



REPORT TO: MORAY COUNCIL EMERGENCY CABINET ON 1 JULY 2020

SUBJECT: CAPITAL PLAN 2019/20

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

1. REASON FOR REPORT

- 1.1 To inform Cabinet of the expenditure to 31 March 2020 under the capital plan for financial year 2019/20 and to recommend budget adjustments for inclusion in the 2020/21 Capital Plan and future years.
- 1.2 This report is submitted to the Emergency Cabinet following a decision of Moray Council on 17 June 2020 to convene a meeting of the Emergency Cabinet as and when required until a new simplified Committee structure commences on 2 September 2020, due to the COVID-19 pandemic.

2. RECOMMENDATION

2.1 It is recommended that the Cabinet:

- (i) Considers and notes the expenditure to 31 March 2020 of £56,728,000 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;**
- (iii) Approves carry forwards to 2020/21 and future years totalling £10,486,000 as detailed in section 5.**

3. BACKGROUND

- 3.1 The capital plan for 2019/20 of £72,668,000 was approved by a meeting of Moray Council on 27 February 2019 (paragraph 4 of the Minute refers). Amendments approved by Council and by Policy and Resources Committee since this date have been incorporated to give a current approved capital plan for 2019/20 of £68,825,000.
- 3.2 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. As agreed by Policy and Resources Committee on

10 May 2016 in response to the Audit Scotland report “Major Capital Investment in Councils” (paragraph 7 of the Minute refers), monitoring reports include a separate **APPENDIX 2**, giving details of expenditure on projects which span more than one financial year.

4. CAPITAL PLAN 2019/20

4.1 A copy of the capital plan is included as **APPENDIX 1**. Expenditure to 31 March 2020 of £56,278,000 has been funded by General Capital Grant of £23,316,000 from the Scottish Government, Early Learning & Childcare Grant of £2,800,000 from the Scottish Government, other specific government grants of £247,000, other grant and contributions of £1,472,000 and Prudential Borrowing of £28,895,000.

4.2 Land and Buildings

The capital plan included budget provision of £51,469,000 for expenditure on land and buildings. Actual expenditure totalled £43,996,000. The detail of this is discussed below.

4.2.1 The final budget of £3,276,000 for the School Estate Make Do and Mend Programme was underspent by £325,000, with actual expenditure of £2,951,000. The main variance within this budget heading was that the £420,000 allocation carved out from a projected underspend earlier in the year to allow officers the option to bring forward priority projects from future years has no spend against it as the option to bring forward was not exercised. Work programming has to fit around term times to avoid disruption and this mitigates against fully using any budget flexibility. Other variances are:

- Works at Cluny Primary, Forres Academy, New Elgin Primary and Andersons Primary (all projects phased over a number of years and completed in 2019/20) out-turned at £1,700,000, an underspend of £79,000.
- The other in-year projects within this heading all showed small variances compared to budget as follows, totalling an overspend of £16,000:
 - Speyside High School replace water supply - £14,000 overspend
 - Keith Grammar roofing - £22,000 underspend
 - Hythehill Primary roofing - £24,000 overspend
 - Hythehill Primary window replacement - £19,000 underspend
 - East End Primary drainage - £1,000 underspend
 - Speyside High School works - £17,000 overspend
 - Burghead Primary works - £3,000 overspend

4.2.2 Work was undertaken on the extension of SEN accommodation at Forres Academy in 2013/14, permanently replacing the temporary accommodation .A long-running dispute with the contractor over the final payment was finally resolved and payment made in October 2019. No provision had been made in the 2019/20 capital plan from the previous underspend of £37,000 but £45,000 expenditure was incurred. The project and payments are now complete.

- 4.2.3 Legionella works show an outturn of £11,000 against a budget of £15,000. The fire safety budget showed an outturn of £30,000 against a budget of £25,000. School fire work recommended by the fire audit, which was additional to the normal fire work budget provision, showed an underspend of £17,000 against a budget of £140,000.
- 4.2.4 Milnes Primary School Early Learning and Childcare – the main project was completed in 2018/19. The work completed in 2019/20 was related to relocation of the water tanks, which cost more than anticipated and showed an out-turn of £227,000 against a budget of £127,000.
- 4.2.5 Works on site are ongoing for the new Linkwood Primary School which out-turned £8,337,000 from a budget of £10,067,000. Work on site has been delayed due to the Covid-19 pandemic and the underspend of £1,730,000 will be required in 2020/21 to complete the project. It is estimated that completion will take 12 – 14 weeks, although restricted working practices when construction work recommences may impact on this.
- 4.2.6 Works on site are ongoing for the new Lossiemouth High School which out-turned £19,764,000 from a budget of £21,273,000. Work on site has been delayed due to the Covid-19 pandemic and the resultant underspend of £1,509,000 will be required in 2020/21 to complete the project.
- 4.2.7 Initial site investigation works for a new school at Findrassie in Elgin incurred expenditure of £44,000.
- 4.2.8 Early Learning and Childcare Expansion projects out-turned at £3,159,000 from a final budget of £4,067,000. Work was undertaken on site at both Cullen and Pilmuir nurseries. Expenditure was also incurred on the refurbishment projects at Lhanbryde, Burghead and Mosstodloch Primary Schools. Work on these projects has been delayed due to the Covid-19 pandemic and the underspend of £908,000 will be required in 2020/21 to complete the projects. Capital grant funding of £2,800,000 was received in 2019/20 from the Scottish Government which has confirmed that, although the grant funding is ring-fenced, there is flexibility as to the financial year in which it may be used to fund the approved early years' projects. Overall planned expenditure is met in full by the total grant over the four year period from 2017/18 to 2020/21. In addition to the expenditure recorded in the capital plan, further capital works in 2019/20 amounting to £1,000,000 were funded by the Early Years Revenue Grant.
- 4.2.9 Work on the Dallachy Landfill site has progressed through the year, showing an out-turn of £428,000 from an amended budget of £657,000. Provision was made in the budget for 2020/21 for the construction of a new cell at Dallachy, to extend the working life of the site until the NESS Energy from Waste facility comes on stream. As noted when the budget was approved, this project is at an early stage and the budget estimate based on high level assumptions. Accordingly it is recommended that the underspend of £229,000 in 2019/20 is carried forward. It is planned that work on constructing a new cell will commence in summer 2020.

- 4.2.10 Budgets of £50,000 for a replacement recycling centre in Elgin and of £77,000 for upgrading other recycling facilities were included in 2019/20. No spend has been incurred this year, although feasibility work is underway on the Elgin project. Given the success of the newly introduced booking system which manages users and traffic into the constraint site in Elgin, there is an option to keep the booking system in place after social distance constraints has been lifted, therefore only the £77,000 is required to advance the upgrading in 2020/21 and defer a decision on an alternative site in Elgin until a decision is known on the long term viability of the booking system.
- 4.2.11 The NESS energy from waste project had an out-turn of £6,463,000 from an amended budget of £7,606,000. Construction has been delayed due to the Covid-19 pandemic and the underspend will be required in as the project progresses.
- 4.2.12 The project to construct a new integrated waste facility at Moycroft had an out-turn of £2,035,000 from an amended budget of £2,581,000. Delay to the completion of the project due to Covid-19 requires the underspend to be carried forward into 2020/21 as the budget will be fully utilised.
- 4.2.13 Refurbishment of various industrial units showed an outturn of £162,000 against a budget of £124,000. Budget provision of £24,000 was made for new serviced sites in Elgin. During the year the Council entered into negotiations with a developer regarding the sites in question. As part of the arrangements under discussion, the Council was to contribute to the works needed to get the site ready for development. However, the developer decided not to proceed with the project. The money will still be required to help make the site ready for future development.
- 4.2.14 Expenditure of £90,000 was incurred against a budget of £1,233,000 for the Town Centre Fund. Ring-fenced grant funding of £1,233,000 was received in 2019/20 from the Scottish Government, who have extended the deadline for expenditure to be funded by the Town Centre Capital Fund until 31 March 2021 with a revised completion date for funded projects of 30th September 2021. This underspend will required to be carried forward to 2020/21 and potentially into 2021/22 in order to fund projects which have seen delays due to Covid-19 . Due to the timing of this grant award, expenditure had been forecast to take place in quarter 4 only and so the lockdown had a particularly significant impact on the ability of projects to spend and to evidence completion. The Council also has some projects funded from this grant.

4.3 **Infrastructure**

The capital plan included provision of £11,041,000 for expenditure on improvements to infrastructure. Actual expenditure totalled £8,724,000. The detail of this is discussed below.

- 4.3.1 Expenditure on road safety totalled £606,000 against a final budget of £673,000. Disability adaptations and new road signs and markings showed small underspends of £8,000 and £5,000 respectively. These budgets were committed in full in 2019/20 but some of the works, although commissioned during 2019/20, were unable to be completed, and these underspends will be required in 2020/21 to meet these commitments. Road safety barriers showed an underspend of £54,000. A new model for prioritising replacement barriers

has been agreed and will determine the work undertaken on this programme in 2020/21 and onwards.

4.3.2 Road improvements including carriageway resurfacing, reconstruction and surface dressing, timber traffic works, footways and drainage works out-turned £3,373,000 from a budget of £3,989,000 representing an overall underspend of £616,000. The reasons for this are as follows:

- Carriageway Resurfacing £61,000 underspend – less pre-patching work was carried out than forecast.
- Drainage £380,000 underspend – During the year work was prioritised as much as possible to ensure that work was completed on our carriageways. Vacancies within the service also meant that some work was not able to be carried out as planned.
- Footways £72,000 underspend – Vacancies within the service meant that some work was not able to be carried out as planned.
- Timber Traffic Structural Works £103,000 underspend – The Council did not receive as much external funding as part of the STTS bidding process as anticipated and therefore less match funding was required.

4.3.3 Bridge works out-turned at £1,489,000 against a budget of £2,140,000. Construction works on Craigellachie Bridge and Arthur's Bridge have been delayed due to the Covid-19 pandemic and will be completed in 2020/21.

4.3.4 Various works at harbours show an out-turn of £451,000 against a budget of £1,062,000. Work had been delayed due to adverse weather conditions and was not able to restart prior to the Covid-19 lockdown. The work will be completed in 2020/21.

4.3.5 The project to replace SOX and SON street lights with LED had an out-turn of £666,000 from a budget of £700,000. Works were not able to be completed due to the Covid-19 pandemic and so the underspend will be required in 2020/21 to complete the outstanding works.

4.4 **Vehicles, Plant and Equipment**

The Capital Plan included provision of £6,315,000 for expenditure on vehicles, plant and equipment. Actual expenditure totalled £4,038,000, an underspend against budget of £2,277,000 or 36% of budget. The main variances are discussed below.

4.4.1 The vehicle replacement budget of £3,827,000 was fully committed but the Covid-19 pandemic resulted in the late delivery of some vehicles which caused an underspend of £791,000. £92,000 expenditure was incurred during the year on electric car chargers. This was funded by a specific grant received from the Scottish Government.

4.4.2 Waste Management Budgets show an out-turn of £136,000 against a budget of £564,000. This relates to the purchase of plant and equipment for the new integrated waste facility at Moycroft, which has seen delays due to Covid-19. The equipment will be purchased in 2020/21.

4.4.3 Provision of £100,000 was made in the capital plan for the purchase of a replacement pilot boat in Buckie. Due to technical difficulties, the boat

originally identified was not purchased in 2019/20. However, a replacement is still required and an alternative will be sourced in 2020/21 and this budget provision will still be required.

4.4.4 The ICT core programme out-turned £616,000 from a budget of £1,361,000. All budget headings projects were underspent and the reasons for these are as follows:

- Desktop and Mobile Devices £50,000 underspend – work had begun on a number of areas in this heading but the Covid-19 pandemic meant that resources had to be diverted to other areas and the work on this project was not complete. This underspend will be required in 2020/21 to complete this work and to contribute towards the new ICT recovery and renewal strategy.
- Digital Public Services £67,000 underspend – There was a small spend of £8,000 but the remainder of the budget of £75,000 is not required, generating a saving of £67,000.
- Network Infrastructure £62,000 underspend – Procurement delays on the project to upgrade infrastructure nearing the end of their life and on the IP Telephony project for schools resulted in this underspend. This underspend will be required in 2020/21 to complete this work and to contribute towards the new ICT recovery and renewal strategy.
- School ICT Strategy £55,000 underspend – Work identified in 2019/20 was complete within budget. This underspend is required in 2020/21 to advance work on schools WiFi and to contribute towards the new ICT recovery and renewal strategy.
- Servers Infrastructure £108,000 underspend – Work has begun to look at replacing the corporate storage solution. However, a suitable solution has yet to be identified and so the underspend (£64,000) will be required to allow the project to proceed. Work on systems management tools was completed under budget (£44,000) and this underspend will be required in 2020/21 to contribute to the new ICT recovery and renewal strategy.
- Software £72,000 underspend – Some of this underspend (£16,000) is related to the underspend under desktop and mobile devices, and will be required in 2020/21 to allow the projects to be completed. Essential software upgrades were completed under budget (£56,000) and will be required to contribute to the new ICT recovery and renewal strategy.
- Unix Server Replacement £100,000 underspend – procurement delays on this project meant that no spend was incurred in 2019/20. This underspend will be required in 2020/21 to allow the project to proceed.
- Telephony/Contact Centre System £231,000 underspend – this project was about the commence rollout just prior to the Covid-19 pandemic and this was delayed. This underspend will be required in 2020/21 to enable this rollout to take place.

5. CARRY FORWARD TO CAPITAL PLAN 2020/21 and future years

5.1.1 Budget Managers have requested carry forward for some of the budget underspends in 2019/20, reflecting amended timing of expenditure. Net carry forwards of £10,536,000 are recommended, as summarised in this table. The reasons for this are discussed below.

	Para	2020/21 £000s	Future Years £000s
Land and Buildings			
Education	5.2	4,147	-
Waste Management	5.3	902	1,143
Industrial Portfolio	5.4	24	-
Town Centre Fund Initiative	5.5	1,143	-
Infrastructure			
Road Safety	5.3.1	13	-
Bridges	5.3.2	583	-
Street Lighting	5.3.3	34	-
Flood Risk Management & Coastal Protection	5.3.4	15	
Harbours	5.3.5 5.3.6	562	-
Vehicles, Plant & Equipment			
Swimming Pool Equipment	5.4.1	9	-
Vehicle Replacement Programme	5.4.2	791	-
Waste Management	5.4.3	376	-
Harbours	5.4.4	100	-
ICT	5.4.5	644	
TOTAL		9,343	1,143

5.2 Land and Buildings

5.2.1 **New Lossiemouth High School** – work is progressing on the project to construct a new secondary school in Lossiemouth. However, this work was delayed to the effects of the Covid-19 pandemic, which meant that construction sites were forced to close. It is recommended that the underspend in 2019/20 of £1,509,000 be carried forward in full to 2020/21, when the completion of the building is anticipated .

5.2.2 **New Linkwood Primary School in South Elgin** – work is progressing on this project. However, this work has been delayed due to the effects of the Covid-19 pandemic, which meant that construction sites were forced to close. It is recommended that the underspend in 2019/20 of £1,730,000 be carried forward in full.

5.2.3 **Early Learning and Childcare Expansion Projects** – This covers a number of different projects which are fully funded by ring-fenced capital grant from Scottish Government. Progress has been delayed due to the Covid-19 pandemic. It is recommended that the 2019/20 underspend of £908,000 is carried forward in full.

5.2.4 Land and Buildings – Waste Management

- 5.3.1 **Dallachy Landfill Site** – It is requested that Council approve the carry forward of budget of £229,000 from 2019/20 to 2020/21 to fund work on the construction of a new cell due to begin summer 2020.
- 5.3.2 **Integrated Waste Facility, Moycroft** – Work on this project has been delayed due to the Covid-19 pandemic and It is therefore requested that Council approve the carry forward of budget of £546,000 from 2019/20 to 2020/21.
- 5.3.3 **NESS Energy from Waste** – Work on this project has been delayed due to the Covid-19 pandemic and it is therefore requested that Council approve the carry forward of budget of £1,143,000 from 2019/20 to 2021/22.
- 5.3.4 **Recycling Centre Facilities Upgrade** – It is requested the Council approve the carry forward of budget of £77,000 to allow for work to be carried out at Gollachy in Buckie.

5.4 Land and Buildings – Industrial Portfolio

- 5.4.1 It is requested that the Council approve the carry forward of budget of £24,000 from 2019/20 to 2020/21 in order to allow site servicing works at Chanonry Elgin to progress, with the expectation of future rental income following completion of the work.

5.5 Town Centre Fund Initiative

- 5.5.1 The Scottish Government provided ring-fenced grant funding for the Town Centre Capital Fund of £1,233,000 in 2019/20 and has extended the deadline for expenditure to be funded from that fund until 31 March 2021, with final project completion date of 30 September 2021. It is requested that Council approve the carry forward of budget of £1,143,000 from 2019/20 to 2020/21 to complete projects that had already started but could not be completed due to the Covid-19 pandemic.

5.3 Infrastructure

- 5.3.1 **Road Safety** – It is requested that the Council approve the carry forward of budget of £8,000 and £5,000 for Disability Adaptations and New Road Sign and Markings projects from 2019/20 to 2020/21. In both cases work was commissioned and expenditure committed in 2019/20 but was unable to be completed.
- 5.3.2 **Bridges** – It is requested that the Council approve the carry forward of budget from 2019/20 to 2020/21 of £555,000 for the refurbishment of Craigellachie Bridge due to delays caused by the Covid-19 pandemic. It is also requested that to Council approve the carry forward of budget from 2019/20 to 2020/21 of £28,000 for amending the weight limit for Arthur’s Bridge on the grounds of public safety.

- 5.3.3 **Street Lighting** – It is requested that the Council approve the carry forward of budget from 2019/20 to 2020 of £34,000 for Street Lighting to complete the programme which was delayed due to the Covid-19 pandemic.
- 5.3.4 **Portknockie Landslip** - It is requested that the Council approve carry forward of £15,000 from 2019/20 to 2020/21 as white lining work is still required to complete this project.
- 5.3.5 **Harbours – Life Expired Items and Upgrades** – There is a rolling programme of works to replace life expired items and upgrade facilities at harbours across Moray. Due to delays caused by adverse weather and the Covid-19 pandemic it is requested that the Council approve the carry forward of budget from 2019/20 to 2020/21 of £384,000 in relation to these projects.
- 5.3.6 **Harbours Economic Development** – It is recommended that the Council approve the carry forward of budget of £18,000 for Economic Development of Harbours due to delays with procurement. It is also requested to carry forward budget of £160,000 for the provision of an ice plant at Buckie Harbour due to delays in awarding the tender due to the Covid-19 pandemic.

5.4 Vehicles, Plant & Equipment

- 5.4.1 **Swimming Pool Equipment** - It is requested that the Council approve carry forward of budget of £9,000 from 2019/20 to 2020/21 for swimming pool equipment at Milnes. The purchase of this equipment is dependent on developer funding, the application for which has been delayed due to the Covid-19 pandemic. The equipment is still required and this will enable the purchase to be completed.
- 5.4.2 **Vehicle Replacement Programme** – The Covid-19 pandemic has meant the late delivery of several vehicles and it is therefore requested that the Council approve carry forward of budget of £791,000 to fund the purchase of these vehicles.
- 5.4.3 **Waste Management** – It is requested that the Council approve the carry forward of budgets of £191,000 for a replacement baler and £235,000 for a replacement green waste shredder, both at Moycroft, from 2019/20 to 2020/21 due to delays as a result of the Covid-19 pandemic.
- 5.4.4 **Harbours** – Technical issues meant that the originally identified boat to replace the pilot boat at Buckie was not purchased in 2019/20. A replacement for the current pilot boat is still required and the Chief Executive approved a carry forward of £100,000 under delegated powers to enable an alternative to be sought and purchased in 2020/21.
- 5.4.5 **ICT Core Programme** – The underspend on ICT in 2019/20 is partly due to project slippage and partly due to savings. Project slippage will require expenditure in 2020/21 to allow projects to be completed. The service has also commenced work on developing a strategy for creating greater resilience for the Council in the light of experience during the Covid-19 pandemic. This will be reported to Council when developed. In the meantime it is suggested that underspends in 2019/20 which do not relate to work already identified as required in 2020/21 could be carried forward to part fund the ICT strategy for

recovery and renewal. It is requested that Council approve carry forward of budgets from 2019/20 to 2020/21 for a number of ICT projects as follows:

Project	Carry Forward to allow delayed projects to proceed	Carry Forward to be assigned to ICT Strategy for Recovery & Renewal
	£000s	£000s
Desktop & Mobile Devices	£39,000	£10,000
Network Infrastructure (Note 1)	£30,000	£30,000*
School ICT Strategy (Note 2)	-	£24,000 **
Server Infrastructure	£64,000	£44,000
Software	£16,000	£56,000
Unix Server Replacement	£100,000	-
Telephony/Contact Centre System	£231,000	-
Total	£480,000	£164,000

Note 1 - It has been suggested that this amount could be used to progress the school IP Telephony project or be used for the school recovery and renewal strategy.

Note 2 – The work under the School ICT Strategy project undertaken in 2019/20 was completed under budget. It has been suggested that this amount could be used for work on School WiFi or for the school recovery and renewal strategy.

6. **RISK AND EMERGING ISSUES**

- 6.1.1 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 Covid-19 pandemic is a major risk to the Council capital programme. Various projects have already seen delays as a result of the situation and this is likely to continue through 2020/21. An increase in construction costs as industry revises working practices to comply with social distancing is forecast.
- 6.3 The main risk for the vehicle replacement programme is manufacturers failing to deliver to agreed timescales. This can impact on revenue by increasing repairs costs for vehicles due to be replaced.
- 6.4 Land compensation claims remain a risk for the major flood alleviation scheme at Forres.
- 6.5 Projects such as the new build Linkwood Primary School can be subject to a range of risks which are outwith the direct control of the Council. A particular risk following the pandemic is contractor claims for compensation events.

- 6.6 Poor weather conditions can impact project timescales, as was the case with various harbours projects in 2019/20 and unplanned costs can be occasioned by bad weather events.
- 6.7 Lack of staff resources and staff turnover can impact on project timescales.
- 6.8 Other emerging work priorities can impact on scheduled works.
- 6.9 There is a potential risk to grant funding of the new Lossiemouth High School should the project not complete on time.
- 6.10 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 2019/20 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 Council 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

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) Consultations

All capital budget managers have been consulted in 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

8.1.1 Capital expenditure amounts to £56,728,000 to the end of March 2020.

8.2 Capital budget carry forwards of £10,486,000 are requested.

Author of Report: Laurie Milne, Senior Accountant
Background Papers:
Ref: LM/LJC