

# The Highland Council

Agenda Item	<b>6.b</b>
Report No	<b>RES/02/24</b>

**Committee:** Corporate Resources

**Date:** 7 March 2024

**Report Title:** Corporate Capital Monitoring Report for Quarter 3 2023/24

**Report By:** Interim Head of Corporate Finance

## 1. Purpose/Executive Summary

- 1.1 This report provides Members with the corporate capital monitoring statement for the third quarter of the 2023/24 financial year to 31st December 2023, which presents a summary of the actual spend together with a forecast 2023/24 year end outturn position.
- 1.2 Net spend on capital projects to the end of Q3 2023/24 totalled £74.620m for the General Fund against a net annual budget figure of £122.200m. Net spend on capital projects for the Housing Revenue Account (HRA) totalled £42.213m against a net annual budget figure of £69.473m.
- 1.3 The forecast net outturn for the General Fund for 2023/24 totals £107.386m and this would give rise to a forecast net underspend against budget of £14.814m. The forecast net outturn for the HRA for 2023/24 totals £61.981m and this would give rise to a forecast net underspend against budget of £7.492m.
- 1.4 The report also highlights how the planned capital expenditure for 2023/24 will be funded, with borrowing being a major source across both the General Fund and HRA.
- 1.5 This report also updates Members of the monitoring position of the Council's major projects in the General Fund Capital Programme.
- 1.6 Members are reminded that, for the General Fund, a revised one-year Capital Programme for 2023/24 was approved in March 2023. A new five-year Capital Programme covering 2024/25 to 2028/29 was approved in September 2023.

## 2. Recommendations

- 2.1 Members are asked to:
  - i. **Note** the net spend to the end of Q3 2023/24, the forecast year end outturn and the funding profile.
  - ii. **Note** the updated position of approved major capital projects.

### 3. Implications

#### 3.1 Resource:

Resource implications are discussed in the report.

#### 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'.

#### 3.3 Risk:

Risk implications to the budget position, and budget assumptions, will be kept under regular review and any project-specific risks identified reported to future Committees. The affordability of the Capital Programme as a whole is subject to variations in price inflation and changes in interest rates.

#### 3.4 Health and Safety:

An important aspect of continued capital investment relates to managing health and safety risk. The requirement to safely maintain and enhance Council assets, essential to the delivery of frontline services, remains an increasing challenge to the Council as a number of assets reach the end of their useful economic life.

#### 3.5 There are no specific Community (Equality, Poverty, Rural and Island); Climate Change / Carbon Clever; or Gaelic implications arising as a direct result of this report.

### 4. General Fund Capital Monitoring Q3 2023/24

4.1 **Appendix 1** provides a summary of the capital programme budgets, spend and income for Q3 of financial year 2023/24, along with the forecast outturn position to the end of the financial year. The actual figures provided reflect the net project expenditure, i.e. project costs incurred less project-specific income received. The net budget for 2023/24 is £122.200m. This includes a net budget of £117.701m approved by Council in March 2023 plus additional government grant funding received for 2023/24 and unspent grant funding carried forward from 2022/23.

4.2 Overall, there has been a net expenditure of £74.620m for Q3, which reflects 61% of the annual budget.

4.3 The forecast outturn position to the end of 2023/24 projects a net expenditure of £107.386m which would result in a forecast underspend against budget of £14.814m. Unless otherwise stated, an underspend against budget is typically due to the profile of spend, rather than an adjustment to overall project cost. The forecast underspend has increased from Q2 and can be attributed to the following:

- **Tain 3-18 Campus:** Forecast underspend of £8.000m due to over-optimistic cash flow forecasts provided by the contractor at the start of this financial year and the impact of delays in completion of some work elements.
- **School Estate & ELC Investment Programme:** Forecast underspend of £3.000m primarily due to delays in delivery of two ELC projects at Kiltarn and Kinmylies Primary Schools. Both are expected to progress in 24/25 and budget will require to be carried forward.
- **Free School Meals Programme:** Forecast underspend of £1.800m in respect of free school meals expansion for primary children. Most of the expenditure will fall in 24/25 and as such will require to be carried forward.

- **Review of Capital Programme:** Forecast underspend of £2.850m in respect of budgets that are no longer required this financial year as a result of decisions taken to defer certain projects as part of the September 2023 capital programme review.

4.4 **Appendix 2** presents how the forecast General Fund net capital expenditure for 2023/24 will be funded. Borrowing continues to be the largest source of funding with £82.822m forecast, amounting to 77% of forecast net capital expenditure. The General Capital Grant is expected to be £24.064m.

4.5 Individual project spend forms the basis of the capital reports to Strategic Committees and links to those papers are provided below within Background Papers.

## 5. Major Capital Projects

5.1 **Appendix 3** provides a summary of the whole life financial position for the Council's major projects at the end of Q3 2023/24. The reporting of major projects provides an estimated outturn over the entire life of each major project, spanning multiple financial years where relevant. The estimated outturn is presented alongside the whole life budget, as per the approved Capital Programme, and the actual expenditure incurred and project-specific income received to date. Those rated as Red for Costs are ongoing projects with either an overspend recorded or where specific factors continue to generate uncertainty over the final cost position.

5.2 As a reminder, the major projects appendix highlights the level of risk associated with each project's **cost, scope and timing**, using a RAG rating system, as follows:

- **Red** – there are major concerns the project will not deliver as intended.
- **Amber** – there is some concern the project will not deliver as intended.
- **Green** – the project is on track to deliver as intended.

## 6. HRA Capital Monitoring Q3 2023/24

6.1 **Appendix 4** presents the net outturn figures for the HRA Capital Programme to the end of Q3 2023/24, along with the forecast net outturn to the end of the financial year. It reports a net outturn figure of £42.213m which reflects 61% of the annual budget of £69.473m. The forecast annual net outturn to the end of 2023/24 is £61.981m which therefore projects an underspend of £7.492m against budget, being issues related to labour and material shortages at both Highland and national level. The current programme seeks to deliver 185 new homes by 31 March 2024. A further 206 new homes are on a site scheduled for completion in 2024/25. Additional projects to deliver a further 118 homes in future years are also scheduled to start on site during 2023/24.

6.2 Despite the economic challenges faced, the Council remains committed to delivering projects on time and within budget. The mainstream HRA Capital Programme is based on the HRA Capital Plan 2022-2027, through which resources are allocated at area level and local projects approved at an Area Committee level. The new Council house build programme was approved in April 2023 as part of the Council's Strategic Housing Investment Programme 2023-2028.

6.3 **Appendix 5** presents how the forecast HRA net capital expenditure for 2023/24 will be funded. Borrowing continues to be the largest source of funding with £38.247m forecast, amounting to 62% of forecast net capital expenditure. The other major sources of funding

include the Scottish Government Grant of £21.000m and the Council's Landbank Fund of £2.192m.

Designation: Interim Head of Corporate Finance

Date: 23 February 2024

Authors: Brian Porter – Interim Head of Corporate Finance  
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### **Background Papers:**

- *Communities & Place Committee General Fund Capital Monitoring:*  
[https://www.highland.gov.uk/download/meetings/id/82946/5\\_capital\\_monitoring\\_%E2%80%93\\_quarter\\_3\\_202324](https://www.highland.gov.uk/download/meetings/id/82946/5_capital_monitoring_%E2%80%93_quarter_3_202324)
- *Economy & Infrastructure Committee General Fund Capital Monitoring:*  
[https://www.highland.gov.uk/download/meetings/id/82906/item\\_5\\_capital\\_monitoring\\_%E2%80%93\\_quarter\\_3\\_202324](https://www.highland.gov.uk/download/meetings/id/82906/item_5_capital_monitoring_%E2%80%93_quarter_3_202324)
- *Housing & Property Committee General Fund Capital Monitoring:*  
[https://www.highland.gov.uk/download/meetings/id/82769/item\\_7\\_final\\_property\\_capital\\_monitoring\\_statement\\_and\\_progress\\_update\\_report](https://www.highland.gov.uk/download/meetings/id/82769/item_7_final_property_capital_monitoring_statement_and_progress_update_report)
- *Housing & Property Committee HRA Capital Monitoring:*  
[https://www.highland.gov.uk/download/meetings/id/82770/item\\_8\\_final\\_hra\\_capital\\_monitoring\\_report\\_q3\\_to\\_31\\_december\\_2023](https://www.highland.gov.uk/download/meetings/id/82770/item_8_final_hra_capital_monitoring_report_q3_to_31_december_2023)
- *General Fund Capital Programme 2023/24 - Approved March 2023:*  
[https://www.highland.gov.uk/download/meetings/id/81258/item\\_3\\_revenue\\_and\\_capital\\_budgets\\_202324\\_and\\_medium-term\\_financial\\_outlook](https://www.highland.gov.uk/download/meetings/id/81258/item_3_revenue_and_capital_budgets_202324_and_medium-term_financial_outlook)
- *General Fund Capital Programme 2024/25 – 2028/29 - Approved September 2023:*  
[https://www.highland.gov.uk/download/meetings/id/82168/item\\_12\\_capital\\_programme\\_review](https://www.highland.gov.uk/download/meetings/id/82168/item_12_capital_programme_review)

## MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2023 TO 31ST DECEMBER 2023 (Q3 2023/24)

SERVICE: GENERAL FUND

Project Description	BUDGET	ACTUAL			FORECASTS			VARIANCE		
	2023/24 Capital Budget	2023/24 Actual Expenditure	2023/24 Actual Income	2023/24 Actual Net Year to Date	2023/24 Forecast Expenditure	2023/24 Forecast Income	2023/24 Forecast Outturn	2023/24 Variance F'cast v Budget	2023/24 Project Reprofiling	2023/24 Overspend / (Underspend)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
COMMUNITY AND LEISURE FACILITIES	758	334	(158)	176	931	(173)	758	0	0	0
SCHOOLS	51,297	22,292	(2,659)	19,633	35,857	(360)	35,497	(15,800)	(12,950)	(2,850)
HEALTH & SOCIAL CARE PROGRAMME	850	109	(4)	105	854	(4)	850	0	0	0
ICT	3,969	1,322	0	1,322	2,525	0	2,525	(1,444)	(1,444)	0
ROADS AND BRIDGES	21,764	20,264	(1,282)	18,982	27,862	(4,859)	23,003	1,239	1,239	0
ACTIVE TRAVEL & TRANSPORT	857	3,258	(1,055)	2,203	6,662	(5,617)	1,045	188	188	0
PARKING	1,360	273	(390)	(117)	1,179	(191)	988	(372)	(372)	0
LIGHTING & COMMUNICATIONS	1,220	1,010	(20)	990	1,804	(584)	1,220	0	0	0
FLOOD PREVENTION	2,003	2,525	0	2,525	3,126	0	3,126	1,123	1,123	0
WASTE MANAGEMENT	3,031	352	(11)	341	2,844	(2,241)	603	(2,428)	(2,428)	0
HARBOURS & FERRIES	7,242	19,077	(6,238)	12,839	24,329	(14,647)	9,682	2,440	2,440	0
BEREAVEMENT SERVICES	2,226	344	0	344	1,216	0	1,216	(1,010)	(1,010)	0
COMMUNITY SPACES	899	499	(401)	98	921	(831)	90	(809)	(809)	0
PUBLIC CONVENIENCES	167	775	(412)	363	1,232	(878)	354	187	187	0
PROPERTY STRATEGIC ASSET MANAGEMENT	9,584	10,645	(1,324)	9,321	12,105	(506)	11,599	2,015	2,015	0
VEHICLES & PLANT	5,647	3,752	(287)	3,465	5,147	(500)	4,647	(1,000)	(1,000)	0
PLANNING & DEVELOPMENT	5,926	13,260	(13,100)	160	32,633	(25,969)	6,664	738	748	(10)
ENERGY EFFICIENCY SALIX	650	47	0	47	769	0	769	119	119	0
HOUSING (NON HRA)	2,750	2,000	(177)	1,823	6,087	(3,337)	2,750	0	0	0
<b>OVERALL TOTAL</b>	<b>122,200</b>	<b>102,138</b>	<b>(27,518)</b>	<b>74,620</b>	<b>168,083</b>	<b>(60,697)</b>	<b>107,386</b>	<b>(14,814)</b>	<b>(11,954)</b>	<b>(2,860)</b>

## FUNDING OF CAPITAL EXPENDITURE - 1ST APRIL 2023 TO 31ST DECEMBER 2023 (Q3 2023/24)

## SERVICE: GENERAL FUND

Funding	2023/24 Capital Budget	2023/24 Actual Net Year to Date	2023/24 Forecast Outturn	2023/24 Variance F'cast Outturn v Budget	2023/24 Project Reprofiling	2023/24 Overspend / (Underspend)
	£000	£000	£000	£000	£000	£000
General Capital Grant	24,064	16,913	24,064	0	0	0
Capital Receipts	500	265	500	0	0	0
Borrowing	97,636	57,442	82,822	(14,814)	(11,954)	(2,860)
<b>TOTAL FUNDING</b>	<b>122,200</b>	<b>74,620</b>	<b>107,386</b>	<b>(14,814)</b>	<b>(11,954)</b>	<b>(2,860)</b>

CAPITAL MAJOR PROJECT WHOLE LIFE REPORTING - 2023/24 Q3

GENERAL FUND

Project Description	WHOLE LIFE BUDGET			ACTUALS TO DATE Q3 2023/24			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		
	£000	£000	£000	£000	£000	£000	£000	£000	£000					
Tain 3-18 Campus	74,000	-800	73,200	20,127	-800	19,327	74,000	-800	73,200	G	G	G	Construction work underway; to be complete in December 2024. Budget of £74m includes contingency.	
Broadford Primary	21,000	-594	20,406	820	-604	216	21,000	-594	20,406	G	G	G		Design in progress.
Nairn Academy	59,020	-20	59,000	2,656	-20	2,636	59,020	-20	59,000	G	G	G		Design in progress.
Naver Bridge	11,575		11,575	180		180	11,575		11,575	A	G	G	Construction work approved as part of revised capital programme. Works progressing through tender stage and this will allow confirmation of final price. Cost set to amber for now due to uncertainty about tender pricing.	
Caol FPW	10,948	-500	10,448	11,726	-500	11,226	11,901	-500	11,401	R	G	G	Project complete. Contract included contingency bringing total to £11.9m. Total spend includes additional £500k funded by Scottish Water. Retention of £175k is due in 24/25.	
Uig Ferry Terminal and Link Span	63,994	-38,399	25,595	55,690	-28,685	27,005	63,994	-38,399	25,595	R	A	A	Construction works ongoing. Completion programmed for August 2024. Capital spend to be repaid from future income stream. Red status on price due to inflationary risk and outage cost.	
Inverness Castle	35,905	-20,350	15,555	19,722	-15,833	3,889	35,905	-20,350	15,555	A	G	G	Contract let, on programme, estimated completion Spring 2025. Fixed price contract currently on track.	
Recycling Improvement Fund (RIF)	6,550	-6,550	0	46	-11	35	6,550	-6,550	0	G	G	G	Full funding received from Zero Waste Scotland through the Recycling Improvement Fund to deliver significant capital expenditure phased over period 2024 to 2026.	

## MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2023 TO 31ST DECEMBER 2023

## SERVICE: HOUSING REVENUE ACCOUNT

Project Description	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance	Project Reprofitting Net	Anticipated Year End (Under)/Over
	£000	£000	£000	£000	£000	£000
<b>Capital Programme 2023/24</b>						
Equipment and Adaptations	1,043	875	1,120	77	77	
Major Component Replacement	2,240	2,538	2,778	538	538	
Heating/Energy Efficiency	17,355	8,035	11,840	(5,515)	(5,515)	
External Fabric (Major Component Replacement)	1,308	190	862	(446)	(456)	10
External Fabric (Environmental Improvements)	1,249	271	1,047	(202)	(202)	
Healthy, Safe and Secure	1,214	491	932	(282)	(282)	
Contingencies/Retentions	1,752	1	200	(1,552)	(1,552)	
<b>Total 2023/24 Programme</b>	<b>26,161</b>	<b>12,401</b>	<b>18,779</b>	<b>(7,382)</b>	<b>(7,392)</b>	<b>10</b>
Insurance Works				0		
<b>Total 2023/24 Programme</b>	<b>26,161</b>	<b>12,401</b>	<b>18,779</b>	<b>(7,382)</b>	<b>(7,392)</b>	<b>10</b>
<b>Council House Building Capital Programme</b>						
New Council House Buildings	37,712	24,891	37,702	(10)	(10)	
Individual House Purchases	5,600	4,921	5,500	(100)	(100)	
<b>Total Council Building Programme</b>	<b>43,312</b>	<b>29,812</b>	<b>43,202</b>	<b>(110)</b>	<b>(110)</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>69,473</b>	<b>42,213</b>	<b>61,981</b>	<b>(7,492)</b>	<b>(7,502)</b>	<b>10</b>



## MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2023 TO 31ST DECEMBER 2023

## SERVICE: HOUSING REVENUE ACCOUNT

Funding	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
<b>Investment Programme</b>				
Useable Capital Receipts	0	36	36	36
RHI Income	0	6	6	6
Government Grant	19,500	10,028	21,000	1,500
Landbank	2,400	1,148	2,192	(208)
Evergreen Infrastructure Loan Fund	500	0	500	0
Borrowing	47,073	30,995	38,247	(8,826)
<b>GROSS FUNDING</b>	<b>69,473</b>	<b>42,213</b>	<b>61,981</b>	<b>(7,492)</b>