

Agenda Item	7
Report No	ECI/28/22

## THE HIGHLAND COUNCIL

**Committee:** Economy and Infrastructure

**Date:** 10 November 2022

**Report Title:** Capital Monitoring Quarter 2 2022/23

**Report By:** Executive Chief Officer Infrastructure, Environment & Economy

### 1. Purpose/Executive Summary

- 1.1 This report provides Members with reported position for the Q2 ended 30 September 2022 of the 2022/23 financial year.
- 1.2 Net spend on capital projects in the period to 30 September 2022 totalled £34.210m.
- 1.3 Since publication of the Q1 report a review of the capital programme is ongoing and an update on this will be presented to December Council.

### 2. Recommendations

- 2.1 Members are asked to **consider** the financial position as at 30 September 2022 and note the estimated year end forecast.

### 3. Implications

- 3.1 **Resource** - Resource implications are discussed in the report. There are ongoing issues with inflation and supply issues that continue to put pressure on individual projects, or ongoing programmes of work. This is being regularly monitored and adjustments made where appropriate.
- 3.2 **Risk** - Risk implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future Committees.
- 3.3 **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'.

3.4 There is no specific equality, climate change/Carbon Clever, rural or Gaelic implications arising as a direct result of this report.

#### **4. Capital Programme 2022/23**

- 4.1 **Appendix 1** provides an overview of the capital programme to 30 September 2022. For the period there has been £41.642m of gross expenditure. Overall, there has been a net expenditure of £34.210m for the 6 months to 30 September 2022 representing 50.4% of the 2022/23 programmed annual budget figure. Members should note that the Q2 report contains 4 additional lines, 50 Safer Routes to School, 100 Economic development and 134 School bus fleet which are funded from external income and line 38 Infirmary Bridge.
- 4.2 The estimated outturn position shows a net expenditure of £54.126m. In the second quarter of the financial year there is an anticipated underspend of £13.692m for the year end forecast. Members should note that £3.45m of this reported underspend is match funding which is reserved and cannot be spent until the outcome of UK government LUF applications and Scottish Government second round of flood risk allocation funding is known.
- 4.3 The work on bridge replacement and refurbishment is proceeding and existing internal resources have been strengthened (through recruitment and the use of external consultants). Members should also note that construction consents, design and procurement has been slower than anticipated for these complex projects and this has contributed to the anticipated underspend in the order of £8.8m. Work is ongoing in Q3 and Q4 to accelerate the bridges spend and there is confidence that the design effort will deliver the work through slippage to 2023/24.
- 4.4 **Appendix 2** provides an overview of the whole life costing for Major Projects.

Designation: Executive Chief Officer Infrastructure, Environment & Economy

Date: 28 October 2022

Author: Malcolm Macleod

MONITORING OF CAPITAL EXPENDITURE - 1ST JULY 2022 TO 30TH SEPTEMBER 2022 (Q2)

SERVICE: INFRASTRUCTURE, ENVIRONMENT & ECONOMY

Project Description	BUDGET	ACTUALS			ESTIMATES			VARIANCE			Comments
	2022/23 Approved Budget	2022/23 Actual Expenditure	2022/23 Actual Income	2022/23 Actual Net Year to Date	2022/23 Estimated Expenditure	2022/23 Estimated Income	2022/23 Estimated Outturn	2022/23 Variance Est. Outturn v Budget	2022/23 Acceleration (Slippage)	2022/23 Overspend / (Underspend)	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>ROADS AND BRIDGES</b>											
<b>Structural Road Works</b>											
Road Structural Capital Works (incl. VRS, Weather Stations & Road Signs/Markings)	13,568	4,858	(60)	4,798	13,455	0	13,455	(113)	(113)	0	The budget includes works for various road assets including surfacing, road markings, signs, cattle grids, weather stations, etc. Works programmes vary throughout the year and are dependent on weather constraints.
Road Surface Dressing Capital	4,194	2,988	0	2,988	3,840	0	3,840	(354)	(354)	0	
Bridges, Retaining Walls & Culverts	3,120	232	0	232	850	0	850	(2,270)	(2,270)	0	
Coast Protection	36	0	0	0	36	0	36	0	0	0	The surface dressing programme is now complete. The availability of materials at the start of the season caused a slight delay in commencing the programme. Where an Area is not undertaking surface dressing operations in a particular year, the budget is used for surfacing instead.
Sconser Quarry Gas Conversion (Salix)	122	124	0	124	125	0	125	3	0	3	
<b>Area Minor Capital Works</b>											
Timber Extraction	532	423	(471)	(48)	2,786	(2,398)	388	(144)	(144)	0	The £36k budget is to be used for the remedial works at Braehead (Fortrose). The works at Braehead are estimated to be approximately £500k in total and the Service is trying to find funding for them.
<b>Major Road Improvements</b>											
The Inverness West Link	(791)	268	0	268	750	(271)	479	1,270	1,270	0	
Inshes Roundabout	(202)	28	(4)	24	28	(202)	(174)	28	28	0	
Development Infrastructure, Dingwall	797	33	0	33	57	0	57	(740)	(740)	0	
B851/B862 South Loch Ness Road Improvements	168	82	0	82	168	0	168	(0)	0	0	
Stromeferry Rockface	235	9	0	9	235	0	235	0	0	0	
<b>Minor Road Improvements</b>											
Other Minor Schemes (PDU)	2,488	1,338	0	1,338	2,488	0	2,488	0	0	0	
<b>Major Bridge Works</b>											
B863 Invercoe Bridge, Lochaber	7,953	2,607	0	2,607	4,107	0	4,107	(3,846)	(3,846)	0	
A862 Muir of Ord Railway Bridge	(1)	0	0	0	2	0	2	3	0	3	
B9090 White Bridge	251	6	0	6	5	0	5	(246)	(246)	0	
Dulsie Bridge	33	0	0	0	5	0	5	(28)	(28)	0	
Ruthven (Spey) Bridge	(29)	12	0	12	35	0	35	64	64	0	
Naver Bridge	(176)	92	0	92	210	0	210	386	386	0	
Infirmity Bridge	550	5	0	5	100	0	100	(450)	(450)	0	
<b>Lifeline Bridges</b>											
B8007 Glenmore Bridge - Lifeline Bridges	777	0	0	0	0	0	0	(777)	(777)	0	
A884 Acham & Achnagavin Bridges - Lifeline Bridges	71	0	0	0	0	0	0	(71)	(71)	0	
A831 Comar Refurbishment - Lifeline Bridges	821	0	0	0	0	0	0	(821)	(821)	0	
<b>ACTIVE TRAVEL</b>											
Car Parking - Portree	192	0	0	0	192	0	192	(0)	0	0	
Car Parking - Fort Augustus	5	0	0	0	0	0	0	(5)	0	(5)	
Car Parking - Inverness Lorry Park	102	1	0	1	102	0	102	0	0	0	
Car Parks Structural - Rose Street Multistorey	238	0	0	0	238	0	238	0	0	0	
Cycling, Walking & Safer Streets	(3)	50	0	50	50	0	50	53	53	0	
Safer Routes to School	66	780	(74)	706	1,894	(1,828)	66	0	0	0	
20mph Zones	19	0	0	0	19	0	19	0	0	0	
Traffic Management Improvements	(235)	4	0	4	4	0	4	239	239	0	

Complete.

Community Links PLUS	20	126	(280)	(154)	450	(450)	0	(20)	(20)	0	
Bridge at Lochloy, Nairn	(10)	0	0	0	0	0	0	10	0	10	
Bus Priority Rapid Development Fund (incl rural Giga Prog RGCP)	(47)	0	0	0	0	0	0	47	47	0	
Bus Shelters	20	2	0	2	20	0	20	0	0	0	
Accessing Inverness	(7)	43	0	43	400	(400)	0	7	7	0	
Aviemore Active Travel Path	(4)	2	(96)	(94)	0	(96)	(96)	(93)	(93)	0	
Active Travel Transformation (Highland) - match fundin	660	0	0	0	160	0	160	(500)	(500)	0	
Spaces for People	(15)	0	(15)	(15)	0	(15)	(15)	0	0	0	
NC500 Levelling Up Funding - Match Funding	1,000	0	0	0	0	0	0	(1,000)	(1,000)	0	
				0							
				0							
<b>LIGHTING, CCTV &amp; RADIO MASTS</b>											
Structural Lighting Works	2,127	854	0	854	1,700	0	1,700	(427)	(427)	0	There may be further SALIX income of up to £500k for LED installations but this is not guaranteed and works are progressing against existing budget. Any slippage to be carried into future years to complete LED programme. £100k transferred to Radio Mast Structural Capital budget as previously earmarked for replacement mast installed in 2018 in partnership with site sharers but not yet invoiced.
Public Space CCTV Modernisation	135	0	0	0	155	(20)	135	0	0	0	Works ongoing in Inverness and Fort William, full year budget expected to be spent with possible acceleration in to next years budget. £20k income from Police Scotland to upgrade and take ownership of Kessock Bridge CCTV.
Radio Mast Structural Capital	140	0	0	0	110	0	110	(30)	(30)	0	Awaiting invoicing from site sharer for previous mast replacement, legal issues holding up process so likely to be slippage. £100k transferred from Structural Lighting Works budget as previously held there for payment of replacement mast installed with sharers in 2018 not yet invoiced. Expected invoice costs to be approximately £110k. Yearly budget on own is not sufficient to carry out mast replacement so slippage into following years expected.
				0							
				0							
<b>FLOOD RISK MANAGEMENT</b>											
<b>Flood Protection Schemes</b>											
River Ness Flood Prevention - Tidal Section (Incl Streetscaping)	(77)	4	0	4	4	0	4	81	0	81	Suggest the overspend is taken from Smithton/Culloden Flood Alleviation. (Alan Fraser)
Smithton / Culloden Flood Alleviation	325	44	0	44	160	0	160	(165)	(84)	(81)	Project 80% funded by Scot Gov but funded through General Capital Grant so income not reflected.
River Enrick FPW / NFMS	490	212	0	212	470	0	470	(20)	(20)	0	Project 80% funded by Scot Gov but received through General Capital Grant so income not reflected.
Caol FPW	5,703	3,090	(108)	2,982	5,716	(108)	5,608	(95)	(95)	0	Project 80% funded by Scot Gov but through General Capital Grant and so income not reflected. Income in year reflects private sector costs.
<b>Flood Studies</b>				0							
Mill Burn FPS	319	0	0	0	0	0	0	(319)	(319)	0	Unlikely to spend this financial year due to delay in Scottish Government decision on grant funding. Funding should be pushed back to next financial year.
Conon Bridge Flood Defence Improvements	(39)	10	0	10	25	0	25	64	64	0	
River Gynack FPS / NFMS	157	1	0	1	57	0	57	(100)	(100)	0	
River Peffery - FPS / NFMS	(6)	0	0	0	5	0	5	11	11	0	
Golspie FPS / NFMS	112	0	0	0	0	0	0	(112)	(112)	0	
River Nairn & Auldearn Burn FPS	336	29	0	29	136	0	136	(200)	(200)	0	
Risk Management Plans	(33)	150	0	150	280	0	280	313	313	0	
	202	11	0	11	202	0	202	0	0	0	
<b>Flood Improvement Works Knockbain Burn, Dingwall</b>											
Scalesburn, Wick	(2)	0	0	0	0	0	0	2	2	0	
Surface Water Management Plans	135	11	0	11	55	0	55	(80)	(80)	0	
				0							
<b>FERRIES AND HARBOURS</b>											
Uig Ferry Terminal and Link Span	16,202	12,321	(40)	12,281	38,878	(23,327)	15,551	(651)	(651)	0	
Harbours General Structural Works - H&S	1,112	0	0	0	1,112	0	1,112	(0)	0	0	
Travel Hoist Finger Jetty Construction	(11)	6	0	6	6	0	6	17	17	0	
Portree Structural Inspection	1,777	0	0	0	0	0	0	(1,777)	(1,777)	0	
Lochinver Structural Inspection	(64)	0	0	0	0	0	0	64	64	0	
Corran Ferry	100	140	(43)	97	143	(43)	100	0	0	0	
				0							
				0							
<b>LEISURE FACILITIES</b>											
<b>Parks and Play Areas - Development</b>											
Inshes Park (Phases 1 to 3)	(91)	17	(114)	(97)	210	(114)	96	187	187	0	
				0							
<b>PLANNING &amp; DEVELOPMENT</b>											
Town & Countryside Regeneration	535	0	0	0	50	0	50	(485)	(485)	0	Projects identified. Early stage.
Economic Development	0	3,169	0	3,169	3,169	(3,169)	0	0	0	0	To be funded from reserves.
Storr Car Park	(279)	2	(9)	(7)	2	(9)	(7)	272	0	272	
Dell of Spey	106	0	0	0	50	0	50	(56)	(56)	0	Lighting project underway.
Nairn High Street	56	0	0	0	56	0	56	0	0	0	£10k committed.
Inverness Townscape Heritage	(31)	0	0	0	0	0	0	31	0	31	
Nature Restoration Fund	443	66	(2)	64	443	0	443	0	0	0	

Island Infrastructure Fund	0	26	(510)	(484)	30	(510)	(480)	(480)	(480)	0
<b>Visitor Management</b>				0						
Wester Ross Visitor Hubs	89	0	0	0	15	0	15	(74)	(74)	0
Storr Visitor Management	87	70	(66)	4	70	(66)	4	(83)	(83)	0
<b>Misc Assets, Bridges &amp; Structures</b>				0						
Assets, Bridges & Structures	168	0	0	0	90	0	90	(78)	(78)	0
<b>Green Networks, Core Paths &amp; Long Distance Routes</b>				0						
Green Infrastructure	89	18	0	18	89	0	89	(0)	0	0
Ardersier Path	26	0	0	0	0	0	0	(26)	(26)	0
Long Distance Routes	11	2	0	2	5	0	5	(6)	(6)	0
<b>ZCCR - Zero Carbon Cultural Regeneration</b>				0						
ZCCR - Bught Park Stadium	(12)	97	(99)	(2)	213	(225)	(12)	0	0	0
ZCCR - Energy Centre	(33)	153	(202)	(49)	210	(243)	(33)	0	0	0
ZCCR - Northern Meeting Park	(1)	76	(80)	(4)	157	(158)	(1)	(0)	0	0
<b>Other Grant Funded Schemes</b>				0						
Vacant & Derelict Land Fund and Regeneration Fund	0	460	21	481	556	(556)	0	0	0	0
Town Centre Fund	0	363	(974)	(611)	974	(974)	0	0	0	0
Place Based Investment Programme 21/22 Funding	0	304	(1,734)	(1,430)	1,734	(1,734)	0	0	0	0
Carbon Clever	3	0	0	0	3	0	3	0	0	0
Inverness Rail Station	310	0	0	0	310	0	310	0	0	0
City Deal Projects	0	2,179	(1,194)	985	2,179	(2,179)	0	0	0	0
Electric Vehicle Infrastructure	0	76	(92)	(16)	92	(92)	0	0	0	0
Smart City - Digital Projects	82	31	0	31	82	0	82	(0)	0	0
				0						
<b>CAPITAL CONTRIBUTIONS</b>				0						
Inverness Castle	800	2,702	(748)	1,954	7,841	(7,841)	0	(800)	(800)	0
<b>SELF FUNDING PROJECTS</b>										
School Bus Fleet	395	386	0	386	395	0	395	0	0	0
Longman Campus Site	82	0	0	0	82	0	82	0	0	0
Local Full Fibre Network	(678)	0	(437)	(437)	0	(678)	(678)	(0)	0	0
LED Programme for Buildings - SALIX Funded	0	449	0	449	900	(200)	700	700	700	0
<b>OVERALL TOTAL</b>	<b>67,818</b>	<b>41,642</b>	<b>(7,432)</b>	<b>34,210</b>	<b>102,032</b>	<b>(47,906)</b>	<b>54,126</b>	<b>(13,692)</b>	<b>(14,006)</b>	<b>314</b>

Sum committed as part of woodland restoration grant scheme.

Ongoing inspections and works. Replacement structures required.

THE HIGHLAND COUNCIL

CAPITAL MAJOR PROJECT WHOLE LIFE REPORTING

SERVICE: INFRASTRUCTURE, ENVIRONMENT & ECONOMY

Appendix 2

Project Description	WHOLE LIFE BUDGET TO 2036/37			ACTUALS TO DATE 22/23 Q2			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				
Road Structural Capital Works (incl VRS, Weather Stations, Road signs/markings, minor works (non-PDU) and additional £10m roads capital)	119,266		119,266	17,109	-1,271	15,838	119,266		119,266	R	R	R	This budget includes various capital works related to the road asset which will be impacted by the rising cost of materials and labour, linked to inflation. Programmes will be adjusted to take account of the cost increases which may result in a reduction of renewal of assets in certain cases.
Road Surface Dressing Capital	36,140		36,140	5,874		5,874	36,140		36,140	R	R	R	The surface dressing programme budget will be impacted by the rising cost of materials and labour, linked to inflation. Programmes will be adjusted to take account of the cost increases which may result in a reduction or adjustment of programmed works.
Bridges, Retaining Walls & Culverts	8,141		8,141	641	-8	633	8,141		8,141	R	R	R	Because this is a rolling programme of projects, inflation can be managed by reducing the rate/number of projects progressed to maintain spend within budget. £200k outstanding commitments at Oct 2022. (But please note part of our commitment is £17k per year in ongoing rental charges for emergency propping at two bridges. Repair schemes are not yet developed. The full commitment to repair these bridges two would be circa £800k.)
Timber Extraction (STTS - Strategic Timber Transport Scheme)	19,921	-13,346	6,575	11,936	-8,251	3,685	19,921	-13,346	6,575	R	R	R	This is a series of annual programmes which is largely dependent on annual funding awards. Programmes will be defined once level of funding is confirmed and will take account of pricing at that point in time.
The Inverness West Link	41,735	-3,362	38,373	42,469	-1,698	40,771	43,100	-3,362	39,738	A	A	A	Developer contributions to fund future expenditure. Cost is Amber as majority of work completed.
Inshes Roundabout	8,638	-1,801	6,837	2,189	-399	1,790	9,500	-2,000	7,500	R	A	A	Stopping up Order for Beechwood Access to E & I November 22. Planning application will be lodged in 2022.
A890 Stromeferry Rockface Stabilisation	6,351		6,351	4,244		4,244	6,351		6,351	R	A	A	Works to repair small debris flow AA18 Autumn 22. Annual inspection Autumn 22
B863 Invercoe Bridge, Lochaber	10,604		10,604	5,206		5,206	6,806		6,806	A	G	G	Construction contract (value = £5.5M) in place and work underway, Due for completion March 2023. Cost is amber as this is a lump sum contract with an inflation clause. There is also scope for compensation events that will increase costs. Note that budget increased due to award of Local Bridge Maintenance Funding - any excess unspent on Invercoe will be used to fund other bridges projects.
Naver Bridge	7,113		7,113	779		779	8,101		8,101	R	A	A	Design contract (value = £400k) in place - about to commence detailed design stage. Tender for construction contract Dec 2022, est. start on site May 2023, est. completion Dec 2024. Red status on price is due to a number of project and design risks, including inflation.
Active Travel Transformation (Highland)	11,550		11,550				11,550		11,550	R	R	R	Project Officer recruitment underway, initial AT capital programme to be produced and agreed at future strategic committee.
Structural Lighting Works	8,690		8,690	2,961	-527	2,434	10,017		10,017	R	R	R	This budget includes the rolling programme of replacement of end of life assets within the control of the lighting section to include lighting columns, underground cabling, traffic signals, pedestrian crossings. The reduction in budget is a significant pressure and risks having to turn off/cut down failed lighting columns or sections of lights, traffic signals and pedestrian crossings. There are also significant material cost increases which create another major budget pressure.
Caol FPW	12,854	-14	12,840	10,643	-524	10,119	13,404	-524	12,880	A	G	G	Works underway completion Summer 23. This is a lump sum contract and remains on target for completion cost. £500k extra income received to cover Scottish Water instructed changes.
Uig Ferry Terminal and Link Span	63,994	-38,399	25,595	20,653	-4,704	15,949	63,994	-38,399	25,595	R	A	A	Contract awarded July 2021. Construction works ongoing. Completion programmed for November 2023. Capital spend to be repaid from future income stream.
Inverness Castle	35,905	-20,350	15,555	7,581	-5,753	1,828	35,905	-20,350	15,555	A	G	G	Contract let, on programme, estimated completion Spring 2025. Fixed price contract currently on track.