

The Highland Council

Agenda Item	8
Report No	ECI/47/2024

Committee: Economy and Infrastructure

Date: 14 November 2024

Report Title: Capital Monitoring – Q2 2024/25

Report By: Assistant Chief Executive - Place

1 Purpose/Executive Summary

- 1.1 This report provides Members with reported position for the second quarter ending 30 September 2024 of the 2024/25 financial year.
- 1.2 The spend on capital projects in the period to 30 September 2024 totalled £33.361m.

2 Recommendations

- 2.1 Members are asked to **consider** the financial position as of 30 September 2024 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 **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 risks identified reported to future Committees.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – No implications.
- 3.5 **Gaelic** – No implications.

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 report and therefore an impact assessment is not required.

5 Capital Programme 2023/24 Q2 Report

- 5.1 **Appendix 1** provides a summary of the financial year 2024/25 Q2.
- 5.2 Overall, there has been a net expenditure of £15.933m for the 6 months to 30 September 2023 representing 33.5% of the 2024/25 programmed figure. For the period £33.361m of gross expenditure has been incurred. The programme remains on target. Of the project income received, funding streams relate to active travel, timber transport, City-Region deal funding, town centre funding, regeneration funding and vacant and derelict land funding. These funding streams will be offset against specific project costs as they are incurred.
- 5.3 The estimated outturn position shows a net expenditure of £50.933m. Given this is the second quarter of the financial year, a slight net acceleration of £3.464m for the year end is forecast.

6 Strategic Timber Transport Schemes 2024/25

- 6.1 Scottish Forestry has grant funded 2 improvement schemes in the 2024/25 round of funding applications. This STTS funding totals £341k which, when added to the Highland Council's committed funding and additional funding from the private sector, provides a value for both schemes of £682k. Third party contributions total £110k and the Council funding contribution will total £231k. It should be noted that STTS grant funding is now at a rate of 50% of a scheme cost, instead of the previous 70%.
- 6.2 Following grant funding awards, tenders were issued for the works on the 2 successful improvement schemes listed below, which have been awarded:-
- U1991 Glenglass – replace small span masonry arch bridge, repair a land slip, improve passing places, drainage and surfacing works. Expected to start in November.
 - U1019 Bohenie – edge strengthening/ widening, improving passing places and drainage. Expected to be completed in October.

6.3 In 2023/24, Scottish Forestry awarded grant funding of just under £340k in total for a project on the B8005 Loch Arkaig road. This included the purchase of 4 no. small bridge units as replacements for structures on the road. Due to budget constraints from the STTS fund, Scottish Forestry were unable to award funding in 2024/25 for construction and the cost of installation of these bridges is being met from the Roads Capital budget, including the allocation for the Bridges, Walls and Culverts budget line. This is included in the Road Structures Annual report at this committee and the project is expected to be completed at the beginning of November.

Designation: Assistant Chief Executive - Place

Date: 17 October 2024

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Background Papers: None

Appendices: Appendix 1 – Capital Monitoring Statement Spreadsheet

MONITORING OF CAPITAL EXPENDITURE - Q2 2024/25

SERVICE: INFRASTRUCTURE, ENVIRONMENT & ECONOMY

Project Description	BUDGET	ACTUALS TO DATE			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 F'cast Outturn v Budget	2024/25 To Reprofile to Next Financial Year	2024/25 Overspend / (Underspend)	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
ROADS											
Roads General Infrastructure Improvements	17,940	8,792	(167)	8,625	19,929	(2,290)	17,639	(301)	(301)	0	This is the area roads capital budget principally used for structural improvements and surface dressing. The underspend forecast relates to the communal Highland-wide part of the budget covering road markings, cattle grids, signage and VRS. Contracts are in the process of being let. Progress against some lines will be weather dependent, particularly over the winter months. A further review will be carried out for Q3 where a more accurate final forecast position should be available. Income in the year reflects funds through Skye for the new Dunvegan Primary access road and Community Regeneration Funding towards projects in Lochaber and Caithness.
Strategic Timber Transport Scheme (STTS)	578	91	(12)	79	997	(497)	500	(78)	(78)	0	Final outturn will depend on any additional grant funding from STTF which would allow further works to progress. This is unlikely to be known until the end of Q3. Any underspend that does exist will be available to go back into other area roads capital work such as surfacing.
Bridges, Retaining Walls & Culverts	576	184	0	184	531	0	531	(45)	(45)	0	Works being undertaken in 24/25 include Loch Arkaig replacements, Struie High Bridge and Aultvoulin, aswell as progressing design works for Lealty Bridge, Loin & Bracora redecking and Avern Footbridge.
Road Safety Improvement Fund	0	193	0	193	651	(651)	0	0	0	0	4 RSIF projects have completed with Culloden/Tower Road (£138k contribution from RSIF) commencing last week in Sept and Priority Route Treatment Strategy on the NC500 is in design stage with remit for completion by end of FY 24/25.
20Mph Zones	0	43	8	51	150	(150)	0	0	0	0	20mph Pilot Scheme funded by Scottish Government.
Inshes Roundabout	52	54	0	54	54	0	54	2	2	0	Design work progressing as planned. Construction work expected to start 26/27.
A890 Stromeferry Rockface Stabilisation	563	75	0	75	563	0	563	0	0	0	Tender process ongoing for this years work and expect to meet budget.
B851/B862 South Loch Ness Road Improv	347	228	0	228	347	0	347	0	0	0	Budget supports ongoing delivery of schemes. Costs this year include review of design and overseeing construction works in respect of upgrades to Flichity Bridge. There is also overlay work on B851 expected to be carried out this financial year. Funding from developer contributions may support this and update to be provided at Q3.
Braehead Coastal Rock Armour Refurnishment	(13)	0	0	0	0	0	0	13	0	13	Project complete.
Traffic Management Improvements	(24)	61	0	61	85	(85)	0	24	0	24	Expenditure to include traffic signals for Culloden Road junction improvement works. Part of total project estimated at £466k. The spend in this code to be funded from developer contributions.

Portree Link to A855	(6)	1	0	1	150	(156)	(6)	0	0	0	Project to proceed towards construction and will be funded by earmarked balances. Total project cost expected to be c£1.6m, with estimate of £1.4m spend in 25/26 and £50k in 26/27 to cover retention. The spend in 24/25 will allow completion of design and tendering work and utility diversion planning.
A890 Strathcarron Widening	(284)	10	0	10	70	0	70	354	0	354	Expenditure expected this year in respect of land. Scheme won't progress further until funding is confirmed. Includes £284k spend carried over from prior year.
Other Minor Schemes	(187)	118	0	118	228	(88)	140	327	0	327	Forecast spend this year includes £63k for B863 landslide rectification; £77k for Slattadale to Kerrysdale widening; £88k for Glenmore Subway Access Path which is funded by CNPA (£8k) and Community Regeneration (£80k). Includes £187k overspend carried over from prior year.
BRIDGES											
Major Bridges General	1,532	425	0	425	1,200	0	1,200	(332)	(332)	0	Works at A831 Bridges to progress this year, along with the next phase of work at Ness Bridge and some work commencing at Bonar Bridge. Design works to also progress for Spey Bridge Cromdale as resource allows. It is expected that years 1 and 2 of the capital programme will have less spend as design and planning work progresses for the next priority bridges, but this will balance out in years 3 to 5 when construction commences.
B863 Invercoe Bridge	48	103	0	103	201	0	201	153	0	153	Project is complete with final retention payment expected.
Naver Bridge	6,756	973	0	973	5,500	0	5,500	(1,256)	(1,256)	0	Construction work has commenced and is on track, the work is committed and programmed over two financial years, underspend this year will be made up next year.
Infirmary Bridge	150	0	0	0	10	0	10	(140)	(140)	0	Spend consists of essential structural improvement work with remainder to form part of 25/26 work plan.
ACTIVE TRAVEL & TRANSPORT											
Active Travel Transformation Highland Wid	866	350	(53)	297	1,325	(548)	777	(89)	(89)	0	Various projects Highland-wide including Culloden Rd junction, Kingussie Spey Street and Thurso Janet Street. £319k UKSPF funding for Merkinch, Obsdale Road, Raigmore Est and Balloch Footpath and £304k from various other sources. Includes £75k virement from Tier 1 AT budget line to fund Kingussie Spey Street project.
Aviemore Active Travel Path	0	4	0	4	60	0	60	60	60	0	Burnside footpath funded by AT Transformation budget.
Culbokie Active Travel Village	0	1	12	13	3	12	15	15	15	0	Culbokie design to be funded by AT Transformation budget. Construction works of £1.2m expected to commence 25/26, pending confirmation of funding from Scottish Government.
Muir of Ord to Conon Bridge AT	0	14	0	14	14	0	14	14	14	0	Design fees funded by AT Transformation budget.
Aviemore Transport Hub	0	1	0	1	12	(12)	0	0	0	0	Work funded by CNPA to undertake concept/feasibility design on a transport hub in Aviemore.
Fort William Active Travel Improvements	0	0	(8)	(8)	188	(188)	0	0	0	0	Project Funded from UKSPF.
Wick Street Design	0	3	(15)	(12)	15	(15)	0	0	0	0	Design work. Construction works of £2.3m expected to commence 25/26 pending confirmation of funding by Transport Scotland.
Accessing Inverness - Academy Street	0	157	11	168	157	(70)	87	87	0	87	Remaining design costs funded by Transport Scotland. Possible £87k pressure from legal costs and possible clawback of funding.
Community Links Plus	0	1,812	14	1,826	1,900	(1,900)	0	0	0	0	Work at Riverside Way to be fully funded by Sustrans.
Tier 1 Active Travel Fund Scottish Governm	1,073	163	0	163	1,073	0	1,073	0	0	0	Funding award from Scottish Government, replacing Safer Routes to School Fund from previous years. £362K of this total may be spent on Riverside Way. £75k has been vired to Active Travel Transformation as a contribution towards work at Kingussie Spey Street.
Low Carbon Travel & Transport (LCTT)	0	4	0	4	4	0	4	4	0	4	Final retention payment for Scretan Burn AT project.

Bus Partnership Fund (BPF)	0	13	20	33	16	0	16	16	Funding has ended. Some late costs have come through that w
Bus Shelters	39	21	0	21	39	0	39	0	Full spend expected by end of the year on thee two budget
Community Bus Fund	520	63	0	63	520	0	520	0	lines, including purchase of buses, ticket machines and bus
In-House Bus Operations	0	95	(95)	0	95	(95)	0	0	shelters.
									Purchase of bus to support in-house bus operations, funded by
									the service revenue budget.
PARKING									
Inverness Lorry Park	40	19	0	19	40	0	40	0	Project complete with additional £20k forecast for final ancillary
Torvean Resurfacing	233	250	(201)	49	290	(201)	89	(144)	works relating to security (cctv). Budget shared with Torvean.
Rose Street Multistorey	375	4	0	4	375	0	375	0	Substantive works complete. Additional £50k forecast for
Glencoe Village*	175	10	(8)	2	21	(21)	0	(175)	access, security works and retention. Tender returned c£140k
Achmelvich Beach*	272	468	(145)	323	578	(287)	291	19	less than original £500k forecast.
									Contract awarded Sept 24 for structural works to lower
									columns. Barrier installation tender going out October and will
									absorb the remaining budget this FY.
									Construction work was to be funded by the Scottish
									Government and THC capital programme. The Scottish
									Government are still exploring potential funding models
									including combining RTIF with funding streams such as
									regeneration. The project will only proceed once the Scottish
									Government funding contribution is confirmed. Design work to
									complete this year, funded in part by RTIF and UKSPF.
									Further expenditure of £116k to be to be incurred 24/25 which
									comprises of final contractor valuations for work and fees. A
									further £14k which covers contractual retention and a small
									amount of fee which will be incurred 2025/26 FY. Remaining
									RTIF (£100k) and CRF (£42k) funding to be claimed this year.
									The THC capital contribution for this project is self-funded in
									that it will be repaid from future car park income. Repayments
									to be made anually once complete and final outturn is known.
LIGHTING, CCTV & RADIO MASTS									
Structural Lighting Works	529	443	0	443	1,016	(487)	529	0	Income reflects drawdown from Salix Fund for the LED
Radio Masts	140	0	0	0	140	0	140	0	Programme.
Public Space CCTV Modernisation	45	0	0	0	45	0	45	0	Awaiting conclusion of legal ownership transfer of TEF02
									mast.
									Forecast spend in line with budget allocation pending a review
									of works by the service. An update to be provided at Q3.
FLOOD PROTECTION									
Smithton / Culloeden FPS	17	0	0	0	5	0	5	(12)	Small level of spend this year to secure culvert hatch but
Caol & Lochyside FPS	745	10	0	10	190	0	190	(555)	remainder of budget is not expected to be required.
River Nairn & Auldearn Burn FPS	38	6	0	6	38	0	38	0	Project complete with final retention payment due to be made
River Gynack FPS	27	5	0	5	52	(30)	22	(5)	this financial year.
Scalesburn Wick	71	2	0	2	2	0	2	(69)	To conclude survey work and liaise with the local community
Knockbain Burn Flood Improvement Works	(35)	0	0	0	0	0	0	35	on possible small scale interventions.
									Work will focus on worst areas of erosion and as also affects
									the railway then income includes a contribution from Network
									Rail. The unspent budget will carry over to next year to allow
									further design work on the next section.
									No further capital work expected. THC's ongoing obligation to
									residents would be funded from revenue budget.
									Balance carried over from 23/24 to be offset against
									Scalesburn line above.

Flood Risk Management Act	299	121	0	121	260	0	260	(39)	(39)	0	This line supports development of the 6 year flood risk plan and interim reviews throughout, aswell as supporting planning consultations with aim of reducing future flood risk in areas of development. This budget lines includes an annual allocation but spend comes in peaks and troughs. The underspend carried over is expected to be spent next year to support the next interim review as we enter the mid-way point of the 6 year cycle.
Coastal Change Management	254	41	0	41	135	0	135	(119)	(119)	0	This was a one year allocation but work will be spread out into next financial year. This budget supports finalisation of the Highland wide Coastal Change Adaptation Plan and then work will progress on Local Plans to identify specific works.
Coastal Flood Protection Studies	49	0	0	0	49	0	49	0	0	0	There are 6 coastal areas identified and a flood study will be carried out on each. This budget line includes an annual allocation in each year of the programme and will support 1 to 2 studies per year.
Surface Water Management Plans	68	2	0	2	48	0	48	(20)	(20)	0	Initial work focus on identifying a plan and then spend to be carried out on small case interventions, with more spend expected next year hence the balance carried forward.
HARBOURS & FERRIES											
Harbours Health & Safety and General Stru	184	116	0	116	170	0	170	(14)	(14)	0	Vectec Fuel replacement project underway and complete for 24/25 with a reduced forecast of £70k. All other projects completed in Q1, balance will c/f to fund spend in 25/26.
Lochinver Harbour	500	5	0	5	500	0	500	0	0	0	Framework being established to take forward the three schemes in capital programme, being Lochinver, Portree and Kinlochbervie. Lochinver project to progress first. The small capital budget for Portree will allow improvement work to harbour steps that are currently closed.
Portree Harbour	20	0	0	0	20	0	20	0	0	0	
Uig Ferry Terminal and Link Span*	1,289	3,940	(778)	3,162	10,731	(1,500)	9,231	7,942	0	7,942	Expect total overrun of c£10m. Project funded by mix of grant and THC capital recoverable from future harbour dues income. Discussions remain ongoing with Transport Scotland regarding funding of the overspend.
Corran Ferry Infrastructure	830	329	494	823	2,700	(1,800)	900	70	70	0	Project includes shoreside infrastructure improvements and is to be funded £20m from CRD and £10m from THC capital.
PLANNING & DEVELOPMENT											
Town & Countryside Regeneration	384	0	0	0	200	0	200	(184)	(184)	0	Replacement upgrades on structures following completion of survey works, possible land purchase at Smoo Cave and possible land purchase for extension of car park at Ardvreck. This is a one-off budget but perhaps more appropriate to consider utilising over the remaining programme, so balance to carry over to next FY.
Inshes District Park	0	14	0	14	14	(14)	0	0	0	0	Final planting costs to be funded by developer contributions.
Wester Ross Visitor Hubs	64	0	0	0	1	0	1	(63)	(63)	0	Remaining budget to carry over into 25/26 to fund a number of projects that will progress next year.
Green Infrastructure Merkinch Boardwalk	89	5	(1)	4	30	(30)	0	(89)	(89)	0	Design stage will be fully claimed from SUSTRANS to end of 24/25 (circa £18k). A further £12k will be funded from the Coastal Communities fund by the end of 24/25. Construction works will not commence now until 25/26. £89k budget to carry forward and will be used to fund construction, pending confirmation of £1.8m from Scottish Governments Active Travel Infrastructure Fund and £45k from Common Good.

Storr Visitor Management	17	323	(214)	109	327	(310)	17	0	0	0	The budget of £17k relates to Storr path refurbishments. Also included is the OMOS Retail Unit & EV Charge project. Project is complete this financial year and the expenditure will be fully funded.
Misc Assets, Bridges & Structures	88	0	0	0	88	0	88	0	0	0	Forecasting spend for works on bridge at Foyers Falls plus survey works on structures. Remaining budget to be carried into 25/26 to progress further projects.
Smart City Digital Projects	0	0	237	237	0	0	0	0	0	0	A claim was submitted to recover the spend. The service are currently working through feedback and documentation provided by the funder and a further update to be provided at Q3 regarding the position of recovery of funds.
Inverness Castle Redevelopment*	9,413	3,828	(2,625)	1,203	11,071	(3,600)	7,471	(1,942)	(1,942)	0	Project remains on track and on budget. The only change is the expected timing of the need to drawdown THC capital, with the remainder due 25/26.
City Region Deal Projects	0	1,358	(576)	782	3,348	(3,348)	0	0	0	0	Progression of CRD projects including Northern Innovation Hub, Life Sciences Innovation Centre and Affordable Housing.
ZCCR - Bught Park Stadium	0	1,819	(743)	1,076	8,271	(8,271)	0	0	0	0	Project on track and fully funded by LUF.
ZCCR - Energy Centre Inverness	0	1,381	(1,417)	(36)	2,471	(2,471)	0	0	0	0	Project on track and fully funded by LUF.
ZCCR - Northern Meeting Park	0	1,757	(1,123)	634	4,256	(4,256)	0	0	0	0	Project on track and fully funded by LUF.
Community Regeneration Capital Funds											
Nature Restoration Fund	723	114	0	114	723	0	723	0	0	0	Budget reflects allocation carried over from previous year. The nature of the projects mean they are susceptible to delays however it is expected that the budget remaining will be fully spend this FY. Additional funding awarded for 24/25 of £331k was subsequently withdrawn by Scottish Government.
Highland Coastal Communities Fund	0	574	0	574	1,100	(1,100)	0	0	0	0	Funded by drawdown from Crown Estates earmarked balance.
Island Infrastructure Fund	0	77	(398)	(321)	320	(320)	0	0	0	0	Expected to fund projects at Canna Hub, Eigg Old Surgery and Small Isles Roads Improvements.
Place Based Investment Programme 21/22 Fund	0	49	(767)	(718)	292	(292)	0	0	0	0	£140k to be repaid to Scottish Government. £335k of funding for UHI Campus Pitch expected to be carried forward.
Place Based Investment Programme 22/23 Fund	0	396	(809)	(413)	809	(809)	0	0	0	0	Expecting full pay out of capital funds by the end of 24/25.
Place Based Investment Programme 23/24 Fund	0	257	(1,106)	(849)	1,106	(1,106)	0	0	0	0	Expecting full pay out of capital funds by the end of 24/25.
UK Shared Prosperity Fund	0	362	(1,655)	(1,293)	1,655	(1,655)	0	0	0	0	Expecting full pay out of capital funds by the end of 24/25.
Town Centre Fund	0	1	(367)	(366)	7	(7)	0	0	0	0	£236k of funds to be repaid to Scottish Government from TCF1 and TCF2. £124k of funding for UHI Campus Pitch expected to be carried forward.
Vacant & Derelict Land Fund	0	0	(556)	(556)	556	(556)	0	0	0	0	Currently in discussions with Scottish Government to seek approval spend the balance on a long standing project. Update to be provided at Q3.
Regeneration Capital Grant Fund	0	1,162	(4,330)	(3,168)	4,735	(4,735)	0	0	0	0	Additional funds of £405k from Scottish Govt due in Q3.
Community Led Local Development	0	6	0	6	430	(430)	0	0	0	0	Funds of £430k due from Scottish Government this year to be spent.
Other Regeneration Projects	0	55	(55)	0	55	(55)	0	0	0	0	
OVERALL TOTAL	47,469	33,361	(17,428)	15,933	95,357	(44,424)	50,933	3,464	(4,730)	8,194	

*Project budgets are either wholly or partly self-funded (ie from income generated or

CAPITAL MAJOR PROJECT WHOLE LIFE REPORTING - 2024/25 Q2

SERVICE: INFRASTRUCTURE, ENVIR	WHOLE LIFE BUDGET			ACTUALS TO DATE			FORECAST TO END OF			PROJECT			COMMENTS
Project Description	LIFE BUDGET (PENDITU	LIFE BUDGET INCOME	LIFE BUDGET NET	ACTUAL PENDING TO DATE	ACTUAL INCOME TO DATE	ACTUAL NET TO DATE	FORECAST PENDING TO DATE	FORECAST INCOME TO DATE	FORECAST NET TO DATE	COST	TIMING	SCOPE	COMMENTS
	£000	£000	£000	£000	£000	£000	£000	£000	£000				
Naver Bridge	11,575	0	11,575	1,181	0	1,181	11,575	0	11,575	G	G	G	Work to replace aged single track bridge carrying A836 over River Naver in Sutherland. A fixed price contract is in place with the contractor. Work has commenced and is expected to complete in Autumn 2025. Project remains on track.
Uig Ferry Terminal and Link Span	65,098	-39,058	26,040	65,816	-38,376	27,440	74,800	-39,098	35,702	R	G	G	Life budget includes additional £1.1m for the terminal building, funded 60% by grant and 40% by THC capital recoverable through harbour dues. Construction works ongoing with new ferry terminal building expected to complete Spring 2025. The project in total expects a c£10m overrun primarily due to the split outage and talks remain ongoing with Transport Scotland regarding funding. The capital is expected to be repaid from future income stream.
Inverness Castle	35,905	-20,350	15,555	23,564	-16,964	6,600	35,905	-20,350	15,555	G	G	G	Contract let, on programme, estimated completion Summer 2025. Fixed price contract currently on track across all aspects, including price, timing and scope. Approximately 1/3 of the THC capital contribution is to be repaid by future income generated.
Inshes Roundabout	10,050	0	10,050	302	0	302	10,050	0	10,050	G	G	G	Design work progressing as planned. Budget considered appropriate.
Corran Ferry Infrastructure	30,000	-20,000	10,000	823	0	823	30,000	-20,000	10,000	G	G	G	Preliminary work progressing. Formal approval of funding from UK Government CRD to be confirmed.