

ANGUS COUNCIL

ROADS COMMITTEE

11 JUNE 1998

FINANCE & INFORMATION TECHNOLOGY COMMITTEE

16 JUNE 1998

POSSIBILITY OF EXTENDING SCOPE
OF A92 PROJECT (PFI) - UPDATED POSITION

**JOINT REPORT BY THE DIRECTOR OF ROADS
AND THE DIRECTOR OF FINANCE**

ABSTRACT

This report updates the Committee on the current position in respect of developing correspondence with the Scottish Office on the subject of the possibility of extending the scope of the A92 project and follows on from recommendation (iii) of Angus Council Report No. 1267/97.

1 RECOMMENDATIONS

It is recommended that the Committee:-

- (i) note the current position in respect of the development of the possible extension of the scope of the A92 project,
- (ii) instruct the Director of Roads in conjunction with the Director of Finance to submit a further Outline Business Case to the Scottish Office by 30 June 1998 in support of the inclusion of the Montrose Bridge replacement (A92) within the A92 (PFI) project.

2 BACKGROUND

In Angus Council Report No. 1267/97 presented to the Council on 18 December 1997 it was explained that a potential opportunity had arisen to consider extending the scope of the A92 project, thereby potentially improving the overall value for money to the Council in a number of areas of its Roads service provision.

In essence the additional options promulgated were:-

- (a) As for the core project, plus the operational maintenance of the additional length of the A92 between Westway, Arbroath and the border with Aberdeenshire including the replacement of the bridge over the South Esk at Montrose;
- (b) As per (a) above plus the operational maintenance of the A935 between Montrose and Brechin including alignment improvements on the A935 together with a Brechin inner relief link to the A90 at Trinity.

3 CURRENT POSITION

In the interim period since Report No. 1267/97 was produced, the officers of the Council have been in dialogue and discussion with officers from both the Private Finance Unit and the Local Roads Unit of the Scottish Office on this topic.

It has become clear that since the Scottish Office introduced a framework for “levelling of the playing field” in terms of the Revenue support treatment of the capital spend element of local authority projects procured by means of the Private Finance Initiative (PFI), that authorities in general have become much more interested in PFI as a means of procurement of services. At the same time the Scottish Office have, as was anticipated, determined that in order to control the uptake of PFI projects and the overall availability of government grant to support such projects (in Revenue terms) it will be necessary to introduce a form of “rationing” to provide a means of such control.

In February 1998 the Scottish Office issued Financial Circular 2/1998 setting the arrangements which they were putting in place to ascertain those local authority projects which would become approved as eligible projects to be procured by means of the PFI. It should be noted in that context the A92 core project is already considered to have “pre-qualified” as an eligible project.

In the light of these developments it has become clear through discussion that the effect of the “rationing” described is such as to make it highly unlikely that the option described at 2 (b) of this report would be viewed favourably by the Scottish Office.

Consequently the Council’s officers have concentrated on pursuing the option described at 2 (a) and to that end have provided further supporting information to the Scottish Office in justification of widening the scope of the core project as described.

Nevertheless discussion with the Scottish Office currently indicates that they may be unable to come to a conclusion in respect of the Council’s proposals to widen the scope of the core project prior to the date of 30 June 1998 identified in Circular 2/98 for submission of further Outline Business Cases (OBC) from local authorities wishing to have nominated projects considered for approval as PFI funded projects.

To that end and in accordance with the requirements of Circular 2/98 the Chief Executive has written to the Scottish Office (prior to 31.3.98) indicating that Angus Council will intend to submit to the Scottish Office a further OBC for the inclusion of the replacement of the Montrose Bridge etc, as described at 2 (a) above within the existing A92 project scope. The actual submission of the OBC itself is required by no later than the 30 June 1998.

Further, therefore, and notwithstanding the intention to continue to press the Scottish Office for an earlier decision concerning the widening of the scope of the core project, it is suggested that the Committee now instruct the Director of Roads in conjunction with the Director of Finance to lodge a further and supplemental Outline Business Case with the Scottish Office Private Finance Unit by the due date of 30 June 1998 in

accordance with the requirements of the Circular 2/98, thereby enabling this proposal to be considered further by the Scottish Office should a favourable decision not be received on the proposals previously submitted to extend the scope of the project.

Whilst it is possible that the Scottish Office may make a determination prior to the end of June it is considered prudent to presume otherwise and take the precautionary measure of lodging a further OBC, thus keeping the proposal live.

4 **FINANCIAL IMPLICATIONS**

There are no financial implications arising in direct consequence of this report.

5 **CONSULTATION**

The Chief Executive and the Director of Law and Administration have been consulted in the preparation of this Report.

6 **CONCLUSION**

It is likely that the Scottish Office will not make a determination on the Council's proposals for extending the scope of the A92 project to include for the replacement of the Montrose Bridge over the South Esk etc prior to the deadline identified in Financial Circular 2/98 for the formal submission of further Outline Business Cases. It is considered prudent therefore to take the precautionary step of lodging a further OBC for this proposal by the due lodgement date of 30 June 1998.

Dr Bob McLellan
DIRECTOR OF ROADS

David Sawers
DIRECTOR OF FINANCE

NOTE

The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing the above Report:-

Report No. 1267/97 - A92 Project : Affordability and the Way Ahead - Angus Council - 18 December 1997.

JG/JSG
29 May 1998
REPORTS/pfi.extension