

The Highland Council

Agenda Item	5
Report No	ECI/26/26

Committee: Economy and Infrastructure

Date: 20 August 2026

Report Title: Revenue Budget Monitoring Report for the period Q4 2025/26 and Q1 2026/27

Report By: Assistant Chief Executive – Place

1 Purpose/Executive Summary

- 1.1 The Infrastructure, Environment and Economy Service had a revenue budget overspend of £7,475m in 2025/26. This report sets out the revenue budget monitoring forecast for Quarter 1 for 2026/27 which outlines a forecasted overspend position of £3,977m. Officers continue to review options to reduce the forecasted overspend and improve this position over the course of the financial year. The position is being monitored on a month-by-month basis.
- 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 1, 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 2026/27 although for some savings, the mechanism for achieving them, or time period, is currently under review.

2 Recommendations

2.1 Members are asked to:-

- i. **Scrutinise and approve** the final budget position for 2025/26 as set out in the report and Appendices 1 and 2 of the report;
- ii. **Scrutinise and approve** the forecast financial position for 2026/27 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 2025/26 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 2026/27.
- 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 2025/26 and the Quarter 1 monitoring statement for the 2026/27 for the Infrastructure, Environment and Economy Service. The end of year statements, general and detailed forecast, for 2025/26 can be found within **Appendices 1 and 2**. The Quarter 1 general and detailed statements for 2026/27 can be found within **Appendices 3 and 4**.

6 Commentary on Variances

6.1 Planning, Building Standards and Environment

- 6.1.1 In the last financial year planning application income was £1.3m over projected target. This was primarily due to the submission of a small number of large pump hydro energy and overhead line applications but also inflationary uplift. As it is not anticipated that the Service will receive similar applications within the 2026/27 period it is unlikely that this will be repeated.

Trends in planning income illustrate peaks at the end of Q3 and Q4. Q1 figures are generally less reflective of total income. Q1 income, sitting at £1.26m, is below the average quarterly income target. However, given this period is a trough, it is expected that fees would meet the overall annual target.

Building warrant fees last year were impacted by continuing investment uncertainty which resulted in a shortfall of £110k although the gap has closed considerably on the previous year. This was largely accounted for by in year increases in fees.

As with planning, trends suggest that building warrant fee income will be lower than the average quarterly target level but will be compensated in Q3 and Q4 increases in submissions. At this stage it is anticipated that the overall 2026/27 target will be achieved.

The Environment section had an underspend of £469k recorded at the end of 2025/26, a reflection of the level of increased income received. It is expected that the overall 2026/27 target will be achieved.

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 2025/26, there was an overall variance of £3.726m for Roads and Transport.

Much of this was attributed to overspends on Winter and Roads Maintenance arising from an increase in material and contractor costs, but also due to costs arising from Storm damage. The Skye Quarry income was underachieved and there was an issue with miscoded capital works which also accounts for this position.

Car parking income was higher than projected.

- 6.2.2 At Quarter 1 2026/27 Roads and Transport is forecasting a year end overspend of £0.957m. Of this £0.242m is primarily due to income targets that are set for Car Parks, however it is hoped that following successful recruitment this position will be recovered in year.

In addition, an overspend of £0.610m is currently forecast for integrated transport services arising from staff costs and consultant/software costs associated with a new IT system. Every effort is being made to reduce this level of forecast overspend and future monitoring reports will provide a more up to date assessment which will include future commercial opportunities such as renal transport delivery model with NHS.

6.3 Trading Operations

- 6.3.1 At Quarter 4 2025/26, there was an overall variance of £2.655m for Trading Operations. This is made up of Harbours £0.449m overspend. Harbours reported an improved position on fuel sales than projected by £0.310m. Nonfuel income in Harbours was slightly better than forecast by £0.086m. There was noted higher than projected spend elsewhere in the Harbours operations by £0.169m higher than projected at Q3. Corran Ferry £2.206m overspend is due to rising costs of refits and ongoing breakdown/maintenance costs. There was an improved income position by £0.062m better than projected. Staff costs did overspend by £0.361m due to the need for a shift allowance to retain staff.

- 6.3.2 At Quarter 1 2026/27 Trading Operations is forecasting a variance of £1.111. The main reason for this is the ongoing refit and maintenance costs associated with Corran Ferry. Further challenges in Harbours surrounding fuel prices and the demand for fuel by Harbour users. Ongoing regular monitoring is being undertaken in both Corran Ferry and Harbours.

6.4 Climate Change and Energy

- 6.4.1 At Quarter 2025/26, there was an overall variance of £2.242m for climate change and energy. This was largely due to under recovery of income against large scale projects.
- 6.4.2 At Quarter 1 2026/27 Climate Change and Energy is forecasting an overspend of £2.014m. This mainly relates to the length of time being taken to deliver significant investment programmes, which have been delayed by insurance issues, grid connection delays and lack of market interest. Work is ongoing on establishing a plan of installs which have now been awarded and can be approved once install SOP is agreed.

7 Savings Delivery

- 7.1 Economy and Infrastructure has just over £3.591m savings to deliver in 2026/27. The details of those savings are set out in **Appendix 5**.
- 7.2 For Roads & Transport, there are savings for 2026/27 to be achieved from anticipated increased Car Park Income (£0.020m) as a result of increasing charges at Rose Street Car Park, Inverness and increasing the number of invitation to pay car parks across Highland, delivery of our in-house traffic management and barrier installation and repairs as well as purchasing a roller and paver to deliver works.

- 7.3 Street Lighting savings of £0.030m relate to increasing street lighting design fees for developers to achieve full cost recovery.
- 7.4 For Trading Operations, there are savings for 2026/27 to be achieved from additional income from Harbours of £175k owing to increased harbour dues. There is also a savings target of £135k for the 10% uplift applied to Corran Ferry fares. All are on target to be delivered.

Designation: Assistant Chief Executive - Place

Date: 28 July 2026

Author: Debbie Sutton, Chief Officer Operations and Maintenance
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Background Papers: None

Appendices: Appendix 1 – End of Year Monitoring Statement 2025/26
Appendix 2 – End of Year Detailed Monitoring Statement 2025/26
Appendix 3 – Monitoring Statement Q1 2026/27
Appendix 4 – Detailed Monitoring Statement Q1 2026/27
Appendix 5 – E&I Savings 2026/27

INFRASTRUCTURE & ENVIRONMENT AND ECONOMY MONITORING STATEMENT 2025-26

APPENDIX 1

25/26 Near Final	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Variance	£'000 November Variance	£'000 Difference
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BY ACTIVITY

Directorate	1,691	1,723	(32)	163	(195)
Environment & Economic Development	(506)	(708)	202	449	(247)
Housing Development	1,697	1,649	47	(19)	66
Planning & Building Standards	(1,157)	463	(1,619)	(483)	(1,136)
Infrastructure	254	0	253	(178)	431
Roads & Transport	56,009	52,282	3,726	1,912	1,814
Trading Operations	(2,908)	(5,563)	2,655	2,599	56
Climate Change & Energy	2,559	317	2,242	2,190	52

Grand Total Infrastructure & Environment and Economy	57,639	50,164	7,474	6,633	841
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BY SUBJECTIVE

Staff Costs	54,291	57,543	(3,252)	(3,814)	562
Other Expenditure	108,985	97,103	11,880	8,183	3,697
Gross Expenditure	163,276	154,646	8,628	4,369	4,259
Grant Income	(15,517)	(15,597)	79	39	40
Other Income	(90,121)	(88,888)	(1,233)	2,225	(3,458)
Total Income	(105,638)	(104,485)	(1,154)	2,264	(3,419)

NET TOTAL	57,638	50,164	7,475	6,633	840
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25/26 Near Final	STAFF			OTHER			GRANT			OTHER			NET		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Annual Budget	Actual YTD	Year End Variance	Annual Budget	Actual YTD	Year End Variance	Annual Budget	Actual YTD	Year End Variance	Annual Budget	Actual YTD	Year End Variance	Annual Budget	Actual YTD	Year End Variance
BY ACTIVITY															
Directorate															
Director & Business Team	604	676	72	8,028	7,893	(136)	(6,811)	(6,811)	0	(98)	(67)	31	1,723	1,691	(32)
Economic Development															
Investment Properties	623	627	4	222	628	406	0	0	0	(4,919)	(4,943)	(25)	(4,074)	(3,688)	385
Economy & Regeneration	1,682	1,455	(227)	1,323	1,323	0	(1,052)	(1,126)	(74)	(141)	(23)	118	1,812	1,628	(183)
Business Development & Employability	124	113	(11)	446	446	0	(446)	(406)	40	(71)	(100)	(29)	52	52	0
Projects E & E	511	509	(1)	1,631	1,433	(199)	(640)	(430)	210	0	(9)	(9)	1,502	1,502	0
COVID Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Housing Development															
Housing Development & PSHG	532	539	7	1,995	1,818	(177)	(584)	(365)	219	(294)	(296)	(2)	1,649	1,697	47
Planning, Environment & Building Standards															
Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Building Standards	1,944	1,822	(122)	5	74	69	(14)	(31)	(17)	(25)	0	25	1,910	1,865	(45)
Development Plans	807	707	(100)	3	10	6	0	0	0	(9)	(35)	(26)	802	682	(120)
Area Planning	3,604	3,321	(283)	37	177	140	0	0	0	0	0	0	3,640	3,498	(143)
Planning Appeals & Inquiries	0	0	0	50	264	214	0	0	0	0	0	0	50	264	214
Transport Planning	941	913	(28)	340	231	(110)	(480)	(240)	240	(134)	(102)	32	667	801	134
Environment	2,368	1,718	(649)	206	690	484	0	(346)	(346)	(235)	(193)	41	2,339	1,870	(469)
Planning Fee Income	(65)	31	96	12	196	184	0	0	0	(5,997)	(7,578)	(1,581)	(6,050)	(7,351)	(1,301)
Planning Fee Advertising	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Building Warrant Fee Income	0	0	0	0	52	52	0	0	0	(2,896)	(2,837)	59	(2,896)	(2,785)	111
Infrastructure															
Project Design Unit	6,174	5,764	(410)	385	322	(63)	0	0	0	(6,559)	(5,833)	726	0	253	253
Flood Risk Assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Climate Change & Energy	2,599	2,389	(210)	4,323	7,067	2,744	(5,041)	(5,143)	(102)	(1,564)	(1,754)	(190)	317	2,559	2,242
Roads & Transport															
Winter Maintenance	1,733	1,903	170	3,870	4,172	302	0	0	0	(4)	(3)	1	5,600	6,072	472
Roads Maintenance	18,987	17,457	(1,530)	11,083	13,470	2,386	0	0	0	(20,552)	(19,169)	1,383	9,518	11,758	2,239
Engineering Services	4,696	4,507	(189)	344	550	207	0	0	0	(1,999)	(1,848)	151	3,040	3,209	169
Flood Alleviation	5	2	(3)	29	13	(17)	0	0	0	0	0	0	34	15	(20)
Lighting Services	3,087	2,727	(360)	4,753	4,680	(72)	0	0	0	(3,508)	(3,322)	186	4,331	4,085	(246)
Integrated Transport Services	2,446	2,623	177	1,097	1,732	635	(138)	(243)	(106)	(2,502)	(2,776)	(274)	903	1,336	433
Subsidies & Concessionary Fares	4	0	(4)	15,039	15,172	133	0	0	0	(8,580)	(8,485)	95	6,462	6,687	224
School Transport	0	0	0	25,897	25,981	84	0	0	0	(15)	(21)	(5)	25,882	25,960	78
Car Parks	2,036	2,071	35	800	1,098	298	(366)	(338)	28	(5,959)	(5,943)	16	(3,488)	(3,112)	376
Trading Operations															
Harbours & Ferries	2,105	2,419	314	15,185	19,495	4,310	(25)	(38)	(13)	(22,827)	(24,784)	(1,956)	(5,563)	(2,908)	2,655
Grand Total Infrastructure & Environment and Economy	57,543	54,291	(3,252)	97,103	108,985	11,880	(15,597)	(15,517)	79	(88,888)	(90,121)	(1,233)	50,164	57,640	7,473

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

INFRASTRUCTURE, ENVIRONMENT & ECONOMY MONITORING STATEMENT 2026/27

APPENDIX 3

02/07/26	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Directorate	260	-311	-192	119
Environment & Economic Development	-5,181	-2,647	-2,687	-40
Housing Development	939	1,546	1,969	423
Planning & Building Standards	450	741	402	-339
Infrastructure	721	844	575	-269
Roads & Transport	4,311	54,285	55,243	958
Trading Operations	-1,671	-6,336	-5,226	1,110
Climate Change & Energy	-1,373	-941	1,074	2,015
Grand Total Infrastructure & Environment and Economy	-1,544	47,181	51,158	3,977
BY SUBJECTIVE				
Staff Costs	6,995	60,424	57,503	-2,921
Other Expenditure	11,065	81,757	87,803	6,046
Gross Expenditure	18,060	142,181	145,306	3,125
Grant Income	-7,013	-3,368	-3,375	-7
Other Income	-12,591	-91,631	-90,772	859
Total Income	-19,604	-94,999	-94,147	852
NET TOTAL	-1,544	47,182	51,159	3,977

02/07/26	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	£'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	614	125	613	-1	174	409	259	85	-1,000	-265	-1,000	0	-98	-9	-64	34	-310	260	-192	118
Economic Development																				
Investment Properties	649	96	599	-50	222	47	262	40	0	0	0	0	-4,790	-749	-4,989	-199	-3,919	-606	-4,128	-209
Economy & Regeneration	1,526	-640	1,522	-4	96	56	97	1	0	-3,138	0	0	-174	77	0	174	1,448	-3,645	1,619	171
Business Development & Employability	128	19	128	0	0	7	0	0	0	-185	0	0	-116	-2	-116	0	12	-161	12	0
Projects E & E	557	90	557	0	0	81	0	0	-745	-817	-745	0	0	-125	0	0	-188	-771	-188	0
Housing Development																				
Housing Development & PSHG	440	85	440	0	1,995	855	2,408	413	-584	0	-584	0	-306	0	-295	11	1,545	940	1,969	424
Planning, Environment & Building Standards																				
Building Standards	2,130	331	2,023	-107	5	3	3	-2	-14	0	0	14	-25	0	-30	-5	2,096	334	1,996	-100
Development Plans	863	116	755	-108	3	17	17	14	0	0	0	0	-9	0	0	9	857	133	772	-85
Area Planning	3,919	604	3,873	-46	37	28	13	-24	0	0	0	0	0	0	0	0	3,956	632	3,886	-70
Planning Appeals & Inquiries	0	0	0	0	50	28	251	201	0	0	0	0	0	0	0	0	50	28	251	201
Transport Planning	948	154	823	-125	505	24	490	-15	-461	-13	-461	0	-157	0	-134	23	835	165	718	-117
Environment	1,719	276	1,692	-27	949	56	890	-59	0	98	-2	-2	-104	-255	-178	-74	2,564	175	2,402	-162
Planning Fee Income	-65	0	0	65	12	34	0	-12	0	0	0	0	-6,505	-560	-6,522	-17	-6,558	-526	-6,522	36
Building Warrant Fee Income	0	0	0	0	0	5	0	0	0	0	0	0	-3,058	-495	-3,101	-43	-3,058	-490	-3,101	-43
Infrastructure																				
Project Design Unit	5,054	690	4,955	-99	285	31	278	-7	0	0	0	0	-4,495	0	-4,658	-163	844	721	575	-269
Climate Change & Energy	2,599	414	2,599	0	-2,987	747	-991	1,996	-168	-2,603	-173	-5	-385	69	-362	23	-941	-1,373	1,073	2,014
Roads & Transport																				
Winter Maintenance	1,899	79	1,888	-11	3,704	320	3,715	11	0	0	0	0	-4	0	-4	0	5,599	399	5,599	0
Roads Maintenance	21,230	2,483	19,529	-1,701	12,953	1,836	12,126	-827	0	0	0	0	-23,983	-3,061	-21,225	2,758	10,200	1,258	10,430	230
Engineering Services	4,968	591	5,120	152	147	94	166	19	0	0	0	0	-1,688	-95	-1,793	-105	3,427	590	3,493	66
Flood Alleviation	5	0	5	0	29	1	29	0	0	0	0	0	0	0	0	0	34	1	34	0
Lighting Services	4,185	386	2,909	-1,276	4,871	729	4,741	-130	0	0	0	0	-4,637	-1,492	-3,422	1,215	4,419	-377	4,228	-191
Integrated Transport Services	2,573	359	2,632	59	1,130	364	1,864	734	-138	-55	-154	-16	-2,943	-251	-3,656	-713	622	417	686	64
Subsidies & Concessionary Fares	4	0	4	0	15,240	1,246	16,064	824	0	0	0	0	-8,474	0	-8,751	-277	6,770	1,246	7,317	547
School Transport	0	0	0	0	26,142	1,069	26,147	5	0	0	0	0	-15	-1	-21	-6	26,127	1,068	26,126	-1
Car Parks	2,328	299	2,237	-91	1,058	69	1,065	7	-226	-29	-217	9	-6,072	-630	-5,755	317	-2,912	-291	-2,670	242
Trading Operations																				
Harbours	1,056	163	1,037	-19	13,953	2,717	16,620	2,667	-32	-6	-39	-7	-21,350	-4,679	-23,838	-2,488	-6,373	-1,805	-6,220	153
Ferries	1,095	275	1,563	468	1,184	192	1,289	105	0	0	0	0	-2,243	-333	-1,858	385	36	134	994	958
Grand Total Infrastructure & Environment and Economy	60,424	6,995	57,503	-2,921	81,757	11,065	87,803	6,046	-3,368	-7,013	-3,375	-7	-91,631	-12,591	-90,772	859	47,182	-1,544	51,159	3,977

Budget Savings - Economy and Infrastructure - RAG Assessment - Q1 2026/27			APPENDIX 5
Saving Description	Annual Target for 26/27 (£'000)	Latest RAG	Comments (amber and red)
In House Bus Service - Route Optimisation	0.200		On target
Community Transport vs 3rd Party Providers	0.050		On Target
Corran Ferry Fare Increase	0.135		Slight delay in fare increase - commenced 1st May 2026
Planning Fees - Non Statutory Application	0.080		
Increase Building Warrant and Planning Fees (SG set)	0.507		
Delivery of own Traffic Management Service	0.100		
Roads - Deliver an in-house barrier installation service	0.100		
Roads - Purchase roller and paver to deliver internal and external works	0.119		
Increase mandatory parking fees at Rose Street Car Park	0.020		
Increase the number of invitation to pay car parks	0.050		ongoing discussions with Members to confirm locations
Income generation - increase street lighting design fee	0.030		
Commercial Leases Renegotiation	0.025		
Removal of community loan fund management fee	0.045		
Increase in CRF contribution towards core investment work	0.100		
Busco - Management Fee/Dividend	0.200		On target
Targeted reduction of staffing budgets	0.160		Targets still to be allocated across service areas
Reduction in overtime and agency spend	tbc		Targets still to be allocated across service areas
Income Generation: Fees & charges set by THC	tbc		
Digital Innovation - DB18 Automated Highways Monitoring	0.132		Carried forward from 25/26
Digital Innovation - DB12 Planning Application Intelligent Automation	0.087		
1% efficiency target from relevant service budgets	0.130		Targets still to be allocated across service areas
Digitisation of Job Card Processes	0.100		Carried forward from 25/26
Fees & Charges	0.401		
Infrastructure Support Service	0.100		On Target
EV Charging (rebasing)	0.050		On target
Battery Storage (rebasing)	-0.230		
Maximise and Expand Solar PV (rebasing)	0.000		
Solar Panels – Commercial Estate (rebasing)	-0.200		
Increased Rental income from Industrial & Investment Properties	0.200		
Surpluses from Inverness Castle Operation	0.900		