place to plan the use of its resources to sustain delivery of continue to deliver services into the medium term."
(Source: Audit Scotland 2023/24 Annual Audit Report)

20.6 Wider economic factors are also a key consideration, and there are a number of positive opportunities which may result in potential growth opportunities in relation to Council income and resources, alongside also new spending commitments which will arise. The Green Freeport has the potential to be a significant economic boost to the Highlands with additional employment and housing representing both positive income streams to the Council, as well as driving new or increased public service demands. The opportunities that may be offered by a Visitor Levy, and other future flexibilities such as current national consultations on a Cruise Ship Levy and the General Power of Competence, could also be core considerations and opportunities in future years budget considerations.

20.7 It is the view of the Section 95 Officer that the Council is therefore continuing to make important and positive steps towards improving its medium to long-term financial sustainability. There does however remain the risk and challenge that funding levels in future years will not keep pace with costs of service delivery, and savings, cost reduction and service redesign will continue to be essential to achieve financial sustainability. Close cost control and monitoring of the Delivery Plan will also be critical to the Council.

Designation: Chief Officer – Corporate Finance

Date: 20 February 2025

Authors:

Brian Porter, Chief Officer – Corporate Finance
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Background Papers:

Appendices: Annex 1 – Risks
Annex 2 – Budget Pressures
Annex 3 – Budget Summary
Annex 4 – Administration Investment Proposals
Annex 5a/b – Administration New/Additional Saving Proposals
Annex 6 – Reserves
Annex 7 – Council Tax
Annex 8 – Financial Resilience and Sustainability Indicators

Annex 1 : Medium Term Financial Plan Risks

Risk	Risk Descriptor/Impact	Risk Mitigation
Economic Risks (inflation, interest rates, the economy)	Inflation is higher than assumed or provided for in the budget. Leading to higher costs and potential implications for service delivery. Interest rates are higher than assumed or provided for in the budget, leading to higher borrowing costs and potential implications for capital investment capacity. Other wider economic factors including employment, cost of living, etc impact the costs or practicalities of Council service delivery.	Proposed budget provides for estimated budget pressure increases in a number of goods, service and contractual arrangements. Council maintains reserves to offer some contingency against in-year issues. Treasury management activity takes account of regular daily/weekly reviews of interest rates and forecasts, and borrowing activity is undertaken in line with Council policy and seeking best rates in the prevailing circumstances and considering term/maturity of debt. Council maintains corporate and service risk registers, and workforce plans, to try and mitigate wider staffing or economic risks that may arise.
Budget Savings Delivery not achieved	Risk if budget savings are not achieved to the value, or to the timescale expected, this may impact the Council's budget and with consequences for service delivery.	All saving proposals have gone through a significant review and scrutiny process. Reserves and other resources have been deployed to support delivery of savings, change and transformation. The Operational Delivery Plan provides the project delivery, monitoring and governance for savings delivery. Review of previously agreed savings, and the re-basing of those where appropriate, has been undertaken.

Risk	Risk Descriptor/Impact	Risk Mitigation
Grant Settlement Uncertainty	There remain some aspects of the 2025/26 grant settlement which are uncertain. There is no notified Scottish Government budget or grant settlement position beyond 2026/27. Risks could impact current or future year budget assumptions and plans.	Regular engagement through Cosla and working with other Directors of Finance to maximise assurance and understanding of the grant settlement. Prudent and evidence based assumptions for any funding streams estimated. Expectation Parliament approves the LGF Order on 27 February therefore giving more certainty before Council meets on 6 March 2025. Prudent ‘flat cash’ assumption for 2026/27 and 2027/28 pending further clarity on future grant settlements.

Risk	Risk Descriptor/Impact	Risk Mitigation
Grant Settlement Loan Charge Support tapering out 2026/27	Dating as far back as the early 2000s Scottish Government made decisions to taper out one aspect of grant support to Councils, based on changes to the funding of local authority capital at that time. The impact varies by Council and by year, and in most years the impact is not significant and is managed as part of overall budget position. For 2026/27, based on historic profile of Council debt and loan charge support associated, there is a more significant expected taper in that year. With an estimated £12.487m of that element of grant funding support dropping out. Which would represent a significant implication for the budget. Albeit analysis suggests the floor mechanism and other elements of the grant mechanism could reduce impact in overall terms to £3m-£6m.	Ongoing modelling of the potential implications and grant settlement net effect are taking place. Analysis of past grant settlements, and the impact for other Local Authorities has taken place, to give some degree of assurance regarding the much-reduced effect once the floor mechanism and other aspects of the settlement are factored in. The Council's overall financial planning assumption is for a flat cash grant settlement for 2026/27, with a specific adjustment in 2026/27 to allow for the potential of a net cash reduction due to the tapering of say £3m-£6m.

Risk	Risk Descriptor/Impact	Risk Mitigation
Waste EPR (Extended Producer Responsibility) funding risks and uncertainties	2025/26 represents the first year of this new and significant income stream (£9.5m income estimated). Risk the actual level of income from the new levy may vary from that assumed. Risk that the policy intent of the levy (to reduce packaging and waste/recycling volumes) may lead to a decline in income stream going forward. Risk that the Scottish Government may adjust grant settlements to local government in future years, in recognition of this new and additional income stream.	The £9.5m estimate is based on a formal communication from UK Government (DEFRA). The Council remains engaged through Cosla and professional associations to ensure it is aware of any national developments that may arise. While the policy intent should drive a reduction in volumes, were that to result in a reduced income stream, it may also result in lower costs of waste collection, disposal and recycling. Insofar as the Council's costs remain significantly greater than the EPR funding stream, any reduction in costs could potentially compensate for any reduction in income. The Council, via Cosla, will continue to engage with Scottish Government regarding grant settlement and funding levels for Local Government overall.

Risk	Risk Descriptor/Impact	Risk Mitigation
Adult Social Care – financial sustainability	NHS Highland budget projections show a level of spend beyond their budget provision and the budget quantum provided by the Council. This is not a financially sustainable position with risks in relation to service delivery, and NHSH/Council financial positions.	Council has set aside £20m in Earmarked Reserves to support change and transformation in Adult Social Care. Council is working in partnership with NHSH on delivery of change and transformation. Council Operational Delivery Plan includes projects and associated monitoring and governance of change and transformation delivery. It has been agreed to review current Lead Agency Arrangements to consider whether different structures and governance changes may be appropriate.

Risk	Risk Descriptor/Impact	Risk Mitigation
Scottish Government Directions regarding Education provision	Financial risk related to Scottish Government funding for the maintaining of teacher numbers, and risks to that funding if Council cannot maintain numbers in light of falling school rolls and teacher recruitment challenges. Scottish Government proposals regarding reduction in class contact time by 1.5 hours per week which would significantly increase the costs of education delivery, beyond that provided for in the budget and beyond the current funding envelope provided for in the grant settlement. Any further directions regarding Education and use of SG funding not known at this time which could have budgetary implications.	Ongoing engagement via Cosla and with Scottish Government regarding SG expectations. Working with professional associations nationally. Consideration of use of SG additional funding streams in 2025/26 as part of the proposed budget. Earmarking of reserves to support, in particular the proposed earmarking of £2m relating to class contact time, to give some limited capacity within the Council for forward planning.

Risk	Risk Descriptor/Impact	Risk Mitigation
Pay Settlements exceed budget assumptions and affordability	Risk that pay settlements may exceed the sums provided for in the budget. Scottish Government pay policy, while not applicable to local government, sets an above inflation pay policy. Given the significance of pay budgets as a proportion of the overall budget, any % change can have significant financial implications. Could lead to in-year financial implications which may require change to budget plans to accommodate.	Council has budgeted for 2.5% for pay awards which aligns with current levels of CPI inflation at time of preparing this report, and needs seen in the context of affordability ie general cash settlement uplifts. While inflation is forecast to increase during the first half of 2025/26, it is then expected to reduce and the UK Government's target level is for 2%. Council via Cosla continues to engage in pay settlement discussions. Council maintains a reserves policy of 3% of the revenue budget to give scope to manage budgetary risks.

Risk	Risk Descriptor/Impact	Risk Mitigation
Employers National Insurance Contributions	Risk that the direct costs or indirect costs exceed that provided for in the budget. Risk that assumed grant funding for NIC is not at levels estimated.	Careful analysis of the direct cost for Council staff has taken place to give assurance on reliability of the estimate. Benchmarking on cost assumptions with other LAs has also taken place. Despite no Government funding currently being provided for indirect costs (costs to key partners) the Council's budget does include <u>some</u> budget provision to allow the Council to make <u>contribution</u> to such costs for certain partners, and mitigate the risks to those partners. As is the case for the Council, which has had to identify additional savings to cover the costs of NIC, it is reasonable to consider that other parties will also have to take similar actions. The Council's budget states clearly that it is not funded for nor has it provided for any increase beyond the direct and limited indirect cost estimates set out in the report. The Council will therefore need contain any other requests or risks relating to NIC for other contracts, goods and services, within the current budget. This does represent a risk regarding the 2025/26 and potentially into future years budgets. While grant funding for NIC is not formally confirmed, the funding assumed is based on a reliable estimate of the Council's expected share of the stated £144m funding available nationally. While there is a risk to that £144m until formally approved via Scottish Parliament, there is also possible opportunity that should any additional UK Government funding for NIC be available, SG have signalled that may be passed through to local government.

Risk	Risk Descriptor/Impact	Risk Mitigation
Level of Reserves	Risk the level of general reserves falls below the Council's strategy of a 3% minimum level of reserves held. Risk the overall level of reserves, general and earmarked, falls below the level of commitments the Council has identified for those reserves.	The Council has a strategy position relating to a minimum level of reserves. There is the risk that overspending in 2024/25 could impact and reduce the level of General Reserves held. This can be mitigated through actions to address that level of over-spending to avoid this scenario, with a fallback mitigation that the overall level of reserves (all useable reserves) far exceeds the 3% target and if necessary, the Council could review and re-purpose its earmarked reserves should the need arise. The Council holds earmarked reserves, and other than the target 3% general reserve, has earmarked all other reserves for specific purposes. As noted in the comments above, the risk is that reserves fall below forecast levels, which could include the need to reduce some earmarked funds to re-instate the 3% minimum. In such scenarios this would require the Council to review and re-purpose its earmarked reserves. Given not all such reserves are as yet wholly committed, this is feasible albeit would require a change in outcomes to be delivered.

ANNEX 2

(A) RECURRING PRESSURES MET FROM WITHIN THE BUDGET

Service or Budget Area	Description of Pressure	Pressures			
		2025/26 £m	(Incremental Change) 2026/27 £m	(Incremental Change) 2027/28 £m	3 Year Total £m
Corporate	Capital staff recharge multiplier - improve efficiency and sustainability	2.550	5.450		8.000
Corporate	Capital additions agreed Feb/March 2024 for Roads capital over 3 years & Corran Ferry infrastructure	1.000	1.000		2.000
Corporate	PPP accounting flexibility interest implications	0.589	0.909	0.395	1.893
Sub-total: As considered February 2024 (now with updated profile)		**4.139**	**7.359**	**0.395**	**11.893**
Communities and Place	Waste - Impact of Scottish Government's statutory ban on landfilling of biodegradable municipal waste.	1.650			1.650
Performance & Governance	Implementation of Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2025 which implements the SLARC recommendations with effect from 1 April 2025	0.450			0.450
Health & Social Care	Mental Health Officers – increase in safeguarding reports	0.100			0.100
Infrastucture Environment and Economy	Planning and Building control - Additional staffing funded from increases in Planning and Building Warrant fees	0.125			0.125
Infrastucture Environment and Economy	In house transport provision - Staff & Fleet cost increase due to growth	0.200			0.200
Infrastucture Environment and Economy	Renewables - Planning Team and Community Support and Engagement Team staffing	0.278			0.278
Corporate	Other lower value pressures (including External play equipment inspections and income adjustment for reduced demand for export health certificates)	0.074			0.074
Sub-total: New Commitments		**2.877**	**-**	**-**	**2.877**
Corporate	Reprofile of Digital Innovation (TVI) saving from February 2024	1.118	- 0.452	- 0.666	-

Corporate	Campervan and Motorhome scheme – reduce from £1.5m total to £0.250m total	0.750	0.500		1.250
Infrastucture Environment and Economy	Fees and Charges/Marine Fuel – re-base income levels	1.361	0.317		1.678
Property and Housing	Reprofile of Trades Framework saving from February 2024	0.150	- 0.150		-
Infrastucture Environment and Economy	Reprofile of Demonstrator Projects saving from February 2024	0.200	- 0.200		-
Infrastucture Environment and Economy	Reprofiling of Unique Tourist visitor experiences saving from February 2024	0.150	0.150	- 0.300	-
Health & Social Care	NHS ASC savings target reduction for 2025/26	3.000			3.000
Sub-total: Re-base prior savings		**6.729**	**0.165**	**- 0.966**	**5.928**
Corporate	Non Domestic Rates impact of rate poundage increase	0.174			0.174
Valuation Joint Board	Valuation Joint Board – increase in requisition linked to new burden (SG funding incl in overall settlement)	0.321			0.321
Health & Social Care	Looked After Children contract inflation (in year 2024/25 overspend)	0.250			0.250
Health & Social Care	Looked After Children contribution towards cost of high cost packages (part)	0.500			0.500
Health & Social Care	Children's Services equipment provision pressure	0.062			0.062
Infrastucture Environment and Economy	Roads maintenance materials prices	0.200			0.200
Infrastucture Environment and Economy	School and public transport contracts (buses and ferries) – inflationary impact 2.5% allocation	0.775			0.775
Property and Housing	School PPP contracts indexation per contract terms	0.655			0.655
Property and Housing	Housing Benefit – HRA rent increase consequence	0.203			0.203
Sub-total: Inflationary Increases		**3.140**	**-**	**-**	**3.140**

Infrastucture Environment and Economy	Fleet leasing cost increase (inflationary impact plus replacement leases)	0.462	0.392		0.854
Communities and Place	Re-basing budget for legacy pressures and in year 24/25 overspend	0.665			0.665
Communities and Place	Waste recyclate rebate reduction for paper/card	0.200			0.200
Infrastucture Environment and Economy	Bus transport routes – increase costs due to contractor withdrawal	0.291			0.291
Infrastucture Environment and Economy	Re-basing budget for legacy pressures and in year 24/25 overspend	0.500			0.500
Corporate	Insurance premia increase	0.250			0.250
Property and Housing	Non Domestic Rates on Council properties – pressure due to new properties and increased charges	0.670			0.670
Corporate	Landbanking funding contribution from Council tax – revised in light of updated tax base analysis	0.220			0.220
Corporate	Increase in elections budget (postage and other costs) based on increased by-elections and activity	0.100			0.100
Corporate	Increase in bank charges	0.060			0.060
Corporate	Increase in Cosla, Improvement Service and other Corporate subscriptions	0.046			0.046
Corporate	Miscellaneous other lower value pressures incl ICT cloud hosting costs	0.084			0.084
Corporate	Unallocated Provision for 2026/27 & 2027/28		7.084	10.571	17.655
Sub-total: Other cost pressures		**3.548**	**7.476**	**10.571**	**3.940**
GRAND TOTAL		**20.433**	**15.000**	**10.000**	**27.778**

(B) NEW COMMITMENTS MET FROM SCOTTISH GOVERNMENT ADDITIONAL FUNDING **ANNEX 2**

Service or Budget Area	**Description of Commitment**	**Commitments**			
		2025/26 £m	**2026/27 £m**	**2027/28 £m**	**3 Year Total £m**

Education & Learning	Early Learning & Childcare – PVI RLW	0.415			0.415
Property & Housing	Free School Meals P6/7 SCP	0.608			0.608
Health & Social Care	NHSH ASC - Adult Social Care Workers in Commissioned Services RLW	5.625			5.625
Health & Social Care	NHSH ASC - Free Personal & Nursing Care	0.438			0.438
Health & Social Care	Mental Health Recovery & Renewal (24/25 confirmed as last year of funding)	- 0.185			- 0.185
Education & Learning	CYP Community Mental Health – baselining of existing SG funding	0.673			0.673
Infrastucture Environment and Economy	Support for Ferries – increase in Ring-fenced grant	0.521			0.521
Corporate	Scottish Assessors - Barclay Review	0.009			0.009
Health & Social Care	Whole Family Wellbeing – allocation of additional funding	0.257			0.257
Corporate	School Clothing Grants - allocation of additional funding to increase school clothing grants by £4, to £164 per eligible primary pupil and £176 per eligible secondary pupil for academic year 2025/26	0.015			0.015
Corporate	Discretionary Housing Payments - allocation of additional funding	0.136			0.136
TOTAL - COMMITMENTS MET FROM SCOTTISH GOVERNMENT FUNDING ADDITIONS		**8.512**	**-**	**-**	**8.512**

Note : See also Annex 4 - Administration Investment Proposals, which includes further use of Scottish Government funding additions

(C) ONE-OFF OR NON-RECURRING PRESSURES MET FROM RESERVES **ANNEX 2**

Service or Budget Area	**Description of Pressure**	**Pressures**			
		2025/26 £m	**2026/27 £m**	**2027/28 £m**	**3 Year Total**
High Life Highland	Estimated Deficit Funding figure (met from reserves earmarked)	0.894	-	-	0.894
Property Maintenance	Pressure funding over 3 years 2024/25 onwards for property maintenance, inspection and repairs (earmarked)	2.000	2.000		4.000
Infrastucture Environment and Economy	UNESCO Flow Country world heritage site 3 year partnership funding support	0.112	0.112	0.111	0.335
Communities & Place	Grounds Maintenance development of a future operating model - project delivery	0.100			0.100

Communities & Place	Community Planning - Partnership Development Team - Council's Commitment	0.075			0.075
Property & Housing	Investment for Project Officer to progress the development of mid market rent model for Highland. Linked to proposed income generation for 26/27.	0.064			0.064
Corporate Change	Case Management System (Social Work/Care) Replacement Funding. Estimated Supplier Implementation Costs & Project Team Staff Resource	1.884			1.884
Revenue Cost of Capital	Longman Park Travelling Site Funding Phase 2 Decant Costs (includes modular accommodation, groundworks & utilities)	0.320			0.320
TOTAL - PRESSURES MET FROM RESERVES		**5.449**	**2.112**	**0.111**	**7.672**

Annex 3

Budget Summary

	2025/26	2026/27	2027/28
	£m	£m	£m
Opening Budget for the Year	779.545	818.423	823.737
Less: Non-recurrent items	-	-5.449	-2.112
Base Budget Adjustments	-1.616	-0.645	-0.639
Pay and Pensions	15.403	12.619	12.574
Budget Pressures - Met from Provision	20.433	15.000	10.000
Budget Pressures - NIC Increase	11.680	-	-
Budget Pressures - Met from Scottish Government Funding Additions	8.512	0.000	0.000
Budget Pressures - Met from Reserves on One-off Basis	5.449	2.112	0.111
Investment	4.539	-	-
Loans Charges Increase - Core capital	1.500	1.500	1.500
Loans Charges Increase - Highland Investment Plan	2.997	3.236	3.498
Financial Flexibilities HC 29/02/24 (excluding ctax on 2nd Homes & LTEs and PPP - included in Funding below)	-1.300	-1.200	0.000
Waste EPR funding	-9.500	-	-
Savings (excluding R&F/2 ctax collection - included in Funding below)	-19.472	-18.825	-4.146
Increase in Contribution to Landbanking Fund from Tax Rate Increase	0.253	0.271	0.290
Budget Gap Still to be Closed	-	-3.305	-9.721
Final Budget	818.423	823.737	835.092
Funding :			
Revenue Grant Funding	642.469	637.698	637.698
Council Tax	164.376	177.459	191.748
Use of General Fund Reserves for Specific Items	5.449	2.112	0.111
Use of Other Reserves (Transfer relating to PPP Financial Flexibility)	6.129	6.468	5.535
Total Funding	818.423	823.737	835.092

Notes:

Budgets for years 2 and 3 are indicative.

Base budget adjustments - include adjustments to the underlying budget to take account of prior year budgets not rolled forward, changes to underlying budget assumptions and demographic changes.

National Insurance (NIC) is the gross estimated cost with the estimated Government funding shown on the funding part of the budget.

Certain savings where they relate to council tax income are shown as reconciling items ie to show on income not expenditure side of the budget.

Annex 4

REVENUE BUDGET 2025/26 – 2027/28

INVESTMENT PROPOSALS

My Future Highland Programme

The list of proposals for investment below includes a number which have revenue implications and a number which will be funded from ear-marked reserves. The sources of revenue funding are derived from the Administration's own budget funds, and also from utilising the additional funding provided by Scottish Government.

They are developed to follow through on the Council's ambitious 'Our Future Highland' programme and will be added to the Delivery Plan where appropriate. Through this investment over 100 jobs are being created.

The proposals are to:

Fair and Caring Highland

- Strengthen our Additional Support Needs provision
- Improve our Care and Respite for Families
- Establish a Poverty and Equalities Commission for the Highlands
- Strengthen our Family and Community Wellbeing Programme

Resilient and Sustainable Communities

- Invest in Community Transport

Accessible and Sustainable Highland Homes

- Expand our approach to affordable housing by directly delivering mid-market homes for rent*

Sustainable Highland Environment

- Shared Investment in Renewable Energy
- Create an EPR Repair the Highland Challenge Fund
- Invest in Sustainable Tourism: Countryside Access Rangers
- Enact our Ecology Strategy

Resilient, Sustainable Council

- Create the Future Operating Model of the Council
- Invest in Teacher Capacity to Release Time for Planning and Development
- Strengthen Planning Enforcement
- Invest in our Leaders of the Future

* This is considered as part of the savings package and will be supported by further work in relation to the Highland Housing Challenge.

INV/1 : Create the Future Operating Model of the Council

Investment Value: £0.500m

Investment

2025-26	2026-27	2027-28
£0.500m	£0.000m	£0.000m

Delivering on the My Future Highland Programme
We promised to actively redesign services to create a **resilient and sustainable council**. This can include innovative ways to work with communities to design and deliver services.

What are the risks / mitigations?
To be managed via the Operational Delivery Plan and HIP activity.

Proposition for Consideration
We will further support the devolution of autonomy and resource to local communities, create more integrated local services and set conditions for the Highland Investment Plan. We will establish a team of staff whose job will be to pilot the future operating model for Community Points of Delivery.

Analysis and Options £0.500m Revenue
Following the members' workshop on this theme we will consider: the future structure of area committees; the support for such committees; the nature of integrated teams in defined local areas; the commitment of the Highland Investment Plan to establish delivery PODs in areas; the systems and processes require to make this new model transpire. The investment would fund initial pilot work within PODs creating 'touch down' areas, welfare etc, space for staff and to enable greater access to facilities for the public.

What are the benefits?
The benefits will be to integrate functions, delivery of business and integrated workspaces, digital access and improved welfare for staff. Design a more community focused operating model for stakeholders.

How would the public be affected?
This is part of an on-going piece of work to devolve council functions and create integrated local teams, with greater connection to each other and much more coordinated in providing a community offering. We will identify sites in a number of areas and begin the work to develop the offering the council staff, partners and the public.

Impact on Staff
FTE:
10 jobs will be created across business support and community development.

Deliverability
Work will be aligned with the Operational Delivery Plan activity and development of the Highland Investment Plan.

Impact on Groups / Communities
The new staff will ensure that our facilities provide a more coordinated and community focused offering, providing 'boots on the ground' in identified facilities, so we can gather more local intelligence and design improvements to service delivery that can be more responsive to local business needs.

INV/2 : Strengthen Provision of Additional Support Needs

Investment Value: £1.048m

Investment

2025-26	2026-27	2027-28
£1.048m	£0.000m	£0.000m

Delivering on the My Future Highland Programme
We said we would improve outcomes including attainment, achievement, positive destinations for all children and young people with a particular focus on our most vulnerable learners.

What are the risks / mitigations?
Engagement with staff and unions will take place to progress.

Proposition for Consideration
We propose to use additional Scottish Government and Highland Council investment to strengthen the management of support provision across all schools through development of a new area management structure across 8 ASG clusters, including the case for additional investment for specific propositions for enhanced support for learning. This will strengthen the support for practitioners and improve professional practice.

Analysis and Options: £1.048m Revenue plus some potential capital spend
This work will include the following:

- Configuration of ASN resources across new area structure to develop specialist provision which will improve the whole system whilst also being responsive to local requirements.
- Specialist ASN teachers working across 8 ASG Clusters;
- Development of PSA Lead Practitioner Model (primary and secondary); Training and development modules for practitioners; Links between this work and other policies (NDAS; HWB, etc)

What are the benefits?
Benefits include:

- Improved education attainment
- Greater inclusion and support for learning at all levels
- Enhanced support & training for all school-based staff
- Continued emphasis on promoting positive behaviours
- New lead roles provide a career pathway for PSAs
- Additional resources to support special provision bases attached to schools.

How would the public be affected?
Positive impacts for schools would help to satisfy public expectations regarding education standards. Parents and carers of children with ASN will feel better supported. The poverty related attainment gap will be addressed through this, given the impact that multiple barriers to success can have.

Impact on Staff
FTE: c16 new additional posts based across the Highland area.

Deliverability Straightforward
ASN Teacher is an existing post so would just need to advertise. PSA Lead Practitioner posts would need HC job sizing prior to recruitment.

Impact on Groups / Communities
Positive impact on children's learning and support for children and families who have additional needs, enabling them to be more included in education with a more tailored set of supports and adjustments in place. Strengthened support across schools. No negative impact on rural areas.

INV/3 : Improve Care and Respite for Families

Investment Value: £0.250m

Investment

2025-26	2026-27	2027-28
£0.250m	£0.000m	£0.000m

Delivering on the My Future Highland Programme
We said we would improve outcomes for all children and young people with a particular focus on our most vulnerable learners.

What are the risks / mitigations?
No particular risks.

Proposition for Consideration
A review has been undertaken into respite services across the Highland Council area to inform future allocation of resources for families.
This proposition seeks to add additional investment into the revised model for respite care, by providing an increased number of family workers who can support those with the most needs.

Analysis and Options £0.250m Revenue plus some potential Capital spend
The future model for respite established through the review is to provide support across three centres - North, West and South - but available to families across the whole Highland area as part of a wider plan for children and families. By providing appropriate levels of respite and support, young people are more likely to be able to remain within their families and communities which has wide reaching financial and non financial benefits.

What are the benefits?
The respite model will be strengthened with a greater degree of wrap around support available. This should help to ensure that families' needs are met more effectively by the system as a whole and support our efforts to ensure the GIRFEC processes (Getting it Right for Every Child) work effectively on their behalf.

How would the public be affected?
There will be greater availability of service provision for those who need it and a greater degree of inclusion.

Impact on Staff
FTE: 6
Six posts will be created for family workers to operate within the reconstituted service.

Deliverability
This builds upon the existing model for respite provision.

Impact on Groups / Communities
Positive impact on supporting families in receiving additional sources of support and respite, providing more advice , assistance and guidance. No negative impact on rural areas, children's learning or children with additional support needs.

INV/4 : Invest in Community Transport

Investment Value: £6.000m

Investment

2025-26	2026-27	2027-28
tbc	tbc	tbc

Delivering on the My Future Highland Programme
We said we would develop affordable and reliable public transport, as part of our work to **develop sustainable communities**.

What are the risks / mitigations?

All further acquisition or expansion opportunities will be subject to a full legal and financial due diligence exercise.

Proposition for Consideration

An additional portion of reserves will be identified to significantly expand bus company operations.
There are opportunities to continue investment in publicly owned bus services, building on the success of the In-house Bus Service and the recent purchase of D&E Coaches.

Analysis and Options up to £6.000m to be earmarked in reserves

This is part of the process of in-sourcing bus operations and building up the models for connecting communities.

What are the benefits?

There are a wide range of social and economic benefits arising from further expansion of Council controlled bus services, including the ability to expand current public bus services, support community led transport initiatives, and provide opportunities for value added services related to the tourist economy.

How would the public be affected?

The public would benefit from greater public control in how public and school transport is managed across the region. The aim is increasing availability of service provision for communities. Greater value for money would be achieved by allowing competition in the market as the Council retenders the current round of contracts.

Impact on Staff

FTE:
No impact

Deliverability

Any expansion will be subject to comprehensive due diligence.

Impact on Groups / Communities

Any specific proposals would be subject to the required assessments. Overall, the aim of the investment is likely to lead to positive impacts on: older and younger age groups and disabled people reliant on bus services, those on lower incomes supporting access to employment/ training and rural and island areas through increased service provision and on particular groups in rural areas.

INV/5 : Shared Investment in Renewable Energy

Investment Value: £8.000m

Investment

2025-26	2026-27	2027-28
tbc	tbc	tbc

Delivering on the My Future Highland Programme

The aim is to create a sustainable Highland Environment and become a global centre for renewable energy. This investment aims to support and deliver on that vision.

What are the risks / mitigations?

Any proposal must be carried out with full transparency related to the planning process.

Proposition for Consideration

Significant investment opportunities are being created through the Social Value Charter for Renewables. These include the opportunity to invest directly in renewable energy schemes, subject to all due diligence being undertaken.

Once concluded, this allows risk sharing, cost sharing and a sustainable long term income stream to the Council. All technologies will be considered.

Analysis and Options up to £8.000m to be earmarked in reserves

There are potential investment opportunities, which could generate an on-going positive revenue stream, following initial investment.

What are the benefits?

There are a number of key benefits to people living in the Highland area. A potential waterfall agreement with a key partner could provide long term revenue income for the Council and partners - leaving an important legacy from investment.

How would the public be affected?

The public would benefit from long term revenue possibilities, and potential for a partnership approach with community bodies. Any investment consideration would be separate from the planning process and specific consideration of any development.

Impact on Staff

FTE:

N/A

Deliverability

Any proposal will be subject to due diligence, building on similar models used elsewhere in Scotland.

Impact on Groups / Communities

Specific proposals would be subject to the relevant assessments. Overall, the aim of the investment is anticipated to have a positive impact - creating a long term revenue stream to support Council services and a positive climate impact.

INV/6 : Establish a Poverty & Equality Commission for the Highlands

Investment Value: £0.870m

Investment

2025-26	2026-27	2027-28
£0.870m	£0.000m	£0.000m

Delivering the Our Future Highland Programme

To further enable our work to create a Fair and Caring Highland area, a Commission for Poverty and Equality will consider in detail the ways to tackle poverty most effectively in the Highlands.

What are the risks / mitigations?

The Commission will take some time to be established and will require time to service. Effective programming with clear deliverables.

Proposition for Consideration

A series of investments to deliver direct support and consider ways to improve our collective approach to tackling poverty and inequality in the Highlands.

Analysis and Options
Revenue - £0.320m PEF £0.250m Welfare/Benefits ;
Reserves - £0.300m to fund the commission

This investment programme is be incorporated within the delivery plan. As an initial step, we will:

- Create a £0.300m fund to establish a commission to address poverty and inequality (considering rural factors)
- Invest £0.320m to increase the provision of Pupil Equity Funding direct to schools
- Increased funding by £0.250m (approx. 6fte) to support existing Welfare services to help people draw down more of their entitled benefits

The focus will be on 'what works', including: developing anti-poverty strategies; data driven approaches; early interventions; partnership work and integrated services; links to other Council/Delivery Plan themes (e.g. employability, housing challenge, future operating model, health and well being etc.).

What are the benefits?

To provide immediate investment to provide targeted support within schools and the wider community to support those families experiencing poverty and maximise the take-up of unclaimed welfare benefits. The purpose of the Commission is to accelerate our approach to tackling poverty by identifying direct actions to shape service delivery, improve early intervention and develop integrated approaches to tackling poverty and inequality in Highland.

How would the public be affected?

By strengthening the focus of poverty and inequality of the joint community planning partnership activity, resources will be more effectively targeted to deliver positive and measurable outcomes. The investment will provide additional support directly into schools and also into welfare services to support people most in need.

Impact on Staff

FTE: 9

A team (3fte) will be established on a short life basis to support the commission with an intention to report by Dec 25.
6fte additional welfare support staff for customer benefit take-up.
PEF expenditure may result in more staff.

Deliverability

Existing practices in place to deliver PEF and Welfare.
The scope of the Commission is yet to be agreed. This will be managed through an effective programme with a clear timeframe for reporting.

Impact on Groups / Communities

There is an estimated £70 million of unclaimed benefits in the Highland area, including £6.9 million unclaimed pension credits affecting 3000 people. Securing these additional sources of income for people will support their ability to live independently and well and be fully included in Highland communities.

INV/7 : Create an EPR: Repair the Highlands Challenge Fund

Investment Value: £0.500m

Investment

2025-26	2026-27	2027-28
tbc	tbc	tbc

Delivering on the My Future Highland Programme

We said we would create a sustainable Highland Environment and become a global centre for renewable energy.

Proposition for Consideration

A challenge fund will be set up for communities to bid into, so as to enable specific projects and schemes to be brought forward in local areas.

Analysis and Options £0.500m to be Earmarked

This fund is for communities to bid into for repair, reuse, upcycling schemes

- Spread over two years: grants would be prepared to be disbursed late in 2025 / early 2026, giving groups time to grow support
- Conform to Corporate Plan Outcome 4.6 Reduce residual waste, and increase re-use, repair, recycling and upcycling
- Supported by Net Zero and Community Wealth Building strategies

How would the public be affected?

This investment will enable communities to develop schemes to improve approaches to reuse and recycling. This will support building capacity and retaining wealth within the local area.

Impact on Staff

FTE:

N/A

Deliverability

Build upon existing community schemes and examples of successful schemes already in operation.

What are the risks / mitigations?

Engagement with communities to inform scheme development and uptake will be undertaken. Risk that bids may exceed the funds available and managed as a result.

What are the benefits?

People will benefit from community wealth building approaches.

Impact on Groups / Communities

There will be a positive impact on climate as a result of recycling approaches but also a potential positive socio-economic outcome as a result of potential availability of upcycled goods within communities generally but specifically for those on lower incomes.

INV/8 : Improve Planning Enforcement

Investment Value: £0.060m

Investment

2025-26	2026-27	2027-28
£0.060m	£0.000m	£0.000m

Delivering on the My Future Highland Programme

Planning Enforcement is an important tool to ensure compliance with the planning process regulations. The geographic area covered by the Council does lead to challenges to deal with all of the complaints generated.

What are the risks / mitigations?

There is a risk that the post is not filled. this will be mitigated by a proactive recruitment campaign, building on the strengths of the existing team.

Proposition for Consideration

Additional resource is to be sought to enable more effective planning enforcement to be carried out. Adding to the planning enforcement team will allow a more proactive approach to dealing with planning infringements, leading to greater income for the Council through the additional planning processes these will incur.

Analysis and Options £0.060m from Revenue

Strengthening the existing planning enforcement team. There is currently a small team of four and this would add another officer into the team.

What are the benefits?

Additional fee income from more pro-active enforcement activity. In addition, there will be greater confidence in the Council's enforcement activity.

How would the public be affected?

A common complaint from the public is that not enough is done to follow up complaints arising from planning activity. This proposed investment responds directly to those concerns and will ensure a more responsive service.

Impact on Staff

FTE:

Additional 1 FTE planning enforcement.

Deliverability

The post will be advertised and filled.

Impact on Groups / Communities

There are no anticipated impacts.

INV/9 : Develop Council Access Rangers Capacity

Investment Value: £0.655m

Investment

2025-26	2026-27	2027-28
£0.655m	£0.000m	£0.000m

Delivering on the My Future Highland Programme
To enable a sustainable Highland environment, we propose to reinstate the Access Rangers Service, given the way they protect the environment, encourage responsible visitor behaviour & support local communities.

What are the risks / mitigations?
No particular risks, this relates to re-instatement of previous staffing levels.

Proposition for Consideration
In line with the ecological strategy outcomes and the sustainable tourism strategy a planned approach to developing council access rangers capacity is proposed. Long Distance Routes are a key focus in the Sustainable Tourism strategy.

Analysis and Options £0.655m from Revenue
Ecological Strategy Outcome 5.7 is to raise awareness of Outdoor Access Code through Access Officers and Seasonal Rangers
Sustainable Tourism Strategy encourages visitors to be responsible and follow the advice of the Scottish Outdoor Access Code.
As part of this investment in Seasonal Access Rangers, some capacity will be made available to strengthen the resources available for the maintenance and management of routes for example the Great Glen Way and West Highland Way which will improve path quality and route reputation (and income generation), by enabling more maintenance work, especially the more challenging jobs working with heavy equipment and materials, and remove risks associated with lone working in often remote locations
Continuing development, maintenance, and promotion of the existing path network to benefit visitors and communities
Supporting opportunities to make long-distance routes attractive through better maintenance, route improvements and promotion.

What are the benefits?
This resource will ensure that there are access rangers in place across the Highland area in order to promote and encourage positive visitor behaviour and protect the wider environment.

How would the public be affected?
Learning has suggested that the presence of access rangers within local communities has helped protect the environment and encourage responsible visitor behaviour which has a positive impact on local communities.

Impact on Staff
FTE: 18 FTE
This will ensure full coverage across the Highland Council area.

Deliverability
Posts will be advertised and filled as soon as practical, in time for the 2025/26 summer season.

Impact on Groups / Communities
This investment is anticipated to have a positive impact on both rural communities and the wider environment through promoting and enforcing positive visitor behaviour.

INV/10 : Strengthen Community & Family Wellbeing Fund

Investment Value: £0.200m

Investment

2025-26	2026-27	2027-28
tbc	tbc	tbc

Delivering on the My Future Highland Programme

What are the risks / mitigations?
CPP criteria on access to funds to manage process for accessing funds.

Proposition for Consideration

Specific grant for organisations to support organisations through the Community Planning Partnership (CPP).

Analysis and Options £0.200m from reserves
Children, young people and families will access the right support at the right time.

Managed through CPP process, the Scottish Government grant for the Whole Family Wellbeing Fund is already increasing by £257k for next year. This proposal would increase this by a further £200k for 2025/26 providing a degree of flexibility around award criteria.

What are the benefits?
Enhancement to the existing level of support in place.

How would the public be affected?
Increased funding opportunity for organisations which in turn could increase/improve the services offered to children, young people and families.

Impact on Staff
FTE:
N/A

Deliverability
Will work with CPP partners.

Impact on Groups / Communities
Potential for positive impacts, subject to criteria and process for accessing funds.

INV/11 : Enact the Ecology Strategy actions for 2025/6

Investment Value: £0.450m

Investment

2025-26	2026-27	2027-28
£0.450m	£0.000m	£0.000m

Delivering on the My Future Highland Programme
To enable us to create a sustainable environment in the Highlands.

What are the risks / mitigations?
The redesign process will be put in place to ensure future years are accommodated within a new model for delivery, particularly by the integration of all amenity activities within a new operating model.

Proposition for Consideration

The approaches taken to ensuring that there is a more integrated approach to providing community amenity facilities for the maintenance of grass cutting.

Analysis and Options £0.450m from Revenue

Council funding will be provided to ensure an improvement in community amenity for grass cutting, to provide resource for an improved cross-council operating model

Options including wildflower roundabouts and Special Verges, funded if possible by the Nature Restoration Fund

Future Operating model for cutting grass built in.

What are the benefits?
Enhancement to existing budget levels and adds to the additional Housing Revenue Account (HRA) budget additions agreed.

How would the public be affected?
More positive and pro-active approach to dealing with amenity areas across the Council area, leading to a reduction in complaints and a greater appreciation of the wider goal to increase biodiversity, in line with the Council's Ecological Strategy.

Impact on Staff
FTE:
Positive, by increasing the number of seasonal staff and the goal to develop a more sustainable model.

Deliverability
Seasonal staff recruitment is already underway, and this will allow a greater pool of seasonal staff to accommodate the work required.

Impact on Groups / Communities
This investment is anticipated to have a positive impact in particular on younger age groups and children's rights in terms of improving access to outdoor space. There is also a potential positive climate impact as a result of the focus on improving biodiversity.

INV/12 : Invest in Teacher Capacity to Release Time for Planning & Development

Investment Value: £2.000m

Investment

2025-26	2026-27	2027-28
tbc	tbc	tbc

Delivering on the My Future Highland Programme

We said we would actively redesign service delivery in response to constrained budgets to ensure the sustainability of the Council. This Scottish Government initiative is being planned on that basis.

What are the risks / mitigations?

Scoping work is required to understand this fully. Financial provision is being made to enable this work to be undertaken.

Proposition for Consideration

In order to prepare for the implementation of reduced class contact for teachers (21 hours), as part of the national policy, work will be done to scope the change and establish options for Highland Council schools.

Analysis and Options £2.000m to be Earmarked and the delivery plan amended

Second a senior officer to lead the policy implementation for 21 hours (secondary head with experience of leading curriculum planning for schools)

Establish resource required regarding the policy.

Consider flexibilities required in Highland schools.

What are the benefits?

Reduction in class contact time will be beneficial to class teachers by increasing the amount of time they have available for marking, preparation, collaboration and CPD.

How would the public be affected?

limited impact on the public - impact will be in schools.

Impact on Staff

FTE:

reduction in class contact time will require additional provision to make up the time difference - unclear exactly how this will be done. FTE impact will be known once this has been scoped.

Deliverability

Challenges around deliverability will be better understood once the work has been scoped.

Impact on Groups / Communities Scoping work will be required to understand this fully. No negative impact on rural areas.

INV/13 : Invest in our Leaders of the Future

Investment Value: £1.206m

Investment

2025-26	2026-27	2027-28
£1.206m	£0.000m	£0.000m

Delivering on the My Future Highland Programme
As part of the work to build a resilient and sustainable council, we said we would grow and retain our own talent within the Council, therefore we are committing investment to create our future leaders.

What are the risks / mitigations?
Appropriate engagement with staff side will take place regarding proposals.

Proposition for Consideration
Across the organisation strengthen leadership and management capacity and progression and creating pathways for staff to grow as leaders of the future.

Analysis and Options £1.206 from Revenue and reserves
For education services we will improve support for teachers and pupils, develop career pathways and attainment:

- 6 Promoted Teacher roles for a Pedagogy team developing core priority areas - Learning & Teaching; Curriculum development,
- Provision of Primary PT posts for 26 medium sized schools with no other management provision
- All primary schools will benefit from enhanced ELC management
- Development of HT cluster management roles
- 8 Education Assistant Posts will support operational requirements to free up senior staff to focus on strategic leadership and quality improvement

Combined with investment in ASL and increased PEF this will provide significant additional capacity for all Highland schools.

We will also deliver additional and tailored training & development to strengthen programme & project management and process redesign across the Council to support the Delivery Plan:

- Strengthening the programme and project management of Highland Council and building the necessary capacity to enact the development plan.

This includes strengthening process design activity and support change management at service level to ensure effective design of service sprints.

What are the benefits?
Additional government grant provides £0.921m for education.
Training & Development £0.200m (from reserves).
Investment Manager £0.085.

How would the public be affected?
Greater confidence in Council services in particular education services. The council will have greater capacity to transform council services locally.

Impact on Staff
FTE:
11 new posts and 50 + promoted posts in Education

Deliverability
Posts will be advertised and filled as soon as practical. Cluster Heads would need EIS agreement.

Impact on Groups / Communities
There will be positive impact in terms of accountability for local delivery of education service and for communities through the implementation of the council's delivery plan. No negative impact on rural areas, children's learning or children with additional support needs.

Annex 5a

New and additional Savings Proposals

Savings Name	Ref	2025/26 £m	2026/27 £m	2027/28 £m	3 Year Total £m
OPERATING MODEL SAVINGS					
Realign resources to an area-based model to ensure better alignment	E&L:1	0.369	0.225	0.150	0.744
Common framework for management & support arrangements	E&L:2	0.180	0.200	0.220	0.600
New School Clusters - management	E&L:4	0.040	0.020	0.210	0.270
Review school needs to design integrated Single Status roles	E&L:7	0.000	0.100	0.150	0.250
Asset Management System and Removal of Manual Job Card Processes	C&P:1	0.000	0.050	0.000	0.050
Mobile Mechanics x 3	C&P:4	0.060	0.000	0.000	0.060
Delivery of Council mid market rent model	I&E:11	0.000	0.060	0.120	0.180
Review of managment structure & future Data Centre provision	DCE:1	0.000	0.150	0.000	0.150
Total Operating Model Savings		**0.649**	**0.805**	**0.850**	**2.304**
EFFICIENCY SAVINGS					
Improvements in workforce practice	E&L:8	0.030	0.020	0.000	0.050
Realignment of expenditure to match grant - Justice Services	HSW:1	0.050	0.050	0.000	0.100
Further efficiencies made through early intervention	HSW:2	0.000	0.000	0.500	0.500
Staff travel utilisation, grey fleet and car club	C&P:6	0.100	0.100	0.100	0.300
Driving Greater Value from Revenue Maintenance Contracts	H&P:2	0.150	0.000	0.000	0.150
Route Optimisation (Winter Gritting)	I&E:8	0.000	0.100	0.100	0.200
Digitisation of Job Card Processes	I&E:10	0.000	0.100	0.100	0.200
Efficiencies within fleet and cross service savings across Car Club, Grey Fleet and private hire	I&E:18	0.150	0.200	0.250	0.600
Employability Reduction	I&E:21	0.100	0.000	0.000	0.100
HR and Payroll process redesign and new ways of working	R&F:1	0.000	0.300	0.000	0.300
Review business support posts (excluding schools) that are located outwith the Resources & Finance Service	R&F:2	0.000	0.000	0.050	0.050
Review of senior leadership structure (excess of approved saving)	R&F:5	0.120	0.000	0.000	0.120
Procurement	R&F:6	0.000	0.000	0.500	0.500
Review of operational and service management structures	R&F:7	0.000	0.320	0.320	0.640
Total Efficiency Savings		**0.700**	**1.190**	**1.920**	**3.810**

Savings Name	Ref	2025/26 £m	2026/27 £m	2027/28 £m	3 Year Total £m
INCOME GENERATION					
Increase shower charging	C&P:2	0.002	0.002	0.002	0.006
Disposal by sale/lease of vacant properties	C&P:3	0.010	0.010	0.010	0.030
Increased Rental income from Industrial & Investment Properties	H&P:1	0.200	0.200	0.200	0.600
Increase in Cruise Ship Income resulting from volumes/number of service users	I&E:1	0.075	0.000	0.000	0.075
Increase in Harbour Dues	I&E:2	0.100	0.100	0.100	0.300
Corran Ferry fares	I&E:3	0.179	0.000	0.000	0.179
Car Parking Income	I&E:5	0.050	0.000	0.000	0.050
CPI Increase - Planning and Building Standards	I&E:7	0.300	0.000	0.000	0.300
Income from Council sites for SSEN infrastructure projects	I&E:12	0.000	0.075	0.130	0.205
Surpluses from Inverness Castle Operation	I&E:13/ E&L:3	0.000	0.900	0.000	0.900
Increased CT collections	R&F:3	0.200	0.000	0.000	0.200
Increased Sundry Debtor collections	R&F:4	0.200	0.000	0.000	0.200
Review of Fees & Charges	R&F:8	0.184	0.462	0.934	1.580
Re-basing of fee and charge income budgets	R&F:9	3.349	0.000	0.000	3.349
Total Income Generation Savings		**4.849**	**1.749**	**1.376**	**7.974**
TOTAL SAVINGS		**6.198**	**3.744**	**4.146**	**14.088**

Savings from Changing Our Operating Model

E&L/1 : Realign resources to an area-based model to ensure better alignment

Savings Value: £0.744m

Operating Model

2025-26	2026-27	2027-28
£0.369m	£0.225m	£0.150m

Context

The Service is moving to a decentralised model, moving resources from the centre to area teams based on 8 ASG Clusters

What are the risks / mitigations?

Restructuring teams can be unsettling and so requires good communication and engagement with staff, unions and stakeholders. New Scottish Government funding for ASN will help to support this approach.

Saving in Detail

Making better connections between services across the People Cluster to deliver improved joined up service delivery, using the new 8 area clusters as a basis for cross-team collaboration.

How we would implement this

Investment £NILm - The savings would be made through a combination of changes starting with removing vacant positions no longer required and re-assigning other posts to area teams. A mapping exercise is underway to review how resources are allocated across the whole cluster to remove duplication and reduce management layers.

What are the benefits?

Improved services delivered through greater clarity of role, function and responsibility with more resources provided to area based teams.

How would the public be affected?

Improved services delivered through greater clarity of role, function and responsibility.

Greater accountability through area based service.

Impact on Staff

FTE: Year 1 no impact on staff as vacancies will contribute to saving targets. Thereafter for years 2 and 3 the re-design work will require ongoing consultation with stakeholders.

Deliverability

Year1 is based on removing vacancies and re-allocation of resource.
Year 2 and 3 will re-align resources in the area delivery model as the ongoing redesign work.

Impact on Groups / Communities

Improved services delivered through greater clarity of role, function and responsibility. Greater accountability through area based services. No negative impact on rural areas, children's learning or for children with additional support needs.

E&L/2 : Common framework for management & support arrangements

Savings Value: £0.600m

Operating Model

2025-26	2026-27	2027-28
£0.180m	£0.200m	£0.220m

Context
The proposal will ensure that there is consistency in the application of management allocations across Highland secondary schools. Total budget is £33.8m.

What are the risks / mitigations? there will still be scope for flexibility for the Service to add in additional capacity where a school needs it on a temporary basis. Schools will have discretion to use increased PEF for promoted posts.

Saving in Detail
Review allocation of budget to align with policy. By year 3 revise to deliver at 1.7% less overall. Protecting front line staff and maximising teacher capacity through no loss in numbers.

How we would implement this
Investment £NIL
Year 1 base budget adjustment. Year 2 apply existing policy allocation to schools where there is currently over provision. Future years will be on the basis of the DSM review which is already due to be undertaken in the next school session, reducing budget overall by 1.7% by the end of the 3 years.

What are the benefits?
Equity across Highland schools and ensuring the consistent application of policy. A more effective use of resources delivering better value for money. By year 3 providing HTs with more autonomy in how they structure their management teams. Additional PEF provision will mean schools will have additional resources to allocate promoted posts.

How would the public be affected?
There should be minimal impact on the public. Affected schools would need to re-organise around a reduced SMT that aligns with the majority of other schools, which would require some readjustment. However, HTs would be offered flexibility on how they want to use their funding for promoted posts.

Impact on Staff
FTE: Teacher numbers will be maintained, the saving is made on the differential between main grade and promoted posts.

Deliverability
Year1 is straightforward as it is based on removing unused allocation. Years 2-3 is more complex. 1.7% adjustment overall the majority of which will be by aligning budget to policy.

Impact on Groups / Communities
Equity across Highland schools and ensuring consistent application of policy. Teacher numbers to be maintained. No negative impact on rural areas, children's learning or for children with additional support needs.

E&L/4 : New School Clusters - management

Savings Value: £0.270m

Operating Model

2025-26	2026-27	2027-28
£0.040m	£0.020m	£0.210m

Context
Recruitment of head teachers in Highland is challenging, leading to long running vacancies/interim arrangements and multiple recruitment attempts. Bringing schools together under a shared HT will deliver greater stability and consistency of leadership.

What are the risks / mitigations?
The cluster head teacher role is already established. The expansion of existing approach provides opportunity for progression and enhanced salaries for post holders. It mitigates against the risk of being unable to recruit to vacant HT posts by reducing the number overall.

Saving in Detail
The savings in years 1&2 is for one new Cluster Headteacher position. It represents the saving of one F/T post minus the cost of the enhanced Cluster Headteacher salary. A review will be undertaken so that by year 3 there are further clustering arrangements in place.

How we would implement this
Investment £NIL
We will undertake a review of schools to determine which would lend themselves to a Cluster model approach and engage with stakeholders to agree the process of implementation, starting with existing vacancies and planning for when vacancies are expected to occur.

What are the benefits?
The approach will help to provide greater stability, career progression and the potential to consider shared SMT in the medium to longer term would strengthen the leadership of the schools with particular benefits for smaller schools that would not otherwise qualify for that level of PT and DHT support.

How would the public be affected?
Positive impacts as schools gain greater stability through the development of enhanced permanent head teacher roles.

Impact on Staff
FTE: 1
The saving in years 1&2 would be a single vacant post. By year 3 we will have created more cluster and 3-18 arrangements. The numbers of posts affected is not confirmed at this point.

Deliverability
Straightforward in years 1&2, potential to accelerate the year 3 saving into part way through year 2.

Impact on Groups / Communities

Greater stability in our head teacher cohort and our schools. No negative impact on rural areas, children's learning or children with additional support needs.

E&L/7 : Review school needs to design integrated Single Status roles

Savings Value: £0.250m

Operating Model

2025-26	2026-27	2027-28
£0.000m	£0.100m	£0.150m

Context
As part of the Operating Model there is an opportunity to work more efficiently.

What are the risks / mitigations?
This is a year 2 saving to provide time to develop the new approach. There is a risk that this won't deliver the level of efficiency sought, but it is not considered significant as the saving against total spend is very small.

Saving in Detail
Looking across all schools-based support posts gives an opportunity to bring posts together to be reflective of the varied needs of individual school settings.

How we would implement this
Investment £NIL Currently staff in schools have multiple posts which carry individual post titles, grades, pay and post I.Ds. This approach will make back office efficiencies with regard to the admin for HR, pay, recruitment etc and reduce the number of posts required overall as staff will be able to be used more flexibly to meet the needs of the school they are in. Potential to consider the way in which school support is provided using more generic & flexible posts. Working with schools to offer head teachers greater autonomy in how to allocate their resources for non-teaching staff most effectively for their setting.

What are the benefits?
Potential for re-grading of the lowest paid staff in schools reflective of wider range of duties - fewer but better posts overall. Providing more attractive posts in terms of number of hours available and clarity of role. Review of levels potentially providing career progression. New Scottish Government funding for ASN will help to support this approach by introducing advanced practitioner roles to provide career progression.

How would the public be affected?
Minimal but positive impact on the public in terms of the wider school community.

Impact on Staff
FTE: 7approx

Deliverability
It is a new approach and will require detailed stakeholder engagement, so savings are not planned until year 2.

Impact on Groups / Communities
Greatest benefit to very small rural schools who currently qualify for limited hours for individual standalone posts. The majority of staff in these types of posts are women and by providing single status posts they will benefit from improved job security, role clarity and more hours of employment. No negative impact on rural areas, children's learning or support for children with additional support needs.

C&P/1 : Asset Management System and Removal of Manual Job Card Processes

Savings Value: £0.050m

Operating Model

2025-26	2026-27	2027-28
£0.000m	£0.050m	£0.000m

Context
Currently the Council operates an outdated process for recording of manual workers time and vehicle/plant use on paper timesheets.

What are the risks / mitigations?
There is a risk that the new system may not deliver the anticipated efficiency savings.

Saving in Detail
There is a requirement for an end-to-end asset and resource management system to seamlessly deliver routine and reactive maintenance works. It is a requirement of the service provider to include productivity and performance information, including service outcomes and quality.

How we would implement this
Investment £0.100m
The system is intended to replacing manual completion of Job Cards, schedule remedial works based on APSE Bbit inspections, schedule routine maintenance, provide route management and consolidate financial reporting, performance and ward reporting.

What are the benefits?
The benefits from this system will drive service improvement, efficiencies, embed cost control and provide performance data for Management and Ward reports for elected Members.

How would the public be affected?
There is no direct impact from this proposal.

Impact on Staff
FTE: 2
No additional staff required. Reduction in two FTEs.

Deliverability
In order to deliver this updated process an investment will be required to procure and establish a new electronic system.

Impact on Groups / Communities
This proposal relates to improving and making efficiencies in job processes. There is no anticipated impact on particular groups of staff or on staff within particular communities however this will lead to a reduction in staffing from predominantly female groups. This will be managed within normal vacancy management.

C&P/4 : Mobile Mechanics x 3

Savings Value: £0.060m

Operating Model

2025-26	2026-27	2027-28
£0.060m	£0.000m	£0.000m

Context
To implement a mobile mechanic service to cover more rural areas in the West of the Highland Council area.

What are the risks / mitigations?
There is a risk in the recruitment of suitable candidates although it is hoped the attractive package offered by the Council will be sufficient to attract suitable interest.

Saving in Detail Savings can be made across recovery of vehicles (up to 10x per annum) and roadside repairs (up to 300x per annum). Other examples of works include: Retorquing wheels after being changed, Duty of Care inspections of Light Commercial Vehicles, Minibus inspections, On site repairs at Surfacing/Surface Dressing operations to reduce downtime, Assessment of minor faults to determine if vehicles safe to drive pending repair.

How we would implement this
Investment £0.198m
Recruitment of three mobile mechanics (West Ross & Lochalsh, Sutherland and Caithness & North West Sutherland). In addition the vehicles and tools and equipment required to ensure they can work in a mobile manner.

What are the benefits?
Having mobile (roaming) mechanics in the rural west coast areas of HC will allow repairs to be carried out in depots or at the roadside. This will reduce the costs of recovering vehicles to the nearest HC Workshop and potentially reduce the downtime of the vehicle and associated workforce.

How would the public be affected?
There is no direct impact from this proposal.

Impact on Staff
FTE: 3
There is a requirement to recruit 3 mobile mechanics.

Deliverability
Recruitment of 3 mobile mechanics commence immediately.

Impact on Groups / Communities
This is anticipated to have a positive impact on service delivery in rural areas by reducing the downtime of vehicles.

I&E/11 : Delivery of Council mid market rent model

Savings Value: £0.180m

Operating Model

2025-26	2026-27	2027-28
£0.000m	£0.060m	£0.120m

Context- Currently the Council supports the provision and delivery of new mid market rental properties through RSL's and HHA . There is huge unmet demand for mid market homes. The proposal is for the Council to deliver mid market homes directly in response to the HHC.

What are the risks / mitigations?

Insufficient sites to deliver the programme - the Council currently has a call for sites to increase supply.

Investment required to develop the delivery model whether directly by the Council or through a subsidiary.

Saving in Detail

The proposal is for the Council to develop and operate new mid market housing directly. This will require investment using Scottish Government grant, land bank contributions and Council borrowing with an initial programme of 60 properties per annum. This is in addition to the existing social housing programme. The rental stream would create a forecasted net surplus of £1000 per unit (after deduction of loan repayment and management and maintenance costs).

How we would implement this Investment £0.060 m

Investment is required to recruit a delivery manager who will develop, set up and manage the portfolio. This would involve developing the correct delivery model based on best practice from other local authorities. The initial proposal is that this would be managed separately but alongside the existing Housing Development Programme and HRA tenancies.

What are the benefits?

This will grow the availability of affordable housing. Mid market rental properties are aimed at those in employment but often on lower incomes and/or key workers who cannot afford to compete in the private market. Both are identified challenges in Highland and this proposal and development will help meet the objectives of the Highland Housing Challenge by increasing housing supply and provides a long term revenue stream.

How would the public be affected?

This would increase the supply of housing across Highland. Highland has declared a housing challenge recognising the need to increase the number of homes across the area across all tenures. There are currently 8,600 people on the Highland Housing Register. A number of these individuals would be able to afford a mid-market rental property, leaving social housing tenancies for those who need it most.

Impact on Staff

FTE: 1 Investment in a delivery manager is required to set up policies and procedures including allocations, tenancy agreements , rent polices etc. Thereafter, properties would be managed by existing housing teams.

Deliverability

The new homes would be delivered by the Council's housing development team in partnership with Scottish Govt and housing partners. Work is required to establish the operating model.

Impact on Groups / Communities - It is anticipated this would have a positive socio-economic and rural impact. This would increase the affordable housing supply in Highland, directly benefiting individuals and communities, including rural communities where there are challenges in housing supply. It would have an indirect positive impact upon children's rights and human rights in general. All new houses are built to higher energy standards, a positive climate impact is also anticipated.

DCE/1 : Review of management structure & future Data centre provision

Savings Value: £0.150m

Operating Model

2025-26	2026-27	2027-28
£0.000m	£0.150m	£0.000m

Context

The Council is putting in place a modern ICT support model, largely delivered and managed in-house. It relates directly to delivery of the ICT Strategy, approved by Council in September 2020.

What are the risks / mitigations?

Standard project delivery risks around time, quality and budget. Is being mitigated by robust programme management approach and maintaining a good supplier working relationship.

Saving in Detail

This is the next and final stage of bringing ICT services in-house. Currently the Council has an "on-premise" data centre managed by Wipro. The future model will require a smaller "on-premise" footprint alongside cloud services. This will be managed in-house rather by by an external provider. The saving identified here represents an initial reduction in data centre management costs. There may be further savings identified in future years.

How we would implement this

Investment £0.500m

Although the price reduction is built into the contract with Wipro, it does depend on the Council, with assistance from Wipro, refreshing and reconfiguring the infrastructure in the data centre. There is some provision in the capital budget for the purchase of hardware and it is expected implementation and dual running costs of up to £500k would be funded from the ICT Investment Funds. The refresh will be completed by March 2026.

What are the benefits?

Modern, resilient data centre service model that will support future Council operations. Not dependent on outsourced contractor. Full control in-house.

How would the public be affected?

No direct impact.

Impact on Staff

FTE: 2

As part of a wider management review, reduction of 2 posts. Future operating model will mean several new roles in the ICT team. Some dual running during transition. May be some TUPE implications.

Deliverability

Highly achievable as built into Wipro contract.

Impact on Groups / Communities

Screening for impacts will be repeated for 2026/27 to ensure it reflects the workforce profile at that time. Potential impacts will be mitigated through several new ICT roles.

Savings from Improvements in Efficiency

E&L/8 : Improvements in workforce practice

Savings Value: £0.050m

Efficiency

2025-26	2026-27	2027-28
£0.030m	£0.020m	£0.000m

Context
Schools currently receive funding if they overspend by a % of their supply budget. The total budget for supply cover is £3.2m.

What are the risks / mitigations?
The risk is that schools do not reduce sickness absence. The management restructure is intended to support schools to address issues like high levels of absence using occupational health and attendance policies.

Saving in Detail
Adjusting the baseline for the top up provided by central budgets to offset the costs of long term absence in schools with the intention to reduce levels of sickness absence.

How we would implement this
Investment £NILm
Schools are funded for the cost of supply to cover for teacher absence. Once the school has over spent this budget by a certain % which varies by the size of school, there is a central budget that covers these additional costs. The proposal is to delay the point of intervention to encourage schools to engage with staff at an earlier stage to address sickness absence.

What are the benefits?
Earlier intervention to address sickness absence represents improved attention to staff health and wellbeing.

How would the public be affected?
No direct impact. A reduction in sickness absence will deliver improved continuity of learning and teaching in schools.

Impact on Staff
FTE: 0

Deliverability
The total saving will have minimal impact on individual school budgets - the total budget for supply cover is £3.2m.

Impact on Groups / Communities
Early intervention to address absence for staff to improve staff health and wellbeing. No negative impact on rural areas, children's learning or children with additional support needs. No negative impact on groups/communities.

HSW/1 : Realignment of expenditure to match grant - Justice Services

Savings Value: £0.100m

Efficiency

2025-26	2026-27	2027-28
£0.050m	£0.050m	£0.000m

Context
The Council is under funded for current range of activities and so effectively subsidises the grant received to deliver them.

What are the risks / mitigations?
No specific risks this reflects current budget planning.

Saving in Detail
This saving proposal represents a tapering down of the annual budget increases the Council would provide for pay and other cost increases. There will be no cash reduction in the actual budget for justice services.The Council currently spends in excess of the budget it receives from the Scottish Government for ring fenced activities due to providing for salary uplifts from the General Fund budget. The saving represents a gradual tapering down of this top up so that the Council no longer subsidises the grant to the extent that it currently does.

How we would implement this
Investment £Nilm
This equates to 1.8% of the budget to taper down the additional funding the Council provides to subsidise the grant provided by the Scottish Government for the provision of justice services. It does not remove this excess completely.

What are the benefits?
Better value for money by more efficient use of the funding the service receives.

How would the public be affected?
There would be minimal impact, the focus would be on back office functions.

Impact on Staff
FTE: no impact

Deliverability
No issues based on current practice.

Impact on Groups / Communities
There will be no change to service delivery and therefore no impact on service.

HSW/2 : Further efficiencies made through early intervention

Savings Value: £0.500m

Efficiency

2025-26	2026-27	2027-28
£0.000m	£0.000m	£0.500m

Context
Through the Delivery Plan it will be possible to build on the Council's successful Families First Programme.

What are the risks / mitigations?
There is a risk that the level of savings won't be maintained as the programme matures and there are fewer opportunities to deliver efficiencies. This will be kept under review which is why this is a year 3 saving.

Saving in Detail
Continuation of existing approach to reduce costs through early intervention.

How we would implement this
Investment £NILm
The Council will continue to deliver savings arising from the Families First Programme and Whole Family Wellbeing investment, reducing expenditure on high costs packages through early intervention including a focus on children on the edge of care.

What are the benefits?
Early intervention brings significant human benefits, reducing the potential for family pressures to escalate leading to crisis. Human Economic Cost modelling also demonstrates there are much wider benefits across the whole public sector.

How would the public be affected?
Affects will be positive through effective working with children, families and communities.

Impact on Staff
FTE: 0

Deliverability
It will be challenging to continue to deliver this level of cashable saving but the benefits of doing so mean this should continue to be pursued.

Impact on Groups / Communities
It is anticipated there will be positive impacts for young people and people with disabilities through the Family First programme by sustaining people in their communities and responding to need.

C&P/6 : Staff travel utilisation, grey fleet and car club

Savings Value: £0.300m

Efficiency

2025-26	2026-27	2027-28
£0.100m	£0.100m	£0.100m

Context
To reduce staff travel across all services, develop sustainable business travel champions in each service and reduce the number of fleet vehicles.

What are the risks / mitigations?
There is a risk that staff do not engage with the process and reduce their travel or change the way in which they currently arrange their staff travel. Managers will need to ensure compliance.

Saving in Detail
A reduction of 5 vehicles per year for the next 3 years, £20k per vehicle. Promotion of proper use of car club scheme, a shared fleet process at certain locations and further reductions in grey fleet usage.

How we would implement this
Investment £0.000m
N/A

What are the benefits?
Increased sharing of existing fleet vehicles, better management of car club and reduced staff travel.

How would the public be affected?
There is no direct impact from this proposal.

Impact on Staff
FTE: 0
N/A - no additional staff required.

Deliverability
This can be rolled out to all services and service champions can monitor compliance with alternative options.

Impact on Groups / Communities
There is no anticipated impact on particular groups of staff or staff located in particular communities. Staff who require to travel for business purposes will continue to be supported to do so. The proposal should have a positive impact in respect of reducing CO_2 emissions as a result of a reduction in travel.

H&P/2 : Driving Greater Value from Revenue Maintenance Contracts

Savings Value: £0.150m

Efficiency

2025-26	2026-27	2027-28
£0.150m	£0.000m	£0.000m

Context
The Council carries out thousands of repairs across the whole estate throughout the year. Whilst all works are planned and costed in advance, there are still opportunities to drive out cost savings through challenge and development of alternatives.

What are the risks / mitigations?
There is a risk that costs will continue to increase, however, this risk can be mitigated by a more robust challenge process.

Saving in Detail
This saving is related to achieving better value from our existing contracts for day to day repairs throughout our school and office estates. The sheer volume of activity does mean that there is often not enough time to fully cost alternatives, or challenge quotations. It is intended to set aside staff time to ensure this is done, particularly for low technology requirements (e.g. repairing lights or toilet repairs).

How we would implement this
Investment £0.000m
This will be done by using our internal resources to robustly challenge quotations and ensure best value is achieved.

What are the benefits?
Better value for money and a more focussed approach to reactive maintenance.

How would the public be affected?
The public should seen no visible impact. This is about improving efficiency in our repair costs.

Impact on Staff
FTE: 0
No impact.

Deliverability
This will involve more robust challenge through targeted activity for relatively simple repairs, and assessment whether better value for money can be achieved through greater use of in-house teams.

Impact on Groups / Communities
There is no anticipated impact.

I&E/8 : Route Optimisation (Winter Gritting)

Savings Value: £0.200m

Efficiency

2025-26	2026-27	2027-28
£0.000m	£0.100m	£0.100m

Context
Winter gritting routes are currently scheduled manually by Area Roads Teams, based on the Council's hierarchy for road treatment.

What are the risks / mitigations?
Risk - Technology may not interface with current WDM Roads System.
Mitigation: Partnership approach with ICT and drawing on Waste.

Saving in Detail
This proposal involves the introduction of technology to assist with more efficient planning of routes for Winter Gritting. This has been successfully applied for Waste Collection routes. Business Case to be developed as part of Roads Redesign Phase 2.

How we would implement this
Investment £0.000m
Procurement of new technology and staff training will be required. This will be delivered by the roads redesign team.

What are the benefits?
Improved efficiencies in Winter Gritting Service. Reduction / Savings in Fuel / Vehicle usage and materials (Salt Supplies).

How would the public be affected?
A positive impact is envisaged.
It is anticipated that Route Optimisation will deliver improvements in the winter gritting service for the public, leading to improved driving conditions for road users.

Impact on Staff
FTE: 0
Will be delivered by Roads redesign.

Deliverability
Procurement of technology will be at a cost. Business case to be developed as part of roads redesign phase 2.

Impact on Groups / Communities
This proposal relates to route optimisation to improve job efficiency. It is not anticipated to have any direct impact on particular groups or communities. It is anticipated to have a positive climate impact in relation to a reduction in fuel and vehicle use.

I&E/10 : Digitisation of Job Card Processes

Savings Value: £0.200m

Efficiency

2025-26	2026-27	2027-28
£0.000m	£0.100m	£0.100m

Context
The costing of works undertaken by the in-house roads teams are coded to budgets via the completion of paper based job cards.

What are the risks / Mitigation?
Risk: Technology required may not interface with current Road Asset MGT system.
Mitigation: Partnership approach with ICT and Amenities, drawing on housing maintenance experience.

Saving in Detail
The project is intended to replacing manual completion of Job Cards. Similar technology has been introduced for Housing Maintenance with positive results. This will be progressed as a Joint Project with Amenities - Ref C&P/1.

How we would implement this
Investment £0.000m
This will be a joint project with Amenities who also use paper based job cards.

What are the benefits?
Digitisation of job cards will replace the current paper based manual processes for charging time/plant and materials to the correct cost centre. This will lead to greater efficiency and enable improved financial reporting, performance and ward reporting.

How would the public be affected?
There would be no impact to the public.

Impact on Staff
FTE: 0
TBA - A Business Case to be developed as part of the roads re-design project phase 2.

Deliverability
Procurement of technology will be required. The brief and budget requirements for this are to be developed. Specialist support/consultancy may be necessary.

Impact on Groups / Communities
This proposal relates to improving and making efficiencies in job processes. There is no anticipated impact on particular groups of staff or on staff within particular communities however this will lead to a reduction in staffing from predominantly female groups. This will be managed within normal vacancy management.

I&E/18 : Efficiencies within fleet and cross service savings across Car Club, Grey Fleet and private hire

Savings Value: £0.600m

Efficiency

2025-26	2026-27	2027-28
£0.150m	£0.200m	£0.250m

Context
Reducing inefficient staff travel costs through data-driven management, policy controls, and sustainable transport choices.

What are the risks / mitigations?
Staff resistance to new travel policies may limit cost savings and efficiency. Mitigation: Clear communication, training, and data-driven insights to encourage adoption.

Saving in Detail
Current staff travel—including Car Club, Grey Fleet, and Private Hire—costs over £1 million annually. A data-driven approach and staff education can optimise transport use, cutting costs and improving efficiency. These changes will deliver savings while supporting the Council's sustainability and carbon reduction goals.

How we would implement this
Investment £0.000m
We will implement a data-driven travel strategy to identify cost-saving opportunities, educate staff on efficient travel, and introduce policy controls to prioritise shared transport. Digital tools will optimise availability, reducing reliance on the more costly options highlighted . Ongoing monitoring will ensure continuous savings and carbon reductions.

What are the benefits? Cost Savings & Efficiency – optimising staff travel cuts costs and improves resource use. Carbon Reduction – supports net zero goals. Policy & Compliance – ensure accountability and align spending with priorities. Resilience & Productivity – smarter travel boosts efficiency, reduces and protects against fuel cost increases.

How would the public be affected?
The public will not be impacted. Staff who require to travel to deliver services will continue to be supported to do so.

Impact on Staff
FTE: 0
NA

Deliverability
This will be implemented through data analysis, policy updates, staff training, digital tools, and continuous monitoring for cost and carbon savings.

Impact on Groups / Communities
There is no anticipated impact on particular groups of staff or staff located in particular communities. Staff who require to travel for business purposes will continue to be supported to do so. The proposal should have a positive impact in respect of reducing CO2 emissions as a result of a reduction in travel.

I&E/21 : Employability Reduction

Savings Value: £0.100m

Efficiency

2025-26	2026-27	2027-28
£0.100m	£0.000m	£0.000m

Context - An annual budget is in place for external contractors to provide specialist employability support. The budget is historically unspent due to the successful attraction of external funding.

What are the risks / mitigations?
Future demand for specialist/external employability support provision exceeds available budget. This is mitigated by securing external financial support which, based on recent demand, would still support service provision.

Saving in Detail
There has been historic underspend in the specialist employability support budget due to successfully attracting external grant funding. The saving would formalise the approach taken to date and utilise external grant funding to provide external specialist employability support.

How we would implement this
Investment £0.000m
N/A

What are the benefits?
This proposal maximises the use of external funding to provide support.

How would the public be affected?
There is not anticipated to be any impact as the budget is historically unspent and alternative sources utilised to provide the support required.

Impact on Staff
FTE: 0
This is a budget stream for external contractors. There is no direct staff impact.

Deliverability
This is the reduction of a budget that has limited current use and is supplemented through external grant funding.

Impact on Groups / Communities
Key client groups including women, younger people, people with disabilities and those on low incomes benefit from this support. The proposal would not remove the service which will continue to be provided from external grant funding. No impact is therefore anticipated.

R&F/1 : HR and Payroll process redesign and new ways of working

Savings Value: £0.300m

Efficiency

2025-26	2026-27	2027-28
£0.000m	£0.300m	£0.000m

Context
Improve delivery of corporate HR and Payroll Services supported by effective systems. Current configurations of systems require manual workarounds.

What are the risks / mitigations?
Behavioural and cultural transformation required to achieve change and benefits across the Council.

Saving in Detail
Cashable savings through implementing new processes and ways of working. Efficiency savings of 7.5%.

How we would implement this
Investment £0.000m
Investment already approved (£0.737m).

What are the benefits?
Financial savings, process and cultural change. Timeous access to real time data which can support organisational decisions.

How would the public be affected?
Public would not be affected directly as internal processes and data improvements.

Impact on Staff
FTE: 7
It is envisaged that this saving will be delivered through vacancy management and process improvement.

Deliverability
Data consolidation and process re-engineering using existing ICT supported by specialist external support.

Impact on Groups / Communities
Predominantly female staff affected, which will be mitigated by turnover and vacancy management. Processing employee data will be significantly changed, reducing the risk of potential data breaches.

R&F/2 : Review business support posts (excluding schools) that are located out with the Resources & Finance Service

Savings Value: £0.050m

Efficiency

2025-26	2026-27	2027-28
£0.000m	£0.000m	£0.050m

Context
In Resources & Finance, Shared Business Support (SBS) delivers efficient and effective support for Council Services. There are similar posts out with SBS that are currently located in other Services.

What are the risks / mitigations?
No identified risks.

Saving in Detail
A review would be undertaken of in-scope posts that currently report out with Resources & Finance for possible transfer to the Shared Business Support model (excluding schools). This would also involve process reviews to ensure that the most effective and efficient methods are being operated. As this review develops, the final saving will likely be in excess of the indicative saving currently shown.

How we would implement this
Investment £0.000m
Not applicable.

What are the benefits?
In addition to the proven efficiencies and effectiveness of the Shared Business Support model, business resilience would be increased by ensuring teams are trained and skilled to provide cover during periods of absence.

How would the public be affected?
No direct impact.

Impact on Staff
FTE: 2fte Reduction. Delivered by vacancy management and the efficiencies inherent in the shared Business Support model.

Deliverability
Building on the efficiencies already delivered from the Shared Business model, there is confidence that the saving is deliverable.

Impact on Groups / Communities
Screening for impacts will be repeated for 2027-28 to ensure it reflects the workforce profile at that time. Potential impacts will be mitigated through vacancy management, and process redesign and improvements.

R&F/5 : Review of senior leadership structure

Savings Value: £0.120m

Efficiency

2025-26	2026-27	2027-28
£0.120m	£0.000m	£0.000m

Context
The Council agreed to restructure the Senior Leadership Team in Feb 24. The savings target was £0.125m in 24/25 and £0.125m in 25/26.

What are the risks / mitigations?
Savings already delivered.

Saving in Detail
The savings achieved in 24/25 are £0.370m thereby exceeding the targets agreed in Feb 24 by £0.120m.

How we would implement this
Investment £0.000m
N/A

What are the benefits?
There is a clearer relationship between form and function. There is an appropriate response to the challenges raised by the audit report. There is clarity of purpose for the senior leadership team.

How would the public be affected?
The public will benefit from a more clearly defined corporate leadership team structure and culture which is wholly devoted to delivering success.

Impact on Staff
FTE: 3 fte reduction

Deliverability
Savings already delivered.

Impact on Groups / Communities
This was completed for the saving proposed in Feb 24.

R&F/6 : Procurement

Savings Value: £0.500m

Efficiency

2025-26	2026-27	2027-28
£0.000m	£0.000m	£0.500m

Context
The Council spends several hundred millions of £s each year on goods, services and contracts. We will continue to pursue all options to maximise value and savings from our spending.

What are the risks / mitigations?
Cost increases may reduce scope to deliver savings. We will continue to engage with contractors and with Council staff regarding managing risk.

Saving in Detail
Building on the strategy and success of delivering procurement savings in past years, an additional target in year 3 of this budget cycle is proposed. This is in addition to already agreed procurement savings over the 2024/25 - 2026/27 budget cycle.

How we would implement this
Investment £NIL (will deliver via existing resource)

The approach includes direct negotiation with existing suppliers to manage down inflationary pressures; consolidation of product ranges; improved contract management; reduction in off-contract spending; and a focus on tigher control of spending generally.

What are the benefits?
Improved value for money from Council spending.
Delivery of savings and/or reduced costs.

How would the public be affected?
The focus is on securing best value from our purchase of goods and services. Generally this means delivering savings without any impacts on the services or outcomes the Council delivers. There may be positive impacts where the Council secures community benefit through its purchase of goods and services and the Council has a clear strategy and targets for the securing of such benefits. The Council will continue to balance the need to comply with procurement rules, the delivering of savings, while recognising the importance of local suppliers.

Impact on Staff
FTE: 0
NIL

Deliverablity
This builds on existing work and track record of past savings from procurement, so there is confidence in deliverability.

Impact on Groups / Communities
Screening for impacts will be undertaken as part of individual contract considerations. Adverse impacts on protected groups are not anticipated. In some cases, there may be a reduction in contracts, and this could impact on suppliers, including local suppliers.

R&F/7 : Review of operational and service management structures

Savings Value: £0.640m

Efficiency

2025-26	2026-27	2027-28
£0.000m	£0.320m	£0.320m

Context

Following on from the review of the senior leadership structure that delivers savings in excess of 20%, this proposal is to review operational and service management structures (excluding schools).

What are the risks / mitigations?

Delivering this saving through vacancy management alone. Training & Development Programmes. Effective coaching and mentoring. Access to real-time data to support HR and Performance management.

Saving in Detail

This proposal, alongside other related savings, is to reduce the number of operational and service management posts by 10% over the next 3 years. There are 385.6fte posts in-scope. 55% of the post holders in-scope are male; 45% female.

How we would implement this

Investment £0.000m

The Operational Delivery Plan includes a number of related projects that support the delivery of this saving. These include the Future Operating Model, Digital Transformation, IIP and Asset Rationalisation. The investment for these projects has already been approved.

What are the benefits?

Increase in service efficiency.

How would the public be affected?

There will be an increase in services delivered by staff based locally.

Impact on Staff

FTE: 8 reduction, (4 in 26/27, 4 in 27/28).

Deliverability

Large dependency on the successful delivery of other projects within the Delivery Plan.

Impact on Groups / Communities

There will be an increase in services delivered by staff based locally. There are 385.6fte posts in-scope. 55% of the post holders in-scope are male; 45% female. Vacancy management, training and development, and coaching and mentoring will mitigate the potential risks for these groups.

Generating more Income from Council Services

C&P/2 : Increase shower charging

Savings Value: £0.006m

Income Generation

2025-26	2026-27	2027-28
£0.002m	£0.002m	£0.002m

Context
Currently shower charging is based on £2 for 10 minutes use. Increasing the charge by £1 will generate some additional income for the public convenience service.

What are the risks / mitigations?
There is a risk that shower usage could reduce as an effect of the increase in the charge but this is expected to be unlikely.

Saving in Detail
To increase shower charging at the four sites where this provision is offered (Aviemore, Kingussie, Wick, Ullapool). Currently four public conveniences offer shower facilites at a charge of £2 per use. Increasing this charge to £3 per use could generate an additional income as detailed above.

How we would implement this
Investment £0.000m
N/A

What are the benefits?
The income received can be used to support the operation of the public conveience service.

How would the public be affected?
The public would be required to pay £1 more per shower usage than they currently pay.

Impact on Staff
FTE: 0
N/A - no additional staff required.

Deliverablity
This change can be delivered immediately as the system would just need to have the charging amount changed from £2 to £3.

Impact on Groups / Communities
This will result in an increase in charges for users of these facilities. Any impact is likely to be limited and the overall charges remain low.

C&P/3 : Disposal by sale/lease of vacant properties

Savings Value: £0.030m

Income Generation

2025-26	2026-27	2027-28
£0.010m	£0.010m	£0.010m

Context
In order to reduce the overall asset base it is proposed to market the currently closed public convenience facilities for lease.

What are the risks / mitigations?
There is a risk that there is no interest in taking these properties on via lease and the facilities remain a burden for maintenance.

Saving in Detail
There are currently 21 closed public convenience facilities which have the potential to be leased for alternative use.

How we would implement this
Investment £0.000m
N/A

What are the benefits?
Disposal of the closed facilities will reduce the ongoing maintenance and standing water/electric charges currently being paid for these facilities.

How would the public be affected?
There is no direct impact from this proposal. All these facilities are surplus to requirement and no longer in use.

Impact on Staff
FTE: 0
N/A - no additional staff required.

Deliverability
Each property will require a title check and to be marketed for lease by the Estates team.

Impact on Groups / Communities
There is no antcipated direct impact as a result of this proposal as the facilities are no longer in use.

H&P/1 : Increased Rental income from Industrial & Investment Properties

Savings Value: £0.600m

Income Generation

2025-26	2026-27	2027-28
£0.200m	£0.200m	£0.200m

Context
The Council has a large commercial property estate ranging from small industrial units, retail units and offices to large scale warehousing, Each lease is reviewed regularly and rents set at appropriate levels.

What are the risks / mitigations?
Any commercial rent increased is benchmarked against comparable leasing, with any dispute being infirmed by the District Valuer.

Saving in Detail
This relates to increases in income from the leases that the Council has for commercial property. Each lease has a particular break point at which rents are set. This is an estimate based on the activity being carried out in 2025/2026.

How we would implement this
Investment £0.000m
This work will be done through business as usual activity.

What are the benefits?
Increased revenue for the Council.

How would the public be affected?
There will be no impact on the general public as this generally applies only to commercial properties. All rent increases are driven by comparable, which reflects the prevailing market rental levels in that particular area.

Impact on Staff
FTE: 0
None

Deliverability
This is Business as Usual and the Commercial Property Team has a process in place, working with the District Valuer. Increased rents are reported through the Housing & Property Committee.

Impact on Groups / Communities
There will be an impact on commercial businesses through increased rent however this is a part of all lease reviews and rates are benchmarked locally.

I&E/1 : Increase in Cruise Ship Income resulting from volumes/number of service users

Savings Value: £0.075m

Income Generation

2025-26	2026-27	2027-28
£0.075m	£0.000m	£0.000m

Context
The council charges tour and fishing vessels 'Harbour dues' for docking at harbours and the use of facilities based there. There is an increase in the number of bookings for the 2025/26 season.

What are the risks / mitigations?
Risk: The cruise ships change their itineries.
Mitigation: The Harbour dues are set at a competitive rate.

Saving in Detail
Bookings for the number of cruise ships is higher for 25/26, so an increase in harbour dues is anticipated. (£50K - £100K). In 2023/24, the number of cruise ships was 319 which generated an income of £352,579. At December 2024, the bookings for 2025/26 season is for 304 cruises, with this upward trend forecast annual income of £403,059 is anticipated.

How we would implement this
Investment £0.000m
The process for charging and recovery of Harbours dues is already in place. These are annually agreed by the Harbours Management Board.

What are the benefits?
Increased revenue income for the Council .

How would the public be affected?
Increased number of visitors to key locations will have a benefit to local businesses and tour companies.

Impact on Staff
FTE: 0
No impact on Staff.

Deliverability
The process for charging and recovery of Harbours dues is already in place. These are annually agreed by the Harbours Management Board.

Impact on Groups / Communities
This is anticipated to have a positive impact, particularly within rural areas, through increasing the number of visitors to key locations which will have a benefit to local businesses and tour companies.

I&E/2 : Increase in Harbour Dues

Savings Value: £0.300m

Income Generation

2025-26	2026-27	2027-28
£0.100m	£0.100m	£0.100m

Context
The council charges tour and fishing vessels 'Harbour dues' for docking at harbours and the use of facilities based there.

What are the risks / mitigations?
Risk: If Harbour dues are set too high, operators could go to other Harbours leading to loss of income.
Mitigation: Sensitive price setting and compatibility with Government rates.

Saving in Detail - For 25/26 , Harbour dues for Calmac are being increased by the RPI rate prescribed by the Government on their website. The monthly rates are rounded up to an average rate which for 25/26 would be 3.5%. For harbours in Highland, this would generate an additional £79K per annum. A different RPI increase is applied for Harbour Dues for smaller vessels. It is proposed to set this at 5% which would bring in an additional £21K.

How we would implement this
Investment £0.000m
Harbour dues are agreed annually by the Harbours Management Board and are price sensitive owing to competition from other non Highland Council Harbours . The proposed increase will be considered by the Harbours Management Board on 28 February 2025.

What are the benefits?
This will increase revenue income for the Council.

How would the public be affected?
The main impact will be on the users of harbours. As noted, costs are price sensitive in order to be competitive and attract businesses which has a wider benefit to local businesses and communities.

Impact on Staff
FTE: 0
No impact on staff.

Deliverability
The process for charging and recovery of Harbours dues is already in place. These are annually agreed by the Harbours Management Board.

Impact on Groups / Communities
This could have a negative impact on users of harbours and these are predominantly in rural areas. Fee increases are in line with those proposed by the Scottish Government in order to remain competitive and this in turn will mitigate any impact.

I&E/3 : Corran Ferry fares Up-lift

Savings Value: £0.179m

Income Generation

2025-26	2026-27	2027-28
£0.179m	£0.000m	£0.000m

Context:
The operating costs of the Corran ferry are subject to inflationary pressures and increased re-fit costs owing to the age of the vessels. An up-lift is necessary to help mitigate this.

What are the risks / mitigations?
Risk: Communities may be resistant to any increase in fares.
Mitigation: Clear communication regarding requirement to increase fares in order to maintain the ferry deliver the service.

Saving in Detail - The current Corran Ferry fare income is approximately £1.7M. A 10% rise would generate an increase of £0.179m per annum. The increase is required in order to meet the inflationary costs of delivering the ferry service including re-fit costs of the ferry itself. A new foot passenger only fare will be introduced to reflect well established practice on other ferry routes. The 10% increase is in line with Caledonian Macbrayne Increases.

How we would implement this
Investment £0.000m
There are already existing processes in place for increasing fares which are publicised on the Council's web-site. Notice would be given to the public to advise of the effective date of the increase.

What are the benefits?
The increase in income will help to meet the inflationary costs for the Council in operating the Ferry Service.

How would the public be affected?
This will impact on people using the Ferry Service, as fare prices will increase. However, the current fare structure is affordable compared to other ferry services. A 10% increase is in line with other ferry operators but will continue to maintain affordability. A lower fare structure is in place for locals - the cost per crossing using a local season ticket book is £2.93, when compared to a £12.00 Drive Up Fare.

Impact on Staff
FTE: 0
No impact.

Deliverability
There are already processes in place for increasing fees and charges. No known issues.

Impact on Groups / Communities
Potential socio-economic impact on individuals and business owners. Potential negative impact on children's rights, rural areas and on lower income users such as elderly/disabled users. Mitigation in place includes concessionary books for senior citizens, locals and large vehicle businesses owners. Registered disabled drivers go free. Increases are in line with other ferry operators.

I&E/5 : Car Parking Income Proposals

Savings Value: £0.050m

Income Generation

2025-26	2026-27	2027-28
£0.050m	£0.000m	£0.000m

Context
The Council currently operates 26 Invitation to Pay Car Parks that are generating around £250k gross income in the year to date. This has greatly assisted with visitor management.

What are the risks / mitigations?
Campervan and motorhome users may choose to park elsewhere leading to income target not being achieved and this could lead to inappropriate parking. Parking enforcement will manage inappropriate parking.

Saving in Detail
This proposal seeks to introduce a blanket mandatory charge for motorhomes and campervans in all Council carparks. invitation to pay would continue for cars and motorbike users. The proposal also involves increasing the costs of all parking permits by 5%.

How we would implement this
Investment £0.000m
The revisited parking arrangements will be publicised, and parking enforcement will be carried out.

What are the benefits?
There will be increased income generated for the maintenance of car parks and focuses on maximising income from visitors. The current arrangements for splitting the income with area committees will remain in place, and the committee will continue to be able to reinvest that income in projects.

How would the public be affected?
The campervan and motorhome driving members of the public will be required to pay the parking charge. If they fail to do so, fines may be imposed. The costs of parking permits will be increased by a relatively modest 5%.

Impact on Staff
FTE: 0
No impact.

Deliverability
Changes to the current charging schedules displayed at the ITP sites will be necessary.

Impact on Groups / Communities
Socio-economic impact is anticipated for campervan and motorhome users using car parks which currently don't charge and for those who currently pay for permit parking. Disabled blue badge holders can apply for a disabled parking bay outside their home instead of a permit and a reduced fee is in place for senior citizens resident's permit. There could be unintended impact in rural areas if campervans decide to park out with designated car parks.

I&E/7 : CPI Increase - Planning and Building Standards

Savings Value: £0.300m

Income Generation

2025-26	2026-27	2027-28
£0.300m	£0.000m	£0.000m

Context - Planning and Building Standards fees are set out in Regulation and charged according to development type, size or cost (in the case of Building Standards Fees). Income is therefore dependent upon the overall level of economic activity.

What are the risks / mitigations?
Achieving the saving is dependent upon the level of economic activity.
Planning and Building Warrant fees can be interdependent.

Saving in Detail
For 2025/26 Planning fees will increase based on 2024 Consumer Price Index (CPI). This increase would equate to around 2.5% or £0.141m assuming the same level of activity.

Building Standards Fees do not increase with CPI but have been increased in stages over a number of years, with the increase representing around 18% for 2025/26 based on the 2007 fee level. This is a 8% real term increase or £0.215m assuming the same level of activity.

How we would implement this
Investment £0.000m
NA

What are the benefits?
The increase in fees will generate additional income.

How would the public be affected?
These increases are set nationally so are not within the control of the Council. Any increase in fees will result in additional cost to each building project. However, this will not be significant within the overall costs of a project.

Impact on Staff
FTE: 0
NA

Deliverability
Fees are set nationally, applied consistently and collected on application.

Impact on Groups / Communities
There will be an impact as a result of increased costs for building projects but this will be minimal within the overall costs of a project. There is mitigation in place for groups that may attract reduced fees i.e. community councils, community sports facilities and/or disability access to residential property.

I&E/12 : Income from Council sites for SSEN infrastructure projects

Savings Value: £0.205m

Income Generation

2025-262	2026-27	2027-28
£0.000m	£0.075m	£0.130m

Context

SSEN and other infrastructure developers are seeking land to enable grid reinforcement projects and various hydro pumped storage schemes take place. Any leases can realise significant rental streams for a 5 -7 year period.

What are the risks / mitigations?

Infrastructure projects do not proceed - this is unlikely due to requirements to meet climate change targets.
Lack of Council owned land in areas required - this risk is mitigated based on likely need and land availability.

Saving in Detail

Working alongside developers, the Council would support agreed and permitted grid reinforcement and hydro pump storage scheme to take place by providing land to support project delivery. This would involve the identification of Council owned sites to meet SSEN and other infrastructure developers for lay down space, workers camps and storage areas. This would create a 5 year rental stream for the Council.

How we would implement this?

Investment £0.000m

This will build on existing and developing partnerships, working directly with infrastructure developers to identify potential sites. No additional investment is required and would be managed within existing resources and complement and support the work of the Social Value Charter.

What are the benefits?

Increased revenue from underutilised Council owned assets whilst supporting renewable energy partners - a key plank of the Social Value Charter.
Potential opportunity for long term legacy projects, with infrastructure costs funded by the developers.

How would the public be affected?

Whilst impact would vary depending upon the location, impact is likely to be minimal. Whilst some communities may be against development, any partnership arrangement would take place out with the planning process. In addition, there is the potential for long term legacy projects for communities including housing, health care and community facilities.

Impact on Staff

FTE: 0

N/A -no additional staff required.

Deliverability

This will be delivered within existing resources and as part of Partnership Agreements from the Social Value Charter. Land searches of Council owned land will take place in priority areas.

Impact on Groups / Communities

Minimal to no impact anticipated. Positive climate impacts as a result of enabling renewable developments and there could be longer term community benefits mainly in rural areas as a result of the programmes of work. Longer term benefits are not known at this stage.

I&E/13 : Surpluses from Inverness Castle Operation

Savings Value: £0.900m

Income Generation

2025-26	2026-27	2027-28
£0.000m	£0.900m	£0.000m

Context -
Inverness Castle will open in late summer 2025. The business plan projects surpluses from 2026/2027 onwards. This is based on projected figures for income for entry to the visitor attraction and surpluses from the retail and food & drink outlets. It is projected that the surplus will be £900k in 2026/27 and grow in forthcoming years.

What are the risks / mitigations?

Projected surpluses are not realised - the business plan has been assessed by independent experts as robust and credible. If figures are not met there will be changes to the operating model and pricing.

Saving in Detail

The proposal is to reduce HLH service delivery funding by the quantum of the profit generated. This updates the previous decision of Corporate Resources Committee in 2021 that any projected surpluses would be shared with Highlife Highland who will manage the visitor attraction. This proposal ensures that the reliance of HLH on core funding provided by the Council is reduced on a year by year basis depending on the continued success of Inverness Castle.

How we would implement this?

Investment £0.000m

The management structure, implementation and business plan for the operation of the Castle is already in place, with a detailed business plan approved by Scottish and UK Governments as part of the City Region Deal.

What are the benefits?

Increased revenue stream for the Council, through a reduction in core funding to HLH depending on the success of the visitor attraction.
Increased tourism for inverness and the rest of highlands, through sustaining and growing the hospitality sector.

How would the public be affected?

The public will benefit from the new visitor and cultural attraction for the centre of Inverness. There is no direct impact from this proposal to utilise the profit to sustain Council services.

Impact on Staff

FTE: 0

No direct impact on Council staff. There is a staffing structure and plan already in place for the operation of the Castle.

Deliverability

The capital project is fully funded and on site with opening due in late summer 2025. The business plan sets out the operating model.

Impact on Groups / Communities

There is no anticipated direct impact as a result of this proposal. This utilises the profit from a revenue stream to sustain and support Council services.

R&F/3 : Increased Council Tax collections

Savings Value: £0.200m

Income Generation

2025-26	2026-27	2027-28
£0.200m	£0.000m	£0.000m

Context
The Council administers and collects Council Tax from over 124,000 properties and is a key income stream to help deliver services and a balanced budget.

What are the risks / mitigations?
There is a risk that payments will not be received. Recovery actions and enforcement mitigates this risk.
Welfare Support will be provided to help customers maximise their financial entitlements.

Saving in Detail
This saving builds on the improvements in collections being achieved and increased confidence.

How we would implement this
Investment £0.000m
Not applicable.

What are the benefits?
Increased income to the Council to support service delivery.

How would the public be affected?
Council Tax arrears continue to be collected from households where full payment has not been made. Welfare Support Team and Citizens Advice will continue to maximise take-up of benefits, wider entitlements and Council Tax Reduction.

The increased income would benefit the generality of council tax payers through delivery of services.

Impact on Staff
FTE: Nil

Deliverability
Building on the Recovery Team's strong performance of recoveries, there is confidence in the deliverability of this saving.

Impact on Groups / Communities
Positive impact by increasing income to support service delivery.

Households will be supported to maximise their incomes from benefits, entitlements and Council Tax Reduction by the Council's Welfare Support team and Citizens Advice. Benefit take-up is embedded within arrears recovery.

R&F/4 : Increased Sundry Debtor collections

Savings Value: £0.200m

Income Generation

2025-26	2026-27	2027-28
£0.200m	£0.000m	£0.000m

Context
Sundry Debtor accounts are issued for the provision of goods and services where up front payment is not made.

What are the risks / mitigations?
There is a risk that payments will not be received. Recovery and enforcement actions mitigates this risk.

Saving in Detail
This saving builds on the improvements in collections being achieved and increased confidence, and includes increasing the cost of providing each sundry debtor invoice to £16.50 plus VAT where up front payments are not made by customers.

How we would implement this
Investment £0.000m
Not applicable.

What are the benefits?
Increased income to the Council to support service delivery.

How would the public be affected?
Sundry Debt arrears would continue to be collected where full payment has not been made. Welfare Support Team and Citizens Advice will continue to maximise take-up of benefits and wider entitlements.
The increased income would benefit members of the public through delivery of services.

Impact on Staff
FTE: Nil.

Deliverability
Building on the Recovery Team's strong performance of recoveries, there is confidence in the deliverability of this saving.

Impact on Groups / Communities
Increased income to the Council to support service delivery.

Households will be supported to maximise their incomes from benefits/entitlements by the Council's Welfare Support team and Citizens Advice. Benefit take-up is embedded within arrears recovery.

R&F/8: review of fees and charges set by Highland Council

Savings Value: £1.580m

Income Generation

2025-26	2026-27	2027-28
£0.184m	£0.462m	£0.934m

Context For income inflation, the budget is not based upon a single or blanket % assumption on income or budget increases. The Council's income covers a range of categories including grant income, recharges both internal and external, and income from fees and charges. Figures have been updated to reflect relevant CPI inflation measures and other adjustments since that time.

What are the risks / mitigations?

There is a risk of lower uptake for some discretionary services which are currently paid for from fees charged. Mitigation is provided by holding person-centred prices at 24/25 levels for 25/26. Benefits maximisation for individuals provides further mitigations.

Saving in Detail

In February 2024 the Council agreed savings over three years including indicative percentage increases in fees and charges for 2025/26 and 2026/27. Following review, Person-centred services (bereavement services, school meals, school lets) are to be held at 24/25 prices from April 25, and indicative increases of 2.3% from April 26 and a further 2.3% increase from April 27 with others rising by 5% from April 25 and indicative increases of 5% from each of April 26 and April 27. Some exceptions are detailed as standalone savings (e.g. car park charges, property leases).

How we would implement this

Investment £0.000m

N/a

What are the benefits?

The overall positive impact on the budget setting process and the protection of jobs and services.

How would the public be affected?

Holding fees and charges for person-centred services (bereavement services, school meals, school lets) at 2024/25 prices aims to help support households' incomes. This commitment would be positive for individuals.

Impact on Staff

FTE:

Nil

Deliverability

This is deliverable from a service point of view.

Impact on Groups / Communities

Screening highlights the potential for impact on individuals on lower incomes. Impact is mitigated by holding 2025/26 prices at 24/25 levels for person centred services and other supports are available for those on low incomes e.g. free school meals, financial support with funeral costs. Benefit maximisation will be undertaken by the Welfare Support team and Citizens Advice, providing further mitigations.

R&F/9: re-basing of fee and charge income budgets, based on review of 24/25 income levels

Savings Value: £3.349m

Income Generation

2025-26	2026-27	2027-28
£3.349m	£0.000m	£0.000m

Context
The Council receives income for a range of services provided. Review of actual income levels in 2024/25 has concluded that volume and recovery of income generation has increased, and this can be captured within the budget as a saving measure.

What are the risks / mitigations?
There is a risk if the current levels of income cannot be sustained into future years. This has been mitigated through the detailed analysis work informing this budget item.

Saving in Detail
A critical review of receipts and budgets for all fees & charges was undertaken supported by detailed data from the Council's new financial management system.
This review established that additional income of £3.349m in excess of budgets provided is already being achieved and is enabled by an increase in volumes and income recoveries.
Additional income from April 25 as a result of proposals to change fees and charges determined by The Highland Council are reflected in a separate savings proposal.

How we would implement this
Investment £0.000m
N/A

What are the benefits?
The overall positive impact on the budget setting process and the protection of jobs and services.

How would the public be affected?
No impact, this is a re-basing of income targets to reflect actual/forecast volumes of income. It is based on actual and agreed prices for 2024/25 and makes no change to the price paid by users.

Impact on Staff
FTE:
Nil

Deliverability
This is deliverable from a service point of view.

Impact on Groups / Communities
Screening highlights no impact given this proposal does not impact the price paid by users of Council services.

Annex 5b

Previously Agreed Savings After Rebasing & Reprofiling

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Previously Agreed Savings as at 28 February 2024	26.079	13.474	15.081	n/a	54.634
Rebasing & reprofiling of savings as per Annex 2 - Pressures	n/a	-6.729	-0.165	0.966	-5.928
Updated Previously Agreed Savings	**26.079**	**6.745**	**14.916**	**0.966**	**48.706**

*Analysis of Updated Previously Agreed Savings (savings marked * reflect the 2025/26 to 2027/28 rebasing and reprofiling as set out in Annex 2 - Pressures)*

Theme	Description	Ref	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
OPERATING MODEL SAVINGS							
Redesign of Service Delivery	Recycling Services	CP:6	0.365	1.695	0.000		2.060
Redesign of Service Delivery	Configuration of resources in line with policy	EL:3	0.450	0.000	0.000		0.450
Redesign of Service Delivery	Food in Schools : Delivering Sustainability	CS:6	0.262	0.262	0.351		0.875
Redesign of Service Delivery	Children's Services : Family First Approach	CS:22	0.600	0.700	0.700		2.000
Redesign of Service Delivery	Redesign of Adult Social Care	CS:29 *	7.000	0.000	2.600		9.600
Redesign of Service Delivery	Redesign of the Delivery of Trades Services	HP:9 *	0.000	0.000	0.300		0.300
Use of Technology	Digital Innovation	CS:34 *	1.589	-0.788	0.651	0.666	2.118
Use of Technology	Modernisation of Cleaning Service	HP:7	0.041	0.043	0.043		0.127
Outsourcing	Early Years Delivery Model	EL:13	0.000	0.000	0.500		0.500
Outsourcing	Establish a Business & Employability Support Network	CS:7	0.500	0.000	0.000		0.500
Insourcing	Sustainable Bus Transport Model	IEE:22	TBC	TBC	TBC		0.000
Cross Service Operating Model	Education: Primary Management Restructure	EL:11	0.000	0.000	0.495		0.495
Cross Service Operating Model	Corporate Management Team Restructure	CS:31	0.125	0.125	0.000		0.250
Cross Service Operating Model	Strategic Operating Model	CS:4	1.155	0.415	0.100		1.670
Total Operating Model Savings			**12.087**	**2.452**	**5.740**	**0.666**	**20.945**
ASSET REVIEW SAVINGS							
Property Assets	Reconfiguring School Assets	CS:28	0.000	0.400	0.500		0.900
Property Assets	Demonstrator Projects	CS:25 *	0.100	-0.025	0.400		0.475
Property Assets	More Energy Efficient Buildings	CS:26	0.100	0.200	0.300		0.600
Property Assets	Implement Network of Community Facilities for Services	CS:23	0.000	0.250	0.500		0.750
Property Assets	Accelerated Rationalisation of Offices & Depots	HP:3	0.050	0.400	0.250		0.700
Property Assets	Terra Tracker	CS:2	0.205	0.000	0.000		0.205
Fleet Assets	Light Fleet Redesign	CP:7	0.285	0.285	0.000		0.570
Total Asset Review Savings			**0.740**	**1.510**	**1.950**	**0.000**	**4.200**

Theme	Description	Ref	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
EFFICIENCY SAVINGS							
Management Process	Efficiencies from Hybrid Work	RF:5	0.627	0.000	0.000		0.627
Management Process	Efficiencies from Procurement	CS:1,DCE:1	2.603	0.349	1.093		4.045
Management Process	Efficiencies from Social Work Procurement	CS:20	0.300	0.200	0.100		0.600
Management Process	Efficiencies from Vehicle Parts	CP:8	0.190	0.000	0.000		0.190
Management Process	Other Efficiencies	IEE:17	0.005	0.000	0.000		0.005
Reduction	Area discretionary budgets top slice (Coastal Communities and Ward Discretionary Budget)	CS:32	0.234	0.000	0.000		0.234
Cross Service Efficiency	1% efficiency target from relevant service budgets	CS:35	1.245	0.985	0.945		3.175
Cross Service Efficiency	DSM adjustments and digital learning	EL:16	1.500	-0.200	0.500		1.800
Total Efficiency Savings			**6.704**	**1.334**	**2.638**	**0.000**	**10.676**
INCOME GENERATION							
Income from Fees & Charges	Building Warrant Fees	IEE:1	0.500	0.000	0.000		0.500
Income from Fees & Charges	Commercial Lease Fees	HP:8,IEE:6	0.125	0.050	0.075		0.250
Income from Fees & Charges	Increasing Fees and Charges	CS:17 *	2.592	-0.357	0.372		2.607
Income from Fees & Charges	Other Income Generation	Various	0.418	0.182	0.071		0.671
Income from Fees & Charges	Garden Waste Collections	CP:18	0.032	0.040	0.027		0.099
Income from Fees & Charges	Business Waste Collections	CP:17	0.195	0.134	0.093		0.422
Income from Fees & Charges	Infrastructure Support Service	CS:3	0.000	0.100	0.100		0.200
Income from Car Parking	Increased Car Parking Charge	IEE:21	0.608	0.000	0.000		0.608
Income from Car Parking	Roll Out Pavement Parking	IEE:12	0.148	0.000	0.000		0.148
Income from Tourism	Campervans and Motorhomes Charging	CS:18 *	0.500	-0.250	0.000		0.250
Income from Tourism	Unique Tourist Visitor Experiences	CS:19 *	0.300	0.150	0.150	0.300	0.900
Income from Energy	EV Charging	CS:12	0.000	0.100	0.100		0.200
Income from Energy	Battery Storage	CS:11	0.030	0.200	0.200		0.430
Income from Energy	Maximise and Expand Solar PV	CS:13	1.100	0.900	0.500		2.500
Income from Energy	Solar Panels – Commercial Estate	CS:16	0.000	0.200	0.300		0.500
Income from Energy	Commercial Scale Solar PV	CS:15	0.000	0.000	2.600		2.600
Total Income Generation			**6.548**	**1.449**	**4.588**	**0.300**	**12.885**
TOTAL			**26.079**	**6.745**	**14.916**	**0.966**	**48.706**

Annex 6

Reserves - Overall Summary

(a) Total General Fund Reserves

	Non-earmarked Reserve £m	Earmarked Reserves: Uncommitted Future Investment Capacity Fund £m	Earmarked Reserves: All Other Earmarked Reserves £m	Earmarked Reserves: Total Earmarked Reserves £m	Total General Fund Reserves £m
Balance as at 1 April 2024 (Note 1)	**47.309**	**10.839**	**99.940**	**110.779**	**158.088**
Use of reserves to close 2024/25 budget gap as agreed HC 29/02/24	-9.927			0.000	-9.927
2024/25 earmarking to date			1.835	1.835	1.835
2024/25 drawdowns to date			-11.775	-11.775	-11.775
Repurposing of reserves agreed HC 12/12/24		4.053	-4.053	0.000	0.000
Transfer to meet council commitments agreed during 2024/25		-12.746	12.746	0.000	0.000
Transfer from Non-earmarked Reserves to Earmarked Reserves for Investment	-12.800	12.800		12.800	0.000
HC 06/03/25 - One-off Pressures Met from Reserves (Note 2)		-2.778	2.778	0.000	0.000
HC 06/03/25 - Investment from Reserves		-17.200	17.200	0.000	0.000
Further target for re-purposing and re-allocating existing earmarked reserves		5.100	-5.100	0.000	0.000
Updated Balance	**24.582**	**0.068**	**113.571**	**113.639**	**138.221**
Less : Potential 2024/25 overspend as at Quarter 2	-4.100				
Risk Forecast	**20.482**				

2025/26 budget	818.423
3% for non-earmarked reserve	24.553

(b) Earmarked Reserves **Annex 6**

	2024/25 Opening Balance per 2023/24 Accounts £m	2024/25 Transfers £m	Reallocation to Future Investment Capacity Fund Agreed HC 12/12/24 £m	2024/25 Earmarking £m	2024/25 Drawdowns £m	Transfer from Non-earmarked Reserves £m	HC 06/03/25 Proposals £m	Updated Balance £m
Delivery Plan Investment - Corporate Solutions		3.688		0.605	-1.258			3.035
Delivery Plan Investment - Income Generation		2.250						2.250
Delivery Plan Investment - Net Zero, Energy Investment & Innovation		1.617						1.617
Delivery Plan Investment - Person Centred Solutions		23.200			-0.559			22.641
Delivery Plan Investment - Reconfiguring Our Asset Base		0.330						0.330
Delivery Plan Investment - Workforce for the Future		0.660						0.660
Delivery Plan Investment - Cross Portfolio Programme & Project Mgt		0.389			-0.063			0.326
Future Investment Capacity Fund (Note 1)	10.839	-12.746	4.053			12.800	-14.878	0.068
Restricted Use Reserves	28.655	7.860		1.230	-5.897			31.848
Grants & Match Funding	5.190		-0.335		-0.251			4.604
Legacy Investment Funds (Phases 1-4)	6.605	-0.201	-1.162		-0.102			5.140
Other Legacy Reserves	10.229	-1.547	-2.556		-1.489			4.637
HC 29/02/24 - Pressures	16.960	-0.750			-2.155			14.055
HC 29/02/24 – Savings & Transformation	32.300	-24.750						7.550
HC 06/03/25 - One-off Pressures Met from Reserves (Note 2)							2.778	2.778
HC 06/03/25 - Investment from Reserves							17.200	17.200
Further target for re-purposing & re-allocating existing earmarked reserves							-5.100	-5.100
Total	**110.778**	**0.000**	**0.000**	**1.835**	**-11.774**	**12.800**	**0.000**	**113.639**

Notes

1. Opening balance of Future Investment Capacity Fund includes Community Led Capacity Building earmarked reserve before transfer to Delivery Plan Investment

	£m
2. Total pressures met from reserves per Annex 2 - Budget Pressures	7.672
Less : New earmarking not required - pressure met from exising "HC 29/02/24 - Pressures" reserve	
High Life Highland	-0.894
Property Maintenance	-4.000
	2.778

Annex 7

Proposed Council Tax Charges 2025/26 & Indicative Council Tax Charges 2026/27 and 2027/28

Proposed/Indicative Change

Band	Multiplier Factor	2024/25 Council Tax £	2025/26 Proposed Change £ (7%)	2025/26 Proposed Council Tax £	2026/27 Indicative Change £ (7%)	2026/27 Indicative Council Tax £	2027/28 Indicative Change £ (7%)	2027/28 Indicative Council Tax £
DBR	5/9	792.88	55.50	848.38	59.39	907.77	63.55	971.32
A	6/9	951.46	66.60	1,018.06	71.27	1,089.33	76.25	1,165.58
B	7/9	1,110.04	77.70	1,187.74	83.14	1,270.88	88.96	1,359.84
C	8/9	1,268.61	88.80	1,357.41	95.03	1,452.44	101.67	1,554.11
D	9/9	1,427.19	99.90	1,527.09	106.90	1,633.99	114.38	1,748.37
E	473/360	1,875.17	131.26	2,006.43	140.45	2,146.88	150.28	2,297.16
F	585/360	2,319.18	162.34	2,481.52	173.71	2,655.23	185.87	2,841.10
G	705/360	2,794.91	195.64	2,990.55	209.35	3,199.90	223.99	3,423.89
H	882/360	3,496.62	244.75	3,741.37	261.91	4,003.28	280.23	4,283.51

Annex 8

Financial Resilience and Sustainability Indicators

Introduction

The following financial resilience and sustainability indicators are provided to support the consideration of the Council's Medium-Term Financial Plan, and Section 95 Officer's assessment of the Council's financial sustainability. It is expected the suite of indicators will be refined and developed as part of the Council's ongoing financial planning.

The Chartered Institute of Public Finance and Accountancy (Cipfa) has issued a briefing note which defines the meaning of financial resilience as: *"In simple terms, this is the ability, from a financial perspective, to respond to changes in delivery or demand without placing the organisation at risk of financial failure. This means having the agility and flexibility to forecast and manage both expenditure and income to meet requirements as they change while delivering a balanced budget."*

i. Plans and Strategies

Purpose: ensuring the Council has relevant financial plans and strategies in place, and these are considered/approved by members. Listed below are only those core financial plans and strategies reflected within these indicators. A range of further supplementary financial plans and strategies also exist and are reported to relevant Committees.

Duration of Medium-Term Financial Plan/Strategy	3 years (2025/26 – 2027/28)
Status of the Medium-Term Financial Plan	For approval 6 March 2025
Reserves Strategy	Approved December 2023
Operational Delivery Plan	Approved 9 May 2024
Capital Programme	5 year programme 2024/25 – 2028/29 Agreed 27 June 2024

ii. Reserves

Purpose: an assessment of the Council's level of reserves, and relevant trend information and forecasts related to these. The level of reserves, and plans and strategies for use, are a key part of Council resilience and sustainability.

Council's Minimum General Fund non earmarked Reserves Target per Reserves Strategy	3% of revenue budget Equivalent to circa £24m for 2025/26
General (non-earmarked reserves) amount relative to target	31/3/2024 Closing Position per Audited Accounts £47.3m/6%
Total level of usable reserves	£201.8m Per 31/3/24 Audited Accounts Equivalent to 25% of Revenue Budget

3-year movement in reserves (past three financial years – source Annual Accounts)

Reserve Category	31/03/21	31/03/22	31/03/23	23/03/24	3 Year Net Movement
All Useable Reserves*	146.0	155.8	174.7	201.8	55.8
General Fund Non-Earmarked Reserves	43.4	19.3	70.5	47.3	3.9
General Fund Earmarked Reserves	53.6	99.5	61.3	110.8	57.2
Housing Revenue Account HRA Reserve	11.8	7.9	3.9	4.7	(7.1)

*in addition to the revenue reserves detailed in the table, all useable reserves includes capital fund, insurance fund and other useable reserves not reflected item by item in the table above. Full details available within Council Annual Accounts for each year.

iii. <u>Closing the Budget Gap, Savings and Delivery</u>

Purpose: the level of forecast savings to be delivered, the nature of these, and the extent to which these close the forecast gap per the Medium-Term Financial Plan. It is important to ensure the Council develops and delivers recurring means to balance its budget. The risk of short-term or non-recurring measures is they do not address a budget gap, they simply defer addressing the budget gap.

Agreed/Planned Mitigations/Measures to address the Gap:

Measures to address the Gap	2025/26	2026/27	2027/28
Recurring Savings	12.943	18.660	5.112
Non-Recurring Savings	0	0	0
Use of Reserves *	0	0	0
Forecast budget gap still to be closed	0	3.305	9.721

* MTFP is based upon forecast budget gap <u>not</u> making use of reserves.

Net Residual/Outstanding Budget Gap
(based on proposals within this 6 March 2025 Council report)

Residual Budget Gap	2025/26	2026/27	2027/28
Gap still to be closed £'m	£0	£3.305	£9.721
Gap as a % of net revenue budget	0%	0.4%	1.2%

Ratio of Mitigations/Measures which are recurring/non-recurring

Ratio of Mitigations recurring/non-recurring	2025/26	2026/27	2027/28
Recurring Savings	100%	100%	100%
Non-Recurring Savings	0%	0%	0%
Use of Reserves	0%	0%	0%

iv. Budget Out-turn

Purpose: trend information in relation to performance against budget. Delivering within budget and avoiding unplanned over-spending are key considerations in relation to financial resilience and sustainability.

General Fund Revenue out-turn £ over/under budget, and as a % of Budgeted Expenditure (past 3 years)

General Fund Revenue Outturn	2021/22	2022/23	2023/24
£'m over/(under) budget	(9.0)	(36.7)	(1.1)
% over/(under) budget	-1.4%	-5.3%	-0.1%

v. Capital Investment and Borrowing

Purpose: core indicators relating to capital investment and the level of Council borrowing (debt) for capital purposes, and costs of repaying that borrowing.

Further information is set out within Prudential Indicators as reported to Council as part of the annual Treasury Management Strategy Statement and Investment Statement (TMSS/IS). Data shown is based upon the 2024/25 TMSS/IS with the 2025/26 Strategy due to be considered by Council 27 March.

Total External Borrowing (capital borrowing excl PPP/PFI and other liabilities)	2023/24 Actual £1.142 Bn 2024/25 Forecast £1.262 Bn

Total Capital Financing Requirement (CFR)	2023/24 Actual £1.318 Bn 2024/25 Forecast £1.362 Bn
Amount over/under CFR (this represents the extent to which Council borrowing is more or less than the level of capital to be financed. An under position reflects the extent to which internal cashflows are being used, rather than borrowing.)	2023/24 Actual £0.176 Bn Under 2024/25 Forecast £0.100 Bn Under
Ratio of financing costs to net revenue funding: (a) Excluding PPP/PFI costs (Local HIP Indicator)	10% local cap 2024/25 % estimate (to be confirmed*)

*to be confirmed following Highland Investment Plan decisions 27 March and beyond.

vi. <u>Effective Monitoring and Reporting</u>

Purpose: plans, strategies and indicators, while important, need be under-pinned by effective arrangements for monitoring and reporting.

Budget Monitoring Reports (revenue and capital)	Budget holders have access to financial insights <u>in real time</u> including Budgets, Actuals & transactional information (including payroll) through a combination of Dashboards & Enquiry Screens. Quarterly reports are produced and presented to Strategic Committees
Budget Savings Delivery Monitoring	Savings Delivery is monitored and reported through the Council's Operational Delivery Plan, with regular reports to Strategic Committees.