



REPORT TO: MORAY COUNCIL ON 27 NOVEMBER 2019

SUBJECT: CAPITAL PLAN 2019/20

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

1. REASON FOR REPORT

1.1 To advise the Council of the expenditure to 30 September 2019 under the capital plan for financial year 2019/20 and of the estimates of projected expenditure profiled into quarters.

1.2 This report is submitted to Council in terms of Section III (B) 5 of the Council's Administrative Scheme relating to monitoring progress of projects in the approved capital plan including any revisions to the price or phasing on a quarterly basis.

2. RECOMMENDATION

2.1 It is recommended that the Council notes:

- (i) expenditure to 30 September 2019 of £26,102,000;**
- (ii) the current projected expenditure of £67,977,000 for 2019/20 profiled into quarters;**
- (iii) the projected overall expenditure for projects spanning more than one financial year, as set out in APPENDIX 2;**
- (iv) capital expenditure for Early Learning and Childcare expansion is to be funded, in part, from revenue grant funding as detailed in paragraph 5.6; and**
- (v) potential saving of £28,000 from the Schools ICT budget as detailed in paragraph 5.20**

2.2 It is recommended that the Council approves:

- (i) proposed budget deferments of £7,546,000 arising from slippage and expenditure reprofiling from 2019/20 to 2020/21 as summarised in paragraph 5.21 of the report;**

- (ii) budget reduction of £115,000 as detailed in paragraph 5.14;
- (iii) budget transfers of £85,000 as detailed in paragraph 5.7;
- (iv) the option of bringing forward schools make do and mend projects to 2019/20 as detailed in paragraph 5.3; and
- (v) the addition of £100,000 for the purchase of a replacement Pilot Boat, as set out in paragraph 6.8 of this report.

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. Amendments approved by Council since this date have been incorporated to give a current approved capital plan for 2019/20 of £77,249,000. The current projected expenditure is £67,977,000.
- 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. Policy and Resources committee on 10 May 2016 agreed to amendments to the information provided in response to the Audit Scotland report "Major Capital Investment in Councils". Accordingly this report includes a separate **APPENDIX 2**, giving details of expenditure on projects which span more than one financial year.

4. CAPITAL PLAN 2019/20

- 4.1 A copy of the capital plan is attached as **APPENDIX 1**, showing actual expenditure to 30 September 2019 of £26,102,000. Capital receipts of £1,007,000 from sale of assets are identified along with General Capital Grant of £11,550,000 from the Scottish Government and Specific Capital Grants of £2,800,000 relating to Early Learning and Childcare expansion and £617,000 relating to the Town Centre Fund Initiative. Developer obligations of £334,000 have been utilised for the new build schools at Linkwood Primary in Elgin and Lossiemouth High and also £103,000 for a new footpath at Pinefield in Elgin. Developer obligations of £728,000 have been received in this financial year.
- 4.2 Expenditure on land and buildings to 30 September totals £21,094,000. The major items of expenditure are £9,468,000 for the new Lossiemouth High School, £3,346,000 for the new Linkwood Primary School, £1,822,000 for early learning and childcare expansion, mainly at Cullen and Pilmuir in Forres. The early learning and childcare expansion projects are funded by capital grant received from the Scottish Government. A further £1,952,000 has been spent on the Schools estate under Make Do and Mend. Expenditure of £1,088,000 has been incurred for the ongoing project to provide integrated waste facilities at Moycroft in Elgin. The new NESS Energy from Waste facility located in Aberdeen has incurred expenditure to date of £3,062,000.
- 4.3 Expenditure on infrastructure assets to 30 September totals £3,804,000. The major items of expenditure are £1,276,000 on carriageway resurfacing/

reconstruction, £601,000 for street lighting including new LED lighting and £712,000 for Portknockie Landslip works.

- 4.4 Expenditure on vehicles, plant and equipment to 30 September totals £1,204,000. The major items of expenditure are £751,000 on the vehicle replacement programme and £331,000 on ICT projects.

5. **PROJECTED OUTTURN**

- 5.1 Budget managers have been requested to update projected estimates of expenditure on capital projects in 2019/20. 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 2019/20 £000s
High confidence of spend to estimate	G	84	66,576
Medium confidence spend to estimate	A	7	1,401
Low confidence of spend to estimate	R	0	0
		<u>91</u>	<u>67,977</u>

- 5.2 A summary of the projected variances at September 2019 from the current approved capital programme, as detailed in **APPENDIX 1**, is set out below:

Description	Underspend (Overspend) £000
Land & Buildings	
Schools Estate	523
Findrassie Primary School Elgin	(28)
Schools Accessibility	30
Early Learning & Childcare Expansion	1,100
Waste Facility Moycroft	85
NESS Energy from Waste	2,360
Replacement Recycling Centre Elgin	450
Industrial Portfolio	3,202
Depot Maintenance Upgrades	908
Elgin Transport Strategy	(9)
Forres (River Findhorn & Pilmuir) Flood Scheme	(8)
Lossie Seatown Flood Risk Mgt	184
Portgordon Flood Risk Mgt	115
Buckie Harbour Replace Life Expired Items	141
Moray Leisure Centre Equipment	(2)
Domestic & Trade Waste Bins	(8)
Materials Recovery Facility Moycroft	(50)
Green Waste Shredder Moycroft	(35)

Upgrade Recycling Centres	271
ICT Programme	43
Total	9,272

Land and Buildings – Children & Young Peoples Services Committee

- 5.3 **Schools Make Do and Mend Programme** – A budget of £3,276,000 was allocated over 6 schools for a variety of building works projects. The current estimated spend for these works shows an underspend of £934,000, therefore, as this budget represents an ongoing programme of works, two projects have been identified at Hythehill Primary School to utilise part of the underspend in 2018/19. It is requested that committee approve the reallocation of the Make Do and Mend budget to match the projected expenditure figures, leaving an overall estimated underspend of £523,000. Further projects may be brought forward into this financial year where possible. It is requested that committee approve the option to allow officers to bring forward priority school projects into 2019/20 in order to utilise the existing budget.
- 5.4 **New Primary School at Findrassie Elgin** – Preliminary fees of £28,000 relating to a new primary school at Findrassie Elgin have been incurred. Capital budget has been allocated in future years for a new primary school at Findrassie in Elgin but the details of the project have not been subject to an options appraisal, which is required before detailed approval can be sought from members. Preliminary work is required to inform the options appraisal.
- 5.5 **Schools Accessibility** – Expenditure of £8,000 is anticipated in this financial year for equipment required at the ASN base in Buckie High School. It is requested that committee approve the deferment of the remaining budget of £30,000 from 2019/20 to 2020/21 for works planned to upgrade the ASN base at Hythehill Primary School.
- 5.6 **Early Learning and Childcare (ELC) Expansion** – This programme includes 4 new build nurseries and 7 refurbishments. As reported to Children and Young Peoples Services Committee on 30 October 2019 (paragraph 10 of the draft Minute refers), due to an increase in building works and construction costs, the capital budget for this expansion programme is under pressure. Other local authorities are experiencing similar budget pressures. The Scottish Government has confirmed that ELC revenue grant funding can be used to bridge the gap in capital grant funding. Officers intend to reprofile the ELC capital budget and use ELC revenue funding where necessary. For Moray, this means that capital expenditure currently estimated to be in the region of £1.1 million will be funded from revenue. An updated budget position will be provided firstly to Children and Young Persons Services Committee on 18 December 2019.
- 5.7 **Integrated Waste Facility Moycroft Elgin** – Works are ongoing to create a new integrated waste facility at Moycroft with completion of the main building contract works expected for January 2020. In addition, there are three related projects at Moycroft within the plant and equipment section of the capital programme: a replacement green waste shredder, replacement baler and materials recovery facility upgrade. The anticipated cost of the

replacement shredder, budgeted at £200,000, is £235,000 while the anticipated cost of the material recovery facility upgrade, budgeted at £100,000, is £150,000. It is anticipated that this projected overspend of £85,000 can be matched by an estimated underspend of £85,000 from the main Moycroft integrated waste facility budget of £2,666,000. It is requested that committee approve the transfer of budget of £85,000 from the Integrated Waste Facility with £35,000 allocated to the green waste shredder and £50,000 to the material recovery facility upgrade.

- 5.8 **NESS Energy from Waste** – Following the signing of inter authority agreement IAA3, the construction phase of the Energy from Waste project in Aberdeen has commenced, with completion expected in 2022. The current budget in 2019/20 is £9,966,000 with an anticipated spend in the current year of £7,606,000. It is requested that committee approve the deferment of budget of £2,360,000 from 2019/20 to 2020/21.
- 5.9 **Replacement Recycling Centre in Elgin** – This project to provide a new recycling centre in Elgin is budgeted at £500,000 but only preliminary fees of £50,000 are anticipated in this financial year. Therefore it is requested that committee approve the deferment of budget of £450,000 from 2019/20 to 2020/21.
- 5.10 **Industrial Portfolio** – Following discussions at a meeting of the Asset Management Working Group, it was agreed that the projects for land acquisition, serviced sites and new units in Forres should be recommended to be deferred to 2020/21. Therefore it is requested that committee approve the deferment of budget of £3,079,000 from 2019/20 to 2020/21. Condition surveys of the industrial portfolio have been delayed leading to an anticipated underspend in the budget to refurbish industrial units of £123,000. Therefore it is requested that committee approve the deferment of budget of £123,000 from 2019/20 to 2020/21.
- 5.11 **Depots** – Expenditure on depots has been deferred pending the results of the Property Asset Management Appraisal currently being carried out. Therefore it is requested that committee approve the deferment of budget of £908,000 from 2019/20 to 2020/21.

Infrastructure

- 5.12 **Elgin Transport Strategy** – The majority of year-to-date expenditure within this budget heading relates to the construction of a new footpath at Pinefield in Elgin, fully funded by developer obligations. The projected overspend of £9,000 relates to the final instalment of professional fees incurred to refresh the traffic model data for Elgin, budgeted for in 2018-19 (Moray Council 14 February 2018 paragraph 9 of the Minute refers).
- 5.13 **Forres (River Findhorn & Pilmuir) Flood Alleviation Scheme** – Expenditure of £8,000 has been incurred relating to outstanding land compensation claims with the budget held in future years. It is recommended that budget of £8,000 is brought forward to 2019-20 to match the expenditure incurred.

- 5.14 **Flood Risk Management** – The project at Lossiemouth Seatown is estimated to spend £100,000 in this financial year from the current budget of £284,000. Therefore it is requested that committee approve the deferment of budget of £184,000 from 2019/20 to 2020/21. Following a decision of the Council not to progress the scheme at Portgordon, it is requested that committee approve the removal of the budget of £115,000 currently allocated to this project in 2019-20, with a consequent revenue saving estimated at £6,000 per year over a period of 30 years.
- 5.15 **Buckie Harbour Life Expired Items** – Planned works to the harbour walls infrastructure are now complete with a projected outturn of £135,000 from the current year budget of £276,000. Further infrastructure works at Buckie Harbour will be required in the future and it is requested that committee approve the deferment of budget of £141,000 from 2019/20 to 2020/21.
- 5.16 **Buckie Harbour Ice Plant and Fuel Tank** – This project is dependent on external grant funding which remains unconfirmed, therefore the project is rated as amber for confidence of achieving the projected spend in 2019-20.

Vehicles Plant and Equipment

- 5.17 **Moray Leisure Centre Equipment** – A small overspend of £2,000 from the budget, allocated over 2 years, of £500,000 for gym refurbishment and equipment is anticipated for the purchase of fitness equipment at Moray Leisure Centre.
- 5.18 **Domestic & Trade Waste Bins** – Expenditure of £43,000 has been incurred, representing an overspend of £8,000 from the capital budget of £35,000. However this is offset by a revenue budget allocation for waste bins of £8,000 which will not be used and will be taken as a revenue saving in future years.
- 5.19 **Upgrade Recycling Centres** – Work to upgrade the recycling centres has been deferred to 2020/21 with expenditure of £4,000 anticipated from the budget of £275,000. Therefore it is requested that committee approve the deferment of budget of £271,000 from 2019/20 to 2020/21.
- 5.20 **ICT Programme** – Within the Schools ICT Strategy a budget saving in the region of £28,000 is anticipated as a result of a re-procurement exercise for interactive panels. It is expected that the actual saving will be confirmed in the next quarterly monitoring report to committee. Within the Servers Infrastructure budget an underspend of £15,000 is anticipated relating to Citrix licences required for the implementation of the Windows 10 project, although this may change as the project progresses.
- 5.21 **Proposed budget deferments to 2020/21** – This report includes details of projects which have slipped or been deferred and therefore it is proposed to defer budget from 2019/20 to 2020/21 to reflect this fact.

A summary of the proposed budget deferments is listed below:

	£000s
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Schools Accessibility	30
NESS Energy from Waste	2,360
Replace Recycling Centre Elgin	450
Industrial Estates Portfolio	3,202
Depot Upgrades	908
Flood Risk Management	184
Buckie Harbour Life Expired Elements	141
Upgrade Recycling Centres	271
Total	7,546

5.22 The proposed budget deferments, if approved, are estimated to equate to a reduction in loan charges in 2019/20 and 2020/21 of £217,000 in each year.

6. RISK AND EMERGING ISSUES

6.1 Budget managers have been requested to identify any specific areas of risk for the projects in the Capital Plan for which they are responsible.

6.2 The main risk for the vehicle replacement programme is manufacturers failing to deliver to agreed timescales.

6.3 Land compensation claims remain a risk for the major flood alleviation scheme at Forres.

6.4 Projects can be subject to risks which are outwith the direct control of the Council:

- Poor weather conditions can impact project timescales.
- Lack of staff resources and staff turnover can impact on project timescales.
- Other emerging work priorities can impact on scheduled works.

6.5 There is a potential risk to grant funding of the new Lossiemouth High School should the project not complete on time.

6.6 No other project risks have been specifically identified by budget managers, however, property professionals at a national level are predicting increased tender prices. If this is seen in the local market, there is a risk to the affordability of future capital projects.

6.7 The recent increase in Public Works Loans Board (PWLB) interest rates also poses a risk to the affordability of future capital projects.

6.8 An emerging risk and opportunity has materialised in the harbours with the current Pilot Boat being at the end of its working life. An increased number of failures and repairs mean that the boat is at risk of becoming beyond economic repair and not being available to fulfil its role in Pilotage operations – which is a financially generative activity for the council (and a legal requirement). The opportunity has arisen to purchase a former lifeboat, which whilst second-hand is in good condition with a reasonable life expectancy of

around 15 years. This option has been considered alongside other options from do nothing to new-build, and the purchase of the second-hand vessel presented the best business case. The annual cost would be £7,000 per annum depreciated over 15 years, set against an annual direct loss of £43,000, and an estimated indirect impact on cargo income of £15,000 – totalling £58,000 per annum if the Pilot Boat is not replaced. Short term hire of a vessel is cost prohibitive (c.£4,000 per week), and there is no certainty of another suitable second-hand vessel becoming available before the current vessel falls beyond economic repair.

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.

The proposed amendments to the capital plan will result in a reduction of loan charges in 2019/20 and 2020/21, estimated to be £217,000 in each year.

(d) Risk Implications

Budget managers are aware of their responsibilities for managing budget allocations and approval for variance will be sought from committee in line with the financial regulations. Risks specific to items within the capital plan are highlighted in paragraph 6 of the report.

(e) Staffing Implications

There are no staffing implications arising directly from this report.

(f) Property Implications

There are no property implications arising directly from this report.

(g) Equalities/Socio Economic Impact

There are no equalities issues arising from this report.

(h) Consultations

All capital budget managers have been consulted in the development of estimated actuals as part of the preparation of this report. All Heads of Service and CMT have been consulted and any comments incorporated in the report.

8. CONCLUSION

- 8.1 Capital expenditure in the first quarter of the year amounts to £26,102,000 to the end of September 2019.**
- 8.2 Capital expenditure is currently projected to be £9,272,000 lower than the approved capital plan for 2019/20.**
- 8.3 The projected reduction in capital expenditure will result in a decrease in revenue costs arising from reduced financing charges.**

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