

Agenda Item	7.
Report No	HP/17/22

THE HIGHLAND COUNCIL

Committee: Housing and Property Committee

Date: 17 November 2022

Report Title: Property Capital Monitoring Statement and Progress Update

Report By: Executive Chief Officer, Housing and Property

1. Purpose/Executive Summary

- 1.1 This report provides Members with the monitoring statement for the second quarter of the 2022/23 financial year to the end of September.
- 1.2 The report also updates Members on progress with some of the key capital projects in the General Fund Capital Programme that are managed by Housing and Property.
- 1.3 Members are reminded that the Council's latest Capital Plan was approved by The Highland Council on 9 December 2021 and the report (Medium Term Financial Plan - Capital Strategy and Capital Programme to 2036/37) can be found at the link below.
https://www.highland.gov.uk/download/meetings/id/79295/9_medium_term_financial_plan_-_capital_strategy_and_capital_programme_to_203637

2. Recommendations

- 2.1 Members are asked to:
 - i. **NOTE** the position for the second quarter of the 2022/23 financial year, and the estimated year-end position.
 - ii. **NOTE** the progress made with the projects referred to in this report.
 - iii. **HOMOLOGATE** the decision taken to retain and convert the modular classroom unit at Bun-Sgoil Shlèite.
 - iv. **NOTE** the current situation at Thurso High and that a further verbal update will be provided at the Committee meeting.

3. Implications

- 3.1 **Resource:** The expenditure on the individual projects and programmes of work is being managed within the overall funding allocations in the revised Capital Programme approved by the Council in December 2021.

- 3.2 **Legal:** The contents of this report and the annual accounts aim to satisfy the requirement of Sections 6 and 7 of the CIPFA Financial Management Code - 'Monitoring Financial Performance' and 'External Financial Reporting'. Also, the capital investment outlined in the report supports the Council's efforts to meet its statutory obligations to maintain compliance of buildings, manage school roll pressures and deliver the Early Learning and Childcare expansion programme.
- 3.3 **Community (Equality, Poverty, Rural and Island):** The report details continuing investment across all geographic areas of the Council's estate. The capital investment programme will make a significant contribution to the economic recovery across Highland communities over the coming years.
- 3.4 **Climate Change/Carbon Clever:** The continuing investment will help meet Council and Scottish Government objectives in relation to energy efficiency and climate change.
- 3.5 **Risk:** Risk implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future meetings of this Committee. All risk matters are managed on both individual projects and across programmes of work.
- 3.6 **Gaelic:** The Capital Programme includes substantial investment to support the delivery and expansion of Gaelic Medium Education.

4. **Capital Programme 2022/23**

- 4.1 The Capital Programme budget for 2022/23 is £73.053M and a summary is included in **Appendix 1**. It includes actual expenditure of £17.965m (25% of annual budget) to the end of Q2. The estimated year end outturn position is currently forecast as being £53.164M which will result in slippage of £19.889M which can be attributed to challenging market conditions, in particular a limited availability of contractors and consultants due to a high volume of work across the construction industry. Further sector pressures are set out in Paragraph 5.2 below.
- 4.2 **Early Learning and Childcare (ELC) / School Estate Improvement Programme:** An investment programme was approved in 2019 that combined the Scottish Government allocation of £32.59M for the ELC expansion programme with Council capital funding to deliver other essential improvements to school buildings at the same time. The programme was delayed from 2020 onwards due to the impact of the pandemic but despite this and other challenges, 80 projects have now been completed. The 4 projects listed below have been delayed for a variety of reasons but continue to be taken forward due to the commitment to the Scottish Government that they will be delivered.
- **Dingwall Primary:** Replacement of nursery accommodation and other necessary improvements to the school campus.
 - **Kiltearn Primary:** Modular nursery unit and refurbishment of vacated areas to address condition and suitability issues.
 - **Kinmylies Primary:** New nursery annexe and conversion of vacated areas to address roll pressures.
 - **Strathconon Primary:** Replacement of dilapidated modular unit and conversion of former schoolhouse.

4.3 **Bun-Sgoil Shlèite:** Following the recent tragic incidents in the Sleat community, it was agreed that a surplus modular double classroom unit that had been earmarked for relocation to Wick High School should be retained in Sleat to help provide ongoing support to the community. The unit is to be converted for use by Fàs Mòr, a Gaelic-medium childcare facility previously based at Sabhal Mòr Ostaig in Sleat, whose premises have been closed since February 2022 due to structural defects in the building. In the meantime, nursery-aged children have been accommodated in the nursery annexe building at the school, and the After School Club have been using the games hall in the main building. Also, there has been no childcare provision at all for pre-nursery children since the premises were vacated. A more suitable solution was required, and these measures will allow essential childcare services to be fully resumed for the Sleat community at this critical time. The cost of the works required to convert the unit is approximately £100,000, and an alternative unit has been sourced for Wick High at a cost of £90,000. Due to the relatively urgent nature of this requirement, the approval of the Chair of the Housing and Property Committee was sought prior to committing to this expenditure and the Committee is asked to homologate this decision. The funding will be allocated from the School Estate Investment Programme capital budget heading.

4.4 **Thurso High School:** Structural Engineers were engaged to carry out a survey of one of the classroom blocks (Block A) during the October holidays. The initial findings from the investigations were that some of the concrete floor beams in an area of the building had spalled and exposed corroded steel reinforcement. The decision was taken to close Block A until further notice and surveys of all the remaining blocks on the campus are underway. Ward Members are being updated regularly and a verbal update will be provided at the Committee meeting. Arrangements are being made to bring on modular classroom accommodation to replace the classrooms in Block A that cannot be accessed, and approval is sought from the Committee for the necessary capital funding to be provided from the School Estate Investment Programme budget heading for the necessary accommodation and associated works.

5. **Major School Projects**

5.1 This section of the report updates on progress with the major school projects that are currently being taken forward. **Appendix 2** sets out the whole life costs of these projects along with “RAG” ratings in relation to the main criteria of Cost, Time and Scope. There are 8 projects currently at the design and planning stages and that are being impacted by the various factors currently affecting the entire construction industry. The impact on these projects will be assessed as part of the review of the Council’s Capital Programme that is currently underway.

5.2 Previous reports to meetings of the Council and the Housing and Property Committee have highlighted some of the pressures that have affected the delivery of projects over the last 2-3 years, and the potential impact on the capital programme of rising construction cost inflation. This situation has worsened significantly since the beginning of this year, and the following are the main factors that are impacting on construction costs.

- General inflation/tender cost indices – rising oil and gas prices; material and labour shortages; the impact of various socio-economic factors and worldwide events; manufacturing and distribution constraints; local, national, and worldwide demand.
- Extraordinary increases in costs of certain materials or products.
- Local supply chain – limited number of sub-contractors in Highland for certain types of work or sizes of project.

- Central belt supply chain – already busy so further inflated cost of working on Highland projects, effectively a higher cost location factor.
- Risk management – contractors, sub-contractors and suppliers are all factoring in additional risk allowances to cover any further increases, particularly for projects with a longer construction period, thus exacerbating the overall position.
- More stringent design and energy performance standards; this includes the adoption of the Passivhaus design principles for new build schools, such as the Tain 3-18 Campus, that are part of the Scottish Government's Learning Estate Investment Programme (LEIP). There is also a requirement to work towards ambitious targets in relation to achieving Net Zero Emissions and a reduction in Construction Embedded Carbon.

5.3 **Ness Castle Primary School:** Progress on the construction of the new school building at Ness Castle in Inverness was delayed due to the factors affecting the construction industry since work commenced on site in May 2021, including the ongoing effect of the Covid-19 pandemic. As a result, an interim plan was implemented to establish the new Ness Castle Primary School at the Holm Primary School campus from the start of the school session in August. However, work is nearing completion and the new building at Ness Castle will be operational for the start of the school term in January.

5.4 **Learning Estate Investment Programme Phase 1 and Phase 2 Projects:** The contract for the new Tain 3-18 Campus building (included in Phase 1 of LEIP) was awarded in August in line with the approval given by Members at the Council meeting in June. Construction work commenced in late September and is due to be completed in December 2024. The Scottish Government has recently announced an £800k Capital Grant allocation for the delivery of the Gaelic Medium Education unit which is over and above the LEIP allocation. Design work is progressing on the new school buildings at Broadford Primary School and Nairn Academy, which are included in Phase 2 of LEIP and therefore must be occupied by the end of 2025.

5.5 **Other Major Projects:** As well as the projects outlined in 5.3 and 5.4, design and planning work continues to progress on a further 6 major school projects that are currently at pre-construction stage as listed below. Stakeholder Group meetings resumed from the start of the new school session in August and information on all the major new build and extension projects, including minutes of Stakeholder Group meetings, can be found at the following link.
https://www.highland.gov.uk/info/878/schools/845/school_estate_management

- Beauly Primary School
- Charleston Academy
- Culloden Academy
- Dunvegan Primary School
- Park Primary School
- St Clement's School

5.6 **Learning Estate Investment Programme Phase 3:** The Council has submitted a bid to the Scottish Government for the third phase of the programme in line with the recommendations in the report that was approved at the Council meeting in September 2022. The projects included in the bid are as follows; replacement buildings at Beauly, Dunvegan and Park Primary Schools; a replacement building on a new site in Dingwall for St Clement's School; and a new Primary School at the Tornagrain development to the east of Inverness. An announcement on the outcome of the bidding process is expected before the end of December.

6. Strategic Asset Management Programme

- 6.1 Works are progressing with continued investment through the various budget headings to maintain statutory compliance and carry out improvements in the building condition and engineering installations in the various properties in the General Fund estate.
- 6.2 The Building Condition Survey programme is progressing with Phase 1 (Council Depots) complete and Phase 2 in progress, which includes all Secondary Schools within the Lochaber, Badenoch and Strathspey areas. Phase 2A is nearing completion, and Phases 2B and 2C are progressing.

7. Housing (Non HRA) Travelling People Sites

- 7.1 Housing Services have submitted a bid to the Scottish Government's Gypsy Traveller Accommodation Fund to redevelop the Longman site (to meet revised fire standards and to bring them up to current standards). The Scottish Government are looking for significant match funding and the current capital budget has been carried forward from previous year/s to achieve this.
- 7.2 The redevelopment works are unable to proceed until we access the significant funding as above. There is ongoing discussion with the Scottish Government regarding the funding bid and an announcement is anticipated pre-Christmas. Works will commence as soon as practicable if the funding bid is successful.

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