

# The Highland Council

Agenda Item	<b>9</b>
Report No	<b>HP/06/25</b>

**Committee:** Housing and Property

**Date:** 29 January 2025

**Report Title:** Property Capital Monitoring Statement and Progress Update

**Report By:** Assistant Chief Executive – Place

## 1. Purpose/Executive Summary

- 1.1 This report advises on the Capital Monitoring position at the end of the third quarter of the 2024/25 financial year and on the estimated year-end position.
- 1.2 The report also updates on progress with the delivery of projects in the General Fund Capital Programme that are managed by the Property teams in the Place Service Cluster.

## 2. Recommendations

- 2.1 Members are asked to:
  - i. **NOTE** the capital monitoring position at the end of the third quarter of the 2024/25 financial year, the estimated year-end position, and the main financial variances outlined in the report.
  - ii. **NOTE** the current position regarding the delivery of the works programmes, the individual projects referred to in this report, and the work underway to identify the priorities for 2025/26 and the subsequent years.
  - iii. **NOTE** the progress on the Reinforced Autoclaved Aerated Concrete remedial works at Charleston Academy and Nairn Academy.

## 3. Implications

- 3.1 **Resource:** The expenditure on the individual projects and programmes of work is managed within the following funding allocations (links to each report are included in the Background Papers section later in this report).
  1. The one-year Capital Programme for 2023/24 approved in March 2023.
  2. The 5-year Capital Programme (2024/25 to 2028/29) approved in September 2023.
  3. The additional funding for several school projects approved in June 2024.

- 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 and accommodation pressures and complete the delivery of the Early Learning and Childcare expansion programme.
- 3.3 **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.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people):** No further risks at this stage other than those highlighted in this report.
- 3.5 **Gaelic:** The Capital Programme includes investment to support the delivery and expansion of Gaelic Medium Education. This includes a second 2-classroom extension to Bun-Sgoil Ghàidhlig Loch Abar in Fort William which received a funding grant award of up to £900,000 from the Scottish Government and was completed and handed over in September 2024.

#### 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 an update report and therefore an impact assessment is not required.

#### 5. Capital Programme Monitoring

- 5.1 **Appendix 1** sets out the position at the end of December 2024 (Q3) and the projected position at the end of this financial year. Gross expenditure to the end of Q3 is approximately 64% of the total forecast at year-end, which is reasonable at this stage of the financial year when the lag in processing payments to contractors at the end of each month is accounted for. The total net budget for 2024/25 is £91.980M with the forecast final position being a variance of -£19.550M, which is an improvement on the situation reported at the end of Q2. The following are the main reasons for this variance.
1. **Major Projects:** Appendix 1 outlines a total variance of +£1.803M across all these projects, largely due to the additional funding approved at the Council meeting in June 2024 for the essential works required at Beauly Primary and St Clement's Schools and the new access road at Dunvegan Primary School. The contract has been awarded for the replacement kitchen/dining building at Beauly, the improvement works at St Clement's have been completed, and work is progressing on the access road at Dunvegan.
  2. **Learning Estate Investment Programme (LEIP) Projects:** The overall position for the three projects reported at the end of Q2 was a variance of -£21.719M, with

the updated estimate now being –£19.343M. Further details of each project are provided below.

- a) As reported in 2024, the estimated final position for the Tain Campus project in 2023/24 is a significant negative variance due to over-optimistic cash flow forecasts provided by the contractor at the start of the financial year and the impact of delays in the completion of some work elements. However, there had been an improvement in this position with the current estimate being a variance of –£10.725M compared to the estimate of –£14.200M at the end of Q2.
  - b) The expenditure profile for the Nairn Academy project has been reviewed following the award of the contract in October 2024. While progress on site remains on programme, the estimated year-end position is a variance of –£1.199M.
  - c) There is also an estimated variance of –£7.419M for the Broadford Primary project due to the revised programme and procurement approach outlined in the report to the meeting of this Committee in November 2024.
3. **Property Estate Asset Management:** As reported in August, there was accelerated expenditure of £1.931M across all these budget headings in 2023/24 which was carried forward and therefore reduced the budget for 2024/25. This was due to the various cost pressures outlined in Paragraph 5.2 and the unplanned expenditure to address compliance issues and building failures, including the remedial works to the Reinforced Autoclaved Aerated Concrete (RAAC) structures at Charleston Academy and Nairn Academy. The financial position will be managed in the current financial year, but mitigation options are limited due to the ongoing demands on these budget headings. The estimated year end position is a variance of £0.995M.

5.2 **Construction Cost Pressures:** Previous reports to meetings of the Council and this Committee have highlighted the pressures that have affected the delivery of projects in recent years, and the potential impact on the Capital Programme of rising construction cost inflation. The following are the main factors that continue to impact on construction costs.

1. 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.
2. Extraordinary increases in costs of certain materials or products.
3. Local supply chain – limited number of sub-contractors in Highland for certain types of work or sizes of project.
4. Central belt supply chain – already busy so further inflated cost of working on Highland projects, effectively a higher cost location factor.
5. 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.
6. 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, which 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.

## 6. Schools Programme

- 6.1 **Tain Campus:** As previously reported, delays have been experienced in some of the construction work elements. The revised programme produced by the contractor indicated a building handover date of June 2025, resulting in a revised operational date of August 2025 for the new building. The Council's project team is continuing to monitor progress with a particular focus on quality as this is the first Passivhaus project that the Council has undertaken.
- 6.2 **Nairn Academy:** The advanced works contract started on site during the 2024 summer holiday period to form a new access road and commence potentially disruptive earthworks while the campus was unoccupied. Work has continued since then with financial close for the entire project achieved in October 2024. The good progress is being maintained and the new building remains on target to be operational in August 2026.
- 6.3 **Broadford Primary:** Design and procurement work is progressing, and the planning application was submitted in June 2024. The procurement approach was reconsidered following the outcome of the review of the capital programme in September 2023 with the design being led by the Council's in-house team which has built up expertise from the involvement in the Tain Campus and Nairn Academy Passivhaus projects. As reported in November 2024, a revised programme has been produced and the building remains on target to be operational from October 2026.
- 6.4 **School Estate Improvement Programme:** The programme of works is progressing with continued investment through this budget heading on essential improvements to school buildings, including meeting the Council's obligations to address immediate roll pressures and suitability issues (including adaptations for pupils with specific needs). Work is underway to determine the priorities for 2025/26 and subsequent years that can be delivered within the available funding envelope. There are challenges in relation to the ongoing cost pressures outlined in Paragraph 5.2 and the works required to address known and emerging building compliance, condition, and suitability issues. Also, all capital investment must align to the criteria that has been established through the Highland Investment Plan as reported to various Council meetings in 2024, with a further report to be considered in March 2025. A full update will be provided to the next meeting of this Committee in May.
- 6.5 **Reinforced Autoclaved Aerated Concrete (RAAC):** Further mitigation works were completed during the October 2024 holiday period at Charleston Academy and Nairn Academy. There will continue to be regular surveys and inspections to monitor the situation and identify any areas of deterioration that may require additional mitigation works for the remaining life of the assets. These works have significantly improved the safety and functionality of the affected areas, and the inspection regime will ensure that any future issues will be promptly addressed to maintain the integrity and safety of the buildings.
- 6.6 **Charleston Academy:** The mitigation works at Charleston are complete and all affected areas have returned to normal operations. The following key activities were undertaken as part of the mitigation programme:
- 1) Secondary steelwork was installed to extend the bearing width of the beams supporting RAAC planks throughout the buildings.

- 2) Additional steel supports were installed in isolated areas affected by historic water ingress.
- 3) All roof coverings over areas containing RAAC elements that had evidence of roof leaks have been replaced, with further work planned to other roof areas.
- 4) Specialist sealant was applied to RAAC external wall panels of the buildings.

6.7 **Nairn Academy:** The nature of the steelwork frame design has resulted in an extended programme but the works in the highest risk areas are now complete. The remaining works will be undertaken during the Easter holiday period and the Engineer has advised that the existing inspection regime is a satisfactory risk control measure in the meantime. Any issues identified during the inspections will be promptly addressed to maintain the integrity and safety of the school buildings. The following key activities are being undertaken as part of the mitigation efforts:

- 1) Secondary steelwork has been installed to extend the bearing width of some beams supporting RAAC planks with some isolated areas still to be attended to.
- 2) Additional steel supports have been installed in isolated areas affected by historic water ingress.
- 3) Specialist sealant was applied to RAAC external wall panels of the buildings where they are accessible. Some isolated areas at second floor level remain to be completed.

## 7. **Property Estate Asset Management**

7.1 **Generally:** The programme of works is 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. As outlined in Paragraph 6.4, work is underway to determine the priorities for 2025/26 and subsequent years that can be delivered within the available funding envelope and a full update will be provided to the next meeting of this Committee in May.

## 8. **Housing (Non HRA) Gypsy/Traveller Sites**

8.1 Housing and Building Maintenance have been successful in securing Scottish Government funding to transform Longman Park into a “great place to live and bring up children”. This will improve and future proof the services on offer to the tenants at the site (rented from Inverness’ Common Good Fund). Phase 1 consisting of five modular accommodation units was handed over in early December with families signed up and moved in before Christmas. Site preparation and ground works for the second and final phase of eight units is due to commence in January 2025. The residents have been actively involved in helping to draw up the design plans - making sure that their needs and preferences inform the improvements. Tenants of Phase 1 have provided positive feedback regarding the quality of their new housing. This close working and active engagement will continue.

8.2 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: Assistant Chief Executive – Place

Authors: Finlay MacDonald, Chief Officer – Property and Assets  
Robert Campbell, Service Lead – Capital Planning and Estate Strategy  
Rory MacLeod, Service Lead – Housing Investment and Building Maintenance

Date: 17 January 2025

Background Papers: Report to Council meeting on 2 March 2023: Revenue and Capital Budgets 2023/24 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](https://www.highland.gov.uk/download/meetings/id/81258/item_3_revenue_and_capital_budgets_202324_and_medium-term_financial_outlook)  
Report to Council meeting on 14 September 2023: Capital Programme Review – General Fund  
[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)  
Report to Council meeting on 27 June 2024: The Highland Investment Plan – Next Steps  
[https://www.highland.gov.uk/download/meetings/id/83523/item\\_11\\_highland\\_investment\\_plan\\_-\\_next\\_steps](https://www.highland.gov.uk/download/meetings/id/83523/item_11_highland_investment_plan_-_next_steps)

Appendices Appendix 1: Monitoring of Capital Expenditure – Q3 2024/25  
Appendix 2: Capital Major Project Whole Life Reporting – Q3 2024/25

MONITORING OF CAPITAL EXPENDITURE Q3 2024/25

SERVICE: PROPERTY & HOUSING

Project Description	BUDGET	ACTUALS TO DATE Q3			FORECASTS TO END OF 24/25			VARIANCE			COMMENTS
	2024/25 Capital Budget	2024/25 Actual Expenditure	2024/25 Actual Income	2024/25 Actual Net Year to Date	2024/25 Forecast Expenditure	2024/25 Forecast Income	2024/25 Forecast Outturn	2024/25 Variance Forecast Outturn v Budget	24/25 Reprofile to Next Financial Year	2024/25 Overspend/(Underspend) Completed Projects	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>COMMUNITY &amp; LEISURE FACILITIES</b>											
Inverness Leisure Centre & Aquadome	23	47	0	47	100	0	100	77	0	77	Remedial works required.
HLH Properties - Life Cycle Investment	421	205	(5)	200	350	(5)	345	(76)	(76)	0	Various projects.
Community & Leisure Facilities	107	1	0	1	57	0	57	(50)	(50)	0	Various projects.
<b>SCHOOLS</b>											
<b>Major Projects</b>											
Beauly Primary	256	730	0	730	1,100	0	1,100	844	200	644	Additional funding approved for modular kitchen/dining unit (contract awarded) and other essential works.
Charleston Academy	626	287	0	287	500	0	500	(126)	(126)	0	Various internal improvements completed.
Culloch Academy	2,003	1,501	0	1,501	1,750	0	1,750	(253)	(253)	0	New synthetic playing field and other essential works now complete.
Dunvegan Primary	1,100	582	0	582	1,750	0	1,750	650	100	550	Additional funding approved for new access road (contract awarded) and other essential works.
Ness Castle Primary	482	918	0	918	1,194	(15)	1,179	697	0	697	New playing fields nearing completion.
Park Primary	50	2	0	2	50	0	50	0	0	0	Minor improvement works.
St Clements	259	305	0	305	450	0	450	191	100	91	Additional funding approved for conversion of former library building, demolition of classroom unit and other essential works.
Plockton Residence	300	0	0	0	100	0	100	(200)	(200)	0	Essential works required.
New Tornagrain Primary	0	95	0	95	150	(150)	0	0	0	0	Site investigations and initial design work underway. Spend funded from developer contributions.
<b>LEIP Projects</b>											
Tain 3-18 Campus	44,549	23,324	(800)	22,524	33,824	0	33,824	(10,725)	(10,725)	0	See Appendix 2.
Nairn Academy	14,479	6,045	0	6,045	13,280	0	13,280	(1,199)	(1,199)	0	See Appendix 2.
Broadford Primary	8,019	569	(599)	(30)	600	0	600	(7,419)	(7,419)	0	See Appendix 2.
<b>Estate Management</b>											
School Estate Improvements / ELC	6,714	5,517	(1,187)	4,330	8,200	(1,148)	7,052	338	338	0	Programme of essential works and improvements; includes new nursery annex building at Kinmylies Primary.
Free School Meals	1,959	0	0	0	150	0	150	(1,809)	(1,809)	0	New kitchen/dining unit at Rosebank Primary.
Remote Schools Housing Accommodation	182	5	0	5	50	0	50	(132)	(132)	0	New staff housing at Rum Primary.
E&L Residential Properties	194	28	0	28	100	0	100	(94)	(94)	0	Various works.
<b>HEALTH &amp; SOCIAL CARE PROGRAMME</b>											
Adult Services (NHS)	808	218	(4)	214	400	(4)	396	(412)	(412)	0	Various projects.
Children's Services/Out of Authority	197	0	(53)	(53)	103	(53)	50	(147)	(147)	0	Income of £53k relates to funding from Bains' Hoose to upgrade residential properties, with full amount expected to be spent this FY.
<b>PROPERTY ESTATE ASSET MANAGEMENT</b>											
Engineering Compliance	650	339	0	339	550	0	550	(100)	(100)	0	Currently forecasting accelerated spend against next years property capital budget of £1.197m. This is primarily a result of on-going RAAC corrective works and statutory work based on risk assessments. The income presented against Energy Management primarily reflects a contribution from the Salix Fund towards the LED programme. The other income forecast within the statement reflects insurance contributions resulting from storm damage to Thurso HS Gym Block No1 and flood damage to West End Community Centre, AIness. The Council Property Estate Annual Improvements line also reflects forecast funding of £40k from CRF towards replacement of Uig Bridge.
Catering & FM Compliance	300	53	0	53	300	0	300	0	0	0	
Property Structures and Fabric	2,250	2,168	0	2,168	2,694	(106)	2,588	338	338	0	
Property Security	400	506	0	506	515	0	515	115	115	0	
Property Surveys	250	105	0	105	250	0	250	0	0	0	
Council Property Estate Annual Improvements	500	956	0	956	1,023	(367)	656	156	156	0	
Water Management	250	268	0	268	275	0	275	25	25	0	
Fire Safety	200	297	0	297	346	0	346	146	146	0	
Asbestos Removal	50	52	0	52	130	0	130	80	80	0	
Energy Management	650	1,077	(99)	978	1,086	(499)	587	(63)	40	(103)	
Depots - Health & Safety	563	34	0	34	750	0	750	187	187	0	
Property Rationalisation	150	77	0	77	360	0	360	210	210	0	
Portree Demonstrator Project	99	129	(800)	(671)	200	(200)	0	(99)	(99)	0	Forecast income includes £800k from Scottish Government and £100k from HIE.
Caithness Demonstrator Project	0	17	(415)	(398)	100	(100)	0	0	0	0	Scottish Government funding award for improvements in Caithness.
<b>HOUSING (NON HRA)</b>											
Private Sector Housing Grants	1,974	1,750	(61)	1,689	2,300	(60)	2,240	266	266	0	A review of commitments is ongoing with grant officers to ensure the profile of grant payments fits with the budget profile per the approved capital programme.
Travelling People Sites - Longman Park Redevelopment	966	1,644	(1,385)	259	2,300	(2,300)	0	(966)	(966)	0	THC contribution now not required until 25/26. Phase 1 handed over. Phase 2 works are being programmed including providing temporary on-site accommodation for residents. Completion date estimated Spring 2026 but hopeful of earlier.
Travelling People Sites - General	0	15	(81)	(66)	18	(18)	0	0	0	0	Fire safety works at Spean Bridge to commence March/April 2025 and will utilise remainder of funding.
<b>OVERALL TOTALS</b>	<b>91,980</b>	<b>49,866</b>	<b>(5,489)</b>	<b>44,377</b>	<b>77,455</b>	<b>(5,025)</b>	<b>72,430</b>	<b>(19,550)</b>	<b>(21,506)</b>	<b>1,956</b>	

CAPITAL MAJOR PROJECT WHOLE LIFE REPORTING - Q3 2024/25

SERVICE: PROPERTY & HOUSING

Project Description	WHOLE LIFE BUDGET			ACTUALS TO DATE			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				
Tain 3-18 Campus	72,275	-800	71,475	49,175	-800	48,375	72,275	-800	71,475	G	R	G	Construction work delayed; handover date programmed for June 2025 with new building operational from August 2025.
Nairn Academy	67,051	-20	67,031	9,815	-20	9,795	67,051	-20	67,031	G	G	G	Contract awarded and work progressing on site; new building programmed to be operational from August 2026.
Broadford Primary	21,010	-604	20,406	1,488	-604	884	21,010	-604	20,406	G	A	G	Design in progress and planning application lodged; revised programme for new building to be operational in October 2026.
Longman Park TPS	7,654	-6,554	1,100	3,970	-3,711	259	7,654	-6,554	1,100	A	R	A	Additional THC reserves funding of £320k has been required to provide temporary accommodation for residents on-site during works which was not part of additional plan. Original completion date was July 2025 now forecast to be Spring 2026 but hopeful some of this delay can be clawed back. Phase 1 handed over. Phase 2 works currently being programmed.