

The Highland Council

Agenda Item	5
Report No	ECI/02/26

Committee: Economy and Infrastructure

Date: 12 February 2026

Report Title: Revenue Budget Monitoring Report for the period Q3 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 the period ended Q3 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 any material variances within the forecast, and 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.

2 Recommendations

- 2.1 The Committee is asked to:-
- i. **Consider and note** the forecast financial position for the year as set out in this report and Appendices 1 and 2;
 - ii. **Consider and note** the explanations provided for any material variances and actions taken or proposed; and
 - iii. **Agree** the update provided regarding savings delivery as detailed within Appendix 3.

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 Q2 report highlighted several areas of overspend. As detailed in the report, the service has been taking actions 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 to year end of 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 3 monitoring statement for the 2025/26 for the Infrastructure, Environment and Economy Service. The Q3 general and detailed statements for 2025/26 can be found within **Appendices 1 and 2**.

6 Commentary on Variances

6.1 Planning and Building Standards

- 6.1.1 Planning and Building Warrant fee income is meeting the expected level at Q3 and will meet budget by end of financial year. This has been achieved through a combination of increases to Planning and Building Warrant Fees along with the volume of large-scale energy generation and transmission projects continuing to be received by the Council. There is a budget pressure arising from legal costs for Planning Appeals and Inquiries relating to this workstream resulting in an overspend on this budget line. This trend is expected to continue and will continue to be actively monitored.

- 6.1.2 Planning and Building Standards staffing costs are below budget as a result of normal vacancy and recruitment patterns across all functions.
- 6.1.3 The Environment team is working well within budget and would anticipate a small underspend at end of the financial year.

Reasons for the current underspend:-

- staff vacancy in Land Management that has meant unable to progress projects;
- delayed recruitment within the Ranger Service; and
- increased income generated by EACT survey team

6.2 **Roads & Transport**

- 6.2.1 At Q3 2025/26 Roads and Transport is forecasting a year end variance of £1,915k. Key variances are:-

- £851k is in respect of Roads Maintenance which is primarily due to increased income targets set for the Skye Quarry. Costs coded against storm events up to November were £220k. A landslip at Duncraig (£70k) and accident damage (£145k) are also contributing factors. There is no overspend forecast in respect of Winter at this stage based on the best knowledge available.
- £145k 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 Q2, and with the repairs being undertaken this quarter, it is hoped an improved position can be reported at year end.
- £350k is currently forecast for integrated transport services arising from increased staff costs and consultant/software costs associated with a new IT system.
- £403k for School Transport is also forecast arising from increased demand for ASN Transport.

6.3 **Corran Ferry and Harbours**

- 6.3.1 At Q3 2025/26 Trading Operations is forecasting a variance of £2,598k, 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. Further challenges within Harbour surrounding Marine Gas Oil. Sales are down due to the time of year however it is hoped that with improved weather this will improve.

6.4 **Climate Change and Energy**

- 6.4.1 Highland Council Climate Change and Energy Team based on the forecasted position at Q3 figures 2025/2026 is projected at £2.190m overspend.

The Q3 position is £2.190m 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 Corran Ferry and Harbours are currently undertaking a budget recovery plan that will progress further into 2026/2027. These plans include reviewing refit costs and staff costs with Corran Ferry. Harbours are currently reviewing marine gas oil sales and margins along with energy costs.
- 7.2 Climate Change and Energy are currently under budget recovery plans. This includes reviewing project and staffing. Further to this the Solar PV scheme is moving at pace, and early signs indicate sufficient progress on installs early 2026. Electric Vehicle Charging has progress with migration to EZO now in place.

8 Savings Delivery

- 8.1 Economy and Infrastructure (E&I) 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 the time period has been reviewed.
- 8.2 For Roads & Transport, there are savings for 25/26 to be achieved from anticipated increased Car Park Income (£50k) because of Campervan Charges moving from Invitation to Pay to Mandatory.
- 8.3 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. Ongoing increased costs of MV Corran and Maid of Glencoul is a noted concern, and work is being done to review how this can be supported in moving forward. Harbours income is slightly down in marine gas oil sales which is a hoped that to improve with the move in season.

Designation: Assistant Chief Executive - Place

Date: 16 January 2026

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Background Papers: None

Appendices: Appendices 1 and 2 – Monitoring Statement Q3 2025/26
Appendix 3 – Service Savings

Nov-25	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Directorate	686	893	1,057	163
Environment & Economic Development	(3,570)	(2,318)	(1,869)	449
Housing Development	2,291	1,662	1,642	(19)
Planning & Building Standards	765	614	132	(483)
Infrastructure	666	33	(145)	(178)
Roads & Transport	30,235	52,035	53,947	1,912
Trading Operations	(3,195)	(5,614)	(3,015)	2,599
Climate Change & Energy	509	(1,301)	889	2,190
Grand Total Infrastructure & Environment and Economy	28,387	46,004	52,638	6,633
BY SUBJECTIVE				
Staff Costs	34,015	57,720	53,907	(3,814)
Other Expenditure	56,455	82,542	90,725	8,183
Gross Expenditure	90,470	140,263	144,632	4,369
Grant Income	(10,661)	(6,817)	(6,778)	39
Other Income	(51,422)	(87,441)	(85,216)	2,225
Total Income	(62,083)	(94,259)	(91,994)	2,264
NET TOTAL	28,387	46,004	52,638	6,633

	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
Nov-25																				
BY ACTIVITY																				
Directorate																				
Director & Business Team	559	467	642	84	1,432	842	1,477	43	(1,000)	(583)	(1,000)	0	(98)	(39)	(62)	36	893	687	1,057	163
Economic Development																				
Investment Properties	623	417	624	1	222	484	440	218	0	0	0	0	(4,919)	(3,045)	(4,752)	166	(4,074)	(2,144)	(3,688)	385
Economy & Regeneration	1,682	916	1,551	(130)	221	965	192	(29)	(152)	(3,020)	(130)	22	(201)	(107)	0	201	1,550	(1,246)	1,613	64
Business Development & Employability	124	75	123	(1)	0	425	0	0	0	(654)	0	0	(71)	(7)	(71)	0	53	(161)	52	(1)
Projects E & E	511	338	511	0	283	740	283	0	(640)	(974)	(640)	0	0	(122)	0	0	154	(18)	154	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	361	525	(19)	1,995	1,345	1,995	0	(584)	584	(584)	0	(294)	0	(294)	0	1,661	2,290	1,642	(19)
Planning, Environment & Building Standards																				
Management	0	0	0	0	0	35	0	0	0	0	0	0	0	0	0	0	0	35	0	0
Building Standards	1,944	1,190	1,826	(117)	5	55	80	75	(14)	(31)	(31)	(17)	(25)	0	0	25	1,910	1,214	1,875	(34)
Development Plans	807	442	706	(102)	3	1	2	(2)	0	0	0	0	(9)	0	0	9	801	443	708	(95)
Area Planning	3,604	2,188	3,365	(239)	37	98	45	9	0	0	0	0	0	0	0	0	3,641	2,286	3,410	(230)
Planning Appeals & Inquiries	0	0	0	0	50	189	220	170	0	0	0	0	0	0	0	0	50	189	220	170
Transport Planning	941	663	955	14	431	332	400	(31)	(480)	(95)	(405)	75	(73)	(9)	(1)	72	819	891	949	130
Environment	2,368	1,167	1,830	(538)	206	211	373	167	0	0	0	0	(235)	(374)	(233)	2	2,339	1,004	1,970	(369)
Planning Fee Income	(65)	0	(65)	0	12	135	12	0	0	0	0	0	(5,997)	(3,634)	(6,032)	(35)	(6,050)	(3,499)	(6,085)	(35)
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	31	0	0	0	0	0	0	(2,896)	(1,829)	(2,918)	(22)	(2,896)	(1,798)	(2,918)	(22)
Infrastructure																				
Project Design Unit	6,206	3,499	5,453	(753)	385	206	341	(45)	0	0	0	0	(6,559)	(3,039)	(5,939)	620	32	666	(145)	(178)
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	2,599	1,481	2,535	(64)	(4)	3,486	2,115	2,119	(3,532)	(4,813)	(3,579)	(47)	(364)	355	(182)	182	(1,301)	509	889	2,190
Roads & Transport																				
Winter Maintenance	1,733	543	1,697	(36)	3,870	831	3,906	36	0	0	0	0	(4)	0	(4)	0	5,599	1,374	5,599	0
Roads Maintenance	18,985	10,965	17,582	(1,403)	10,249	8,764	11,562	1,313	0	0	0	0	(20,552)	(12,589)	(19,611)	941	8,682	7,140	9,533	851
Engineering Services	4,869	2,800	4,374	(495)	344	292	531	187	0	0	0	0	(1,999)	(1,125)	(1,698)	301	3,214	1,967	3,207	(7)
Flood Alleviation	5	2	4	(1)	29	6	22	(7)	0	0	0	0	0	0	0	0	34	8	26	(8)
Lighting Services	3,112	1,792	2,737	(375)	4,822	3,768	5,134	312	0	0	0	0	(3,620)	(3,064)	(3,497)	123	4,314	2,496	4,374	60
Integrated Transport Services	2,429	1,644	2,492	63	1,080	1,107	1,576	496	(138)	(740)	(152)	(14)	(2,502)	(1,609)	(2,697)	(195)	869	402	1,219	350
Subsidies & Concessionary Fares	4	0	4	0	15,039	9,239	15,054	15	0	(2)	0	0	(8,580)	(18)	(8,474)	106	6,463	9,219	6,584	121
School Transport	0	0	0	0	25,885	10,545	26,288	403	0	0	0	0	(15)	(11)	(15)	0	25,870	10,534	26,273	403
Car Parks	2,036	1,431	2,062	26	808	658	1,080	272	(252)	(310)	(229)	23	(5,602)	(4,685)	(5,778)	(176)	(3,010)	(2,906)	(2,865)	145
Trading Operations																				
Harbours & Ferries	2,105	1,635	2,373	268	15,134	11,663	17,599	2,465	(25)	(23)	(28)	(3)	(22,827)	(16,470)	(22,959)	(132)	(5,613)	(3,195)	(3,015)	2,598
Grand Total Infrastructure & Environment and Economy	57,725	34,016	53,906	(3,817)	82,538	56,453	90,727	8,186	(6,817)	(10,661)	(6,778)	39	(87,442)	(51,421)	(85,217)	2,224	46,004	28,387	52,638	6,632

Please note, some column and row totals vary slightly due to roundings.

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	- 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	Cruise Ship Income resulting from volumes/number of service users - FY 25-26	£75,000	M5 25/26		