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## Moray Council

Wednesday, 29 June 2022

### SUPPLEMENTARY AGENDA

The undernoted reports have been added to the Agenda for the meeting of the **Moray Council** to be held at **Council Chambers, Council Office, High Street, Elgin, IV30 1BX** on **Wednesday, 29 June 2022** at **09:30**.

#### BUSINESS

- |      |   |                |
|------|---|----------------|
| 17a. | <b>Capital Plan 2021-22</b>   | <b>3 - 32</b>  |
|      | Report by Depute Chief Executive (Economy, Environment and Finance) |                |
| 17b. | <b>2021-22 Revenue Outturn Variances from Budget</b>                | <b>33 - 46</b> |
|      | Report by Depute Chief Executive (Economy, Environment and Finance) |                |
| 17c. | <b>Best Value Progress Report on Moray Council</b>                  | <b>47 - 60</b> |
|      | Report by Depute Chief Executive (Economy, Environment and Finance) |                |
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- |     |   |  |
|-----|---|--|
| 27. | <b>UK Levelling Up Fund Bid [Para 8 and 9]</b>  |  |
|     | <ul style="list-style-type: none"><li>Information on proposed terms and/or expenditure to be incurred by the Authority;</li></ul> |  |
| 28. | <b>Elgin High School Capacity - Additional Accommodation Requirement [Para 8 and 9]</b>   |  |
|     | <ul style="list-style-type: none"><li>Information on proposed terms and/or expenditure to be incurred by the Authority;</li></ul> |  |





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**REPORT TO: MORAY COUNCIL ON 29 JUNE 2022**

**SUBJECT: CAPITAL PLAN 2021/22**

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

**1. REASON FOR REPORT**

- 1.1 To inform the Council of the expenditure to 31 March 2022 under the capital plan for financial year 2021/22 and to recommend budget adjustments for inclusion in the Capital Plan for 2022/23 and future years.
- 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 Council:**

- (i) **considers and notes expenditure to 31 March 2022 of £31,018,000 as set out in APPENDIX 1;**
- (ii) **considers and notes the projected overall expenditure for projects spanning more than one financial year, as set out in APPENDIX 2; and**
- (iii) **approves carry forwards and amendments to 2022/23 and future years totalling an increase of £7,688,000 in 2022/23, a reduction of £6,050,000 in 2023/24 and an increase of £1,779,000 in 2024/25 as detailed in sections 4 and 5.**

**3. BACKGROUND**

- 3.1 The capital plan for 2021/22 of £37,322,000 was approved by a meeting of 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), the meeting of Economic Growth, Housing and Environmental Sustainability on 24 August 2021 (paragraph 7 of the minute refers), the meeting of Corporate Committee on 30 November 2021 (paragraph 7 of the minute refers) and by the meeting of Moray Council

on 23 February (paragraph 7 of the minute refers) have been incorporated to give a current approved capital plan for 2021/22 of £44,409,000. Previous capital monitoring reports in 2021/22 have highlighted a low level of confidence that capital budgets would be spent, due to significantly extended delivery times for ICT equipment and vehicles and wider issues in the construction industry. Council on 23 February 2022 (paragraph 7 of the Minute refers) noted that the total plan should be viewed as maximum spend rather than an accurate estimate, given these problems, and that has been reflected in the out-turn for 2021/22.

- 3.2 Quarterly monitoring reports are made to the Corporate Committee or to Council, depending on the timing of meeting, showing expenditure to date for each programme or project included in the capital plan and details of capital receipts received. As agreed by Policy and Resources Committee on 10 May 2016 in response to the Audit Scotland report “Major Capital Investment in Councils” (paragraph 7 of the Minute refers), monitoring reports include 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 capital plan for 2021/22 is included as **APPENDIX 1**. Expenditure to 31 March 2022 of £31,018,000 has been funded by General Capital Grant of £8,985,000 from the Scottish Government and other grants and contributions of £5,614,000, as listed below, with the balance of £16,419,000 funded by borrowing.

<b>Grant/Contribution</b>	<b>Amount £000s</b>	<b>Source</b>
Cycling, Walking, Safer Streets (CWSS)	420	Scottish Government
Moray Growth Deal – Digital Health	947	Scottish Government
Place Based Investment	770	Scottish Government
Lossiemouth Bridge Replacement	1,624	Scottish Government
LCTT (Low Carbon Travel & Transport) Claims	355	Scottish Government
Car Charge Point Upgrades	27	Scottish Government
Early Learning & Childcare Expansion (use of Revenue Funding)	550	Scottish Government
Switched on Fleet & Charge Points	152	Energy Saving Trust
Rural Tourism Infrastructure Fund	556	Visit Scotland
Accident Damage	73	Scottish Water
3G Pitch Refurbishment	75	Scottish Football Association
Moray Growth Deal – Cultural Quarter	48	Horizon Scotland
Use of Developer Contributions	15	Various
Other Income	2	Various
<b>TOTAL</b>	<b>5,614</b>	

- 4.2 A summary of the variances of expenditure from approved budget at the year end is set out in the table below and discussed in more detail in the noted paragraphs.

Description	Paragraph	Underspend (Overspend) £000s
<b>Land and Buildings</b>		
Schools BB Works	4.4	208
Lossiemouth High School	4.5	608
Linkwood Primary School	4.6	(11)
Findrassie Primary School	4.7	188
Glassgreen Primary School	4.8	20
Misc School Works arising from Legislative Requirements	4.9	15
Schools Accessibility	4.10	11
Leisure Facilities	4.11	59
4 Schools Refurbishment Project	4.12	(8)
Early Learning and Childcare	4.13	(1,198)
Town Centre Initiative Fund	4.14	1,388
Moray Growth Deal	4.15	1,277
Nature Restoration Fund	4.16	10
Economic Recovery Plan – Industrial Estate Forres & Speyside	4.17	30
Place Based Investment	4.18	559
Replace Waterproofing at Car Parks	4.19	493
Dallachy Landfill Site	4.20	606
NESS Energy from Waste Plant	4.21	5,508
Moycroft Recycling Centre	4.22	(290)
Industrial Portfolio – Various Projects	4.23	32
Cemetery Provision in Moray	4.24	46
Parks and Open Spaces – Infrastructure	4.25	59
Energy Efficiency Projects	4.26	4
Other Land and Buildings	4.27	38
<b>Infrastructure</b>		
Road Safety	4.29	(11)
New Road Signs and Markings	4.30	21
Road Safety Barrier Provision	4.31	114
Road Safety Provision	4.32	229
Road Improvements – Resurfacing	4.33	117
Other Road Improvements	4.34	372
Portknockie Landslip	4.35	14
Street Lighting	4.36	326
Bridges	4.37	175
Wards Roads Junction Improvements	4.38	(16)
LCTT Upgrade (Speyside Way)	4.39	(25)
Harbours – Replacement of Life Expired Elements	4.40	575
Harbours – Findochty Pontoons	4.41	88
Harbours – Economic Development	4.42	18
Flood and Coastal Protection	4.43	(1)

Description	Paragraph	Underspend (Overspend) £000s
<b>Vehicles, Plant and Equipment</b>		
Swimming Pool and Leisure Equipment	4.45	11
Moray Leisure Centre Plant and Equipment	4.46	(3)
CO2 Monitors	4.47	(2)
Vehicle & Plant Replacement Programme	4.48	1,032
Facilities Management Equipment	4.49	(2)
Traffic Data Collection Equipment	4.50	6
Traffic Signal Replacement	4.51	5
Orchard Road Signal	4.52	6
Domestic & Trade Waste Bins	4.53	(15)
Upgrade of Recycling Centre Containers	4.54	3
Upgrade Recycling Centres	4.55	13
Chemical Waste Disposal Points	4.56	15
Children's Play Areas	4.57	(5)
ICT Capital Programme	4.58	653
Corporate Office Furniture	4.59	10
Committee Services Hybrid System	4.60	2
<b>Total</b>		<b>13,391</b>

### Land and Buildings

- 4.3 The capital plan included budget provision of £28,230,000 for expenditure on land and buildings. Actual expenditure totalled £18,578,000, a shortfall of £9,652,000, of which £5,508,000 is attributable to one project (NESS energy from waste). The detail of this is set out below.
- 4.4 **Schools BB Works** – This work programme currently addresses elements of schools in Condition D which if they failed would result in a school closure. Works are generated on a reactive basis. The outturn for the year was £4,447,000 against a budget of £4,655,000, an underspend of £208,000. The main reason for the underspend was due to delays to Burghead Primary School heating and pipework replacement whilst the potential for using waste heat from a local distillery was investigated and to Milnes High School roofing upgrade, where work was delayed following a detailed inspection which revealed a greater extent of replacement than originally anticipated, which requires a detailed plan to be produced and agreed. Design work on other projects identified by the maintenance team was undertaken to minimise the overall underspend. It is recommended that the underspend of £208,000 is carried forward to 2022/23 to allow the completion of phased work already begun and as a contingency for increased costs of construction since the budget was approved.
- 4.5 **Lossiemouth High School** – This project outturned £3,239,000 against a budget of £3,847,000, an underspend of £608,000. This underspend is a result of a delay to the completion of Phase 3 of the project, which includes the artificial pitch and the new pedestrian access footpath, due to a delay in the installation of CCTV at the artificial pitches. It is recommended that the underspend is carried forward to 2022/23. The conditions of the contract entitled the contractor to recover reasonable costs due to the delays experienced following the Covid-19 government restrictions. To date

£932,000 has been paid for these costs in relation to the three phases of the project. The Scottish Government was contacted in 2021 to request assistance with the additional costs and it was hoped that a resolution would be reached by 31 March 2022 but the Council still awaits a response to the claim. This project was supported by Scottish Government funding.

- 4.6 **Linkwood Primary School** – This project shows unbudgeted spend in 2021/22 of £11,000, due to change requests during the project and soft landscaping works carried out after the last valuation payment of the project. This is in addition to the overspend reported in 2021/22, mainly due to covid-related costs. The conditions of the contract entitled the contractor to recover reasonable costs due to the delays experienced following the Covid-19 government restrictions and £365,000 has been paid for these costs. The Scottish Government was contacted in 2021 to request assistance with the additional costs and it was hoped a resolution would be reached by 31 March 2022 but the Council still awaits a response to the claim. This project has been funded entirely by Moray Council.
- 4.7 **Findrassie Primary School** – Stakeholder consultation on this project to build a new primary school within Elgin Academy Associated School Group (ASG) has been completed. Procurement options are currently being evaluated with the Scottish Procurement Alliance and Hubco North. The time required to recruit staff to the Learning Estate team and arrange for the consultation process has delayed progress on this project and resulted in an underspend of £188,000 against a budget in 2021/22 of £198,000. It is recommended that £50,000 is carried forward to 2022/23 to cover the expected cost of design work.
- 4.8 **Glassgreen Primary School** – The Moray Council on 30 June 2021 (paragraph 17 of the minute refers) approved bringing forward £40,000 from future years of the capital plan to fund the cost of investigation of two potential sites for a new Glassgreen Primary School. Investigation was only required at one site and there was therefore an underspend of £20,000. No carry forward is recommended.
- 4.9 **Miscellaneous School Works Arising from Legislative Requirements** – Works in schools arising from legionella inspections were delayed due to access restrictions arising from covid precautions and a spend of £4,000 recorded against budget of £15,000. Works in schools arising from fire safety inspections cost £221,000 against a budget of £225,000, with a minor delay at one school resulting in works being carried out during the Easter holiday period. No carry forward is recommended as it is considered that works in 2022/23 can be contained within budget.
- 4.10 **Schools Accessibility** – The Council budgets annually for £40,000 for adaptations to schools to enhance accessibility for disabled pupils. In 2021/22 expenditure was £29,000, with the underspend of £11,000 due in part delayed delivery of equipment from Eastern Europe. It is therefore recommended that £5,500 of the underspend is carried forward to 2022/23 to fund the equipment and its installation, without impacting on the programme of works planned for 2022/23.

- 4.11 **Leisure Facilities** - Condition surveys of the Council's leisure facilities were delayed due to specialist contractor availability, resulting in no spend against the £60,000 budget. No carry forward is recommended as there is already provision in the capital plan in 2022/23 to cover this cost. A small amount of unbudgeted spend was incurred to refurbish the 3G pitch at Milnes High School for works that were carried out in 2020/21 but not fully complete and so payment was made in 2021/22.
- 4.12 **4 Schools Refurbishment** – This expenditure is the final invoice for consultants fees for this project, which had been disputed. Although this is showing as an overspend in the 2021/22 financial year, the overall project will still come in under budget as the budget for the project over the 4 year taken to complete (2014/15 to 2017/18) was underspent by £2,508,000 at 31 March 2021.
- 4.13 **Expansion of Early Learning and Childcare (ELC) Provision** – The ELC capital programme included 4 new build nurseries and 7 refurbishments. All new build projects are complete (as are the refurbishments) with the exception of Aberlour. Works at Aberlour have been put on hold in order that option appraisals can be carried out and a recommendation regarding additional budget following initial options appraisal is included in paragraph 5.12. The programme of works for 2021/22 was partly funded by the transfer of Scottish Government revenue funding to the Capital Plan and is showing an overspend of £1,198,000 with no remaining revenue funding available to fund the shortfall. This overspend will be the subject of a post project review, which is currently being carried out and will be reported after the recess.
- 4.14 **Town Centre Initiative Fund** – This project, the aim of which is to encourage town centres to diversify to increase footfall through local improvements and partnerships, and is 100% funded by Scottish Government Funding, was underspent by £1,388,000. The reasons for this underspend are delays to projects as a result of the pandemic, and supply chain issues. The Scottish Government has confirmed that the grant funding can be retained to meet the delayed expenditure so it is recommended that the full underspend of £1,388,000 is carried forward to 2022/23 to be met by grant funding carried forward.
- 4.15 **Moray Growth Deal** – The full business case of the Digital Health Project has been approved and the expenditure profile per the business case has been included in the capital plan. Expenditure in 2021/22 was £947,000 and government funding was drawn down to match. Expenditure on other projects is at project lead risk until full business cases are approved. This has been factored into capital planning with £4m held in reserves to offset borrowing and other costs. There has been no spend on projects led by the Council and it is recommended that the underspend of £1,277,000 is carried forward to 2022/23 to enable projects to progress..
- 4.16 **Nature Restoration Fund** – The Nature Restoration Fund Scottish Government funding for actions which help nature recover Funding is included in the General Capital Grant. The Council's share of the funding was £101,000 and there was expenditure of £91,000, an underspend of £10,000. Tenders for some of the planned works came in lower than expected. Further



funding for this has been confirmed for 2022/23 so no carry forward is recommended.

**4.17 Economic Recovery Plan**

Two projects are included under the Economic Recovery Plan: industrial estates extension in Forres and Speyside. Budget of £15,000 was included in 2021/22 for initial design work at Forres. However this work was delayed due to discussions with Highlands and Islands Enterprise about partnership working on this project. It is recommended that the underspend of £15,000 be carried forward so that the design work can be progressed once the discussions have completed. Budget of £15,000 was also included in 2021/22 for initial design work at Speyside. This has also been delayed, due to negotiations with the landowner of the site identified for development. It is recommended that the underspend of £15,000 be carried forward to enable this work to progress following completion of the negotiations.

**4.18 Place Based Investment Programme –** The Scottish Government has established a Place Based Investment Programme, with the stated aim of ensuring that local investment is relevant to local communities for the benefit of local people. At a meeting of Moray Council on 30 June 2021 (paragraph 27 of the minute refers) the funding of £770,000 was allocated to projects and £211,000 has been spent by 31 March 2022. Property acquisition negotiations were underway but had not completed by 31 March 2022. Per the conditions of the grant the Council is allowed to carry forward any committed amount to 2022/23 to allow the work to complete. Carry forward of any additional free balance would require Scottish Government permission and this will be sought.

**4.19 Replace Waterproofing at Car Parks –** This budget heading incurred expenditure of £349,000 against an amended budget of £842,000, resulting in an underspend of £493,000. This underspend was due in part to a low tender return for the waterproofing works at Batchen Lane Car Park and in part to part of the required work being outstanding at the year end. There are still concrete repairs and resurfacing works required at Batchen Lane and lighting works at Cooper Park, therefore it is recommended that £300,000 is carried forward to 2022/23 to undertake these works.

**4.20 Dallachy Landfill Site –** This project outturned £199,000 against a budget of £805,000, an underspend of £606,000 due to delays in starting the works to cap Phase 7b of the site. Timing of capping and reinstatement is wholly dependent on waste volumes and the expiry of void capacity within a cell, and a cell can only be capped when optimum height has been achieved. Phase 7b reached optimum height in December 2021 which was later than originally anticipated due to lower volumes of waste being landfilled. Tender documents were prepared and work commenced on site in May 2022. It is therefore requested that the underspend of £606,000 be carried forward to 2022/23 to fund this work.

**4.21 NESS Energy from Waste –** This project outturned £6,332,000 against a budget of £11,840,000, an underspend of £5,508,000. Ongoing issues stemming from the Covid pandemic, pressures within the global supply chain and labour shortages experienced by the contracting company have resulted

in delays to the build of the plant. It is requested that the full underspend of £5,508,000 is carried forward to 2022/23. Completion is now expected to be late in 2022/23 financial year, however it is not anticipated at this juncture that this delay will have an impact upon the overall capital budget of the project.

- 4.22 **Moycroft** – Unbudgeted costs of £283,000 have been incurred on the new Moycroft Recycling Centre depot. £200,000 is the final invoice from the contractor which is subject to verification by the Council's Quantity Surveyors. The Council's insurers required purchase of fire suppression systems for plant at the Centre at a cost of £30,000. The other costs were for works carried out in 2020/21 but not notified for accrual. In addition, unbudgeted expenditure of £7,000 has been incurred on a potential replacement Household Waste Recycling Centre (HWRC) for Elgin. This sum is internal staff time preparing a bid to Zero Waste Scotland for funding towards this project and will be funded from the grant if the bid is successful.

4.23 **Industrial Portfolio**

Upgrades of roads in the Industrial Estate portfolio have been delayed due to difficulties in securing contractors to undertake the work. It is therefore recommended that the underspend of £10,000 is carried forward so the required work can progress.

Land Acquisition Forres- Purchase of land in Forres to expand the Industrial Estate provision has been delayed due to staffing pressures. It is therefore recommended that the underspend of £30,000 be carried forward to enable this to be progressed in 2022/23.

Moray Council on 23 February (paragraph 7 of the minute refers), approved to carry forward £97,000 of the budget for refurbishment of industrial units to 2022/23. However, works were able to be carried out quicker than anticipated, resulting in an overspend of £8,000 in 2021/22. It is recommended that the budget for 2022/23 is reduced by this amount.

4.24 **Cemetery Provision in Moray**

Expenditure on the provision of a new cemetery in Elgin was £2,000 against an amended budget of £20,000. There have been delays in progressing this project due to negotiations regarding the acquisition of land. It is recommended that the full underspend of £18,000 is carried forward to enable the purchase to conclude and the project to progress. It is also requested the profiling of the project expenditure is amended to reflect the delays. This would give a budget of £60,000 in 2022/23 and £1,710,000 in 2023/24.

Net expenditure on cemetery infrastructure was £72,000 compared to the budget of £100,000. The Council received funding from the Scottish Government from the Nature Restoration Fund (per paragraph 4.16 of this report) and the works to create a 'rain garden' at Clovenside Cemetery met the criteria of this funding and it was therefore used to fund this, creating an underspend on this heading. No carry forward is recommended.

- 4.25 **Parks and Open Spaces Infrastructure** – This project outturned £41,000 against an amended budget of £100,000. The Council received funding from the Scottish Government for Cycling, Walking, Safer Streets (CWSS) and some of the works on footpaths met the criteria of this funding and it was therefore used to fund this, creating an underspend on the heading of £59,000. No carry forward is recommended.

**4.26 Energy Efficiency Projects**

Budgeted spend of £197,000 was split between £173,000 for the replacement of lights in various Council buildings with LED lights (an on-going programme of work) and £24,000 allocated to other projects. There were difficulties in securing contractors for these projects and vacant posts in the Energy team contributed to a lack of spend

The LED Lighting project outturned at £193,000 as additional properties were included in the programme, which is a spend-to-save initiative. It is not recommended that the net underspend of £4,000 is carried forward.

**4.27 Other Land and Buildings**

Corporate Legionella/Fire Safety Works – No expenditure was incurred against this budget of £40,000, resulting in an underspend. Due to Covid restrictions in the year it was not possible for staff to access buildings in order to carry out Fire Risk Assessments. No carry forward is recommended as a programme of works will not be developed until the assessments have been carried out.

Forres House Community Centre Roof – The small amount of unbudgeted expenditure against this project is due to the final retention payment for the project which was carried out in 2020/21.

Ashgrove Depot Portacabins - The small amount of unbudgeted expenditure against this project is due to the final retention payment for the project which was carried out in 2020/21.

**Infrastructure**

**4.28** The capital plan included budget provision of £11,146,000 for expenditure on infrastructure. Actual expenditure totalled £9,136,000, an underspend of £2,010,000. The detail of this is discussed below.

**4.29 Road Safety Disability Adaptations** - £46,000 spend was incurred on this project against a budget of £35,000, resulting in an overspend of £11,000. Following the quarter 1 capital monitoring report to Economic Growth, Housing and Environmental Sustainability Committee on 24 August 2021 (paragraph 7 of the minute refers) it was agreed that £26,000 could be carried forward to 2022/23 as at that time an underspend of £26,000 was forecast. However, since then demand for the provision of disabled parking and dropped kerbs has increased it is recommended that the budget in 2022/23 be reduced by £11,000 to reflect work expedited in 2021/22.

**4.30 New Road Signs and Markings** – This heading outturned £61,000 against a budget of £82,000, an underspend of £21,000. Various delays were experienced which resulted in the implementation of some works being delayed and not completed by 31 March and it is therefore recommended to carry forward the £1,000 to allow the delayed work to be completed.

**4.31 Road Safety Barrier Provision** – This heading had actual spend of £71,000 against a budget of £185,000, resulting in an underspend of £114,000. Due to training issues not all work was able to be undertaken. This has now been completed and works can be progressed so it is requested that the full underspend of £114,000 be carried forward to allow this to take place.

- 4.32 **Road Safety Provision** – This heading outturned £18,000 against a budget of £247,000, an underspend of £229,000. Projects were deferred to enable expenditure of Cycling, Walking, Safer Streets grant funding by the end of the financial year. A 10 year plan for Road Safety schemes is in the process of being developed and will be reported as part of the financial planning process. No carry forward is recommended.
- 4.33 **Road Improvements Resurfacing** – This heading saw an actual to 31 March of £3,339,000 versus a budget of £3,456,000, an underspend of £117,000. During the year a scheme that was planned was cancelled and there was insufficient time to plan and serve streetwork notices for the reserve schemes, due to the statutory requirement for a three month notice period. It is therefore recommended that £117,000 is carried forward to 2022/23 to enable the reserve projects to be completed.
- 4.34 **Other Road Improvements** – This heading includes Drainage and Other Works, Footways and Kerb Edge Replacements and outturned £438,000 against a budget of £810,000, an underspend of £372,000. A number of operational staff vacancies meant that work was not able to be completed due to insufficient resources. No carry forward is recommended.
- 4.35 **Portknockie Landslip** – This project has an underspend of £14,000 which was caused by the cost of reinstatement works being less than predicted. No carry forward is required.
- 4.36 **Street Lighting** – Expenditure on street lighting projects was £368,000 against an amended budget of £694,000, an underspend of £326,000. A number of operational staff vacancies meant that work was not able to be completed. It is recommended the underspend of £100,000 relating to the LED Lighting project is carried forward to allow this spend-to-save project to be completed in 2022/23.
- 4.37 **Bridges** – After the Capital Plan for 2021/22 was approved, the Council received funding from the Scottish Government from the Local Bridge Maintenance Fund for works at specified bridges. Planned works were revised to reflect the grant funding requirements. The final budget for upgrade of bridges was £2,823,000 and expenditure totalled £2,648,000, an underspend of £175,000, as detailed below.

Project	Budget £000s	Actual £000s	Variance £000s	Reason for Variance
Cloddach Bridge	45	67	(22)	Following inspection of the bridge the extent of the damage to the bridge was found to be worse than originally estimated.

<b>Project</b>	<b>Budget £000s</b>	<b>Actual £000s</b>	<b>Variance £000s</b>	<b>Reason for Variance</b>
Foths Burn Bridge	160	97	63	Savings were made during this project, which is now complete. It is recommended that the underspend be carried forward to allow the Shougle Bridge, the cost of which has increased, to be completed.
Cappies Hill Bridge	48	1	47	The budget for this project was developed assuming that additional features would be required. However only new signs were required. It is recommended that the resultant underspend be carried forward to allow the Shougle Bridge, the cost of which has increased, to be completed.
Shougle Bridge	108	15	93	Delays due to design issues and environmental constraints works mean that this project has been delayed and is due on site in July 2022. It is recommended that the underspend is carried forward to 2022/23 to allow the project to complete.
Knockando Bridges	115	291	(176)	Works were able to be carried out quicker than anticipated due to favourable weather conditions in March creating an overspend at 31 March 2022. The cost of works in 2022/23 is expected to be £130,000 so it is recommended to reduce the budget of £205,000 by £75,000 to match that cost.

Project	Budget £000s	Actual £000s	Variance £000s	Reason for Variance
Dykeside Bridge	160	19	141	Delays due to design issues and environmental constraints mean that this project has been delayed and is now due on site in July 2022. It is recommended that the underspend is carried forward to 2022/23 to allow the project to complete.
MacDowall Bridge	285	281	4	This project is mainly complete but there are some works due to be complete. It is recommended that the underspend be carried forward to part fund the remaining works in 2022/23.
Tomliath Bridge	151	143	8	Savings were made during this project, which is now complete. It is recommended that £6,000 be carried forward to cover the balance of the expenditure estimated for the MacDowall Bridge to be completed.
A941 Blackwater Bridge	10	7	3	In-house design work is underway and it is recommended that the underspend of £3,000 is carried forward to allow this to continue.
Bridge of Slateford	10	1	9	In-house design work is underway and it is recommended that the underspend of £9,000 is carried forward to allow this to continue.
A941 New Craigellachie Bridge	15	3	12	Works are currently out to tender and it is recommended that the underspend of £12,000 is carried forward into 2022/23.
Aldunie Bridge	-	1	(1)	This spend relates to site investigation works for this project which is due

Project	Budget £000s	Actual £000s	Variance £000s	Reason for Variance
				to complete in 2022/23.
Remote Footbridges	92	98	(6)	More work than anticipated was required in the year, creating a small overspend of £6,000
Lossiemouth Bridge Replacement	1,624	1,624	-	
<b>TOTAL</b>	<b>2,823</b>	<b>2,648</b>	<b>175</b>	

In total, it is recommended that underspends of £376,000 are carried forward to 2022/23.

- 4.38 **Wards Road Junction Improvements** – This project is budgeted over two years. It outturned £117,000 against a budget of £101,000 in 2021/22, creating an overspend of £16,000 at 31 March 2022, due to early completion of works. It is recommended to reduce the budget in 2022/23 by the amount of the overspend. The project is approaching completion and will finish on site in June.
- 4.39 **LCTT Upgrade Speyside Way** – The overspend of £25,000 on this project is due to timing of the receipt of grant funding. Overall the upgrade has been met from grant funding received, with additional funding in 2020/21.
- 4.40 **Harbours Replacement of Life Expired Elements** – Works under this heading outturned £417,000 against a budget of £992,000, an underspend of £575,000. The budget for harbours capital maintenance works was based on an equal spend per year over five years. 2021/22 is the last year the budget was prepared in that way. A plan has now been developed which identifies required works, with estimated costs over a four year period and the budget for 2022/23 to 2027/28 has been profiled to reflect the anticipated timing of work. This will enable better budgetary control. Due to the potential for rapid change in a marine environment it is not considered appropriate to identify works beyond four years. It is recommended that the fortuitous underspend of £575,000 be carried forward to 2022/23 to fund works required for the Groyne at Burghead Harbour and a sink hole at Findochty Harbour. The need for these works has recently come to light and had not been identified when the budget for 2022/23 was approved.
- 4.41 **Findochty Pontoons** – Savings were made during this project, the main works of which are complete, apart from some works to resolve an issue regarding fin keeled boats which are outside the scope of the contract. It is recommended that £50,000 is carried forward to 2022/23 to allow these works to be carried out.
- 4.42 **Harbours Economic Development** – There are two projects under this heading. Harbours Economic Development was underspent by £14,000 against a budget of £17,000 due to priority being given to external funding sources such as Place Based Investment. No carry forward is recommended.

Buckie Harbour Ice Plant was underspend by £18,000 against a budget of £104,000. Initially there were delays with the project associated with Brexit, in that the Council had difficulty importing the plant from the Netherlands. It is recommended that this is carried forward to 2022/23 as snagging works are still to be completed.

- 4.43 **Findhorn Flood Alleviation** - Expenditure of £185,000 has been incurred on outstanding land compensation claims against a budget of £184,000 to the end of the financial year. The balance of the budget for compensation claims is held in future years and it is recommended that that budget is reduced by £1,000 to cover the overspend in 2021/22.

#### **Vehicles, Plant and Equipment**

- 4.44 The capital plan included budget provision of £5,033,000 for expenditure on vehicles, plant and equipment. Actual expenditure totalled £3,304,000, and underspend of £1,729,000, primarily on the vehicle and plant replacement programme. The detail of this is discussed below.
- 4.45 **Swimming Pool and Leisure Equipment** – This heading outturned £148,000 against a budget of £159,000, an underspend of £11,000. It had originally been planned to spend on equipment connected to the till management system but this was not purchased and other options are currently being explored by the Service. No carry forward is recommended.
- 4.46 **Moray Leisure Centre Equipment** – The unbudgeted costs incurred are for the final part of this project to connect the new heating system to the Building Maintenance System (BMS). The overall budget for this project, which was carried out over two financial years 2019/20 and 2020/21, was £270,000 and at 31 March 2021 the spend was £264,000 so although this is showing as an overspend in the 2021/22 financial year, the overall project will still come in under budget.
- 4.47 **CO2 Monitors in schools** – Due to an increase in the cost of CO2 monitor unit and delivery fees during the course of their phased procurement, a consequence of the increased demand for monitors as the majority of Scottish local authorities sought to support delivery of 1:1 classroom monitoring, together with additional unforeseen costs for charge cables there was an overspend of £2,000 at 31 March 2022. Further funding has been received in 2022/23 and overall the project is expected to be within budget.
- 4.48 **Vehicle and Plant Replacement Programme** - This programme outturned £2,013,000 against an amended budget of £3,045,000, an underspend of £1,032,000. Vehicle and plant manufacture and delivery has been severely affected by global factors such as the pandemic and the war in Ukraine. Vehicles to the full value of the budget were ordered during the year by 31 March and delivery is awaited so it is recommended that the underspend be carried forward to cover committed spend which would otherwise impact on the planned vehicle replacement programme in 2022/23.
- 4.49 **Facilities Management Equipment** – There is an overspend of £2,000 against an amended budget of £17,000. During the year an underspend was anticipated and at the meeting of Moray Council on 23 February 2022



(paragraph 7 of the minute refers) it was agreed to reduce the budget to its current level. However more cleaning equipment required to be replaced than had been expected, and it is recommended that the budget for 2022/23 be reduced by the overspend in 2021/22.

- 4.50 **Traffic Data Collection Equipment** – This heading had minimal spend of £1,000 against a budget of £7,000. Work is currently underway to review the current equipment with a view to a more extensive upgrade and a business case for this will be prepared to inform future revisions of the capital plan. No carry forward is recommended.
- 4.51 **Traffic Signal Replacement** – This heading had minimal spend of £1,000 against a budget of £6,000. This is due to the Council being unable to procure equipment due to issues with the supplier contract, which has now been resolved. No carry forward is recommended.
- 4.52 **Orchard Road Signal** – This heading outturned £22,000 against a budget of £28,000, an underspend of £6,000. This is due to the Council being unable to procure equipment due to issues with the supplier contract, which is shared with Aberdeenshire Council. The supplier sold off part of the company and was therefore in breach of contract and as Aberdeenshire was the lead on the contract, we had to wait until it had been resolved. It has now been resolved and work is due on site at the end of June. No carry forward is requested as the budget in 2022/23 is sufficient to cover the cost of the works.
- 4.53 **Domestic and Trade Waste Bins** – This heading had an outturn of £115,000 against a budget of £100,000, an overspend of £15,000. It had been planned to spend to budget, however, due to delays in processing invoices, more orders were placed, creating an overspend once the delayed invoices were processed. The issue has now been resolved and checks will be put in place to ensure this isn't an issue going forward. This rolling programme of replacing bins and providing bins for new build properties is under pressure due to increased demand and therefore, no amendments are recommended for 2022/23.
- 4.54 **Upgrade of Recycling Centre Containers** – This budget had an outturn at 31 March of £17,000 against a budget of £20,000, an underspend of £3,000. No carry forward is recommended.
- 4.55 **Upgrade Recycling Centres** – This budget outturned £7,000 against a budget of £20,000, an underspend of £13,000 due to new storage bays at Waterford Household Waste Recycling Centre (HWRC) costing less than anticipated. No carry forward is recommended.
- 4.56 **Chemical Waste Disposal Points** – Expenditure on chemical waste disposal points was £155,000 at 31 March 2022 versus a budget of £170,000, an underspend of £15,000. The initial tenders were expensive and a re-tendering exercise carried out. The amended tenders were included within the bid for the Rural Tourism Infrastructure Fund (RTIF) and it is recommended to carry forward £15,000 to enable completion of the project in 2022/23.

4.57 **Children's Play Areas** –The original budget for upgrade of children's play areas was £135,000. Moray Council on 23 February 2022 (paragraph 7 of the minute refers agreed to carry forward £123,000 of this budget to 2022/23 due to delays in progressing expenditure. This budget is being allocated by Participatory Budgeting (PB), where local communities make decisions on how budget is to be spent. This has been very successful in involving the community in Rothes, where the first PB exercise on play area upgrades was carried out, and leveraged in additional funding of £113,000. The time consuming nature of PB coupled with specialist contractor availability and lead-in times for play area equipment led to these delays. Actual expenditure of £17,000 was incurred during 2021/22, an overspend of £5,000 and it is recommended that the budget in 2022/23 is reduced by this amount.

4.58 **ICT Programme** – Actual expenditure on the ICT Core Programme is significantly under budget, with a total spend of £559,000 against a budget of £1,212,000, an underspend of £653,000. This has been due to significant delay in delivery times for ICT equipment, due to the global supply chain constraints on ICT components. The table below provides more detail:

Project	Budget £000s	Actual £000s	Variance £000s	Reason for Variance
<b>Core ICT Programme</b>				
Desktop and Mobile Devices	301	328	(27)	Despite extended delivery times some devices were supplied earlier than expected and there has been increased demand for equipment due to recruitment.
Network Infrastructure	124	15	109	Underspend due to global supply issues and delivery times. Orders have been placed and spend committed. It is recommended that the underspend is carried forward to 2022/23.
School ICT Strategy	239	122	117	Majority of underspend due to the delay in the final phase of the rollout of interactive panels in schools which was delayed due to the pandemic. Also some schools chose not to take their final allocation so less was required to be purchased. It is

Project	Budget £000s	Actual £000s	Variance £000s	Reason for Variance
				recommended that the underspend is carried forward to 2022/23.
Servers Infrastructure	145	19	126	Underspend due to work on this heading being deferred due to competing priorities within the ICT department, mainly on Desktop & Mobile devices. This will be included in the 2022/23 ICT plan. It is recommended that the underspend is carried forward to 2022/23.
Software	120	75	45	Essential upgrades were completed during the year and the carry forward is planned to be used for an upgrade to the Financial Management System in 2022/23. It is recommended that the underspend is carried forward to 2022/23.
Telephony/Contact Centre System	183	-	183	This project has been deferred until there is more clarity around the future utilisation of office work space post pandemic. It is recommended that the underspend is carried forward to 2022/23.
Unix Server Replacement	100	-	100	A tender was undertaken for the replacement of the current Unix environment but this was unaffordable. In the interim, requirements are changing and the longer-term position is unclear. It is recommended that the underspend is carried forward to 2022/23.

Project	Budget £000s	Actual £000s	Variance £000s	Reason for Variance
<b>TOTAL</b>	<b>1,212</b>	<b>559</b>	<b>653</b>	

It is requested that the net underspend of £653,000 is carried forward. Of this £482,000 is for orders which had been placed by 31 March 2022 and delivery is awaited. The remainder is to allow other projects to progress that had been delayed due to competing priorities within ICT.

- 4.59 **Corporate Office Furniture** – No spend was incurred on this heading against a budget of £10,000. This is due to the fact that, during the pandemic, staff have been working from home and there has been less need to purchase equipment due to offices being largely unoccupied. No carry forward is recommended at this point as future requirements will be dependent on workforce planning and the number of staff in offices going forward.
- 4.60 **Committee Services Hybrid ICT System** – This project is showing a minor underspend of £2,000 against a budget of £70,000 as system cost less than expected.

## 5. **CAPITAL PLAN REVIEW**

- 5.1 The capital plan was approved by Moray Council on 22 February (paragraph 3 of the minute refers). At the same meeting the need for the Council to make £20 million savings in 2023/24 and 2024/25 was highlighted. As part of the financial planning process an early initial review of the capital plan with departments to firm up on timing of projects given current market conditions and departmental capacity to deliver has been made. The following paragraphs identify amendments recommended as a result of this review.
- 5.2 **Libraries and Leisure** - It was agreed at a meeting of Moray Council on 23 February 2022 (paragraph 7 of the minute refers) to carry forward £10,000 under the heading of Other Public Facilities to upgrade the Wi-Fi networks in libraries. However, this work has been carried out by ICT and was funded from their capital budgets and the budget is no longer required so it is recommended to remove the budget provision.
- 5.3 **Learning Estate** - Some amendments are proposed at this time, mainly to amend the potential timing of some projects, for example Findrassie Primary School, and to also remove amounts that are no longer required, for example refurbishments that would be included within other lines of the capital plan. Proposed amendments are as follows:

Project	Proposed Amendment	Impact on Capital Plan
Buckie Campus	Amendment proposed to profile in capital plan and costs revised	Increase of £14m
Extension to Elgin High School	Amendment proposed to profile in capital plan and costs revised	Increase of £1.5m
Ineligible Costs	These costs were included assuming the	Decrease of £2.8m

Project	Proposed Amendment	Impact on Capital Plan
	Council would enter into new PPP schemes – this hasn't happened and therefore the allowance is no longer required	
Refurbishment of Andersons and Pilmuir Primary Schools and Milnes High School	This work no longer requires separate allowance and would be covered by other lines in the capital plan	Decrease of £37.9m
Forres Academy Refurbishment	Amendment proposed to amend timing of project and costs revised to take account of more than refurbishment required	Increase of £39.3m
Findrassie Primary School	Proposal to amend the profile of the project to take account of delays to the project.	No impact
<b>Total</b>		<b>Increase of £14.1m</b>

**5.4 Flood Risk Management & Coastal Protection** - Minor amendments are recommended under this heading to adjust the profiling of design work on the Lossiemouth Seatown and Portessie Flood schemes. The schemes are contingent on Scottish Government funding but the funding allocated to flood management by Scottish Government is oversubscribed and the availability of future funding is therefore currently unclear. Work is being carried out at a national level to scope the extent of the problem and its likely impact.

**5.5 Harbours** – An addition of £300,000 in 2023/24 is recommended to this heading to include an amount for dredging work which is capital in nature at both Buckie and Burghead Harbours. The Council has entered into a contract with Ocean Winds to accommodate the operation and maintenance requirements for the Moray West Windfarm in the Moray Firth. As part of this agreement the Council has agreed to provide three metre clearance at the harbour entrance and in two basins. To achieve this it will be necessary to undertake significant dredging. Once this level has been achieved it will be maintained using the Selkie.

The groyne at Burghead Harbour is past its serviceable life and is no longer managing the deposition of sediment at the harbour entrance. This situation has become more acute in recent months and if it is not addressed it may be necessary to reduce the times that the harbour can be operated and the size of boats that can use it. The groyne will be replaced as part of the ongoing capital maintenance of the Council's harbours (see paragraph 4.40) but the build-up of sediment has created a sandbank at the harbour entrance. To improve the operation of the harbour it is considered more efficient to undertake significant dredging at the same time as replacing the groyne.

Thereafter the sediment levels at Burghead will be maintained using the Selkie.

- 5.6 **Bridges** – Schemes are based on strategic prioritisation, with this kept under review and schemes reprioritised to reflect changing circumstances when necessary. Some amendments are recommended as follows.

Project	Proposed Amendment	Impact on Capital Plan
B9009/10 Auchriachan Bridge, Tomintoul	The work on this bridge was originally planned to take place in 2025/26 and 2026/27. However, it sustained significant storm damage in 2021/22. A repair has been carried out but the life of this would be two years. It is therefore recommended to bring forward the spend to 2022/23 and 2023/24.	No impact.
U170E/20 Kirkhill Drive, Lhanbryde	To include an allowance in 2022/23 to allow preparatory work to be undertaken, with the main allowance of £230,000 moved to 2023/24.	Increase of £10,000
U173E/10 Lea Bridge, Forres	Original budget for this project was £48,000 and was based on the budget for other projects of a similar size. However, based on the actuals for those projects it is felt that the budget could be reduced to £20,000.	Decrease of £28,000
<b>Total</b>		<b>Decrease of £18,000</b>

- 5.7 **Waste Management** – An increase of £25,000 is recommended in relation to the purchase of gull proof bins as the prices have increased since the original budget was approved. As part of the original report to Moray Council on 19 January (paragraph 11 of the minute refers) it was requested that part of the capital allowance be used to fund gull proof bins in Cooper Park. However, discussions have taken place and it was agreed that these specific bins should be funded from Elgin Common Good Fund and Trust Funds. It is therefore recommended that the allowance be used to instead purchase bins for key school routes instead.

- 5.8 **Parks & Open Spaces** – There have been further delays in purchasing land for a new cemetery in Elgin and it is therefore recommended to re-profile the budget for this project.
- 5.9 **Road Improvements** – The figures that are currently included in the capital plan are based on previous modelling and represent the amount to recover to previous condition levels from the mid-point. The Council's ranking has improved and it is felt that the budget could be reduced to reflect this. Drainage works are carried out over the winter months following completion of the resurfacing works. Levels of works can be affected by Winter weather and also by the fact that there are operational staff vacancies within the department so it is recommended to reduce this budget by £19,383,000 over the course of the 10 year capital plan to reflect levels of works which are able to be carried out. Roads Condition Information will continue to be closely monitored.
- 5.10 **Allotments** – The Council has a statutory duty under the Community Empowerment (Scotland) Act 2015 to take reasonable steps to provide allotments once the waiting list for allotments within any one community reaches 15 applicants. This trigger point has been reached in Elgin, and land has been identified for lease to an established Community Management Group, who will be responsible for developing and managing the allotments, in line with the Council's Allotments Strategy. An addition of £220,000 to the capital plan for 2022/23 is recommended in order to provide services on the land identified for allotments in Elgin and to ensure it is accessible.
- 5.11 **Depots** – The Council stores gritting salt in the depot in Bridge Street, Keith. Following the success of the salt barn in Elgin in achieving both operational efficiencies and cost savings, options for a covered salt storage in Keith have been investigated. This has the benefit of avoiding loss of salt by leaching through rainfall and reduced salt usage through spreading dry salt. There are environmental benefits and cost savings through a 30% reduction in salt loss/usage based on national metrics borne out by local experience. This would generate recurring savings of £34,500 pa on costs prior to the recent significant increase in the cost of salt. Even if cost falls back to its previous level the estimated cost of constructing a facility for the most economic price quoted (£125,000) would be recouped within a 4 year period. On current prices the cost would be recouped within 3 years. There are also health and safety advantages as currently staff are required to clamber over the salt (which is piled up and covered with a tarpaulin) and to stand on the back of the gritter lorry to break up damp salt. It is recommended that this is included in the capital plan for 2022/23 to allow construction before the winter
- 5.12 **Early Learning and Childcare (ELC)** – As referred to in paragraph 4.13, there is one project outstanding from the original programme of capital works to facilitate the expansion of ELC. Options for works at Aberlour have been given an initial high level appraisal with cost ranging from £900,000 to £3,000,000 and it is recommended that a budget of £900,000 is included in the capital plan for 2023/24 to enable the more economical options to be further developed and reported to Education, Children's and Leisure service committee. The rural nature of Speyside High School ASG precludes the option of using capacity across the ASG area and without this investment

there would be insufficient capacity within the Aberlour and Craigellachie area to offer 1,140 hours to the predicted numbers of ELC uptake. Current accommodation does not meet the required standards. In addition to this planned work, further improvements to Council ELC settings have been required as a result of Care Commission inspections. If these works are not carried out within a reasonable timescale there is a high risk of closure of the facilities and there is insufficient capacity within the respective ASG areas to meet current and forecast demand. A high level estimate of cost is £490,000 in total, with £20,000 recommended for access at Kinloss nursery in 2022/23 and the remaining work relating to upgrade of nursery kitchen facilities, toilets and changing facilities in Findochty nursery (£92,000) and Portgordon nursery (£110,000) recommended for 2022/23 and in St Peters, Buckie (£137,000) and Rothes nursery (£131,000) in 2023/24.

- 5.13 No further amendments are recommended at the current time but the capital plan will be reviewed again over the summer with a view to reducing capital expenditure and any further proposed amendments reported to Council in the autumn.

## **6. CAPITAL PLAN AMENDMENTS**

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

<b>Project</b>	<b>Paragraph</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>	<b>2024/25 £000s</b>
Schools BB Works	4.4	208	-	-
Lossiemouth High School	4.5	608	-	-
Findrassie Primary School	4.7	50	-	-
Schools Accessibility	4.10	6	-	-
Town Centre Initiative Fund	4.14	1,388	-	-
Moray Growth Deal	4.15	1,277	-	-
Industrial Estates – Economic Recovery	4.17	30	-	-
Place Based Investment	4.18	559	-	-
Car Parks	4.19	300	-	-
Dallachy Landfill Site	4.20	606	-	-
NESS Energy for Waste	4.21	5,508	-	-
Industrial Portfolio	4.27	10	-	-
Cemetery Provision Elgin	4.24 & 5.8	(1,770)	1,260	(180)
Parks & Open Spaces Infrastructure	4.25	20	-	-
Road Safety Disability Adaptations	4.29	(11)	-	-
Road Safety New Road Signs and Markings	4.30	1	-	-
Road Safety Barrier Provision	4.31	114	-	-
Road Improvements/Street Lighting	4.33/4.36	217	-	-



Project	Paragraph	2022/23 £000s	2023/24 £000s	2024/25 £000s
Bridges	4.37 & 5.6	103	652	(110)
Wards Road Junction Improvements	4.38	(16)	-	-
Harbours	4.40 & 5.5	575	300	-
Findochty Pontoons	4.41	50	-	-
Harbours Economic Development	4.42	18	-	-
Flooding	4.43 & 5.4	-	(1)	(100)
Vehicles & Plant Replacement	4.48	1,032	-	-
Facilities Management Equipment	4.49	(2)	-	-
Chemical Waste Disposal Points	4.56	15	-	-
Children's Play Areas	4.57	(5)	-	-
ICT Capital Plan	4.58	653	-	-
Libraries and Leisure	5.2	(10)	-	-
Learning Estate	5.3	(4,342)	(6,840)	(5,462)
Waste Management	5.7	7	11	7
Road Improvements	5.9	(100)	(2,600)	(3,300)
Allotments	5.10	220		
Salt shed – Keith depot	5.11	125		
ELC settings	5.12	347	1,168	
<b>TOTAL</b>		<b>7,688</b>	<b>(6,050)</b>	<b>1,779</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 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, but the war in Ukraine is also having an impact. The construction industry is also over-heated and some recent procurement exercises have stalled. The Strategic Territory Partnering Board are also monitoring market volatility.
- 7.3 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. The figures in the 10 year plan are based on current costs and are likely to increase by the time the project is undertaken.

- 7.4 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.
- 7.5 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.
- 7.6 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.
- 7.7 Looking to the future there is a need to invest significantly in our infrastructure to underpin the Council's priorities of Our People, Our Place, Our Future and work will be brought forward to look at potential capital requirements and how this might best be funded in an environment of scarce resources and projected funding cuts.
- 7.8 Projects can be subject to risks which are outwith the direct control of the Council, such as poor weather conditions and some assets such as harbours are particularly vulnerable to bad weather events.
- 7.9 The cost to the Council of borrowing is based on interest rates at the time. However, as the country emerges from the pandemic and the impact that could have on the economy this may mean that the current pattern of interest rate rises is likely to continue and this will have an impact on the cost to the Council and will need to be taken into account when looking at future proposals.
- 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 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.

When the Council approved the budget for 2022/23 on 22 February 2022 (paragraph 3 of the minute refers) it balanced only by use of reserves. 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 Council should consider whether the financial 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.

In the main the report proposes differences in timing of capital spend from that originally envisaged. However, additional capital projects are proposed, and this will increase borrowing costs in the revenue budget. The impact of the proposed additional capital budget for Allotments in Elgin on the Council's revenue budget would be to increase loans charges annually by £4,400 plus £4,138 interest at the current rate of interest in year 1, diminishing over the loan period if the interest rate remains at its current level. The cost of the salt shed will be covered by savings and results in a net saving. The cost of additional ELC upgrades would be £37,875 annually plus interest of £28,497 in year 1 at the current rate of interest, diminishing over the loan period if the interest rate remains at its current 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 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) Climate Change and Biodiversity Impacts**

There are no climate change or biodiversity issues arising from this report.

**(i) Consultations**

All capital budget managers have been consulted 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 of £31,018,000 was incurred during the year ending 31 March 2022.**
- 8.2 Amendments to the Capital Plan of an increase of £7,688,000 in 2022/23 based on departmental requests for carry forwards and other amendments and a decrease of £6,050,000 in 2023/24 and an increase of £1,779,000 in 2023/24 are recommended.**

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

**Moray Council Capital Programme 2021/22**  
**As at 31st March 2022**

	<b>Capital Plan 2021/22 £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b>Land and Buildings</b>			
Education, Children's and Leisure Services Committee	9,655	9,763	-108
Economic Development and Infrastructure Committee	18,338	8,620	9,718
Corporate Committee	237	195	42
<b>Infrastructure</b>			
Economic Development and Infrastructure Committee	11,146	9,136	2,010
<b>Vehicles Plant and Equipment</b>			
Education, Children's and Leisure Services Committee	281	275	6
Economic Development and Infrastructure Committee	3,460	2,402	1,058
Corporate Committee	1,292	627	665
	<b>44,409</b>	<b>31,018</b>	<b>13,391</b>
<b>Funding</b>			
Prudential Borrowing	32,086	16,419	
General Capital Grant (exc PSHG and CYPA)	8,224	8,985	
Other Grants & Contributions	3,129	4,644	
CFCR	550	550	
CWSS	420	420	
	<b>44,409</b>	<b>31,018</b>	<b>0</b>



**Major Capital Projects spanning more than 1 financial year (as at 31 March 2021)**

**APPENDIX 2**

Description	Approved Total Budget	Total Expenditure in previous financial years	Current Budget 2021-22	Actual spend 2021-22	Remaining Budget 2020-21	Project Life Spend to 31/03/21	Projected Future Years Budget Required	Estimated Final Cost	Projected Variance
	£000	£000	£000	£000	£000	£000	£000	£000	£000
New Lossiemouth High School	43,000	39,923	3,847	3,239	608	43,162	608	44,378	-1,378
Early Years Learning & Childcare	7,143	7,513	550	1,748	-1,198	9,261	0	8,063	-920
LED Street lighting replacement programme	5,000	3,860	144	100	44	3,960	996	5,000	0
NESS Energy from Waste	27,224	14,343	11,840	6,332	5,508	20,675	1,041	27,224	0
<b>Total</b>	<b>82,367</b>	<b>65,639</b>	<b>16,381</b>	<b>11,419</b>	<b>4,962</b>	<b>77,058</b>	<b>2,645</b>	<b>84,665</b>	<b>-2,298</b>

New Lossiemouth High School Covid costs - awaiting to hear from Scottish Government as to whether the Council will be reimbursed.

Early Years Learning & Childcare Increased costs and reduced funding available







**REPORT TO: MORAY COUNCIL ON 29 JUNE 2022**

**SUBJECT: 2021/22 REVENUE OUT-TURN VARIANCES FROM BUDGET**

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

## **1. REASON FOR REPORT**

- 1.1 To advise the Council of the major variances from the approved budget in the actual out-turn for 2021/22 and to seek approval of adjustment to the budget for 2022/23 where income and expenditure trends are forecast to continue into 2022/23 and where there has been slippage in projects which are proposed to be funded from reserves.
- 1.2 This report is submitted to Council in terms of Section II (25) of the Council's Scheme of Administration relating to the approval of the annual estimates of revenue expenditure for all services and of Section III (B) (6) relating to monitoring current expenditure in relation to approved estimates.

## **2. RECOMMENDATION**

**2.1 It is recommended that the Council considers and notes:**

- (i) The major variances from those anticipated when the budget for 2022/23 was approved, as summarised in APPENDIX 1;
- (ii) The major variances from the approved budget for 2021/22 total £24,181,000 , which is made up of an underspend in service areas of £8,273,000 and on loans charges of £118,000, additional income of £2,348,000 and retained central provisions of £13,442,000 as summarised in APPENDIX 2; and
- (iii) That a significant proportion of the underspend (including the element retained in central provisions) relates to slippage or delays in projects and timing differences in the release of reserves.

**2.2 It is recommended that the Council approves:**

- (i) Additional budgets for projects subject to slippage in 2021/22 as detailed in paragraph 3.20 to 3.25 totalling £1,449,000 to be funded from ear-marked reserves for covid.

### 3. **BUDGET VARIANCES**

- 3.1 The unaudited accounts for 2021/22 are subject to a separate report to this Committee. The unaudited accounts show that the balance on free general reserves is £5,000,000 at 31 March 2022, with ear-marked reserves totalling £40,236,000.

The Council at a meeting on 3 March 2021 approved budgeted net expenditure of £215,357,000, which anticipated use of £1,251,000 financial flexibilities under concessions approved to facilitate response to the pandemic and use of £10,000 free general reserves (paragraph 5 of the Minute refers). The final budget for the year, after adjustments for additional government grant funding announced during the year and additional savings was for expenditure of £246,262,000, including use of ear-marked reserves: Devolved School Management (DSM) balances brought forward of £1,342,000; Early Learning and Childcare expansion carried forward of £573,000, Pupil Equity Funding carried forward of £802,000, use of the ear-marked covid reserves of £11,214,000, use of the reserves for transformation and council priorities totalling £5,161,000 (some of which was planned for future years but the phasing of spend not developed in full) and use of free general reserves of £760,000. Council on 15 September 2021 (paragraph 27 of the Minute refers) also approved transfer from free general reserves of £8,816,000, £1,816,000 to the ear-marked reserve for Transformation and £7,000,000 to the ear-marked reserve for Council priorities. The budgeted out-turn for free general reserves was a balance of £5,000,000, and that is the final position. Movement on ear-marked reserves is dealt with in paragraph 3.4.

- 3.2 The budgeted use of general reserves is set out in the table below:

	£000s	£000s
Budgeted use of free general reserves @ March 2021		10
Additional budget approved and drawn down during the year		760
Final budgeted use of free general reserves		770

- 3.3 Expenditure against budget was reported to Committee on a quarterly basis during the financial year. Quarter one was reported to Economic Growth, Housing and Environmental Sustainability (EGH&ES) Committee on 24 August 2021; quarter two to Corporate Committee on 30 November 2021 and quarter three to Full Council on 23 February 2022 (paragraph 12 of the Minute refers). The forecast at the end of quarter three was a return to free general reserves of £2,132,000. The forecast for the year is used as a key part of the budget setting process and the differences highlighted in this report can be used to amend the budget for 2022/23. The final out-turn and main changes from the out-turns forecast at the end of December 2021 are summarised on a departmental basis in **APPENDIX 1**.

- 3.4 The principal variances from that forecast were additional funding from Scottish Government of £4,985,000 announced since the forecast was made, with £1,436,000 being notified at the end of March 2022 and services underspend £4,132,000 more than forecast. Part of the unforecast underspend is on DSM budgets, with a total of £1,347,000 underspent, £1,288,000 of which is retained within the DSM reserve. The other single largest movement was in staff costs, within underspends from vacancies rising from the estimated £1,910,000 above the vacancy factor to £2,449,000, an increase of £539,000. Council Tax income was £912,000 more than forecast. The forecast was based on cash receipts, the actual out-turn includes Council Tax for 2021/22 billed but not yet received.

Movement in use of free general reserves since final estimated actual	£000s	£000s
Predicted use of reserves		770
Transfer to ear-marked reserves		8,816
Predicted decrease in free general reserve		9,586
Further underspend in services	4,132	
Less transfer to ear-marked reserves DSM, PEF	(2,743)	
Increase in Loans charges	(20)	
Unbudgeted SG funding at year end	1,436	
Increase in Council Tax	912	
Movement in balance of provisions:		
Additional savings	385	
Lower call on inflation provision	903	
Centrally held provisions	14,301	
Less budgeted use Transformation reserves, covid reserves	(5,161) (11,214)	
Transfer to capital receipts etc	(2,168)	
Total variance	763	
Actual decrease in free general reserves		10,349

- 3.5 The significant difference between departmental out-turn and that forecast indicates that a review of budget variance may highlight scope for additional savings.
- 3.6 A summary of the variance against budget for the year by type of spend across the Council is set out in the table below:

	Overspend £000s	Underspend £000s	Net £000s
Staff	(178)	2,458	
Income / recharges to capital and HRA	(1,264)	1,191	
Purchase of children's services / looked after children	-	2,146	
School DSM budgets	-	1,418	
Repairs and maintenance	(297)	254	

	<b>Overspend £000s</b>	<b>Underspend £000s</b>	<b>Net £000s</b>
Energy costs	-		
Strain on the fund			
Software licences	(146)	23	
Roads and Winter Maintenance	(545)	-	
PEF funding	-	1,046	
Other	(2,015)	4,300	
	-----	-----	
Service underspend	(4,318)	12,709	8,391
Balance on central provisions	-	13,442	
Council Tax	-	912	
General Capital Grant unapplied	-	1,217	
Government Grant	-	1,436	
Transfer to ear-marked and other reserves	(18,601)	-	
<b>Total variance</b>	<b>(23,046)</b>	<b>29,843</b>	<b>6,797</b>

3.7 Major variances at departmental level are set out in **APPENDIX 2**.

3.8 The variances against the budget have been reviewed and classified as one-off or likely to be recurring. The classification takes into account the savings and other adjustments made when the budget for 2022/23 was approved. The overall position is summarised below:

	<b>Para ref</b>	<b>Recurring  £000s</b>	<b>Non- recurring  £000s</b>	<b>Impact already included 2021/22 Budget £000s</b>	<b>Proposed further adjustment to 2021/22 Budget £000s</b>
<b>Overspends</b>					
Staff / subcontractors	3.9	-	(178)	-	-
Income	3.10	(28)	(1,236)	-	-
Repairs and maintenance		-	(297)		
Roads maintenance	3.11	-	(545)	-	-
Other		(108)	(2,053)	(100)	-
<b>Total overspends</b>		<b>(136)</b>	<b>(4,309)</b>	<b>-</b>	<b>-</b>
<b>Underspends</b>					
Staff / subcontractors	3.12	-	2,458	-	-
Income	3.13	-	1,191	-	-
Purchase / provision of care for children	3.14	800	1,346	800	-
Repairs and maintenance		-	254	-	-
Energy cost		-		-	-
PEF	3.15		1,046		
Other	3.16	40	5,701	40	-

	Para ref	Recurring  £000s	Non- recurring  £000s	Impact already included 2021/22 Budget £000s	Proposed further adjustment to 2021/22 Budget £000s
<b>Total underspends</b>		<b>840</b>	<b>11,996</b>	<b>-</b>	<b>-</b>
Balance on provisions	3.17	-	13,442		
Covid balance of provisions	3.17		-		
Government grant			1,436		
Transfer to ear-marked / capital reserves	3.18		(17,384)		
Council Tax		-	912		
Total net (over)/underspend		<b>704</b>	<b>6,093</b>	<b>740</b>	

- 3.9 There are some minor overspends in staff and subcontractors within Fleet services where there is difficulty in recruiting staff which has necessitated the use of sub-contractors, which is a more expensive way of delivering the service, totalling £128,000. Financial services underachieved their vacancy target by £32,000, sheltered housing wardens were overspent by £11,000 which is not expected to continue and the central supply budget was overspent by £7,000, due to difficulties in recruiting teaching staff, sickness levels and an increase in maternity cover. This situation is not expected to continue and the use of central supply will be managed by the service.
- 3.10 The impact of the Covid-19 pandemic and lockdown measures continue to have an impact on budgets but not as significant as last year. A range of services are generating less income than budgeted, with a total shortfall of £1,236,000 for the year to date. This includes loss of catering income, car parking income, planning and building control fees and trade waste. Some of the covid reserves were allocated to cover leisure services loss of income, which is why a variance for this service is not showing. . .
- 3.11 Expenditure on roads maintenance exceeded budget by £545,000, this is partly due (£317,000) to winter maintenance, and (£212,000) relating to planned maintenance, due to increased hours worked on patching roads as well as increase in cost of materials and plant and other minor overspends totalling £16,000.
- 3.12 Staff turnover can result in underspends, as the process of filling posts takes longer than the one month notice which most staff have to give. Underspends then accrue from vacancies whilst posts are filled and from new staff being appointed on lower points on the salary scale than more experienced staff who have left. (Posts are budgeted for at top of scale). This is on-going and the Council recognised that when setting its budget, by incorporating

estimates of underspends arising from staff turnover. The estimate was originally based on 5% of budgeted salaries in areas where vacancies are not automatically covered by relief staff or sub-contractors. The estimate was a conservative one, and has consistently been exceeded. The current provision across the Council (excluding Health and Social Care) is £4,495,000. The net underspend on staff and sub-contractors in 2021/22 was £2,449,000 above that provision. This is particularly high due to vacancies in ASN partly due to normal turnover and some positions are being difficult to fill as well as some vacancies being held as part of the review of the ASN services. A saving from increasing the allowance for vacant posts in line with the budgeted pay award was taken when the budget for 2022/23 was set and it is recommended not to increase any further at present but this will be reviewed as part of the financial planning process.

- 3.13 Income underspends arise from more income being received than budgeted for Waste, Harbours, Industrial Estates and Moray Training as well as one-off income to Children's Services for a placement for an adopted child by another authority and miscellaneous land sales of small areas of land not held on the fixed asset register and therefore the receipt must be treated as revenue. It is not recommended to revise any budgets at this time, as the increased income from the sale of recyclates reflects a buoyant market but one which is prone to rapid change, harbours and industrial estate income will be reviewed in more detail later in the year and Moray Training income is considered one-off.
- 3.14 There is an underspend of £2,075,000 in the purchase/provision of care for young people. This consists of an underspend of £573,000 due to a contract for residential care in Moray ending, £322,000 relating to an underspend in the children with disabilities contract due to transition into adult services and £1,180,000 relating to out of area placements. Savings of £800,000 were taken from Children's Services when the budget for 2022/23 was approved. £752,000 was previously approved to be reinvested in to the Children's Services and it is not recommended that any further revision to budget is made at this time as the overall budget is currently being reviewed by the Head of Children's Services as part of the financial planning process.
- 3.15 The Pupil Equity Fund (PEF) is in the form of ring-fenced funding, and the underspends in this area, arising from the timing of projects, which are planned to spend by academic year, are held in ear-marked reserves and consequently do not impact on the free General Fund Reserve balance.
- 3.16 There is an overall underspend on other various budget headings. Within this is £40,000 relating to home tuition which has historically been underspent. It was approved to take the underspend relating to this as a saving in 2022/23.
- 3.17 The balance on central provision which was underspent consists of £207,000 additional savings achieved above the original budget target; £1,665,000 underprovision in inflation primarily due to the pay award which was backdated to January 2020. £1,293,000 additional funding received at the end of the year, which will be carried forward into 2022/23; £8,536,000 balance of grant for Covid, which will be carried forward into 2022/23; £4,182,000 balance on transformation which will be carried forward into

2022/23, £764,000 balance of funding received that is not required, and other minor variances totalling £125,000 that is not required.

3.18 In summary, from the above paragraphs there are no budget adjustments recommended for 2022/23

3.19 The following table details the requirements to be funded from reserves in 2022/23:

	Para ref	£000s
Rapid Rehousing Transition Plan (RRTP)	3.20	325
Community Planning Partnership	3.20	21
Tenant Hardship grant	3.20	39
Flexible Food Fund	3.21	123
Economic Recovery plan	3.22	186
Discretionary Housing Payment	3.22	145
Universal free school meals	3.23	295
CO2 monitors for schools	3.23	52
Syrian refugees	3.24	10
Whole family wellbeing	3.25	37
Mental Health pandemic response	3.25	129
Counselling funding	3.25	87
<b>Total</b>		<b>1,449</b>

3.20 Recruitment of staff to implement the Council's Rapid Rehousing Transition Plan (RRTP) has been delayed. The Council had funding of £338,000 for RRTP in the local government settlement for 2019/20 to 2021/22 and it is proposed that the underspend of £325,000 is carried forward as budget in 2022/23 funded from the covid ear-marked reserve. The Council underspent by £21,000 on Community Planning in 2021/22. This budget is match-funding with Community Planning Partners (chiefly Police Scotland) and it is recommended that this is carried forward as budget in 2022/23 funded from the covid ear-marked reserves. Tenant Hardship grants were underspent by £39,000 in 2021/22. Grants will continue to be awarded until the funds received from Scottish Government for this purpose are exhausted and it is recommended £39,000 is funded from the covid ear-marked reserves in 2022/23.

3.21 Flexible Food fund was underspent by £123,000 in 2021/22. It was agreed at committee on 6 April 2022 to delegate the use of this fund and augment the Scottish Welfare Fund budget, it is therefore recommended that this is carried forward as budget in 2022/23

3.22 The second lockdown caused slippage in some of the agreed measures to assist economic recovery and it is recommended that budget of £44,000 for pop-up shops, £100,000 for start up grants, £26,000 for Business Gateway and £16,000 for the Community wealth building officer's post are carried forward as budget in 2022/23 funded from ear marked covid reserves. Discretionary Housing payments were underspent by £145,000 in 2021/22, this was due to less applications being processed because of the additional claims for Scottish Welfare Fund and flexible food fund. The underspend is being clawed back by Scottish Government.

- 3.23 Scottish Government provided funding in the settlement for the expansion of Universal free school meals to primary 4 and 5. This funding was underspend by £295,000 in 2021/22. The expansion was fully implemented from January 2022 and uptake is now increasing. The Catering Service has requested that the one-off underspend from 2021/22 be carried forward to 2022/23 to cover the purchase of additional equipment and furniture. No capital funding was given to fund these items. Scottish Government provided grant funding, both capital and revenue, for the provision of CO2 monitors for schools. Moray's share included £52,000 revenue which remains unspent at the year end. Works are on-going in 2022/23 and it is recommended that this is carried forward to 2022/23, funded from covid ear-marked reserves.
- 3.24 Funding from the Home Office for Syrian refugees was underspent by £10,000 in 2021/22. Funding was received over a 5 year period and 2021/22 was the last year of this funding. It is recommended that this is carried forward into 2022/23 to fully utilise the balance.
- 3.25 Scottish Government gave late notification of funding for Whole Family wellbeing £37,000, Mental Health pandemic response £129,000 and Counselling funding £87,000 and this additional grant funding was therefore unable to be spent. It is therefore recommended that these amounts are carried forward into 2022/23 spend as budget in 2022/23 funded from covid ear-marked reserves.

#### **4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

Effective budget management is essential for the delivery of council services on a sustainable basis. Review of budget against actual for trends which are likely to continue assists in the process of budget management.

**(b) Policy and Legal**

No policy or legal implications arise directly from the contents of this report.

**(c) Financial implications**

Financial implications are discussed throughout the report.

**(d) Risk Implications**

No risks arise directly from this report. The Council's base budget is over-committed and it requires to make savings over the next two years.

**(e) Staffing Implications**

None arise directly from this report.

**(f) Property**

No property implications arise directly from this report.

**(g) Equalities/Socio Economic Impact**



No equalities implications arise directly from this report.

**(h) Climate Change and Biodiversity Impacts**

There are no implications arising directly from this report

**(i) Consultations**

Consultation with budget managers takes place during the financial year and requests for funding from reserves are reflected in the report.

**5. CONCLUSION**

**5.1 The Council's final out-turn position on the General Fund as at 31 March 2022 was an improvement on the position forecast when the budget for 2022/23 was set. This report identifies major areas of variance between estimated actual and actual for 2021/22.**

**5.2 The report also considers variances against budget with a view to identifying trends in expenditure and does not recommend any changes in the net budget in 2022/23.**

**5.3 Slippage of £1,449,000 in projects planned for 2021/22 is recommended to be carried forward to 2022/23, funded from ear marked covid reserves.**

Author of Report: Deborah O'Shea, Principal Accountant

Background Papers:

Ref: LP/LJC/



### Moray Council Outturn v Forecast As at 31st March 2022

#### SERVICE

	Actual £'000s	Forecast Outturn at 31.12.21 £'000s	Var vs Prediction £'000s
Education	68,804	71,530	2,726
Education Resources & Communities	20,833	20,835	2
Childrens Services	17,333	17,588	255
Moray Council Social Care	48	175	127
General Services Housing & Property	2,766	3,166	400
Environmental & Commercial Services	25,504	25,299	(205)
Economic Growth & Development	4,306	4,870	564
HR, ICT & Organisational Development	5,348	5,516	168
Financial Services	1,932	1,986	54
Governance, Strategy & Performance	5,603	5,860	257
Other Services	2,613	2,425	(188)
Transfer of Interest to Capital Reserves & Stat Funds	28	0	(28)
<b>SERVICES excl MIJB</b>	<b>155,118</b>	<b>159,250</b>	<b>4,132</b>
MIJB	49,609	49,609	0
<b>TOTAL SERVICES incl MIJB</b>	<b>204,727</b>	<b>208,859</b>	<b>4,132</b>
Loans Charges	19,702	19,682	(20)
Provision for Contingencies and Inflation		903	903
Additional Costs	0	14,301	14,301
Additional Costs - Covid	0	0	
Unallocated Savings	0	385	385
<b>TOTAL PROVISIONS</b>	<b>19,702</b>	<b>35,271</b>	<b>15,569</b>
<b>TOTAL GENERAL SERVICES EXPENDITURE</b>	<b>224,429</b>	<b>244,130</b>	<b>19,701</b>
<b>FUNDED BY:</b>			
Scottish Government grant	181,522	180,086	(1,436)
BRIS	1,882	1,882	0
Council Tax	45,317	44,405	(912)
Use of Reserves	(4,292)	17,757	22,049
<b>TOTAL FUNDING</b>	<b>224,429</b>	<b>244,130</b>	<b>19,701</b>

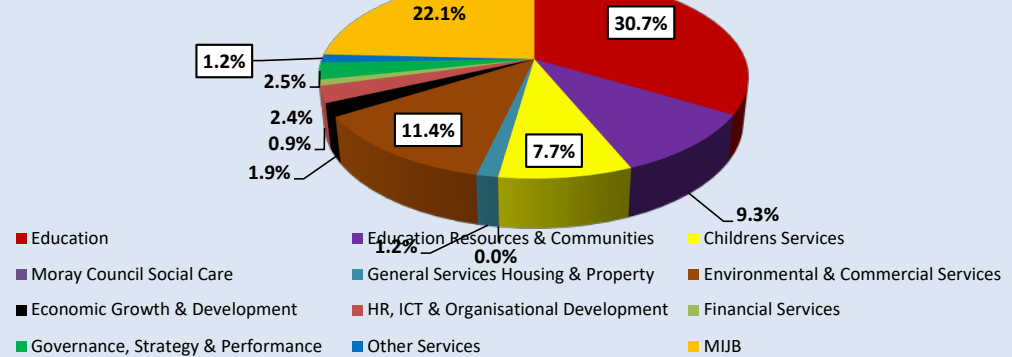
#### Commentary

Education : larger underspends in Devolved School Management, PEF & reduced level of spend on central supply than expected, primarily due to Covid.

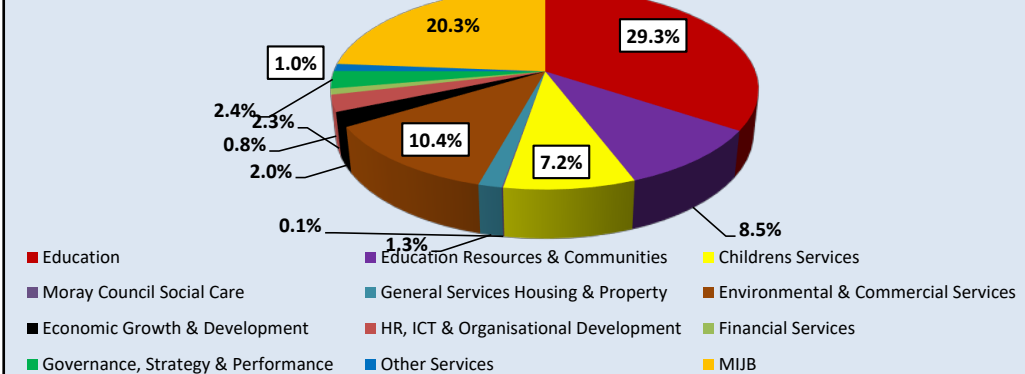
General Services Housing & Property: larger underspends for property fees, RRTTP, industrial estate income which is being reduced by overspends in homelessness and corporate repairs and maintenance

Provisions: the Scottish Government announced additional funds for expenditure late in the financial year, balances on Covid and transformation funds have been carried forward in an ear marked reserve.

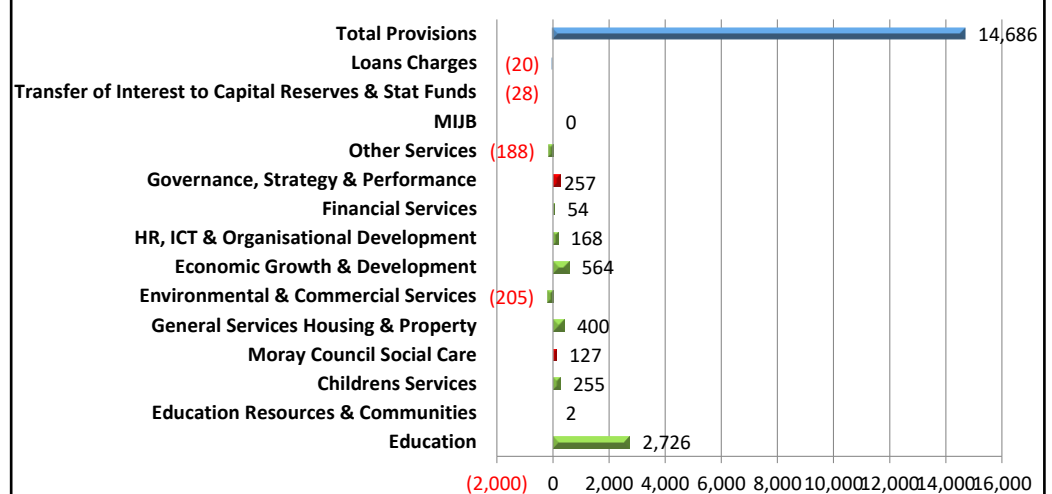
#### Actual % of Total



#### Predicted Outturn % of Total



#### Variance vs Prediction £000's





**Moray Council Outturn report**  
**As at 31st March 2021**

**SERVICE**

	Actual £'000s	Budget £'000s	Var vs Budget £'000s
Education	68,804	71,569	2,765
Education Resources & Communities	20,833	21,778	945
Childrens Services	17,333	19,685	2,352
Moray Council Social Care	48	175	127
General Services Housing & Property	2,766	3,220	454
Environmental & Commercial Services	25,504	25,486	(18)
Economic Growth & Development	4,306	5,243	937
HR, ICT & Organisational Development	5,348	5,698	350
Financial Services	1,932	1,949	17
Governance, Strategy & Performance	5,603	6,145	542
Other Services	2,613	2,443	(170)
Transfer of Interest to Capital Reserves & Stat Funds	28	0	(28)
<b>SERVICES excl MIJB</b>	<b>155,118</b>	<b>163,391</b>	<b>8,273</b>
MIJB	49,609	49,609	0
<b>TOTAL SERVICES incl MIJB</b>	<b>204,727</b>	<b>213,000</b>	<b>8,273</b>
Loans Charges	19,702	19,820	118
Provision for Contingencies and Inflation	0	(1,665)	(1,665)
Additional Costs	0	14,900	14,900
Additional Costs - Covid	0	0	0
Unallocated Savings	0	207	207
<b>TOTAL PROVISIONS</b>	<b>19,702</b>	<b>33,262</b>	<b>13,560</b>
<b>TOTAL GENERAL SERVICES EXPENDITURE</b>	<b>224,429</b>	<b>246,262</b>	<b>21,833</b>
<b>FUNDED BY:</b>			
Scottish Government grant	181,522	180,086	(1,436)
BRIS	1,882	1,882	0
Council Tax	45,317	44,405	(912)
Use of Reserves	(4,292)	19,889	24,181
<b>TOTAL FUNDING</b>	<b>224,429</b>	<b>246,262</b>	<b>21,833</b>

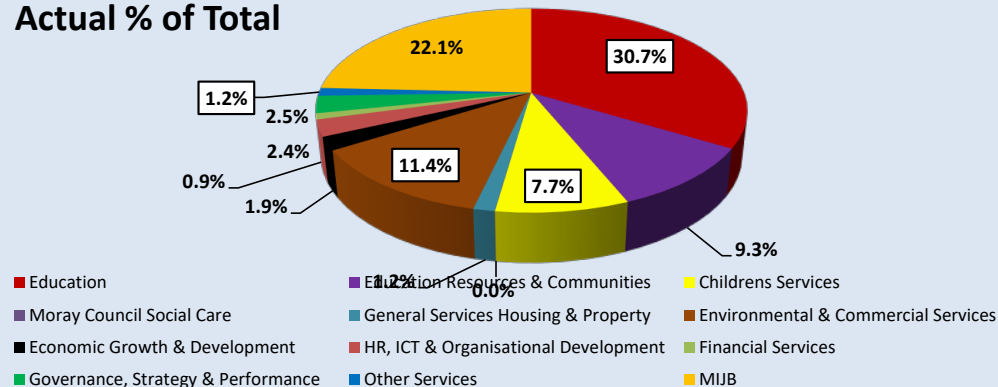
**Commentary**

Provisions: the Scottish Government announced additional funds for expenditure late in the financial year, balances on Covid and transformation funds have been carried forward in an ear marked reserve.

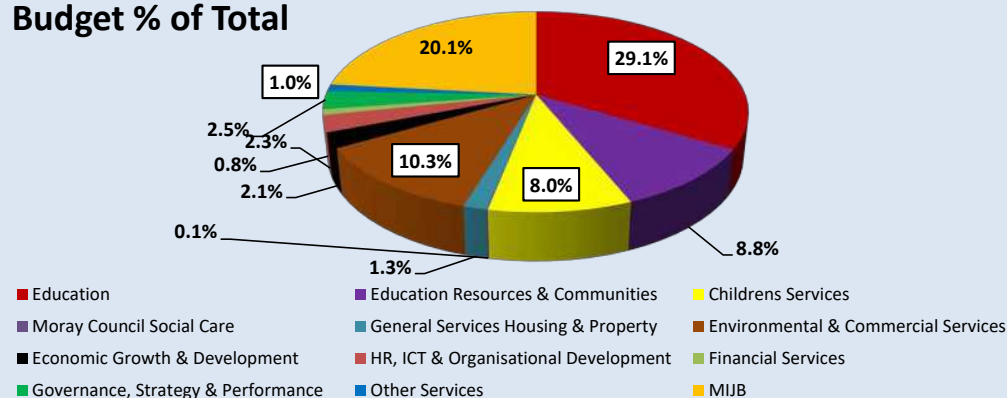
Childrens Services: underspend in out of area, contract for residential care ended and underspend in children with disability contract due to transition into adult services.

Education : larger underspends in Devolved School Management and PEF and vacancy savings exceeded.

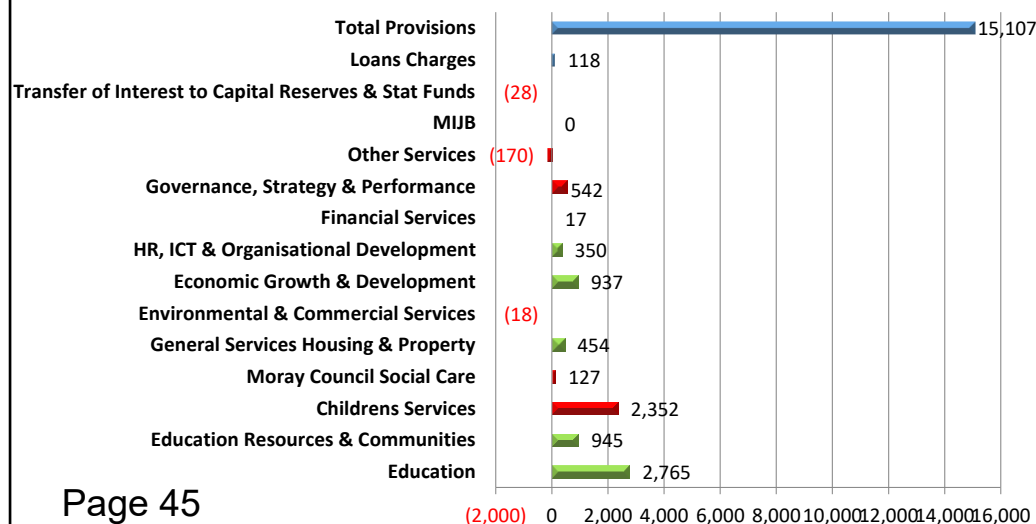
**Actual % of Total**



**Budget % of Total**



**Variance vs Budget £000's**








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**REPORT TO: MORAY COUNCIL ON 29 JUNE 2022**

**SUBJECT: BEST VALUE PROGRESS REPORT ON MORAY COUNCIL**

**BY: CHIEF EXECUTIVE**

**1. REASON FOR REPORT**

- 1.1 To ask the council to agree an updated best value action plan to continue progress in response to the Best Value Audit report in 2020, incorporating additional actions to address the findings in the Best Value Progress Report on Moray Council by the Controller of Audit and the Findings of the Accounts Commission reported to the council on 15 March 2022.
- 1.2 This report is submitted to Council in terms of Section 103E of the Local Government (Scotland) Act 1973, as amended by the Local Government (Scotland) Act 2003.

**2. RECOMMENDATIONS**

- 2.1 **The Council is invited to approve the updated Best Value Action Plan (Appendix 1) to continue progress in response to the Best Value Audit and the follow up report.**

**3. BACKGROUND AND INTRODUCTION**

- 3.1 A Best Value Audit of the Council took place in September 2019. The subsequent Report by the Controller of Audit containing recommendations was reported to the Accounts Commission and the Commission's findings, along with the report subsequently published in August 2020. The Commission accepted the Controller of Audit's report and endorsed the recommendations.
- 3.2 The Commission required a further report by the Controller of Audit no later than February 2022 on the progress made by the Council. The Council's annual external audit process for 2020/21 also monitored and reported progress.
- 3.3 The areas of improvement recommended in the Controller of Audit's report and endorsed by the Accounts Commission in terms of the Commission's findings were integrated into a plan of strategic actions which following approval by the Council in October 2020 were the subject of regular monitoring reports to Full Council. The most recent report was to the Council

on 15 March 2022 when the outcome of the follow up report was also considered. In broad terms, the follow up report recognised that while good progress had been made in a number of areas there were challenges remaining in delivering the council's strategic priorities. The Council agreed an approach to developing indicative areas for action to continue planned improvement and address the high level areas of improvement to be taken forward to the Moray Council following the local government elections in May 2022 (para 5 of the minute refers).

- 3.4 The approach agreed was to take a three stranded approach by completing current actions, developing transformation and working on committed and decisive leadership. The specific actions for carry forward from the existing action plan were noted as:-
- Complete the development of performance management reporting by delivering scrutiny training for new elected members;
  - Improve educational attainment – completion of planned actions within revised timescales taking account of covid impact;
  - Further development of the medium to long term financial strategy.
- 3.5 In addition two broad high level areas of improvement from the current plan and as identified in the follow up report were identified to be assessed and developed into an Action Plan for consideration by the new Council:
- Increase the pace of transformational change through the Improvement and Modernisation Programme (IMP) whilst monitoring staff capacity and wellbeing;
  - Committed Decisive Leadership – add a revised workstream to support and advance the leadership role of Members and create a positive culture and to work together and with officers to deliver council priorities
- 3.6 Finally, in terms scrutiny, conduct of meetings and the effective conduct of council business, the Council agreed to produce a clear statement of the member objectives for scrutiny and for officers to provide options to conclude the outstanding element of the review of governance arrangements and to embed effective scrutiny in the Council's governance arrangements.
- 3.7 A further theme that emerges in the Best Value Audit follow up report relates to workload and capacity to deliver strategic change and maintain pace of transformation alongside business as usual and recovery. In addition recruitment challenges were noted and the need to continue to develop approaches to agreeing priorities and programme management. In response to this, to ensure that these issues are addressed and monitored, it is proposed that a further heading is added to the improvement plan: workforce and capacity and this has been included in **Appendix 1**.



#### **4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

The Council is committed to delivering better public services year on year through Best Value and its key principle of continuous improvement.

**(b) Policy and Legal**

The Council has a legal duty to deliver Best Value and to address any findings containing recommendations arising from any Best Value Assurance Reports.

**(c) Financial Implications**

The Council has set aside £14.6 million for transformational change and Council priorities. £1.3 million has already been allocated to support transformational change and there may be further calls on these reserves to develop the capacity to deliver the action plan, in particular in regard to maintaining pace of transformation and change.

**(d) Risk Implications**

As the Council operates with small teams/specialists there is an ongoing risk associated with workforce issues. Accordingly it will be important that continuous improvement in delivery of Best Value is resourced properly and/or other work reprioritised given the tight resourcing across current services.

Improved results from less resources will require even more rigorous prioritisation than previously seen. Failure to do this is likely to introduce other risks such as the capacity for IMP and other improvement activity which is at the core of the Report and Findings. Prioritisation is noted as an area for development to ensure that key progress continues. Careful consideration will be required to ensure high value work is prioritised and that return on investment of time and resource is carefully assessed against council priorities. There is a risk that desirable work of lower importance has extended timescales or is placed on hold until resources to be allocated.

There is a considerable risk that delayed progress in some of the significant actions has a substantial impact on the Council's future financial position.

There remains a risk that lack of progress towards making the significant changes in the Council to produce the required improvements in performance and outcomes may result in further intervention.

The issues that remain are the most difficult and tackling these with a new council which will need time to settle and give direction has both opportunity and challenge. Relationships and leadership are issues that do not have simple tangible remedies and will need ongoing attention. There is a need to focus on these as both significant and challenging if the Council wants to improve.

Prioritisation of resources and focusing of agendas and priorities will be needed if the council is to deliver more and increase the pace of improvement and modernisation as budgets and other resources will be limited. The financial climate adds to this when once again there will have to be considerable political and officer attention given to unprecedented levels of savings in a climate where we have already delivered savings for many years.

**(e) Staffing Implications**

There are no implications arising directly from this report and actions will be incorporated into existing resources. The development of the officer capacity to deliver the required improvements related to the transformation programme and other specific pieces of work will require to be costed as the projects are considered and initiated. However, there are recruitment challenges, especially relating to temporary appointments and this could impact on pace and progress.

**(f) Property**

None.

**(g) Equalities/Social Economic Impact**

This is covered in terms of the inspection regime itself and the Council's duty to deliver Best Value.

**(h) Climate Change and Biodiversity Impact**

There are no implications for climate change or biodiversity arising from this report.

**(i) Consultations**

CMT have been consulted in terms of development of the action plan.

**5. CONCLUSION**

- 5.1 The Council made good progress on the actions to address the recommendations of the Best Value Assurance Report in 2020 in particular in relation to the strategic decision-making and milestones the council has achieved since August 2020. It is recognised, however, that there is still a significant amount of work ahead. The very challenging economic and financial background and the need for recovery and renewal to address the social and economic harms as a consequence of Covid-19 set a challenging context in which to continue the Council's positive progress in delivering best value recommendations. It is recommended that the action plan in Appendix 1 is approved by the council to enable continued positive progress in taking the recommendations of the follow up review forward.**

Author of Report:

Roddy Burns

Background Papers:

Report to Council 15 March 2022

Letter dated 2 February 2022 from Secretary to Accounts Commission enclosing the Controller of Audits Best Value Assurance Report on Moray Council.

Letter dated 18 February 2022 from Secretary to Accounts Commission enclosing a copy of the finding of

the Accounts Commission on the Control of Audits Best Value Assurance Report on Moray Council.  
Best Value Assurance Report Detailed Plan Strategic Summary (SPMAN-1108985784-334)  
[BVAR Action Plan Report 001](#) (20.01.2021)  
[BVAR Action Plan Report 002](#) (10.03.2021)  
[Covid Related Pressures and Service Prioritisation Report](#) and [Appendix](#) (10.3.21)  
[BVAR Action Plan Report 003](#) (12.05.2021)  
[BVAR Action Plan Report 004](#) (30.06.2021)  
[BVAR Action Plan Report 005](#) (15.09.2021)  
[BVAR Action Plan Quarterly Report 006](#) (19.01.22)  
[Best Value Assurance Report Strategic Action Plan \(Appendix 1\)](#) – Moray Council on 28 October 2020

Ref:

SPMAN-1108985784-766 / SPMAN-1108985784-767



Blue text – content from 2020 plan

Black text – new content to address follow up finding

1. Strategic Outcome or Priority	Action	Planned Outcome	Outcome measures (Strategic outcome measures copied below plus any new measures – original outcome measures in 2020 plan at background link)	Completion target	Lead	Priority Rating (1 to 5)
<p><b><u>Recommendation 1</u></b></p> <p>(Carry forward topic – extended actions)</p> <p><b>Increase the pace of transformational change</b></p>	<p><i>Continue to grow governance and project maturity to support and ensure progress</i></p> <ol style="list-style-type: none"> <li>1. Finalise and implement programme governance review</li> <li>2. Develop project management assurance arrangements to support pace and approach</li> <li>3. Regular programme reporting and</li> </ol>	<p>Projects show sustained progress towards defined outcomes and the Council delivers its priority transformation projects.</p> <p>Corporate priorities are delivered.</p> <p>- <i>Focus on delivering key milestones, project objectives, risk mitigation, intervention where required</i></p> <p>- <i>Prioritisation and application of programme resources</i></p>	<p>Transformation programme with defined benefits driven by priorities and appropriately resourced to deliver.</p> <p>Projects deliver planned outcomes within timescale.</p> <p>Progress indicators: PM peer network, project checklist, toolkit, project gateway expertise)</p>	<p>1. Sept 22</p> <p>2. Oct 22</p>	DCE (ECO D)	1

Moray Council  
Best Value Assurance Follow Up Report Strategic Action Plan  
June 2022

1. Strategic Outcome or Priority	Action	Planned Outcome	Outcome measures (Strategic outcome measures copied below plus any new measures – original outcome measures in 2020 plan at background link)	Completion target	Lead	Priority Rating (1 to 5)
	<p>monitoring of IMP in place through cmt/smt</p> <p>4. Provide and promote skills development and training on project management</p> <p>5. Enhance arrangements to ensure engage key stakeholders and develop environment for progress</p>			<p>3. Sept 22</p> <p>4. Nov 22</p> <p>5. Mar 23</p>		
<p><b><u>Recommendation 2</u></b> (carry forward topic and action)</p> <p><b>Improve performance management reporting</b></p>	Implement training for councillors on effective scrutiny of performance.	Continuous improvement based on evidence.	Political leaders know the key performance messages and priorities.	Oct 22	H/HR ICT& OD	2
<p><b><u>Recommendation 3</u></b> (Carry forward topic – cyclical actions)</p>	Further develop medium-long term financial strategy:	Affordable and achievable medium-long term financial strategy.	Strategy agreed to address funding gap.			

**Moray Council**  
**Best Value Assurance Follow Up Report Strategic Action Plan**  
**June 2022**

1. Strategic Outcome or Priority	Action	Planned Outcome	Outcome measures (Strategic outcome measures copied below plus any new measures – original outcome measures in 2020 plan at background link)	Completion target	Lead	Priority Rating (1 to 5)
<b>Financial Planning</b>	<ol style="list-style-type: none"> <li>1 Agree budget process including hierarchical approach</li> <li>2 Review assumptions in light of current economic climate and SG Spending Review</li> <li>3 Review and develop financial aspects of existing Transformation projects to confirm contribution to financial strategy.</li> <li>4 Identify further contributions from other elements of budget hierarchy after Transformation: spend to save, income generation and</li> </ol>	<p>Planned use of reserves to support transformation period until sustainable position reached.</p> <p>Funding gap addressed, reliance on use of free general reserves removed and financial stability achieved.</p> <p>Budget more clearly aligned to council priorities.</p>	<p>“Real” funding gap defined based on achievable savings and transformation and reported to committee.</p> <p>Managed use of reserves annually per financial strategy.</p> <p>Structural deficit between budgeted income and expenditure removed.</p> <p>Shift in resource to reflect priorities.</p>	<ol style="list-style-type: none"> <li>1. 10.8.22</li> <li>2. Sept 22</li> <li>3. Nov 22</li> <li>4. Feb 23</li> </ol>		

Moray Council  
Best Value Assurance Follow Up Report Strategic Action Plan  
June 2022

1. Strategic Outcome or Priority	Action	Planned Outcome	Outcome measures (Strategic outcome measures copied below plus any new measures – original outcome measures in 2020 plan at background link)	Completion target	Lead	Priority Rating (1 to 5)
	<p>reducing / ceasing services</p> <p>5 Plan use of reserves to support the required transformation period leading up to sustainable position.</p>			5. Feb 23		
<p><b><u>Recommendation 5</u></b> (carry forward topic – existing and extended actions) <b>Continue to progress the Governance Review</b></p>	<p>Streamline processes including reviews of Committee structures, Schemes of Delegation and reporting to Committees.</p> <p>1. Finalise remit of Audit and Scrutiny Committee</p> <p>2. Develop shared understanding of role and nature of effective scrutiny</p> <p>3. Review of second tier governance docs</p>	<p>Business of the Council more strategic, corporate and efficiently progressed.</p>	<ul style="list-style-type: none"> <li>Business of the Council more strategic, corporate and efficiently progressed.</li> <li>Clearer focus on performance and priorities for the Council as a whole.</li> </ul>	<p>Nov 22</p> <p>Nov 22</p> <p>Dec 22</p>	<p>H/SG &amp;SP</p>	<p>4</p>



**Moray Council**  
**Best Value Assurance Follow Up Report Strategic Action Plan**  
**June 2022**

<b>1. Strategic Outcome or Priority</b>	<b>Action</b>	<b>Planned Outcome</b>	<b>Outcome measures</b> (Strategic outcome measures copied below plus any new measures – original outcome measures in 2020 plan at background link)	<b>Completion target</b>	<b>Lead</b>	<b>Priority Rating</b> (1 to 5)
<b><u>Recommendation 6</u></b> (carry forward topic and actions)  <b>Improve Educational Attainment</b>	Continue the delivery of the Education plan to improve outcomes for Moray's children and young people 2020-23.  Curriculum: Develop a wide range of flexible learner pathways  Support all learners: To develop a strategic vision of supporting learners across the wider education partnership	Improved attainment identified ACEL and LGBMF measures.	Percentage of primary pupils achieving expected CfE levels in literacy and numeracy meeting local targets.  Consistent improvement across SCQF levels achieved in senior phase per local targets.	Dec 22 (progress report) Dec 23  April 2023	H/E	2
<b>Committed and Decisive Leadership</b>  (carry forward topic – existing and extended actions)	Review and enhance local definition of leadership roles and behaviours  Work to develop and improve relationship of trust between:	The Council makes sustained progress in its improvement and transformation work.	Transformation programme with defined benefits driven by priorities and appropriately resourced to deliver.	May 2023	CEx	1

**Moray Council**  
**Best Value Assurance Follow Up Report Strategic Action Plan**  
**June 2022**

1. Strategic Outcome or Priority	Action	Planned Outcome	Outcome measures <i>(Strategic outcome measures copied below plus any new measures – original outcome measures in 2020 plan at background link)</i>	Completion target	Lead	Priority Rating (1 to 5)
	<ul style="list-style-type: none"> <li>•members</li> <li>•members and officers</li> </ul> <p>Consider enhanced investment in leadership development</p> <p>Leadership development for members to support them to fulfil their leadership responsibilities</p> <p>Review capacity and refresh ways of working of CMT &amp; SMT (inc role of Section 95 Officer) to manage staff capacity to ensure delivery of Best Value</p> <p>Develop and refine approaches to collaboration including Group Leaders and work on financial planning</p>		<p>Reduced demand for operational scrutiny evident in committee business.</p>			

Moray Council  
Best Value Assurance Follow Up Report Strategic Action Plan  
June 2022

1. Strategic Outcome or Priority	Action	Planned Outcome	Outcome measures (Strategic outcome measures copied below plus any new measures – original outcome measures in 2020 plan at background link)	Completion target	Lead	Priority Rating (1 to 5)
<b><u>Workforce and Capacity</u></b>	<p>Review and develop approaches to prioritisation across the agenda i.e. for projects and other emerging work</p> <p>Review recruitment issues and implement options to address areas of concern</p>	<p>Pace of transformation is maintained by ensuring resources are focused on high value priority work</p> <p>Improved resourcing of priority work</p>	<p>Projects delivered on schedule</p> <p>Operational performance at least maintained</p>	Mar 2023	DCE (ECO D)	2

