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**REPORT TO: MORAY COUNCIL ON 28 JUNE 2023**

**SUBJECT: CAPITAL PLAN 2022/23**

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

**1. REASON FOR REPORT**

- 1.1 To inform the Council of the expenditure to 31 March 2023 under the capital plan for financial year 2022/23 and to recommend budget adjustments for inclusion in the Capital Plan for 2023/24 and future years.
- 1.2 This report is submitted to Committee in terms of Section III (B) 9 of the Council's Scheme of Administration 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:**

- (i) considers and notes expenditure to 31 March 2023 of £28,356,000 as set out in APPENDIX 1;**
- (ii) considers and notes the projected overall expenditure for projects spanning more than one financial year, as set out in APPENDIX 2; and**
- (iii) approves carry forwards and amendments to 2023/24 and future years totalling an increase of £9,157,000 in 2023/24, a decrease of £1,079,000 in 2024/25 and a decrease of £1,180,000 in 2025/26 as detailed in sections 4 and 5.**

**3. BACKGROUND**

- 3.1 The capital plan for 2022/23 totalling £51,426,000 was approved by Moray Council on 22 February 2022 (paragraph 4 of the Minute refers). Amendments (largely carry forwards from 2021/22) approved by the Council at its meeting on 23 February 2022 (paragraph 7 of the Minute refers) and 29 June 2022 (paragraph 17 of the minute refers), by the meeting of Corporate Committee on 30 August 2022 (paragraph 9 of the minute refers) and by the Council at its meeting in 7 December (paragraph 11 of the minute refers).

refers) and 8 March (paragraph 7 of the minute refers) have been incorporated to give a current approved capital plan for 2022/23 totalling £43,417,000. Previous capital monitoring reports in 2022/23 have highlighted a low level of confidence that capital budgets would be spent, due to significantly extended delivery times for ICT equipment and vehicles, wider issues in the construction industry, and specific issues for the NESS Energy from Waste project. Council on 8 March 2023 (paragraph 7 of the Minute refers) noted that the total plan should be viewed as maximum spend rather than an accurate estimate, given these problems. At that date projected capital expenditure for the year was reported as £36.236 million. The actual out-turn is £7.88 million less than that forecast, with the major contributing factor being NESS (£5.3 million). The vehicle replacement programme was highlighted as amber ie uncertainty as to spend but projected to spend in full as the budget had been fully committed. In the event it underspent by £0.8 million. An underspend of £2.2 million was forecast on bridges but the actual out-turn was an underspend of £2.9 million. .

- 3.2 Quarterly monitoring reports are made to the Corporate Committee or to Council, depending on the timing of meeting, showing expenditure to date for each programme or project included in the capital plan and details of capital receipts received. Monitoring reports include a separate **APPENDIX 2**, giving details of expenditure on projects which span more than one financial year.

#### **4. CAPITAL PLAN 2022/23**

- 4.1 A copy of the capital plan for 2022/23 is included as **APPENDIX 1**. Expenditure to 31 March 2023 of £28,356,000 has been funded by General Capital Grant of £9,083,000 from the Scottish Government and other grants and contributions of £5,486,000, as listed below, with the balance of £13,787,000 funded by borrowing.

<b>Grant/Contribution</b>	<b>Amount £000s</b>	<b>Source</b>
Cycling, Walking, Safer Streets (CWSS)	655	Scottish Government
Moray Growth Deal – Digital Health	1,444	Scottish Government
Moray Growth Deal – Cultural Quarter	88	Highland & Islands Enterprise (HIE)
Moray Growth Deal – Bus Revolution	476	Scottish Government
Place Based Investment	668	Scottish Government
Lossiemouth Bridge Replacement	134	Scottish Government
Low Carbon Travel & Transport (LCTT) Claims	742	Scottish Government
Car Charge Point Upgrades	146	Scottish Government
Rural Tourism Infrastructure Fund	63	Visit Scotland
CO <sup>2</sup> Monitors	81	Scottish Government
AstroTurf Pitch Refurbishment	75	Scottish Football Association
Shared Prosperity Fund	45	Scottish Government
Coastal Change Adaptation	117	Scottish Government
Just Transition Funding	251	Scottish Government
Timber Traffic Route Improvement	272	Scottish Government

<b>Grant/Contribution</b>	<b>Amount £000s</b>	<b>Source</b>
Buckie Harbour Weighbridge	229	Ocean Wind
<b>TOTAL</b>	<b>5,486</b>	

- 4.2 A summary of the variances of expenditure from approved budget at the year end is set out in the table below and discussed in more detail in the noted paragraphs.

<b>Description</b>	<b>Paragraph</b>	<b>Underspend (Overspend) £000s</b>
<b>Land and Buildings</b>		
Schools BB Works	4.4	358
Resurface & Rejuvenate Astro turf Pitches	4.5	56
Schools Accessibility	4.6	(10)
Findrassie Primary School	4.7	83
Lossiemouth High School	4.8	(11)
Elgin High School Modular Units	4.9	18
Elgin High School Extension	4.10	46
Linkwood Primary School	4.11	(2)
Early Learning & Childcare	4.12	(440)
Universal Free School Meals	4.13	598
Allotments	4.14	220
Moray Growth Deal	4.15	870
Town Centre Initiative Fund	4.16	100
Nature Restoration Fund	4.17	17
Dallachy Landfill Site	4.18	118
NESS Energy from Waste Plant	4.19	5,304
Industrial Portfolio – Various Projects	4.20	36
Place Based Investment	4.21	268
Car Parks	4.22	(33)
Just Transition Fund	4.23	342
Other Land and Buildings	4.24 – 4.32	37
<b>Infrastructure</b>		
Bridges	4.34 – 4.45	2,869
Flood Risk Management and Coastal Protection	4.46 - 4.47	217
Power Upgrade – Buckie harbour	4.48	427
Harbours – Replacement of Life Expired Elements	4.49	165
Harbours – Capital Dredging	4.50	(45)
Harbours – Burghead Groyne/Findochty Sink Hole	4.51	445
Harbours – Other Projects	4.52	68
A95 River Isla Landslip	4.53	400
Carriageway Resurfacing	4.54	312
Other Road Improvements	4.55	190
Timber Traffic	4.56	(278)
Street Lighting	4.57	(66)

Description	Paragraph	Underspend (Overspend) £000s
Road Safety Projects	4.58	30
Road Safety Barrier Provision	4.59	57
Road Safety Provision	4.60	83
Wards Road Junction Improvements	4.61	(125)
<b>Vehicles, Plant and Equipment</b>		
Swimming Pool and Leisure Equipment	4.63	39
Moray Leisure Centre	4.64	103
Vehicle & Plant Replacement Programme	4.65	823
Children's Play Areas	4.66	99
Replacement Household Waste Recycling Centre (HWRC)	4.67	800
Orchard Road Signals	4.68	(12)
Replacement CCTV System	4.69	110
ICT Capital Programme	4.70	298
Corporate Office Furniture	4.72	10
Other Plant & Equipment	4.71	77
<b>Total</b>		<b>15,061</b>

### Land and Buildings

- 4.3 The capital plan included budget provision of £21,342,000 for expenditure on land and buildings. Actual expenditure totalled £13,366,000, a shortfall of £7,976,000 (37%), of which £5,304,000 is attributable to one project (NESS energy from waste) which has consistently been reported as very uncertain in terms of spend in the year. The detail of this is set out below.
- 4.4 **Schools BB Works** – This work programme currently addresses elements of schools in Condition D which if they failed would result in a school closure. Works are generated on a reactive basis. The outturn for the year was £2,850,000 against a budget of £3,208,000, an underspend of £358,000 (11%). The main reason for the underspend was due to external insulated render works at Hythehill Primary School coming in under budget as the contingency allowance was not required and to a delay in the planned Milnes High School roofing upgrade, following a detailed inspection which revealed a greater extent of replacement than originally anticipated – detailed costed plans have been prepared and the project has been prioritised as part of the 2023/24 programme of works. Design work on other projects identified by the maintenance team was undertaken to minimise the overall underspend. No carry forward is recommended.
- 4.5 **Resurface and Rejuvenate AstroTurf Pitches** – Works on the AstroTurf facility in Buckie cost £244,000 against a budget of £300,000, an underspend of £56,000. The Council also benefited from external funding of £150,000 for this project. No other works could be implemented within the financial year and the remaining budget. The next planned project is the resurfacing of the pitch at Speyside and is estimated to cost in the region of £275,000. No carry forward is recommended.

- 4.6 **Schools Accessibility** – This heading outturned £56,000 against a budget of £46,000, an over spend of £10,000. The works under this heading are needs led, resulting in a small overspend. During the year Property fees hadn't been taken into account when instructing works, resulting in a further overspend. During 2023/24 an improved system of monitoring for capital budget managers will be introduced which should resolve similar issues in the future.
- 4.7 **Findrassie Primary School** – Following a review of design options and affordability against the continued requirement for future additional primary school capacity within the Elgin Academy Associated Support Group catchment, a meeting of Education, Children's and Leisure Services Committee on 25 January (paragraph 14 of the minute refers) approved a deferment in the project for up to five years. This resulted in an underspend in year of £83,000. There will be an annual review of the project, including an update to the cost model. No carry forward is recommended.
- 4.8 **Lossiemouth High School** – The overspend of £11,000 against this project is due to re-profiling of the budget - project costs to date remain within the overall budget. The contractor is currently making good the Phase 1 contractual defects after the one year defects period. This is currently behind schedule and work is still ongoing. The Phase 3 defects period ended in April 2023 and an inspection of the works area was undertaken. A report of outstanding defects has been issued to Hub North Scotland and the Council await an update. The Phase 3 retention and landscaping (phase 3 balance) will not be released until these issues are resolved.
- 4.9 **Elgin High School Modular Units** – This project saw an outturn of £308,000 against a budget of £326,000, an underspend of £18,000 (6%). The project is mainly complete, however there are some works associated with the internal room configuration outstanding and work is currently underway to ascertain if this should be carried out as part of this project, or if it should be managed as part of the larger Elgin High School Extension project. It is recommended that the underspend of £18,000 is carried forward to 2023/24 until a decision has been made.
- 4.10 **Elgin High School Extension** – An agreement was reached with Hub North to undertake a feasibility study for the planned Elgin High School extension. This has not been undertaken as planned in 2023/24 so it is recommended that the budget of £46,000 be carried forward to 2023/24 to allow for payment when the work is complete.
- 4.11 **Linkwood Primary School** – A small amount of unbudgeted expenditure was incurred on Linkwood Primary School, representing work undertaken by the Council's internal Property Service in concluding the construction phase of the project.
- 4.12 **Expansion of Early Learning and Childcare (ELC) Provision** – The overspends for the Pilmuir and Keith nurseries of £296,000 are shown as a result of expenditure not having been accrued in financial year 2021/22. There have been protracted negotiations with the contractors to agree these final amounts. The remaining minor nursery upgrade projects were reprogrammed

from the 2022/23 financial year to 2023/24 to allow for redesign work to be carried out to bring the overall projects within budget and allow work to be carried out with minimum disruption to individual settings. The individual overspends on these projects are the staff design costs undertaken to allow the projects to be reprogrammed.

- 4.13 **Universal Free School Meals** – Additional general capital grant of £598,000 was allocated to the Council in order to facilitate delivery of the Scottish Government policy of extension of Universal Free School Meals. Budgeted expenditure of £598,000 was included in the capital plan for the reinstatement of two servery kitchens back to full production kitchens to meet the increased demand due to the extension of free school meals to Primary 6 and primary 7. The grant allocation was not made until September 2022 and the timing of the extension was still uncertain. Consequently design and implementation was delayed. Implementation work is required to be completed during school holidays. It is recommended that the full underspend of £598,000 be carried forward to 2023/24 to allow this work to progress.
- 4.14 **Allotments** – The Council has a statutory duty under the Community Empowerment (Scotland) Act 2015 to take reasonable steps to provide allotments once the waiting list for allotments within any one community reaches 15 applicants. This trigger point has been reached in Elgin, and land has been identified for lease to an established Community Management Group, who will be responsible for developing and managing the allotments, in line with the Council's Allotments Strategy. At a meeting of Moray Council on 29 June 2022 (paragraph 17 of the minute refers) it was approved to add £220,000 to the capital plan to fund the purchase of this land. During 2022/23 the Council Received funding through the Place Based Investment Fund and this funding was used to fund this project. No carry forward is therefore recommended.
- 4.15 **Moray Growth Deal** – Overall the projects under this heading outturned £2,042,000 against a budget of £2,912,000, an underspend of £870,000. The detail of this is discussed below.

Digital Health – The Digital Health project outturned an underspend of £826,000 in 2022/23, primarily due to co-design with health & Social Care partners being delayed due to system pressures. Scottish Government has approved a change request to reprofile this into 2023/24 and it is therefore recommended that this amendment is reflected in the capital plan along with the associated grant funding.

Bus Revolution – The underspend on this project is due to delays in the purchasing of Electronic Ticket Machines (ETMs) and installation costs commitment slipping into 2023/24. A change request will be submitted to the Growth Deal Programme Board in June 2023 and will then be submitted to the Scottish Government for approval.

Cultural Quarter – This project outturned an underspend of £67,000. Procurement of consultancy to support development of the full business case is underway and it is recommended that the full underspend of £67,000 is carried forward to 2023/24 to allow the work to progress.

Housing Mix Delivery – Consultants have been engaged to assist in the preparation of the full business base, earlier than originally scheduled. Consequently this project outturned an overspend of £37,000 in 2023/24 and it is recommended that the provisional budget for 2023/24 is reduced by that amount.

- 4.16 **Town Centre Initiative Fund** – This project, the aim of which is to encourage town centres to diversify to increase footfall through local improvements and partnerships, is 100% funded by Scottish Government funding. £1,233,000 was received in 2019/20 and a further £443,000 in 2020/21. This funding was underspent by £100,000. The reasons for this underspend are delays to projects as a result of the pandemic, and supply chain issues. The Scottish Government has confirmed that the grant funding can be retained to meet the delayed expenditure so it is recommended that the full underspend of £100,000 is carried forward to 2023/24 to be met by the balance of specific grant funding carried forward.
- 4.17 **Nature Restoration Fund** – The General Capital Grant includes an element of £124,000 for environmental projects, described as the Nature Restoration Fund. Expenditure during the year totalled £107,000, an underspend of £17,000. Tenders for some of the planned works came in lower than expected and some works were postponed. Further funding for this has been confirmed for 2023/24 so no carry forward is recommended.
- 4.18 **Dallachy Landfill Site** - This project outturned £788,000 against a budget of £906,000, an underspend of £118,000 (13%). The capping of phase 7b is complete and the Council was able to source a large quantity of cover material from nearby site works which would otherwise have been purchased, lessening the cost. It is recommended that the underspend of £118,000 is carried forward to 2023/24 as cover materials may need to be procured if the Council is unable to source them free of charge. There is also the possibility that work may be able to commence on Phase 8 but the timing of that will be dependent on infill volumes and the subsequent timeframe for reaching optimum height.
- 4.19 **NESS Energy from Waste Plant** – This project outturned £4,210,000 against a budget of £9,514,000, an underspend of £5,304,000 (56%). The budget profile and payments for the NESS Energy from Waste capital project are aligned to specific project milestones. The timing for the budget was based on the original project plan. Slippage in the delivery and final sign off of specific milestones has slowed the outgoing payments. The financial requirements remain the same, and therefore it is requested to carry forward the underspend into 2023/24 to cover these contractual milestone payments.

#### 4.20 **Industrial Portfolio – Various Projects**

Land Acquisition Speyside – A small overspend of £6,000 against this project was due to fees for design work undertaken before it was concluded that the proposed site was not viable. The search for suitable sites continues with the budget for acquisition deferred until future years in the capital plan.

Refurbishment of Industrial Units – This heading outturned £42,000 against a budget of £59,000, an underspend of £17,000 due to difficulties in securing contractors to undertake work. It is recommended that this is carried forward to 2023/24 in full to facilitate upgrades of existing properties to allow the Council to safeguard existing rents and generate additional income. There is a risk that when added to the 2023/24 budget the level of works will be difficult to manage and the planned projects will be reviewed in early course and progress reported as part of the capital monitoring process during 2023/24.

Serviced Sites Elgin – No expenditure was incurred against this project due to the prospective tenant for one site altering proposals. It is therefore recommended that the unspent budget of £24,000 is carried forward in full to allow the site to be upfilled and facilitate new rental income.

4.21 **Place Based Investment Programme** – The Scottish Government has established a Place Based Investment Programme, with the stated aim of ensuring that local investment is relevant to local communities for the benefit of local people. The Council received £668,000 which has been allocated to the purchase of land for allotments in Elgin and ancillary work to secure the site; a window replacement scheme to help homeowners install and repair traditional windows if their property is located within a conservations area, and to purchase further properties at Buckie Harbour to facilitate harbour development. At 31 March 2023 property acquisition negotiations were underway but had not completed. The full amount of the grant has been committed to the planned projects and per the conditions of the grant the Council is allowed to carry forward any committed amount to 2023/24 to allow the work to complete, with a deadline of September 2023. It is therefore recommended that the underspend of £268,000 is carried forward to allow works to be completed, matched with the carried forward grant.

4.22 **Replace Waterproofing at Car Parks** – This budget heading incurred expenditure of £38,000 against an amended budget of £5,000, resulting in an overspend of £33,000. Improvement works to resurface and widen the access to Gregory Place Car Park in Lossiemouth was identified and carried out in year and had been coded to this heading. A survey was instructed for Batchen Lane Car Park to assess the level of work required in 2023/24. Remedial works were also required to prevent leaking into properties below that car park. It is recommended that the budget of £425,000 in 2023/24 be reduced by the amount of the overspend.

4.23 **Just Transition Fund** – The Just Transition Fund is a 10 year commitment by the Scottish Government that will support projects in the North East and Moray which contribute towards the region's transition to new zero. The Council received funding of £593,000 in 2022/23 and £288,000 in 2023/24 and this was used to conduct feasibility studies on various areas that could contribute to the Council's net zero targets including hydrogen, brownfield sites, offsetting and masterplanning around Buckie Harbour and Blackhillock,



Keith. Delays were experienced on the Buckie Harbour Masterplan and completing other feasibility works and permission was sought to carry the underspend forward and this was granted by the Scottish Government. It is therefore recommended that the underspend of £342,000 is carried forward to allow this work on Buckie Harbour and other feasibility work to be completed matched by the grant carry forward. At present the consultancy work for Blackhillock and brownfield sites are almost completed and some additional works are required for surveys around offsetting/biodiversity improvement. The Buckie Harbour Masterplanning is progressing and funds carried forward for this will be available in addition to those funds already allocated for this work in 2023/24.

### **Other Land and Buildings**

- 4.24 **Corporate Legionella/Fire Safety Works** – Expenditure of £14,000 was incurred against this budget of £40,000, resulting in an underspend of £26,000. Initially due to Covid restrictions Fire Risk Assessments had not been conducted in recent years. The Council's Health and Safety team have commenced these again and once the results are received a programme of works will be developed. No carry forward is recommended.
- 4.25 **Moycroft Recycling Centre** - Unbudgeted costs of £8,000 in relation to a late invoice were incurred on the new Moycroft Recycling Centre.. There have also been delays in processing the final bill from the contractor, which is currently undergoing verification by the Council's Quantity Surveyors. Current estimates are that this will be in the region of £196,000 and this sum has been accrued.
- 4.26 **Forres House Community Centre Roof** – Unbudgeted expenditure of £11,000 against this project is due to the final retention payment for the project which was carried out in 2020/21.
- 4.27 **Depots** –. No work was undertaken on depots due to the ongoing depot and stores review and the budget of £25,000 remains unspent. Investment in depots will be required following the review. An update on the review is due to Economic Development & Infrastructure Committee by the end of quarter 3 of 2023/24. It is recommended to carry forward the unspent budget of £25,000 to 2023/24 as investment will be required in future years.
- 4.28 **Salt Shed Keith** – An overspend of £3,000 on this project arose from additional fees incurred due to the requirement to undertake a full options appraisal to find a solution to permit the salt store to be located within the restricted footprint of the Keith Roads Depot.
- 4.29 **Cemetery Infrastructure** – Works under this heading outturned £64,000 against a budget of £70,000. Planned works at Rafford Cemetery were delayed due to the need to carry out structural assessment and obtain planning permission for works at this listed site. Spend is committed and it is therefore recommended that the underspend of £6,000 be carried forward to allow the work to progress without impacting on the planned programme of works for 2023/24.

- 4.30 **Cemetery Provision** – Work to progress the project for a new cemetery in Elgin outturned £39,000 against a budget of £31,000. The overspend of £8,000 is due to the progressing of detailed design work for future planned work and to land acquisition fees. It is recommended that the budget for 2023/24 is reduced by £8,000.
- 4.31 **Open Spaces Infrastructure** – Spend in 2022/23 was £83,000 against a budget of £86,000 an underspend of £3,000 against this heading due to staff and supplier issues affecting planned spend. No carry forward is recommended.
- 4.32 **Energy Efficiency Projects** – The Council budgets £15,000 annually for minor Energy Efficiency projects. In 2022/23 there was spend of £8,000 against this budget, an underspend of £7,000 due to supply chain issues. It is recommended that this underspend is carried forward to 2023/24 to allow for the preparation of larger spend to save proposals.

#### **Infrastructure**

- 4.33 The capital plan included budget provision of £15,332,000 for expenditure on infrastructure. Actual expenditure totalled £10,585,000, an underspend of £4,747,000 (31%). The detail of this is discussed below.

#### **Bridges**

- 4.34 **A941 New Craigellachie Bridge** – This project outturned £1,417,000 against a budget of £3,786,000, an underspend of £2,369,000. Specialist systems utilised by the contractor allowed for a lower than anticipated tender cost. It is recommended that £400,000 of the underspend is carried forward to 2023/24 when the project is due to be completed.
- 4.35 **A941/100 Blackwater Bridge** – This project saw an outturn of £295,000 against a budget of £485,000, an underspend of £190,000 due to the risk allowance not being required and construction work coming in under budget. No carry forward is recommended. Given the significant amount of unknowns at the commencement of a bridge refurbishment a high level of risk allowance is factored in and in this case did not crystallise.
- 4.36 **A941/340 Bishopmill Bridge** – Some initial work was undertaken on this project with the main design and construction due to take place in 2023/24. There is budget allowance in the capital plan in 2023/24 so no carry forward is recommended.
- 4.37 **B9103/100 Boat O Brig Bridge, Orton** – No expenditure was incurred against a budget of £4,000 for this project resulting in an underspend. Investigation showed that no capital works were required and the work required will be done using revenue budgets in 2023/24, therefore no carry forward is recommended.
- 4.38 **U117H Bridge of Slateford/U170 Kirkhill Drive** – Design works on these projects were less than anticipated resulting in an underspend of £23,000. No carry forward is recommended.

- 4.39 **U173E/10 Lea Bridge** – No expenditure was incurred against a budget of £10,000 for this project resulting in an underspend. The Council is awaiting a report to ascertain the work required. There is budget allowance in the capital plan in 2023/24 so no carry forward is recommended.
- 4.40 **U82H Aldunie and Dykeside Bridge/U118E Shougle Bridge** – Works on both these projects is complete and outturned £907,000 against a budget of £1,074,000, an underspend of £167,000 (16%). As both projects are complete no carry forward is recommended.
- 4.41 **Knockando Bridges** – This project is now complete and with a slight overspend of £14,000 due to remedial works required to address a safety issue with the new parapet alignment.
- 4.42 **MacDowall Bridge** – There is a slight underspend of £2,000 against this project as remedial works cost less than anticipated.
- 4.43 **Arthur's Bridge** – Some initial investigation works were undertaken to ascertain the work required at this bridge resulting in a small overspend of £3,000. The budget for this project is in future years so it is recommended that it is reduced by the amount of this overspend.
- 4.44 **Remote Footbridges** – The Council budgets £50,000 annually for works required on remote footbridges. In 2022/23 there was an underspend of £17,000 against this amount as additional works identified would have cost more than the remaining budget. It is recommended that the underspend of £17,000 be carried forward to 2023/24 to allow works at Marywell and design works at Sanquhar to be progressed without impacting on the planned programme of works for 2023/24.
- 4.45 **Principal Bridge Inspections** – This heading outturned £79,000 against a budget of £175,000, an underspend of £96,000. This is due to insufficient resources to progress the inspection programme and it is therefore recommended that the underspend of £96,000 is carried forward to allow for the inspections to be completed.

### **Flood Risk Management and Coastal Protection**

- 4.46 **Flood Alleviation** – This heading had an actual of £17,000 against a budget of £156,000, resulting in an underspend of £139,000. The main reason for this is due to delays in agreeing compensation with landowners. It is therefore recommended that the underspend of £139,000 is carried forward to 2023/24 to allow for payment when agreement is reached.
- 4.47 **Coastal Protection** - This budget, which is fully funded by Scottish Government specific grant was underspent by £79,000 at the end of the financial year. Until the first adaptation plan is complete and the outcomes understood the rest of the expenditure cannot be committed. It is therefore requested that the underspend be carried forward to 2023/24 to allow works to progress, funded by the balance of the specific grant.

- 4.48 **Power Upgrade Buckie Harbour** – The project to upgrade the substation at Buckie to cater for emerging and future power needs is funded in part through capital and also through grant funding. The grant funding is being applied to costs first, with remaining costs from capital. The project is a multi-year project and the timing is largely determined by SSE as the district network operator, therefore the underspend of £427,000 is recommended for carry forward to enable completion of the project in 2023/24.
- 4.49 **Harbours Replacement of Life Expired Elements** – This heading outturned £209,000 against a budget of £374,000, an underspend of £165,000 (44%). Projects were delayed due to poor weather conditions but one project is near completion and it is therefore recommended that the full underspend of £165,000 is carried forward to 2023/24 to allow the projects to complete without impacting on the planned programme of works for 2023/24, which is based on conditions surveys.
- 4.50 **Harbours Capital Dredging** – Unbudgeted spend of £45,000 was incurred on some preparatory work for capital dredging at Buckie and Burghead Harbours, which is due to be carried out in 2023/24. It is recommended that the budget for 2023/24 is reduced by the amount of this unbudgeted spend.
- 4.51 **Harbours Burghead Groyne/Findochty Sink Hole** – Commencement of these projects were delayed due to issues with obtaining the relevant licences. It is therefore recommended that the budgets of £250,000 and £195,000 respectively are carried forward to 2023/24 in full to allow the projects to be carried out.
- 4.52 **Harbours Other Projects** – The installation of a cradle at Findochy Pontoons abandoned due to cost. It is not recommended that the £50,000 budget is carried forward. Work on the Ice Plant and Buckie Harbour is complete and no remedial work is required so it is not recommended that the underspend of £18,000 be carried forward.
- 4.53 **A95 River Isla Landslip** – Only £3,000 expenditure was incurred against this project against a budget of £403,000. Contract award issues contributed to delays in commencing this project and it is therefore recommended that the full underspend of £400,000 is carried forward to 2023/24.
- 4.54 **Road Improvements Resurfacing** – Actual expenditure to 31 March 2023 was £3,305,000 versus a budget of £3,617,000, an underspend of £312,000 (9%). During the year a reduced surface dressing programme was delivered due to a delayed start. Staffing vacancies also impacted on the service's ability to deliver all identified works. It is recommended that the underspend of £312,000 is carried forward to 2023/24 in order for future resurfacing projects to be developed. The Service is actively recruiting to fill vacancies, and will be reviewing workloads within the Service with a view to prioritising projects within the Roads capital programme, rather than undertaking work on Traffic projects. In addition, the Council was unsuccessful with its bid to the Straregic Timber Transport Scheme (STTS) and STTS schemes were resource intensive during 2022/23. With these actions in place the service is confident of being able to spend an increased allowance in 2023/24.

- 4.55 **Other Road Improvements** – This heading includes Drainage and Other Works, Footways and Kerb Edge Replacements and outturned £510,000 against a budget of £700,000, an underspend of £190,000 (27%). A number of operational staff vacancies meant that work was not able to be completed due to insufficient resources. It is recommended that the underspend of £190,000 is carried forward in order for a programme of works to be developed.
- 4.56 **Timber Traffic** – The budget of £180,000 against this heading is the Council share of the budget for the works required on Timber Traffic Routes. The actual expenditure of £458,000 represents the total cost of the required works, with the net overspend funded £2,000 from STTS and an overspend on the Council funding by £6,000 due to an increase in the cost of materials.
- 4.57 **Street Lighting** – Projects under this heading, Replacement Columns and LED Lighting outturned £679,000 against an amended budget of £613,000, an overspend of £66,000 (11%). The main reason for this is an increase in the cost of materials.
- 4.58 **Road safety Projects** – Projects under this heading include disability adaptations and new road signs and markings and outturned £104,000 against a budget of £134,000, an underspend of £30,000 (22%). Works were due to be carried out by Roads Maintenance however a lack of resources meant that not all works were able to be delivered. It is therefore requested that the underspend of £30,000 be carried forward to 2023/24 to allow the works to be tendered and carried out without reducing the planned programme of works.
- 4.59 **Road Safety Barrier Provision** – This heading outturned actual of £43,000 against a budget of £100,000, an underspend of £57,000 due to material shortages leading to extended delivery times. Orders have been placed committing the budget for 2022/23 in full so it is requested that the underspend of £57,000 is carried forward to 2023/24 to allow for payment when the goods are received, without impacting on plans for 2023/24.
- 4.60 **Road Safety Provision** – Works under this heading outturned £52,000 against a budget of £135,000, an underspend of £83,000 (61%). Works on crossings on Thornhill Road have continued and will complete in 2023/24 and it is therefore requested that the underspend be carried forward to allow the committed project to complete.
- 4.61 **Wards Road Junction Improvements** – Work to improve the junction at the Wards/Edgar Road were predominantly funded by £372,176 of developer obligations. This work was completed in August 2022 at a total cost of £382,982 due to a number of compensation events agreed throughout the contract. All of the developer obligation funding has been used and so none will be returned to the developer. The Council has contributed £11,000 unbudgeted funding to this project.

## **Vehicles, Plant and Equipment**

- 4.62 The capital plan included budget provision of £6,743,000 for expenditure on vehicles, plant and equipment. Actual expenditure totalled £4,406,000, and underspend of £2,337,000 (35%), primarily on the vehicle and plant replacement programme. The detail of this is discussed below.
- 4.63 **Swimming Pool and Leisure Equipment** – This heading outturned £21,000 against a budget of £60,000, an underspend of £39,000 (65%). The focus of the service this year was on identifying service transformation therefore spend on equipment was delayed until a plan had been created for the current and future needs of the service. It is recommended that the underspend of £39,000 is carried forward to 2023/24 as the transformation needs for libraries are extensive due to minimal investment over recent year and the service has changed significantly since the pandemic. Thereafter a plan for routine equipment replacement on a lifecycle basis will be developed for libraries. Such a plan has been in place for swimming pools for many years.
- 4.64 **Moray Leisure Centre** – This heading outturned £297,000 against a budget of £400,000, an underspend of £103,000 due to the fact that there were no significant asset failures that required additional funding in the year. It is recommended that the underspend of £103,000 is carried forward to 2023/24 to contribute to the cost should there be a significant major element failure as the capital budget was developed based on a conditions survey and there is a high risk that unplanned work will be required to avert closure of the facility.
- 4.65 **Vehicle and Plant Replacement Programme** - This programme outturned £2,473,000 against an amended budget of £3,296,000, an underspend of £832,000 (25%). Vehicle and plant manufacture and delivery have been severely affected by global factors such as the pandemic and the war in Ukraine. Vehicles to the full value of the budget were ordered during the year by 31 March 2023 and delivery is awaited but it is not recommended that the underspend be carried forward to cover this committed spend as similar delays are likely to impact on the planned vehicle replacement programme in 2023/24.
- 4.66 **Children's Play Areas** – There is an underspend of £99,000 against a budget of £253,000. The underspend is due to delays in the planned project at Cullen due to ground conditions and supplier issues. The project is committed and pending completion and it is therefore recommended that the underspend of £99,000 is carried forward to 2023/24 to allow for completion without impacting on the future planned programme of works.

- 4.67 **Replacement Household Waste Recycling Centre (HWRC)** – No expenditure was incurred against this budget of £800,000 resulting in an underspend. This was due to a delay in receiving notification of the outcome of a funding application to Zero Waste Scotland. The application for funding was not successful based on the proposal put forward. However, a further bid may be submitted and, depending on the result of that, the Council will be required to provide capital in support of the funding. It is therefore recommended that the underspend is carried forward to 2023/24 to allow future bids to be developed.
- 4.68 **Orchard Road Signals** – This project, which was undertaken by the Council's Roads Maintenance team, outturned £204,000 against a budget of £192,000, an overspend of £12,000. There were issues with the planned location of the control box for the traffic lights and with underground utilities meaning that works took longer than originally anticipated, all of which had an impact on the costs.
- 4.69 **Replacement CCTV** – This project outturned £40,000 against a budget of £150,000, an underspend of £110,000. Issues with the contractor resulted in delays so it is therefore recommended that the underspend of £110,000 is carried forward to 2023/24 to allow completion of the project.
- 4.70 **ICT Programme** – Actual expenditure on the ICT Core Programme is £908,000 against a budget of £1,206,000, an underspend of £298,000 (25%). This has been due to a lack of resources with the ICT department to undertake some of the server and network infrastructure work, as well as the corporate telephony project. It is recommended that £144,000 is carried forward to 2023/24 as there are commitments for the following areas: network upgrades, school interactive panels, costs associated with the new antivirus solution, costs for the Unix replacement project, corporate telephony solution and the upgrade of the Financial Management System (FMS). The carry forward will allow for these commitments to progress without impacting on other planned works for 2023/24.

#### **Other Plant and Equipment**

- 4.71 **Chip and Pin Machines/New Cheque Printer** - These projects were underspent by £25,000. The project to replace chip and pin machines was delayed due to a global shortage of the components required to build the machines. The cheque printer is dependent on the FMS upgrade currently underway but delayed in starting due to issues with the server. Both projects are committed and orders placed so it is recommended that the total underspend of £25,000 is carried forward to 2023/24 to allow payment when goods are delivered.

4.72 **Corporate Office Furniture** - No spend was incurred from this budget of £10,000. This is due to the fact that, during the pandemic, staff have been working from home and there has been less need to purchase equipment due to offices being largely unoccupied. No carry forward is recommended at this point as future requirements will be dependent on workforce planning and the number of staff in offices going forward as the Smarter Working project is implemented.

4.73 **Traffic Data Collection Equipment** – This heading had minimal spend of £1,000 against a budget of £7,000. Work is currently underway to review the current equipment with a view to a more extensive upgrade and a business case for this will be prepared to inform future revisions of the capital plan. No carry forward is recommended.

Traffic Signal Replacement – This heading had no spend against a budget of £16,000 due to lack of resources and competing priorities with other projects. No carry forward is recommended.

4.74 **Upgrade of Recycling Containers** – The underspend of £8,000 against the budget of £20,000 is due to the delayed delivery of replacement skips. It is therefore recommended that the underspend of £8,000 be carried forward to 2023/24 to allow for payment for the delayed skips without impacting on planned replacements for the year.

4.75 **Chemical Waste Disposal Points** – This project is now funded from the Rural Tourism Infrastructure Fund (RTIF) so it is not recommended that the unspent budget of £15,000 is carried forward.

4.76 **Domestic and Trade Waste Bins** – This heading outturned £103,000 against a budget of £100,000 generating a small overspend of £3,000. This heading is demand led and dependent on the requests for bins received. It is also subject to price fluctuations which can vary dependent on the plastics market. It is recommended that the overspend is offset against the budget for 2023/24.

## 5. **CAPITAL PLAN AMENDMENTS**

5.1 The following amendments to the capital plan are proposed:

Project	Paragraph	2023/24 £000s	2024/25 £000s	2025/26 £000s
Elgin High School Modular Units	4.9	18	-	-
Elgin High School Extension	4.10	46	-	-
Universal Free School Meals	4.13	598	-	-
Moray Growth Deal	4.15	869	-	-
Town Centre Initiative Fund	4.16	100	-	-
Dallachy Landfill Site	4.18	118	-	-
NESS Energy from Waste	4.19	5,304	-	-



Project	Paragraph	2023/24 £000s	2024/25 £000s	2025/26 £000s
Industrial Portfolio	4.20	41	-	-
Place Based Investment	4.21	268	-	-
Car Parks	4.22	(33)	-	-
Just Transition Fund	4.23	342	-	-
Other Land and Buildings	4.24 – 4.33	30	-	-
Bridges	4.34 - 4.45	513	(3)	-
Flood Risk Management and Coastal Protection	4.46 – 4.47	218	-	-
Power Upgrade Buckie Harbour	4.48	427	-	-
Harbours Replacement of Life Expired Elements	4.49	165	-	-
Capital Dredging	4.50	(45)	-	-
Burghead Groyne/Findochty Sink Hole	4.51	445	-	-
A95 River Isla Landslip	4.53	400	-	-
Roads Resurfacing	4.54	312	-	-
Other Roads	4.55	190	-	-
Road Safety Provision	4.58	30	-	-
Road Safety Barrier Provision	4.59	57	-	-
Road Safety Projects	4.60	83	-	-
Swimming Pool Equipment	4.63	39	-	-
Moray Leisure Centre	4.64	103	-	-
Vehicle Replacement Programme	4.48	832	-	-
Children's Play Areas	4.66	99	-	-
Replacement HWRC	4.67	800		
Replacement CCTV System	4.69	110	-	-
ICT Capital Programme	4.70	144	-	-
Other Plant & Equipment	4.71 – 4.76	30	-	-
Industrial Portfolio	5.2	(3,670)	(945)	(1,180)
Learning Estate	5.3	131	(131)	-
Rafford cemetery	5.4	43		
		<b>9,157</b>	<b>(1,079)</b>	<b>(1,180)</b>

- 5.2 **Industrial Portfolio** – As part of the budget setting process for 2023/24 several of the budgets under the Industrial Portfolio heading were re-profiled. Since then a further review has been undertaken of the provision on the capital plan for the Council's Industrial Portfolio. There have been difficulties identifying suitable sites in a number of locations so it is proposed to reprofile the amounts in the capital plan to allow the work to be progressed following the preparation of the next Local Development Plan. The impact is to reduce the plan as follows: 2023/24 £3,670,000; 2023/24 £945,000 and 2024/25 £1,180,000.

- 5.3 **Learning Estate Elgin High School** – It is recommended that budget of £131,000 is brought forward to 2023/24 from future years of the plan to fund feasibility works required to ascertain the scope of the Elgin High School Extension project, currently planned for delivery in 2024/25 and 2025/26.
- 5.4 Remediation works to the wall at Rafford cemetery are required on the grounds of safety. The wall is a listed structure of substantial construction which requires specialise stonemasons to carry out work on it. Work is required to stabilise the wall and prevent it falling into adjacent work, which is a material risk if remedial works are not carried out. Phase 1 works were completed last year and further required works have been costs at £43,000. Without these works deterioration will quickly recur. The current budget for 2023/24 allows for safety related works identified as being required in other cemeteries across Moray and it is recommended that the budget is increased by £43,000 to allow completion of the work at Rafford and also planned work at Rothes, Mortlach, Buckie and Aberlour.

## **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 A risk to the capital plan in recent years has been an increase in the cost of materials and scarcity of many materials which are key for the construction industry. This is partly a world-wide reaction to the pandemic, and partly due to Brexit, but the war in Ukraine is also having an impact. This is still seen as a risk but the impact and likelihood is reducing.
- 6.3 There is a risk that contract inflation might increase the eventual cost of projects in future years of the capital plan and a risk that any deferment of projects relating to asset condition might result in element failure, potentially incurring unbudgeted costs. The figures in the 10 year plan are based on current costs and are likely to increase by the time the project is undertaken.
- 6.4 The main risk for the vehicle replacement programme is extended lead in times of up to 24 months due to the Ukraine war, pandemic and brexit, and also manufacturers starting to implement new technologies such as hydrogen and electric.
- 6.5 Lack of staff resources and staff turnover can impact on project timescales and other emerging work priorities can impact in scheduled works and this is reflected in delays where work planned to be out-sourced is being brought in-house as a result of poor response to tender requests.
- 6.6 There is a risk that time-limited funding is not spent within time-frame and that the Council therefore loses the opportunity to improve or create assets at no or reduced cost to the Council.
- 6.7 Projects can be subject to risks which are outwith the direct control of the Council, such as poor weather conditions and some assets such as harbours are particularly vulnerable to bad weather events.

6.8 The cost to the Council of borrowing is calculated based on interest rates at that time. The current pattern of interest rate rises is considered likely to continue in the short term and this will have an impact on the cost to the Council and will be taken into account when looking at future capital proposals.

6.9 No other project risks have been specifically identified by budget managers.

## **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 2022/23 and the outline ten year plan incorporates measures designed to address the Moray 2026 priorities of achievement and attainment by children and young people 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 Council in line with the financial regulations. Risks specific to items within the capital plan are highlighted in paragraph 7 of the report

### **(e) Staffing Implications**

There are no staffing implications arising directly from this report. Staffing shortages have reduced the Council's ability to deliver its capital programme during 2022/23.

### **(f) Property**

There are no property implications arising directly from this report.

### **(g) Equalities/Socio Economic Impact**

There are no equalities issues arising from this report

### **(h) Climate Change and Biodiversity Impacts**

There are no climate change or biodiversity issues arising from this report.

**(i) Consultations**

All capital budget managers have been consulted as part of the preparation of this report. All Heads of Service and the Corporate Management Team have been consulted and any comments incorporated in the report.

**8. CONCLUSION**

**8.1 Capital expenditure of £28,356,000 was incurred during the year ending 31 March 2023.**

**8.2 Amendments to the Capital Plan of an increase of £9,157,000 in 2023/24 based on departmental requests for carry forwards and other amendments and a decrease of £1,079,000 in 2024/25 and a decrease of £1,180,000 in 2025/26 are recommended.**

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Background Papers:

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