

Agenda Item	8
Report No	HP/05/26

The Highland Council

Committee: **Housing and Property**

Date: **28 January 2026**

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 November 2025 for the budgets in the General Fund Capital Programme managed by the Property and Assets teams.

2 Recommendations

2.1 The Committee is invited to **scrutinise** and **approve** the capital budget position at the end of November 2025, including project progress, the estimated year-end position, and the main financial variances outlined in the report.

3 Implications

3.1 **Resource** - The expenditure on the individual projects and programmes of work is managed within the funding allocations included in the consolidated Highland Investment Plan (HIP) outlined in the update report approved in May 2025. This combined the previous 5-year capital programme (2024/25 to 2028/29) that was approved in September 2023 with the capital investment decisions that had been made by the Council over the previous 12 months. The May 2025 report also set out the approach to managing the known or emerging cost pressures in 2025/26 that must be accommodated within the agreed capital funding and affordability envelope.

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 HIP includes investment to support the delivery and expansion of Gaelic Medium Education.

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 Q3 and the projected final position at the end of this financial year. The total net budget for 2025/26 (excluding the Highland Investment Plan projects) is **£76.792m** with the forecast final position being net expenditure of **£71.747m**, a negative variance of **£5.045m**. This follows the approach set out in Paragraphs 3.1 and 5.3 of this report and reflects the additional approved expenditure on the Nairn Academy project, which continues to progress well on site, along with the acceleration of expenditure on projects funded through the School Estate Improvement Programme and Property Estate Asset Management budget headings.
- 5.2 **Appendix 1** also includes the initial budget allocations for 2025/26 for the Highland Investment Plan (HIP) Phase 1 projects that were approved in March 2025. Work is progressing with Hub North Scotland Ltd to finalise the scope of each project, project costs and expenditure profiles, and delivery timescales. It is proposed that a full update will be included in the next HIP report to the Council meeting on 26 March 2026.
- 5.3 The May 2025 HIP update report identified underlying cost pressures and project cost revisions that would be required across the programme to take account of inflationary and other cost factors impacting on project budgets. It also set out the approach to re-profiling and over-programming within the consolidated HIP programme, which included £5m of accelerated funding for Property Estate Asset Management in 2025/26 to address various pressures and unplanned expenditure in recent years and to allow projects to proceed in 2025/26 and 2026/27 that may otherwise have been delayed to future years. Given the need to ensure that the HIP remained within the overall budget and affordability parameters agreed by Council, it was agreed that officers would progress actions to achieve this. This work is ongoing and may result in some revisions to individual project budgets and profiles, which will be reflected in future reports to Members.
- 5.4 **Appendix 2** provides information on the whole life cost of the major projects that are underway along with a RAG assessment of the key project criteria of cost, time, and scope.

5.5 **Tain Campus** - Ward Members and other stakeholders were advised earlier this month of the arrangements for a phased opening of the new Tain Campus from Wednesday 22nd April. Although this is later than was originally planned, it will ensure that this high-quality building is completed to the required standard and will deliver the anticipated benefits and outcomes.

5.6 **Broadford Primary** - As previously reported, Morgan Sindall have been appointed as the preferred contractor and commenced preliminary site works in December in conjunction with SSEN to divert an underground electrical supply cable. It is anticipated that SSEN will complete the cable diversion in March. The Council's project team are working with Morgan Sindall to conclude the contract and mobilise in March for construction work on the new build (with a 15-month duration) to commence once the preliminary work has been completed.

5.7 **School Estate Improvement Programme** - The programme of works is progressing with continued investment in essential improvements to school buildings, including meeting the Council's obligations to address immediate roll pressures and suitability issues, and adaptations for pupils with specific needs. Work is underway to determine the known priorities over the coming years that can be delivered within the available funding envelope. Once the ongoing work outlined in Paragraph 5.3 has been completed, and the funding available in future years has been confirmed, an update on the projects to be taken forward will be provided to a future meeting of this Committee.

5.8 **Property Estate Asset Management** - The programme of works is progressing with continued investment 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. Again, work is underway to determine the known priorities over the coming years that will be delivered within the available funding, and an update will be provided to a future meeting of this Committee once this has been confirmed.

6 Housing (Non HRA) Gypsy Traveller Sites

6.1 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 2024 with families signed up and moved in before Christmas. Construction of Phase 2 consisting of 8 accommodation units has commenced and is due for completion by February 2026. Phase 3 of the works are programmed to start concurrently with the later stages of Phase 2 and are due to complete by Summer 2026. 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.

6.2 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

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Background Papers None

Appendices: Appendix 1: Monitoring of Capital Expenditure – Q3 2025/26
Appendix 2: Capital Major Project Whole Life Reporting – Q3
2025/26

Project Description	BUDGET		ACTUALS TO END OF NOV 2025		FORECASTS TO END OF 25/26			VARIANCE			COMMENTS	
	2025/26 Capital Budget		2025/26 Actual Expenditure	2025/26 Actual Income	2025/26 Actual Net Year to Date	2025/26 Forecast Expenditure	2025/26 Forecast Income	2025/26 Forecast Outturn	2025/26 Variance Forecast Outturn v Budget	25/26 Reprofile to Next Financial Year	2025/26 Overspend/Underspend Completed Projects	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
COMMUNITY & LEISURE FACILITIES												
HLH Properties - Life Cycle Investment	440	19	0	19		150	0	150	(290)	(290)	0	Various projects. Inverness Leisure and Queens Park work is not funded by Highland Investment Plan.
Community & Leisure Facilities	270	84	1	85		150	0	150	(120)	(120)	0	Various projects.
LEARNING ESTATE												
Tain 3-18 Campus (LEIP Phase 1)	14,624	11,855	0	11,855		12,824	0	12,824	(1,800)	(1,800)	0	Construction work ongoing, underspend will carry forward to 26/27.
Broadford Primary (LEIP Phase 2)	16,447	600	(599)	1		750	0	750	(15,697)	(15,697)	0	Underspend will carry to 26/27.
Nairn Academy (LEIP Phase 2)	26,277	19,059	0	19,059		31,582	0	31,582	5,305	5,305	0	Construction work ongoing, additional funding approved in June 2024.
New Tornagrain Primary	0	404	0	404		750	(750)	0	0	0	0	Design in progress, developer contributions will cover 25/26 spend.
Legacy Projects	1,108	1,577	0	1,577		1,200	0	1,200	92	92	0	Various commitments and retentions.
School Estate Improvement Programme	6,927	7,649	(236)	7,413		9,427	0	9,427	2,500	2,500	0	Various essential works and cost pressures as reported to Council in May 2025.
Residential Properties	708	16	0	16		100	0	100	(608)	(608)	0	Design of staff housing in Rum ongoing for delivery in 2026.
HEALTH & SOCIAL CARE PROGRAMME												
Adult Services (NHSS)	883	261	0	261		783	0	783	(100)	(100)	0	Various essential works.
Children's Services/Out of Authority	329	29	0	29		150	0	150	(179)	(179)	0	Various essential works. Review of service delivery model is underway.
Moss Park Care Home	0	807	(807)	0		1,607	(1,607)	0	0	0	0	Earmarked reserve available to fund purchase and essential spend.
PROPERTY ESTATE ASSET MANAGEMENT												
Engineering Compliance	1,000	346	0	346		1,644	0	1,644	644	644	0	Various essential works on-going for must-do projects to ensure service delivery.
Catering & FM Compliance	300	6	0	6		300	0	300	0	0	0	Various essential works and cost pressures as reported to Council in May 2025. CRF funding towards Hector Macdonald Monument (£175K) and insurance income for the storm damaged nursery unit at Duncan Forbes PS (£270K). Further work is addressing essential structural fabric, windows and waterproof works.
Property Structures and Fabric	1,394	3,202	0	3,202		4,700	(445)	4,255	2,861	2,861	0	Various essential works on-going.
Property Security	500	409	0	409		725	0	725	225	225	0	Various essential works on-going. Funding to be confirmed for additional security works - current estimate £215k.
Property Surveys	250	535	0	535		700	0	700	450	450	0	Condition survey programme on-going.
Council Property Estate Annual Improvements	500	991	0	991		1,750	0	1,750	1,250	1,250	0	Various essential works on-going for must-do projects to ensure service delivery.
Water Management	150	4	0	4		35	0	35	(115)	(115)	0	Various essential works on-going.
Fire Safety	300	169	0	169		453	0	453	153	153	0	Various essential works on-going for must-do projects to ensure service delivery.
Asbestos Removal	100	92	0	92		150	0	150	50	50	0	Various essential works on-going for must-do projects to ensure service delivery.
Energy Management	1,250	657	0	657		1,000	(250)	750	(500)	(500)	0	Salix funding to be received, currently estimated at circa £250k.
Depots - Health & Safety	500	460	0	460		500	0	500	0	0	0	Various essential works on-going.
Property Rationalisation	500	147	0	147		500	0	500	0	0	0	Various works on-going.
Portree Demonstrator Project	99	144	(482)	(338)		750	(750)	0	(99)	(99)	0	Construction work underway. £800K of funding from Scottish Government.
Caithness Demonstrator Project	0	45	(324)	(279)		150	(150)	0	0	0	0	Various works funded from Scottish Government grant.
HOUSING (NON HRA)												
Private Sector Housing Grants	2,207	1,101	(36)	1,065		2,243	(36)	2,207	0	0	0	Budget has been accelerated from future years to meet demand.
Travelling People Sites - Longman Park Redevelopment	1,100	1,856	(2,096)	(240)		2,750	(2,096)	654	(446)	(446)	0	See update in Appendix 2.
Travelling People Sites - General	0	8	(60)	(52)		68	(60)	8	8	8	0	Remaining spend is planned to go towards Spean Bridge TPS F Safety Works.
OTHERS												
Property Capital Multiplier Impact	(1,371)	0	0	0		0	0	0	1,371	1,371	0	Rebasing of individual project budgets required to offset this.
SUB-TOTALS	76,792	52,532	(4,639)	47,893		77,891	(6,144)	71,747	(5,045)	(5,045)	0	
Highland Investment Plan												
Beauly PS	3,000	0	0	0		250	0	250	(2,750)	(2,750)	0	HubNorth are preparing revised programmes and budgets for all 6 projects which will be reported in due course.
Charleston HS	1,000	0	0	0		800	0	800	(200)	(200)	0	
Dingwall Community POD	2,000	7	0	7		1,500	0	1,500	(500)	(500)	0	
Fortrose Academy	2,000	5	0	5		600	0	600	(1,400)	(1,400)	0	
Inverness HS	2,000	5	0	5		400	0	400	(1,600)	(1,600)	0	
Thurso HS	1,000	12	0	12		1,000	0	1,000	0	0	0	Currently at tender stage.
Dunvegan	4,000	0	0	0		750	0	750	(3,250)	(3,250)	0	Underspend forecast at present pending project progression.
HIP Programme Contingency	1,000	0	0	0		0	0	0	(1,000)	(1,000)	0	
HIP - Other priority projects	9,330	0	0	0		200	0	200	(9,130)	(9,130)	0	Design work underway on initial priority projects as approved in October 2025.
OVERALL TOTALS	102,122	52,561	(4,639)	47,922		83,391	(6,144)	77,247	(24,875)	(24,875)	0	

Project Description	WHOLE LIFE BUDGET			ACTUALS TO END OF NOV 2025			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	A	R	G	
Tain 3-18 Campus	72,322	-847	71,475	68,553	-847	67,706	72,322	-847	71,475				This new building will be operational in 2026 to ensure that this high-quality building is completed to the required standard. Estimated final out-turn costs are being assessed, given the delay in completion.
Nairn Academy	67,051	-20	67,031	36,756	-20	36,736	67,051	-20	67,031				Work progressing on site and new building programmed to be operational from August 2026.
Broadford Primary	21,197	-791	20,406	2,451	-791	1,660	21,197	-791	20,406				Preferred contractor appointed following the completion of Stage 1 tendering process.
Longman Park TPS	7,682	-6,582	1,100	6,342	-6,582	-240	8,172	-6,582	1,590				Additional THC reserves funding of £810k 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 June 2026 but hopeful some of this delay can be clawed back. Phase 1 handed over. First part of phase 2 works expecting partial handover in January 2026.