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**REPORT TO: ECONOMIC GROWTH, HOUSING & ENVIRONMENTAL  
SUSTAINABILITY COMMITTEE ON 6 OCTOBER 2020**

**SUBJECT: CAPITAL PLAN 2020/21**

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

**1. REASON FOR REPORT**

- 1.1 To advise the Committee of the expenditure to 30 June 2020 under the capital plan for financial year 2020/21 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 Scheme of Administration 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 2020 of £2,638,000;**
- (ii) Considers and notes the current projected expenditure of £47,242,000 for 2020/21 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;**
- (iv) Considers and notes the projected overall expenditure for services which would normally report to Economic Development and Infrastructure Committee, as set out in APPENDIX 3; and**
- (v) Approves amendments to the 2020/21 and 2021/22 capital plan as detailed in section 6.3 of this report.**

### **3. BACKGROUND**

- 3.1 The capital plan for 2020/21 of £42,319,000 was approved by a meeting of Moray Council on 3 March 2020 (paragraph 2 of the minute refers). Amendments approved by the Council at the meeting of the Emergency Cabinet on 1 July 2020 (paragraphs 3c and 3e of the minute refer) have been incorporated to give a current approved capital plan for 2020/21 of £51,834,000. The current projected expenditure is £47,242,000, but this estimate requires further review following the lockdown and other restrictions imposed as a result of the COVID-19 pandemic. A preliminary review was reported to the Emergency Cabinet on 1 July 2020 but budget managers advised that a thorough review was not possible at that early stage. Further work has been done and that is reflected in this report but some of the larger construction contracts are still in the process of being reviewed. This will be reflected in the next capital monitoring report to Committee in December.
- 3.2 Regular monitoring reports were provided to Policy and Resources Committee or to Moray 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” (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 2020/21**

- 4.1 A copy of the summary capital plan is included as **APPENDIX 1** showing actual expenditure to 30 June of £2,638,000. This is just over 5% of the currently approved Capital Plan, reflecting a very low level of activity during the lockdown period. General Capital Grant of £2,024,000 has been received from the Scottish Government. In addition to this, Developer Contributions of £27,000 have been received in quarter 1 of this financial year and capital receipts of £272,000 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 flexibility given by Scottish Government to use capital receipts to fund transformation of services and consequently this sum is not included in the summary at **APPENDIX 1**.
- 4.2 Expenditure on land and buildings to 30 June 2020 totals £1,436,000. The major items of expenditure are £247,000 on the new Lossiemouth High School, £74,000 on Linkwood Primary School and £133,000 on the expansion of Early Learning and Childcare, mainly at Cullen. The expansion of Early Learning and Childcare projects are fully funded by capital grant received from the Scottish Government. Expenditure of £82,000 has been incurred for the construction of a new cell at the Dallachy Landfill Site and £817,000 for the Council’s contribution to the construction of the NESS Energy for Waste plant.

- 4.3 Expenditure on infrastructure assets to 30 June totals £107,000. The main item of expenditure was £93,000 on refurbishment work on Craigellachie Bridge on the A941.
- 4.4 Expenditure on vehicles, plant and equipment to 30 June totals £1,095,000. The major items are £509,000 on the vehicle replacement programme, £145,000 on a replacement baler and £235,000 for a replacement green waste shredder, both for the Moycroft recycling centre. There was also spend of £205,000 on ICT projects.
- 4.5 This report includes the capital monitoring for services that would normally be reported to Economic Development and Infrastructure Services Committee as **APPENDIX 3** to this report.

## 5. **PROJECTED OUTTURN**

- 5.1 Budget managers have been requested to update projected estimates of expenditure on capital projects in 2020/21. 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.

<b>Risk Status</b>	<b>RAG</b>	<b>No of Projects</b>	<b>Projected Expenditure 2020/21 £000</b>
High confidence of spend to estimate	G	69	18,519
Medium confidence of spend to estimate	A	5	24,823
Low confidence of spend to estimate	R	24	3,900
		<b>98</b>	<b>47,242</b>

- 5.2 At this early stage in the financial year, most of the capital plan is projected to spend to budget. Work is still ongoing on by budget managers to identify the impact of lockdown and continuing restrictions on projects and on anticipated spend and an update will be provided to this Committee in December.

### 5.3 **Red rating**

A red status highlights areas where there is low levels of confidence in project ability to spend. The following have been highlighted as having a red status:

#### 5.3.1 **Land and Buildings (16 Projects)**

##### **Schools BB Works**

The schools maintenance programme for 2020/21 was agreed and well progressed in discussion with the appointed Contractor when the COVID-19 crisis commenced in March. Senior Management made the decision to suspend all internal works in schools for summer 2020, particularly when critical preparations for safe return of pupils in August was considered highest priority. The Contractor had already placed some orders for materials when lock-down commenced. Payment was made for this, with all other works postponed until summer 2021. Property Services have commenced preparations to substitute some essential maintenance projects to external

building fabric that can be carried out safely during school term time, to utilise budget capacity in 2020/21 but this has still to be formally agreed at the next meeting of the Education, Communities and Organisational Development Committee. If these works (involving external render repairs and replacement roofing) are approved, the revised planned fabric repairs are expected to be well progressed by 31 March 2021, with the balance of spend into 2021/22. . The postponed projects were budgeted at £3,200,000 and it is projected that spend will be £1,134,000, leaving a balance of £2,066,000. These replacement projects are budgeted at £1,701,000 in total across the two years and it is estimated that spend will be £1,350,000 in 2020/21. It is therefore recommended that the budget in 2020/21 be reduced by £716,000.

### 5.3.2 **Infrastructure (7 Projects)**

#### **Roads Improvements & Street Lighting Capital Projects**

No planned works were carried out in quarter 1 due to lockdown restrictions imposed by the Covid-19 pandemic. The easing of these restrictions is currently at Phase 4 of the 6 Phase Construction Re-start plan, which only allows 40-50% of staff to be on site. In addition, some of the planned works such as surface dressing can only be undertaken during the summer months which means it is unlikely that the full budget will be spent this year. It is currently anticipated that expenditure will be £2,020,000 against an approved budget of £3,560,000. It is recommended that the budget for 2020/21 is reduced accordingly. No expenditure is projected to be incurred on Timber Traffic Structural Works due to no match funding being received as 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 £250,000 be carried forward to 2021/22 to enable projects to be developed that will meet the STTS guidelines aimed at more strategic resurfacing projects. The LED Street Lighting project has seen delays due to the Covid-19 pandemic and it is requested that the projected underspend of £134,000 be carried forward to 2021/22 in order that this spend to save project be completed.

### 5.3.3 **Vehicles, Plant and Equipment (1 Project)**

#### **Contact Centre Telephony System and other ICT**

The other exception is the project for a new telephony system for the Contact Centre. The original design was based on a predominantly office based workforce. However the current pandemic has meant a move towards more flexible and home working, which has impacted on the project requirements. Discussions are currently ongoing with the provider to assess the implications of this.

5.3.4 The Covid-19 pandemic has seen a move towards flexible working giving rise to a requirement for additional laptops and mobile phones to be purchased to allow for this shift to take place. Additional expenditure of £364,230 is anticipated to maximise flexible working. It is anticipated that this cost will be absorbed by underspends in other ICT projects.

### 5.4 **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. At this stage, 5 projects have been rated as Amber. The School ICT Strategy is amber – this is for the final phase of the rollout of interactive panels, originally delayed due to the Covid-19 pandemic but is now dependent on the requirements of the Education Strategy, which may see resources diverted to other areas to support online learning should a second lockdown occur. The servers infrastructure project has commenced, with the storage project due to complete in quarter 2, and server upgrades to meet security requirements scheduled for quarter 3. Requirements for quarter 4 are not known at this stage, hence the amber status. Work is still being undertaken on a number of projects to ascertain the impact of the restrictions imposed on construction sites and the potential impact this will have. These projects are the new Lossiemouth High School, the expansion of Early Learning and Childcare capital projects, and the building of the NESS Energy for Waste Plant. These projects have been rated as amber while this work is undertaken. Significant slippage in expenditure is anticipated. The annual budget and quarter 1 expenditure for these projects illustrates the level of underspend to date and are as follows:

<b>Project</b>	<b>Annual Budget 2020/21 £000s</b>	<b>Quarter 1 Expenditure £000s</b>
Lossiemouth High School	11,797	247
Early Learning & Childcare	2,808	133
NESS Energy from Waste	9,721	817

## **6. AMENDMENTS TO CAPITAL PLAN**

6.1 The slippages described in section 5 give rise to amendments to the Capital Plan as set out in paragraph 6.3 below.

6.2 Further amendments to the capital plan are requested as follows:

### **6.2.1 Land and Buildings Waste Management**

A budget of £1,525,000 (£550,000 in 2020/21 and £975,000 in 2021/22) is included in the capital programme to investigate and develop an alternative site for the Household Waste Recycling Centre (HWRC) in Elgin. This is a busy site which is constrained for space, in turn making the site difficult to operate to ensure health and safety requirements are maintained and at busy periods requires traffic management to avoid back up onto the A96. Other HWRC sites do not have these problems.

The booking system that was put in place to ensure social distancing for the Elgin HWRC is considered to be a success due to ease of use by the public. In addition, because the number of vehicles entering the site is now controlled, we are able to reduce the health and safety risk and avoid queuing traffic. Therefore it is the intention to maintain the booking system for the

Chanonry site in Elgin only, beyond the need to maintain social distancing, thus avoiding the need to seek an alternative site.

The booking system currently needs an additional member of staff to manage vehicles entering the site to ensure a valid booking slot has been made. The Council has applied to Zero Waste Scotland for a maximum of £10,000 grant towards a vehicle registration number plate recognition system and automated barrier which will be linked to the booking system. The total cost of this is estimated to be £50,000 for one site which, when implemented, will avoid the need for an additional member of staff.

Therefore it is proposed that £50,000 of the existing capital allowance for the HWRC is reassigned to install a vehicle number plate recognition system in the Chanonry site in Elgin, with this being reduced to £40,000 if we are successful in our bid to Zero Waste Scotland, and the balance removed from the Capital Plan as no longer required

### **6.2.3 Vehicles, Plant and Equipment Waste Management – Domestic & Trade Waste Bins**

On average there are circa 450 new builds accommodated within Moray each year. The residents of each are required to buy a full set of household bins prior to any collections being carried out. The Council approved a charge for the full set of bins which is currently £118.95 (£99.13 +VAT). This fully covers the cost to the Council of providing the bins. There are 4 wheeled bins (green, brown, blue & purple) issued to each property at a cost of £20.90 per bin as well as a food waste caddy (£2.02) and a green sack for glass recycling (£1). In addition to the new build requests, we have to replace damaged and/or stolen bins throughout the year. Based on the current prices on Scotland Excel the cost of this household requirement for new build and replacement bins in 2020/21 is £72,720.

Some households are eligible for a 360ltr green bin for residual waste. We must have a stock of these to account for requests in line with the Household Waste Recycling Charter. The price per unit for a 360ltr bin is £37.75 or £41.25, depending on the size of the order. We have little control over the demand for these bins. We currently only have 99 x 360ltr bins in stock so an order is required at this point. On the basis of a quarter load (104 units) this equates to £4,290.

We also require a stock of 4 wheeled bins for Trade Waste customers and to provide bins for special events, both of which are chargeable services and provide an income to the Council.

It is requested that the Capital budget be increased to £85,000 to account for all the service requirements, an increase of £35,000. This proposed increase would result in an increase in the interest costs of borrowing of £711. Income from the provision of household bins was £25,000 in 2019/20. This is credited to revenue and comfortably covers the proposed increase in capital spend.

There is a revenue budget of £8,000 for purchase of bins and it proposed that this be given up as an additional saving in 2020/21.

6.3 In summary, the requested amendments to the capital plan are as follows:

<b>Amendments</b>	<b>Para</b>	<b>2020/21 £000s</b>	<b>2021/22 £000s</b>
Schools BB programme	5.3.1	(716)	-
Slippage in roads improvements	5.3.2	(1,540)	-
STTS	5.3.2	(250)	250
LED street lighting	5.3.2	(134)	134
Replacement HWRC in Elgin	6.2.1	(550)	(975)
Vehicle registration software	6.2.1	50	-
Increase in budget for Waste Bins	6.2.3	35	-
<b>Total</b>		<b>(3,105)</b>	<b>(591)</b>

## **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 The Covid-19 pandemic is a major risk to the Council capital programme. Various projects have already seen delays as a result of the situation and this is likely to continue through 2020/21. Work is ongoing to identify the impact on projects, and the projected levels of spend. Requirements for additional ICT equipment to support flexible working have added to the Capital Plan.
- 7.3 Projects can be subject to other risks which are outwith the direct control of the Council. Poor weather can impact on project timescales.
- 7.4 Lack of staff resources and staff turnover can impact on project timescales. Other emerging work priorities can impact on scheduled works.
- 7.5 There is a potential risk to grant funding of the new Lossiemouth High School should the project not complete on time. The Covid-19 pandemic has meant the completion date has been extended and discussions are taking place on what this means in terms of the funding.
- 7.6 Land compensation claims remain a risk for the major flood alleviation scheme in Forres although this risk is decreasing as time passes.
- 7.7 The main risk for the vehicle replacement programme is manufacturers failing to deliver to agreed timescales.
- 7.8 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 2020/21 and the outline ten year plan incorporates measures designed to address the Moray 2026 priorities of achievement and attainment by children and young people, adults leading safer lives and sustainable economic development.

### (b) **Policy and Legal**

There are no policy or legal implications arising directly from this report.

### (c) **Financial implications**

The financial implications are highlighted within the report and **Appendices 1 and 2** to the report.

### (d) **Risk Implications**

Budget managers are aware of their responsibilities for managing budget allocations and approval for variance will be sought from Council in line with the financial regulations. Risks specific to items within the capital plan are highlighted in paragraph 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. 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 £2,638,000 to the end of June 2020.

9.2 Capital expenditure is currently projected to be £4,592,000 lower than the approved capital plan for 2020/21.



9.3 Amendments to the Capital Plan of a reduction of £3,105,000 in 2020/21 and £590,000 in 2021/22 are recommended.

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Background Papers:  
Ref: LM/LJC