

<b>Agenda Item</b>	<b>7</b>
<b>Report No</b>	<b>HP/05/23</b>

## THE HIGHLAND COUNCIL

**Committee:** Housing and Property

**Date:** 26 January 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 third quarter of the 2022/23 financial year to the end of December 2022.
- 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 a review of the Council's Capital Programme is underway and that the current Capital Programme was approved at the Council meeting on 9 December 2021. 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](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 third 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. **NOTE** the progress on the structural investigations at Thurso High School and **APPROVE** the allocation of £2M from the School Estate Improvement Programme capital budget heading for the installation of modular classroom accommodation, all as outlined in Paragraphs 4.5 and 4.6.
  - iv. **NOTE** the progress on the new building for Ness Castle Primary School in Inverness and that a verbal update will be provided at the Committee meeting.
  - v. **NOTE** that an announcement on the outcome of the bidding process for Phase 3 of the Scottish Government's Learning Estate Investment Programme is

expected early in 2023 and that a 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 planned capital 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 £71.088M and a summary is included in **Appendix 1**. It includes actual net expenditure of £27.090m (38% of the annual budget) to the end of December. The estimated year end outturn position is currently forecast as being £48.695M which will result in slippage of £22.393M 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 It should be noted that the statement includes additional income of £1.394M that has been received this financial year following the successful outcome of an application to the Scottish Government for Gaelic funding. This resulted in the award of £0.8M towards the Tain 3-18 Campus project and £0.594M for the Broadford Primary School project.
- 4.3 The statement also now includes two additional self-funded projects:
- A new multi-use games area at Dornoch Academy that is nearing completion.
  - A new synthetic playing field at the UHI Campus that will be owned by the Council, operated by High Life Highland, and is programmed for completion later this year.

- 4.4 **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, and an update on the status of each project is included below.
- **Dingwall Primary:** Replacement of nursery accommodation and other necessary improvements to the school campus; options are being considered within a limited area on the campus that can be developed due to flood risk restrictions. Further engagement is required with Ward Members.
  - **Kiltearn Primary:** Modular nursery unit and refurbishment of vacated areas to address condition and suitability issues; proposal being developed, a small area of additional land may be required for car parking.
  - **Kinmylies Primary:** New nursery annexe and conversion of vacated areas to address roll pressures; has been included in the Planning in Principle application for the Charleston Academy masterplan and the detailed design is now progressing.
  - **Strathconon Primary:** Replacement of dilapidated modular unit and conversion of former schoolhouse. Planning approval for the scheme was obtained in December and the project is moving to tender stage.
- 4.5 **Thurso High School – Structural Defects:** A decision was taken in October 2022 to close one of the classroom blocks (Block A) until further notice and to carry out surveys of all the remaining blocks on the campus. Most of these blocks have now been surveyed, with the Games Hall to be surveyed this month and the remaining Kitchen and Technical blocks during a holiday period. Further intrusive investigations have been carried out on Block A and two options for temporary stabilisation works have been identified and are being appraised. The longer-term options are currently being assessed and will be reported to a future Committee meeting.
- 4.6 **Thurso High School – Modular Accommodation:** Temporary modular classroom accommodation has been installed as an interim solution to replace the classrooms in Block A that cannot be accessed, and arrangements are being made to install permanent modular accommodation. The total cost of the modular accommodation is estimated at £2M and, if approved, could be completed by October at the latest. Approval is therefore sought from the Committee for the necessary capital funding to be provided from the School Estate Investment Programme budget heading.
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 have been 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 this 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 2022, and the following are the main factors that have been 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 that affected the construction industry after 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 2022. It is anticipated that the Council will take possession of the new building during week commencing 23 January to allow the school to commence operating from there on Monday 27 February. A verbal update on the handover of the building will be provided at the Committee meeting.

**5.4 Learning Estate Investment Programme Phases 1 and 2:** 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. 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 must be occupied by the end of 2025 as one of the conditions of the funding award.

**5.5 Other Major Projects:** As well as the projects outlined in Paragraphs 5.3 and 5.4, the Council agreed at its meeting in June 2022 that design and planning work should continue to progress on the major school projects at pre-construction stage that are listed below. This approach will allow the projects to potentially be taken up to tender stage while awaiting the outcome of the review of the Council's Capital Programme.

- Beauly Primary School – New Build
- Charleston Academy – Extension/Refurbishment
- Culloden Academy – Extension/Refurbishment
- Dunvegan Primary School – New Build
- Park Primary School – New Build
- St Clement's School – New Build

- 5.6 **Stakeholder Groups:** Groups have been established for the 10 major new build and extension projects referred to in Paragraphs 5.3 to 5.5. Information on all the projects, including minutes of Stakeholder Group meetings, can be found at the link below.  
[https://www.highland.gov.uk/info/878/schools/845/school\\_estate\\_management](https://www.highland.gov.uk/info/878/schools/845/school_estate_management)
- 5.7 **Learning Estate Investment Programme Phase 3:** A bid was submitted to the Scottish Government in October 2022 for the following projects: 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 building for the new Primary School at the Tornagrain development to the east of Inverness. An announcement was expected from the Scottish Government before the end of December on the outcome of the bidding process. However, all Local Authorities were notified on 22 December "that unfortunately due to other work pressures the Phase 3 announcement of the Learning Estate Investment Programme will be delayed until early in the New Year". A verbal update will be provided at the Committee meeting.
- 5.8 **New Primary School at Tornagrain:** The approved capital programme currently has a delivery date of 2030/31 for the new school building. However, as reported to the Council meeting in September 2022, it is likely to be required well before then due to the impact of the forecast roll pressures at Croy Primary School. It was agreed at the Council meeting that the project should be included in the bid for Phase 3 of the LEIP. A statutory consultation process would be required to establish the new school and catchment area, which usually takes up to a year to complete. Officers have therefore commenced on the initial engagement process and consideration of options required prior to formally launching the statutory consultation, as well as the commencement of the initial strategic briefing stage for the design of the new building. The actual timing of the construction phase of the project will be subject to the outcome of both the review of capital programme that is underway and the LEIP Phase 3 bidding process.
- 6. Strategic Asset Management Programme**
- 6.1 **Generally:** Works are progressing with continued investment through the various budget headings to maintain statutory compliance and carry out improvements to the condition of the building fabric and engineering installations in the various properties in the General Fund estate.
- 6.2 **Property Surveys:** The Building Condition Survey programme is progressing with Phase 1 (Council Depots) complete. Phase 2 includes all Secondary Schools within the Lochaber, Badenoch and Strathspey areas and is nearing completion. Phase 3 will concentrate on the Black Isle and Cromarty Firth areas and is currently at contract award stage.
- 7. Housing (Non HRA) Gypsy/Traveller Sites**
- 7.1 Housing Services have been successful in securing Scottish Government funding to transform Longman Park into a 'great place to live and bring up children'. This significant funding will enable, over the next two years, land works and the development of new rented accommodation and enhanced site facilities. This will improve and future proof the services on offer to the tenants at the site (rented from Inverness' Common Good Fund). Our aim is to bring Longman Park up to the standards which we aim to provide to all our tenants. The residents have been actively involved in helping to draw up the design plans - making sure that their needs and preferences inform the improvements. This close working and active engagement will continue.

7.2 The capital budget for Highland Gypsy Traveller sites has been carried forward from previous years to provide the required match funding. This project will help deliver the Council's 'Fairer Highland' commitments and is one of a small number of Scottish demonstrator projects.

Designation: Executive Chief Officer, Housing and Property

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MONITORING OF CAPITAL EXPENDITURE - TO 31ST DECEMBER 2022 (Q3)

SERVICE: PROPERTY & HOUSING

Project Description	BUDGET	ACTUALS			ESTIMATES			VARIANCE		
	2022/23 Budget (incl. carry forward from prior year)	2022/23 Actual Expenditure	2022/23 Actual Income	2022/23 Actual Net Year to Date	2022/23 Estimated Expenditure	2022/23 Estimated Income	2022/23 Estimated Outturn	2022/23 Variance Est. Outturn v Budget	2022/23 Acceleration/ (Slippage)	2022/23 Overspend/ (Underspend)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>COMMUNITY AND LEISURE FACILITIES</b>										
Community and Leisure Facilities	929	258	0	258	429	0	429	(500)	(500)	0
Inverness Leisure Centre & Aquadome	125	0	0	0	50	0	50	(75)	(75)	0
Other Properties (Comm & Leisure)	66	47	0	47	66	0	66	0	0	0
Dornoch Academy - Multi Use Games Area	0	31	0	31	100	(100)	0	0	0	0
UHI Campus - Synthetic Sports Pitch	0	42	0	42	50	0	50	50	50	0
Eden Court Theatre Redevelopment	827	0	0	0	0	0	0	(827)	(827)	0
<b>SCHOOLS</b>										
Alness Academy	776	436	0	436	986	(210)	776	0	0	0
Beaully Primary	919	490	0	490	919	0	919	(0)	0	0
Broadford Primary - LEIP Phase 2	91	515	(599)	(84)	940	(599)	341	250	250	0
Charleston Academy	4,063	80	0	80	563	0	563	(3,500)	(3,500)	0
Culloden Academy	2,901	2,423	0	2,423	2,901	0	2,901	0	0	0
Dunvegan Primary	1,082	482	0	482	832	0	832	(250)	(250)	0
Inverness High School	245	88	0	88	245	0	245	0	0	0
Lochaber High Flood Damage	(765)	27	0	27	50	0	50	815	815	0
Merkinch Primary	242	17	0	17	242	0	242	0	0	0
Nairn Academy - LEIP Phase 2	1,784	1,096	(20)	1,076	1,364	(20)	1,344	(440)	(440)	0
Ness Castle Primary	5,877	5,721	0	5,721	5,877	0	5,877	0	0	0
Park Primary - Fire Reinstatement	(1,575)	280	0	280	425	0	425	2,000	2,000	0
Park Primary	1,988	142	0	142	988	0	988	(1,000)	(1,000)	0
St Clement's	304	19	0	19	54	0	54	(250)	(250)	0
Tain 3 to 18 Campus - LEIP Phase 1	4,493	2,272	(800)	1,472	6,975	(800)	6,175	1,682	1,682	0
Early Learning and Childcare/School Estate Improvement Programme	22,570	6,547	(1)	6,546	10,672	(102)	10,570	(12,000)	(12,000)	0
Remote Schools - Housing Accommodation	250	312	0	312	350	0	350	100	100	0
E&L Residential Properties	83	0	0	0	83	0	83	0	0	0
The Bridge School	1,143	0	0	0	1,143	0	1,143	0	0	0
<b>HEALTH &amp; SOCIAL CARE PROGRAMME</b>										
Adult Services (NHS)	4,769	234	(4)	230	773	(4)	769	(4,000)	(4,000)	0
Children's Services/Out of Authority	650	65	0	65	250	0	250	(400)	(400)	0
<b>STRATEGIC ASSET MANAGEMENT</b>										
Engineering Compliance	1,293	1,157	(222)	935	1,729	0	1,729	436	436	0
Catering & FM Compliance	922	140	0	140	500	0	500	(422)	(422)	0
Property Structures and Fabric	3,112	2,690	0	2,690	4,037	0	4,037	925	925	0
Property Security	80	347	0	347	435	0	435	356	356	0
Property Surveys	687	279	0	279	400	0	400	(287)	(287)	0
Council Property Estate Annual Improvements	1,875	0	0	0	150	0	150	(1,725)	(1,725)	0
Water Management	398	15	0	15	100	0	100	(298)	(298)	0
Fire Safety	(147)	244	0	244	422	0	422	569	569	0
Asbestos Removal	114	27	0	27	50	0	50	(64)	(64)	0
Energy Management	2,707	825	0	825	960	0	960	(1,747)	(1,747)	0
Depots - Health & Safety	1,132	29	0	29	500	0	500	(632)	(632)	0
Office Rationalisation	1,459	109	0	109	300	0	300	(1,159)	(1,159)	0
<b>HOUSING (NON HRA)</b>										
Private Sector Housing Grants	3,079	1,484	(73)	1,411	3,138	(59)	3,079	0	0	0
Travelling People Sites	541	26	(187)	(161)	728	(187)	541	(0)	0	0
<b>OVERALL TOTAL</b>	<b>71,088</b>	<b>28,996</b>	<b>(1,906)</b>	<b>27,090</b>	<b>50,776</b>	<b>(2,081)</b>	<b>48,695</b>	<b>(22,393)</b>	<b>(22,393)</b>	<b>0</b>

CHECK

71,088

28,996

-1,906

27,090

53,588

-583

53,005

-18,083

-18,083

0

1394  
-1918  
1884  
605

CAPITAL MAJOR PROJECT WHOLE LIFE REPORTING - Q3

SERVICE: PROPERTY & HOUSING

Project Description	WHOLE LIFE BUDGET TO 2036/37			ACTUALS TO DATE - 2022/23 Q3			FORECAST TO END OF PROJECT			PROJECT ASSESSMENT			COMMENTS
	Life Budget Expenditure	Life Budget Income	Life Budget Net	Actual Expenditure To Date	Actual Income To Date	Actual Net To Date	Forecast Expenditure	Forecast Income	Forecast Net	Cost	Timing	Scope	COMMENTS
	£000	£000	£000	£000	£000	£000	£000	£000	£000				
Eden Court Highlands Theatre Redevelopment	13,385	-11,154	2,231				13,385	-11,154	2,231	R	TBC	TBC	Project still in its infancy. Rising costs noted as a potential risk for now given ongoing uncertainty in economy.
Alness Academy	37,883	-3,101	34,782	37,432	-1,000	36,432	37,883	-3,101	34,782	G	G	G	New building operational from October 2020; phase 2 works completed in 2022.
Inverness High	16,789		16,789	16,929		16,929	16,789		16,789	G	G	G	Works complete.
Merkinch Primary	20,269	-1,000	19,269	20,017		20,017	20,269	-1,000	19,269	G	G	G	New building operational from October 2020.
Ness Castle Primary	14,868	-2,084	12,784	13,822		13,822	14,868	-2,084	12,784	G	R	G	New building to be operational in February 2023.
Tain 3-18 Campus - LEIP Phase 1	69,400	-800	68,600	4,897	-800	4,097	69,400	-800	68,600	G	G	G	Construction work underway; to be complete in December 2024
Broadford Primary - LEIP Phase 2	14,193	-599	13,594	632	-604	28	TBC	TBC	TBC	R	TBC	TBC	Design in progress.
Nairn Academy - LEIP Phase 2	42,165	-25	42,140	1,378	-20	1,358	TBC	TBC	TBC	R	TBC	TBC	Design in progress.
Beaully Primary	12,000		12,000	646		646	TBC	TBC	TBC	R	TBC	TBC	Design in progress.
Charleston Academy	16,011	-164	15,847	351		351	TBC	TBC	TBC	R	TBC	TBC	Design in progress.
Culloden Academy	19,218	-1,001	18,217	5,814		5,814	TBC	TBC	TBC	R	TBC	TBC	Design in progress.
Dunvegan Primary	12,250	-250	12,000	711	-250	461	TBC	TBC	TBC	R	TBC	TBC	Design in progress.
Park Primary	13,000		13,000	154		154	TBC	TBC	TBC	R	TBC	TBC	Design in progress.
St Clement's School	13,000		13,000	81		81	TBC	TBC	TBC	R	TBC	TBC	Design in progress.