



REPORT TO: CORPORATE COMMITTEE ON 30 NOVEMBER 2021

SUBJECT: CAPITAL PLAN 2021/22

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

1. REASON FOR REPORT

- 1.1 To advise the Committee of the expenditure to 30 September 2021 under the Capital Plan for financial year 2021/22 and of estimates of projected expenditure profiled into quarters.
- 1.2 This report is submitted to Committee 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 Committee:

- (i) Considers and notes expenditure to 30 September 2021 of £12,406,000;**
- (ii) Considers and notes the current projected expenditure of £43,465,000 for 2021/22 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 2021/22 and 2022/23 capital plan as detailed in section 6.1 of this report.**

3. BACKGROUND

- 3.1 The capital plan for 2021/22 totalling £37,322,000 was approved by Moray Council on 3 March 2021 (paragraph 3 of the Minute refers). Amendments approved by the Council at its meeting on 30 June 2021 (paragraph 17 of the Minute refers) and by the meeting of Economic Growth, Housing and Environmental Sustainability Committee on 24 August 2021 (paragraph 7 of the minute refers) have been incorporated to give a current approved capital plan for 2021/22 totalling £46,528,000. The current projected expenditure is

£43,465,000, but this estimate should be treated with caution due to market volatility in the Construction Industry arising from supply chain difficulties and labour shortages. These issues are resulting in contractors declining to tender for works or increasing prices significantly above estimates. Budget managers were asked to consider projects in order to determine if there was any scope for deferment until market conditions improved and areas identified are described in section 5 of this report.

- 3.2 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” (paragraph 7 of the Minute refers). Accordingly this report includes a separate **APPENDIX 2**, giving details of expenditure on projects which span more than one financial year.

4. CAPITAL PLAN 2021/22

- 4.1 A copy of the summary capital plan is included as **APPENDIX 1** showing actual expenditure to 30 September of £12,406,000. This is just over 26.5% of the currently approved Capital Plan. General Capital Grant of £3,315,000 has been received from the Scottish Government, along with £770,000 for Plant Based Investment and £52,000 towards the Lossiemouth Bridge replacement. Other grants and contributions of £156,000 have been received, consisting of a grant from Horizon Scotland for part of the cost of design work for a Moray Growth Deal project and the use of Developers Obligations to fund the purchase of leisure equipment. In addition to this, Developer Obligations yet to be used totalling £716,000 have been received to the end of quarter 2 of this financial year and capital receipts of £316,000 for the sale of assets. Capital receipts would normally be used as funding for the Capital Plan but the Council is taking advantage of the time-limited concession given by Scottish Government to use capital receipts to fund transformation of services where this results in financial savings and consequently this sum is not included in the summary at **APPENDIX 1**.
- 4.2 Expenditure on land and buildings to 30 September 2021 totals £9,294,000. The main item of expenditure is £4,011,000 for the Council’s contribution to the construction of the NESS Energy for Waste plant. Other items of expenditure include £2,677,000 on works to bring the school estate to BB standard, and £1,623,000 on the expansion of Early Learning and Childcare, mainly at Keith.
- 4.3 Expenditure on infrastructure assets to 30 September 2021 totals £2,468,000. The main item of expenditure was £1,196,000 on roads resurfacing works throughout the council area.
- 4.4 Expenditure on vehicles, plant and equipment to 30 September 2021 totals £644,000. The main item of expenditure was £315,000 on the Vehicle & Plant Replacement Programme.

5. PROJECTED OUTTURN AND PROJECT DEFERRALS

- 5.1 Budget managers have been requested to update projected estimates of expenditure on capital projects in 2021/22. 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 2021/22 £000 |
|----------------------------------------|------------|-----------------------|-------------------------------------------|
| High confidence of spend to estimate | G | 73 | 29,442 |
| Medium confidence of spend to estimate | A | 29 | 8,525 |
| Low confidence of spend to estimate | R | 3 | 5,498 |
| | | 105 | 43,465 |

- 5.2 The spend projections provided by budget managers are based on the best information available at this time. There are various unknowns, particularly those surrounding the impact that the situation in the wider construction industry and in supply chains will have and this is reflected in the value of projected expenditure in amber and red.

5.3 **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 | Projected Expenditure 2021/22 £000s |
|-----------------------------------------------------|--------------------------------------------|
| Land and Buildings | |
| Early Learning Childcare Expansion | 2,453 |
| Libraries and Leisure – swimming pool refurbishment | - |
| Vehicles, Plant and Equipment | |
| Vehicle and Plant Replacement Programme | 3,045 |
| TOTAL | 5,498 |

- 5.4 Capital spend to enable the expansion of Early Learning and Childcare is almost complete. However final costs for works in Keith are yet to be established – additional costs were incurred because of ground conditions on site which became apparent after works had commenced. The final remaining project, which is yet to commence, is refurbishment of nursery accommodation in Aberlour Primary School and cost estimates for this are being developed. Given the current state of the construction market it may be deemed prudent to delay the work until a later stage and consideration to delay the works is being made by the Early Learning and Childcare Board and will be reported to Education, Children's and Leisure Services Committee. Work on swimming pools is dependent on conditions surveys, which are to be carried out later this year, thereafter feasibility studies, business cases and design work. There will be costs incurred to undertake the conditions surveys. The lead time for purchase of vehicles is very long due to issues with the supply of small components to complete vehicles. There is therefore a high

degree of uncertainty as to when vehicles will be delivered and hence costs incurred.

5.5 **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 Covid-19 pandemic restrictions on contractors working practices have resulted in an increase in costs of construction. The impact of Brexit and other market forces has also been an increase in the cost of material and equipment and we are experiencing procurement delays due to poor responses to tenders and delays in the supply of materials. Other factors creating uncertainties are noted below, mainly staff capacity, response to safety issues and service requirements. The following have been identified by budget managers as having an amber status:

| Budget heading | Capital Plan 2021/22 £000s | Projected Expenditure 2021/22 £000s | Projected Variance 2021/22 £000s |
|-----------------------------------------------------|-------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|
| Land & Buildings | | | |
| School BB Works (17 projects) | 4,655 | 4,372 | 283 |
| Findrassie Primary School | 498 | 150 | 348 |
| Cemetery Provision in Moray | 80 | 80 | - |
| Parks & Open Space Infrastructure | 21 | 100 | (79) |
| Infrastructure | | | |
| Road Safety Provision | 247 | 247 | - |
| Cycling, Walking, Safer Streets (CWSS) | 421 | 421 | - |
| Road Improvements – Drainage Works | 460 | 460 | - |
| Street Lighting – Replacement Columns and Lights | 550 | 550 | - |
| Shougle Bridge | 240 | 240 | - |
| Wards Road Junction Improvements | 250 | 250 | - |
| Findochty Pontoons | 600 | 600 | - |
| Vehicles, Plant & Equipment | | | |
| Orchard Road Signals | 28 | 28 | - |
| Chemical Waste Disposal Points | 170 | 170 | - |
| Children's Play Areas | 235 | 135 | 100 |
| Schools ICT Strategy | 239 | 239 | - |
| Telephony/Contact Centre System | 183 | 183 | - |
| TOTAL | 8,877 | 8,225 | 652 |

- 5.6 The majority of the Schools BB work programme is the phased work begun under the Make Do and Mend criteria, which was to address elements of schools in Condition D that have the possibility of failing. The scope of each of the projects is developed in consultation with the school and the contractor. The reactive nature of the Schools BB programme means that individual project costs do vary during the year and this is kept under regular review.

Planned spend on Findrassie Primary School in 2021/22 is for consultation on the design brief and initial design work. There is a degree of uncertainty as to how far this will be completed within the financial year due to delays in the recruitment of key posts and the time required to arrange the consultation process. The timing of spend on cemeteries has also been varied from that originally planned due to negotiations on the acquisition of land being started earlier. These discussions are currently still ongoing so costs are not known at the current time. As reported to Economic Growth, Housing and Environmental Sustainability Committee on 24 August 2021 it is now planned to defer all but essential work on lands and parks to meet health and safety requirements. The budget was adjusted to reflect the estimate of necessary works at that stage but some urgent health and safety works have now been identified as detailed in paragraph 5.19 of this report. There is no guarantee that further urgent works will not be required.

- 5.7 Given the relationship between active travel and road safety, there is a degree of cross-over in terms of scope and funding eligibility between the Road Safety and Cycling, Walking, Safer Streets (CWSS) budgets. Therefore, given the ring-fenced nature of CWSS, projects are being carefully considered to maximise utilisation of the CWSS funding. Drainage works are planned to be carried out after the majority of roads capital spend has taken place and are therefore vulnerable to an early onset of cold weather, as the teams would then be reallocated to gritting. Street lighting column replacement has been classed as amber because of the capacity of staff to undertake work on both Street Lighting projects. Shougle Bridge is rated amber because of potential delays – negotiations with landowners are currently underway; Findochty pontoons because of delays getting the requisite Marine Scotland licence – work has commenced on site and is anticipated to complete in November.
- 5.8 Works at Orchard Road traffic signals are to be undertaken along with work to resolve drainage issues at the site. Initial work has commenced on this project, materials have been ordered and it is scheduled to begin in the current financial year, subject to lead in times for the supply of materials and the severity of the winter, with a planned completion date of summer 2022. There were minor delays to Phase 1 of the installation of chemical waste disposal points but phase 2 has been progressing well. The status of this project has been kept at amber due to issues regarding signage design which are still to be resolved. Play area upgrade design is being carried out in conjunction with local communities using Participatory Budgeted (PB) and delays in the lead-in times for the delivery of equipment means the level of spend is uncertain at this time and will be updated following the procurement exercise when more information will be available. Work under the schools ICT strategy commenced slightly later in the year than in previous years as the budget is a carry forward from previous years and consequently not approved until 30 June 2021. Telephony requirements are changing due to staff working from home and the revised requirements are unlikely to be established until staff return to office working.
- 5.9 A summary of the projected variances as September 2021 from the current approved capital programme, summarised in **APPENDIX 1**, is set out below:

| Description | Ref | Underspend/ (Overspend) £000s |
|-----------------------------------------------------|------|-------------------------------------|
| Land and Buildings | | |
| Schools BB Works | 5.10 | 283 |
| Lossiemouth High School | 5.11 | 750 |
| Findrassie Primary School | 5.12 | 48 |
| Artificial Turf Pitches | 5.13 | 480 |
| Early Learning Childcare Expansion | 5.14 | (1,568) |
| Refurbishment & Upgrade of Swimming Pools | 5.15 | 300 |
| Economic Recovery Plan – Forres Industrial Estate | 5.16 | 735 |
| Economic Recovery Plan – Speyside Industrial Estate | 5.16 | 485 |
| Moycroft | 5.17 | (130) |
| Parks & Open Spaces Infrastructure | 5.18 | (79) |
| Infrastructure | | |
| Timber Traffic Structural Works | 5.19 | 500 |
| A95 Meikle Cantlay Landslip | 5.20 | (15) |
| Vehicles, Plant & Equipment | | |
| Moray Leisure Centre Combined Heat and Plant | 5.21 | (3) |
| Vehicle and Plant Replacement Programme | 5.22 | 527 |
| Upgrade Recycling Centres | 5.23 | (20) |
| Children's Play Areas | 5.24 | 100 |
| TOTAL | | 2,950 |

Land and Buildings

- 5.10 **Schools BB Projects** – Works to replace the heating system at Burghead Primary School were postponed pending discussions with a local distillery to establish if waste heat from the facility could be used at the school. Those discussions were concluded in October 2021 and use of waste heat is not an option and the heating option appraisal has been updated accordingly. This is the main reason for the projected overall underspend on the BB programme of works. A reserve list of projects is being examined to ascertain if any of those could be undertaken to fully utilise the approved budget.
- 5.11 **Lossiemouth High School** – A previously reported to Economic Growth, Housing and Environmental Sustainability Committee on 24 August 2021, the projected underspend is a result of timing differences. During 2020/21, budget was carried forward to 2021/22 based on the planned programme of works at that point. However, works were able to progress quicker than anticipated which created an overspend in 2020/21 and a projected underspend in 2021/22. These two variances cancel each other out. Under the terms of the contract, the contractor was entitled to recover reasonable costs due to the delays experienced following Covid-19 government restrictions. Negotiations on these additional costs have concluded between the Council and hub North Scotland. The Scottish Government have been contacted to request assistance with the additional costs with full evidence of costs claimed being provided to assist their determination. The outcome of this will be reported when Scottish Government have responded. At present no response has been received.

- 5.12 **Findrassie Primary School** – Stakeholder consultation on the project within the Elgin Academy ASG started in August 2021. Initial consultations will engage with both educational and community users and is programmed to complete in November 2021. Procurement options are being evaluated with the Scottish Procurement Alliance and Hubco North. The time required to recruit the Project Manager (Learning Estate) and arrange the consultation process will delay expenditure on professional fees during 2021/22 from that budgeted.
- 5.13 **Artificial Turf Pitches** – It had originally been proposed to resurface the 3G pitch at Buckie in the current financial year, with either Keith or Speyside being resurfaced in 2022/23, as well as contributing to the cost of the new pitch in Forres. These proposals were the subject of a report to the Education, Communities and Organisational Development Committee on 11th August 2021 (paragraph 12 of the minute refers). However, decision was deferred to a future committee meeting. It is therefore recommended that £50,000 budget for a new artificial turf pitch in Forres is deferred to 2022/23. The budget for resurfacing and rejuvenating pitches is also recommended to be deferred to 2022/23 but reduced from £430,000 to £300,000 and also to increase the budget in future years based on updated anticipated costs. The proposed increase of £145,000 would result in increased loans principal repayment costs of £14,500 for the estimated life of the asset (10 years) and an initial interest charge at current interest rates of £570 in the first year, reducing over the length of the loan.
- 5.14 **Early Learning Childcare Expansion** – Most projects have been completed but there remains uncertainty over the cost of works in Keith, where additional work above that originally anticipated was incurred due to the condition of drainage (which was not apparent until work had commenced) and work related to roads access. Final costs are being calculated. The current estimated overspend of £1,568,000 will be partially offset by additional grant funding of £670,000 transferred from revenue grant. The cost of refurbishment of the nursery accommodation at Aberlour Primary School is being revised and given the current issues for the construction industry may be delayed until the market settles down.
- 5.15 **Refurbishment and Upgrade of Swimming Pools** – The scope of works to be carried out under this heading are dependent on the outcome of condition surveys, which will be undertaken later in the current financial year. It is recommended that the budget of £300,000, which was for design and preparatory work, be deferred to 2022/23.
- 5.16 **Economic Recovery Plan Industrial Estates** – Most of the budget for the Economic Recovery projects originally planned for 2021/22 is now planned to be spent in future years due to the large amount of pre-purchase/construction consultation, negotiation, investigation and design/pricing work that is required. It is recommended that the spend profile is amended across 2021/22, 2022/23 and 2023/24, with some initial design and preparatory work being undertaken in 2021/22.
- 5.17 **Moycroft** – The estimate of spend is based on the best information available at the current time. Scottish Water and Covid disruption costs are still to be confirmed, and a final invoice from the contractor has yet to be received, all of

which could vary the estimates up or down. Work on the cycle path has been delayed due to issues in the wider construction industry and due to difficulties in getting firms to tender for work. The work is still required and the department is in regular dialogue with the contractor with regards to the timing of the work.

- 5.18 **Parks & Opens Spaces Infrastructure** – This budget will be used to fund essential health and safety works. During the course of the second quarter of the year additional works to those identified in quarter one have emerged. As part of the quarter 1 monitoring report £179,000 was deferred to 2022/23 and it is recommended that £79,000 of that sum is brought back to 2021/22 to cover the cost of these works.

Infrastructure

- 5.19 **Timber Traffic Structural Works** – This budget is intended to be used as match-funding for bids to the Strategic Timber Transport Scheme (STTS). The Council's application to the Strategic Timber Transport Scheme (STTS) was unsuccessful. The reason given by STTS was that the planned projects were not strategic large improvement schemes. It is requested that the underspend of £500,000 be carried forward to 2022/23 to enable projects to be developed that will meet the STTS guidelines aimed at more strategic resurfacing projects.
- 5.20 **Meikle Cantlay Landslip** – When the work for this project was originally tendered, only one tender was received, and it was significantly higher than originally forecast. Other suppliers did not submit a tender due to having large volumes of other works and no capacity to deliver the project and the budget was therefore deferred to 2022/23. Traffic at the area of the landslip is being managed by traffic lights but this is causing significant delays in travel times at this relatively major section of the Council's road networks. The plan is to re-tender for this work in the last quarter of the current financial and it is requested that the budget be increased by £507,000 to £1,200,000 which is based on the tender that was received, with £15,000 to be included in the current year to allow for early design and preparatory work to be undertaken. The impact of this increased capital budget on the Council's revenue budget would be to increase loans charges annually by £12,675 for 40 years plus £7,338 interest at the current rate of interest in year 1, diminishing over the loan period if the interest rate remains at its current low level. Design options are being looked at with a view to containing costs.

Vehicles, Plant and Equipment

- 5.21 **Moray Leisure Centre Combined Heat and Plant** – The costs incurred are for the final part of this project to connect the new heating system to the Building Maintenance System (BMS).
- 5.22 **Vehicle and Plant Replacement Programme** – During the pandemic the production of semiconductors moved towards laptops, tablets and smart phones due to the demand for homeworking. The automotive industry were still being supplied with semiconductors but supply was already under pressure when one factory was hit by a flood and the other by fire, so worldwide supply effectively stopped. Orders have been placed for vehicles

but it is not known when they will be delivered. It is therefore requested that the projected underspend of £527,000 be carried forward to 2022/23.

- 5.23 **Upgrade Recycling Centres** – This budget was earmarked for upgrades at Gollachy Household Waste Recycling Centre (HWRC). In the quarter 1 monitoring report to Economic Growth, Housing and Environmental Sustainability Committee on 24 August 2021 (paragraph 7 of the minute refers) this budget was deferred until market conditions in the construction industry improve. Since then immediately required works have been identified which are considered unavoidable. These include the installation of CCTV and new fencing as a result of break-ins at the site. It is therefore recommended to bring forward £20,000 from 2022/23 to cover these costs.
- 5.24 **Children's Play Areas** – The budget for this heading is profiled to deliver two play site upgrades per year at a cost of £50,000 each with the remaining budget to cover other priority replacements. It is therefore recommended to reduce the budget in the current year which had been augmented by carry forward from 2019/20 of £100,000 to reflect this level of planned works. Funding of £92,000 has been notified by the Scottish Government to fund playground replacements as announced in the Programme for Government and this will reduce the Council's borrowing requirement for spend on playground replacement in 2022/23, as the lead-in time following the funding announcement was insufficient to deliver further replacements in this financial year. Scottish Government are expected to announce funding for play area upgrades across the lifetime of the current government and it is unclear as yet what expectations / conditions and reporting requirements will accompany that funding.

6. **AMENDMENTS TO CAPITAL PLAN**

- 6.1 The following amendments to the capital plan are recommended:

| Amendments | Para | 2021/22 £000s | 2022/23 £000s | 2023/24 £000s |
|-----------------------------------------------------|------|------------------|------------------|------------------|
| Land & Buildings | | | | |
| Findrassie Primary School | 5.5 | (300) | 300 | |
| New artificial turf pitches | 5.13 | (50) | 50 | - |
| Resurface & rejuvenate artificial turf pitches | 5.13 | (430) | 300 | 275 |
| Refurbishment & upgrade swimming pools | 5.15 | (300) | 300 | - |
| Economic Recovery Plan – Forres Industrial Estate | 5.16 | (735) | (220) | 955 |
| Economic Recovery Plan – Speyside Industrial Estate | 5.16 | (485) | 185 | 300 |
| Parks and Open Space Infrastructure | 5.18 | 79 | (79) | - |
| Nature Restoration Fund | 6.2 | 101 | - | - |
| Infrastructure | | | | |
| Timber Traffic Structural Works | 5.19 | (500) | 500 | - |
| A95 Meikle Cantlay Landslip | 5.20 | 15 | 492 | - |
| Local Bridge Maintenance – grant | 6.3 | 972 | 343 | |

| Amendments | Para | 2021/22 £000s | 2022/23 £000s | 2023/24 £000s |
|-----------------------------------------|-------------|--------------------------|--------------------------|--------------------------|
| funded | | | | |
| Vehicles, Plant and Equipment | | | | |
| Vehicle and Plant Replacement Programme | 5.22 | (527) | 527 | - |
| Upgrade Recycling Centres | 5.24 | 20 | (20) | - |
| Children's Play Areas | 5.25 | (100) | - | - |
| Funding | | | | |
| Grant funding | 5.14 | (670) | - | - |
| | 5.25 | (92) | - | |
| | 6.2 | (101) | - | |
| | 6.3 | (972) | (343) | |
| TOTAL | | (4,075) | 2,335 | 1,530 |

- 6.2 **Nature Restoration Fund** – The Scottish Government has committed to provide funding to support projects that will deliver nature restoration and safeguard wildlife. Moray Council's share of this funding is £101,000 and this will be paid as part of our General Capital Grant. Discussions are currently ongoing between officers in Lands and Parks and Development Services to identify a programme of works with proposals to be reported to a future meeting of Economic Development & Infrastructure Committee.
- 6.3 Scottish Government announced a bid fund for maintenance of bridges of local importance in February 2021, and the results of this have recently been announced. Moray will receive funding of £972,000 in 2021/22 and £343,000 in 2022/23 to carry out works on the following bridges: A941/50 Dykeside bridge, A941/90 Black Water bridge, U82H/10 Aldunie bridge, U117/10 Bridge of Slateford, U118/10 Shougle bridge, U142.5E/10,20,30 Knockando bridges. The bridges section of the Capital Plan will require to be amended to reflect this award, as the timing of bridges projects will need to be changed.

7. RISK AND EMERGING ISSUES

- 7.1 Budget managers have been requested to identify any specific areas of risk for the projects in the capital plan for which they are responsible.
- 7.2 As reported to Economic Growth, Housing and Environmental Sustainability Committee on 24 August (paragraph 7 of the minute refers) a risk to the capital plan is an increase in the cost of materials and scarcity of many materials which are key for the construction industry. Scotland Excel have informed the Council of unavoidable increases to costs on four of their frameworks and some key materials such as concrete, wood and steel are currently difficult to source and costlier if they are available. This is partly a world-wide reaction to the pandemic, and partly due to Brexit. The construction industry is also over-heated and some recent procurement exercises have stalled. The Northern Strategic Territory Partnering Board are also monitoring market volatility.
- 7.3 The Council is still seeking to establish whether the Scottish Government will contribute to the additional costs due to Covid-19 in respect of both the

Lossiemouth High School and Linkwood Primary School new build projects. Should the Council have to bear either all or a proportion of these costs, it would be necessary to consider the options available to meet the additional costs and these options would depend on the funding gap the Council had to address. The Scottish Government have acknowledged receipt of our documentation and have confirmed they are currently reviewing the claim.

- 7.4 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.
- 7.5 The main risk for the vehicle replacement programme is manufacturers failing to deliver to agreed timescales and this risk is heightened at this time due to the shortage of semi-conductors.
- 7.6 Projects can be subject to risks which are outwith the direct control of the Council, such as poor weather conditions.
- 7.7 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.
- 7.8 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.
- 7.9 Looking to the future there is a need to invest significantly to meet the challenges posed by the Climate Change Strategy. At present likely costs are unknown and therefore there is a risk regarding affordability within the tight timeframe envisaged for this.
- 7.10 No other project risks have been specifically identified by budget managers.

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 2021/22 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.

When the Council approved the budget for 2021/22 on 3 March 2021 (paragraph 3 of the Minute refers) it balanced only by using one-off financial flexibilities. The indicative 3 year budget showed a likely requirement to continue to make significant savings in future years. All financial decisions must be made in this context and only essential additional expenditure should be agreed in the course of the year. In making this determination the committee should consider whether the financial risk to the Council of incurring additional expenditure outweighs the risk to the Council of not incurring that expenditure, as set out in the risk section below and whether a decision on funding could reasonably be deferred until the budget for future years is approved.

The impact of the proposed increased capital budgets for the Meikle Cantlay Landslip and rejuvenation of artificial turf pitches on the Council's revenue budget would be to increase loans charges annually by £27,175 plus £7,908 interest at the current rate of interest in year 1, diminishing over the loan period if the interest rate remains at its current low level.

(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) 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 second quarter of the year amounts to £12,406,000 to the end of September 2021.

9.2 Capital expenditure is currently projected to be £3,064,000 lower than the approved capital plan for 2021/22 but with a high degree of uncertainty due to current construction market volatility and other external factors.

9.3 Amendments to the Capital Plan amounting to a decrease of £4,075,000 (after taking into account additional funding) in 2021/22, an increase of £2,335,000 in 2022/23 and an increase of £1,530,000 in 2023/24 are recommended.

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