



REPORT TO: MORAY COUNCIL ON 23 FEBRUARY 2022

SUBJECT: CAPITAL PLAN 2021/22

BY: DEPUTY CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To advise the Committee of the expenditure to 31 December 2021 under the capital plan for financial year 2021/22 and of estimates of projected expenditure profiled into quarters.
- 1.2 This report is submitted to Committee in terms of Section III (B) 5 of the Council's Administrative Scheme relating to monitoring progress of projects in the approved capital plan including any revisions to the price or phasing on a quarterly basis.

2. RECOMMENDATION

2.1 It is recommended that the Committee:

- (i) **considers and notes expenditure to 31 December 2021 of £17,925,000;**
- (ii) **notes the current projected expenditure of £42,502,000 for 2021/22 profiled into quarters, as set out in APPENDIX 1 and that this should be treated as a maximum spend, given the level of spend to date, the low level of confidence in spend to budget for much of the capital plan, and the continuing disruption caused by the omicron variant;**
- (iii) **considers and notes the projected overall expenditure for projects spanning more than one financial year, as set out in APPENDIX 2; and**
- (iv) **approves amendments to the 2021/22 and 2022/23 capital plan as detailed in section 6.1 of this report.**

3. BACKGROUND

- 3.1 The capital plan for 2021/22 totalling £37,322,000 was approved by 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), by the meeting of Economic Growth, Housing and Environmental Sustainability Committee on 24 August 2021 (paragraph 7 of the minute refers), and the meeting of Corporate Committee on 30 November 2021 (paragraph 7 of the minute refers) have been incorporated to give a current approved capital plan for 2021/22 totalling £44,361,000. The current projected expenditure is £42,651,000, but 65% of the plan is assessed as red or amber for confidence of spend to budget and this forecast should be treated as a maximum projected spend for 2021/22, particularly given ongoing disruption in the construction industry and supply of goods.
- 3.2 Policy and Resources Committee on 10 May 2016 agreed to amendments to the information provided in response to the Audit Scotland report "Major Capital Investment in Councils" (paragraph 7 of the Minute refers). Accordingly this report includes a separate **APPENDIX 2**, giving details of expenditure on projects which span more than one financial year.

4. CAPITAL PLAN 2021/22

- 4.1 A copy of the summary capital plan is included as **APPENDIX 1** showing actual expenditure to 31 December of £17,925,000. This is just over 40.4% of the currently approved Capital Plan. General Capital Grant of £5,990,000 has been received from the Scottish Government, along with the following specific grants:

Specific Grant	Amount Received £000
Place Based Investment	770
Local Bridge Maintenance Fund	972
Nature Restoration Fund	101
100 Days Play Parks	92
CO ₂ Monitors in Schools	122
TOTAL	2,057

Scottish Government funding of £31,000 has also been received towards work of the Digital Health project of the Moray Growth Deal and £52,000 towards the Lossiemouth Bridge replacement. Other grants and contributions of £104,000 have been received, consisting of a grant from Horizon Scotland for part of the cost of design work for a Moray Growth Deal project and the use of Developers Obligations to fund the purchase of leisure equipment. In addition to this, Developer Obligations yet to be used totalling £880,000 have been received to the end of quarter 2 of this financial year and capital receipts of £1,127,000 for the sale of assets. Capital receipts would normally be used as funding for the Capital Plan but the Council is taking advantage of the time-limited concession given by Scottish Government to use capital receipts to

fund transformation of services where this results in financial savings and consequently this sum is not included in the summary at **APPENDIX 1**.

- 4.2 Expenditure on land and buildings to 31 December 2021 totals £12,268,000. The main item of expenditure is £4,597,000 for the Council's contribution to the construction of the NESS Energy for Waste plant. Other items of expenditure include £3,584,000 on works to bring the school estate to BB standard, and £1,475,000 on the expansion of Early Learning and Childcare, mainly at Keith.
- 4.3 Expenditure on infrastructure assets to 31 December 2021 totals £4,679,000. The main item of expenditure was £2,286,000 on roads resurfacing works throughout the council area. Other items of expenditure include £702,000 on various Bridge works and £405,000 for work on the pontoons at Findochty Harbour.
- 4.4 Expenditure on vehicles, plant and equipment to 31 December 2021 totals £978,000. The main items of expenditure were £380,000 on the Vehicle & Plant Replacement Programme and £242,000 on ICT Capital Projects.

5. PROJECTED OUTTURN AND PROJECT DEFERRALS

- 5.1 Budget managers have been requested to update projected estimates of expenditure on capital projects in 2021/22. Projects are graded for confidence of achieving projected expenditure with high confidence rated as green, medium confidence as amber and low confidence as red. A summary of the ratings is given in the table below.

Risk Status	RAG	No of Projects	Projected Expenditure 2021/22 £000
High confidence of spend to estimate	G	89	22,343
Medium confidence of spend to estimate	A	23	3,493
Low confidence of spend to estimate	R	9	16,666
		121	42,502

- 5.2 The spend projections provided by budget managers are based on the best information available at this time. Some projects are projecting to be fully spent, resulting in apparently unfeasibly high levels of predicted spend in quarter 4 of the current financial year. However there are various unknowns which may impact on this, particularly those surrounding the impact that the situation in the wider construction industry and in supply chains will have and this is reflected in the value of projected expenditure in amber and red and winter weather conditions may impact on the ability to carry out works, particularly road works and works in harbours, with a high level of spend currently forecast for quarter 4.

5.3 Red rating

A red status highlights areas where there is low level of confidence in estimated expenditure. The following have been identified by budget managers as having a red status:

Project	Capital Plan 2021/22 £000s	Projected Expenditure 2021/22 £000s	Projected Variance 2021/22 £000s
Land and Buildings			
Early Learning Childcare Expansion	1,555	2,646	(1,091)
Industrial Portfolio – Condition Surveys	40	-	40
Industrial Portfolio – Serviced Sites Elgin	24	-	24
NESS	10,784	10,784	-
Infrastructure			
Road Safety Provision	247	25	222
Kerb Edge Replacement	50	-	50
Bridges – A941/50 Dykeside	160	160	-
Vehicles, Plant and Equipment			
Vehicle and Plant Replacement Programme	4,045	3,045	1,000
Traffic Signal Replacement	36	6	30
TOTAL	16,941	16,666	275

- 5.4 Capital spend to enable the expansion of Early Learning and Childcare is almost complete. However final costs for works in Keith are yet to be established – additional costs were incurred because of ground conditions on site which became apparent after works had commenced. The final remaining project, which is yet to commence, is refurbishment of nursery accommodation in Aberlour Primary School. Work to install temporary units has been delayed due to health and safety plans for the installation, and refurbishment works have been delayed due to the state of the construction market. Work to undertake condition surveys on the Industrial Portfolio is experiencing delays due to staff shortages and there have been delays on work on serviced sites in Elgin due to delays in progressing with upfilling works on site.
- 5.5 Given the relationship between active travel and road safety, there is a degree of cross-over in terms of scope and funding eligibility between the Road Safety and Cycling, Walking, Safer Streets (CWSS) budgets. Therefore, given the ring-fenced nature of CWSS, these projects are being prioritised to maximise utilisation of the CWSS funding. A programme of kerb edge replacement works has been unable to be developed due to increased focus on other areas of the capital plan and staff shortages within the Service. Work on the bridge at A941/50 Dykeside had been delayed due to costs being higher than the budget available but, as reported to the Meeting of Corporate Committee on 30 November (paragraph 7 of the minute refers) funding has

been received from the Scottish Government through the Local Bridge Maintenance Fund and work is in the process of being re-tendered.

- 5.6 The lead time for purchase of vehicles is very long due to issues with the supply of small components to complete vehicles. There is therefore a high degree of uncertainty as to when vehicles will be delivered and hence costs incurred. Orders to the value of £3 million with potential for delivery in 2021/22 have been placed so the forecast £1 million underspend is the minimum underspend for the year. Due to staff focus being on other capital projects work is not progressing on the replacement of traffic signals.
- 5.7 The covid pandemic and issues within the supply chain for infrastructure projects have had an impact upon the timescales for NESS. There continues to be a high degree of uncertainty around expected level of spend this financial year and there may be a need for carry-over into 2022/23, however, for the current time it is felt prudent to leave spend on budget but classify as Red.
- 5.8 **Amber rating**
An amber rating of confidence to spend budget highlights areas where there are issues impacting on the ability to project spend, generally indicating factors outwith the budget manager's control. The Covid-19 pandemic restrictions on contractors working practices have resulted in an increase in costs of construction. The impact of Brexit and other market forces has also been to increase the cost of material and equipment and we are experiencing procurement delays due to poor responses to tenders and delays in the supply of materials. Other factors creating uncertainties are noted below, mainly staff capacity, response to safety issues and service requirements.
The following have been identified by budget managers as having an amber status:

Budget heading	Capital Plan 2021/22 £000s	Projected Expenditure 2021/22 £000s	Projected Variance 2021/22 £000s
Land & Buildings			
School BB Works (3 projects only)	694	32	662
Findrassie Primary School	198	198	-
Glassgreen Primary School	40	40	-
Industrial Portfolio – Refurbishment Industrial Units	151	54	97
Cemetery Provision in Moray	80	20	60
Parks & Open Space Infrastructure	100	83	17
Infrastructure			
Road Safety – Disability Adaptations	35	35	-
Cycling, Walking, Safer Streets (CWSS)	421	421	-
Road Improvements – Drainage Works	460	230	230
Footways	300	149	151

Budget heading	Capital Plan 2021/22 £000s	Projected Expenditure 2021/22 £000s	Projected Variance 2021/22 £000s
A95 Meikle Cantly Landslip	15	1	14
Street Lighting – LED Replacement	257	144	113
Street Lighting – Replacement Columns and Lights	550	340	210
U118E/10 Shougle Bridge	240	108	132
U142/5 Nether Tomdow, U142/5 Willowbank, U142/5 Culach Burn	320	115	205
Wards Road Junction Improvements	250	101	149
Vehicles, Plant & Equipment			
Orchard Road Signals	28	28	-
Chemical Waste Disposal Points	170	170	-
Children's Play Areas	135	12	123
ICT Capital Programme	1,212	1,212	-
TOTAL	5,616	3,493	2,014

- 5.9 The majority of the Schools BB work programme is phased work begun under the previous Make Do and Mend criteria which has now been replaced by capital investment to manage our asset , to address elements of schools in Condition D that have the possibility of failing. Three of the seventeen projects under this heading are rated as amber. There were issues with tenders received for the replacement roofing at Milnes High School which delayed the start of the project and assessment of heat source options has delayed works at Burghead Primary School. Planned spend on Findrassie Primary School in 2021/22 is for consultation on the design brief and initial design work. There is a degree of uncertainty as to how far this will be completed within the financial year due to delays in the recruitment to key posts and the time required to arrange the consultation process. The timing of spend on cemeteries was varied from that originally planned due to negotiations on the acquisition of land being started earlier than originally planned and budget was brought forward however these discussions are currently still ongoing so costs are not known at the current time. As reported to Economic Growth, Housing and Environmental Sustainability Committee on 24 August 2021 it is now planned to defer all but essential work on lands and parks to meet health and safety requirements. The budget was adjusted to reflect the estimate of necessary works at that stage but some urgent health and safety works have now been identified as detailed in paragraph 5.19 of this report. There is no guarantee that further urgent works will not be required.
- 5.10 As reported to a meeting of Corporate Committee on 30 November (paragraph 7 of the minute refers) there is a degree of cross-over in terms of scope and funding eligibility between the Road Safety and Cycling, Walking, Safer Streets (CWSS) budgets. Therefore, given the ring-fenced nature of CWSS, projects are being carefully considered to maximise utilisation of the CWSS funding. Drainage works are planned to be carried out after the majority of roads capital spend has taken place and are therefore vulnerable to an early onset of cold weather, as the teams would then be reallocated to

gritting. Street lighting column replacement has been classed as amber because of the capacity of staff to undertake work on both Street Lighting projects. The tendering process for Shougle Bridge was delayed due to negotiations with landowners and is rated amber because of this delay.

- 5.11 Works at Orchard Road traffic signals are to be undertaken along with work to resolve drainage issues at the site. Initial work has commenced on this project, materials have been ordered and it is scheduled to begin in the current financial year, subject to lead in times for the supply of materials and the severity of the winter, with a planned completion date of summer 2022. There were minor delays to Phase 1 of the installation of chemical waste disposal points but phase 2 has been progressing well. The status of this project has been kept at amber due to issues regarding signage design which are still to be resolved. Play area upgrade design is being carried out in conjunction with local communities using Participatory Budgeting (PB) and delays in the lead-in times for the delivery of equipment means the level of spend is uncertain at this time and will be updated following the procurement exercise when more information will be available. Work under the schools ICT strategy commenced slightly later in the year than in previous years as the budget is a carry forward from previous years and consequently not approved until 30 June 2021. Telephony requirements are changing due to staff working from home and the revised requirements are unlikely to be established until staff return to office working. All ICT Programme spend has been highlighted as Amber, with committed spends across all areas and a focus on completion within this financial year.
- 5.12 A summary of the projected variances as at 31 December 2021 from the current approved capital programme, summarised in **APPENDIX 1**, is set out below:

Description	Ref	Underspend/ (Overspend) £000s
Land and Buildings		
Schools BB Works	5.13	2
Lossiemouth High School	5.14	(199)
Linkwood Primary School	5.15	(10)
Early Learning Childcare Expansion	5.16	(1,091)
Libraries & Leisure All Public Facilities	5.17	10
Economic Recovery – Town Centres	5.18	200
Moycroft	5.19	(130)
Industrial Portfolio Condition Surveys	5.20	40
Industrial Portfolio – Refurbishment Industrial Units	5.21	97
Industrial Portfolio – Serviced Sites Elgin	5.22	24
Cemetery Provision in Moray	5.23	60
Cemetery Infrastructure	5.24	13
Parks and Open Spaces Infrastructure	5.25	17
Infrastructure		
Road Safety Works	5.26	222
Drainage and Other Works	5.27	230
Footways	5.28	151
Kerb Edge Replacement	5.29	50

Description	Ref	Underspend/ (Overspend) £000s
A95 Meikle Cantlay Landslip	5.30	14
Street Lighting Projects	5.31	323
C2E/40 Foths Burn Bridge	5.32	63
Cappies Bridge	5.33	43
U118E/10 Shougle Bridge	5.34	132
Knockando Bridges	5.35	205
Findochty Pontoons	5.36	106
Findhorn Flood Alleviation	5.37	(19)
Wards Road Junction Improvements	5.38	149
Vehicles, Plant & Equipment		
Moray Leisure Centre Combined Heat and Plant	5.38	(3)
Vehicle and Plant Replacement Programme	5.39	1,000
Facilities Management Equipment	5.40	7
Traffic Signal Replacement	5.41	30
Children's Play Areas	5.42	123
TOTAL		1,860

Land and Buildings

- 5.13 **School BB Works** – The works on the external insulated render at Hythehill Primary School are projected to be overspent by £323,000 due to unforeseen work including the condition of the light fittings and fixings which when removed could not be reattached to the new wall surface. Other issues included: the re-measurement of two of the elevations requiring additional insulation material to be added to the contract value. Works to replace the heating system at Burghead Primary School, are forecast to be underspent in 2021/22 by £411,000. Discussions with a local distillery which was actively offering the Council use of surplus heat were held to establish if waste heat from the facility could be used at the school. Those discussions were concluded in October 2021 and use of waste heat is not an option as there is a discrepancy between the temperature from the distillery being lower than the current output going to the radiators which would require the radiators to be increased in size in order to maintain the correct heat output and an alternative is yet to be determined. The programme of works remains condition D elements which if they failed would close the school, therefore, work programmes are having to be generated on a reactive basis based on the information from the maintenance team. There are other smaller projected variances on other projects under this heading which results in an overall projected underspend of £2,000.
- 5.14 **Lossiemouth High School** - As previously reported to Economic Growth, Housing and Environmental Sustainability Committee on 24 August 2021 (paragraph 7 of the minute refers), the projected underspend is a result of timing differences. During 2020/21, budget was carried forward to 2021/22 based on the planned programme of works at that point. However, works were able to progress quicker than anticipated which created an overspend in 2020/21 and a projected underspend in 2021/22. These two variances cancel each other out. The projected overspend has been updated to include the

payment of the Phase 1 retention monies. These are due to be paid after all identifiable defects have been rectified but there are some unknowns around the exact timings of this. Under the terms of the contract, the contractor was entitled to recover reasonable costs due to the delays experienced following Covid-19 government restrictions. Negotiations on these additional costs have concluded between the Council and hub North Scotland. The Scottish Government have been contacted to request assistance with the additional costs with full evidence of costs claimed being provided to assist their determination. The outcome of this will be reported when Scottish Government have responded. At present no response has been received.

- 5.15 **Linkwood Primary School** – The projected overspend is due to change requests and soft landscaping works that were carried out after the last valuation payment of the project.
- 5.16 **Early Learning Childcare Expansion** – Most projects have been completed but there remains uncertainty over the cost of works in Keith, where additional work above that originally anticipated was incurred due to the condition of drainage (which was not apparent until work had commenced) and work related to roads access. Final costs are being calculated. The current estimated overspend of £1,091,000 will be partially offset by additional grant funding of £670,000 transferred from revenue grant. The cost of refurbishment of the nursery accommodation at Aberlour Primary School has been revised and given the current issues for the construction industry has been delayed until the market settles down.
- 5.17 **Libraries & Leisure All Public Facilities** – The plans for this budget was to upgrade the Wi-Fi network in libraries. However this has been delayed due to global shortages of materials required for the work. It is therefore requested that the budget of £10,000 be carried forward to 2022/23 to allow the work to be undertaken.
- 5.18 **Economic Recovery: Town Centres** – As part of the Council's Economic Recovery Plan, which was approved at a meeting of Moray Council on 28 October 2020 (paragraph 10 of the minute refers) an allocation was included within the Capital Plan to improve and adapt town centres. However, there have been delays in developing Town Centre Improvement Plans as a result of the Covid-19 pandemic. It is therefore requested to carry forward the budget of £200,000 to 2022/23 to allow this work to progress.
- 5.19 **Moycroft** –The estimate of spend is based on the best information available at the current time. Scottish Water and Covid disruption costs are still to be confirmed, and a final invoice from the contractor has yet to be received, all of which could vary the estimates up or down. . Work on the cycle path has been delayed due to issues in the wider construction industry and due to difficulties in getting firms to tender for work. An alternative approach is now being pursued which will avoid access of refuse vehicles crossing the cycle path by creating an alternative access/egress point into the refuse vehicle parking area.
- 5.20 **Industrial Portfolio Condition Surveys** – Work to progress condition surveys of the Industrial Portfolio has been delayed due to staff shortages.

This work will still be required to inform future investment requirements so it is requested that the budget of £40,000 is carried forward to 2022/23 in order for this to be progressed.

- 5.21 **Industrial Portfolio – Refurbishment Industrial Units** – The project to refurbish industrial units has been delayed due to work pressures within the service and also due to difficulties in securing contractors to carry out the required work. It is requested that the projected underspend of £97,000 be carried forward to allow the work to be completed.
- 5.22 **Industrial Portfolio Serviced Sites Elgin** – A prospective tenant was due to carry out this work but has withdrawn from the lease of the site. Arrangements are now being made for the Council to undertake the work and it is requested that the budget of £24,000 be carried forward to enable this to be done.
- 5.23 **Cemetery Provision in Moray** – There have been delays in progressing this project due to negotiations regarding the acquisition of land. Anticipated costs in this financial year relate to professional fees and it is requested that the projected underspend of £60,000 be carried forward to next year to enable the land purchase to take place and for the project to be progressed.
- 5.24 **Cemetery Infrastructure** – The budget of £100,000 against this heading was originally projected to be fully spent. However, the Council has received funding from the Scottish Government from the Nature Restoration Fund – the works to create a ‘rain garden’ at Clovenside Cemetery meet the criteria of this funding and it will therefore be utilised to fund this project, creating an underspend of £13,000 on this heading.
- 5.25 **Parks and Open Spaces Infrastructure** – The current work programme on this budget heading is dealing with priority and health and safety works only. At the moment it is projected that there will be an underspend of £13,000 but the timeline and costs of path works at Lossiemouth Harbour are currently not known, which may increase the costs and therefore reduce the underspend.

Infrastructure

- 5.26 **Road Safety Works** – Where possible, road safety projects under the Road Safety heading have been put on hold to enable focus on spending CWSS funding. At this stage it is projected that this will underspend by £222,000.
- 5.27 **Drainage and Other Works** – Due to staff shortages within the Service, and an increased capital allocation for Roads Surfacing projects, it is currently anticipated that this heading will underspend by £230,000 in the current financial year. No carry forward is requested.
- 5.28 **Footways** – This heading is projected to underspend by £151,000 in the current financial year due to work being unable to be progressed due to staff shortages within the Service. No carry forward is requested.
- 5.29 **Kerb Edge Replacement** – A programme of works has been unable to be developed for this heading due to staff shortages and difficulties in recruiting

and a focus on the increased capital allocation for Roads Surfacing projects, creating a predicted underspend of £50,000. No carry forward is requested.

- 5.30 **A95 Meikle Cantlay Landslip** – This project has been delayed as a result of delays in awarding the contract as the original costs were significantly higher than anticipated. A value engineering exercise is currently being carried out to reduce the specification, with the expectation that works can be contained within budget. Minimal expenditure is expected in 2021/22 and any underspend requires to be carried forward into 2022/23.
- 5.31 **Street Lighting** – It is currently predicted that both the projects under the Street Lighting heading (column replacements and LED lighting) are going to be underspent by £323,000 in the current financial year. This is due to difficulties in procuring materials required and staff shortages meaning that not all planned works will be completed. It is requested that the projected underspend of £113,000 on LED Lighting be carried forward to 2022/23 to enable the project to be completed.
- 5.32 **Bridges C2E/40 Foths Burn Bridge** – Savings were made during this project, which is now complete. This has meant that not all the budget was required and there is an underspend of £63,000 projected by the end of the financial year.
- 5.33 **Bridges Cappies Bridge** – The budget for this project, which was for weight restrictions, was developed prior to the detailed design being carried out and had assumed the installation of additional features such as traffic lights and over-head gantries would be required. However the costs for this project were considerably less than anticipated as only new signage was required. This has resulted in an underspend of £43,000.
- 5.34 **U118E/10 Shougle Bridge** – Land owner negotiations delayed the start of the tender process for this project and it is requested that the projected underspend of £132,000 be carried forward to 2022/23 to allow completion of the project.
- 5.35 **Knockando Bridges** – Complex access arrangements delayed the start of the tendering process for this project. These have now been resolved and work will start on site in February 2022. The delays mean that it is unlikely that the work will be complete by 31st March 2022 so it is therefore requested to carry forward the projected underspend of £205,000 to 2022/23 to allow it to be completed.
- 5.36 **Findochty Pontoons** – Savings were made during this project, the main works of which are complete, apart from some minor works which are outside the scope of the contract. This has meant that not all the budget was required and there is an underspend of £106,000 projected by the end of the financial year.
- 5.37 **Findhorn Flood Alleviation** - Expenditure of £184,000 has been incurred on outstanding land compensation claims against a budget of £165,000 to the end of quarter 2. The balance of the budget for compensation claims is held in

future years and it is recommended that budget of £19,000 is brought forward to cover the overspend in 2021/22.

- 5.38 **Wards Road Junction Improvements** – This project has been delayed and now will not start on site until February 2022. It is therefore requested that the current projected underspend of £149,000 be carried forward to 2022/23 so that the work can be completed. The project is being funded by time limited funding in the form of Developer Obligations – it is not expected that the full amount of the funding will be spent, and any amount unspent at the end of the project will be returned to the Developer.

Vehicles, Plant and Equipment

- 5.38 **Moray Leisure Centre Combined Heat and Plant** – The costs incurred are for the final part of this project to connect the new heating system to the Building Maintenance System (BMS).
- 5.39 **Vehicle and Plant Replacement Programme** – During the pandemic the production of semiconductors moved towards laptops, tablets and smart phones due to the demand for homeworking. The automotive industry were still being supplied with semiconductors but supply was already under pressure when one factory was hit by a flood and the other by fire, so worldwide supply effectively stopped. Orders totalling £3m have been placed for vehicles but it is not known when they will be delivered. It is therefore requested that the minimum projected underspend of £1,000,000 be carried forward to 2022/23.
- 5.40 **Facilities Management Equipment** – This year has seen minimal purchase of large equipment due to the Covid-19 pandemic, resulting in a predicted underspend of £7,000. It is recommended to reduce the budget in the current financial year by this projected underspend.
- 5.41 **Traffic Signal Replacement** – Staff workload within the Service has been focussed on delivery of new works this year resulting in a projected underspend of £30,000 on this heading. It is unlikely that there will be capacity within the service to increase projected spend by £30,000 in 2022/23 so it is recommended that the 2021/22 budget is reduced by the projected underspend.
- 5.42 **Children's Play Areas** – Delivery of play area improvement projects have been delayed due to supplier lead in times and the time required to allow for effective participatory budgeting and community engagement. Four play areas are currently being project managed and spend committed but will not be completed until April due to supply lead times. It is therefore requested that the current projected underspend of £123,000 be carried forward to 2022/23 to cover for this. Funding of £92,000 has been notified by the Scottish Government to fund playground replacements as announced in the Programme for Government and this will reduce the Council's borrowing requirement for spend on playground replacement in 2022/23, as the lead-in time following the funding announcement was insufficient to deliver further replacements in this financial year. However, current estimated spend is only £12,000 so only a portion of the grant will be used. It is unclear at this

juncture whether the unspent portion of grant will be refunded or whether it can be carried forward to 2022/23 and this will be confirmed with Scottish Government. Scottish Government is expected to announce funding for play area upgrades across the lifetime of the current government and it is unclear as yet what expectations/conditions and reporting requirements will accompany that funding.

6. AMENDMENTS TO CAPITAL PLAN

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

Amendments	Para	2021/22 £000s	2022/23 £000s	2023/24 £000s
Land & Buildings				
Libraries & Leisure All Public Facilities	5.17	(10)	10	-
Economic Recovery Town Centres	5.18	(200)	200	-
Industrial Portfolio Condition Surveys	5.20	(40)	40	-
Industrial Portfolio – Refurbishment Industrial Units	5.21	(97)	97	-
Industrial Portfolio – Serviced Sites Elgin	5.22	(24)	24	-
Cemetery Provision in Moray	5.23	(60)	60	-
Infrastructure				
A95 Meikle Cantly Landslip	5.30	(14)	14	-
Street Lighting (LED Lights)	5.31	(113)	113	-
U118E/10 Shougle Bridge	5.34	(132)	132	-
Knockando Bridges	5.35	(205)	205	-
Findhorn Flood Alleviation	5.37	19	-	(19)
Wards Road Junction Improvements	5.38	(149)	149	-
A941/90 Blackwater Bridge	6.2	10	290	-
U82H/10 Aldunie Bridge	6.3	-	160	-
U117H/10 – Bridge of Slateford	6.4	10	110	(120)
A941 New Criagellachie Bridge	6.5	15	(15)	
Vehicles, Plant and Equipment				
Vehicle & Plant Replacement Programme	5.36	(1,000)	1,000	-
Children's Play Areas	9	(123)	123	-
Facilities Management Equipment	5.40	(7)	-	-
Traffic Signal Replacement	5.41	(30)	-	-
CO ₂ Monitors in Schools	6.6	122	-	-
Funding				
CO ₂ Monitors in Schools	6.6	(122)		
TOTAL		(2,160)	2,712	(139)

- 6.2 **A941/90 Blackwater Bridge** – As part of the review into the Bridges Capital plan, design work on this project was originally planned to take place in 2026/27, with construction in 2027/28. However, a bid was submitted to the Scottish Government Local Bridge Maintenance Fund and funding for this

project was successful. It is therefore requested to bring forward the budget of £300,000 to 2021/22 and 2022/23 to use the available funding.

- 6.3 **U82H/10 Aldunie Bridge** – As part of the review into the Bridges Capital plan, design work on this project was originally planned to take place in 2024/25, with construction in 2025/26. However a bid was submitted to the Scottish Government Local Bridge Maintenance Fund and funding for this project was successful. It is therefore requested to bring forward the budget of £160,000 to 2022/23 to use the available funding.
- 6.4 **U117H/10 – Bridge of Slateford** – As part of the review into the Bridges Capital plan, design work on this project was originally planned to take place in 2022/23, with construction in 2023/24. However, a bid was submitted to the Scottish Government Local Bridge Maintenance Fund and funding for this project was successful. It is therefore requested to bring forward the budget of £120,000 to the current financial year and next to use the available funding.
- 6.5 **A941 New Criagellachie Bridge** – The second phase of this project is planned for 2022/23. To allow for earlier delivery of this project it is requested to bring forward £15,000 from 2022/23 to allow investigation and design work to be completed. This is just a difference in profiling and the budget will remain the same at £3,789,000.
- 6.6 **CO₂ Monitors in Schools** – The Scottish Government has provided funding to ensure that all schools and day care of children settings have access to CO₂ monitoring. The Council has received £8,000 for monitors for private and third sector day care of children services and £114,000 for monitors for Council settings. Orders have been placed and it is anticipated that the funding will be spent in 2021/22.

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 A new risk to the capital programme is the commencement of the Moray Growth Deal. This is a significant programme of investment, with some projects controlled by the Council and others by partners, and given the planned flow of government grant funding the Council will be funding in advance of grant receipts in the early years of the programme and bearing the risk that significant delays in spend could result in grant payments being reprofiled to the end of the programme. The Council has mitigated against this risk by modelling a delay factor based on Treasury guidance for major projects (the Green Book) into the agreed grant payment profile.
- 7.3 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. The construction industry is also over-heated and some recent procurement exercises have stalled. The Strategic Territory Partnering Board are also monitoring market volatility.

- 7.4 The NESS Energy for Waste project is at risk of delay due to Covid however it is not anticipated that this will impact on the current revenue and capital budget provision.
- 7.5 The Council is still seeking to establish whether the Scottish Government will contribute to the additional costs due to Covid-19 in respect of both the Lossiemouth High School and Linkwood Primary School new build projects. Should the Council have to bear either all or a proportion of these costs, it would be necessary to consider the options available to meet and these would depend on the funding gap the Council had to address. The Scottish Government have acknowledged receipt of our documentation and have confirmed they are currently reviewing the claim.
- 7.6 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.
- 7.7 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.
- 7.8 Projects can be subject to risks which are outwith the direct control of the Council, such as poor weather conditions.
- 7.9 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.
- 7.10 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.
- 7.11 Looking to the future although there is a need to invest significantly in our infrastructure to underpin the Council's priorities of Our People, Our Place, Our Future the Council's forecast financial situation is such that significant savings will be needed and realistically capital expenditure cannot be ignored when seeking to curtail costs. There will therefore be a difficult balancing act between investment needs and savings. The capital plan will be reviewed in early course with a view to a savings target for 2022/23.
- 7.12 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 LOIP priorities of building a better future for our children and young people, empowering and connecting communities and developing a diverse, inclusive and sustainable economy.

(b) Policy and Legal

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

(c) Financial implications

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

(d) Risk Implications

Budget managers are aware of their responsibilities for managing budget allocations and approval for variance will be sought from Council in line with the financial regulations. Risks specific to items within the capital plan are highlighted in paragraph 7 of this report.

(e) Staffing Implications

There are no staffing implications arising directly from this report.

(f) Property

There are no property implications arising directly from this report.

(g) Equalities/Socio Economic Impact

There are no equalities issues arising from this report.

(h) Climate Change and Biodiversity Impacts

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

(i) Consultations

All capital budget managers have been consulted in the development of estimated actuals as part of the preparation of this report. Members of the Asset Management Working Group, all Heads of Service and the Corporate Management Team have been consulted and any comments incorporated in the report.

9. CONCLUSION

9.1 Capital expenditure in the third quarter of the year amounts to £17,925,000 to the end of December 2021.

- 9.2 Capital expenditure is currently projected to be £1,860,000 lower than the approved capital plan for 2021/22 but with a high degree of uncertainty due to current construction market volatility and other external factors.**
- 9.3 Amendments to the Capital Plan amounting to a decrease of £2,160,000 (after taking into account additional funding) in 2021/22, an increase of £2,712,000 in 2022/23 and a decrease of £139,000 in 2023/24 are recommended.**

Author of Report: Laurie Milne, Senior Accountant

Background Papers:

Ref: LM/LJC