



REPORT TO: POLICY AND RESOURCES COMMITTEE ON 3 SEPTEMBER 2019

SUBJECT: CAPITAL PLAN 2019/20

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To advise the Committee of the expenditure to 30 June 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 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 considers and notes:-

- (i) expenditure to 30 June 2019 of £6,702,000;**
- (ii) the current projected expenditure of £71,495,000 for 2019/20 profiled into quarters; and**
- (iii) the projected overall expenditure for projects spanning more than one financial year, as set out in APPENDIX 2.**

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 (paragraph 4 of the minute refers). Amendments approved by Council since this date have been incorporated to give a current approved capital plan for 2019/20 of £76,585,000. The current projected expenditure is £71,495,000.
- 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 June 2019 of £6,702,000. Capital receipts of £479,000 from sale of assets are identified along with General Capital Grant of £5,787,000 from the Scottish Government and Specific Capital Grant of £308,000 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 also Lossiemouth High. Developer obligations of £429,000 have been received in this financial year.
- 4.2 Expenditure on land and buildings to 30 June totals £5,061,000. The major items of expenditure are £3,554,000 for the new Lossiemouth High School, £641,000 for the new Linkwood Primary School, £444,000 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. Expenditure of £230,000 has been incurred for the ongoing project to provide integrated waste facilities at Moycroft in Elgin.
- 4.3 Expenditure on infrastructure assets to 30 June totals £1,017,000. The major items of expenditure are £427,000 on carriageway resurfacing/ reconstruction, £92,000 for new LED street lighting and £330,000 for Portknockie Landslip works.
- 4.4 Expenditure on vehicles, plant and equipment to 30 June totals £624,000. The major items of expenditure are £441,000 on the vehicle replacement programme and £128,000 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	77	61,022
Medium confidence spend to estimate	A	8	10,473
Low confidence of spend to estimate	R	0	0
		85	71,495

- 5.2 At this early stage in the financial year, most of the capital plan is projected to spend to budget. An exception to this is the acquisition and servicing of a site in Forres for industrial development and building new units, where expenditure has been deferred (this will be reported to this Committee with recommendations for re-profiling in the Quarter 2 Capital Monitoring report) –

as a result projected expenditure is £3.079 million less than the approved budget. Expenditure on depots has been deferred pending the result of the Property Asset Management Appraisal currently being carried out. This results in a further £0.908 million currently projected underspend. The replacement recycling facilities in Elgin are currently projected to be underspent by £0.45 million, again due to timing differences.

- 5.3 No adjustments to the capital plan are proposed at this juncture, but amendments to reflect the updated position will be proposed as part of the quarter 2 monitoring report.
- 5.4 An amber rating of medium confidence to spend to budget highlights areas where there are issues impacting on the ability to project spend – generally indicating factors outwith the budget manager's control. Although 8 projects are rated as amber, the bulk of the spend associated with these projects is the council's contribution to the NESS energy from waste project (£9.966 million). This is approaching Inter Authority Agreement (IAA) 3 stage and until IAA3 is signed off there will remain uncertainty about the timing and level of payments into this joint project.

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.
- 6.5 Poor weather conditions can impact on project timescales.
- 6.6 Lack of staff resources and staff turnover can impact on project timescales.
- 6.7 Other emerging work priorities can impact on scheduled works.
- 6.8 There is a potential risk to grant funding of the new Lossiemouth High School should the project not complete on time.
- 6.9 No other project risks have been specifically identified by budget managers.

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 2018/19 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 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 £6,702,000 to the end of June 2019.

8.2 Capital expenditure is currently projected to be £5,090,000 lower than the approved capital plan for 2019/20.

Author of Report: Douglas McLaren, Accountant
Ref: DMcL/LJC/