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**REPORT TO: MORAY COUNCIL ON 12 FEBRUARY 2020**

**SUBJECT: CAPITAL PLAN 2019/20**

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

**1. REASON FOR REPORT**

1.1 To advise the Council of the expenditure to 31 December 2019 under the capital plan for financial year 2019/20 and of the estimates of projected expenditure profiled into quarters.

1.2 This report is submitted to Council in terms of Section III (B) 5 of the Council's Administrative Scheme relating to monitoring progress of projects in the approved capital plan including any revisions to the price or phasing on a quarterly basis.

**2. RECOMMENDATION**

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

- (i) expenditure to 31 December 2019 of £36,236,000;**
- (ii) the current projected expenditure of £68,937,000 for 2019/20 profiled into quarters;**
- (iii) the projected overall expenditure for projects spanning more than one financial year, as set out in APPENDIX 2;**
- (iv) capital expenditure for Early Learning and Childcare expansion is to be funded, in part, from revenue grant funding as detailed in paragraph 5.3.4**

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

- (i) proposed budget deferrals of £653,000 arising from slippage and expenditure reprofiling from 2019/20 to 2020/21 as summarised in paragraph 5.6 of the report;**

### **3. BACKGROUND**

- 3.1 The capital plan for 2019/20 of £72,668,000 was approved by a meeting of Moray Council on 27 February 2019. Amendments approved by Council since this date have been incorporated to give a current approved capital plan for 2019/20 of £69,826,000. The current projected expenditure is £68,937,000.
- 3.2 Regular monitoring reports are provided to Policy and Resources Committee or to Council showing expenditure to date for each project and details of capital receipts received. Policy and Resources Committee on 10 May 2016 agreed to amendments to the information provided in response to the Audit Scotland report "Major Capital Investment in Councils". Accordingly this report includes a separate **APPENDIX 2**, giving details of expenditure on projects which span more than one financial year.

### **4. CAPITAL PLAN 2019/20**

- 4.1 A copy of the capital plan is attached as **APPENDIX 1**, showing actual expenditure to 31 December 2019 of £36,236,000. Capital receipts of £1,361,000 from sale of assets are identified (it is planned to use these to fund revenue expenditure on transformation of Council services) along with General Capital Grant of £17,364,000 from the Scottish Government and Specific Capital Grants of £2,800,000 relating to Early Learning and Childcare expansion and £925,000 relating to the Town Centre Fund Initiative. Developer obligations of £504,000 have been utilised for the new build schools at Linkwood Primary in Elgin and Lossiemouth High with a further £103,000 for a new footpath at Pinefield in Elgin and £8,000 for a new passing place. Additional developer obligations of £528,000 have been received in this financial year.
- 4.2 Expenditure on land and buildings to 31 December totals £28,467,000. The major items of expenditure are £12,262,000 for the new Lossiemouth High School, £4,936,000 for the new Linkwood Primary School, £2,552,000 for early learning and childcare expansion, mainly at Cullen and Pilmuir in Forres. The early learning and childcare expansion projects are funded by capital grant received from the Scottish Government. A further £2,374,000 has been spent on the Schools estate under Make Do and Mend. Expenditure of £1,680,000 has been incurred for the ongoing project to provide integrated waste facilities at Moycroft in Elgin. The new NESS Energy from Waste facility located in Aberdeen has incurred expenditure to date of £4,025,000.
- 4.3 Expenditure on infrastructure assets to 31 December totals £5,951,000. The major items of expenditure are £1,790,000 on carriageway resurfacing/reconstruction, £725,000 for street lighting including new LED lighting and £1,088,000 for Portknockie Landslip works.
- 4.4 Expenditure on vehicles, plant and equipment to 31 December totals £1,818,000. The major items of expenditure are £1,097,000 on the vehicle replacement programme and £448,000 on ICT projects.

## 5. **PROJECTED OUTTURN**

- 5.1 Budget managers have been requested to update projected estimates of expenditure on capital projects in 2019/20. Projects are graded for confidence of achieving projected expenditure with high confidence rated as green, medium confidence as amber and low confidence as red. A summary of the ratings is given in the table below.

<b>Risk status</b>	<b>RAG</b>	<b>No. of projects</b>	<b>Projected expenditure 2019/20 £000s</b>
High confidence of spend to estimate	G	89	67,631
Medium confidence spend to estimate	A	6	1,306
Low confidence of spend to estimate	R	0	0
		<u>95</u>	<u>68,937</u>

- 5.2 A summary of the projected variances at September 2019 from the current approved capital programme, as detailed in **APPENDIX 1**, is set out below:

<b>Description</b>	<b>Para ref</b>	<b>Underspend (Overspend) £000</b>
<b>Land &amp; Buildings</b>		
Schools Estate	5.3.1	240
Findrassie Primary School Elgin	5.3.2	(38)
Milnes Primary Early Learning & Childcare	5.3.3	(31)
Schools fire audits	5.3.5	(15)
Forres Academy SEN Extension	5.3.5	(45)
Car Parks - Waterproofing	5.3.6	215
Replacement Burial Grounds	5.3.7	11
Industrial Portfolio	5.3.8	(48)
<b>Infrastructure</b>		
Elgin Transport Strategy	5.4.1	(10)
Street Lighting LED lights	5.4.2	400
Remote Footbridges	5.4.3	77
Lossiemouth Seatown	5.4.4	100
<b>Plant &amp; Equipment</b>		
Moray Leisure Centre Equipment	5.5.1	(2)
Domestic & Trade Waste Bins	5.5.2	(8)
ICT Programme	5.5.3	43
<b>Total</b>		<u><u>889</u></u>

### 5.3 Land and Buildings – Children & Young Peoples Services Committee

- 5.3.1 **Schools Make Do and Mend Programme** – A budget of £3,276,000 is allocated to this programme over a variety of building works projects. Projected expenditure of £3,036,000 is anticipated resulting in an underspend of £240,000 in this financial year.
- 5.3.2 **New Primary School at Findrassie Elgin** – Preliminary fees of £38,000 relating to a new primary school at Findrassie Elgin have been incurred. Capital budget has been allocated in future years for a new primary school at Findrassie in Elgin but the details of the project have not been subject to an options appraisal, which is required before detailed approval can be sought from members. Preliminary work is required to inform the options appraisal.
- 5.3.3 **Milnes Primary School Early Learning** – The new early learning facility at Milnes Primary School is anticipated to spend £158,000 in the current financial year, including works relating to the water tanks. This project spans more than one financial year with **APPENDIX 2** identifying the total project budget of £2,500,000 and anticipated project spend of £2,521,000.
- 5.3.4 **Early Learning and Childcare (ELC) Expansion** – This programme includes 4 new build nurseries and 7 refurbishments. As reported to Children and Young Peoples Services Committee on 18 December 2019 (paragraph 13 of the draft Minute refers), due to an increase in building works and construction costs the capital budget for this expansion programme is under pressure. Other local authorities are experiencing similar budget pressures. The Scottish Government has confirmed that ELC revenue grant funding can be used to bridge the gap in capital grant funding. For Moray, this means that capital expenditure currently estimated to be in the region of £1.3 million will be funded from revenue grant. This ongoing project covers a number of financial years and officers intend to reprofile the ELC capital budget and use ELC revenue funding where necessary at the end of this financial year.
- 5.3.5 **Other Schools** – Works on the programme relating to the **Schools Fire Audits** are projected to show an overspend of £15,000 above the allocated budget of £140,000. Expenditure of £45,000 has been incurred in this financial year relating to the **Forres Academy extension**. This is settlement of an outstanding final account where the Council has been in dispute with the contractor over the warranty of the roof. This matter has now been resolved.
- 5.3.6 **Car Parks Waterproofing** - Works at the multi-storey car park in Batchen Lane have now been tendered but the majority of these works will be carried out after 31 March 2020, therefore it is recommended that Council approves the deferral of budget of £215,000 from 2019/20 to 2020/21.
- 5.3.7 **Burial Grounds** – It is anticipated that no expenditure will be incurred in this financial year for the provision of new burial grounds in Elgin. It is recommended that committee approves the deferral of budget of £11,000 from 2019/20 to 2020/21.

### 5.3.8 Industrial Portfolio

The refurbishment of industrial estates is anticipated to incur expenditure of £172,000 in this financial year, which is £48,000 above the current budget. However this project is rated as amber due to uncertainty in timing of several projects. Budget of £123,000 was deferred earlier this year from 2019/20 to 2020/21 for this project, therefore the projected spend remains within the original budget allocation. The budget allocation for 2020/21 will be adjusted for any in-year overspend in 2019/20 when the final position for 2019/20 is reported to Council in June.

## 5.4 Infrastructure

5.4.1 **Elgin Transport Strategy** – The majority of year-to-date expenditure within this budget heading relates to the construction of a new footpath at Pinefield in Elgin, fully funded by developer obligations. The projected overspend of £9,000 relates to the final instalment of professional fees incurred to refresh the traffic model data for Elgin, budgeted for in 2018/19 (Moray Council 14 February 2018 paragraph 9 of the Minute refers).

5.4.2 **Street Lighting LED lights** – The project to install new LED lighting across Moray spans a number of years, as detailed in **APPENDIX 2**, and the project is nearing completion. It is anticipated that expenditure of £700,000 will be incurred in this financial year from the 2019/20 budget allocation of £1,100,000. It is estimated that around 900 units will still be outstanding to be replaced by the end of this financial year, therefore it is recommended that committee agree to defer budget of £250,000 from 2019/20 to 2020/21 to allow completion of the project. The remaining £150,000 budget allocation in this financial year is a budget saving to the Council.

5.4.3 **Remote Footbridges** – Works to the Findochty Bridge are currently out to tender and it is very likely that these works will commence on site after 31 March 2020. Therefore it is recommended that committee approves the deferral of budget of £77,000 from 2019/20 to 2020/21.

5.4.4 **Lossiemouth Seatown Flood Management** – Design works are planned to continue in 2020/21, therefore it is recommended that committee approves the deferral of budget of £100,000 from 2019/20 to 2020/21.

## 5.5 Vehicles Plant and Equipment

5.5.1 **Moray Leisure Centre Equipment** – A small overspend of £2,000 from the budget, allocated over 2 years, of £500,000 for gym refurbishment and equipment is anticipated for the purchase of fitness equipment at Moray Leisure Centre.

5.5.2 **Domestic & Trade Waste Bins** – Expenditure of £43,000 has been incurred, representing an overspend of £8,000 from the capital budget of £35,000. However this is offset by a revenue budget allocation for waste bins of £8,000 which will not be used and which will be taken as a revenue saving in future years.

5.5.3 **ICT Programme** – Within the Schools ICT Strategy a budget saving in the region of £28,000 is anticipated as a result of a re-procurement exercise for interactive panels. The actual saving will be confirmed in the 2019/20 final outturn monitoring report to committee. Within the Servers Infrastructure budget an underspend of £15,000 is anticipated relating to Citrix licences required for the implementation of the Windows 10 project, although this may change as the project progresses.

5.6 **Proposed budget deferrals to 2020/21** – This report includes details of projects which have slipped or been deferred and therefore it is proposed to defer budget from 2019/20 to 2020/21 to reflect this fact.

A summary of the proposed budget deferrals is listed below:

	Para ref	£000s
Car Parks – Waterproofing	5.3.6	215
Burial Grounds	5.3.7	11
Street Lighting LED lights	5.4.2	250
Remote Footbridges	5.4.3	77
Lossiemouth Seatown Flood Mgt	5.4.4	100
Total		653

## 6. **RISK AND EMERGING ISSUES**

- 6.1 Budget managers have been requested to identify any specific areas of risk for the projects in the Capital Plan for which they are responsible.
- 6.2 The main risk for the vehicle replacement programme is manufacturers failing to deliver to agreed timescales.
- 6.3 Land compensation claims remain a risk for the major flood alleviation scheme at Forres.
- 6.4 Projects can be subject to risks which are outwith the direct control of the Council.
- 6.5 Poor weather conditions can impact project timescales.
- 6.6 Lack of staff resources and staff turnover can impact on project timescales.
- 6.7 Other emerging work priorities can impact on scheduled works.
- 6.8 There is a potential risk to grant funding of the new Lossiemouth High School should the project not complete on time.
- 6.9 No other project risks have been specifically identified by budget managers, however, property professionals at a national level are predicting increased tender prices. If this is seen in the local market, there is a risk to the affordability of future capital projects.

- 6.10 The recent increase in Public Works Loans Board (PWLB) interest rates also poses a risk to the affordability of future capital projects.

## **7. SUMMARY OF IMPLICATIONS**

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

Effective budget management is an essential component of delivery of Council priorities on a sustainable basis.

The capital plan is one of the vehicles through which the council's priorities can be delivered. The approved capital plan for 2019/20 and the outline ten year plan incorporates measures designed to address the Moray 2026 priorities of achievement and attainment by children and young people, adults leading safer lives and sustainable economic development.

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

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

### **(c) Financial Implications**

The financial implications are highlighted within the report and Appendices 1 and 2 to the report. A significant part of the total projected capital expenditure is profiled into quarter 4 of the financial year. This increases the general risk of projected expenditure not being achieved by 31 March 2020.

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

Budget managers are aware of their responsibilities for managing budget allocations and approval for variance will be sought from committee in line with the financial regulations. Risks specific to items within the capital plan are highlighted in paragraph 6 of the report.

### **(e) Staffing Implications**

There are no staffing implications arising directly from this report.

### **(f) Property Implications**

There are no property implications arising directly from this report.

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

There are no equalities issues arising from this report.

### **(h) Consultations**

All capital budget managers have been consulted in the development of estimated actuals as part of the preparation of this report. All Heads of Service and CMT have been consulted and any comments incorporated in the report.

## **8. CONCLUSION**

- 8.1 Capital expenditure in the first quarter of the year amounts to £36,236,000 to the end of December 2019.**

**8.2 Capital expenditure is currently projected to be £889,000 lower than the approved capital plan for 2019/20.**

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