



REPORT TO: SPECIAL MEETING OF MORAY COUNCIL ON 18 FEBRUARY 2021

SUBJECT: INDICATIVE CAPITAL PLAN 2021/22 TO 2031/32

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

1. REASON FOR REPORT

1.1 To ask the Council to consider the Council's indicative capital plan for 2021/22 to 2031/32.

1.2 This report is submitted to Committee in terms of Section II (24) of the Council's Scheme of Administration relating to consideration of the annual estimate for capital expenditure.

2. RECOMMENDATION

2.1 It is recommended that the Council:-

- (i) considers capital expenditure for 2021/22 to 2031/22 as set out in the indicative ten year Capital Plan in APPENDIX 1; and**
- (ii) considers any amendments to be taken forward as part of the budget setting report to Council on 3 March 2021.**

3. BACKGROUND

3.1 The latest version of the Council's Capital Strategy will be considered as a separate agenda item to this meeting, The Strategy identifies the Council's capital investment objectives as ensuring an adequate suite of assets to deliver the Council's services, in accordance with the Council's policies, strategies and plans, and priorities, legislative duties and other requirements and identifies as a key consideration when developing the Capital Plan the requirements to provide new infrastructure and facilities to accommodate planned local developments, along with expenditure arising from Asset Management Plans (AMPs).

3.2 Accordingly, the Capital Plan is framed by the following drivers for expenditure:

- Local Development Plan and other Council plans (specifically for Economic Development)

- Asset Management Planning
- Expenditure arising from Legislative Requirements
- Improvement and Modernisation Programme/efficiencies
- Funded Government Priorities
- Other Developments to meet Council Priorities
- Responsive Expenditure

3.3 A draft ten year capital plan is included as **APPENDIX 1** to this report. Expenditure of £33.9m is proposed for 2021/22, with total expenditure over the 10 year period of £479 million. Expenditure under the draft plan and sources of funding are summarised below:

	Driver	2021/22 £m	2021/22 %age	10 year £m	10 year %age
1	Local Development Plan and Economic Development	2.8	8.4%	54.1	11.3%
2	Asset Management Planning	20.5	60.5%	396.7	82.7%
3	Expenditure arising from Legislative Requirements	9.4	27.8%	22.2	4.6%
4	Improvement and Modernisation Programme/efficiencies	0.2	0.5%	0.3	0.1%
5	Funded Government Priorities	0.7	2.1%	0.7	0.2%
6	Other developments to meet Council Priorities	0.1	0.2%	4.2	0.8%
7	Responsive Expenditure	0.2	0.5%	1.1	0.3%
	TOTAL	33.9	100%	479.3	100%
	Funding	£m	%age		
	Grant Funding	8.9	26.3%	89.3	18.6%
	Prudential Borrowing	25.0	73.7%	386.4	80.6%
	Capital receipts	-	-	3.6	0.8%
	TOTAL	33.9	100%	479.3	100%

3.4 The Council's borrowing must comply with the Prudential Code, which requires borrowing to be affordable and sustainable. As identified in a report to Council on 30 March 2016 (paragraph 7 of the minute refers) the Council's overall financial position is not sustainable in the long term and the capital plan for future years requires to be reduced. As the bulk of the indicative capital plan is based on Asset Management requirements, to achieve a reduction in capital expenditure the Council must reduce its asset base, and this issue was last reported in the Property Asset Management Appraisal (PAMA) update approved by Council on 29 October 2019 (paragraph 13 of the minute refers).

3.5 As well as the work currently being carried out under the PAMA, there are other significant pieces of work which will shape the development of the Council's ten year capital plan, in particular the Learning Estate Review, Leisure Review and Climate Change Strategy and Action Plan. Accordingly

the detail of the plan for future years is not well developed at this stage across all headings.

- 3.6 The Council's Financial Regulations envisage the detail of capital works being approved by service committees at the start of the financial year, and that process is well established. Accordingly, the Capital Plan is presented in outline format, with detail to be brought forward to service committees and in line with other major projects which will impact on the capital plan.
- 3.7 Based on indicative high level work about the likely amount of spend the draft plan shows considerable growth in years six to ten of the indicative ten year capital plan. This shows the value of scoping out work at a high level for the medium term, as this gives the Council good prior warning that there is an increasing need to review its asset base and service delivery arrangements in order to respond to this forecast increase in demand, or – and particularly in the case of the Learning Estate – to attempt to source funding for the level of work which has been identified as required.
- 3.8 Provision has been made in the later years of the ten year plan for funding for school re-build or refurbishment. Plans will be developed following approval of a Learning Estate Strategy to guide that process. In the meantime, no provision has been made for Scottish Government Grant Funding, which under current arrangements would take the form of revenue support.

4. 10 YEAR CAPITAL PLAN

- 4.1 There are a number of significant pieces of work being undertaken which will reshape the capital plan in future years. These are referred to in the following paragraphs where they are specific to the assets concerned. An overarching piece of work which will impact across asset types and specifically on buildings and vehicles is the Council's Climate Change Strategy. Depending on how the Council decides to take forward this strategy, which is still in draft form and due to be reported to Council in March 2021, an extensive programme of work will be required and funding will be needed for that programme. Recognising the unusual degree of provisionality of the plan, the various components of the ten year plan are discussed below.

4.2 Bridges

The Council's programme of bridge refurbishments is based on condition surveys and strategic importance, and is kept under review. Failing bridges can be life-extended by having weight restrictions placed on them, but this is not always a practical solution, depending on the type of traffic using the bridge and the availability of alternative routes. The indicative requirement over the 10 year plan is for expenditure of £14.6m, with £770,000 provisionally allocated for 2021/22. In 2022/23 the second phase of the refurbishment of Craigellachie Bridge will be undertaken, at an estimated cost of £3.789m. In 2024/25 Arthurs Bridge will be replaced at an estimated cost of £7.104m. This work was originally planned for 2027/28 but the rate of deterioration means it will need to be replaced earlier.

4.3 Car Parks

The work to replace waterproofing and expansion joints, and undertake concrete repairs at Batchen Street car park in Elgin were tendered in January

with contract award programmed for April 2021. In 2021/22 investigation work will be undertaken at St Giles multi-storey car park in Elgin to identify the extent of repairs required to this structure. The cost of this investigation is estimated to be £30,000 and it is programmed for April 2021, with works timetabled for 2022/23. Total budget for the two projects over the two years is estimated at £0.8 million.

4.4 **Corporate**

This budget heading is mainly driven by asset management planning and covers small budgets for furniture and equipment; contains provision in years two and three for potential works relating to depots, which will be planned in detail following the completion of the depot review under PAMA, and the vehicle and plant replacement programme for the Council's fleet of vehicles. It also includes a budget for minor energy efficiency projects. The budget for vehicle and plant replacement is based on a like-for-like replacement of vehicles under the Council Fleet AMP, which seeks to replace vehicles at the optimum time in their life-cycle, taking into account maintenance costs and downtime, and therefore optimum cost to the Council. Following adoption of the Climate Change Strategy and Action Plan the Fleet AMP will be reviewed through the Council's governance arrangements. Consideration will also require to be given to the infrastructure to support electric or hydrogen powered vehicles. A total of £3.1 million is allocated for 2021/22, of which £3 million is for vehicles. A budget of £32.9 million is estimated to be required over the 10 year period.

4.5 **Economic Development**

This strand of the capital programme is in support of Council priorities. The main element under this heading is the capital element of the Economic Recovery Plan, as approved at a meeting of Moray Council 28 October 2020 (paragraph 10 of the minute refers), with an indicative amount of £1.45 million included in 2021/22. Business cases are to be developed for the planned projects. Amounts are also included for the Council's contribution towards the Moray Growth Deal, with £295,000 included in 2021/22. A separate report on the agenda sets out high level spend planned over the 10 year span of the deal. The final element under this heading is projects which come under the Town Centre Initiative Fund, which is fully funded by Government Grant. Budget of £11.3 million is included over the 10 year period.

4.6 **Flood Risk Management and Coastal Protection**

This budget line includes provision in future years for the construction of coastal flood protection schemes at Lossiemouth Seatown and Portessie. Both these schemes are contingent on grant funding from the Scottish Government and a provisional budget of £6.5 million is included to cover expenditure in years 2 to 7 of the 10 year plan.

4.7 **Harbours**

This programme is founded on asset management principles and based on condition information. A programme of structural surveys on all Council Harbours is currently ongoing and will be complete in September 2021. Once the findings of these surveys are known it will be possible to estimate the costs of the repairs required with more certainty. At present a budget of £3.8 million over the 10 year period is provisionally included. A detailed programme of works is brought forward annually to the Economic

Development and Infrastructure Services Committee. The draft budget for 2021/22 includes budget of £500,000 for replacement pontoons in Findochty Harbour. Work was originally planned for 2020/21 but was unable to be carried out because of restrictions due to the pandemic. The budget included in the draft 10 year plan is based on tenders received and in that respect is a more accurate estimate of cost than the indicative budget previously included in the capital plan for 2020/21.

4.8 **ICT**

This budget is largely based on asset management planning and includes provision for replacement devices, network infrastructure, servers infrastructure, software and telephony. It also includes the final stages of the Schools ICT Strategy Implementation. £456,000 is provisionally allocated for 2021/22. The Covid-19 pandemic has seen a shift in how staff work and a move away from desktop and thin client devices to more flexible working, which has increased the level of input required from the ICT department to support not only this, but also school online learning. It is not currently known what impact this will have on future ICT requirements and a review is currently underway through the Council's normal Governance arrangements. The £5.4 million included over the 10 year period is based on previous assessments of need.

4.9 **Industrial Portfolio**

The bulk of this budget is for development of the industrial portfolio, in support of economic development in Moray. The proposed pattern of expenditure reflects the differing expected cost profiles of a number of industrial projects of varying nature/characteristics, including land acquisition and development and refurbishment of existing properties. Detailed plans are updated and reported to Economic Development and Infrastructure Services Committee on an annual basis. In 2021/22 £30,000 is provisionally allocated for land acquisition at Forres and £129,000 for the refurbishment of existing units, £72,000 of which was carried forward from 2020/21 as a result of projects being delayed due to the Covid-19 pandemic. Work on Serviced Sites in Elgin has been delayed in 2020/21 while operational requirements were investigated and the allocation of £24,000 has been carried forward to 2021/22 to allow for site clearance work to proceed. Total investment of £11 million in the industrial portfolio is included in the indicative 10 year plan.

4.10 **Libraries and Leisure**

Historically this strand of the capital plan has been driven by asset management requirements. This requires to be periodically reassessed and £60,000 is included in the draft budget for 2021/22 for condition surveys of leisure facilities. Based on previous surveys the main expenditure included in the indicative 10 year plan is the refurbishment and upgrade of Council swimming pools. Detailed business cases would require to be completed to determine the scope of work. The Sport and Leisure Business Plan was approved at a meeting of Education, Communities and Organisational Development Committee on 18 November 2020 (Item 12 of the minute refers) and any future capital investment decisions will come forward under the agreed outcome of 'develop facilities to align with customer service needs', and refer to the wider Learning Estate Strategy. The indicative budget of £3.9 million and the pattern of expenditure over the period will be revised to reflect

that. The budget includes £60,000 each year for renewal of fittings, furniture and equipment.

4.11 Parks and Open Spaces

The indicative 10 year budget of £6.2 million covers new or extended cemetery provision in accordance with the Council's cemetery provision policy; upgrading existing cemetery infrastructure; an annual rolling programme of replacement of equipment in play areas; operational works arising from tree surveys; upgrade of parks and open space infrastructure. This is driven by asset management considerations. In particular, provision is made in 2022/23 for a new cemetery in Elgin, in 2023/24 for an extension to Broomhill cemetery, Keith and in 2024/25 for an extension to Lossiemouth cemetery. The rolling programme of play area equipment is to refurbish 2 local play areas each year at a cost of £100,000 pa, with an additional £35,000 for the refurbishment of equipment and safer resurfacing. The budget for 2021/22 is £235,000, with £100,000 brought forward from 2020/21. Work is planned to achieve a balance between play value – meeting customer needs through community engagement – and lower maintenance costs, eg replacing loose fill surfacing with rubber, which requires less maintenance, a spend to save approach. Play area equipment was identified by the Service as a potential area for Participatory Budgeting (PB) – the final decision on this will be made by CMT/SMT as the PB steering group.

4.12 Roads

On 11 February 2014 Moray Council made the decision to allow Moray's road condition to deteriorate, with a target to be at mid-point in the national table across the network as a whole by the end of the following 5 year period (paragraph 3 of the Minute refers). It was recognised that this would be a short-term measure and that in due course the capital budget would require to be increased to keep Moray's roads at the new target of mid-point in terms of conditions. Economic Development and Infrastructure Services Committee on 21 January 2020 (paragraph 7 of the minute refers) considered a report highlighting that Moray's road condition indicator figures are now decreasing more aggressively than previous years and that if this is not addressed, the costs of reversing this trend will rapidly become unaffordable. The budget for 2020/21 was increased by £500,000 and the current draft capital plan, which will be adjusted before being considered by Council on 3 March, in the light of the most up-to-date RCI data, includes a significant increase in years 3 to 10 of the plan to address this issue. The Roads Service will monitor the annual RCI figures and adjust the future capital investment recommended to Council accordingly. The latest results were reported to EGHES Committee on 16 February 2021. £4.3 million is provisionally allocated for 2021/22 with a total of £89.2 million over the 10 year period.

4.13 Road Safety

This budget heading covers a range of road safety measures: barriers, traffic islands, lines, pelican crossings, minor junction improvements, dropped kerbs, disabled parking spaces, road signs and markings. The patterning of spend in the indicative programme is being reviewed by the service.

4.14 Street Lighting

This budget includes the final element of the LED street lighting project, a

spend to save initiative, and thereafter is for the replacement of life expired columns, and asset management programme.

4.15 Traffic

This includes a provisional allocation of £43,000 for the replacement of life-expired traffic signal and traffic data collection equipment. Work on the new signals at Orchard Road in Forres was due to be carried out in 2020/21 but delays were experienced as a result of the Covid-19 pandemic and the budget of £220,000 has been carried forward and included in 2021/22. An indicative amount of £372,000 is allocated for Wards Road Junction improvements, which is to be funded by Developer's Contributions. These contributions must be spent in 2021/22 or they fall due to be returned.

4.16 Waste Management

This budget includes £8.8 million for the construction of the NESS Energy from Waste Plant and £95,000 for the purchase of new domestic and trade waste bins and containers for recycling centres. £352,000 is included for works at the Dallachy Landfill Site, Spey Bay. This is a long term capital project with the works requiring to be carried out being relative to the operational needs of the site. This site will be operational until either all void capacity within the site is utilised, or the 2025 landfill ban on biodegradable material comes into force. Whatever scenario comes first will determine the life of the site. In addition, waste will begin to be transferred to the Energy for Waste (EfW) facility in April 2022 which in turn will reduce the volume of waste being sent to landfill. A provisional amount of £275,000 for the upgrade of facilities at Gollachy Recycling Centre, Buckie is included in 2021/22, this requires to be approved through the Council's governance arrangements before any capital allocation can be spent. Following completion of NESS EfW facility and closure of Dallachy Landfill Site a modest amount is allowed annually for purchase of waste bins and asset management driven spend on recycling facilities.

4.17 Schools New Builds

At a special meeting of Moray Council on 16 December 2020 Council approved "Developing a Strategic Approach to the Learning Estate" as a strategic document which will guide the long term development of the learning estate in Moray. The current assumptions within the 10 year plan will be re-examined and updated following a process of consultation and options appraisal. Substantial investment in the learning estate will be required and the priorities and capital sums required will need to be updated as the strategy is developed. The budget for 2021/22 consists of £3.8 million to allow completion of Phase 3 of the project to build a new Lossiemouth High School, a project which saw delays due to the restrictions put in place as a result of the Covid-19 pandemic. Budget of £350,000 is also included for preliminary work to be carried out on the new Findrassie Primary School, Elgin. The next stage of this project is a consultation process to cover the strategic educational requirements within the Elgin Academy Associated School Group (ASG). The consultation process will be carried out in the early part of 2021 and will inform the detailed requirements for the new Findrassie school.

4.18 Schools BB and Other Minor Works

The Council on 27 February 2019 (paragraph 4 of the minute refers) agreed to commence a planned move from Make Do and Mend to a programme of

works aimed to reach and maintain BB standard for all Council buildings. At a special meeting of Moray Council on 16 December 2020 Council approved “Developing a Strategic Approach to the Learning Estate” as a strategic document which will guide the long term development of the learning estate in Moray. The move from Make Do and Mend to Schools BB under the strategic approach is likely to take at least two years as current projects are completed and strategic priorities identified. Significant increased expenditure is likely to be necessary to meet a maintenance backlog. Provision has also been made for rejuvenating astro-turf pitches and for works arising from fire safety and other similar inspections. A provisional allocation of £3.7 million is included in the draft capital plan for 2021/22.

5. 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 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 **APPENDIX 1** 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.

There is a risk that contract inflation might increase the eventual cost of projects, which could have an impact on the budgets included in the capital plan.

There is also the risk that any deferments of projects relating to asset condition might result in element failure.

(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 development and preparation of this report. All Heads of Service, the Corporate Management Team and Tracey Sutherland, Committee Services Officer have been consulted and any comments incorporated in the report.

6. CONCLUSION

- 6.1 The provisional capital plan for 2021/22 is £33.9 million and the indicative 10 year plan currently stands at £479.3 million.**
- 6.2 Although indicative amounts are included in the later years of the 10 year capital plan these amounts are subject to the outcome of various reviews which are currently ongoing.**

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Background Papers:
Ref: