

The Highland Council

Agenda Item	4
Report No	ECI/33/25

Committee: Economy and Infrastructure

Date: 13 November 2025

Report Title: Revenue Budget Monitoring Report for the period Q2 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 Quarter 2 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 3, 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 3**.

2 Recommendations

2.1 Members are asked to:-

- i. **Scrutinise and approve** the forecast financial position for 2025/26 as set out in the report and Appendices 1 and 2 of the report;
- ii. **Consider and note** the explanations provided for any material variances and actions taken or proposed; and
- iii. **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.

3.3 **Risk** - The end of year statement for 2024/25 highlighted several areas of overspend. As detailed in the report, the service has taken 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.

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

3.5 **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 Quarter 2 monitoring statement for the 2025/26 for the Infrastructure, Environment and Economy Service. The Quarter 2 general and detailed statements for 2025/26 can be found within **Appendices 1 and 2**.

6 Commentary on Variances

6.1 Planning, Building Standards and Environment

- 6.1.1 Planning and Building Warrant fee income is meeting the expected level at Q2 and is likely to exceed budget by end of financial year. This is likely to be achieved through a combination of recent increases to Planning and Building Warrant Fees along with the consistency in which large scale energy generation and transmission projects are being received by the Council.
- 6.1.2 Planning & Building Standards staffing costs are within and marginally below budget as a result of normal vacancy and recruitment patterns across all functions.
- 6.1.3 The Environment section is operating within budget and is anticipating an underspend of circa £137k at the financial year end. Current underspends are a result of vacancies across the team and income generated by ecology survey team.

6.2 Roads & Transport

- 6.2.1 At Quarter 2 2025/26 Roads and Transport is forecasting a year end variance of £1,686k. Key variances are:-
- £560k is in respect of Roads Maintenance which is primarily due to increased income targets set for the Skye Quarry. Information is still being gathered in respect of costs arising from emergency works associated with Storm Amy. There is no overspend forecast in respect of Winter at this stage based on the best knowledge available.
 - £243k in respect of car parks, mainly due to a loss of income arising from the closure of some bays at Rose Street due to repair issues. This is an improved position from Q1, and with the repairs being undertaken this quarter, it is hoped an improved position can be reported at Q3.
 - £388k is currently forecast for integrated transport services arising from increased staff costs and consultant/software costs associated with a new IT system.
 - £543k for School Transport is also forecast arising from increased demand for ASN Transport.

6.3 Trading Operations and Corran Ferry

- 6.3.1 At Quarter 2 2025/26 Trading Operations is forecasting a variance of £2,148k, mainly arising from increased operational (staffing) and maintenance costs associated with the Corran Ferry. This includes increased vessel re-fit costs and the requirement to undertake essential repairs to the Corran ferry Slipway.

6.4 Harbours

- 6.4.1 Included within the variance, an overspend is also forecast in respect of Harbours, mainly arising from costs and implications arising from achieving an increased income target being applied for Harbour Dues and Fuel Sales.

6.5 Climate Change and Energy

- 6.5.1 Highland Council Climate Change & Energy Team based on the forecasted position at Quarter 2 figures 2025/2026 is projected at £2.222m overspend.

The Q1 position was £1.821m overspend. The Q2 position is £2.222m overspend. This is mainly attributed to under achieved income in Solar PV schemes and Battery Storage Schemes that have yet to be fully achieved.

There is a current budget recovery plan being developed to undertake reviews into all schemes.

7 Actions Taken or Proposed

- 7.1 Budget Recovery plans are being progressed by the service to reduce the level of forecast overspend by year end, focussing on elimination of nonessential spend and reviewing staffing and operational costs. The Plans will also detail how the income targets can be achieved, through increasing revenue sales and reviewing sales margins, increasing fees and charges, and reviewing the potential for increased car parking patrols. Every effort is being made to reduce this level of forecast overspend and future monitoring reports will provide a more up to date assessment.

A review on current ASN transport arrangements and budget holders is to commence in collaboration with Education colleagues.

A Budget review is currently being developed on both Corran Ferry and Harbours. The review includes looking at current refit contract, staffing levels and income.

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 within **Appendix 3**. 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.

8.3 A summary of proposed cost reductions from the Roads Maintenance financial recovery plan within **Appendix 4** is shown in the table below:-

Action	Minimum Potential Saving/Income	Maximum Potential Saving/Income
Manage mentors Review Efficiencies	£100,000.00	£500,000
Standby Arrangements	£100,000.00	£200,000
Reduction in Overtime	£200,000.00	£500,000
Reduction in Contractor Spend	£150,000.00	£200,000
Increased income	£50,000.00	£100,000
Total	£600,000.00	£1,500,000

8.4 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 targets are under review as part of the budget recovery plans being developed. At this time it is worth noting costs associated with maintenance, repairs and vessel refits will have a potential impact on the overall financial position of both Harbours and Corran Ferry.

Designation: Assistant Chief Executive - Place

Date: 28 October 2025

Author: Debbie Sutton, Chief Officer Operations & Maintenance
Paul Reid, Chief Officer Facilities & Fleet Management
Tracey Urry, Head of Roads and Infrastructure
David Mudie, Strategic Lead – Planning & Building Standards

Background Papers: None

Appendices: Appendix 1 – Monitoring Statement Q2 2025/26
Appendix 2 – Detailed Monitoring Statement Q2 2025/26
Appendix 3 – IE&E Savings 2025/26
Appendix 4 – Budget Recovery Plan Roads Maintenance

28/08/2025	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Directorate	-214	885	902	17
Environment & Economic Development	-4,108	-2,515	-2,204	311
Housing Development	1,093	1,662	1,621	-40
Planning & Building Standards	345	591	301	-290
Infrastructure	1,032	33	-31	-64
Roads & Transport	15,864	52,002	53,688	1,686
Trading Operations	-2,520	-5,614	-3,466	2,148
Climate Change & Energy	1,557	-1,301	921	2,222
Grand Total Infrastructure & Environment and Economy	13,049	45,742	51,731	5,989
BY SUBJECTIVE				
Staff Costs	20,404	57,333	55,181	-2,152
Other Expenditure	32,131	85,308	93,499	8,191
Gross Expenditure	52,535	142,641	148,680	6,039
Grant Income	-8,457	-10,929	-10,619	310
Other Income	-31,030	-85,970	-86,330	-359
Total Income	-39,487	-96,899	-96,949	-50
NET TOTAL	13,049	45,742	51,731	5,989

28/08/2025	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
BY ACTIVITY																				
Directorate																				
Director & Business Team	559	324	559	0	1,424	-98	1,405	-19	-1,000	-417	-1,000	0	-98	-23	-62	36	885	-214	902	17
Economic Development																				
Investment Properties	623	260	623	0	222	294	392	169	0	0	0	0	-4,919	-1,822	-4,855	64	-4,074	-1,268	-3,840	233
Economy & Regeneration	1,682	518	1,604	-78	2,775	576	2,708	-68	-2,712	-2,622	-2,626	85	-141	-113	-3	138	1,604	-1,641	1,682	78
Business Development & Employability	124	47	124	0	1,000	417	1,000	0	-1,000	-1,040	-1,000	0	-71	-6	-71	0	52	-582	52	0
Projects E & E	511	213	511	0	699	266	693	-6	-1,308	-975	-1,301	6	0	-122	0	0	-98	-617	-98	0
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	544	225	544	0	1,995	284	1,955	-40	-584	584	-584	0	-294	0	-294	0	1,662	1,093	1,621	-40
Planning, Environment & Building Standards																				
Management	0	0	0	0	0	18	0	0	0	0	0	0	0	0	0	0	0	18	0	0
Building Standards	1,944	722	1,814	-129	5	9	47	41	-14	0	0	14	-25	0	0	25	1,910	731	1,861	-49
Development Plans	807	276	733	-74	3	0	1	-2	0	0	0	0	-9	0	-9	0	802	276	725	-76
Area Planning	3,604	1,334	3,449	-155	37	52	29	-8	0	0	0	0	0	0	0	0	3,640	1,386	3,478	-163
Planning Appeals & Inquiries	0	0	0	0	50	101	101	51	0	0	0	0	0	0	0	0	50	101	101	51
Transport Planning	941	369	1,006	65	431	55	111	-320	-480	0	-167	314	-134	0	-14	120	758	425	937	178
Environment	2,257	773	1,721	-536	317	432	502	186	0	0	0	0	-235	-466	-21	213	2,339	739	2,202	-137
Planning Fee Income	-65	0	0	65	12	82	77	65	0	0	0	0	-5,959	-2,286	-6,114	-155	-6,013	-2,204	-6,037	-24
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	19	28	28	0	0	0	0	-2,896	-1,146	-2,994	-98	-2,896	-1,127	-2,966	-70
Infrastructure																				
Project Design Unit	6,206	2,005	5,850	-356	385	263	370	-15	0	0	0	0	-6,559	-1,236	-6,252	307	33	1,032	-31	-64
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	2,581	913	2,435	-146	-117	3,975	2,034	2,150	-3,450	-3,707	-3,412	38	-315	375	-135	180	-1,301	1,557	921	2,222
Roads & Transport																				
Winter Maintenance	1,733	9	1,698	-35	3,870	271	3,905	35	0	0	0	0	-4	0	-4	0	5,800	281	5,600	0
Roads Maintenance	18,956	6,781	17,730	-1,226	10,285	5,716	10,781	497	0	0	0	0	-20,552	-7,470	-19,262	1,290	8,689	5,027	9,250	560
Engineering Services	4,869	1,627	4,916	47	344	208	509	166	0	0	0	0	-1,999	-604	-2,074	-75	3,213	1,231	3,351	137
Flood Alleviation	5	0	4	-1	29	2	22	-7	0	0	0	0	0	0	0	0	34	2	26	-8
Lighting Services	3,112	1,087	2,928	-184	4,822	1,338	4,904	82	0	0	0	0	-3,620	-2,237	-3,517	103	4,313	188	4,315	2
Integrated Transport Services	2,197	1,031	2,402	205	725	578	1,531	805	-104	-85	-120	-16	-1,965	-830	-2,571	-606	854	694	1,241	388
Subsidies & Concessionary Fares	4	0	4	0	14,535	5,008	14,993	458	0	-2	0	0	-7,736	-17	-8,373	-637	6,803	4,989	6,623	-180
School Transport	0	0	0	0	25,557	5,265	26,100	543	0	0	0	0	-11	-3	-11	0	25,546	5,262	26,089	543
Car Parks	2,036	876	2,142	106	768	300	1,006	238	-252	-178	-384	-132	-5,602	-2,808	-5,572	31	-3,050	-1,810	-2,807	243
Trading Operations																				
Harbours & Ferries	2,105	1,013	2,384	279	15,134	6,698	18,298	3,164	-25	-16	-25	0	-22,827	-10,215	-24,122	-1,295	-5,614	-2,520	-3,466	2,148
Grand Total Infrastructure & Environment and Economy	57,334	20,404	55,181	-2,153	85,308	32,131	93,499	8,192	-10,929	-8,457	-10,619	310	-85,970	-31,030	-86,330	-358	45,742	13,049	51,731	5,988

Budget Savings - Infrastructure, Environment & Economy - RAG Assessmnt Q2 2025/26

APPENDIX 3

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 drafted
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		

Appendix 4

Highland Council – Roads Maintenance Financial Recovery Plan 2025/2026 – October 2025

Introduction

This paper updates the agreed plan to implement a financial recovery plan for 2025/2026 for Highland Council Roads Maintenance based on the Q2 figures for 2025/26.

Background

The financial position for Roads Maintenance at 24/25-year end showed an overspend of £586k.

The most significant overspends related to labour and plant. There have also been overspends in overtime, standby, materials, and payments to external contractors.

Risks

The cost of roads maintenance and engineering services is a significant challenge. There are unexpected and unknown costs relating to storm/weather events and the subsequent damage and can contribute to the overspend. There is a requirement to have sufficient resources available for Standby and overtime is required but this needs to be managed more effectively. There is also a risk of not meeting increased income targets, specifically in relation to the Sconser quarry. Recruitment and retention of qualified and experienced staff is also an ongoing issue and poses a risk to taking forward the mitigation plan with success.

Update on Recovery Plan

The work undertaken by Managementors has identified some opportunities for reducing spend across the Service and opportunities to create efficiencies. Following from this a review of the current structure and opportunities for a more aligned workforce and management team is underway.

A review of Standby arrangements is being undertaken to align arrangements across the areas and ensure adequate coverage. To reduce the costs standby coverage may be consolidated or amended. There is a requirement to ensure sufficient operatives on standby to enable timely responses to emergencies/out of hours incidents across the Highland area. A workshop is scheduled for 30th October to discuss with all those involved.

Current overtime expenditure is high, driven largely by reactive resourcing. To recover the budget position, overtime has been restricted to essential operational needs only. The approval process has been tightened, all overtime requires pre-authorisation from senior management, with monthly reporting to track compliance. There have previously been discussions about whether the introduction of annualised hours would enable hours worked out with core time to be paid on a straight time basis, which

would reduce overtime, previously HR advised not to take this forward. There have also been discussions about establishing an up-front dedicated 'contingency' corporate budget within the Council's overall budget setting process, for the Service to draw down from, to cover costs associated with unplanned weather events, rather than relying on this being accommodated within its budget, this will also be considered.

Contractor costs have been identified as a key driver of overspend. A phased reduction plan will be implemented by prioritising the use of existing permanent staff, limiting contract extensions, and re-allocating resources internally. Contractors will only be approved for business-critical functions where skills cannot be sourced internally. All new contractor requests will require approval from senior management.

Budget monitoring has been strengthened. Budget holders are using the dashboard system to monitor up to date reporting. Overspending categories (overtime, standby, contractors) are being flagged as part of routine financial monitoring, held quarterly between Managers and Finance. Budget accountability will be reinforced through performance discussions, and corrective actions will be agreed early where risks are identified. Roads operatives are being tasked to carry out work with no material costs, works such as drainage, verge maintenance, sign reinstatement, and ditching.

Quarry – much of the increased income achieved last year was dependent on overtime and the use of contractors (which contributed to the overspends in these budget lines). Going forward the basic premise appears to be that a doubling of staff resources is required to continue to achieve last year's income target or to improve it going forward. A separate business case on the quarry is being written.

Opportunity for Increased Income; Road Construction Consents, and from quarry sales. There is also the opportunity to review sales and sales margins and the potential for increasing fees and charges.

Appendix A shows a summary of cost reductions (minimum and maximum).

Author: Debbie Sutton

Sponsor: Assistant Chief Executive (Place), Malcolm MacLeod

Date: 6 October 2025

Appendix A – Summary of Cost Reductions (Minimum and Maximum)

Action	Minimum Potential Saving/Income	Maximum Potential Saving/Income
Managementors Review Efficiencies	£100,000.00	£500,000
Standby Arrangements	£100,000.00	£200,000
Reduction in Overtime	£200,000.00	£500,000
Reduction in Contractor Spend	£150,000.00	£200,000
Increased income	£50,000.00	£100,000
Total	£600,000.00	£1,500,000