

The Highland Council

Agenda Item	5
Report No	ECI/26/25

Committee: Economy and Infrastructure

Date: 21 August 2025

Report Title: Revenue Budget Monitoring Report for the period Q4 2024/25 and Q1 2025/26

Report By: Assistant Chief Executive – Place

1 Purpose/Executive Summary

- 1.1 This report sets out the revenue budget monitoring forecast for the Infrastructure, Environment and Economy Service for 2024/25 and the revenue budget monitoring forecast for Quarter 1 for 2025/26.
- 1.2 The purpose of this report is to support the Council's overall financial management and budgetary control arrangements. This report also supports the Committee and its Members in fulfilling the Scheme of Delegation in relation to financial management and remit of Strategic Committees which includes:-

“to scrutinise the management of the Revenue and Capital Budgets for the Services included in the Committee’s remit and monitor and control these budgets, including dealing with over- expenditure.”
- 1.3 This report provides Members with commentary on the end of year position and any material variances within the forecast for Quarter 2, with actions taken or proposed in relation to variances.
- 1.4 The report also provides a forecast position regarding all budget savings within the remit of the Service.
- 1.5 The report also provides a forecast position regarding all budget savings within the remit of the Service. The majority of the savings are forecast to be delivered during 2025/26 although for some savings, the mechanism for achieving them, or time period, is currently under review. This is detailed further in section 8 and within **Appendix 5**.

2 Recommendations

2.1 Members are asked to:-

- i. **Scrutinise and approve** the final budget position for 2024/25 as set out in the report and Appendices 1 and 2 of the report;
- ii. **Scrutinise and approve** the forecast financial position for 2025/26 as set out in the report and Appendices 3 and 4 of the report;
- iii. **Consider and note** the explanations provided for any material variances and actions taken or proposed; and
- iv. **Consider and note** the update provided regarding savings delivery.

3 Implications

3.1 **Resource** – this report provides key financial information regarding the Service budget and forecast financial performance against that budget, including progress with Service delivery.

3.2 **Legal** - This report contributes to the Council's statutory duties to report performance and secure best value in terms of; Section 1(1)(a) of the Local Government Act 1992, and Section 1 of the Local Government in Scotland Act 2003, respectively.

3.4 **Risk** - The end of year statement for 2024/25 highlights several areas of overspend. As detailed in the report, the service is taking decisive action to address these areas of overspend. In some service areas, this represents a complete change to how the service will be delivered. Without fundamental change, the risk is that overspend in key areas will continue in 2025/26.

3.5 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** - There are no significant implications arising from this report.

3.6 **Gaelic** - There are no significant implications arising from this report.

4 Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is a monitoring report and therefore an impact assessment is not required.

5 Overview

- 5.1 This report presents the end of year monitoring statement for 2024/25 and the Quarter 1 monitoring statement for the 2025/26 for the Infrastructure, Environment and Economy Service. The end of year statements, general and detailed forecast, for 2024/25 can be found within **Appendices 1 and 2**. The Quarter 1 general and detailed statements for 2025/26 can be found within **Appendices 3 and 4**.

6 Commentary on Variances

6.1 Planning, Building Standards and Environment

- 6.1.1 Over the last financial year planning application income was £181k under projected target. This variance in the expected income was likely due to some applications not being valid on receipt at the tail end of the last financial year. That income has been carried over into this financial year and along with the recent fee increase has resulted in an overall increase in the predicted Quarter 1 2025/26 income by c. £298k.

While Quarter 1 figures would not be considered to establish a trend for 2025/26, overall planning fee income remains positive. The pipeline of expected large scale energy generation and transmission projects should ensure that fee income targets are met this financial year.

Building warrant fees last year were impacted by uncertainty which resulted in a shortfall of £883k. The increased confidence in the housing market has not materialised as expected but nonetheless income for Quarter 1 2025/26 has exceeded target. Recent fee increases will largely be responsible for this. At this stage it is anticipated that the overall 2025/26 target will be achieved.

The Environment section had an underspend of £188k recorded at the end of Quarter 4 2024/25, a reflection of level of increased income received. The Storr project is generating a good level of gross income, which is expected to continue into 2025/26. Quarter 1 results indicate that the section is operating well within budget.

Staffing costs are within and marginally below budget as a result of normal vacancy and recruitment patterns across all functions.

6.2 Roads & Transport

- 6.2.1 At Quarter 4 2024/25, there was an overall variance of £983k for Roads and Transport. Much of this was attributed to an overspend on Roads Maintenance and Lighting Services arising from an increase in material and contractor costs, but also (for Roads Maintenance) due to costs arising from Storm damage. This was off-set by an extremely good out-turn for the Skye Quarry which overachieved its income target due to an increase in both internal and external sales. Car parking income was also below target. As previously reported, this was due to a transfer of income for the West End Car Park in Fort William to the Common Good fund, and to the closure of some parking bays at the Rose Street Car park in Inverness due to repair issues.

6.2.2 At Quarter 1 2025/26 Roads and Transport is forecasting a year end variance of £2,189k. This is primarily due to income targets that are set for the Skye Quarry, Engineering Services (RCC Income) and Car Parks. In addition, an overspend of £370k is currently forecast for integrated transport services arising from increased staff costs and consultant/software costs associated with a new IT system. A variance of £286k for School Transport is also forecast arising from increased demand for ASN Transport. Every effort is being made to reduce this level of forecast overspend and future monitoring reports will provide a more up to date assessment.

6.3 **Trading Operations**

6.3.1 At Quarter 4 2024/25, there was an overall variance of £3,940K for Trading Operations. This was largely due to the savings target in respect of the sale of Marine Fuel Oil at Harbours not being achieved which accounted for £1.400K, and the repair / re-fit costs of the Corran Ferry which accounted for £1,525K of the overspend.

6.3.2 At Quarter 1 2025/26 Trading Operations is forecasting a variance of £1,526k. An increased income target has been applied in respect of Harbour Dues and Corran Ferry fare income. In addition, there are costs to be met as a result of essential repair works at the Corran ferry slipway.

7 **Actions Taken or Proposed**

7.1 Most of the variances forecast for Roads and Transport and Trading Operations are due to increased income targets which have been applied in anticipation of continued growth in sales of road materials from the Skye Quarry, and increased revenue from visitors to the Highlands and its consequential positive impact in respect of Car Park Income, passenger ferry dues and Harbour dues. It is intended that a mitigation plan will be prepared to detail how the income target can be achieved, through increasing revenue sales and reviewing sales margins, increasing fees and charges, and reviewing the potential for increased car parking patrols.

8 **Savings Delivery**

8.1 Economy and Infrastructure (E&I) as a whole has just over £0.850m savings to deliver in 2025/26. The details of those savings are set out in **Appendix 5**. Of the 7 separate savings lines for this Financial Year, 5 are on track to deliver and 2 are anticipated to be delivered but the mechanism for achieving them or time period is currently under review.

8.2 For Roads & Transport, there are savings for 25/26 to be achieved from anticipated increased Car Park Income (£50k) as a result of Campervan Charges moving from Invitation to Pay to Mandatory. For Trading Operations, there are savings for 2025/26 to be achieved from additional income from Harbours of £175k owing to increased harbour dues and increased Cruise ship numbers. There is also a savings target of £179k for the 10% uplift applied to Corran Ferry fares. All are on target to be delivered.

Designation: Assistant Chief Executive - Place

Date: 12 August 2025

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Background Papers: None

Appendices: Appendix 1 – End of Year Monitoring Statement 2024/25
Appendix 2 – End of Year Detailed Monitoring Statement 2024/25
Appendix 3 – Monitoring Statement Q1 2025/26
Appendix 4 – Detailed Monitoring Statement Q1 2025/26
Appendix 5 – IE&E Savings 2025/26

INFRASTRUCTURE & ENVIRONMENT AND ECONOMY MONITORING STATEMENT 2024-25 - APPENDIX 1

31/03/2025	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Directorate	(1,145)	(2,507)	(1,145)	1,363
Environment & Economic Development	1,135	1,775	1,135	(640)
Housing Development	1,391	1,425	1,391	(33)
Planning & Building Standards	(687)	(1,016)	(687)	329
Infrastructure	(213)	(8)	(213)	(205)
Roads & Transport	52,232	51,249	52,232	983
Trading Operations	(2,796)	(6,736)	(2,796)	3,940
Climate Change & Energy	2,242	973	2,242	1,269
Grand Total Infrastructure & Environment and Economy	52,160	45,155	52,160	7,005
BY SUBJECTIVE				
Staff Costs	53,006	52,459	53,006	548
Other Expenditure	104,097	95,432	104,097	8,665
Gross Expenditure	157,103	147,890	157,103	9,213
Grant Income	(18,585)	(18,618)	(18,585)	33
Other Income	(86,358)	(84,118)	(86,358)	(2,240)
Total Income	(104,943)	(102,735)	(104,943)	(2,207)
NET TOTAL	52,160	45,155	52,160	7,005

INFRASTRUCTURE & ENVIRONMENT AND ECONOMY MONITORING STATEMENT 2024-25

Appendix 2

	STAFF COSTS				OTHER COSTS				GRANT INCOME				OTHER INCOME				NET TOTAL			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance
31/03/2025																				
BY ACTIVITY																				
Directorate																				
Director & Business Team	(664)	391	391	1,055	2,708	3,001	3,001	293	(4,434)	(4,475)	(4,475)	(41)	(117)	(62)	(62)	55	(2,507)	(1,145)	(1,145)	1,363
Economic Development																				
Investment Properties	572	537	537	(35)	230	503	503	273	0	0	0	0	(4,365)	(4,680)	(4,680)	(315)	(3,562)	(3,639)	(3,639)	(77)
Economy & Regeneration	2,278	1,945	1,945	(332)	4,080	4,127	4,127	48	(4,100)	(4,321)	(4,321)	(221)	(19)	(113)	(113)	(94)	2,239	1,638	1,638	(600)
Business Development & Employability	663	709	709	46	1,399	1,371	1,371	(28)	(1,653)	(1,656)	(1,656)	(3)	(85)	(71)	(71)	13	325	353	353	28
Projects E & E	882	680	680	(202)	2,504	2,425	2,425	(79)	(612)	(322)	(322)	291	0	0	0	0	2,774	2,784	2,784	10
COVID Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Housing Development																				
Housing Development & PSHG	508	495	495	(13)	1,995	1,958	1,958	(37)	(584)	(584)	(584)	0	(494)	(477)	(477)	17	1,425	1,391	1,391	(33)
Planning, Environment & Building Standards																				
Management	0	0	0	0	11	2	2	(9)	0	0	0	0	0	0	0	0	11	2	2	(9)
Building Standards	1,737	1,634	1,634	(104)	20	89	89	69	(14)	0	0	14	0	(25)	(25)	(25)	1,743	1,698	1,698	(45)
Development Plans	717	605	605	(112)	12	26	26	14	0	0	0	0	(1)	(9)	(9)	(8)	728	622	622	(106)
Area Planning	3,385	2,900	2,900	(486)	37	125	125	88	0	0	0	0	0	0	0	0	3,422	3,024	3,024	(397)
Planning Appeals & Inquiries	0	0	0	0	50	57	57	7	0	0	0	0	0	0	0	0	50	57	57	7
Transport Planning	779	658	658	(121)	254	303	303	49	(305)	(203)	(203)	103	(146)	(172)	(172)	(26)	581	586	586	4
Environment	1,825	1,349	1,349	(476)	1,250	1,783	1,783	533	(1,074)	(1,083)	(1,083)	(10)	(333)	(569)	(569)	(236)	1,668	1,480	1,480	(188)
Planning Fee Income	0	10	10	10	70	221	221	151	0	0	0	0	(5,667)	(5,647)	(5,647)	20	(5,597)	(5,416)	(5,416)	181
Planning Fee Advertising	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Building Warrant Fee Income	0	0	0	0	0	56	56	56	0	0	0	0	(3,622)	(2,796)	(2,796)	827	(3,622)	(2,740)	(2,740)	883
Infrastructure																				
Project Design Unit	6,068	5,485	5,485	(582)	616	362	362	(254)	0	0	0	0	(6,688)	(6,061)	(6,061)	627	(4)	(213)	(213)	(209)
Flood Risk Assessment	0	0	0	0	0	0	0	0	0	0	0	0	(4)	0	0	4	(4)	0	0	4
Climate Change & Energy																				
Climate Change & Energy	1,875	1,694	1,694	(181)	5,233	6,140	6,140	907	(4,345)	(4,310)	(4,310)	35	(1,790)	(1,282)	(1,282)	508	973	2,242	2,242	1,269
Roads & Transport																				
Winter Maintenance	1,733	1,931	1,931	198	3,884	3,790	3,790	(93)	0	0	0	0	0	(0)	(0)	(0)	5,617	5,722	5,722	105
Roads Maintenance	18,647	17,974	17,974	(672)	10,265	12,134	12,134	1,869	0	0	0	0	(18,824)	(19,434)	(19,434)	(611)	10,088	10,674	10,674	586
Engineering Services	3,130	4,631	4,631	1,501	240	378	378	138	0	(75)	(75)	(75)	(488)	(2,041)	(2,041)	(1,554)	2,882	2,892	2,892	10
Flood Alleviation	5	4	4	(1)	29	21	21	(8)	0	0	0	0	0	0	0	0	34	25	25	(10)
Lighting Services	3,012	2,850	2,850	(162)	4,858	5,177	5,177	319	0	0	0	0	(3,544)	(3,455)	(3,455)	89	4,326	4,572	4,572	246
Integrated Transport Services	1,755	2,083	2,083	327	1,109	1,267	1,267	158	(156)	(183)	(183)	(28)	(1,999)	(1,987)	(1,987)	11	709	1,179	1,179	469
Subsidies & Concessionary Fares	4	0	0	(4)	13,855	14,151	14,151	297	(725)	(735)	(735)	(10)	(7,630)	(8,051)	(8,051)	(421)	5,504	5,366	5,366	(138)
School Transport	0	0	0	0	25,050	24,572	24,572	(478)	0	0	0	0	(51)	(11)	(11)	40	24,999	24,561	24,561	(438)
Car Parks	1,559	2,140	2,140	581	987	1,192	1,192	205,307	(316)	(340)	(340)	(24)	(5,141)	(5,750)	(5,750)	(610)	(2,911)	(2,758)	(2,758)	153
Trading Operations																				
Harbours & Ferries	1,988	2,299	2,299	312	14,687	18,867	18,867	4,179	(300)	(297)	(297)	4	(23,111)	(23,665)	(23,665)	(554)	(6,736)	(2,796)	(2,796)	3,940
Grand Total Infrastructure & Environment and Economy	52,459	53,006	53,006	548	95,432	104,097	104,097	8,665	(18,618)	(18,585)	(18,585)	33	(84,118)	(86,358)	(86,358)	(2,240)	45,155	52,160	52,160	7,005
Reconciled to Appendix 1	0	0	0	0	0	0	0	(0)	0	0	0	0	0	0	0	(0)	0	(0)	(0)	(0)

03/07/2025	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Directorate	320	-26	176	202
Environment & Economic Development	-3,359	-1,309	-1,049	260
Housing Development	552	1,646	1,643	-3
Planning & Building Standards	-389	231	-4	-234
Infrastructure	747	-25	-189	-164
Roads & Transport	10,824	51,623	53,813	2,189
Trading Operations	-2,016	-5,651	-4,125	1,526
Climate Change & Energy	2,675	-1,366	455	1,821
Grand Total Infrastructure & Environment and Economy	9,354	45,124	50,720	5,597
BY SUBJECTIVE				
Staff Costs	11,976	56,177	54,886	-1,290
Other Expenditure	21,702	78,746	84,647	5,901
Gross Expenditure	33,678	134,923	139,533	4,610
Grant Income	-5,682	-3,799	-3,251	548
Other Income	-18,642	-86,000	-85,563	439
Total Income	-24,324	-89,799	-88,814	987
NET TOTAL	9,354	45,124	50,720	5,597

	STAFF COSTS				OTHER COSTS				GRANT INCOME				OTHER INCOME				NET TOTAL			
	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
03/07/2025																				
BY ACTIVITY																				
Directorate																				
Director & Business Team	-210	201	-91	119	1,282	385	1,352	69	-1,000	-250	-1,023	-23	-98	-15	-62	36	-26	320	176	202
Economic Development																				
Investment Properties	599	150	599	0	230	128	340	110	0	0	0	0	-4,919	-1,248	-4,720	198	-4,090	-971	-3,782	308
Economy & Regeneration	2,812	546	2,650	-163	120	396	20	-101	-269	-330	-137	132	-141	-113	0	141	2,522	499	2,532	10
Business Development & Employability	119	187	119	0	343	329	343	0	-50	-2,551	-50	0	-71	-4	-71	0	340	-2,039	340	0
Projects E & E	491	130	491	0	85	117	10	-75	-658	-974	-640	18	0	-122	0	0	-82	-849	-139	-57
COVID Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Housing Development																				
Housing Development & PSHG	523	130	523	0	1,995	-162	1,993	-2	-584	584	-584	0	-288	0	-288	0	1,646	552	1,644	-3
Planning, Environment & Building Standards																				
Management	0	0	0	0	11	16	9	-1	0	0	0	0	0	0	0	0	11	16	9	-1
Building Standards	1,868	417	1,751	-117	20	3	54	34	-14	0	-14	0	-25	0	0	25	1,849	419	1,791	-59
Development Plans	775	144	744	-31	12	0	0	-12	0	0	0	0	-9	0	-9	0	778	144	735	-43
Area Planning	3,496	773	3,282	-214	37	29	106	69	0	0	0	0	0	0	0	0	3,532	802	3,388	-144
Planning Appeals & Inquiries	0	0	0	0	50	25	50	0	0	0	0	0	0	0	0	0	50	25	50	0
Transport Planning	847	189	828	-20	431	36	135	-297	-480	0	-90	390	-134	4	-13	121	664	229	859	195
Environment	2,030	433	1,827	-203	391	306	274	-118	-48	0	0	48	-235	-258	-19	215	2,139	481	2,081	-57
Planning Fee Income	0	0	0	0	70	42	213	143	0	0	0	0	-5,967	-1,814	-6,155	-188	-5,897	-1,772	-5,942	-45
Planning Fee Advertising	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Building Warrant Fee Income	0	0	0	0	0	12	38	38	0	0	0	0	-2,896	-746	-3,014	-118	-2,896	-734	-2,976	-80
Infrastructure																				
Project Design Unit	6,048	1,115	5,501	-547	486	232	359	-127	0	0	0	0	-6,559	-601	-6,049	510	-25	747	-189	-164
Flood Risk Assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Climate Change & Energy																				
Climate Change & Energy	2,513	521	2,424	-89	-3,220	3,713	-1,411	1,809	-316	-2,027	-336	-21	-343	468	-223	121	-1,366	2,675	455	1,821
Roads & Transport																				
Winter Maintenance	1,733	9	1,929	195	3,888	144	3,693	-195	0	0	0	0	-4	8	-4	0	5,618	160	5,618	0
Roads Maintenance	18,559	3,819	17,803	-756	10,535	3,350	10,566	31	0	0	0	0	-20,552	-4,012	-19,142	1,410	8,543	3,156	9,228	684
Engineering Services	4,777	927	4,827	49	255	160	524	269	0	0	0	0	-1,999	-395	-1,998	1	3,033	692	3,352	319
Flood Alleviation	5	0	4	-1	29	1	20	-9	0	0	0	0	0	0	0	0	34	1	24	-10
Lighting Services	3,057	637	2,799	-258	4,861	845	4,961	100	0	0	0	0	-3,620	-1,651	-3,395	225	4,298	-169	4,365	67
Integrated Transport Services	2,110	573	2,400	290	740	347	1,532	792	-104	-34	-124	-21	-1,965	-47	-2,657	-691	782	839	1,152	370
Subsidies & Concessionary Fares	4	0	4	0	14,634	3,158	14,793	159	0	0	0	0	-7,736	-1	-7,946	-210	6,901	3,157	6,850	-51
School Transport	0	0	0	0	25,502	3,813	25,788	286	0	0	0	0	-11	-3	-11	0	25,491	3,809	25,777	286
Car Parks	1,996	495	2,195	199	782	221	1,012	230	-252	-85	-226	26	-5,602	-1,453	-5,534	68	-3,076	-822	-2,553	523
Trading Operations																				
Harbours & Ferries	2,025	582	2,281	256	15,176	4,056	17,874	2,697	-25	-15	-27	-2	-22,827	-6,638	-24,253	-1,425	-5,651	-2,016	-4,125	1,526
Grand Total Infrastructure & Environment and Economy	56,177	11,976	54,886	-1,290	78,746	21,702	84,647	5,901	-3,799	-5,682	-3,251	548	-86,001	-18,641	-85,563	439	45,124	9,351	50,720	5,597

Budget Savings - Infrastructure, Environment & Economy - RAG Assessmnt C APPENDIX 5

Budget Ref.	Saving / Income Generation	Annual Target	Month of Update	Latest RAG	Comment
HC 060325 I&E:13, E&L:3	Income Generation: Surpluses from Inverness Castle Operation - FY 26-27	£0	M5 25/26		Savings not programmed until next financial year
HC 060325 I&E:12	Income Generation: Income from Council sites for SSEN infrastructure projects - FY 26-28	£0	M5 25/26		Savings not programmed until next financial year
HC 060325 I&E:7	Income Generation: CPI Increase - Planning and Building Standards - FY 25-26	£300,000	M5 25/26		
HC 290224 CS:3	Income Generation: Infrastructure Support Service - FY 25-27	£100,000	M5 25/26		
HC 290224 IEE:11	Income Generation: PDU outsource service - FY 25-26	£50,000	M5 25/26		Budget Mitigation Plan being prepared
HC 060325 I&E:2	Income Generation: Increase in Harbour Dues - FY 25-28	£100,000	M5 25/26		
HC 060325 I&E:3	Income Generation: Corran Ferry fares - FY 25-26	£179,000	M3 25/26		
HC 060325 I&E:5	Income Generation: Car Parking Income - FY 25- 26	£50,000	M5 25/26		Budget Mitigation Plan being prepared.
HC 060325 I&E:1	Income Generation: Increase in Cruise Ship Income resulting from volumes/number of service users - FY 25- 26	£75,000	M5 25/26		