

**The Highland Council**  
**Highland Council – 9 March 2017**

Agenda Item	
Report No	<b>HC/14/17</b>

**Additional £1 million Capital for Road Maintenance**

**Report by Director of Community Services and Director of Finance**

**Summary**

This report invites Members to approve £1 million spend of additional capital monies on roads infrastructure.

**1. Background**

- 1.1 The Scottish Government, on 2 February 2017, announced an additional Capital Grant for Highland Council of £2.046m for 2017/18. This is in addition to the core grant, announced on 15 December 2016, which is already factored into the Council's Capital Budget for 2017/18.
- 1.2 This report seeks approval for a 1-year programme of roads infrastructure investment using £1 Million of this additional capital funding.

**2. Strategy**

- 2.1 The 2017 Strategic Timber Transport Fund (STTF), managed by Forestry Commission Scotland, is to offer £7.85 million nationally of co-funding support to projects that strengthen public roads and reduce disruption by timber haulage. Highland Council is well placed to attract this match funding and every effort needs to be made to secure this potential additional investment into our minor road network.
- 2.2 It is proposed that the £1m additional funding be split into 2 equal lots and invested as follows:-
- Lot 1 - £500,000 – Strategic Timber Transport Schemes (STTS), which in turn could lever up to 70% additional external funding;
  - Lot 2 - £500,000 for investment in large resurfacing schemes on the strategic road network.
- 2.3 In the event that the bid for STTS match funding is unsuccessful then the £500,000 will be diverted back into resurfacing projects.

**3. Scheme Specifics**

### 3.1 **STTS**

A project development bid has been submitted with the assistance of a local specialist consultant. Engineering staff from the Areas are fully engaged in this process and formal bids will be submitted to Forestry Commission Scotland (FCS). To meet the deadline bids need to be submitted by the end of April 2017 with approval of bids expected the by the end of May 2017.

3.2 The list of schemes shown in table 1 below is considered to best meet the requirements of FCS's bid criteria. Scheme size will be apportioned to fit the available funding and allow as wide a geographical spread as possible. It should be recognised however that there may be instances where specific schemes are more difficult to achieve within the available timescales than others which in turn may lead to the scheme being substituted.

3.3 Proposed schemes being considered for STTS bids.

**Table 1 - SSTS Proposed Schemes**

<b>Ref</b>	<b>Area</b>	<b>Scheme</b>
1	Caithness	Broubster – Shebster Road
2	Sutherland	B871 Kinbrace - Syre Road
3	Sutherland	Kincardine hill Road, Ardgay
4	Ross & Cromarty	Achilty and Strathconon Road
5	Skye & Lochalsh	Drynoch, Carbost & Eynort Roads
6	Skye & Lochalsh	Ratagan – Letterfearn Road
7	Inverness	South Loch Ness Roads
8	Badenoch & Strathspey	B970 Feshiebridge Road
9	Nairn	B9090 Whitebridge
10	Lochaber	Glen Etive Road
11	Lochaber	Invasion Bay, Loch Sunart

### 3.4 **Structural Maintenance**

3.5 Areas are to be allocated a share of the remaining £500,000 funding as determined by the Scottish Road Maintenance Condition Survey. This is the same method used in the distribution of the Annual Road Maintenance Budget for structural maintenance

3.6 In consultation with the local Areas, the following schemes have been shortlisted as high priority (Table 2). All schemes are to be delivered by contractor with a target spend in Quarter 1 or 2 of the 2017-18 financial year:

**Table 2 - Structural Maintenance Priority Schemes**

<b>Area</b>	<b>(£)</b>	<b>Scheme</b>
Caith	£53,037	A836 Reay, B874 Thurso, B9159 Wick
Suth	£86,941	A838 Lairg, A894 Duartmore
R&C	£112,708	A832 Braemore to Dundonnell
Inv	£81,208	B862 Leys to Inverarnie
Nairn	£17,023	B9090 Cawdor to Whitebridge
B&S	£29,637	A938 Badengorm, B970 Nethybridge
Loch	£60,980	Pier Road, Kilchoan
Skye	£58,444	A850 Edinbane

3.7 In the event that STTS match funding is unsuccessful, the remaining budget will be re-allocated across the Areas using the Road Condition Survey parameters, with scheme selection being decided by Members at local Area level.

#### 4.0 **Implications**

##### 4.1 Resources

4.1.1 Whilst the additional grant is welcome, Members will recall an update report on the Capital Plan to Highland Council on 15 December 2016. At that meeting the Director of Finance stated that he believed the current capital plan was no longer affordable in the context of significant revenue budget pressures and the fact that 10% of the Council's revenue budget is now ring-fenced to meet the cost of historical borrowing. The current plan would require this proportion to increase from £55m per annum to £80m over the period of the Plan. Council agreed to defer a review of the Capital Plan until after May, but recognised that the significant financial pressure would have to be addressed.

4.1.2 On 8 February 2017 Resources Committee received a capital budget monitoring report for the 9 month period to 31 December 2016 which indicated that a combination of project overspend, accelerated spend, and lower than anticipated project slippage meant that the level of borrowing to finance expenditure in 2016/17 would be higher than anticipated. Whilst this is being managed in the short term through the use of cash balances and short term borrowing, it does represent an additional financial pressure and financial risk for future years. This slippage will be carried forward into 2017/18 and presents a formidable budget challenge against available funding.

4.1.3 Against this background, the additional Capital Grant announced by the Scottish Government would allow the Council to reduce its borrowing requirement in 2017/18 by a small amount and relieve some of the financial pressure. If the Council accepts the proposal to spend all or part of the additional grant instead, it is adding to the financial challenge for 2018/19 onwards, and will require further budget savings to be achieved. It is also not recognising existing pressures and priorities within the current Capital Plan and is committing resources prior to the review of the Capital Plan taking place.

#### 4.2 Rural

There may be rural considerations where the lower road usage levels and distances between communities reduce the opportunity to maximize the impact of investment decisions when compared to more densely populated area /roads with greater usage levels.

#### 4.3 Other

There are no other known legal, equalities, climate change/Carbon Clever or Gaelic implications arising as a direct result of this report.

### **Recommendation**

Members are invited to:

- i. agree the recommendation to split the £1 million additional capital allocation on the basis of 50% STTS and 50% structural maintenance;
- ii. approve the list of schemes at tables 2 and 3 in the report for STTS and road resurfacing works; and
- iii. agree that, should STTS match funding be unsuccessful, the £500k be re-allocated across the Areas using the Road Condition Survey parameters, with scheme selection being decided by Members at local Area level.

Designation: Director of Community Services and Director of Finance

Date: 1 March 2017

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