

The Highland Council

Agenda Item	6.b
Report No	RES/34/24

Committee: Corporate Resources

Date: 5 December 2024

Report Title: Corporate Capital Monitoring to 30 September 2024

Report By: Chief Officer – Corporate Finance

1. Purpose/Executive Summary

- 1.1 This report provides Members with the corporate capital monitoring statement for the second quarter of the 2024/25 financial year to 30th September 2024, which presents a summary of the actual spend together with a forecast 2024/25 year end outturn position.
- 1.2 Net spend on capital projects to the end of Q2 2024/25 totalled £42.124m for the General Fund against a net annual budget figure of £156.203m. Net spend on capital projects for the Housing Revenue Account (HRA) totalled £26.179m against a net annual budget figure of £69.750m.
- 1.3 The forecast net outturn for the General Fund for 2024/25 totals £131.198m and this would give rise to a forecast net underspend against budget of £25.005m. The forecast net outturn for the HRA for 2024/25 totals £62.150m and this would give rise to a forecast net underspend against budget of £7.600m.
- 1.4 The report also highlights how the planned capital expenditure for 2024/25 will be funded, with borrowing being the major source across both the General Fund and HRA.

2. Recommendations

- 2.1 Members are asked to:
 - i. **Note** the net spend to the end of Q2 2024/25, the forecast year end outturn and the funding profile.
 - ii. **Note** the update provided regarding main project spend variances.

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 (risks arising from changes to plant, equipment, process, or people):** 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 **Gaelic:** There are no specific Gaelic implications arising as a direct result of 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 and update report and therefore an impact assessment is not required.

5. General Fund Capital Monitoring Q2 2024/25

- 5.1 **Appendix 1** provides a summary of the capital programme budgets, spend and income for Q2 of financial year 2024/25, 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 2024/25 is £156.203m.
- 5.2 Overall, there has been a net expenditure of £42.124m for Q2, which reflects 27% of the annual budget.
- 5.3 The forecast outturn position to the end of 2024/25 projects a net expenditure of £131.198m which would result in a forecast underspend against budget of £25.005m. Unless otherwise stated, an underspend against budget is typically due to changes to the expected spend profile, rather than an adjustment to overall project cost, and any underspend would roll over into the next financial year. The forecast underspend can be attributed primarily to the following:

- **Tain 3-18 Campus:** Forecast underspend of £14.200m, to be reprofiled to next financial year, due to over-optimistic cash flow forecasts provided by the contractor, as reported last financial year, and the impact of delays in completion of some work elements. The revised programme indicates a building handover date of June 2025, which results in an operational date of August 2025.
- **Broadford Primary:** Forecast underspend of £7.519m, to be reprofiled to next financial year, due to the revised programme which targets for the building to be operational from October 2026 (previously December 2025).
- **Fort William Waste Transfer Station:** Forecast underspend of £2.298m, to be reprofiled to next financial year, due to delays finalising the land lease. The lease has now been agreed and a contractor appointed to take this project forward.
- **Naver Bridge:** Forecast underspend of £1.256m, to be reprofiled to next financial year, due to revised cash flow profile. Construction work has commenced and is expected to complete Autumn 2025.

5.4 Within the forecast net underspend reported above is a projected overspend of £7.942m this financial year for Uig Ferry Terminal and Link Span Redevelopment. Discussions are ongoing with Transport Scotland regarding the funding of this overspend and a further update will be provided as part of the Q3 Monitoring Report.

5.5 **Appendix 2** presents how the forecast General Fund net capital expenditure for 2024/25 will be funded. Borrowing continues to be the largest source of funding with £97.747m forecast, amounting to 75% of forecast net capital expenditure. The General Capital Grant is expected to be £24.616m. The approved capital programme included some projects that are either wholly or partly self-funded, meaning that the borrowing costs associated with the capital expenditure will be repaid either from income generation or savings within the service revenue budget. It is forecast that £8.335m of capital expenditure in 2024/25 will be self-funded in this way.

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

5.7 The approved capital programme, as reflected in the monitoring statement, will be updated in due course to reflect the outcome of any further decisions by the Council in December of this year and beyond. A report is to be provided to full Council in December 2024 setting out the progress, timescales and expected sequence of projects for all Phase 1 HIP locations.

6. HRA Capital Monitoring Q2 2024/25

6.1 **Appendix 3** presents the net outturn figures for the HRA Capital Programme to the end of Q2 2024/25, along with the forecast net outturn to the end of the financial year. It reports a net outturn figure of £26.179m which reflects 38% of the annual budget of £69.750m. The forecast annual net outturn to the end of 2024/25 is £62.150m which therefore projects an underspend of £7.600m against budget, being issues related to labour and material shortages at both Highland and national level. The agreed affordable new build programme 2024/25 has so far delivered 49 new Council homes to 30th September and there have also been 5 individual open market purchases this financial year. The current programme is scheduled to deliver 387 affordable homes by 31 March 2025 of which 189 will be Council houses.

- 6.2 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 on 31 January 2024 as part of the Council's Strategic Housing Investment Programme 2024-2029. Increasing the supply of affordable housing in Highland is a key feature underlying the Highland Housing Challenge which was established at Council on 27th June 2024.
- 6.3 **Appendix 3** also presents how the forecast HRA net capital expenditure for 2024/25 will be funded. Borrowing continues to be the largest source of funding with £36.640m forecast, amounting to 59% of forecast net capital expenditure. The other major sources of funding include the Scottish Government Grant of £16.000m and the Council's Landbank Fund of £6.291m.

Designation: Chief Officer – Corporate Finance

Date: 8 November 2024

Authors: Brian Porter – Chief Officer – Corporate Finance
Darryl Urquhart - Principal Accountant

Background Papers:

- *Communities & Place Committee General Fund Capital Monitoring*
https://www.highland.gov.uk/download/meetings/id/84210/6_capital_budget_monitoring_report_q2_2024-25
- *Economy & Infrastructure Committee General Fund Capital Monitoring:*
https://www.highland.gov.uk/download/meetings/id/84112/item_8_capital_monitoring_%E2%80%93_q2_202425
- *Housing & Property Committee General Fund Capital Monitoring:*
https://www.highland.gov.uk/download/meetings/id/84030/7_property_capital_monitoring_statement_and_progress_update
- *Housing & Property Committee HRA Capital Monitoring:*
https://www.highland.gov.uk/download/meetings/id/84029/6_housing_revenue_account_hra_capital_monitoring_report_monitoring_report_to_30_september_2024
- *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

Appendices: Appendix 1: Capital Expenditure Monitoring Q2 2024/25
Appendix 2: Capital Expenditure Funding Q2 2024/25
Appendix 3: Capital Expenditure Monitoring HRA 2024/25

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2024 TO 30TH SEPTEMBER 2024 (Q2 2024/25)

SERVICE: GENERAL FUND

Project Description	BUDGET	ACTUAL			FORECASTS			VARIANCE		
	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 F'cast v Budget	2024/25 Reprofile to Next Financial Year	2024/25 Overspend / (Underspend)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
SCHOOLS	81,071	19,944	(2,547)	17,397	60,622	(1,163)	59,459	(21,612)	(23,594)	1,982
PROPERTY STRATEGIC ASSET MANAGEMENT	6,312	4,018	(1,314)	2,704	8,328	(1,032)	7,296	984	984	0
HEALTH & SOCIAL CARE PROGRAMME	1,005	200	(57)	143	603	(57)	546	(459)	(459)	0
COMMUNITY AND LEISURE FACILITIES	551	206	(5)	201	507	(5)	502	(49)	(126)	77
ROADS AND BRIDGES	28,028	11,351	(171)	11,180	30,666	(3,917)	26,749	(1,279)	(2,150)	871
ACTIVE TRAVEL & TRANSPORT	2,498	2,701	(114)	2,587	5,421	(2,816)	2,605	107	0	107
PARKING	1,095	751	(354)	397	1,304	(509)	795	(300)	(175)	(125)
LIGHTING & COMMUNICATIONS	714	443	0	443	1,201	(487)	714	0	0	0
FLOOD PROTECTION	1,533	187	0	187	779	(30)	749	(784)	(183)	(601)
HARBOURS & FERRIES	2,823	4,390	(284)	4,106	14,121	(3,300)	10,821	7,998	56	7,942
WASTE MANAGEMENT	5,022	2,676	93	2,769	7,001	(5,255)	1,746	(3,276)	(3,276)	0
BEREAVEMENT SERVICES	2,849	251	0	251	2,353	0	2,353	(496)	(496)	0
PLAY PARKS AND COMMUNITY SPACES	1,603	307	(583)	(276)	2,089	(837)	1,252	(351)	(351)	0
PUBLIC CONVENIENCES	(76)	142	9	151	185	(40)	145	221	136	85
ICT	4,185	927	0	927	3,643	(1,477)	2,166	(2,019)	(2,019)	0
VEHICLES & PLANT	3,272	1,397	(157)	1,240	3,366	(540)	2,826	(446)	(446)	0
PLANNING & DEVELOPMENT	10,778	13,538	(16,505)	(2,967)	41,865	(33,365)	8,500	(2,278)	(2,278)	0
ENERGY EFFICIENCY	0	73	0	73	307	(307)	0	0	0	0
NON-HRA HOUSING	2,940	2,116	(1,505)	611	4,342	(2,368)	1,974	(966)	(966)	0
OVERALL TOTAL	156,203	65,618	(23,494)	42,124	188,703	(57,505)	131,198	(25,005)	(35,343)	10,338

FUNDING OF CAPITAL EXPENDITURE - 1ST APRIL 2024 TO 30TH SEPTEMBER 2024 (Q2 2024/25)

SERVICE: GENERAL FUND

Funding	2024/25 Capital Budget	2024/25 Actual Net Year to Date	2024/25 Forecast Outturn	2024/25 Variance F'cast Outturn v Budget	2024/25 Reprofile to Next Financial Year	2024/25 Overspend / (Underspend)
	£000	£000	£000	£000	£000	£000
General Capital Grant	24,616	13,172	24,616	0	0	0
Capital Receipts	500	142	500	0	0	0
Self Funded Projects*	8,491	2,764	8,335	(156)	(156)	0
Borrowing	122,596	26,046	97,747	(24,849)	(35,187)	10,338
TOTAL FUNDING	156,203	42,124	131,198	(25,005)	(35,343)	10,338

*To reflect project budgets that are either wholly or partly self-funded (ie from income generated or savings).

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2024 TO 30TH SEPTEMBER 2024 (Q2 2024/25)

SERVICE: HOUSING REVENUE ACCOUNT

Project Description	Net Budget	Actual Net Year to Date	Estimated Net Outturn	Actual Net Variance	(Reprofiling)/Acceleration Net	Year End (Under)/Over
	£000	£000	£000	£000	£000	£000
Capital Programme						
Equipment and Adaptations	1,030	354	754	(276)	(276)	0
Major Component Replacement	2,096	795	2,115	19	19	0
Heating/Energy Efficiency	17,918	4,930	13,001	(4,917)	(4,917)	0
External Fabric (Major Component Replacement)	1,389	354	954	(435)	(435)	0
External Fabric (Environmental Improvements)	1,653	49	1,200	(453)	(453)	0
Healthy, Safe and Secure	1,822	948	1,948	126	126	0
Contingencies/Retentions	1,873	0	0	(1,873)	(1,873)	0
Total 2024/25 Programme	27,781	7,431	19,972	(7,809)	(7,809)	0
Council House Building Capital Programme						
New Council House Buildings	40,219	18,056	40,419	200	200	0
Individual House Purchases	1,749	692	1,759	10	10	0
Total Council Building Programme	41,968	18,748	42,178	210	210	0
OVERALL TOTAL	69,750	26,179	62,150	(7,600)	(7,600)	0

Funding	Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
Investment Programme				
Useable Capital Receipts	368	123	368	0
Government Grant	16,000	9,241	16,000	0
Landbank	6,291	0	6,291	0
Evergreen Infrastructure Loan Fund	2,852	0	2,852	0
Borrowing	44,240	16,815	36,640	(7,600)
GROSS FUNDING	69,750	26,179	62,150	(7,600)