



REPORT TO: MORAY COUNCIL ON 5 SEPTEMBER 2018

SUBJECT: CAPITAL PLAN 2018/19

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To advise Council of the expenditure to 30 June 2018 under the capital plan for financial year 2018/19 and of the estimates of projected expenditure profiled into quarters.
- 1.2 This report is submitted to council in terms of Section III (B)5 of the Council's Administrative Scheme relating to monitoring progress of projects in the approved capital plan including any revisions to the price or phasing on a quarterly basis.

2. RECOMMENDATION

2.1 It is recommended that the council notes:

- (i) expenditure to 30 June 2018 of £3,015,000;
- (ii) the current projected expenditure of £44,246,000 for 2018/19 profiled into quarters; and
- (iii) the projected overall expenditure for projects spanning more than one financial year, as set out in APPENDIX 2.

2.2 It is recommended that the council approves:

- (i) proposed budget deferments of £14,389,000 arising from slippage and expenditure reprofiling from 2018/19 to 2019/20 as detailed in paragraph 5.9 of the report; and
- (ii) proposed budget advancement of £250,000 from future years to 2018/19 as detailed in paragraph 5.10 of the report.

- 2.3 The Council is also asked to note that in light of the very serious financial position, capital commitments for 2018/19 and 2019/20 are being reviewed to assess options to reduce spend in uncommitted areas.

3. **BACKGROUND**

- 3.1 The capital plan for 2018/19 of £54,096,000 was approved by a meeting of Moray Council on 12 February 2018. Amendments approved by Council and by Policy and Resources Committee since this date have been incorporated to give a current approved capital plan for 2018/19 of £58,763,000. The current projected expenditure is £44,246,000. The difference of £14,517,000 is due mainly to project reprofiling for the new Linkwood Primary School and Lossiemouth High School as detailed in paragraphs 5.3.4 and 5.3.5 of this report.
- 3.2 Reference is made to the report to the Council on 28 June 2018 (and previous reports referred therein) that set out the council's very challenging financial position. In light of this all uncommitted capital projects are being reviewed to assess whether it is possible to reduce, defer or put on hold expenditure. This is part of the emergency measures that are being put in place to ensure that only essential spending takes place until the Council's spending position is more closely aligned to its income and reliance on reserves is reduced. Any changes proposed as a result of this review will be reported to committee in due course.
- 3.3 Regular monitoring reports are provided to Policy and Resources committee or to Council showing expenditure to date for each project and details of capital receipts received. Policy and Resources committee on 10 May 2016 agreed to amendments to the information provided in response to the Audit Scotland report "Major Capital Investment in Councils". Accordingly this report includes a separate **APPENDIX 2**, giving details of expenditure on projects which span more than one financial year.

4. **CAPITAL PLAN 2018/19**

- 4.3 A copy of the capital plan is attached as **APPENDIX 1**, showing actual expenditure to 30 June 2018 of £3,015,000. Capital receipts of £50,000 from sale of assets are identified along with General Capital Grant of £2,636,000 from the Scottish Government. Developer contributions of £26,000 have also been received in this financial year while repayments of contributions to developers of £299,000 have been made. The Council has utilised contributions of £98,000 for the purchase of car parking machines.

- 4.4 Expenditure on land and buildings to 30 June totals £950,000. The major items of expenditure are £351,000 for the ongoing works to provide early learning and childcare facilities at Milnes Primary School and £321,000 for early learning and childcare expansion, mainly at Lady Cathcart centre in Buckie. The early learning and childcare expansion projects are funded by capital grant received from the Scottish Government.
- 4.5 Expenditure on infrastructure assets to 30 June totals £1,545,000. The major items of expenditure are £747,000 on carriageway resurfacing/ reconstruction, £221,000 on bridges infrastructure, £127,000 on Elgin Transport Strategy and £330,000 for street lighting (including £230,000 on new LED lighting).
- 4.6 Expenditure on vehicles, plant and equipment to 30 June totals £520,000. The major items of expenditure are £161,000 on the vehicle replacement programme, £98,000 on car parking machines and £218,000 on ICT projects.

5. **PROJECTED OUTTURN**

- 5.1 Budget managers have been requested to update projected estimates of expenditure on capital projects in 2018/19. Projects are graded for confidence of achieving projected expenditure with high confidence rated as green, medium confidence as amber and low confidence as red. A summary of the ratings is given in the table below.

Risk status	RAG	No. of projects	Projected expenditure 2018/19 £000s
High confidence of spend to estimate	G	81	23,015
Medium confidence spend to estimate	A	6	14,058
Low confidence of spend to estimate	R	4	7,173
		<u>91</u>	<u>44,246</u>

- 5.1.1 The following projects are rated as Amber:

Project	Reason for rating	Para ref	£000s
Lossie High School	Timing of complex project	5.3.5	10,575
Early Learning/C'care	Timing of various projects	5.3.6	2,925
LossieSeatown FRM	Timing of expenditure	5.7.4	190
Newmill Flood Allev.	Potential compensation	5.7.4	78
Forres Flood Allev.	Potential compensation	5.7.4	150
Buckie Harbour Imp.	Funding confirmation	5.7.6	140

5.1.2 The following projects are rated as Red:

Project	Reason for rating	Para ref	£000s
Linkwood Primary	Timing of complex project	5.3.4	3,858
Drainage Works	Tender pricing & winter weather	5.7.2	760
Elgin Trnsprt Stratgy	Timing of schemes	5.7.3	2,500
P'gordon Flood RM	Project feasibility	5.7.4	55

5.2 A summary of the projected variances at June 2018 from the current approved capital programme, as detailed in **APPENDIX 1**, is set out below:

Description	Para ref	Underspend (Overspend) £000
Land & Buildings		
Schools Estate	5.3.1	(4)
Linkwood Primary School	5.3.4	2,953
Lossiemouth High School	5.3.5	9,536
Complex Housing Needs Residential Facility	5.4.1	(27)
Integrated Waste Facility Moycroft	5.5.3	1,800
Materials Recovery Facility	5.5.6	100
Infrastructure		
Portgordon Flood Risk Mgt	5.7.4	100
Lossie Seatown Flood Risk Mgt	5.7.4	34
Dallas Flood Alleviation Scheme	5.7.4	(13)
Elgin Flood Alleviation Scheme	5.7.4	(100)
Forres (River Findhorn & Pilmuir) Flood Allev. Scheme	5.7.4	(150)
Buckie Harbour replace life expired items	5.7.5	233
Burghead Harbour replace life expired items	5.7.5	5
Plant & Equipment		
ICT Core Programme	5.8.4	76
IJB OT stores stock system	5.8.4	(17)
CCTV Replacement	5.8.5	(9)
Total		14,517

5.3 Land and Buildings – Children & Young Peoples Services Committee

- 5.3.1 **Schools Make Do and Mend Programme** – A budget of £3,312,000 for Make Do and Mend projects is allocated across 5 schools in 2018/19: East End Primary, Cluny Primary, Forres Academy, New Elgin Primary and Andersons Primary, with minor expenditure for Keith Grammar, Speyside High and Hopeman Primary relating to final costs for prior year projects. Apart from expenditure of £4,000 for final costs relating to building works at Keith Grammar, all Make Do and Mend projects are currently projected to spend to budget.
- 5.3.2 **School fire safety works and the bus drop off point at East End Primary** (for Linkwood Primary School) are anticipated to spend to budget.
- 5.3.3 **Milnes Primary School – Replace huttled accommodation and pre-school provision** – This project is budgeted at £2,500,000 over a number of years, including a budget of £1,032,000 in 2018/19. Final works, including demolition of the old huts and landscaping, are due to be completed within the next few weeks and it is anticipated that the project will spend to budget.
- 5.3.4 **New Linkwood Primary School in South Elgin** – The project to construct a new primary school in South Elgin has an approved budget of £11.5 million, including budget of £6,811,000 in this financial year. It is anticipated that, following the tender review process, the final contract cost will be known by late September with work on site potentially commencing in mid November. Currently, the projected spend in 2018/19 is £3,858,000 and is rated as red for confidence of achieving this amount due to the complex nature of this major project. Therefore it is requested that committee approve the deferment of budget of £2,953,000 from 2018/19 into 2019/20.
- 5.3.5 **Lossiemouth High School** – The project to construct a new secondary school in Lossiemouth has an approved budget of £42.3 million, to be funded by Government grants of £25.4 million with Moray Council funding the balance of £15.9 million. The main school building and community facilities are currently programmed to be completed by June 2020. Currently the projected spend in 2018/19 is £10,575,000 and is rated as amber for confidence of achieving this amount due to the complex nature of this major project. Therefore it is requested that committee approve the deferment of budget of £9,536,000 from 2018/19 to 2019/20.
- 5.3.6 **Childcare Expansion projects** – Grant funding of £2,400,000 has been received in August 2018 from the Scottish Government to support the expansion of entitlement of funded early learning and childcare to 1140 hours from August 2020. When combined with prior year grant funding of £525,000, the 2018/19 budget allocation totals £2,925,000. Currently it is anticipated that this budget allocation will be fully spent although this is rated as amber, as there are a number of separate projects within the budget heading. New provision at Lady Cathcart in Buckie has been completed, with construction works due to commence in January 2019 at Cullen and Pilmuir in Forres.

5.3.7 Other projects reporting to Children and Young Peoples Services Committee are currently projected to spend on budget.

5.4 **Land and Buildings – Social Care services**

5.4.1 **Complex housing needs** – The facility in Lhanbryde, which is operational, has incurred expenditure of £27,000 in 2018/19. This represents an overspend of £24,000 from the approved budget of £2,558,000, as detailed in **Appendix 2**.

5.5 **Land & Buildings – Economic Development & Infrastructure Services**

5.5.1 **Industrial Estates** – Industrial Estates projects include purchase of new sites, provision of serviced sites, new units and refurbishment of existing units. No variances are currently projected from the budget of £1,482,000.

5.5.2 **New landfill cells, capping and reinstatement** – This programme of works at Dallachy landfill site includes creation of new cells, capping and reinstatement of used cells. No variances are currently anticipated.

5.5.3 **Integrated Waste Facility Moycroft**– This project is to redevelop and consolidate waste facilities at Moycroft in Elgin and has an approved budget of £3,532,000 over a number of years. Following a delay due to the completion of a value engineering exercise, contract works are now scheduled to start in January 2019 with anticipated expenditure of £674,000 in this financial year from the budget of £2,474,000. Therefore it is requested that committee approve the deferment of budget of £1,800,000 from 2018/19 to 2019/20.

5.5.4 **NESS Energy** – The interauthority agreement with Aberdeen City Council and Aberdeenshire Council relating to the NESS energy from waste project is projected to spend to the budget of £514,000. This expenditure includes the Council's share of the cost of acquisition of the site of the proposed facility.

5.5.5 **Upgrade Facilities at Recycling Centres** – This project to upgrade facilities at Gollachy Buckie and Waterford Forres and is anticipated to spend to the budget of £361,000.

5.5.6 **Materials Recovery Facility Upgrade** – This project has been deferred to 2019/20 as it is dependent upon the progress of the Moycroft integrated waste facility project. Therefore it is requested that committee approve the deferment of the full budget of £100,000 from 2018/19 to 2019/20.

5.5.7 Other projects reporting to Economic Development and Infrastructure Committee are currently projected to spend on budget.

5.6 **Land & Buildings – Policy & Resources Committee**

5.6.1 **Legionella and Fire Risk Assessment** – Assessments have taken place, and works resulting from these assessments are planned to be on budget.

5.6.2 **Depot Maintenance** – No variance is currently anticipated on Depot Maintenance projects arising from condition surveys, which includes works at Ashgrove Depot Elgin, Dufftown Depot, Keith Depot and Forres Depot.

5.6.3 **Energy Efficiency projects** – This budget is planned to be fully utilised in 2018/19, including projects on LED lighting.

5.7 **Infrastructure**

5.7.1 The majority of infrastructure projects are estimated to be on time and on budget during 2018/19.

5.7.2 **Drainage & Other Works** – This budget includes an allocation of £300,000 for landslip remedial works at South Lodge on the A940. Final design costs of the proposed works are awaited, however it is the intention to carry out the works during 2018/19. Planned works within this budget heading can also be affected by winter weather, therefore this budget is rated as red in terms of achieving the projected expenditure of £760,000.

5.7.3 **Elgin Transport Strategy** – The Elgin Transport Strategy report was approved by Council on 9 August 2017. At this stage of the year the timings of schemes are uncertain because of scheme interdependencies and scheme funding, therefore this project is marked as red for certainty of achieving projected spend. Further details will be reported to this committee in the next quarterly monitoring report.

5.7.4 **Flood Alleviation Schemes** – The Flood Risk Management project at Portgordon is estimated to incur expenditure of £55,000 but is rated as red for confidence of achieving this projected figure. It is expected that the economic feasibility of taking forward this entire project will be known by the end of August.

The project at Lossiemouth Seatown is anticipated to spend £190,000 but this estimate is currently rated as amber, with increased certainty of expenditure following completion of the business case design, due in September.

Final costs for Dallas flood alleviation scheme of £13,000 have been incurred, relating to land purchase. When added to the overspend of £39,000 reported to this committee on 28 June 2018, this results in a total overspend of £52,000 from the original budget of £300,000.

Projected expenditure of £78,000 for Newmill Flood Alleviation Scheme is rated as amber due to potential land compensation payments.

Potential land compensation payments remain as the principal outstanding issue for the flood alleviation schemes in Elgin and Forres (River Findhorn & Pilmuir). Approved capital budget is held in future years for potential payments and the total projected expenditure for each scheme remains within the original budget allocations, namely £86.201 million for Elgin and £45.125 million for Forres (River Findhorn & Pilmuir). Expenditure of £100,000 for Elgin and £150,000 for Forres (River Findhorn & Pilmuir) is anticipated to be incurred during 2018/19, therefore it is requested that committee approve advancement of budget from future years to 2018/19 of £250,000.

5.7.5 **Harbours – Life expired items and upgrades** – There is a rolling programme of works to replace life expired items and upgrade facilities at

harbours in Moray. Following completion of the tendering process, the current estimated cost for works at Buckie Harbour is £468,000. There is potential for costs to rise due to the nature of work and environment but, with the works due to start very shortly, there should be more cost certainty by the end of quarter 2. A small underspend of £5,000 is currently estimated for works at Burghead Harbour.

5.7.6 **Buckie Harbour Improvements** – The project to provide ice plant facilities and fuel tank facilities at Buckie is rated as amber, with spend being dependent on the successful application for external funding, which is currently in progress. If successful the expenditure must be incurred within the current financial year.

5.8 Vehicles, Plant & Equipment

5.8.1 **Swimming pool equipment** – expenditure of £5,000 to date reflects the planned profile of spend and the budget for the year is projected to spend in full.

5.8.2 **Vehicle & Plant Replacement Programme** - This programme is currently estimated to spend on budget. Purchase of the electric bus is also estimated to spend on budget.

5.8.3 **Equipment (ED&I committee)** – expenditure is projected to spend in full in the year on the various programmes of equipment renewal and one-off projects.

5.8.4 **ICT Programme** – ICT projects, budgeted at a total of £1,210,000, are projected to spend £1,134,000. Currently, minor underspends in 2018/19 are projected in several projects, namely £11,000 in Software, £36,000 in Digital Public Services and £29,000 in Schools ICT Strategy. There is unbudgeted expenditure of £17,000 for final implementation costs of the Moray Integrated Joint Board Occupational Therapy stock system.

5.8.5 **CCTV System** – This project shows an overspend in 2018/19 of £9,000. The total budget for this project, across several years, was £60,000, resulting in an overall overspend of £5,000 due to a requirement for the purchase of additional equipment to operate the system across locations in Moray.

5.9 **Proposed budget deferments to 2019/20** – This report includes details of projects which have slipped and therefore it is proposed to defer budget from 2018/19 to 2019/20 to reflect this fact.

A summary of the proposed deferments from 2018/19 to 2019/20 is listed below

	Para ref	£000s
New Linkwood Primary School	5.3.4	2,953
Lossiemouth High School	5.3.5	9,536
Integrated Waste Facility Moycroft	5.5.3	1,800
Materials Recovery Facility Upgrade	5.5.6	100
Total		14,389

5.10 Proposed budget advancements from future years to 2018/19 – A summary of the proposed budget advancements is listed below.

	Para ref	£000s
Elgin Flood Alleviation Scheme	5.7.4	100
Forres (Findhorn & Pilmuir) Flood Scheme	5.7.4	150
Total		250

6. RISK AND EMERGING ISSUES

- 6.1 Budget managers have been requested to identify any specific areas of risk for the projects in the Capital Plan for which they are responsible.
- 6.2 The main risk for the vehicle replacement programme is manufacturers failing to deliver to agreed timescales.
- 6.3 Land compensation claims remain a risk for the major flood alleviation scheme at Forres.
- 6.4 Projects such as the new build Linkwood Primary School can be subject to risks which are outwith the direct control of the Council.
- 6.5 Poor weather conditions can impact project timescales, as identified for Roads Drainage works.
- 6.6 Lack of staff resources and staff turnover can impact on project timescales.
- 6.7 Other emerging work priorities can impact on scheduled works.
- 6.8 No other project risks have been specifically identified by budget managers.
- 6.9 There is a potential risk to grant funding of the new Lossiemouth High School should the project not complete on time.

7. **SUMMARY OF IMPLICATIONS**

- (a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**
Effective budget management is an essential component of delivery of Council priorities on a sustainable basis.
- The capital plan is one of the vehicles through which the council's priorities can be delivered. The approved capital plan for 2018/19 and the outline ten year plan incorporates measures designed to address the Moray 2026 priorities of achievement and attainment by children and young people, adults leading safer lives and sustainable economic development.
- (b) **Policy and Legal**
There are no policy or legal implications arising directly from this report.
- (c) **Financial Implications**
The financial implications are highlighted within the report and Appendices 1 and 2 to the report.
- (d) **Risk Implications**
Budget managers are aware of their responsibilities for managing budget allocations and approval for variance will be sought from committee in line with the financial regulations. Risks specific to items within the capital plan are highlighted in paragraph 6 of the report.
- (e) **Staffing Implications**
There are no staffing implications arising directly from this report.
- (f) **Property Implications**
There are no property implications arising directly from this report.
- (g) **Equalities/Social Economic**
There are no issues arising from this report.
- (h) **Consultations**
All capital budget managers have been consulted in the development of estimated actuals as part of the preparation of this report. CMT have been consulted and any comments incorporated in the report.

8. CONCLUSION

- 8.1 Capital expenditure in the first quarter of the year amounts to £3,015,000 to the end of June 2018.**
- 8.2 Capital expenditure is currently projected to be £14,517,000 lower than the approved capital plan for 2018/19. This is largely due to expenditure reprofiling on two major projects.**

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