



**REPORT TO: ECONOMIC GROWTH, HOUSING AND ENVIRONMENTAL
SUSTAINABILITY COMMITTEE ON 16 FEBRUARY 2021**

SUBJECT: CAPITAL PLAN 2020/21

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

1. REASON FOR REPORT

- 1.1 To advise the Committee of the expenditure to 31 December 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 the Economic Growth, Housing and Environmental Sustainability Committee following a decision of Moray Council on 17 June 2020 to agree a simplified Committee structure as a result of the COVID-19 pandemic. In the case of this Committee, the combining of the delegated responsibilities of Economic Development and Infrastructure, Community Services (Housing and Property) and Finance (budget, capital and revenue monitoring) (paragraph 9 of the Minute refers).

2. RECOMMENDATION

2.1 It is recommended that the Committee:

- (i) Considers and notes expenditure to 31 December 2020 of £23,666,000;**
- (ii) Considers and notes the current projected expenditure of £41,118,000 for 2020/21 profiled into quarters in light of the caveat in paragraph 5.1;**
- (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 summarised in section 5.21.**

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), and at the meetings of this Committee on 6 October (paragraph 18 of the minute refer) and 1 December (paragraph 5a of the minute refers) have been incorporated to give a current approved capital plan for 2020/21 of £42,203,000. The current projected expenditure is £41,118,000.
- 3.2 Regular monitoring reports are provided to Economic Growth, Housing and Environmental Sustainability 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" (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 December of £23,666,000. This is just over 56% of the currently approved Capital Plan, reflecting a very low level of activity during the lockdown period and the restrictions that remained once this was lifted. Capital receipts of £1,694,000 from sale of assets are identified and at present these are ear-marked for funding transformational change. General Capital Grant of £6,368,000 has been received from the Scottish Government. Specific Capital Grant in respect of the expansion of Early Learning and Childcare of £1,906,000 has also been received from the Scottish Government. Developer Contributions of £232,000 have been received in the year to the end of quarter 3 of this financial year.
- 4.2 Expenditure on land and buildings to 31 December totals £18,614,000. The major items of expenditure are £8,535,000 for the new Lossiemouth High School, £3,056,000 for the new Linkwood Primary School and £1,997,000 on expansion of Early Learning and Childcare, mainly at Cullen. The expansion of Early Learning and Childcare projects are completely funded by grant funding from the Scottish Government. Expenditure of £612,000 has been incurred for the construction of a new cell at the Dallachy Landfill Site, £529,000 on the new Waste Facility at Moycroft and £2,866,000 for the Council's contribution to the construction of the NESS Energy from Waste plant.

- 4.3 Expenditure on infrastructure assets to 31 December totals £2,162,000. The main items of expenditure were £805,000 on carriageway resurfacing projects and £188,000 on work on Craigellachie Bridge on the A941.
- 4.4 Expenditure on vehicles, plant and equipment to 31 December totals £2,890,000. The major items are £752,000 on the vehicle replacement programme, £207,000 on a replacement baler and £235,000 for a replacement green waste shredder, both for the Moycroft recycling centre. There was also spend of £1,197,000 on ICT projects. £844,000 is spend associated with the response to the Covid-19 pandemic which has been partly funded by a Scottish Government Grant for Digital Inclusion, and £353,000 is spend on planned projects.
- 4.5 This report includes the capital monitoring for services that would normally be reported to Economic Development and Infrastructure 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.

Risk Status	RAG	No of Projects	Projected Expenditure 2020/21 £000
High confidence of spend to estimate	G	73	22,544
Medium confidence of spend to estimate	A	7	14,969
Low confidence of spend to estimate	R	31	3,605
		113	41,118

The projects which have been classed as amber are as follows:

Project	Projected Expenditure 2020/21	Reason for Amber Status
	£000	
Land and Buildings		
Early Learning and Childcare Expansion	2,808	The projects associated with the expansion of Early Learning and Childcare have seen delays due to the pandemic and lockdowns imposed as a result of this.
NESS Energy for Waste Plant	8,736	This project has been also impacted by restrictions due to the pandemic.
Cemetery Provision in Moray	5	This project has seen delays as a result of the pandemic.
Vehicles, Plant and Equipment		
Vehicle and Plant Replacement	2,823	The ability to deliver this programme in 20/21 is dependent on how car manufacturers deal with their backlogs as a result of the pandemic.
School ICT Strategy	238	Work on this project has been impacted by the pandemic and the current requirements are not known at this stage.
Servers Infrastructure	259	Some work has been undertaken on this project however, the work to complete the project still requires definition. The pandemic has had widespread impact on the work of the ICT service.
Unix Server Replacement	100	The key requirements of this project are being examined to assess if they can be met within the budget allocation.
	14,969	

The projects that have been classed as red are as follows:

Project	Projected Expenditure 2020/21	Reason for Red Status
	£000	
Land and Buildings		
Schools BB Works	749	The programme of works under this heading has seen further delays due to the second lockdown as a result of the pandemic.
Infrastructure		
Roads Resurfacing/Reconstruction/Surface Dressing	1,800	These projects will see a reduced delivery as the start was delayed due to the pandemic and the original restrictions. The new lockdown restrictions has seen other limitations on how work can be carried out, the detail of which is being considered by the Service to assess the impact.
Drainage and other works	110	
Footways	110	
Street Lighting – LED Replacements	200	
Street Lighting – replace columns and lights	300	
Vehicles, Plant and Equipment		
Telephony/Contact Centre System	336	The original system was designed around an office based workforce. The pandemic has seen a shift towards flexible working and the impact on this is being assessed.
	3,605	

The spend projections provided by budget managers are based on the best information available at this time. There are various unknowns surrounding the level of works that will be able to be undertaken as a result of restrictions imposed as a result of the pandemic so these figures should be treated with a degree of caution, and this is reflected in the high value of projected expenditure in amber and red.

- 5.2 A summary of the projected variances at December 2020 from the current approved capital programme, as detailed in **APPENDIX 1**, is set out below:

Description	Paragraph	Underspend (Overspend) £000
Land & Buildings		
Schools BB Projects	5.3	1,735
Lossiemouth High School	5.4	(298)
Linkwood Primary School	5.5	(137)
4 Schools Refurb	5.6	(46)
Milnes Primary – Nursery Extension	5.7	(65)
Moray Growth Deal	5.8	250
Dallachy Landfill Site	5.9	453
Replacement Recycling Centre - Elgin	5.10	(6)
Industrial Portfolio – Condition Surveys	5.11	40
Industrial Portfolio – Refurbishment	5.12	72
Forres CEC Flat Roof Replacement	5.13	(190)
Infrastructure		
Road Safety – Disability Adaptations	5.14	44
Road Safety Provision	5.15	65
Vehicles, Plant & Equipment		
Moray Leisure Centre Combined Heat Power and Dehumidifiers	5.16	(249)
Moray Leisure Centre Gym Upgrade	5.17	(7)
Upgrade of containers at Recycling Centres	5.18	10
Materials Recovery Facility (MRF) Relocation & Replacement Baler	5.19	(15)
Replacement Selkie Engine	5.22	(59)
TOTAL		1,597

Land and Buildings

- 5.3 **Schools BB Projects** – The original programme of works under this heading was well progressed when the Covid-19 pandemic commenced in March 2020. Work was suspended as the focus was moved toward the safe return of pupils in August. Preparations were made to substitute these projects for external fabric works which could be safely carried out during term time. However, the second national lockdown has seen further delays in this work and it is requested that an underspend of £1,655,000 be carried forward to 2021/22 to allow these projects to complete. The project to replace windows at Hythehill Primary School was completed under budget at a cost of £125,000 against a budget of £315,000 and this amount does not require to be carried forward. Several projects are projected to be overspent due to actual work content variations as works were opened up on site and could not be avoided.
- 5.4 **Lossiemouth High School** – The current budget for 2020/21 is £9,238,000. As part of the quarter 2 monitoring process £2,559,000 was carried forward to 2021/22. This was based on the information received at the time, which was

based on reduced productivity due to covid-19. However, works on site have managed to progress slightly better than projected at the time that report was prepared and expenditure in 2020/21 is now projected to be £298,000 higher than the quarter 2 projection. Overall it is anticipated that the project will come in on budget, bar compensation for covid-related delays. The contract entitles the contractor to costs due to the delays experienced following the covid-19 government restrictions and these costs are currently the subject of negotiation between the Council and Hub North Scotland. The costs will be substantial, however remain commercially sensitive until agreement is reached. Once agreement is reached these figures will be reported to Committee and will be shown in a separate line within the Capital Plan. Negotiations are currently underway with the Scottish Government for additional funding towards these additional costs.

- 5.5 **Linkwood Primary School** – This project is showing an overspend for the year. Part of this is due to the appointment of the services of an Independent Tester as requested by the Head of Housing and Property to provide additional assurance to the Council that the project was delivered meeting all necessary requirements. The cost was £32,500 and was not budgeted for as part of the original project. The developer had obligations through the Section 75 agreement to provide a serviced site prior to construction commencing on the Linkwood Primary School build. The site was not fully serviced when construction works commenced and consequent additional costs incurred to date are included in the costs incurred on the project. Discussion about recovery of these costs from the developer is ongoing. The contract entitles the contractor to costs due to the delays experienced following the covid-19 government restrictions. These costs are currently the subject of negotiation between the Council and Hub North Scotland. The costs will be substantial, however remain commercially sensitive until agreement is reached. Once agreement is reached these figures will be reported to Committee and will be shown in a separate line within the capital plan. Negotiations are currently underway with the Scottish Government for additional funding towards these additional costs.
- 5.6 **4 Schools Refurbishment** – This expenditure is the final release of the retention after remedial works were undertaken as part of the 4 Schools Refurbishment project. Although this is showing as an overspend in this year, the overall project will still come in under budget.
- 5.7 **Milnes Primary Nursery Extension** – This expenditure is the final release of the retention following the agreement of the final account, which was a long and challenging process. Although this is showing as an overspend in this year, the overall project will still come in under budget.
- 5.8 **Moray Growth Deal** – The 2 projects that are currently being progressed through the Moray Growth Deal are the Cultural Quarter and Housing Mix Delivery. Business cases for both these projects were presented to a meeting of Moray Council on 16 December (paragraphs 4 and 12 of the meeting refers). Since then, the country has entered a second national lockdown due to the covid-19 pandemic. As a result of this the procurement deadlines have been extended to reflect the challenges Council officers and consultants will be facing in putting together tender submissions and assessing submissions,

while juggling pressures arising from lockdown. This now means that tender submissions will now be mid-March meaning that contract start dates are now delayed until late March, resulting in no spend in 2020/21. The original budget for this was £500,000 and £250,000 was carried forward as part of the quarter 2 report and it is requested that the remaining £250,000 be carried forward to 2021/22 in order for these projects to be progressed.

- 5.9 **Dallachy Landfill Site** – Capping of Phase 7B of the landfill site will now be later than originally envisaged when the capital plan was drafted, due to a decrease in the amount of waste that is currently being landfilled (any decrease in waste being sent to landfill extends the life of the cell, therefore delaying the schedule for capping and reinstatement works). It is anticipated that phase 7B will be at full capacity at April/May 2021 and it is therefore requested that the projected underspend of £453,000 be carried forward to 2021/22 in order to accommodate the capping of this phase.
- 5.10 **Replacement Recycling Centre Elgin** – The projected overspend of £6,000 on this project relates to the erection of an automated barrier on site at the Chanonry Household Waste Recycling Centre (HWRC). As a result of the covid-19 pandemic controls were introduced at the site to reduce the number of vehicles permitted to gain access at any one time, which was controlled by having a member of staff man the gate. In the latter part of 2020 Zero Waste Scotland offered grant funding to aid waste operators to keep their services going whilst adhering to government covid-19 guidelines. Therefore the barriers was fitted at Chanonry and this has removed the need to have staff controlling access. The cost of this was £16,000 but grant paperwork is to be submitted to Zero Waste Scotland to recoup £10,000 of this following approval of funding prior to project.
- 5.11 **Industrial Portfolio Condition Surveys** – Conditions surveys had begun and progress had been made by the Council's internal Architects team. However, work has been suspended as a result of the latest coronavirus restrictions and it is therefore requested that the projected underspend of £40,000 be carried forward to 2021/22 to enable completion of the work.
- 5.12 **Industrial Portfolio Refurbishment** – Work has begun on the industrial unit refurbishment programme. However this has been delayed due to the Covid-19 pandemic. It is requested that the underspend of £72,000 be carried forward to 2021/22 to allow completion of the work.
- 5.13 **Forres Community Centre Flat Roof Replacement** – Works have been undertaken to replace the flat roof at Forres Community Centre. These works had originally been coded to revenue repairs and maintenance budgets. However, the nature of the works meet the definition of capital expenditure so they have been transferred to capital. The additional cost of capital will be outweighed by the resultant revenue saving.

Infrastructure

- 5.14 **Road Safety Disability Adaptations** – The Covid-19 pandemic has resulted in a reduction in the programme of works for dropped kerbs and it is therefore

requested that the underspend of £44,000 be carried forward to 2021/22 to allow for this programme to be progressed.

- 5.15 **Road Safety Provision** – Only six months was available to carry out work during 2020/21 and therefore a reduced number of schemes were implemented, resulting in a projected underspend of £65,000. It is therefore requested that this be carried forward to 2021/22 to allow projects to be advanced.

Vehicles, Plant and Equipment

- 5.16 **Moray Leisure Centre Combined Heat Power and Dehumidifiers** – The unused budget for Moray Leisure Centre's Combined Heat and Power unit was inadvertently not identified as a carry-over from 2019/20 and incorrectly released. The overspend in this area is a result of this omission but expenditure is within the original budget for the project.
- 5.17 **Moray Leisure Centre Gym Upgrade** – Work has been carried out to upgrade the gym facilities in the Leisure Centre. The Council has stopped the capital element of its grant to Moray Leisure Ltd in order to fund these works.
- 5.18 **Upgrade of Containers at Recycling Centres** – There are currently no plans to spend this budget but it is requested to carry forward the full £10,000 to cover any future upgrades that are required.
- 5.19 **MRF Relocation and Replacement Baler** – There has been an overspend of £15,000 due to alterations required by Council Health and Safety staff and contractor observations during the refit at Moycroft Waste Transfer Station. The alterations were made in order to enhance safety measures around the hopper which feeds the materials onto a shaker plate before the first picking line. The MRF Relocation and Replacement Baler are both essential components of the Moycroft re-development. Completion of the project (inclusive of the highlighted amendment) was vital in order for the service to handle recycling materials and process them in the most financially effective way for the Council as the MRF enables metal, aluminium and plastics to be extracted from the waste in the purple recycling bins, which is then sold to various companies. If the MRF was not operating then the material would not be able to be separated and would, therefore, not be able to be sold.
- 5.20 **Replacement Selkie Engine** – Following a breakdown on the excavator's engine on board Selkie in late September 2020 advice was sought from the manufacturer of the engine and our own Fleet Services. While a repair could have been undertaken the advice received was that as the engine was stripped down for repair there was a strong possibility that other components were likely to fail and require replacing. Our Fleet Services Manager advised that replacing the engine reduced the ongoing risk considerably. Going forward measures have been identified and put in place to reduce corrosion as much as possible in the future.

- 5.21 **Proposed Capital Plan Amendments** – This report includes details of projects which have slipped or been deferred and therefore the following amendments are proposed:

Project	Paragraph	2020/21 £000	2021/22 £000
Land and Buildings			
Schools BB Works	5.3	(1,655)	1,655
Moray Growth Deal	5.8	(250)	250
Dallachy Landfill Site	5.9	(453)	453
Industrial Portfolio Condition Surveys	5.11	(40)	40
Industrial Portfolio – Refurbishment	5.12	(72)	72
Infrastructure			
Road Safety – Disability Adaptations	5.14	(44)	44
Road Safety Provision	5.15	(65)	65
Vehicles, Plant & Equipment			
Upgrade of Containers at Recycling Centres	5.20	(10)	10
TOTAL		(2,589)	2,589

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 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.
- 6.3 The Council is currently 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 or contain the costs and these would depend on the funding gap the Council had to address.
- 6.4 There is a risk that contract inflation might increase the eventual cost of projects and a risk that any deferment of projects relating to asset condition might result in element failure.
- 6.5 The main ongoing risk for the vehicle replacement programme is manufacturers failing to deliver to agreed timescales.
- 6.6 Projects can be subject to risks which are outwith the direct control of the Council, such as poor weather conditions.

- 6.7 Land compensation claims remain a risk for the major flood alleviation scheme in Forres.
- 6.8 Lack of staff resources and staff turnover can impact on project timescales and other emerging work priorities can impact on scheduled works.
- 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 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 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 the 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.

8. **CONCLUSION**

- 8.1 Capital expenditure in the third quarter of the year amounts to £23,010,000 to the end of June 2020.
- 8.2 Capital expenditure is currently projected to be £1,085,000 lower than the approved capital plan for 2020/21, but levels of projected spend are to be caveated per paragraph 5.1.
- 8.3 Amendments to the Capital Plan of a reduction of £2,589,000 in 2020/21 and an increase of £2,589,000 in 2021/22 are requested.

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Background Papers:
Ref: LM/LJC