



REPORT TO: CORPORATE COMMITTEE ON 29 AUGUST 2023

SUBJECT: CAPITAL PLAN 2023/24

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

1. REASON FOR REPORT

1.1 To advise the Committee of expenditure to 30 June 2023 under the capital plan for financial year 2023/24 and of estimates of projected expenditure profiled into quarters.

1.2 This report is submitted to Committee in terms of Section III (B) 9 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 Committee:

- (i) Considers and notes expenditure to 30 June 2023 of £2,761,000;**
- (ii) Considers and notes the current plan, prior to amendment of £672,681,000 for 2023/24 based on approved expenditure adjusted for known differences in planned expenditure which have been identified to date, profiled into quarters, as set out in APPENDIX 1;**
- (iii) Considers and notes the projected overall expenditure for projects spanning more than one financial year, as set out in APPENDIX 2; and**
- (iv) Approves amendments to the 2023/24 and 2024/25 capital plan as detailed in section 6.1 of this report.**

3. BACKGROUND

- 3.1 The capital plan for 2023/24 totalling £59,186,000 was approved by Moray Council on 1 March 2023 (paragraph 4 of the Minute refers). Amendments approved by the Council at its meeting on 8 March 2023 (paragraph 7 of the Minute refers), and 28 June 2023 (paragraph 8 of the minute refers) have been incorporated to give a current approved capital plan for 2023/24 totalling £72,681,000. The amendments recommended in this report would result in a capital plan of £64,975,000, but this should not be considered an estimate of actual spend for the year. The figure includes expenditure on five Moray Growth Deal projects as estimated in Outline Business Cases (OBC) – these projects have not yet submitted Full Business Cases and the OBC estimates appear unlikely to be achievable in this financial year. Although budget managers have expressed confidence that a high proportion of the projects will spend to current budget there has been a very low spend to date. Continued volatile conditions in the construction industry and in supply chains of materials are causing contractors to decline to tender for works or tender for prices significantly above estimates, resulting in reduced scope of works being retendered. This figure should be treated as the maximum approved spend in the year. An estimated spend figure will be developed and reported as part of the quarter 2 capital monitoring report.
- 3.2 As some sizeable projects span more than one financial year, this report includes a separate **APPENDIX 2**, giving details of expenditure on such projects in order to give a complete financial overview of these major projects.
- 3.3 The indicative 10 year capital plan will be reviewed as part of the financial planning process to reflect the impact of continued construction inflation and further increased interest rates on the affordability of the plan. As a short term savings measure, capital budget managers have also been asked to review planned expenditure for 2023/24 with a view to delaying projects or otherwise reducing expenditure in 2023/24.

4. CAPITAL PLAN 2022/23

- 4.1 A copy of the summary capital plan is included as **APPENDIX 1** showing actual expenditure to 30 June of £2,761,000. This is just under 4% of the currently approved Capital Plan. General Capital Grant of £2,448,000 has been received from the Scottish Government. Other grants and contributions of £32,000 have also been received. In addition to this, Developer Contributions of £369,000 have been received in quarter 1 of this financial year and capital receipts of £349,000 for the sale of land & buildings and vehicles. The Council previously took advantage of flexibilities allowed by the Scottish Government that allowed the Council to use capital receipts to fund spend on Transformation projects. This flexibility ended in 2022/23 and unused receipts of £4,331,000 were transferred to the Useable Capital Receipts Reserve and will be use in 2023/24 to fund capital expenditure.

- 4.2 Expenditure on land and buildings to 30 June 2023 totals £591,000. The main items of expenditure is £135,000 on Council led projects under the Moray Growth Deal. Expenditure of £304,000 has also been spent on Place Based Investment, a programme established by the Scottish Government to ensure that local investment is relevant to local communities for the benefit of local people. This expenditure is funded by capital grant from the Scottish Government.
- 4.3 Expenditure on infrastructure assets to 30 June 2023 totals £796,000. The main items of expenditure were £233,000 on Road Safety projects and £225,000 on various Harbours projects.
- 4.4 Expenditure on vehicles, plant and equipment to 30 June 2023 totals £1,374,000. The main item of expenditure was £1,111,000 on the Vehicle & Plant Replacement Programme, all of which is slippage from 2022/23 due to the current lead time for the delivery of vehicles.

5. **PROJECTED OUTTURN AND PROJECT DEFERRALS**

- 5.1 Budget managers have been recommended to update projected estimates of expenditure on capital projects in 2023/24. 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 2023/24 £000
High confidence of spend to estimate	G	95	32,900
Medium confidence of spend to estimate	A	5	9,434
Low confidence of spend to estimate	R	12	22,641
		112	64,975

- 5.2 The spend projections provided by budget managers are based on the best information available at this time.

Red rating

A red status highlights areas where there is low level of confidence in estimated expenditure. The following have been identified by budget managers as having a red status:

Project	Capital Plan 2023/24 £000s	Projected Expenditure 2023/24 £000s
Land and Buildings		
Refurbishment and Upgrade of Pools	1,900	600
Early Learning & Childcare (ELC) (4 projects)	1,507	359
Replacement Household Waste Recycling Centre (HWRC)	800	-

Project	Capital Plan 2023/24 £000s	Projected Expenditure 2023/24 £000s
Moray Growth Deal (3 projects led by partners)	21,667	21,667
Infrastructure		
Bridges (2 projects)	405	15
Timber Traffic	840	-
TOTAL	27,119	22,641

5.3 Work on some of the planned Leisure Facilities projects are dependent on the outcome of the Council's bid for funding from Phase 3 of the Learning Estate Investment Programme (LEIP). It is currently not known what the outcome of this will be and so there is no certainty on the spend requirements. However, we may need to undertake a minimal level of works to ensure that the facilities remain operational in the meantime if urgent requirements were to materialise. Various ELC projects have seen issues with the tender process, both in terms of increased prices and lack of supplier engagement. Work is ongoing to ascertain the best way forward on these projects, all of which arose from Care Inspectorate requirements.

5.4 Included in the capital plan was £15,000 for works at Blackwater Bridge – this expenditure is no longer required and no spend will therefore be incurred. The capital plan approved when the budget was set included £390,000 for works to Bishopmill Bridge. However, urgent works have been identified at View Hill Bridge and plans for Bishopmill Bridge will be deferred to allow this to take place. There is a risk that, the works at Viewmill could be delayed due to environmental constraints.

Amber rating

An amber rating of confidence to spend budget highlights areas where there are issues impacting on the ability to project spend – generally indicating factors outwith the budget manager's control. The following have been identified by budget managers as having an amber status:

Project	Capital Plan 2023/24 £000s	Projected Expenditure 2023/24 £000s
Land & Buildings		
NESS Energy for Waste Plant	5,304	5,304
Infrastructure		
Bridges (2 projects)	1,538	218
Vehicles, Plant & Equipment		
Vehicle & Plant Replacement Programme	5,798	3,678
Children's Play Area Equipment	234	
TOTAL	12,874	9,434

5.5 Spend on the Council's share of the costs of the construction phase of the NESS Energy for Waste Plant is dependent on the contractors achieving agreed milestones which trigger payments and may be subject to change. This is the last year of constructions with the plant anticipated to be live in the current financial year. An element of contingency was built into the budget

and it is not anticipated that this will be required in full. However, under the terms of the agreement the primary supplier is permitted to claim for exceptional costs associated with a delay outwith their control. The Project Board, representing the Local Authorities' interests, is in commercial negotiations as to the value of this claim. Until these negotiations progress to a later stage it is not possible to quantify any liability.

- 5.6 Expenditure on the planned project at Lea Bridge in Forres is dependent on the findings of inspections. Spend on the Cloddach Bridge will be dependent on future Council decisions. At this stage spend on feasibility studies and the preparation of the Full Business Case is expected.
- 5.7 The lead time for vehicle replacements is very long due to issues with the supply of small components to complete vehicles and there is therefore a high degree of uncertainty as to when vehicles will be delivered. There is a similar situation with regards to Play Area Equipment.
- 5.8 Details of the projected variances as at June 2023 from the current approved capital programme, summarised in **APPENDIX 1**, are set out below:

Description	Ref	Underspend/ (Overspend) £000s
Land and Buildings		
Universal Free School Meals	5.10	98
Refurbishment and Upgrade of Pools	5.11	1,300
Moray Growth Deal	5.12	598
Replacement HWRC	5.13	800
Infrastructure		
Bridges	5.14	2,001
Timber Traffic	5.15	840
Vehicles, Plant & Equipment		
Vehicle Replacement Programme	5.16	2,120
Gull Proof Bins	5.17	(7)
Orchard Road Signals	5.18	(44)
TOTAL		7,706

Land and Buildings

- 5.10 **Universal Free School Meals** – Capital funding to support the roll out of universal free school meals to all pupils in P4 and P7. To date only the roll out to primary 4 and 5 has been completed. Current spend is an estimate on the spend required to purchase additional equipment to support the increased roll out. Further work is to be carried out on the required capital investment required by the end of the financial year and will be updated in future monitoring reports. No amendments to the budget are recommended at this stage.
- 5.11 **Refurbishment & Upgrade of Swimming Pools** – The budget of £1,900,000 was allocated for the upgrade of Buckie Leisure facility. This has been delayed while the Council awaits confirmation of its bid for LEIP Phase 3

funding. However, we may need to undertake a minimal level of works to ensure that the facility remains operational, and also potentially on others if any urgent requirements were to materialise. At this stage of the financial year an underspend of £1,300,000 is forecast and it is therefore recommended to reduce the budget in 2023/24 by this amount.

5.12 **Moray Growth Deal**

Bus Revolution – This project has a budget in the current year of £681,000 and is anticipating to underspend by £177,000. Included within the budget in the Full Business Case that was approved by the Scottish Government an element of contingency was included for unforeseen events. At this stage it is not anticipated that this will be required. The Council is awaiting delivery of two vehicles later in the financial year and until these are operational it is not known if there will be any call on the contingency so no amendments are recommended at this stage.

Housing Mix Delivery & Cultural Quarter – The budgets for these projects, which are led by the Council, included in the capital plan are based on the Outline Business Cases and are currently anticipating an underspend against the OBC profile of £421,000. The budget will be amended once the Full Business Cases have been prepared and approved by the Scottish Government and no amendments are therefore recommended at this stage.

- 5.13 **Replacement HWRC** – This budget was for the land acquisition in relation to the construction of a Replacement HWRC, which was subject to the award of a funding application to Zero Waste Scotland. This was unsuccessful and the project is therefore not proceeding. It is therefore recommended that the full budget of £800,000 is removed from the capital plan.

Infrastructure

5.14 **Bridges**

A941 New Craigellachie Bridge – Work is currently ongoing on this project with the next phase due to start in quarter 2. At this stage it is projected that there will be an underspend of £274,000 in this financial year.

A941/100 Blackwater Bridge – No further work is required on this project so it is recommended that the full budget of £15,000 be removed from the capital plan.

A941/340 New Bishopmill Bridge - The capital plan includes £390,000 for works to Bishopmill Bridge. However, urgent works have been identified at View Hill Bridge and the plans for Bishopmill Bridge will be deferred to allow for this to take place within the current year's capital allocation for bridges.

Aldunie Bridge Cabrach/Dykeside Bridge – Unbudgeted expenditure of £2,000 has been incurred in the current financial year relating to minor works carried over from this project which was carried out in 2022/23. The project had a budget of £485,000 and outturned £425,000 in 2022/23 and will still be under budget after taking this expenditure into account.

Cloddach Bridge - Spend on the Cloddach Bridge will be dependent on future Council decisions. At this stage spend on feasibility studies and the preparation of the Full Business Case is expected.

Remote Footbridges – This heading is currently forecasting an underspend of £19,000. It is recommended that this amount is carried forward in full to allow for work at the Sanquhar Loch Footbridge to be carried out.

5.15 **Timber Traffic** – The Council has been unable to secure funding through the Strategic Timber Transport Scheme (STTS) in the current financial year and it is therefore recommended that the full budget of £840,000 be removed from the capital plan.

Vehicles, Plant and Equipment

5.18 **Vehicle & Plant Replacement** – At the moment the projection for this line, based on vehicles ordered to date, is to spend £3,378,000, an underspend of £2,120,000 against the budget of £5,798,000. However global factors such as the war in Ukraine, the pandemic and Brexit have caused major manufacturer factory shutdowns making it difficult to predict delivery times of vehicles, and therefore the levels of expenditure. It is recommended that the budget is reduced by the amount of the anticipated underspend of £2,120,000.

5.18 **Gull Proof Bins** – This heading is currently projecting a small overspend of £7,000 which is due to an increase in the price of bins per unit since the budget was approved.

5.19 **Orchard Road Signals** – Late invoices totalling £44,000 for the installation of signals equipment were sent by the provider after year end which were not taken into account in previous reporting. The overall rise in project costs has been down to the increase in construction costs experienced between 2020 (when the Project Mandate was completed) and 2023 (when the project was completed). Additional work was also required to provide new electronically controlled gates for a property whose access lies within the junction area.

6. AMENDMENTS TO CAPITAL PLAN

6.1 The following amendments to the capital plan are proposed:

Amendments	Para	2023/24 £000s	2024/25 £000s
Land & Buildings			
Refurbishment and Upgrade of Swimming Pools	5.11	(1,300)	-
Replacement HWRC	5.13	(800)	-
Nature Restoration Fund	6.2	246	-
Town Centre Improvement Plans	6.4	200	-
Infrastructure			
Bridges	5.14/ 6.3	(34)	19
Timber Traffic	5.16	(840)	-
Grant Funding			
Nature Restoration Fund	6.2	(246)	-
TOTAL		(2,774)	19

6.2 **Nature Restoration Fund** – The Nature Restoration Fund Scottish Government funding for actions which help nature recover Funding is included

in the General Capital Grant. The Council's share of the funding is £246,000 and the Council was notified of this on 29 June 2023. Detailed plans for this funding will be reported to a future meeting of Economic Development and Infrastructure Services Committee.

- 6.3 **View Hill Bridge** – View Hill Bridge carries the C26E over a drainage ditch between Miltonduff and the A96. The Network Criticality of the bridge is categorised as “Important” because it is on a Priority 1 gritting route. This bridge was struck by a vehicle on 19 April 2023, causing significant damage to the western parapet and one on the main supporting beams. The eastern parapet was damaged when struck by a vehicle in 2018 and this has not yet been repaired. With damage to both parapets and a supporting beam the bridge is no longer safe for use by vehicular traffic and has been closed in the interest of public safety. As this work is judged to be of higher priority than the work on Bishopmill Bridge, it is recommended that £300,000 is reallocated to replacement of View Hill Bridge (see paragraph 5.14) Replacing the bridge will extend its serviceable life and through widening it will reduce the risk of accidental damage in the future and the associated repair costs.
- 6.4 **Town Centre Improvement Plans (Economic Recovery)** – Plans under this heading had seen delays due to insufficient staff resources due to other work priorities and commitments and in the budget was deferred until 2027/28. However, plans have been able to be finalised and were reported to Planning and Regulatory Services Committee at its meeting on 25 October 2022 (paragraph 8 of the meeting refers). It is therefore recommended that the full amount of £200,000 is brought forward to 2023/24 to allow the planned works to progress.

7. **RISK**

- 7.1 Budget managers have been asked to identify any specific areas of risk for the projects in the capital plan for which they are responsible.

Generic risks

- 7.2 Projects can be subject to risks which are outwith the direct control of the Council, such as poor weather conditions. Some assets such as harbours are particularly vulnerable to bad weather events but there is potential for weather conditions to impact across all lands and buildings and infrastructure projects.
- 7.3 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.
- 7.4 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.
- 7.5 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. This consideration will form part of the review of the 10 year plan.

- 7.6 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.
- 7.7 The cost to the Council of borrowing is based on interest rates at the time. Continued relatively high levels on inflation are expected to mean that the current pattern of interest rate rises is likely to continue and this will have an impact on the cost to the Council and this will underpin the review of the 10 year plan as part of the financial planning process for 2024/25 and beyond.

Project specific

- 7.8 The Climate Change Route Map to Net Zero, setting out how the Council plans to achieve its target of net zero carbon by 2030, has not been incorporated into the capital plan. As projects in the plan are developed carbon factors will be taken into account. The impact will be increased costs for many projects.
- 7.9 The main current risk for the vehicle replacement programme is extended lead in times of up to 24 months due to industry conditions. There are pressures on the programme due to targets for local authorities to de-carbonise their fleets, which also entails developing the infrastructure to support electric vehicles.
- 7.10 The Council's Learning Estate is generally of a poor condition and this carries the risk of unplanned work being required to avoid unplanned school closures.
- 7.11 No other project risks have been specifically identified by budget managers. There are risks relating to Moray Growth Deal projects which are monitored by the MGD Programme Board – these will be added to the risks reported on the Council's Capital Plan as and when Full Business Cases are approved and projects led by partners go live.

8. 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 2023/24 and the outline ten year plan incorporates measures designed to address the

LOIP priorities of building a better future for our children and young people, empowering and connecting communities and developing a diverse, inclusive and sustainable economy.

(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 this 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) Climate Change and Biodiversity Impacts

There are no climate change or biodiversity issues arising directly from this report. Achieving net zero will have significant implications for future planned capital expenditure

(h) Consultations

All capital budget managers have been consulted in the development of estimated actuals as part of the preparation of this report. Members of the Asset Management Working Group, all Heads of Service and the Corporate Management Team have been consulted and any comments incorporated in the report.

9. CONCLUSION

9.1 Capital expenditure in the first quarter of the year amounts to £2,761,000 to the end of June 2023.

9.2 Capital expenditure is currently projected to be £7,706,000 lower than the approved capital plan for 2023/24 but with a high degree of uncertainty due to current construction industry conditions and other external factors.

9.3 Amendments to the Capital Plan amounting to a decrease of £1,764,000 in 2023/24 and an increase of £409,000 in 2024/25 are recommended.

Author of Report:
Background Papers:
Ref:

Laurie Milne, Senior Accountant
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