



REPORT TO: SPECIAL MORAY COUNCIL ON 27 MARCH 2024

SUBJECT: CLODDACH BRIDGE BUSINESS CASE

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT, AND FINANCE)

1. REASON FOR REPORT

1.1 To inform the Council of the draft business case for the replacement of Cloddach Bridge and to decide whether the Council will provide funding for the replacement.

1.2 This report is submitted to Council in terms of Section III (F) (15) of the Council's Scheme of Administration relating to management and implementation of the requirements of the Roads (Scotland) Act 1984.

2. RECOMMENDATION

2.1 It is recommended that Council:

(i) note the findings of the draft Economic and Financial Case from the Business Case to replace Cloddach Bridge;

(ii) note that the community has been unable to source funding to date;

(iii) make a decision on whether to resource the remaining £2.737million required to fully fund the design and construction of a replacement bridge from Council capital funding; and

(iv) if agreeing to resource the remaining £2.737million, for the reasons set out in para 3.15 also agree to delegate authority to the Head of Environmental and Commercial Services in consultation with the Council Leader and Chief Executive for approval and submission of the Full Business Case to the Department for Transport (DfT).

3. BACKGROUND

3.1 Following a special inspection in February 2022, Cloddach Bridge was closed to vehicular traffic in the interest of public safety.

- 3.2 Cloddach Bridge is not considered a high priority for maintenance works by the Council and is categorised as Standard-low under the Council's Bridge Maintenance Prioritisation Policy. This Policy was agreed at a meeting of Economic Development and Infrastructure Services Committee on 2 May 2023 (paragraph 12 of the minute refers).
- 3.3 In March 2023, UK Government announced grant funding of up to £1.5 million for the repair of Cloddach Bridge, subject to a Full Business Case based on the five case model set out in the Green Book and match funding of at least 50%.
- 3.4 At the meeting of Moray Council on 28 June 2023 Members agreed to commission a pre-feasibility study to ascertain if investment in a Full Business Case would be of value (paragraph 8 of the minute refers).
- 3.5 At the meeting of Moray Council on 25 October 2023, Members agreed to note the pre-feasibility study and to progress a Full Business Case into the repair of Cloddach Bridge with funding of £120,000 from the community and £60,000 by the Council (paragraph 10 of the minute refers).
- 3.6 At this meeting Members were advised that it would take 26 weeks to develop a Full Business Case for the repair of Cloddach Bridge. The final draft of the Full Business Case will be delivered to Officers on 14 April 2024 and must be submitted to UK Government on 16 April 2024 for approval. This timeline does not allow sufficient time for the finalised business case to be considered by the Council before being submitted to UK Government.
- 3.7 The business case is sufficiently developed to allow Members to consider the economic case, which demonstrates value for money and the financial case which covers funding.

Economic Case

- 3.8 The economic case considers two main elements, the cost of repairing the bridge and the benefits associated with a fully operational bridge.
- 3.9 An outline design for the replacement bridge, which is based on the preferred option in the Pre-feasibility Study, was developed as part of the business case and a copy of this is provided for information in **Appendix A**. To ensure the cost of the bridge is as close to current market value as possible, the outline design was sent to one of the Council's framework contractors to price. The cost of repairing Cloddach Bridge, including an allowance for risk is £4.237million. A copy of the draft Financial Case is provided in **Appendix B**.
- 3.10 Risk for this project has been calculated in line with guidance set out in the Green Book. The risk allowance for this project includes a quantified risk register and Optimism Bias. The quantified risk register allocates a cost to the known risks associated with this project and this allows Optimism Bias to be reduced. Optimism Bias is the demonstrated systematic tendency for appraisers to be over-optimistic about key project parameters, including capital costs, operating costs, project duration and benefits of delivery. The

Green Book recommends applying specific adjustments for this at the outset of an appraisal. Following the guidance set out in the Green Book the Optimism Bias for this project is 42%. It is standard practice to apply Optimism Bias when estimating costs for civil engineering projects and this is routinely used in setting budget estimates for council projects.

- 3.11 The benefits of having a fully operational bridge at Cloddach have been assessed based on journey time savings. A copy of the draft Economic Case is provided in **Appendix C**.
- 3.12 Based on these two elements, the benefit cost ratio for the repair of Cloddach Bridge is 3.6 which is positive and represents value for money.

Financial Case

- 3.13 As stated in paragraph 3.3 the Full Business Case is a five case model, which includes the Financial Case and the Financial Case must identify how the project will be funded. If the Business Case is approved by DfT, the UK Government will contribute £1.5million grant funding to the cost of repairing the bridge. At the time of writing the report Heldon Community Council has not confirmed any match funding contribution. On 20 December 2023 the Community Council was asked to confirm any funding contribution by 15 March 2024 in order to allow reports and recommendations to Council to be finalised in line with the overall programme timeline and submission of the business case to the DfT. The Community Council has suggested potential funding avenues that could be explored (refer **Appendix D**) but no funding is currently identified. Therefore, the only potential funding source to match the UK Government funding is Council capital funding.
- 3.14 If members wish to progress the construction of a replacement bridge at Cloddach they must agree to commit the additional £2.737m funding required to undertake the works. This commitment must be made before the Financial Case can be finalised. The financial implications of this are set out in detail in paragraph 4(c), and it remains the case that the bridge would not be prioritised for capital investment through the approved Bridge Maintenance Prioritisation Policy.
- 3.15 If members commit the additional funding required to progress the construction of the replacement bridge, arrangements need to be made to finalise the Full Business Case and approve it for submission to the DfT. It is recommended that the route to achieve this would be to delegate authority to approve the Full Business Case to the Head of Environmental and Commercial Services in consultation with the Council Leader and Chief Executive, as there is insufficient time in the programme to convene a meeting of Council and circulate the final documentation in time for consideration by Elected Members.

4. SUMMARY OF IMPLICATIONS

- (a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**
“Building a better future for our children and young people in Moray”

(b) Policy and Legal

Under the Council's Bridge Maintenance Prioritisation Policy, Cloddach Bridge is classed as Standard: Low in terms of its priority level. In terms of the Short to Medium term Financial Strategy, reducing the Capital Plan is a key contributor to achieving a balanced budget by the end of 2025/26. Given the reductions in capital spend for 2024/25, there has already been a reduction in allocated funding for prioritised bridge repairs.

(c) Financial implications

The Council's Capital Plan approved on 28 January 2024 gives high level approval for capital expenditure. Financial regulations require subsequent approval of the detail of expenditure for each asset class, supported by an appropriate level of justification for the work proposed. This is brought to service committees after the annual budget is set. There is no currently committed budget to undertake works on Cloddach Bridge. It is noted that Council on 28 June 2023 (para 10 of the minute refers) carried forward £1.5million capital from the 22/23 capital budget into 23/24 provisionally in relation to Cloddach Bridge, agreeing that any firm commitment would be subject to further decision making. When the capital plan for 2024/25 was being prepared it was known that the £1.5 million provisionally set aside in 2023/24 would not be spent in that financial year and consequently £1.5 million has been included in the bridges line of the capital plan, again as a provisional sum contingent on further approval. Through development of the Business Case the cost of repairing the bridge has been refined and Moray Council is required to fund £2.737million to progress this work. Given the other calls on council funding and the requirement to make significant financial savings for 2024/25 and 2025/26, there are clear financial impacts in committing funding to this project. As a rule of thumb, capital expenditure of £1 million will add additional £70,000 revenue expenditure in the subsequent and thereafter following years.

Given the rising cost of borrowing and continued financial constraints on the Council's revenue budget, the Council on 28 January 2024 approved a reduction in capital expenditure over the indicative ten year financial plan and this will reduce the sums available to spend on bridges which are prioritised in terms of the Bridge Maintenance Prioritisation Policy in 2024/25. Although allocation of the cap by asset class for 2025/26 onwards has not yet been agreed, it is very likely that this will restrict spending on bridges for 2025/26 onwards.

When the Council approved the budget for 2024/25 on 28 February 2024 (paragraph 7 of the draft Minute refers) it balanced only by using reserves. The indicative 3 year budget shows a likely requirement to continue to make savings in the order of £13 million in the next two years. All financial decisions must be made in this context and only essential additional expenditure should be agreed in the course of the year. In making this determination the committee should consider whether the financial risk to the Council of incurring additional

expenditure outweighs the risk to the Council of not incurring that expenditure, as set out in the risk section below and whether a decision on funding could reasonably be deferred until the budget for future years is approved.

As the budget has been balanced using reserves and reduced free general reserves to the policy minimum, this will increase savings required in 2025/26 by £86,000 if approved.

(d) Risk Implications

There is a risk that should it make funding available to support this project notwithstanding the earlier decision in February 2024, the Council is seen as departing from its established Bridge Maintenance Prioritisation Policy. While it could be suggested that the offer of government funding makes this project exceptional, any funding contributed by the Council would still be applied to a bridge which would not otherwise be accorded priority status and given that there has already been a reduction in capital budget for 2024/25 compared to the bridge maintenance programme requirements, this may ultimately be to the potential detriment of other bridges and communities across Moray, particularly in the context of a reducing Capital Plan.

(e) Staffing Implications

Staff resources within the Consultancy Section are fully utilised and if construction of a new bridge at Cloddach is progressed this will require one of the projects planned for 2024/25 to be deferred. There are maintenance works to three projects planned for 2024/25 at Auchriachan Bridge, Blackhills Culvert and New Bishopmill Bridge. Auchriachan Bridge is categorised as important and is in poor condition. This bridge currently has a temporary repair, which was undertaken as emergency works and there are concerns that if a more robust repair is not undertaken soon it may be necessary to close the bridge to vehicular traffic, with a diversion route of approximately 20 miles. Blackhills Culvert is categorised as important and is in very poor condition. This culvert provides sole access to property. New Bishopmill Bridge is categorised as vital and is in poor condition with a collapsed bearing. It is unlikely that its condition would require the bridge to be closed in the near future but if this changes there is a reasonably short diversion route available. As such the planned maintenance work to New Bishopmill Bridge would be deferred. It is also likely that we would need to outsource a number of the Principal Inspections planned for 2024/25 to consultants, at increased cost to the council

(f) Property

Cloddach Bridge currently vests with the Council in its role as Road Authority. If the bridge is closed and the road is Stopped Up, the land on which it has been constructed must be reinstated and returned to the landowner.

(g) Equalities/Socio Economic Impact

If the bridge remains closed to vehicular traffic, a maximum diversion of 6 miles may affect some car users.

(h) Climate Change and Biodiversity Impacts

If a replacement bridge is progressed, where possible we would seek to recycle and/or reuse the waste material generated through demolition of the existing bridge.

(i) Consultations

Depute Chief Executive (Economy Environment and Finance), Head of Environmental and Commercial Services, Chief Financial Officer, Legal Services Manager, Equal Opportunities Officer and the Democratic Services Manager have been consulted and their comments incorporated into the report.

5. CONCLUSION

5.1 The Economic case for replacement of Cloddach Bridge has a Benefit Cost Ratio of 3.6.

5.2 The cost of replacing the bridge, including an allowance for risk is £4.237million. Up to 50% of this will be funded by UK Government, if the Full Business Case is approved, capped at £1.5 million.

5.3 To finalise the Financial Case and enable the Full Business Case to be submitted to UK Government, the Council must commit to funding the remaining £2.737million required to replace the bridge.

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Background Papers:

Ref: SPMAN-524642768-1031