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Council Building
2 High Street
Perth
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24 September 2020

A special meeting of **Perth and Kinross Council** will be held virtually on **Wednesday, 30 September 2020** at **09:30**.

If you have any queries please contact Committee Services on (01738) 475000 or email Committee@pkc.gov.uk.

KAREN REID
Chief Executive

Those attending the meeting are requested to ensure that all electronic equipment is in silent mode.

Please note that the meeting will be recorded and will be publicly available on the Council's website following the meeting.

Members:

Provost D Melloy
All Councillors

Perth and Kinross Council

Wednesday, 30 September 2020

AGENDA

MEMBERS ARE REMINDED OF THEIR OBLIGATION TO DECLARE ANY FINANCIAL OR NON-FINANCIAL INTEREST WHICH THEY MAY HAVE IN ANY ITEM ON THIS AGENDA IN ACCORDANCE WITH THE COUNCILLORS' CODE OF CONDUCT.

- 1 WELCOME AND APOLOGIES**
- 2 DECLARATIONS OF INTEREST**
- 3 MEDIUM TERM FINANCIAL PLAN 2021-2027** **5 - 42**
Report by Head of Finance (copy herewith 20/174)
- 4 REVENUE BUDGET 2020/21 - UPDATE** **43 - 72**
Report by Head of Finance (copy herewith 20/173)
- 5 INVESTMENT BLUEPRINT AND CAPITAL BUDGET 2020/21 - 73 - 164**
2028/29 UPDATE
Report by Chief Executive and Head of Finance (copy herewith 20/175)

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PERTH & KINROSS COUNCIL

30 September 2020

MEDIUM TERM FINANCIAL PLAN 2021 - 2027

Report by Head of Finance (Report No. 20/174)

PURPOSE OF REPORT

This report updates the Medium-Term Financial Plan (MTFP) approved by Council on 3 October 2018 (Report No. 18/326 refers). The report summarises the implications of the latest projections on future Council General Fund Revenue Budgets over the medium term, provides an update on the Council's Capital Budget, Housing Revenue Account, Reserves position and other Funds and provides an update on how the Council will develop the Revenue and Capital Budget over the short to medium term.

1. BACKGROUND

- 1.1. In December 2019, the Council approved an update report on the implementation of the Perth and Kinross Offer (Report No. 19/361 refers). The Offer established a new direction for the Council, designed to transform the way it works with its communities, citizens, partners, businesses, employees and other stakeholders, to ensure that public services can be co-created and delivered sustainably to achieve better outcomes for the people of Perth and Kinross.
- 1.2. The report acknowledged that this transformation would require a change in the traditional relationship between public services, citizens, businesses, investors and visitors. It also outlined the need to move away from the relationship of provider and consumer to work collaboratively, agreeing joint priorities and designing the future we want together. The report also highlighted the requirement to align budgets with our ambitions, using our resources to maximum impact and ensuring communities have services where and when they need them. It is a radical approach and one, it was agreed, required the commitment, enthusiasm and a "think yes" approach from everyone.
- 1.3. Within the context of the Offer this report sets out forecasts of the Council's anticipated cost pressures and changes to funding over the medium term. It also outlines the resultant implications for financial planning during a period when it is widely expected that there will continue to be significant constraints upon public sector expenditure, high levels of uncertainty and increasing demand for Council Services.
- 1.4. The report will also consider the potential financial implications of the Covid-19 pandemic on the Council over the short, medium and longer term.

- 1.5. The Medium-Term Financial Plan (MTFP) is intended to outline the broad “direction of travel” for the Council’s financial management with further detail and options for managing the various challenges being developed as part of the Revenue and Capital Budget process.
- 1.6. For the purposes of this update, the medium term is broadly defined as the six years to financial year 2027/28.
- 1.7. The Council has approved the following key elements of its financial strategy:

	<u>Report Reference</u>
Medium Term Financial Plan 2019 – 2024	18/326
Housing Revenue Account Strategic Financial Plan	20/29
Revenue Budget 2020/21, 2021/22 & 2022/23	20/57
Composite Capital Budget 2020 – 2029	20/58
Reserves Strategy	20/59
Unaudited Annual Accounts 2019/20	20/162

- 1.8. In addition, the Treasury & Investment Strategy report will be submitted to Council on 7 October 2020.
- 1.9. The Council’s draft Audited 2019/20 Annual Accounts and the draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the Year Ended 31 March 2020 were considered by the Audit Committee on 16 September 2020 (Report No. 20/162 refers). Shortly thereafter, the Council’s external auditors, KPMG issued their unqualified audit certificate and final audit report. KPMG state that “the approach to financial management, including budget setting and monitoring is appropriate with clear supporting governance arrangements. The Council demonstrates good practice, in a local authority context, through regular financial reporting”.
- 1.10. The Perth and Kinross Best Value Assurance Report 2019 was considered by Council on 25 September 2019 (Report No. 19/274 refers). The Best Value report confirmed that “the Council has robust financial planning and management arrangements, including effective monitoring and reporting and medium-term financial planning”. It also confirmed that “the financial outlook is challenging, but the Council is well placed to address projected funding gaps through its transformation programme and savings identified as part of the medium-term financial plan”.
- 1.11. The MTFP seeks to provide a range of scenarios for key variables that are used in long-term budgeting and financial planning. There is no one definitive source for such data and the projections have been taken from a range of sources, including Government Expenditure and Revenue Scotland (GERS), Office for Budget Responsibility (OBR) and the Bank of England.
- 1.12. There continues to be significant uncertainty around the full impact of the United Kingdom’s departure from the European Union and the full impact of the Covid-19 pandemic is still to emerge. The wider implications of both

events on the Council are still evolving, particularly in relation to the economy, communities and the resultant impact on public sector funding.

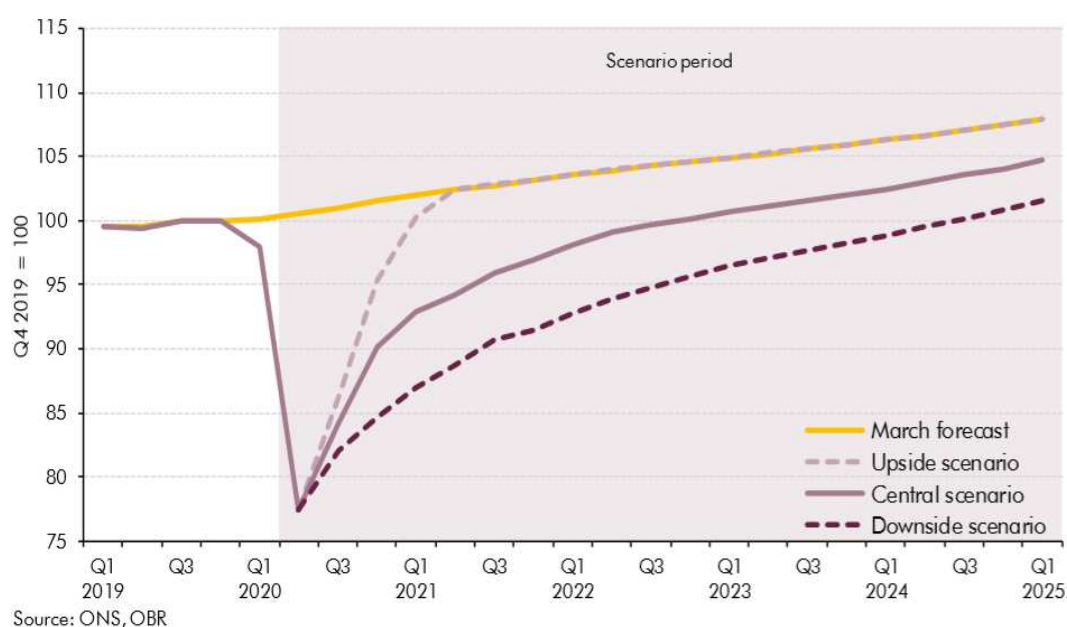
- 1.13. The report considers the wider economic and fiscal outlook and how this might impact on the Council over the medium term. The report also provides an update on the Council's Revenue and Capital Budgets, Housing Revenue Account, Reserves and other Funds.
- 1.14. Many of the assumptions set out in this report will change in response to external factors including the ongoing impact of the negotiations on the United Kingdom's withdrawal from membership of the European Union, future Spending Reviews and the full impact of Covid -19.
- 1.15. Ordinarily, the Council's Medium-Term Financial Plan (MTFP) is subject to an annual update with the latest revision being approved by Council on 3 October 2018 (Report No. 18/326 refers).
- 1.16. The update scheduled for Autumn 2019 was delayed due to national uncertainties surrounding Brexit (October 2019) and the UK Parliamentary election (December 2019).
- 1.17. The Council's financial management and budgetary process is also developing to support the Offer. The first step in this process was a change in the presentation of the Council's 2020/21 Revenue budget and resultant budget decisions to more closely align with the Council's Strategic objectives. This is part of a staged move to developing an Outcome Based approach to the Council's budget where the relationship between how the Council allocates its resources and the outcomes realised through this allocation are more evident.
- 1.18. The modernisation of Council Services will be supported through the Council's financial planning, better use of data and data analysis and a more entrepreneurial and commercial approach. An increasing focus on the Council's digital capacity and continuing investment in the development of an agile workforce will be crucial in ensuring that future service delivery remains sustainable. The introduction and development of carbon budgeting will also be progressed to support the Council's response to the climate emergency.

2. ECONOMIC AND FISCAL OUTLOOK

- 2.1 In considering an appropriate approach to preparing the Council's medium-term Revenue and Capital Budgets, it is necessary to consider the outlook for the United Kingdom and Scotland's public finances. Much of the commentary below is derived from the sources listed in 1.9 above.
- 2.2 Since the last update of the Medium-Term Financial Plan (MTFP) there have been several developments affecting prospects for the UK economy and public finances.
- 2.3 The spread of Covid-19 and the actions to contain it have had a dramatic impact on the United Kingdom and most countries around the world. The

outlook for the United Kingdom and global economies remains uncertain. It will depend on the evolution of the pandemic, measures taken to protect public health and how governments, households and businesses respond to these factors.

- 2.4 The coronavirus outbreak and the health measures put in place to address it have resulted in a very sharp economic contraction, leaving the UK on track to record its largest annual fall in Gross Domestic Product in 300 years (source: Office of Budget Responsibility). But the pace of the recovery and the extent of any long-term economic ‘scarring’ are both still highly uncertain. They will depend on: the course of the Covid-19 pandemic and the development of effective vaccines and treatments; the speed and consistency with which the Government can lift public health restrictions; the response of individuals and businesses as it does so; and the effectiveness of policy measures to protect viable businesses, foster new opportunities and sustain employment.
- 2.5 The Office of Budget Responsibility (OBR) has developed three scenarios to base their assessment on public finances and these are set out in the following graph.
- 2.6 In the upside scenario, activity rebounds quickly, recovering its pre-virus peak by the first quarter of 2021, and there is no enduring economic scarring.
- 2.7 In the central scenario, output recovers more slowly, regaining its pre-virus peak by the end of 2022. Cumulative business investment is 6 per cent lower than in the March forecast over five years, while unemployment and business failures remain elevated. Real Gross Domestic Product (GDP) is 3 per cent lower in the first quarter of 2025 than in the March forecast.
- 2.8 In the downside scenario, output recovers even more slowly, returning to its pre-virus peak only in the third quarter of 2024. This results in a more significant loss of business investment, more business failures and persistently high unemployment as the economy undergoes significant restructuring. Real GDP is 6 per cent lower in the first quarter of 2025 under this scenario than in the March forecast.



2.9 The OBR analysis also highlights that the pandemic may create several additional sources of pressure on public spending:

- Having experienced a public health crisis on this scale, there is likely to be pressure to devote a higher share of GDP to the NHS and wider care services, including adult social care, where proposals for reform have been pushed back repeatedly.
- Temporary measures to support individuals and businesses through the crisis are expected to cost £142 billion in 2020/21 in their central scenario. History suggests that some of these temporary support measures could become permanent.
- There are many other individual risks either created or exacerbated by the crisis. These range from the pressures on local authorities' finances to the risks posed by the historical link between high unemployment and future chronic health conditions.

2.10 The focus on economic performance is of even more relevance in that under the fiscal framework of the Scotland Act (2016), a number of taxes including Income Tax (rates not allowances) are now devolved to the Scottish Government. The devolution of these taxes will have an impact on the Barnett Formula and Block Grant from the UK Treasury with adjustments made for each element of taxation devolved to the Scottish Government. It was anticipated that by 2019/20, 50% of Scottish Government expenditure would be funded from tax revenues raised in Scotland. This means that the future sustainability of public sector funding and Scottish Government expenditure will be increasingly dependent upon the performance of the Scottish economy.

3. SCOTTISH BUDGET

3.1 There is extremely limited information on how the implications of both the UK and Scottish Government's response to Covid-19 will impact upon future funding for local government. The direction of travel for the Scottish Budget is extremely uncertain. The major uncertainty for the Scottish Budget will be what continues to happen at a UK level.

3.2 In late September, there are two significant publications which may impact on the Scottish Budget. The Chancellor's Autumn budget review statement which will set out where additional spending is being allocated and the final income tax reconciliation figure for 2018/19 will be published which may have a further impact on future years.

3.3 If, as expected, the reconciliation is negative, this will mean less money will be available for future Scottish budgets. The Scottish Government may be able to manage some of this through borrowing or use of the Scotland Reserve. However, the borrowing powers available to the Scottish Government and the rules about withdrawing funds from the Scotland Reserve mean that these will

not cover all the expected negative reconciliations. The Scottish Government may have to adjust its spending plans or increase taxes to address this.

- 3.4 At this time, it is still assumed that the UK Government will set its budget in Autumn which will allow the Scottish Government to set its budget before Christmas.
- 3.5 There is also no information on how much of the additional funding applied in the current year will continue into next year and beyond. Furthermore, there is no information on how the UK and Scottish Governments will fund the unprecedented level of public sector expenditure.
- 3.6 The Programme for Government, which was announced on 1 September, also sets out a “challenging fiscal position that the Scottish Government faces in light of the pandemic” and the UK’s exit from the European Union. The Programme for Government also sets out the Scottish Government’s policy and legislative priorities which in turn will impact on the MTFP.
- 3.7 Overall, the future funding outlook for local government remains highly uncertain. The outlook for the Scottish Government’s block grant, together with the Scottish Government’s stated spending commitments and tax plans as well as the impact of Covid-19, indicates that local government should expect reductions in both real terms and cash reductions in its funding over the short to medium term.

4. ANALYSIS OF MEDIUM TERM – PERTH AND KINROSS COUNCIL

- 4.1 The purpose of this section is to highlight the potential financial implications of changes in key areas affecting the Council’s need to spend and to compare these to the projected level of available resources. The continued development of the Medium-Term Financial Plan (MTFP) into future years will further establish the Plan as the foundation of the Council’s financial management. The Plan recognises the combined impact of increasing demand for Council services, particularly as a result of demographic trends, inflationary pressures and anticipated real terms and cash reductions in funding. This approach allows the consideration of options and the refinement of strategies to manage these pressures over the medium to longer term.
- 4.2 Expenditure pressures classified as “demographic” or “inflation” related are normally identified in detailed submissions considered by Council in setting Revenue Budgets each year. The MTFP, however, makes global assumptions about these variables in advance of detailed submissions to inform the Council’s financial planning process over the medium term. The Plan also assumes that any additional costs in relation to new legislation will be funded by the Scottish Government.
- 4.3 The MTFP is, however, an evolving model, which will require refinement and updating on a regular basis as new information becomes available. The following section of this report focusses on the key areas to be considered in

developing future years' budget strategies and sets out the assumptions made in respect of each area. The financial impact of these assumptions is summarised in the table at paragraph 4.43.

4.4 For financial planning purpose this update to the Medium-Term Financial Plan includes the following three scenarios –

- Optimistic – Appendix A(i)
- Mid-Range – Appendix A(ii)
- Pessimistic – Appendix A(iii)

4.5 The detailed assumptions underpinning each of the scenarios are set out in Appendix B with supporting narrative provided under each category below.

Employee Pay Inflation

4.6 The recent three year pay award comes to an end in the current year therefore the Council has no certainty on future year settlements. The Provisional Revenue Budgets for 2021/22 and 2022/23, approved in March 2020, assume an increase of 3%. Historic pay awards are set out in the following table

	15/16	16/17	17/18	18/19	19/20	20/21
Teachers	1.5%	1%	1.25%*	3%	7%	3%
Other Staff	1.5%	1%	1%	3.5%	3%	3%

* In 2017/18, Teachers received 1% from 1/4/17 with a further 1% from 1/1/18

4.7 Therefore, looking beyond the current year, there are several scenarios which could emerge for pay awards ranging from increases below or in line with recent rises to awards more than this level. This could include differential pay awards for different types of staff groups. For the purposes of this update of the MTFP, the mid-range scenario assumes an increase of 3% in each year with 2% and 4% for the optimistic and pessimistic scenarios respectively.

4.8 There is a risk that the assumptions set out in this MTFP and in Appendix B underestimate future pay inflation, but conversely, given the pressure on future public spending, the projected increases may be in excess of final settlements. A 1% movement on pay award assumptions equates to c£1.85 million for all staff groups.

Increments

4.9 Local authority pay is negotiated nationally and applies to all employees. The vast majority of local government employees (Single Status and Teaching staff) are placed on nationally agreed grades which contain a number of scale points (under contractual arrangements). Each year employees are incrementally moved up to the next scale point on their grade until the maximum point is reached.

- 4.10 In terms of the cost of incremental progression, for the purposes of this update, £500,000 per annum has been assumed for all financial years under all three scenarios. This figure is consistent with the cost of incremental progression in previous years.

Employer's Superannuation Contributions

- 4.11 Almost all employees (and Councillors) in Perth & Kinross Council are automatically admitted to either the Scottish Public Pensions Agency (SPPA) (teachers) or the Local Government Pension Schemes (LGPS) (other staff) upon entry to service. Both schemes are statutory and ensure that the Council complies with its legislative Auto Enrolment duties. Employees can opt out of either scheme; however, Perth & Kinross Council is listed in statute as an employing authority with a legislative obligation to participate in both schemes.
- 4.12 The most recent triennial review of Tayside Pension Fund was carried out as at 31 March 2017 with the recommendations from this review determining the level of employer contributions from 1 April 2018 to 31 March 2021. The Council was formally advised that there would be no change to the LGPS rates in January 2018 for that period which remained at 17%.
- 4.13 This update of the MTFP will also cover the triennial reviews as at 31 March 2020 and 31 March 2023. For the purposes of this update, the following assumptions have been made in relation to increases in the employer's contribution rates. A 1% increase represents a cost pressure of around £917,000 per annum.

	2021/22	2024/25
Optimistic	0%	0%
Mid-range	+1%	+1%
Pessimistic	+2%	+2%

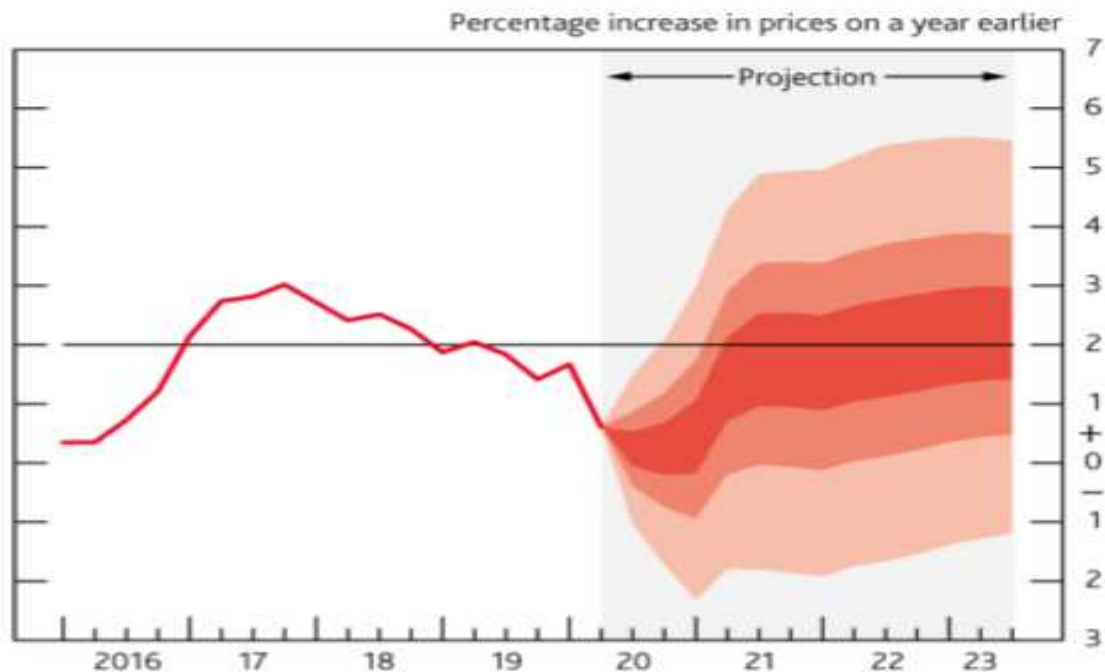
- 4.14 The teacher's scheme is administered separately by the Scottish Public Pensions Agency (SPPA) which is an Executive Agency of the Scottish Government. The employer's contributions for this scheme are set by the UK Treasury. There was a significant increase in employers' contributions (from 17.2% to 23%) that took effect from 1 September 2019.
- 4.15 For the purposes of this update, the following assumptions have been made in relation to increases in the employer's contribution rates. A 1% increase represents a cost pressure of around £857,000 per annum.

	2022/23	2025/26
Optimistic	0%	0%
Mid-range	+1%	+1%
Pessimistic	+2%	+2%

Inflation

- 4.16 The most recent inflation report published by the Bank of England in August 2020 included the following graphic in relation to its forecasts through to the end of 2022. The graph sets out the Bank of England's projections for inflation over the next 3 to 4 years with the darkest segment illustrating the range where the highest degree of confidence exists.

Bank of England CPI Inflation Projection (August 2020)



- 4.17 Based on the graph above, the Bank of England have a high degree of confidence that inflation will range between around 1.6% and 2.2% between 2021 and 2023 with marginal increases each year.
- 4.18 Under the mid-range scenario, it is assumed that general inflation for 2021/22 is 1.6% rising to 2.0% by 2026/27. Under the optimistic and pessimistic scenarios, it is assumed that inflation rates rise from 1.1% and 2.1% to 1.6% and 2.6% respectively.
- 4.19 The Bank of England are currently projecting that, with all the economic uncertainty, Consumer Price Inflation is projected to fall below the Monetary Policy Committee's (MPC) target of 2%.
- 4.20 However, there are also a number of areas of Council activity where annual cost increases may be significantly in excess of the level of general inflation. These include energy and fuel where increases of between 5% and 9% have been assumed in the three planning scenarios.
- 4.21 As the Council increasingly acts as an enabler of services rather than direct provider, this element of the Revenue Budget may also be exposed to increases beyond that of general levels of inflation e.g. living wage commitments.

Demographics

- 4.22 The MTFP attempts to reflect the potential additional costs to the Council of demographic changes within the area. This includes reflecting anticipated increases in population particularly amongst the over 65s and in the number of both young and old people with extremely complex care needs.
- 4.23 This update of the MTFP makes use of the most up to date projections available from the National Records of Scotland. These projections are based on 2018 data.
- 4.24 This area is extremely complex with the changing profile of the local population in terms of need and age. For the purposes of modelling the MTFP, a range of scenarios have been assumed based on information from the National Records of Scotland. This update of the MTFP assumes an increase of around 0.1% for general population growth every year.
- 4.25 Beyond this, the MTFP uses projections for different age groups to further refine the potential impact of demographics on the Council. Consistent with previous years, the most significant demographic pressure is around older people with a projected increase of over 20% in the number of local residents aged 80+ over the six-year period of this Plan. This additional demand is derived from an increasing ageing population compounded by the frailty of individuals with complex care needs requiring more expensive care packages.
- 4.26 The Council continues to support the work of the Health & Social Care Partnership to implement measures to mitigate these pressures. However, in the short-term, additional costs to reflect demand growth have been factored in to the MTFP to inform the Council's financial planning.

School Estate

- 4.27 Over the period of this update of the Medium-Term Financial Plan, there will be further significant investment in the school estate which is reflected in the Composite Capital Budget 2019/20 to 2028/29. In relation to the impact on the Revenue Budget, the most significant development is the provision of a Revenue funded new secondary school at Bertha Park. The anticipated additional recurring running costs of the school estate facilities are included in this update of the MTFP.

Cultural Estate (Perth Museum and Art Gallery / Perth City Hall / Storage Facilities)

- 4.28 The Council has approved the development of a major visual arts space and cultural attraction in the City Centre (Report No. 16/278 refers). It is anticipated that this attraction will open in 2023/24, subject to the decision of the Council later in the Agenda for this meeting of the Council. The 2017/18 Revenue Budget commenced provision for this new expenditure and for the purposes of the MTFP, it is assumed that the running costs will be phased in following the opening of the new facilities.

Response to Covid-19

- 4.29 The final impact of Covid-19 on the Council and the local area remains unknown at this stage. In terms of expenditure, there will be a requirement for the Council to contribute towards economic regeneration, to support communities and to respond to further developments. Similarly, there is likely to be an impact on income streams, both in terms of Council Tax and fees & charges. For the purposes of this version of the Medium-Term Financial Plan, it is assumed that the initial cost will be incurred in early years with the impact reducing as the Covid-19 virus is managed and / or resources are redirected across the Council.

Funding and Income

- 4.30 There are several funding / income streams that will have a significant impact on the financial position of the Council over the medium term which are discussed in further detail below.

Scottish Government Funding

- 4.31 Previously, the MTFP has made separate assumptions in relation to General Revenue Grant (GRG) and Non-Domestic Rates Income (NDRI). Over the last few years, this income has been aggregated and any reductions have been based on a total package of funding. On that basis, these projections are based on total income of £255.5 million (which is the total of GRG and NDRI in 2020/21).
- 4.32 At this time, there is also no clarity on how many years of funding will be announced by the Scottish Government in December 2020.
- 4.33 There is currently no information available on future levels of funding for Scottish local authorities. In the past, analysis provided by organisations such as the Fraser of Allander institute or the Scottish Government itself has been used to inform future years funding levels.
- 4.34 The following table sets out the financial implications, in cash terms, of the mid-range assumptions on the Council's future funding from the Scottish Government.

2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
-2%	-2%	-1%	0%	+1%	+1%
£(5.110)	£(5.110)m	£(2.453)m	£0m	£2.428m	£2.428m

- 4.35 The approved 2021/22 and 2022/23 Provisional Revenue Budgets include a projected cash flat settlement. In view of the impact of Covid 19 on the Scottish economy and the likely prioritisation of public expenditure towards the health and social care sectors, the assumptions on future Scottish Government grant funding have been revised downwards over the medium term from those contained within the Provisional Revenue Budget. It is stressed that these assumptions are for financial planning purposes only and

will be updated upon confirmation of the Local Government Settlement. These funding reductions are factored into the amended corporate savings target set out at paragraph 5.13.

- 4.36 The MTFP assumes that all new legislative pressures and any requirements of the Local Government Finance Settlement such as the social care living wage commitment, Carer's Act etc. will be fully funded by the Scottish Government. There is clearly an element of risk in this assumption given anticipated pressures on the Scottish Government's budget.

Demographics (Impact on Funding)

- 4.37 In line with the demographic pressures discussed above, an estimate of the impact of demographic changes on the General Revenue Grant has been included. This update of the MTFP assumes an increase of approximately 0.1% in funding for general population growth every year (under the mid-range scenario). This is highly speculative and is dependent on the funding for Councils with reducing populations transferring to Councils with growing populations. These adjustments tend to take a number of years to work their way through the Local Government Settlement and the impact is often dampened by the "floor mechanism" which is in place to protect Councils from large movements in funding.

Council Tax Income

- 4.38 For Council Tax, there are potentially two sources of additional income. First in relation to the projected growth in the number of Band D equivalent properties. Scenarios have been modelled around the impact of population growth on the Council Tax base in line with the demographic assumptions outlined above.
- 4.39 Second is the capacity for the Council to increase the level of Council Tax charges. The 2021/22 and 2022/23 Provisional Revenue Budgets already include an increase in the level of Council Tax of 4.28%. It is assumed that this level will still be in line with the Scottish Government's expectations as part of the 2021/22 local government funding settlement arrangement. The working assumption for the purposes of preparing the MTFP is that Council Tax will increase by 4.28% in each year of the Plan. The actual level of Council Tax, however, will be determined by Council each year in approving the final Revenue Budgets.

Fees and Charges

- 4.40 The proposed MTFP assumes that the Council raises its charges for goods and services by between 2% and 3.5% per annum. Decisions on actual levels of charges will be considered by the Council in setting the Final Revenue Budget.

Utilisation of Reserves

4.41 The Council could consider the utilisation of Reserves on a non-recurring basis in order to manage budget pressures in the short term. However, Reserves are only available on a one-off, non-recurring basis. Any proposals to utilise Reserves to support recurring expenditure will require either an exit strategy or further savings to be identified. The application of Reserves will require to be considered in the context of the recommendations set out in the Reserves Strategy report to Council in February 2021.

4.42 All the forecasts discussed in sections 4.3 to 4.40 are extremely uncertain. Actual income and expenditure will depend on several factors which are set out within the Risk Assessment (section 11) commentary in this report.

Medium Term Financial Plan – Estimated Savings

4.43 The estimated levels of savings required under each scenario are summarised in the following table and set out in detail in Appendix A.

	21/22	22/23	23/24	24/25	25/26	26/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Optimistic	4,900	6,009	396	(5,247)	(8,079)	(2,335)	(4,357)
Mid- Range	16,405	17,732	11,345	6,685	2,296	5,630	60,094
Pessimistic	28,945	30,344	23,457	19,195	15,988	18,235	136,165

4.44 The table above sets out scenarios with cumulative potential savings targets up to c£136 million. While the level of savings identified will undoubtedly change as work progresses on the Revenue Budget, this provides an indication of the scale of the financial challenge potentially facing the Council over the six-year period 2021/22 to 2026/27. These scenarios include the corporate savings target identified in this report as well as expenditure pressures that will be brought forward as part of the detailed consideration of future years' Revenue Budgets.

4.45 There are significant variations between the scenarios due to the sensitivities around the financial modelling. For example, over the six years there is over £27 million between the potential pay inflation costs by adjusting the assumption by just 1%. Non staff inflation is impacted by around £19.5 million and projected levels of Scottish Government funding by almost £30 million.

4.46 It is important to note that the potential savings identified in the above table are in addition to the tens of millions of savings that have been identified in the previous financial years.

4.47 **ACTION:** The Council is asked to request the Head of Finance maintain the Medium-Term Financial Plan and further refine the assumptions that underpin it.

5. PROPOSED APPROACH FOR FINANCIAL YEARS 2021/22 AND 2022/23

- 5.1 The Council has previously agreed Provisional Revenue Budgets for financial years 2021/22 and 2022/23 which were approved on 6 March 2020 (Report No. 20/57 refers).
- 5.2 The 2021/22 and 2022/23 Provisional Revenue Budgets included approved expenditure pressures and savings. Expenditure pressures include contributions to corporate savings targets (for example pay awards) and increases in Service costs (for example increased demand for Council Services and inflation).
- 5.3 As set out earlier in this report, there is significant uncertainty beyond financial year 2020/21. This is not any different from previous financial years whereby the Council receives information on future funding levels in line with the Scottish Government's budget timetable. At this point, it is assumed that the Council will only receive detailed funding information for 2021/22.
- 5.4 However, the Covid-19 pandemic has added a further level of complexity to financial planning. Unlike in previous updates of the Medium-Term Financial Plan, there is currently no published information on future levels of funding and how the pandemic will have impacted on local, national and international economies. Furthermore, the Council will have to ensure that, going forward, budgeted expenditure aligns with the Perth and Kinross Offer and the Council's approved strategic priorities. Given this level of uncertainty it is proposed to focus attention on the 2021/22 Revenue Budget. The 2022/23 Provisional Revenue Budget remains in place and officers will continue to work towards its delivery but no immediate work will be undertaken to update it.
- 5.5 Whilst it would be desirable to continue with the development of Revenue Budgets on a three-year planning horizon, the level of uncertainty is unprecedented. This position will be kept under review with a view to reinstating detailed multi-year budgets for the 2022/23 Revenue Budget process.
- 5.6 **ACTION: The Council is asked to approve the setting of the 2021/22 Final Revenue Budget in February 2021.**
- 5.7 The MTFP is designed to inform the direction of travel of the Council for financial planning purposes. As individual Services develop detailed budget proposals, the broad assumptions included in the MTFP will be superseded by more detailed analysis of individual cost pressures and the identification of savings options.
- 5.8 The Executive Officer Team will be requested to contain all revised or new unfunded expenditure pressures, including general inflation, within existing base budgets, through identifying compensating savings, or using Revenue Budget flexibility to manage resources between financial years under the terms of the Council's approved scheme.

- 5.9 The 2021/22 Provisional Revenue Budget that was approved on 6 March 2020 (Report No. 20/57 refers) was not in balance by £3.006 million. All things being equal savings to this amount would have to be delivered in order to deliver a balanced 2021/22 Final Revenue Budget.
- 5.10 There are three issues identified in section four above that are also likely to impact on delivery of the 2021/22 Final Revenue Budget. There is a risk that the employer's superannuation rate payable to Tayside Pension Fund will increase which could cost c£1 million. In addition, there is a risk that the Council will suffer cash reductions in funding in 2021/22. For financial planning purposes, it is assumed that this could be around 2% or £5.110million. There is also the gap of £3.006 million included in the 2021/22 Provisional Revenue Budget.
- 5.11 It is proposed that these issues are amalgamated to form an additional corporate savings target in 2021/22 of £9.116 million and that the Executive Officer Team identify additional savings / funding solutions in line with the Council's strategic objectives as follows:
- Giving every child the best start in life
 - Developing educated, responsible and informed citizens
 - Promoting a prosperous, inclusive and sustainable economy
 - Supporting people to lead independent, healthy and active lives
 - Creating a safe and sustainable place for future generations
 - Organised to Deliver
- 5.12 Revenue Budgets will be also be prepared by strategic objective to ensure consistency with the Council's Corporate Plan.
- 5.13 **ACTION: The Council is asked to approve the proposal for the Executive Officer Team to identify additional savings / funding solutions towards a corporate savings target of £9.116 million.**
- 5.14 In addition, there are likely to be costs identified in relation to Covid-19 (recovery & renewal, economic regeneration, welfare etc). It is anticipated that these will be considered in the detailed Revenue Budget submissions that the Council will consider in February 2021

Perth & Kinross Integration Joint Board

- 5.15 It is anticipated that Perth & Kinross Integration Joint Board (IJB) will continue to progress the development of integrated budgets which will bring together funding from both the Council and NHS Tayside. Discussions remain ongoing with all three parties as to the potential implications for the Council's Revenue Budget process. The outcome of this will be reported to future meetings of the Council. It is important to recognise the financial challenges faced by both the Council and NHS Tayside and how this may impact on the work of the IJB.

- 5.16 At this time, it is anticipated the IJB will notify the Council (and NHS Tayside) of the funding required for their Strategic Delivery Plan. The level of funding requested will then be assessed against the other financial pressures (reduced grant funding and increased demand pressures) arriving at a recommendation to Council on funding for the IJB.

6. COMPOSITE CAPITAL BUDGET

- 6.1 On 6 March 2020, the Council approved a Capital Update Report 2020/21 to 2029/30 (Report Number 20/58 refers). This update included recommendations to develop an Investment Blueprint, adopt a gateway review process and bring back proposals for PH20 and Blairgowrie Recreation to a meeting in June 2020.
- 6.2 The Council's response to the Covid-19 pandemic has meant that there have been delays in progressing these as many of the officers involved in this work were retasked.
- 6.3 On the agenda for this meeting of the Council is an update on the Investment Blueprint and Capital Budget including:
- Cross Tay Link Road
 - Perth City Hall
 - Blairgowrie Recreation Centre
 - Perth High School Replacement
 - North Muirton / Balhousie Primary School
- 6.4 It is anticipated that there will be a review of the Capital Budget in advance of the special meeting of the Council in February / March 2021. This will be underpinned by the development of an Investment Blueprint which will support the development of a longer-term investment strategy that aligns with the aspirations of the Offer and which will replace the existing capital programme.

7. RESERVES UPDATE

- 7.1 The Council's Reserves Strategy is subject to an annual review to ensure that recommendations on the use of Reserves take due cognisance of the Council's anticipated cash flows and make reasonable provision, within available resources, for both predicted liabilities and unforeseen events. The latest update of the Reserves Strategy was approved by the Council on 6 March 2020 (Report No. 20/59 refers).
- 7.2 The Reserves projections have been updated to reflect the position in the Audited Annual Accounts for 2019/20 which were considered by the Audit Committee on 16 September (Report No. 20/59 refers) and is a separate item on the agenda for the meeting of the Council on 7 October. Further information on Reserves is set out in Appendix C to this report.
- 7.3 The Audited Annual Accounts for 2019/20 show that the Council had a General Fund Balance (excluding the Housing Revenue Account) of £49.296

million as at 31 March 2020 with £36.375 million earmarked for known commitments. This results in uncommitted General Fund Reserves of £12.921 million at 31 March 2020 which is in line with the Reserves Strategy approved by Council in March 2020 (Report No. 20/59 refers).

- 7.4 The Council's Useable Reserves as at 31 March 2020 are summarised as follows:

Total Useable Reserve as at 31 March 2020	£89.743m
Less:	
General Fund Earmarked Reserves (see Appendix C)	£36.375m
Housing Revenue Account <i>These balances are earmarked for use on Housing Revenue Account activities <u>only</u>.</i>	£1.000m
Capital Fund <i>The Fund can be <u>only</u> used to meet the principal element of loan repayments or to defray capital expenditure</i>	£31.640m
Insurance Fund <i>The fund is used to meet the future liabilities of the Council self-insuring for certain categories of insurance.</i>	£2.970m
Capital Receipts Reserve <i>This Reserve holds proceeds from capital receipts for future investment.</i>	£2.648m
Capital Grants Unapplied <i>The Capital Grants Unapplied Reserve holds capital grants which have been received by the Council for which the capital works have not yet been undertaken or completed.</i>	£2.189m
General Fund Uncommitted Balance at 31 March 2020	£12.921m

- 7.5 The level of uncommitted Reserves of £12,921,000 represents around 3.7% of the 2020/21 Net Revenue Budget.
- 7.6 In recent years uncommitted Reserves have been required to meet significant additional expenditure responding to both severe weather events and winter maintenance. In addition, the Perth & Kinross Integration Scheme adds a further risk in relation to potential health and social care over spends (as was the case in 2018/19 and 2019/20). The following table sets out the levels of over and under spends in winter maintenance over the last eleven years.

Winter Maintenance Final Over / (Under) Spends	
2019/20	Over spend of £648,000
2018/19	Under spend of £143,000
2017/18	Over spend of £1,300,000
2016/17	Under spend of £540,000
2015/16	Over spend of £59,000
2014/15	Over spend of £260,000
2013/14	Under spend of £531,000
2012/13	Over spend of £1,411,000
2011/12	Over spend of £785,000
2010/11	Over spend of £3,160,000
2009/10	Over spend of £2,044,000

7.7 It is proposed that the updated Reserves Strategy is presented to the Council in February 2021. This update will include further options on how Reserves might be utilised over the medium term.

7.8 ACTION: The Council is asked to approve the submission of the updated Reserves Strategy to the Council in February 2021.

8. HOUSING REVENUE ACCOUNT

8.1 In agreement with tenants, the Council will continue to develop a medium / long term funding strategy for investment based upon linking annual reviews of rents to both the Tenants' and Council priorities; consideration of the state of the local economy and creating more efficient services in the future. Any revisions to the Council's Housing Investment Programme, Housing Repairs, Locality Services and the rental strategy will be subject to consultation with the Tenants.

8.2 It is anticipated that the Housing and Communities Committee determine the Housing Revenue Account (HRA) Budget and rent levels for 2021/22 at its meeting in January 2021. It is also anticipated that the five-year Housing Investment Programme will be submitted for consideration by the Committee based on the requirements of the Housing Delivery Plan.

8.3 ACTION: The Council is asked to endorse the proposals to determine the Housing Revenue Account (HRA) Budget and rent levels for 2021/22 and the five-year Housing Investment Programme at the meeting of the Housing and Communities Committee in January 2021.

9. WORKFORCE PLANNING MEASURES

9.1 The Council's Corporate Workforce Plan 2018-21 recognises the pace of change is increasing and the world of work is evolving as public services continue to transform and people's expectations from both an employee and customer perspective change too. Throughout the response to the COVID-19 pandemic, Council staff have demonstrated in abundance their skills, dedication and passion to ensure delivery of essential services to the people,

businesses and communities of Perth and Kinross. The Corporate Workforce Plan is being reviewed so that it supports the development and delivery of the Perth and Kinross Offer, using the experiences and learning from our response to the pandemic and focussing on multi-disciplinary teams, integrated working and more locality-based decision-making. Investment in building the capability and capacity in the workforce through learning and development opportunities, boosting productivity, encouraging innovation and creativity, promoting fair work, embracing digital technology and promoting wellbeing and resilience are key to our future approach.

- 9.2 A range of enabling projects are already underway to prepare employees and the organisation for the future – digital skills, mobile/remote working, positive career choices, job families, building resilience and promoting positive mental health and wellbeing, along with the Organisational Development (OD) Plan which will be set out at the Council meeting on 7 October 2020. Leadership development, coaching skills and a collaborative leadership development programme with neighbouring councils are all in place. The Council continues to invest in training and development opportunities for young people via its Modern Apprenticeship and Graduate Programmes. Together these initiatives help develop and nurture talent to meet future requirements and are even more important at a time when employment opportunities have reduced because of the impact of COVID-19.
- 9.3 Within the 2019/20 Audited Annual Accounts, there is an earmarked Reserve of £6.278 million to fund Transformation (including Workforce Management and Organisational Development) which has, in the main, already been committed to a number of projects/initiatives. This sum is also available, in part, to help reshape and upskill our workforce to ensure we have the skills and capacity to deliver agreed priorities.

10. ASSET MANAGEMENT

- 10.1 In March 2020, the Council approved the development of a long-term Investment Blueprint supported by the adoption of a gateway review approach to the management of Capital projects (Report 20/58 refers). The development of a long-term planning horizon for Capital investment - together with a medium-term delivery plan - is intended to ensure that the Council's investment decisions are responsive to key strategic drivers such as economic; social; environmental and technological change.
- 10.2 The adoption of a gateway review approach is recognised as best practice by both the UK and Scottish Governments and is part of the arrangements for projects funded through the Tay Cities Deal. The robust challenge of projects at key gateway stages will strengthen project management and ensure projects are tested against the outcomes contained within their business case. Part of these arrangements will be the development of a whole life costing approach to more clearly set out the financial commitments the Council is making through its asset management.

11. RISK ASSESSMENT

- 11.1 Developing the Medium-Term Financial Plan requires consideration of the strategic, operational and financial risks potentially facing the Council. Both the uncertainty of future events and resource constraints make it impractical to mitigate against all potential risks. In developing the Medium-Term Financial Plan, the Council must also be aware of the sustainability of its expenditure proposals. Significant risks, which are of relevance in determining the Revenue Budget, are outlined below.

Local Government Funding Beyond 2020/21

- 11.2 It is anticipated that the Council will receive a one year financial settlement for 2021/22 in December 2020.
- 11.3 Future funding settlements will be influenced by many aspects of the wider economic climate and UK and Scottish Government policies. The final outcome of the European Union exit negotiations may also potentially result in significant additional uncertainty over future levels of income. The UK and Scottish Government's response to Covid-19 may also have an impact on future funding levels.
- 11.4 The potential for cash and real terms reductions in funding beyond financial year 2020/21 is considered to represent a significant risk in the management of the budget over the medium term.
- 11.5 Once inflation is included, these factors may result in further significant real terms reductions in funding to the Council over the medium term at a time of rising demand for Council services.
- 11.6 At this time, there is also no information on any conditions which may be attached to the local government finance settlement in 2021/22 and beyond.
- 11.7 There has been speculation that the Barnett formula could be revisited in the medium term. This could have a further significant impact on the level of funding available to the Scottish Government and, by extension, the public sector in Scotland.
- 11.8 Following the devolvement of a number of taxes to the Scottish Government, under the terms of the Scotland Acts, the actual level of funding available to the public sector is more directly linked to the performance of the Scottish economy. Income from devolved taxation will be dependent upon the relative performance of the Scottish economy.

Corporate Transformation Projects

- 11.9 There are a number of corporate transformation projects (including procurement, PKC MyAccount and corporate property asset management) from which savings have been assumed in the Provisional Revenue Budgets. These have been regularly reported to the Strategic Policy & Resources

Committee. There is currently a degree of uncertainty over the ability to deliver these savings in line with the original timescale and these projects will be subject to review as part of the Revenue Budget process.

Service Transformation Projects

- 11.10 All Services include Revenue Budget savings from previously approved Service specific transformation projects. In line with the corporate projects, more certainty on these savings will materialise as the projects are progressed.

Number of Band D properties

- 11.11 The MTFP assumes levels of growth in the number of Band D equivalent properties. These assumptions are based on levels of growth currently being experienced. If these levels of growth in the number of properties do not continue there is a risk to the budgeted level of Council Tax income. In the current year there has been a noticeable reduction as a result of Covid-19.

Perth & Kinross Integration Joint Board

- 11.12 The Council has no information on future levels of national funding which may be channelled through the National Health Service to support expenditure on health and social care. It is worth noting that Health and Social Care has received significant funding over the last three years. If this funding is not continued this may present a significant risk to future service delivery. In addition, there is no information on whether this funding will grow in line with the anticipated increases in costs including demand pressures and the Living Wage. Furthermore, if the funding arrangements for Integrated Joint Boards change then this may introduce further uncertainty and risk into the Council's financial planning.
- 11.13 Perth & Kinross Integration Joint Board has also over spent in both 2018/19 and 2019/20 which has required to be funded by the Council.

<u>Social Care Final Over / (Under) Spends</u>	
2019/20	Over spend of £1,290,000
2018/19	Over spend of £759,000

Implementation of Welfare Reform

- 11.14 It is not possible to fully estimate the potential total financial impact on Council Services and budgets of Welfare Reform with any accuracy. Information from other Councils, where Universal Credit has been rolled out more widely, is that there have been reductions in Council Tax and Council Housing Rent income levels. The impact might be further exacerbated by high levels of unemployment locally.

11.15 The initial roll out of Universal Credit “Live” for Perth and Kinross took place during April 2016 which impacted on a relatively low number of claimants. Full Service Universal Credit (FSUC) roll out commenced on 13 June 2018 which extends the Universal Credit to all types of working age claimants. It is anticipated that the numbers of FSUC cases will continue to increase over the coming years and the impact on claimants and Council income levels will continue to be monitored. The Housing and Communities Committee received an update on this in January 2020 (Report No. 20/30 refers).

11.16 The Department of Work & Pensions will move those who remain on legacy benefits over to FSUC through a process of managed migration with the latest timescale for this being between 2019 and 2023.

Future Years’ Pay Awards

11.17 There is a risk that the outcome of national pay negotiations beyond 2020/21 differs from the Council’s pay assumptions which could have a significant financial impact upon the Council. The negotiations on 2021/22 pay awards have yet to start.

11.18 The 2021/22 and 2022/23 Provisional Revenue Budgets contain pay award assumptions of 3% for all staff groups.

Barclay Review of Non-Domestic Rates in Scotland

11.19 The previous Medium Term Financial Plan advised that there was a risk that the Barclay Review of Non-Domestic Rates in Scotland may have a significant impact on Council resources going forward in that existing Arm’s Length External Organisation rates relief might be removed from Scottish Government funding. Whilst this issue has not materialised, there is a risk that the recommendations may impact on ALEOs in the future e.g. the planning assumptions around the running of the City Hall as a new cultural attraction.

Expenditure Pressures in 2021/22 and 2022/23

11.20 There is a risk that assumptions in relation to the expenditure pressures included in the 2021/22 and 2022/23 Provisional Revenue Budgets differ from what actually materialises and that this has an impact on setting Final Revenue Budgets in these years.

Inflation

11.21 There is a risk that levels of Service specific inflation exceed budgeted provisions and that levels of general inflation cannot be contained within existing resources as is currently assumed within the Provisional Revenue Budgets. Further increases in the National Living Wage and “Foundation Living Wage” may exacerbate this risk with pressure to compensate providers and suppliers for enhanced wage rates.

Current Economic Climate

- 11.22 There is a risk that both the Council's capacity to generate income, and the expenditure it incurs in meeting demand for its Services, may be less predictable in the current volatile economic climate.
- 11.23 In terms of income generation, there is a continued risk that Council Tax collection levels, commercial rental income and other areas of income generated by the Council may be further affected.
- 11.24 The economic climate may also increase demand for and expenditure on Council services. This risk will require to be managed within the Council's available resources.

Demographics

- 11.25 The overall population of Perth and Kinross is anticipated to reduce by around 1.5% over the next 25 years based upon National Registrars of Scotland forecasts. This may lead to reduced funding from Scottish Government.
- 11.26 However, within these overall projections the population aged over 65 is projected to grow by around 32.5%. This may place an additional financial pressure on both the Council and the Integration Joint Board into future years' Revenue Budgets and financial plans.
- 11.27 The level and components of growth will be largely dependent on complex net migration patterns which are difficult to forecast with any certainty.
- 11.28 The needs of the population are also changing with more complex intervention measures required to protect young and old people alike.

Severe Weather

- 11.29 There is a risk that the Council incurs further significant levels of expenditure on severe weather as has been the case in previous years.

12. CONCLUSION AND RECOMMENDATIONS

- 12.1 In common with all Scottish local authorities and the wider public sector, Perth & Kinross Council continues to anticipate a period of financial constraint and growing costs and demand for services.
- 12.2 Responding to the Covid 19 epidemic has given rise to significant financial pressure on the Council's Revenue Budget in 2020/21 and the long-term impact upon service demand; service delivery and the Council's ability to generate and collect income will take some time to establish.
- 12.3 A new approach to Council service delivery, based on the Perth and Kinross Offer and shaped by the experience of the pandemic is being developed and will be integral to the future review of the Medium-Term Financial Plan, but the

financial challenges facing the Council are likely to be considerable and potentially long standing.

- 12.4 The Council continues to take proactive measures to enable it to address these challenges from a robust financial position and continues to develop and strengthen its arrangements for financial and resource management.
- 12.5 The Perth and Kinross Offer will underpin all that the Council does, based on an approach where it works together with its communities. Linked to this, is the approach to recovery and renewal, as well as ongoing response arrangements, as a result of the pandemic.
- 12.6 The Council remains committed to modernising and improving the efficiency of functions. This update of the Medium-Term Financial Plan reinforces the Council's commitment to the delivery of excellent services in the context of meeting challenging savings targets which requires the engagement of the Council's workforce; Elected Members; Community Planning Partners and the communities which it serves.
- 12.7 It is recommended that the Council:
- (i) requests the Head of Finance maintain the Medium-Term Financial Plan and further refine the assumptions which underpin it – see paragraph 4.47.
 - (ii) approves the setting of the 2021/22 Final Revenue Budget in February 2021 see paragraph 5.6.
 - (iii) approves the proposal for the Executive Officer Team to identify additional savings / funding solutions towards a corporate savings target of £9.116 million – see paragraph 5.13.
 - (iv) approves the submission of the updated Reserves Strategy to the Council in February 2021 – see paragraph 6.8.
 - (v) endorses the proposals to determine the Housing Revenue Account (HRA) Budget and rent levels for 2021/22 and the five-year Housing Investment Programme at the meeting of the Housing and Communities Committee in January 2021 – see paragraph 7.3.

Author

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Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	23 September 2020
Karen Donaldson	Interim Chief Operating Officer (Corporate & Democratic Services)	23 September 2020

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Corporate Plan

1.1 The Council's Corporate Plan 2018 – 2022 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.2 This report relates to all these objectives.

2. Resource Implications

Financial

2.1 There are no direct financial implications arising from this report other than those reported within the body of the main report.

Workforce

- 2.2 There are no direct workforce implications arising from this report other than those reported within the body of the main report.

Asset Management (land, property, IT)

- 2.3 There are no direct asset management implications arising from this report other than those reported within the body of the main report.

3 Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

Internal

- 4.1 The Chief Executive, Executive Directors, Interim Chief Operating Officer have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

- 2.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

Appendix A (i) – Optimistic Scenario

Appendix A (ii) – Mid-Range Scenario

Appendix A (iii) – Pessimistic Scenario

Appendix B – Assumptions Underlying Medium Term Financial Plan

Appendix C –Summary of General Fund Balances as at 31 March 2020

APPENDIX A (i)

	OPTIMISTIC						
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £000
STAFF RELATED EXPENDITURE							
Pay Inflation	3,943	4,022	4,103	4,185	4,268	4,354	24,875
Increments	500	500	500	500	500	500	3,000
Employers Superannuation Rates - Single Status	0	0	0	0	0	0	0
Employers Superannuation Rates - Teachers	0	0	0	0	0	0	0
NON STAFF RELATED PRESSURES							
Non Pay Inflation	3,089	3,349	3,561	3,859	4,167	4,167	22,193
Demographics	1,286	1,231	763	-2,038	-2,269	445	-582
Covid-19	2,000	2,000	0	0	0	0	4,000
School Estate	163	1,060	500	0	0	0	1,723
Cultural Attractions	0	250	150	150	0	0	550
FUNDING INCOME ASSUMPTIONS							
Scottish Government Funding	2,555	2,529	0	-2,504	-5,058	-5,159	-7,637
Demographics	-1,542	-1,532	-1,460	-1,343	-1,282	284	-6,876
COUNCIL TAX ASSUMPTIONS							
Increase in charge	-4,442	-4,651	-4,869	-5,098	-5,338	-5,589	-29,986
Increase in base	-1,099	-1,143	-1,189	-1,236	-1,286	-1,337	-7,291
FEES AND CHARGES							
	-1,552	-1,607	-1,663	-1,721	-1,781	0	-8,324
TOTALS	4,900	6,009	396	-5,247	-8,079	-2,335	-4,357

APPENDIX A (ii)

	MID - RANGE						
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £000
STAFF RELATED EXPENDITURE							
Pay Inflation	5,915	6,092	6,275	6,463	6,657	6,857	38,260
Increments	500	500	500	500	500	500	3,000
Employers Superannuation Rates - Single Status	917	0	0	917	0	0	1,835
Employers Superannuation Rates - Teachers	0	857	0	0	857	0	1,713
NON STAFF RELATED PRESSURES							
Non Pay Inflation	4,534	4,852	5,124	5,488	5,869	5,897	31,763
Demographics	1,731	1,679	1,214	-1,594	-1,831	892	2,092
Covid-19	4,000	4,000	2,000	2,000	0	0	12,000
School Estate	163	1,060	500	0	0	0	1,723
Cultural Attractions	0	300	200	0	0	0	500
FUNDING INCOME ASSUMPTIONS							
Scottish Government Funding	5,110	5,110	2,453	0	-2,428	-2,452	7,792
Demographics	-265	-255	-183	-66	-5	29	-745
COUNCIL TAX ASSUMPTIONS							
Increase in charge	-4,045	-4,235	-4,434	-4,643	-4,861	-5,089	-27,307
Increase in base	-824	-857	-892	-927	-964	-1,003	-5,468
FEES AND CHARGES							
	-1,331	-1,370	-1,412	-1,454	-1,497	0	-7,064
TOTALS	16,405	17,732	11,345	6,685	2,296	5,630	60,094

APPENDIX A (iii)

	PESSIMISTIC						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£000
STAFF RELATED EXPENDITURE							
Pay Inflation	7,887	8,202	8,530	8,871	9,226	9,595	52,311
Increments	500	500	500	500	500	500	3,000
Employers Superannuation Rates - Single Status	1,835	0	0	1,025	0	0	2,860
Employers Superannuation Rates - Teachers	0	1,713	0	0	1,713	0	3,427
NON STAFF RELATED PRESSURES							
Non Pay Inflation	5,978	6,377	6,734	7,191	7,675	7,727	41,682
Demographics	2,177	2,129	1,666	-1,147	-1,388	1,344	4,780
Covid-19	6,000	6,000	4,000	4,000	2,000	2,000	24,000
School Estate	163	1,060	500	0	0	0	1,723
Cultural Attractions	0	350	250	0	0	0	600
FUNDING INCOME ASSUMPTIONS							
Scottish Government Funding	7,665	7,435	4,808	2,356	0	0	22,263
Demographics	1,013	1,023	1,095	1,212	1,272	1,306	6,920
COUNCIL TAX ASSUMPTIONS							
Increase in charge	-2,835	-2,969	-3,108	-3,254	-3,407	-3,567	-19,140
Increase in base	-550	-572	-594	-618	-643	-669	-3,645
FEES AND CHARGES							
	-887	-905	-923	-941	-960	0	-4,616
TOTALS	28,945	30,344	23,457	19,195	15,988	18,235	136,165

APPENDIX B

Assumptions Underlying Medium Term Financial Plan

Pay Inflation

	21/22	22/23	23/24	24/25	25/26	26/27
Optimistic	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Mid-Range	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Pessimistic	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Employer's Superannuation – Local Government Pension Scheme

	21/22	22/23	23/24	24/25	25/26	26/27
Optimistic	0%	-	-	0%	-	-
Mid-Range	1%	-	-	1%	-	-
Pessimistic	2%	-	-	1%	-	-

Employer's Superannuation – Scottish Public Pension Agency (Teachers)

	21/22	22/23	23/24	24/25	25/26	26/27
Optimistic	-	0%	-	-	0%	-
Mid-Range	-	1%	-	-	1%	-
Pessimistic	-	2%	-	-	2%	-

General Inflation

	21/22	22/23	23/24	24/25	25/26	26/27
Optimistic	1.1%	1.2%	1.3%	1.4%	1.5%	1.5%
Mid-Range	1.6%	1.7%	1.8%	1.9%	2.0%	2.0%
Pessimistic	2.1%	2.2%	2.3%	2.4%	2.5%	2.5%

Demographics – General Population

	21/22	22/23	23/24	24/25	25/26	26/27
Optimistic	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.1%
Mid-Range	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Pessimistic	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%

Demographics – Older People

	21/22	22/23	23/24	24/25	25/26	26/27
Optimistic	2.3%	3.2%	2.8%	2.3%	3.2%	6.5%
Mid-Range	2.4%	3.3%	2.9%	2.4%	3.3%	6.6%
Pessimistic	2.5%	3.4%	3.0%	2.5%	3.4%	6.7%

Scottish Government Funding

	21/22	22/23	23/24	24/25	25/26	26/27
Optimistic	-1%	-1%	0%	1%	2%	2%
Mid-Range	-2%	-2%	-1%	0%	1%	1%
Pessimistic	-3%	-3%	-2%	-1%	0%	0%

Council Tax Charge

	21/22	22/23	23/24	24/25	25/26	26/27
Optimistic	4.70%	4.70%	4.70%	4.70%	4.70%	4.70%
Mid-Range	4.28%	4.28%	4.28%	4.28%	4.28%	4.28%
Pessimistic	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

Council Tax – No. of Band D Properties

	21/22	22/23	23/24	24/25	25/26	26/27
Optimistic	800	800	800	800	800	800
Mid-Range	600	600	600	600	600	600
Pessimistic	400	400	400	400	400	400

Fees & Charges

	21/22	22/23	23/24	24/25	25/26	26/27
Optimistic	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Mid-Range	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Pessimistic	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

APPENDIX C

Summary of General Fund Balances at 31 March 2020		Total General Fund Balances
	£'000	£'000
General Fund Balance at 31 March 2020		49,296
<u>Less Commitments Against Balances</u>		
Developer Contributions: Commuted Sums & Infrastructure and Affordable Housing	(6,278)	
Revenue Grants	(6,044)	
Affordable Housing (accrued from reduced Council Tax discount)	(5,822)	
Transformation Programme (including Workforce Management & Organisational Development)	(5,322)	
Revenue Budget Flexibility	(2,407)	
Perth High School	(1,608)	
Remodelling of Residential Care (Children & Young People)	(1,506)	
Devolved School Management Balances	(1,224)	
Car Parking	(1,183)	
Secondary Schools	(1,013)	
Perth & Kinross Offer	(499)	
Culture	(418)	
PH20	(407)	
Works Maintenance	(400)	
Modern Apprentices / Graduate Trainees	(309)	
Community Action Partnerships	(230)	
Grounds Maintenance	(225)	
Planning Appeals & Public Inquiries	(211)	
Contaminated Land	(203)	
Health & Social Care Partnership	(180)	
Central Energy Efficiency Fund / Salix	(174)	
Financial Assistance	(156)	
Bridge Feasibility Studies	(132)	
Events & Rural Communities	(120)	
North Inch Golf Course	(117)	
Local Government Elections	(106)	
Micro Loans Fund	(60)	
Public Service Network	(17)	
Community Improvement Fund	(4)	
		(36,375)
Uncommitted Balance at 31 March 2020		12,921

PERTH & KINROSS COUNCIL

30 September 2020

REVENUE BUDGET 2020/21 UPDATE

Report by Head of Finance (Report No. 20/173)

PURPOSE OF REPORT

This report provides an update on progress with the 2020/21 Revenue Budget, considering, in particular, the additional financial pressures arising from Covid-19 and the potential mitigation measures. This is an interim position with further updates being provided throughout the financial year.

1. BACKGROUND

- 1.1. On 24 June 2020, the Council considered Financial Update – Covid-19 (Report No. 20/102) refers. That report provided an update on the potential financial implications of the Covid-19 pandemic upon the Council's overall financial position (as was known at that time).
- 1.2. At the meeting on 24 June 2020, the Council was advised that the potential overall cost of Covid-19 on the General Fund could be £27.615 million (gross) as well as a further impact on the Housing Revenue Account and Car Park Trading Account. The Council was also advised of the additional funding that was known at that time.
- 1.3. This report provides the Council with the latest forecast year end position for financial year 2020/21 based on actual expenditure and income to June 2020 (month 3 ledger) for the General Fund and Housing Revenue Account, update for subsequent material changes.
- 1.4. This report also provides a further update on the funding that has been made available to the Council.

2. LATEST PROJECTED FINANCIAL IMPACT OF COVID-19 ON COUNCIL

- 2.1 The projections included within this report are based on the most up to date information available at the time of writing. Undoubtedly assumptions will change as new information comes to light, as any further funding announcements are made or the Council's response to Covid-19 evolves.
- 2.2 Elected Members will be kept fully apprised of the latest projections at Council or Strategic Policy & Resources Committee meetings scheduled over the coming months.

2.3 The Executive Officer Team has reviewed the projected outturns based on the June 2020 (month 3 ledger), updated for any material movements, and these are set out in more detail below. The impact of Covid-19 has been summarised in the following categories:

- Impact on –
 - Expenditure
 - Income
 - Approved Savings
 - Local Taxes
 - Arm's Length External Organisations (ALEOs)
 - Other Areas

Impact on Expenditure

2.4 Using the latest information available, the projected impact of Covid-19 on Council **expenditure** is currently estimated at approximately **£10.8 million**. Examples of the pressures contributing to this position are set out in the following table.

<i>Giving every child the best start in life</i>	<ul style="list-style-type: none"> • Provision of free school meals - £0.795m • Provision of childcare / activity centres - £0.645m
<i>Developing educated, responsible and informed citizens</i>	<ul style="list-style-type: none"> • Additional teaching and support staff - £1.784m • Return of Schools - £0.592m • Additional property costs - £0.250m
<i>Supporting people to lead independent, healthy & active lives</i>	<ul style="list-style-type: none"> • Commissioned services within social care - £3.286m • Other social care - £0.601m • Food support - £0.115m
<i>Organised to deliver</i>	<ul style="list-style-type: none"> • Payments to Tayside Contracts - £1.8m • PPE / Cleaning / Supplies - £0.470m

Impact on Income

2.5 Using the latest information available, the projected impact of Covid-19 on Council **income** is currently estimated at approximately **£4.9million**. Examples of the income sources contributing towards this position are set out in the following table.

<i>Giving every child the best start in life</i>	<ul style="list-style-type: none"> Kids clubs - £0.390m
<i>Developing educated, responsible and informed citizens</i>	<ul style="list-style-type: none"> School meals - £1.040m Instrumental music - £0.179m
<i>Promoting a prosperous, inclusive and sustainable economy</i>	<ul style="list-style-type: none"> Planning & building warrant fees - £1.2m Licensing - £0.3m
<i>Supporting people to lead independent, healthy & active lives</i>	<ul style="list-style-type: none"> School lets - £0.085m Contributions Policy - £0.480m
<i>Creating a safe and sustainable place for future generations</i>	<ul style="list-style-type: none"> Greenspace (North Inch Golf / events) - £0.110m Waste (commercial / sales) - £0.415m
<i>Organised to deliver</i>	<ul style="list-style-type: none"> Recharges to Capital - £0.372m Statutory Additions - £0.1m Tayside Contracts Surplus - £0.3m

Impact on Approved Savings

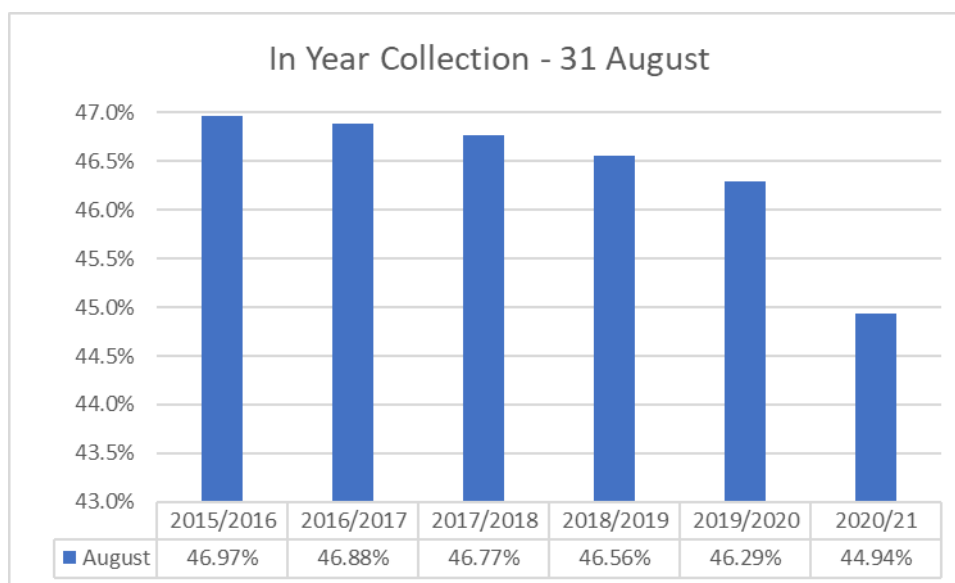
- 2.6 Using the latest information available, the projected impact of Covid-19 on Council **approved savings** is currently estimated at approximately **£1.6 million**. More information on this is set out in the following table.

<i>Promoting a prosperous, inclusive and sustainable economy</i>	<ul style="list-style-type: none"> Economic Development – sponsorship / advertising - £0.075m
<i>Supporting people to lead independent, healthy & active lives</i>	<ul style="list-style-type: none"> Older People – residential placements - £0.230m Learning Disabilities - £0.395m Income Contributions - £0.273m
<i>Creating a safe and sustainable place for future generations</i>	<ul style="list-style-type: none"> Recycling performance - £0.120m Review of cultural trusts - £0.150m
<i>Organised to deliver</i>	<ul style="list-style-type: none"> Review of support services - £0.250m Review of communications / design - £0.025m

Impact on Local Taxes

Council Tax

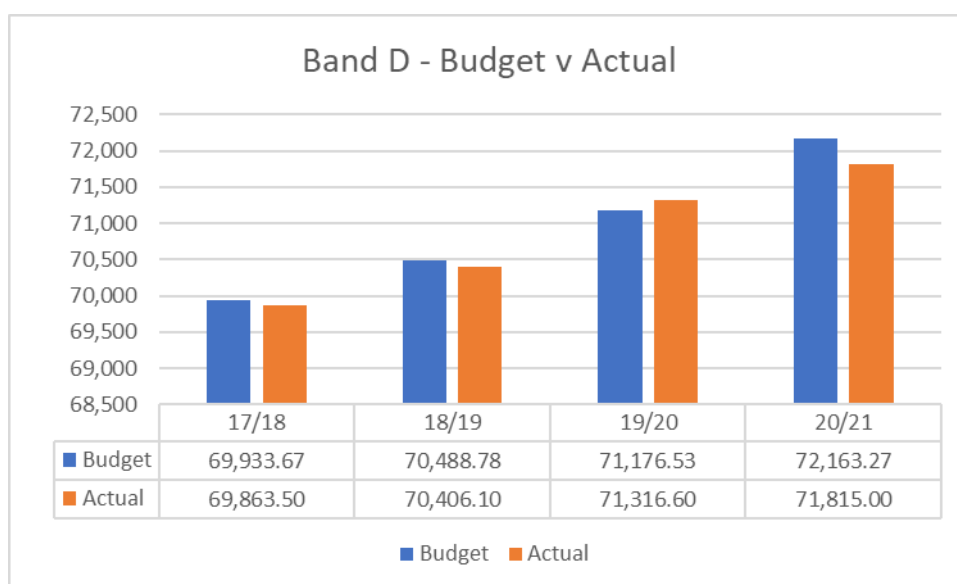
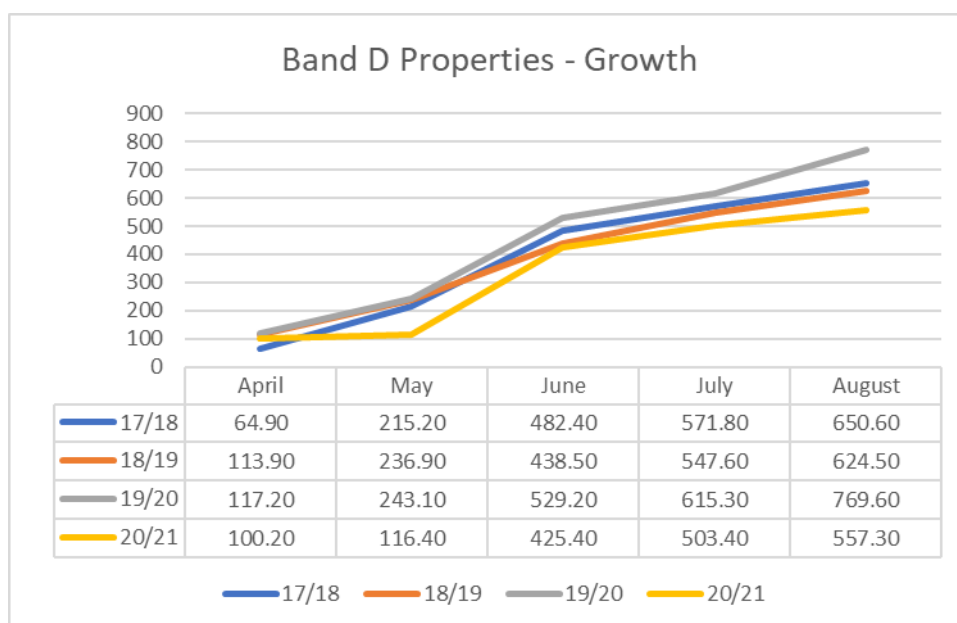
- 2.7 The amount of income the Council will generate from Council Tax is dependent on two main factors, firstly the collection levels and secondly, the number of Band D properties on the Valuation Roll.
- 2.8 Monitoring of Council Tax collection levels is carried out on a monthly basis. The graph that follows sets out collection performance to the 31 August 2020.



- 2.9 Collection levels have reduced compared to previous years. Between 2015/16 and 2019/20 the average collection figure by 31 August was 46.69%. The actual collection figure for August 2020 is 44.94% which is a reduction of 1.75% compared to the historical average and 1.35% on August 2019.
- 2.10 However, there is a risk that this position is over stated and showing an artificially high collection rate due to the impact of the Job Retention Scheme. As the scheme concludes, household budgets may come under pressure which may lead to a further reduction in collection levels. On that basis, three scenarios have been developed demonstrating reductions of 2%, 4% and 6% and the financial impact is shown in the following table.

2% reduction	£1.9m
4% reduction	£3.8m
6% reduction	£5.7m

- 2.11 Secondly, in setting the Council's Revenue Budget, assumptions are made on increases in the number of Band D equivalent properties. The two graphs set out below suggest that there is a risk that the level of growth will be less than budgeted assumptions. This potentially affects not only current year budgets, but also future years because of the impact on the base level of income. The other factor of note is that the growth in the current year appears to be flattening.



- 2.12 The potential financial consequences of a reduction in the budgeted assumptions of between 100 and 300 properties are set out in the following table.

100 properties	£0.132m
200 properties	£0.264m
300 properties	£0.396m

Non-Domestic Rates

- 2.13 There were significant changes to the Non-Domestic Rates (NDR) system, particularly around the introduction of a range of new reliefs to support the hospitality, leisure and retail sectors. This meant that the NDR bills were not issued until the end of June 2020.
- 2.14 The actual collection rate to 31 August 2020 was 15.24% compared to 43.03% for the same period in 2019.
- 2.15 The Scottish Government have recently asked for monthly returns on non-domestic rates income collection so that they can more fully understand the national position. This is a new development on previous years.

Impact on Arm's Length External Organisations (ALEOs)

- 2.16 Council officers have been working with all three ALEOs (Live Active Leisure, Culture Perth & Kinross and Horsecross Arts Limited) to more fully understand the implications of Covid-19.
- 2.17 Monthly payments by the Council have been maintained to all three ALEOs to assist with cashflow. Live Active Leisure and Horsecross Arts have also received support from the Job Retention Scheme. In addition, all three ALEOs have attracted further financial support that is set out in the table below.

	Live Active Leisure £'000	Culture Perth & Kinross £'000	Horsecross Arts Ltd £'000
Business Grants (retail, hospitality, leisure)	25	25	-
Third Sector Resilience Fund	-	17	100
Creative Scotland Venues Fund	-	-	750
TOTAL	25	42	850

Live Active Leisure

- 2.18 Live Active Leisure have developed a range of scenarios with a potential financial impact of between £650,000 and £1 million. The range of loss is dependent on when they will be allowed to start delivering services, any restrictions placed on services and several income assumptions.

Culture Perth & Kinross

- 2.19 With the Council continuing to provide its budgeted service level agreement contribution to Culture Perth & Kinross, the financial impact has been less significant with a reduction in income from sales, fees and charges. However, there may be additional restructuring costs incurred as the organisation prepares to deliver approved savings. For financial planning purposes it has been assumed that the Council may have to contribute £200,000 on top of the application of Culture Perth & Kinross reserves. The final non-recurring contribution will be dependent upon the outcome of any reviews.

Horsecross Arts Ltd

- 2.20 Horsecross Arts Ltd. have undertaken a comprehensive workforce management review over the last few months. With the funding outlined in the table above and the consequences of the workforce management review it is hoped that no additional funding will be required from the Council. This position will be kept under review in light of updated projections and Government advice.

Impact on Other Areas

Housing Revenue Account

- 2.21 It is anticipated that the Covid-19 pandemic will result in additional costs / reduced income for the Housing Revenue Account (HRA) of c£1.2 million. The majority of this is due to a projected reduction in Council house rent collection with some additional expenditure (PPE, cleaning, equipment). It is anticipated that this will be met from within existing HRA resources.

Car Park Trading Account

- 2.22 Between 1 April and 31 July, and in common with most Scottish local authorities, the Council did not charge for on or off-street parking. It is anticipated this will result in lost revenue of **c£1 million**. Initially this will be funded by the Car Park Trading Account Earmarked Reserve which, at 31 March 2020 stood at £1.183m million, but this level of reduced income will reduce it to less than £200,000. This may then have implications for the General Fund beyond the current year.
- 2.23 The following table summarises the potential gross financial impact of Covid-19 in a range between **£22.4 million and £26.8 million**.

	£m
Expenditure	10.8
Income	4.9
Approved Savings	1.6
Council Tax – number of Band Ds	0.1 to 0.4
Council Tax – collection levels	1.9 to 5.7
ALEOs	0.9 to 1.2
Housing Revenue Account	1.2
Car Par Trading Account	1.0
TOTAL POTENTIAL GROSS IMPACT	22.4 to 26.8

- 2.24 **ACTION:** The Council is asked to note the potential gross financial impact of Covid-19 of between £22.4 million and £26.8 million.

Other Financial Information

Business Grants

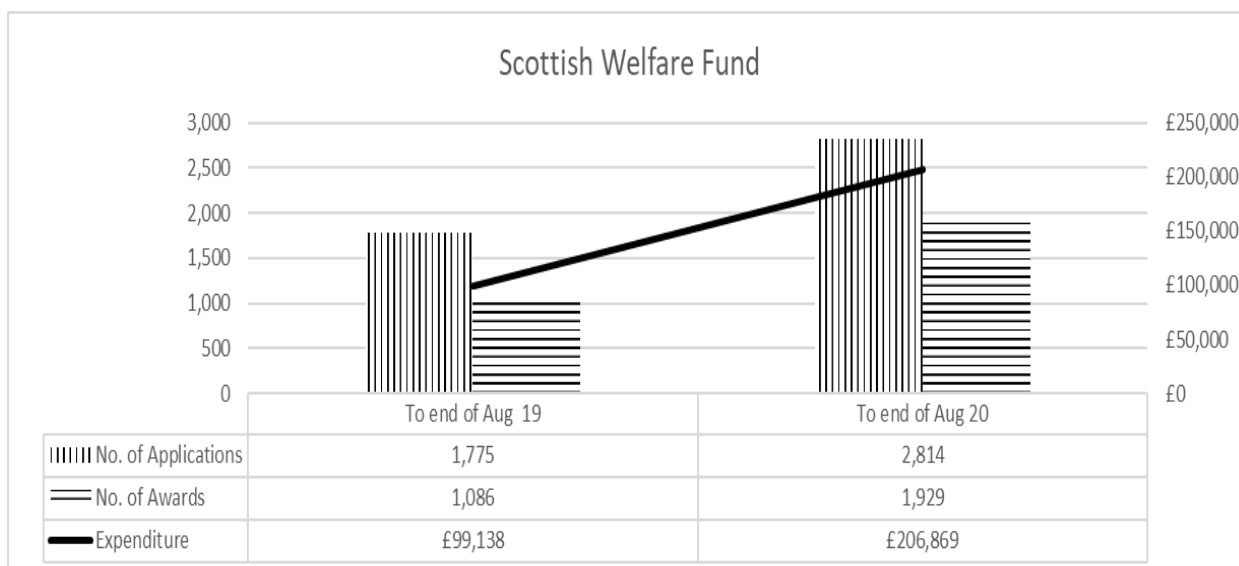
- 2.25 The Council received 4,568 applications to the Business Grants Scheme. Of those applications, 3,432 were paid and, 1,136 were rejected in accordance with guidance from the Scottish Government. Total grants of £37.034 million were paid.

Self Employed / Bed & Breakfast Hardship Grants

- 2.26 The Council received 313 applications for Self Employed / Bed & Breakfast Hardship Grants. Of those applications, 220 were paid and 93 were rejected. Total grants of £479,000 were paid.

Crisis Grants

- 2.27 As at 31 August the Council had received 2,814 applications for Crisis Grant funding. Of those applications, 1,929 have been paid, with a total value of c£207,000.
- 2.28 This area of activity has seen a significant growth in demand, and this is demonstrated in the following graph.



School Trips

- 2.29 To date, the Council has notified its insurers of 41 school trips that have been cancelled due to Covid-19 with a value of c£200,000. Of these claims, 39 have been settled and claims of c£193,000 agreed. It is anticipated that further school trips will be cancelled over the coming months, but the Council's insurer has confirmed that these will be covered too.

3. POTENTIAL MITIGATION MEASURES

- 3.1 This section of the report sets out several mitigation measures that could be applied to the Covid-19 response. For the reasons set out at paragraph 2.1 above, these measures will be refined as the projections evolve. It may be much later in the financial year before levels of confidence increase in areas of activity such as Council Tax collection.

Scottish Government Funding

- 3.2 The Council has received additional funding from the Scottish Government to support the response to Covid-19. The funding notified to date is set out in the following table.
- 3.3 Of the **£12.579 million** of funding allocated to date, £5.579 million is directed towards specific areas of activity and £7 million is to support the Council's wider response.

Funding to support specific initiatives / meet specific demand	
Scottish Welfare Fund	£0.410m
Food Poverty (1)	£0.621m
Food Poverty (2)	£0.595m
Registration Service	£0.017m
P&K IJB	£2.060m
Teachers / Support Staff	£1.284m
Education Logistics Funding	£0.592m
Sub-Total	£5.579m
Funding to support Council Response / Impact on Council	
Hardship Fund	£1.378m
Barnett Consequentials (1)	£4.272m
Barnett Consequentials (2)	£1.350m
Sub-Total	£7.000m
TOTAL (to date)	£12.579m

- 3.4 **ACTION: The Council is asked to approve the allocation of £12.579 million of Scottish Government funding towards the Council's Covid-19 response.**
- 3.5 The Scottish Government has provided confirmation that Early Learning and Childcare funding received in 2020/21 can be utilised towards the Covid-19 response across all Local Authorities in Scotland. Following an analysis of known commitments and the roll out of 1140 hours in Perth and Kinross being complete by the end of the year, it is proposed that £2 million be utilised to cover costs in relation to the Covid-19 response, in particular contributing to additional costs / reduced income within Education & Children's Services set out above.
- 3.6 **ACTION: The Council is asked to approve the utilisation of £2 million from Early Learning & Childcare towards additional costs / reduced income related to the Council's Covid-19 response.**
- 3.7 The Scottish Government has notified Councils of other funding e.g. Council Tax Reduction Scheme or Scottish Welfare Fund but these have not been allocated to individual Councils.

- 3.8 In addition, the Council received £37.328 million and £481,000 to support the Business Grants Scheme and Self Employed / Bed & Breakfast Hardship Funds respectively. However, this funding is passed straight to eligible businesses / organisations and therefore is not available to support the Council's response. Further details on this are set out in the following table. The under spend on the Self-Employed / Bed and Breakfast Hardship Fund has already been returned to the Scottish Government and it is anticipated that the same will be true with the Business Grant Scheme.

Funding that the Council will pass through to businesses (no direct benefit)		
	Allocation	Spend
Business Grant Scheme	£37.328m	£37.034m
Self Employed / Bed & Breakfast Hardship Fund	£0.481m	£0.479m

Non Covid-19 Revenue Monitoring

- 3.9 At this time the Council's response to Covid-19 has generated a net under spend of £3.863 million across other expenditure budgets – this figure will change as the financial year progresses. This is summarised in the following table.

Projected Over / Under Spends	
	£'000
Staff Slippage	(267)
Emotional & Behavioural Disorders	(241)
Property Costs – energy / water / maintenance	(1,375)
Partner Providers	(225)
Slippage on vehicle replacements	(365)
Housing Support / Care & Repair	(400)
Slippage on vehicle activated signs	(300)
Other Social Care	(848)
Other Education	(211)
Other Corporate	(436)

GROSS PROJECTED UNDER SPEND	(4,668)
School Transport	291
Additional Support Needs	212
Foster / Kinship Care	302
GROSS PROJECTED OVER SPEND	805
NET PROJECTED UNDER SPEND	(3,863)

3.10 ACTION: The Council is asked to approve the application of £3.863m of other under spends towards the Covid-19 response.

3.11 In summary the potential size of the financial challenge facing the Council is currently estimated at between **£1.7 million and £6.1 million**. These figures will be updated and refined as the financial year progresses and more information becomes available e.g. local tax collection. This position is summarised in the following table and includes the measures identified to date by officers reduce, as far as possible, the impact of Covid-19 on the current year Revenue Budget. This work will continue over the coming months and beyond.

POTENTIAL FINANCIAL CHALLENGE	
	£m
Total Potential Gross Impact (see 2.22 above)	22.4 to 26.8
Scottish Government Funding (see 3.4 above)	(12.6)
Early Learning & Childcare (see 3.6 above)	(2.0)
Other projected under spends (see 3.10 above)	(3.9)
HRA Contribution	(1.2)
Car Park Trading Account	(1.0)
REMAINING POTENTIAL GAP (NET)	1.7 to 6.1

3.12 ACTION: The Council is asked to note a remaining net financial gap of between £1.7 million and £6.1 million.

4. OTHER POTENTIAL COST PRESSURES

4.1 As well as the known costs identified in section three above, as the Council progresses with Renewal and Recovery, there are several other potential expenditure pressures that the Council may face over the short and medium term. At this time, it is not possible to quantify the totality of these additional costs, or indeed when the funding will be required. The following section provides further information on these areas.

Recovery & Renewal

- 4.2 Although lockdown restrictions are gradually being lifted, local outbreaks provide a reminder that the pandemic is by no means over. The Council continues to gather data on the events of recent months in a variety of ways, therefore the impact of COVID 19 on Perth and Kinross is becoming clearer. This information will be helpful in informing the development of the recovery and renewal plans and whilst each of the workstream plans are at different stages of development, a significant amount of investment will be required, particularly about the support to communities, businesses and to address the impact of climate change. The way in which the Council delivers its services will also change, which will also have a bearing on its resources, and it is hoped that by adopting a Perth and Kinross Offer approach, services will be more targeted and efficient, which in some cases could lead to savings.
- 4.3 Nevertheless, it is too early to accurately quantify the level of resources needed, or any savings which could be achieved, however it is important to note that recovery and renewal plans should be seen in the context of delivering the Offer, and Council's objectives and priorities in the longer term. As such, investment requests or saving proposals may be delivered over a number of years.

Digital Investment

- 4.4 Perth & Kinross Council's ambition is to be Scotland's leading digital local authority. Since 2016, the Council's Building Ambition programme has been delivering positive digital change, including embedding organisation-wide platforms for Mobile Working / Scheduling and Online Services / MyAccount. Over time, these initiatives (funded through non-recurring resources) are helping the Council change its business operating model.
- 4.5 The Council's increasing digital maturity has highlighted four fundamental building blocks required to ensure it progresses with embedding digital at the core of all it does and to ensure it is able to realise benefits from transformational change:
- a shared data management platform;
 - further embedding of Online and Mobile Working solutions as shared Council platforms from which to deliver a broader range of digital services; accelerating / extending existing workstreams; and taking advantage of emerging opportunities;
 - creating new digital products and services through technological innovation and integrating these with shared platforms; and
 - delivering the digital skills support needed to ensure staff have the confidence and know-how required to use new platforms effectively and adopt new ways of working.
- 4.6 To ensure the Council is best placed to optimise benefit from its digital investment, there will be a requirement for more resources in each of these key areas to further embed our Online, Mobile and Data platforms.

Further Education costs

- 4.7 With schools reopened from 12 August 2020, future cost pressures have been estimated but the level of these will depend on several factors as we navigate the 2020/21 school session. These factors include the level of Covid-19 cases in our communities, including self-isolation, as they will impact on available workforce capacity at any time likewise whether further local or national lockdowns are required to be implemented. The costs associated with operating schools under Covid-19 measures are likely to increase until such time as the education recovery planning mitigations are no longer necessary. The cost pressures identified include additional teachers and support staff, additional cleaning, PPE and infection control resources and required changes to home to school transport.
- 4.8 Funding has been allocated to Perth & Kinross Council for some of the cost pressures identified and flexibility within the terms and conditions of some ring-fenced funding has been granted to support meeting Education Covid-19 costs. This additional funding and flexibility, however, currently does not fully cover the known or projected costs anticipated. It is understood that there is a further £30 million available nationally to support education but that this will be allocated on the basis of actual costs.

Wider welfare provision

- 4.9 During the period of lockdown, the Council has invested in a number of community-led or community-supported initiatives in response to COVID-19 and lockdown to provide wider welfare support. This includes the provision of food, awareness raising, and volunteer support and co-ordination.
- 4.10 The Council has also worked with the Local Area Partnerships to support several initiatives, particularly focussed on food insecurity. It is anticipated that community food initiatives will continue over the medium to longer terms.
- 4.11 It is also anticipated that wider community / welfare support will be required for a number of years. The Council will continue to work with Local Area Partnerships and our communities, but further investment may be required as the Perth and Kinross Offer develops further.

Business & Economy

- 4.12 The impact of the pandemic on local businesses was sudden and severe, as many were forced to close or restrict their operations significantly. Those key businesses that did continue to operate often struggled with staff absence due to staff requiring to shield or self-isolate. Many employees were furloughed, and a number of businesses made some staff redundant or actually had to close due to lack of trade. The total number of people employed in Perth and Kinross who are furloughed is currently 22,200, representing 33% of all eligible employees, this is the 2nd highest rate in Scotland just behind Highland on 34%, compared to a Scottish average of 30%. Across Perth and Kinross, unemployment has risen sharply in the period from March to August,

with the overall claimant count increasing by 151% from 1,860 (2%) to 4,670 (5.1%), with the highest increases reported in the female rate (+172%) and those in the 18-24 age range (+181%). The Scottish rate is currently 8%, but the rise in the same period was 103% compared to the Perth and Kinross which was 151%.

- 4.13 In late March, the Council established a Business Taskforce with a number of key economic development partners. The Taskforce's focus has been on providing advice and guidance to numerous businesses looking for support. The Council has administered a number of the Scottish Government Funded Business Grants Schemes and, to date, has supported 3,432 businesses to secure £37.034 million of grant. The Council has to date published 48 Business Bulletins to provide regular updates to businesses, conducted two Business Barometer surveys to gauge local impact, and increased support available to businesses (particularly on-line). In addition, an Economic Bulletin was published which highlighted the early economic impacts of Covid 19 on the local economy.
- 4.14 The current focus is on developing a comprehensive partnership Economic Wellbeing Plan to help the local economy recover and grow. The consultation period on the Draft Plan has just closed, and it will be revised to take on board comments received.
- 4.15 The Council has developed a draft programme of actions under three main headings of support for People, Business and Place. Identifying short, medium and long term responses; emerging themes include: digital, connectivity, skills (including craft, modern apprenticeships and graduate opportunities), entrepreneurship, engagement and co-production, clean growth, natural capital, community wealth building and re-imagining our City and town centres.

Further local lockdowns

- 4.16 As has been the case in other areas of Scotland, there is an ongoing risk of local lock downs over coming months and beyond impacting on areas across Perth and Kinross. If this does occur, there may be additional costs if it is necessary for the Council to provide immediate welfare support to communities. There may also be a negative impact on local economies.

Other Areas for Consideration

- 4.17 In terms of ongoing pressures on the Revenue Budget, the Council also needs to be aware of the potential implications of decisions on the Capital Budget. There is also a risk that staff slippage targets across the Council become increasingly challenging as external employment opportunities deteriorate and that there is an impact on local taxes collection and growth in the number of Council Tax properties into future years.

- 4.18 As all the areas set out above are developed, the financial implications will be reported to future meetings of the Council or Strategic Policy & Resources Committee or included in future years' Revenue Budget Submissions.

5. OTHER POTENTIAL MITIGATION MEASURES

- 5.1 As set out in paragraph 3.12 and in section four, the Council faces significant financial challenges over the short, medium and longer term. The purpose of this section is to set out how the Council could respond to the challenge set out above.

Further Scottish Government Funding

- 5.2 COSLA continues to lobby the Scottish Government for additional financial support for Councils. At this stage there is no specific information on any further funding.
- 5.3 There are several funding streams that have still to be distributed by the Scottish Government which may further contribute towards the financial challenge facing the Council.
- Education Recovery - Ringfenced funding to meet further costs - £30m
 - School Transport - £1.5m
 - Council Tax Reduction Scheme - £50m
 - Scottish Welfare Fund - £23m
- 5.4 In addition, the UK Government has launched a local government income compensation scheme for lost sales, fees and charges. The scheme compensates English local authorities for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services in 2021/22. Under the scheme, Councils are expected to absorb the first 5% of losses with compensation of 75p in the £ being paid on the balance thereafter. The scheme relates only to budgeted income and is based upon the submission and approval of claims. Council Tax income, investment income, income from housing rent and income generated by Arms Length External Organisations (ALEOs) are all excluded from the scheme.
- 5.5 The Convention of Scottish Local Authorities (COSLA) are currently in discussion with the Scottish Government over the introduction of a similar scheme for Scotland. COSLA have stressed the importance of including ALEO income within a Scottish scheme given the considerable financial pressure these organisations have experienced as a result of Covid 19. At this time, the details of a Scottish income compensation scheme are still to be confirmed and elected members will be updated as and when further information becomes available.

Reserves

- 5.6 As at 31 March 2020, the Council had £49.296 million of General Fund Reserves. Of these Reserves, £36.375 million was earmarked for specific

purposes as set out in the 2019/20 Audited Annual Accounts. This means that the Council has c£12.9m (or 3.7%) of unearmarked Reserves.

- 5.7 Officers have undertaken a further analysis of the earmarked Reserves and identified several areas that could be unearmarked, up to c£8 million potentially. Any proposals to unearmark Reserves will have an impact on future plans to varying degrees. This work will continue and be refined as the totality of the potential funding gap becomes clearer and be included in future updates.

Treasury Management

- 5.8 The Cabinet Secretary for Finance, supported by COSLA, wrote to the Chancellor of the Exchequer on 9 September 2020. This letter set out a number of financial flexibilities to allow Councils to manage funding pressures they may face due to Covid-19 as follows –

- Capital Grant / Borrowing – permission for Councils to use 25% of capital grant towards revenue pressures or for them to borrow up to £156 million for Covid-19 costs.
- Capital Receipts Received in 2020/21 & 2021/22 – allow capital receipts to meet funding pressures.
- Credit Arrangements – reform the statutory framework for leases by reverting back to property accounting practices, i.e. no statutory adjustments for leases.
- Loans Fund Repayment Holiday

- 5.9 Slippage in the current year capital programme has already resulted in savings in Loan Charges of £302,000 this year, and a further £1.552 million projected for next year when repayment of current year expenditure would have commenced. These savings, totalling £1.854 million could be applied in the Revenue Budget in the current year by managing the contributions to the Capital Fund. It is anticipated that further slippage and savings as a result of the current (and ongoing) restrictions will be identified once the full impact of the pandemic can be determined.

Other Savings

- 5.10 Work will continue across the Council to mitigate the financial impact of Covid-19 on the Revenue Budget, both in the current financial year and in future years.
- 5.11 **ACTION: The Council is asked to note the options that may be available to contribute towards the financial consequences of Covid-19.**
- 5.12 There is a further Elected Member briefing session scheduled for Monday 26 October to provide an update on the latest developments. Additional briefings

will be provided to elected members in December and January or when significant information is received such as clarity on the Income Compensation Scheme.

6. OTHER 2020/21 ISSUES

- 6.1 In order to ensure that the 2020/21 Management Budgets continue to reflect the operational requirements of the Council, there are a number of adjustments required. These are summarised below and set out in detail in Appendix 1.

Issues arising from financial year 2019/20

- 6.2 In completing the 2019/20 Audited Annual Accounts, several issues have been identified which require adjustments to be made to the 2020/21 Management Budget as follows:
- Devolved School Management - £554,000
 - Revenue Grants - £2.528 million – see Appendix 1
 - Transformation - £985,000 – see Appendix 1
 - Bridge Studies - £132,000
 - Public Sector Network Compliance - £17,000
 - Micro Business Funds - £60,000
 - Communities -£40,000
- 6.3 The proposed carry forward of revenue grants includes the Pupil Equity Fund, General Revenue Grant (including 1 + 2 Languages, Additional Support Needs and School Counsellors) and various other grants across the Council.
- 6.4 **ACTION: The Council is asked to approve the adjustments totalling £4.316 million to Management Budgets, funded from earmarked Reserves, to reflect issues arising from the 2019/20 Annual Accounts. These adjustments have no overall impact on the budgeted level of uncommitted Reserves.**

Movements in Funding (Non-Covid)

- 6.5 Since the 2020/21 Revenue Budget was set by the Council on 6 March 2020 (Report No. 20/57 refers), notification has been received of additional resources in the current financial year.

Scottish Government: Revenue Support Grant (£757,744)

- Discretionary Housing Payments: £664,057 (Corporate & Democratic Services)
- Teachers Induction Scheme: £80,687 (Educations & Children's Services - ECS)
- Community Justice Partnership: £13,000 (ECS)

- 6.6 The Scottish Government has advised that this increase in funding will be made through a redetermination of the Council's Revenue Support Grant. It is, therefore, necessary to adjust the budgets for Education & Children's Services, Corporate & Democratic Services and Revenue Support Grant.

- 6.7 **ACTION: The Council is asked to approve the adjustments set out at 6.5 above.**

Scottish Government Ring Fenced Grant (£43,245)

- 6.8 The Scottish Government has advised that the final amount allocated for Pupil Equity Funding will be £27,593 greater than previously advised; and that the amount for Criminal Justice will be £15,652 greater than previously advised. It is therefore necessary to adjust both the budget for Education & Children's Services and Ring-Fenced Grant.

- 6.9 **ACTION: The Council is asked to approve the adjustments set out at 6.8 above.**

Other Funding (£3.583 million)

- 6.10 Other funding amounting to £3.583 million will be paid outside the Revenue Support Grant mechanism as Other Grant income and is therefore cost neutral in terms of the budget summary. The detail of this other funding is set out in Appendix 2.

- 6.11 **ACTION: The Council is asked to note the receipt of £3.583 million of additional resources.**

Movements in Reserves

- 6.12 Within earmarked Reserves there is £1.506m to support the Remodelling of Residential Care (Children and Young People). Of this, £1.090 million has already been committed to the project. Approval is sought to draw down the balance of £416,000 over two years to fund four additional social worker posts to support the additional demand pressures of the children and families social work service.

- 6.13 **ACTION: The Council is asked to approve the allocation of £416,000 over two years to meet additional demand pressures on the children and families social work service.**

Virements

- 6.14 There are several internal virements that, in line with financial regulations, require approval. The approval of these virements will ensure that the 2020/21 Management Budgets reflect operational responsibility.

- 6.15 **ACTION: The Council is asked to approve the adjustments to management budgets set out in section 6.12 and Appendix 3.**

7. CONCLUSION AND RECOMMENDATIONS

- 7.1. Covid-19 has resulted in the Council facing a significant financial challenge, in terms of additional expenditure, reduced income and non-achievement of savings.
- 7.2. To date the gross financial impact of Covid-19 is estimated at between £22.4 and £26.8 million. Mitigation measures of £20.7 million have been identified resulting in potential financial gap of £1.7 million to £6.1 million.
- 7.3. In addition, there will be further cost pressures and possibly other mitigation measures that will up change this position which will be reported to Elected Members over coming months.
- 7.4. The Council is requested to:
- (i) Note the potential gross financial impact of Covid-19 of between £22.4 million and £26.8 million.
 - (ii) Approve the allocation of £12.579 million of Scottish Government funding towards the Council's Covid-19 response.
 - (iii) Approve the utilisation of £2 million from the 2020/21 allocation for Early Learning & Childcare towards the additional costs / reduced income related to the Council's Covid-19 response.
 - (iv) Approve the application of £3.863m of other net under spends towards the Covid-19 response.
 - (v) Note a remaining net financial gap of between £1.7 million and £6.1 million.
 - (vi) Note the options that may be available to contribute towards the financial consequences of Covid-19.
 - (vii) Approve the adjustments to management budgets set out in section six.

Author(s)

Name	Designation	Contact Details
Scott Walker	Chief Accountant	chxfinance@pkc.gov.uk

Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	23 September 2020
Karen Donaldson	Interim Chief Operating Officer (Corporate & Democratic Services)	23 September 2020

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Corporate Plan

- 1.1 The Council's Corporate Plan 2018 – 2022 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

- 1.2 This report relates to all these objectives.

2. Resource Implications

Financial

- 2.1 There are no direct financial implications arising from this report other than those reported within the body of the main report.

Workforce

- 2.2 There are no direct workforce implications arising from this report other than those reported within the body of the main report.

Asset Management (land, property, IT)

- 2.3 There are no direct asset management implications arising from this report other than those reported within the body of the main report.

3 Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

Internal

- 4.1 The Executive Officer Team have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

Appendix 1 –	2019/20 Final Accounts Adjustments
Appendix 2 –	2020/21 Other Funding
Appendix 3 –	2020/21 Virements

APPENDIX 1

2019/20 Final Accounts Adjustments

Revenue Grants	
• Sanitary Products	£55,000
• The Matthew Gloag Ideas Centre (Creative Exchange Hub)	£123,000
• Perth Smart Energy Network	£175,000
• Tayside Biodiversity Partnership	£44,000
• Futures for Families PKC	£42,000
• No One Left Behind	£37,000
• Developing Young Work Force	£32,000
• 1+2 Languages	£60,000
• Counsellors	£328,000
• Additional Support Needs	£391,000
• Care Experienced Children & Young People	£69,000
• Early Learning & Childcare - Realising Change	£77,000
• Tayside Regional Collaborative	£462,000
• Pupil Equity Fund	£130,000
• Tactran	£69,000
• Switched on Fleets Ultra-Low Emission Vehicle Procurement	£98,000
• Child Poverty	£27,000
• Rapid Rehousing	£36,000
• Air Quality Projects	£40,000
• Technology Enabled Care	£30,000
• Other Grants	£203,000
TOTAL	£2,528,000

Transformation Programme	
• Procurement	£20,000
• Smart Perth and Kinross	£206,000
• Electronic Document Management	£172,000
• Review of Inclusion Services	£15,000
• Review of Council Fleet	£11,000
• Transformation Support	£39,000
• Smart Energy Network	£50,000
• Property Asset Management Review	£58,000
• Digital Skills	£34,000
• Learn to Teach	£59,000
• Communities First	£28,000
• Review of Adult Day Care	£52,000
• Review of Community Care Packages	£225,000
• Review of Catering Services	£16,000
TOTAL	£985,000

APPENDIX 2

Other Funding

Housing & Environment	
• Sustrans – Spaces for People (1)	£1,098,000
• Sustrans – Spaces for People (2)	£255,000
• Scottish Government – Air Quality Action Plan	£167,880
• Scottish Government – Local Air Quality Management	£97,939
Corporate & Democratic Services	
• Scottish Government – Parental Employability Support Fund	£100,000
• Scottish Government – No-One Left Behind	£100,000
Education & Children's Services	
• Scottish Government – Criminal Justice Service (top-up)	£387,512
• Scottish Government – Transitional Support Fund for Childcare Providers	£294,000
• Scottish Government – Scottish Attainment Challenge	£228,000
• Scottish Government – Developing the Young Workforce	£170,000
• Scottish Government – Caledonian Project	£155,040
• The Gannochy Trust – The Universal Youth Service Partnership	£153,402
• Scottish Government – Digital Devices to Tackle Digital Exclusion	£105,614
• Scottish Government – No-One Left Behind	£85,392
Health & Social Care	
• Scottish Government – Living Wage Uplift	£185,000
TOTAL	£3,582,779

APPENDIX 3

Virements

• Self-Directed Support	£30,000
• Gaelic Grant	£3,000
• Planning and Economic Development	£755,000
• Contributions Policy	£250,000
TOTAL	£969,000

PERTH AND KINROSS COUNCIL

30 September 2020

INVESTMENT BLUEPRINT & CAPITAL BUDGET 2020/21 – 2028/29 UPDATE

Report by Chief Executive and Head of Finance (Report No. 20/175)

This report: -

- advises the Council of the current position as regards the impact of the COVID 19 pandemic on our ability to progress the recommendations agreed by Council in March of this year (Report 20/58 refers)
- seeks advice and decisions from Council as to how to proceed with five particular projects which, in the absence of the strategic investment blueprint, have been risk assessed as requiring a decision due to the nature and/or stage of the project
- seeks approval to update the Capital Budget 2020/21 -2028/29, as detailed in Appendix 1

1. BACKGROUND / MAIN ISSUES

- 1.1 The Perth and Kinross Offer (“the Offer”) establishes a new direction for the Council which will transform the way we work with our communities, citizens, partners, businesses, employees and other stakeholders, to ensure that public services can be co-created and delivered sustainably to achieve better outcomes for the people of Perth & Kinross.
- 1.2 Capital investment is generational in its impact, creating the infrastructure to support our communities; facilitate economic growth and improve our key assets for decades to come. It also represents the long-term commitment of public funds to finance this investment. It is crucial therefore that we invest in the right things and that our revenue and capital decisions support the delivery of the Offer.
- 1.3 In March 2020, the Council approved the development of a long-term Investment Blueprint for the Future (Report 20/58 refers). The Blueprint is intended to help the Council identify future investment priorities and to establish a more transparent and flexible approach to investment decision making, ensuring that capital investment fits with delivery of the Offer and is responsive to the changing needs within our communities.
- 1.4 The Council also approved the adoption of a gateway review approach to the development and delivery of capital investment, ensuring that invest decisions remain sound and that projects remain fit for purpose through a process of robust objective challenge at key stages of a project’s delivery.
- 1.5 Council agreed to undertake a review of the Capital Budget in June 2020 and, specifically, to consider the development of a funding solution for the

Blairgowrie Recreation Centre project and the identification of a commercial income stream in respect of the Perth Leisure Vision PH2O proposal.

- 1.6 The deployment of Council resources in responding to the unprecedented challenge presented by the Covid 19 pandemic and the ongoing demands this has placed upon the Council, has delayed progress with all the above actions.
- 1.7 Given the delay in progressing the Investment Blueprint, several projects within the existing capital programme were assessed as requiring decision/direction, given the nature or the stage of the project. This report provides a summary of the key information relevant to the specific project and an overview assessment of the risks.
- 1.8 All elected members were provided with a presentation on the matters contained within this report on 7 September, and with the opportunity to engage in a question and answer session on 9 September with the Senior Responsible Officers for the projects highlighted. Further briefings were held with individual political groups on 14 September.
- 1.9 To further support elected members in their consideration of these projects, a briefing pack was issued to all Council members on 21 September.

2. INVESTMENT BLUEPRINT FOR THE FUTURE

- 2.1 The need for a Blueprint recognises that the Council's existing approach to investment is insufficiently agile to address the increasingly complex and inter-connected needs of our communities. It is a key part of delivering the Perth and Kinross Offer and represents a move from capital projects tending to develop in isolation, to one where working with local communities, businesses and partners to better understand their needs and aspirations shapes our investment decisions.
- 2.2 The Investment Blueprint will incorporate the recommendations of the Infrastructure Commission's [Key Findings](#) report to:
 - best meet the needs of our communities as identified through our response, recovery and renewal work and the development of the Perth & Kinross Offer
 - promote equality and fairness
 - promote inclusive economic growth and a vibrant economy
 - support the delivery of sustainable public services
 - mitigate the impact of climate change
 - promote and enhance digital inclusion
- 2.3 The coronavirus pandemic has had an adverse and potentially long-lasting impact on our communities and our economy, both at a local and national level. Unemployment in the Perth and Kinross area has increased by 151% between March and August 2020 (source: Office for National Statistics). The end of the Coronavirus Job Retention Scheme in October may further impact upon local employability, particularly in the retail and hospitality sectors. The

response to the local outbreak in Coupar Angus, and the continuing welfare support being provided by community groups and the Council, has also reinforced underlying issues of inequality and poverty within Perth & Kinross's relatively low-wage economy.

- 2.4 A draft Economic Wellbeing Plan is being consulted upon for final approval by Council. The Council alone cannot address the challenges facing the local economy, but its capital decisions can help build confidence in attracting inward investment and in supporting local employability and growth.
- 2.5 Equally, the challenges in the Council's own financial position require a more innovative approach to working with commercial partners in bringing forward development and identifying potential revenue streams. The economic impact of Covid 19 may limit opportunities in the short-term. However, it is important that the Investment Blueprint recognises the need for greater commercialism and market awareness in the Council's approach to investment decisions.
- 2.6 The effective shutdown of the construction industry in Scotland prior to July means that project and programme costs are likely to fluctuate as contractors balance increases in operating costs with a concern to secure future work.
- 2.7 The capacity within the Revenue Budget to service financing costs is a major determinant of how much the Council can afford to borrow and invest in its Capital Programme. The Council was already facing significant financial pressures pre-Covid and the impact of the pandemic on the Revenue Budget, which is the subject of a separate report to this meeting of the Council, is increasing this challenge. The Council will, therefore, need to ensure that future Capital expenditure remains affordable and, as noted above, seek to develop different approaches to supporting our capital expenditure.
- 2.8 In common with all local authorities, the Council faces the challenge of maintaining the condition of its existing infrastructure and assets within constrained resources. Planned expenditure on the Council's existing assets is not expected to keep pace with their declining condition.
- 2.9 Over the remaining period of the approved Capital Budget 2020/21 – 2028/29, approximately 40% of planned capital expenditure is currently allocated to ensuring investment in the Council's existing infrastructure and assets. This requirement is anticipated to increase over time, both due to growth in the Council's asset base and as its existing assets and infrastructure age. Planning to ensure the Council's existing asset base remains fit for purpose will be a key focus for the Investment Blueprint.
- 2.10 Responding to climate change is a major priority for both the Scottish Government and Perth & Kinross Council and the carbon impact of our current and future estate will require to be reflected in the Investment Blueprint.
- 2.11 In December 2019, the Council approved an Interim Climate Emergency Report and Action Plan (report No.19/362 refers). The Action Plan reflects

the Scottish Targets contained within the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 which includes the following:

- net zero greenhouse gas emissions by 2045
- phasing out new petrol and diesel cars by 2032
- developing regulations so that all new homes from 2024 must use renewable or low carbon heat
- phase in renewable and low carbon heating systems for new non-domestic buildings consented from 2024.

- 2.12 The Council has been considering low carbon (energy efficient) designs for its new buildings, including exploring the benefits of the Passivhaus Standard and accreditation, developed by the Passivhaus Institute in Germany (www.passivhaustrust.org.uk). Passivhaus is a strict design standard which has stringent quality processes that are undertaken and verified by an external assessor. The process attributes significant responsibility to the Contractor and the Design Team to produce a high-quality building, where all details and installations are thoroughly considered and carefully constructed, with assessments, tests and checks carried out at various stages throughout design, construction (to ensure building will perform as designed) and before final accreditation is achieved on completion of the project.
- 2.13 The development of sustainable energy efficient buildings is a requirement for projects seeking to access funding through Phase 2 of the Scottish Government Learning Estate Investment Programme.
- 2.14 The overall approach to low carbon will, therefore, be a key component of the Investment Blueprint.
- 2.15 Supporting access to high speed connectivity for local communities and businesses and building capacity within the Council's digital infrastructure to realise efficiencies and facilitate service re-design are key priorities for investment.
- 2.16 The Council's ability to respond effectively to the Covid 19 pandemic; to maintain key critical services; to administer financial support to local businesses; to provide welfare to local communities and families and to return to democratic decision making has all been dependent upon our digital infrastructure.
- 2.17 The move to home working at scale necessitated by the pandemic and the increased use of digital channels to engage with and support customers and communities provides an opportunity to consider different approaches to service delivery and the Council's future property requirements. Investment in digital capacity will, therefore, require to become an increasingly prominent feature of the Council's future capital strategy through the Investment Blueprint
- 2.18 The development of a long-term Investment Blueprint will be a comprehensive and iterative exercise which will require to be updated as the Perth and

Kinross Offer and circumstances develop. An interim Investment Blueprint will be developed, as work in progress, to support elected members in their consideration of the Capital Budget in 2021.

- 2.19 In summary, the development of the Investment Blueprint is required to support the Council's investment strategy leading to a review of the existing capital programme, while ensuring that it:
- aligns with the aspirations of the Perth and Kinross Offer
 - remains affordable and deliverable
 - contributes positively to addressing the climate emergency
 - supports the Council's digital needs and aspirations
 - contributes positively to offsetting the economic impact of the pandemic.

Gateway Review Process

- 2.20 The Council has approved the adoption of a gateway review approach to the governance and management of capital expenditure (Report 20/58 refers). The Gateway Review process is recognised as good practice by both the UK and Scottish Governments and is part of the arrangements for projects funded through the Tay Cities Deal.
- 2.21 A Gateway Review process can be defined as a series of points on the timeline of an investment proposal, at which point the proposal is subject to objective challenge and scrutiny, to ensure it continues to represent the best value for delivering a stated and measurable outcome.
- 2.22 Where Council agrees to proceed with capital projects, these will be developed, assessed and managed in accordance with the Gateway Review process. Any significant issues identified through the Gateway Review will be reported to the Strategic Policy and Resources Committee as part of the Council's ongoing monitoring of the Capital Budget.

3. OVERVIEW RISK ASSESSMENT

- 3.1 In light of the impact of Covid 19 and the range of issues the Council's capital investment requires to reflect, as set out above, the Chief Executive requested that officers undertake an overview risk assessment of the existing capital budget. This was presented to elected members at the briefing session on 7 September 2020.
- 3.2 The overview risk assessment did not cover the entirety of planned capital expenditure over the remaining period of the approved capital budget, for reasons outlined below. This approach highlighted five key projects which require a decision by Council, as a result of the critical stages in their development. These projects have been subject to a series of briefings/meetings with elected members in September and details can be found in the reports attached:

- Cross Tay Link Road (appendix 2)
- Perth High School (appendix 3)
- Perth City Hall (appendix 4)
- Blairgowrie Recreation Centre (Appendix 5)
- Balhousie/North Muirton Primary School (appendix 6)

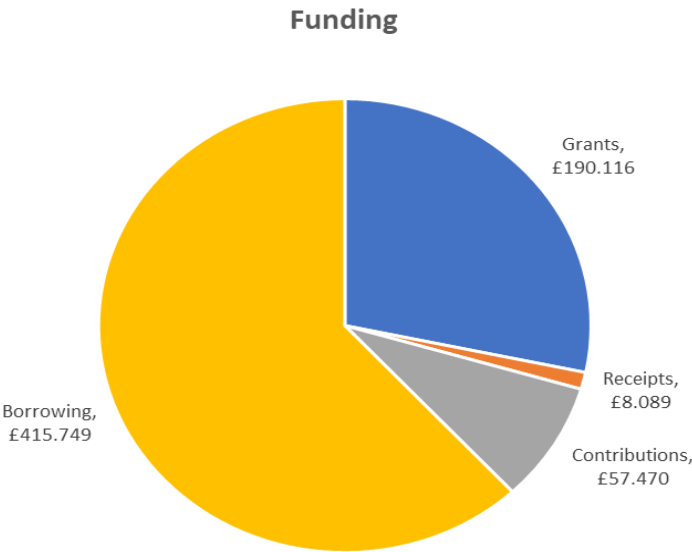
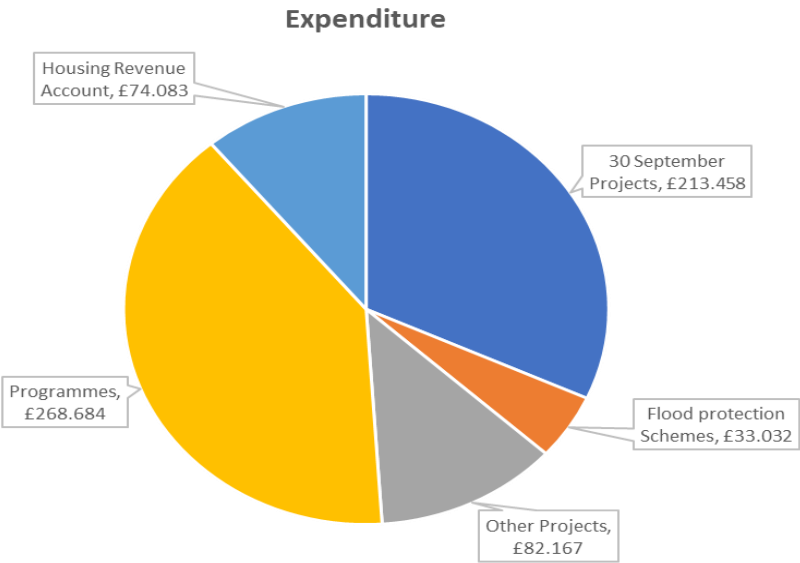
- 3.3 Capital expenditure on housing was excluded from the overview risk assessment as it is proposed to continue with the delivery of housing projects and programmes. Capital expenditure on housing is funded through the Housing Revenue Account (HRA), from borrowing financed through rental income and Scottish Government grant. The level of and priorities for housing capital investment is determined with council tenants through the annual consultation on rent levels. Although not isolated from risks over contract inflation and delivery, capital expenditure on housing tends to be more scalable (in terms of the volume of work undertaken or number of units built) and fluctuations in cost can be more readily managed.
- 3.4 The Council has received approval from the Scottish Government for Flood Protection Schemes at Comrie, South Kinross, Milnathort and Scone. These projects are statutory schemes under the Flood Act and the Scottish Government has undertaken to meet 80% of the tendered cost of these schemes. It is, therefore, proposed to continue with the delivery of the Council's approved Flood Protection Schemes, and they were not included in the overview assessment.
- 3.5 The challenge in maintaining the condition of the Council's existing infrastructure and assets is discussed in section 2 of the report. This investment is reflected within the Council's various asset programmes and the structural maintenance budget, and is financed through both borrowing and specific Scottish Government grant in the case of the Early Learning and Childcare programme.
- 3.6 Given the importance to service delivery and our communities of ongoing investment in the Council's existing infrastructure and assets – as recently evidenced by the temporary closure of facilities as a result of severe weather in August – it is recommended that expenditure on structural maintenance and programmes of works be continued as a priority. These budgets were, therefore, excluded from the risk assessment.
- 3.7 It is also recommended to progress expenditure on the Council's programme of investment in its digital capacity for the reasons previously set out in section 2 above, and this expenditure was excluded from the risk assessment.

4. CAPITAL BUDGET 2019/20 TO 2028/29 UPDATE

Capital Budget Overview

- 4.1 The Council's approved Gross Capital Budget over the nine-year period 2020/21 -2028/29 totals approximately £671 million. This comprises approximately £597 million of planned General Fund (Non-Housing)

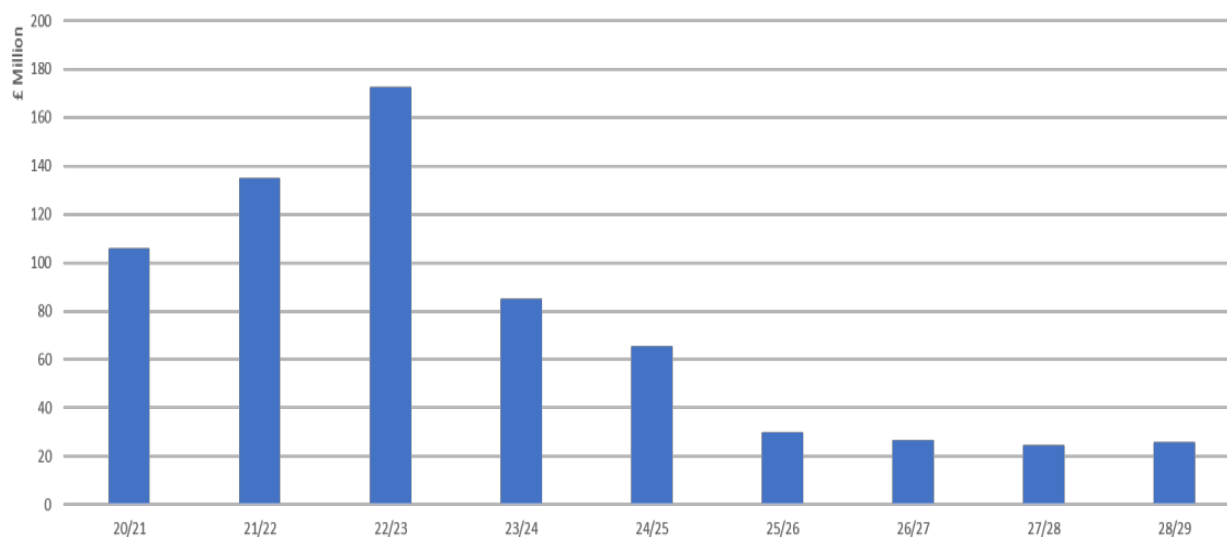
expenditure and £74m on the five-year 2020/21- 2024/25 Housing Investment Programme. The current allocation and funding of this expenditure is summarised in the charts below:



- 4.2 The approved Capital Budget is split between funding for individual projects, and programmes of works to ensure the condition of the Council's existing assets and infrastructure. The allocation of funding between projects and programmes is shown in the table below:

Allocation of Gross Capital Budget (2020/21 – 2028/29)	£m Individual projects	£m Assets/ infrastructure	%
Capital Programmes		269	40%
Housing Investment Programme		74	11%
Flood Prevention Schemes		33	5%
Capital Projects:			
<i>Cross Tay Link Road; Perth City Hall; Perth High School Replacement; Blairgowrie Recreation Centre; North Muirton / Balhousie PS Replacement (existing budgets) - referred to as `30 September Projects` in pie chart in section 4.1</i>	213		32%
Other Approved Projects	82	295	12%
Total		671	100%

- 4.3 The current profiling of expenditure within the approved Capital Budget is heavily front-weighted in line with the anticipated delivery of projects. The graph below illustrates the profile of the Council's £671m Gross Capital Budget over the period 2020/21 to 2028/29 assuming all existing projects and programmes are approved and delivered as anticipated. It should, however, be noted that the budget profile is indicative only as it does not, at this time, fully reflect the impact of COVID19 on expenditure in the current year or the potential consequential impact upon project delivery in future years.



Updated Capital Budget 2020/21 to 2028/29

- 4.4 The Council's 2019/20 Audited Accounts were approved by the Audit Committee on 16 September 2020 (Report 20/ 162 refers). Based upon audited expenditure, approximately £3.9m of net resources have been carried forward from 2019/20 into the current and future financial years' Capital Budget.
- 4.5 Appendix 1 to the report shows the detailed breakdown of the Capital Budget by project and programme across financial years based upon current estimates. The impact of COVID-19 and the virtual shutdown of construction in Scotland from March 2020 until the summer has impacted upon the planned delivery of the Council's capital programme in 2020/21. Appendix 1 includes the re-profiling of budgeted expenditure in accordance with the latest contractor and project team estimates for the completion of each project and each element of the programme.
- 4.6 In addition to the reprofiling of existing budgets, Appendix 1 includes the transfer of £180,000 of remaining resources from the completed Alyth, Tulloch and Kinross Primary School projects back to the Investment in Learning Estate Programme. The budget for the Rattray Primary School Upgrade project has been increased by £744,000 to meet the required expenditure in upgrading the school's infrastructure and condition alongside the works to facilitate 1140 hours Early Learning & Childcare provision. This has been financed from the Investment in Learning Estate Programme, and the transfer of part of the contingency provision for the Letham Primary School Upgrade project which is progressing well.
- 4.7 Appendix 1 also includes an adjustment of £535,000 to the Rural Flood Mitigation Programme to include the cost of the Perth Flood Prevention Scheme, pump replacement project. This will be financed through the transfer of £107,000 in each of the next 5 years from 2021/22 from the Structural Maintenance programme.
- 4.8 The Gross Capital Budget has also been adjusted for additional Scottish Government Grant funding in 2020/21 of £614,000 to address digital exclusion amongst disadvantaged young people; for additional third-party contributions from the Forestry Commission of £385,000 for Strategic Timber Routes, representing 70% of the cost of the project, with the balance to be met from the Structural Maintenance budget in 2020/21 and for £40,000 of funding secured through the Scottish Forestry Walking In and About Town programme.
- 4.9 An update report on the Council's capital monitoring position will be submitted to the Strategy Policy and Resources Committee in October.
- 4.10 **Council is requested to approve Appendix 1 to the report as the updated Capital Budget for 2020/21 to 2028/29, subject to any decisions of this meeting of the Council.**

Financial Implications of Capital Projects Under Consideration

- 4.11 The financial implications, in terms of capital expenditure arising from the five projects highlighted for consideration by the Executive Officer Team are summarised in the table below. Further information is included within the report on each project (see Appendices 2-6).
- 4.12 Each of the following projects has an approved budget allocation within the overall Capital Budget as set out at Appendix 1 to the report. As design and specification work has progressed, in several cases, the revised cost of delivery now exceeds the approved budget and either a funding solution will require to be identified or the building design and specification revisited.

Project	External Funding	Total Approved Budget (Gross) Note	Latest Projection	Potential Funding Gap	Expenditure To Date (<i>including prior years</i>)
	£m	£m	£m	£m	£m
Cross Tay Link Road	(40.0)	118.0	118.0		5.2
Perth High School replacement		50.0	58.3	8.3	1.2
Perth City Hall	(10.0)	23.2	26.5	3.3	2.3
Blairgowrie Recreation Centre replacement		15.1	24.0	8.9	0.3
North Muirton / Balhousie PS replacement		16.0	16.4	0.4	0.4
Potential Funding Gap				20.9	

Note: The Gross Budget for these projects includes c £9m of activity which was budgeted for and incurred prior to 2020/21.

- 4.13 The latest projections for the Perth High School replacement; Blairgowrie Recreation Centre and North Muirton / Balhousie Primary School replacement projects are based upon delivering low-carbon energy efficient buildings, which are anticipated to be compliant with future Scottish Government standards. Further information on the design options are included within the reports on these projects, in the Appendices to this report.
- 4.14 In respect of the Cross Tay Link Road project, the Council has received a draft grant offer letter from Transport Scotland.
- 4.15 As part of the Perth Transport Futures Strategy approved by Council in 2012, the Council has agreed a developer contributions strategy. Under the strategy, developers will be required to contribute to the cost of the Cross Tay Link Road as a condition of planning consent for future housing developments

within the Local Development Plan, facilitated by the crossing and associated roads infrastructure. Although not reflected in the above table, it is prudently estimated that in the order of £17 million will be generated in developer contributions towards the cost of the Cross Tay Link Road over an extended time period of 20 -25 years as development progresses.

Tay Cities Deal

- 4.16 On 7 September 2020, the Tay Cities Joint Committee agreed to advance to signing the Tay Cities Deal and the Programme Management Office is currently engaged in confirming an official signing date. The Perth City Hall project has been allocated £10m of UK Government funding as part of the Tay Cities Deal. The project has recently received approval from the UK Treasury and Scottish Government to progress from Outline Business Case to Final Business Case, a significant step in the City Deal gateway review process. The Programme Management Office has confirmed that expenditure incurred on the project to date will not be recoverable from the Tay Cities Deal should Council determine not to progress with the project.

Learning Estate Investment Programme – Phase 2

- 4.17 As noted in section 2 of the report, the Scottish Government Learning Directorate has written to local authorities requesting an update on how each Council is developing its learning estate, and whether they have identified any priority projects for investment that are supported by an approved financial and political commitment.
- 4.18 The Learning Estate Investment Programme is predicated upon Councils' meeting the upfront capital cost of school projects. Projects approved for funding through the programme will then be eligible for **Revenue** grant funding equivalent to 50% of the capital cost of the project, payable over a period of 25 years to support maintaining the condition of the buildings concerned.
- 4.19 A prerequisite of securing support through the Investment Programme is, therefore, the inclusion of funding to deliver the project within the Capital Budget. Subject to approval to proceed with the Perth High School and North Muirton / Balhousie Primary School replacement projects, it is proposed to apply for financial support for these projects through Phase 2 of the Learning Estate Investment Programme.

Revenue Implications of Projects Under Consideration

- 4.20 The revenue costs of borrowing to support the delivery of the updated Capital Budget (Appendix 1) are reflected within the Council's 2020/21 Revenue Budget and provisional budgets for future years. No allowance has been made at this time for additional borrowing to meet the potential funding gap identified in the table at paragraph 4.12

- 4.21 The revenue costs associated with the maintenance and operation of the projects under consideration has been estimated, where possible, within the individual project reports (Appendices 2-6). It is, however, not possible, at this time, to provide a complete assessment of operating costs for facilities which are at early stage of development. At present, £500,000 is included within the Council's approved provisional Revenue budget for the operation of Perth City Hall. No additional revenue provision is included for any other project and any associated revenue costs will require to be considered as a pressure in future revenue budget considerations.

Potential Funding Gap

- 4.22 Subject to approval to progress all the projects set out above at the specifications highlighted in Appendices 2-6, there is a potential funding gap currently estimated at £20.9 million between the total approved budget for these projects and the latest projection of delivery costs.
- 4.23 It is important to note that all the construction costs reflected within this report and the separate project reports are estimates only and that actual tender costs may vary positively or negatively from these estimates. The potential funding gap of £20.9 million may, therefore, change accordingly.
- 4.24 External funding has already been confirmed for the Cross Tay Link Road and for the Perth City Hall project, subject to signing of the Tay Cities Deal. The Council may also be able to pursue additional revenue funding through the Scottish Government Learning Estate Investment Programme for the proposed school replacement projects.
- 4.25 Subject to a decision by Council on which capital projects are approved to progress, appropriate funding options will require to be identified for inclusion in the Capital Budget, to be considered by Council in 2021.

5. FUTURE CAPITAL INVESTMENT PRIORITIES

- 5.1 The capital projects highlighted within this report are part of a broad range of capital investment priorities linked to supporting local communities and the local economy through the Perth & Kinross Offer.
- 5.2 As noted in section 2 of the report, the development of an interim Investment Blueprint is intended to support elected members in their consideration of future capital budgets.
- 5.3 The impact of Covid 19 on local communities, individuals and businesses is significant and potentially long lasting. Any immediate capital investment requirements in the current financial year in support of Recovery and Renewal or Economic Wellbeing will be submitted to either Council or the Strategic Policy and Resources Committee for consideration.

Perth Leisure Vision “PH2O”

- 5.4 It is recognised that the identification of a financial solution for the Perth Leisure Vision “PH2O” project remains an outstanding action from the March meeting of the Council. The severe weather event in August has caused considerable flood damage to Perth Leisure Pool and remediation work is currently ongoing while the facility remains closed.
- 5.5 The Council has previously requested the development of a commercial income stream to contribute to the financial viability of the PH20 project. Given the anticipated scale of the project, the resultant project financing costs, together with operating costs and income, the likely operational deficit on the facility would not be sustainable by Live Active Leisure without an additional source of income.
- 5.6 The impact of Covid 19 is likely to make the development of such an option considerably more challenging, at least in the short term. The Chief Executive, in consultation with Live Active Leisure, will therefore provide elected members with an updated assessment of the construction and operational costs of the Perth Leisure Vision “PH2O” project in time for consideration of the capital budget in 2021.

Impact of Inflation on Programmes

- 5.7 The Council's planned expenditure on programmes of work to support the condition of its existing infrastructure and assets remains constant throughout the lifetime of the current nine-year Capital Budget. Adjusting for inflation, this means that the ability of the Council to invest in its existing asset base will reduce over time, compounding the backlog of work already identified within the capital programme.
- 5.8 Elected members will be provided with an update on the condition and recommended investment in the Council's programmes of work in advance of consideration of the capital budget in 2021.

6. CONCLUSION AND RECOMMENDATIONS

- 6.1 This report provides an update on the Council's Capital Budget position and approval is sought to update the Capital Budget 2020/21 -2028/29 as detailed at Appendix 1.
- 6.2 This report, together with the detailed individual reports appended, provide an overview of five specific projects which officers have identified as requiring decision/direction from Council given the nature and stage of each project.
- 6.3 The Council is requested to:
- (i) note the content of the report and the appendices
 - (ii) note that whilst project costs are being continually monitored, the full impact on costs of COVID 19 to date or in the future is not yet known

- (iii) approve the updated Capital Budget 2020/21 -2028/29 as detailed at Appendix 1
- (iv) consider the risk assessment and detailed report in relation to the CTLR project (Appendix 2) and provide direction as to how officers are to proceed
- (v) consider the risk assessment and detailed report in relation to in relation to the Perth High School project (Appendix 3) and provide direction as to how officers are to proceed
- (vi) consider the risk assessment and detailed report in relation to the Perth City Hall Project (Appendix 4) and provide direction as to how officers are to proceed
- (vii) consider the risk assessment and detailed report in relation to in relation to the Blairgowrie Recreation Centre project (Appendix 5) and provide direction as to how officers are to proceed
- (viii) consider the risk assessment and detailed report in relation to in relation to the Balhousie/North Muirton PS project (Appendix 6) and provide direction as to how officers are to proceed
- (ix) note the position as regard PH2O and asks officers to explore funding options as part of the 2021 budget process for consideration by Council

Authors

Name	Designation	Contact Details
Stewart MacKenzie	Head of Finance	24 September 2020
Norman Ballantine	Capital Programme Manager	

Approved

Name	Designation	Date
Stewart MacKenzie	Head of Finance	24 September 2020
Barbara Renton	Executive Director (Housing & Environment)	
Sheena Devlin	Executive Director (Education & Children's Services)	
Karen Donaldson	Interim Chief Operating Officer	

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	
Risk	
Consultation	
Internal	Yes
External	
Communication	
Communications Plan	

1. Strategic Implications

Corporate Plan

- 1.1 The Council's Corporate Plan 2018-2023 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

- 1.2 This report relates to all these objectives.

2. Resource Implications

Financial

- 2.1 The financial implications arising from this report are detailed in section 4 and Appendix 1 to the report.

Workforce

- 2.2 There are no direct workforce implications arising from this report other than those reported within the body of the main report.

3. Assessments

Equality Impact Assessment

- 3.1 The information presented in this report was considered under the Corporate Equalities Assessment Framework and the determination was made that the items summarised in this report do not require further assessment as they do not have a direct impact on people's wellbeing.

Strategic Environmental Assessment

- 3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.3 The matters presented in this report were considered under the Act and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

4. Consultation

- 4.1 The Chief Executive and the Executive Directors have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

- 2.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

- 3.1 Appendix 1 - Updated Capital Budget 2020/21 to 2028/29
- 3.2 Appendix 2 – Report and Risk Assessment Cross Tay Link Road project
- 3.3 Appendix 3 - Report and Risk Assessment Perth High School project
- 3.4 Appendix 4 - Report and Risk Assessment Perth City Hall project
- 3.5 Appendix 5 - Report and Risk Assessment Blairgowrie Recreation Centre project
- 3.6 Appendix 6 - Report and Risk Balhousie /North Muirton PS project

PERTH AND KINROSS COUNCIL
COMPOSITE CAPITAL BUDGET 2020/21 TO 2028/29
ESTIMATED RESOURCES

APPENDIX 1 (i)

APPENDIX I

	Capital Resources 2020/21 (£'000) Proposed Budget	Capital Resources 2021/22 (£'000) Proposed Budget	Capital Resources 2022/23 (£'000) Proposed Budget	Capital Resources 2023/24 (£'000) Proposed Budget	Capital Resources 2024/25 (£'000) Proposed Budget	Capital Resources 2025/26 (£'000) Proposed Budget	Capital Resources 2026/27 (£'000) Proposed Budget	Capital Resources 2027/28 (£'000) Proposed Budget	Capital Resources 2028/29 (£'000) Proposed Budget	Total Capital Resources (£'000) Proposed Budget
<u>Capital Grants</u>										
General Capital Grant	10,266	24,305	21,416	14,000	14,000	14,000	14,000	14,000	14,000	139,987
Cycling, Walking & Safer Streets	665	200	200	200	200	200	200	200	200	2,265
Perth Transport Futures - CTLR	11,000	29,000	0	0	0	0	0	0	0	40,000
Early Learning & Childcare	3,800	0	0	0	0	0	0	0	0	3,800
Town Centre Fund	1,807	0	0	0	0	0	0	0	0	1,807
Digital Inclusion	614	0	0	0	0	0	0	0	0	614
Total Capital Grants	28,152	53,505	21,616	14,200	14,200	14,200	14,200	14,200	14,200	188,473
<u>General Capital Receipts</u>										
General Fund - Capital Receipts/Disposal	312	94	1,030	250	250	250	250	250	250	2,936
General Fund - Housing Receipts	3	3	2	0	0	0	0	0	0	8
Ring Fenced Receipts - Vehicle Disposals	397	286	260	300	300	300	300	300	300	2,743
Total Capital Receipts	712	383	1,292	550	550	550	550	550	550	5,687
<u>Commercial Property Capital Receipts</u>										
Capital Receipts b/f	2,644	2,224	2,108	2,733	2,733	2,733	2,733	2,733	2,733	2,644
Commercial Property Capital Receipts	1,450	84	625	0	0	0	0	0	0	2,159
Capital Receipts c/f	(2,224)	(2,108)	(2,733)	(2,733)	(2,733)	(2,733)	(2,733)	(2,733)	(2,733)	(2,733)
Total Commercial Capital Receipts Applied	1,870	200	0	0	0	0	0	0	0	2,070
<u>Contributions</u>										
Third Party Contributions	8,735	7,436	9	16	0	0	0	0	0	16,196
Developer Contributions	2,886	2,010	2,020	2,100	2,100	2,100	2,100	2,100	2,100	19,516
Revenue Budget Contributions	84	0	0	0	0	0	0	0	0	84
Total Contributions	11,705	9,446	2,029	2,116	2,100	2,100	2,100	2,100	2,100	35,796
<u>Capital Borrowing Requirement</u>										
Corporate Borrowing Requirement	32,657	58,206	135,975	52,750	21,256	9,156	6,210	4,090	5,268	325,568
Prudential Net Borrowing Requirement	6,614	5,777	3,824	4,168	4,236	3,760	3,774	3,788	3,806	39,747
Total Capital Borrowing Requirement	39,271	63,983	139,799	56,918	25,492	12,916	9,984	7,878	9,074	365,315
TOTAL CAPITAL RESOURCES/ GROSS BUDGET EXPENDITURE	81,710	127,517	164,736	73,784	42,342	29,766	26,834	24,728	25,924	597,341

PROPOSED COMPOSITE CAPITAL BUDGET 2020/21 to 2028/29

SUMMARY OF NET EXPENDITURE

SERVICE	Proposed Budget 2020/21 (£'000)	Proposed Budget 2021/22 (£'000)	Proposed Budget 2022/23 (£'000)	Proposed Budget 2023/24 (£'000)	Proposed Budget 2024/25 (£'000)	Proposed Budget 2025/26 (£'000)	Proposed Budget 2026/27 (£'000)	Proposed Budget 2027/28 (£'000)	Proposed Budget 2028/29 (£'000)	Proposed Total Budget 2020/21- 2028/29 (£'000)
EDUCATION & CHILDREN'S SERVICES	12,352	27,740	53,082	38,622	17,041	4,650	4,650	4,823	4,500	167,460
HOUSING & ENVIRONMENT	36,480	45,314	95,217	30,683	21,166	20,440	18,481	16,278	18,238	302,297
HEALTH & SOCIAL CARE	597	370	320	320	320	320	320	320	320	3,207
CORPORATE & DEMOCRATIC SERVICES	5,179	17,171	15,648	3,643	3,315	3,856	2,883	2,807	2,366	56,868
TOTAL NET BUDGET	54,608	90,595	164,267	73,268	41,842	29,266	26,334	24,228	25,424	529,832

EDUCATION & CHILDREN'S SERVICES	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Total Budget
PROJECT/NATURE OF EXPENDITURE	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2020/21-2028/29 (£'000)
Arts Strategy Phase 1 - Redevelopment of Perth Theatre	6	0	0	0	0	0	0	0	0	6
MIS - Procurement & Integration	49	55	0	0	0	0	0	0	0	104
Digital Inclusion	614	0	0	0	0	0	0	0	0	614
Scottish Government Grant	(614)	0	0	0	0	0	0	0	0	(614)
Blairgowrie Recreation Centre - Replacement	1,500	4,483	8,760	0	0	0	0	0	0	14,743
<u>School Modernisation Programme</u>										
Investment in the Learning Estate	1,500	3,350	8,098	8,964	4,650	4,650	4,650	4,823	4,500	45,185
Pitcairn Primary School Upgrade Project	87	0	0	0	0	0	0	0	0	87
Longforgan Primary School Upgrade Project	2,680	0	0	0	0	0	0	0	0	2,680
Early Learning & Childcare	1,397	0	0	0	0	0	0	0	0	1,397
Scottish Government Grant	(3,800)	0	0	0	0	0	0	0	0	(3,800)
Letham Primary School Upgrade Project	1,563	0	0	0	0	0	0	0	0	1,563
Oakbank Primary School Upgrade Project	555	0	0	0	0	0	0	0	0	555
St.Ninians Primary School Upgrade Project	214	0	0	0	0	0	0	0	0	214
Ratray Primary School Upgrade Project	1,000	3,009	0	0	0	0	0	0	0	4,009
Inchture Primary School Upgrade Project	839	0	0	0	0	0	0	0	0	839
Alyth Primary School Upgrade Project	3	0	0	0	0	0	0	0	0	3
North/West Perth - New Primary School	0	0	500	8,500	5,350	0	0	0	0	14,350
North Muirton/Balhouseie Primary Schools Replacement	1,500	8,000	5,297	1,000	0	0	0	0	0	15,797
Technology Upgrades	350	675	533	0	0	0	0	0	0	1,558
Perth Academy - Refurbishments	895	1,000	3,085	5,162	2,500	0	0	0	0	12,642
Perth Grammar School - Upgrade Programme (Phase 3)	985	1,100	2,750	1,600	0	0	0	0	0	6,435
Perth High School Internal Services & Refurbishment	30	0	0	0	0	0	0	0	0	30
Perth High School - New School Investment	999	6,068	24,059	13,396	4,541	0	0	0	0	49,063
TOTAL	12,352	27,740	53,082	38,622	17,041	4,650	4,650	4,823	4,500	167,460

<u>HOUSING & ENVIRONMENT</u>	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Total Budget
PROJECT/NATURE OF EXPENDITURE	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2020/21-2028/29 (£'000)
<u>Traffic & Road Safety</u>										
Road Safety Initiatives (20mph zones etc.)	213	150	150	200	200	200	200	200	100	1,613
Road Safety Initiatives	265	0	0	0	0	0	0	0	0	265
Additional Road Safety - Pedestrian Crossings	175	175	175	0	0	0	0	0	0	525
Schools Road Safety Measures	408	350	0	0	0	0	0	0	0	758
20mph Signage Programme	182	0	0	0	0	0	0	0	0	182
Cycling Walking & Safer Streets	665	200	200	200	200	200	200	200	200	2,265
Scottish Government Grant - Cycling Walking Safer Streets	(665)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(2,265)
Car Parking Investment	432	0	0	0	0	0	0	0	0	432
Revenue Contribution	(84)	0	0	0	0	0	0	0	0	(84)
Car Parking Investment - Pitlochry	150	0	0	0	0	0	0	0	0	150
Strathmore Cycle Network	87	0	0	0	0	0	0	0	0	87
<u>Asset Management - Roads & Lighting</u>										
Structural Maintenance	13,082	10,576	10,135	9,973	9,593	9,593	9,800	7,500	9,800	90,052
Third Party Contribution (Forrester Commission)	(385)	0	0	0	0	0	0	0	0	(385)
Street Lighting - Renewals/Upgrading/Unlit Areas	187	0	0	0	0	0	0	0	0	187
Traffic Signals - Renewals/Upgrading	175	130	70	40	120	36	19	2	0	592
Unadopted Roads & Footways (Match Funding)	74	0	0	0	0	0	0	0	0	74
Third Party Contributions	(6)	0	0	0	0	0	0	0	0	(6)
Footways	510	435	435	435	435	435	435	435	435	3,990
Investment in Local Footpaths	100	100	0	0	0	0	0	0	0	200
Road Safety Barriers	54	0	0	0	0	0	0	0	0	54
Third Party Contribution	(18)	0	0	0	0	0	0	0	0	(18)
Pedestrian Gritters	19	0	0	0	0	0	0	0	0	19
<u>Asset Management - Bridges</u>										
Bridge Refurbishment Programme	502	667	752	752	752	752	752	752	752	6,433
Dalhenzean Culvert	0	287	0	0	0	0	0	0	0	287
TOTAL CARRIED FORWARD	16,122	12,870	11,717	11,400	11,100	11,016	11,206	8,889	11,087	105,407

<u>HOUSING & ENVIRONMENT</u>	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Total Budget
PROJECT/NATURE OF EXPENDITURE	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2020/21-2028/29
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
TOTAL BROUGHT FORWARD	16,122	12,870	11,717	11,400	11,100	11,016	11,206	8,889	11,087	105,407
Dunkeld Golf Course	226	0	0	0	0	0	0	0	0	226
Vehicular Bridge Parapets Programme - Assess & Upgrade	72	38	0	0	0	0	0	0	0	110
Old Perth Bridge - Strengthening	166	10	10	170	2,219	0	0	0	0	2,575
Perth Queens Bridge - Strengthening	160	226	10	10	60	2,163	0	0	0	2,629
<u>Improvement Schemes</u>										
A9/A85 Road Junction Improvements	601	0	0	0	0	0	0	0	0	601
Perth Transport Futures	11,318	35,190	57,455	9,000	0	0	0	0	0	112,963
Third Party Contribution	(11,000)	(29,000)	0	0	0	0	0	0	0	(40,000)
A977 Upgrades	229	0	0	0	0	0	0	0	0	229
Brioch Road, Crieff - Road Realignment & Safety Measures	35	0	0	0	0	0	0	0	0	35
Third Party Contribution (Developers)	(130)	0	0	0	0	0	0	0	0	(130)
<u>Rural Flood Mitigation Schemes</u>										
Perth Flood Protection Scheme - Pump Replacement	333	202	0	0	0	0	0	0	0	535
Comrie Flood Prevention Scheme	1,139	9,844	13,681	1,884	0	0	0	0	0	26,548
Milnathort Flood Prevention Scheme	126	1,770	0	0	0	0	0	0	0	1,896
South Kinross Flood Prevention Scheme	194	154	2,992	0	0	0	0	0	0	3,340
Scone Flood Prevention Scheme	134	549	30	0	0	0	0	0	0	713
<u>Planning Conservation</u>										
Conservation of Built Heritage	44	0	0	0	0	0	0	0	0	44
<u>Perth & Kinross Place-making</u>										
- Mill Street Environmental Improvements	127	0	0	0	0	0	0	0	0	127
- St. Pauls Church	619	0	0	0	0	0	0	0	0	619
- Perth City Centre Golden Route (Rail Station)	0	493	0	0	0	0	0	0	0	493
- Green Network Routes	0	115	0	0	0	0	0	0	0	115
- City Greening	11	0	0	0	0	0	0	0	0	11
- Tay Street, Perth	670	1,063	0	0	0	0	0	0	0	1,733
- Mill Street, Perth (Phase 3) - Shared Space at Bus Station	0	600	0	0	0	0	0	0	0	600
- South Street, Perth - Transport Hub	0	200	740	0	0	0	0	0	0	940
Perth & Kinross Lighting Action Plan	1,296	1,197	673	0	0	0	0	0	0	3,166
TOTAL CARRIED FORWARD	22,492	35,521	87,308	22,464	13,379	13,179	11,206	8,889	11,087	225,525

HOUSING & ENVIRONMENT	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Total Budget
PROJECT/NATURE OF EXPENDITURE	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2020/21-2028/29 (£'000)
TOTAL BROUGHT FORWARD	22,492	35,521	87,308	22,464	13,379	13,179	11,206	8,889	11,087	225,525
<u>Other Planning Projects</u>										
Creative Exchange (former St. John's Primary School)	89	0	0	0	0	0	0	0	0	89
Town Centre - Regeneration & Economic Improvements	1,807	0	0	0	0	0	0	0	0	1,807
Scottish Government Grant	(1,807)	0	0	0	0	0	0	0	0	(1,807)
Local Full Fibre Network	3,230	1,000	0	0	0	0	0	0	0	4,230
Third Party Contribution - DCMS	(3,230)	0	0	0	0	0	0	0	0	(3,230)
Third Party Contribution - Tay Cities Deal	0	(1,000)	0	0	0	0	0	0	0	(1,000)
Low Carbon Transport & Active Travel Hub - Broxden EV Chargers	1,060	0	0	0	0	0	0	0	0	1,060
Third Party Contribution - ERDF	(424)	0	0	0	0	0	0	0	0	(424)
Third Party Contribution - Tay Cities Deal	(636)	0	0	0	0	0	0	0	0	(636)
<u>Community Greenspace</u>										
Play Areas - Improvements Implementation Strategy	251	150	150	150	150	150	150	150	135	1,436
Third Party Contribution	(34)	0	0	0	0	0	0	0	0	(34)
3G Pitch, Blairgowrie	0	0	0	500	0	0	0	0	0	500
Countryside Sites	151	0	0	0	0	0	0	0	0	151
Community Greenspace Sites	325	361	361	361	361	361	361	361	365	3,217
Small Parks	11	0	0	0	0	0	0	0	0	11
Community Greenspace Bridges	(24)	0	0	0	0	0	0	0	0	(24)
Core Path Implementation	6	0	0	0	0	0	0	0	0	6
Alyth Environmental Improvements	26	0	0	0	0	0	0	0	0	26
Air Quality Improvements	100	0	0	0	0	0	0	0	0	100
Premier Parks	26	0	0	0	0	0	0	0	0	26
The Knock	110	0	0	0	0	0	0	0	0	110
Third Party Contribution	(37)	0	0	0	0	0	0	0	0	(37)
Kinnoull Hill	100	0	0	0	0	0	0	0	0	100
Third Party Contribution	(3)	0	0	0	0	0	0	0	0	(3)
TOTAL CARRIED FORWARD	23,589	36,032	87,819	23,475	13,890	13,690	11,717	9,400	11,587	231,199

<u>HOUSING & ENVIRONMENT</u>	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Total Budget
PROJECT/NATURE OF EXPENDITURE	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	2020/21-2028/29 (£'000)
TOTAL BROUGHT FORWARD	23,589	36,032	87,819	23,475	13,890	13,690	11,717	9,400	11,587	231,199
Cemetery Extensions	21	0	329	150	150	100	100	100	75	1,025
<u>Support Services</u>										
PC Replacement & IT Upgrades - Hardware	29	20	20	20	20	20	20	20	0	169
PC Replacement & IT Upgrades - Licenses	47	30	32	120	120	120	120	120	120	829
Corporate Programme Management System	5	0	0	0	0	0	0	0	0	5
<u>Property Division</u>										
DDA Adaptation & Alteration Works Programme	335	200	200	200	200	200	200	200	150	1,885
Property Compliance Works Programme	862	680	692	650	650	650	650	650	600	6,084
Capital Improvement Projects Programme	2,204	1,900	1,900	1,900	1,900	1,900	1,900	2,000	1,900	17,504
Fire Audit Work - Robert Douglas Memorial School	58	0	0	0	0	0	0	0	0	58
Pitlochry High School - Upgrade Programme	428	400	401	0	0	0	0	0	0	1,229
<u>Commercial Property Investment Programme</u>										
North Muirton Industrial Estate - Site Servicing & Provision of Units	151	0	0	0	0	0	0	0	0	151
Western Edge, Kinross - Site Servicing	10	0	0	0	0	0	0	0	0	10
Additional Infrastructure Investment - Broxden	46	0	0	0	0	0	0	0	0	46
Eco-Hub Manufacturing Facility	1,421	0	0	0	0	0	0	0	0	1,421
North Muirton Industrial Estate Expansion - Land Servicing	242	200	0	0	0	0	0	0	0	442
<u>Prudential Borrowing</u>										
Wheeled Bin Replacement Programme - Domestic Bins	224	200	200	200	200	200	200	200	200	1,824
Wheeled Bin Replacement Programme - Commercial Bins	11	12	18	20	20	20	20	20	20	161
Recycling Containers, Oil Banks & Battery Banks - Replacement Program	90	46	62	65	65	65	65	65	65	588
Litter Bins	10	11	25	25	50	50	50	50	50	321
Smart Cities - Smart Waste	172	167	39	0	0	0	0	0	0	378
Third Party Contribution (ERDF)	(55)	(67)	(9)	(16)	0	0	0	0	0	(147)
TOTAL CARRIED FORWARD	29,900	39,831	91,728	26,809	17,265	17,015	15,042	12,825	14,767	265,182

<u>HOUSING & ENVIRONMENT</u>	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Total Budget
PROJECT/NATURE OF EXPENDITURE	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2020/21-2028/29
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
TOTAL BROUGHT FORWARD	29,900	39,831	91,728	26,809	17,265	17,015	15,042	12,825	14,767	265,182
Vehicle Replacement Programme	4,414	2,862	2,601	3,000	3,000	3,000	3,000	3,000	3,000	27,877
Capital Receipts - Vehicle Disposals	(397)	(286)	(260)	(300)	(300)	(300)	(300)	(300)	(300)	(2,743)
Energy Conservation & Carbon Reduction Programme	191	150	150	150	150	150	150	150	150	1,391
Crematorium - Abatement Works	35	0	0	0	0	0	0	0	0	35
Street Lighting Renewal - LED & Column Replacement	915	971	998	1,024	1,051	575	589	603	621	7,347
Perth Harbour - Dredging	0	711	0	0	0	0	0	0	0	711
Almondbank Flood Mitigation	4	0	0	0	0	0	0	0	0	4
Land Purchase & Development	1,000	0	0	0	0	0	0	0	0	1,000
Technology & Innovation Incubator Units	0	1,000	0	0	0	0	0	0	0	1,000
<u>Housing Projects</u>										
Gypsy Travellers Site Improvement Works	268	0	0	0	0	0	0	0	0	268
Additional Gypsy Traveller Site Improvement Works	150	75	0	0	0	0	0	0	0	225
TOTAL	36,480	45,314	95,217	30,683	21,166	20,440	18,481	16,278	18,238	302,297

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<u>CORPORATE & DEMOCRATIC SERVICES</u>	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Total Budget 2020/21- 2028/29 (£'000)
PROJECT/NATURE OF EXPENDITURE	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)	
<u>City Centre Developments - Cultural Attractions</u>										
Perth City Hall	2,587	8,052	10,253	0	0	0	0	0	0	20,892
Perth Museum & Art Gallery (PMAG)	0	2,812	504	0	0	0	0	0	0	3,316
Collections Centre	0	6,424	0	0	0	0	0	0	0	6,424
Third Party Contribution (Tay Cities Deal)	(3,631)	(6,369)	0	0	0	0	0	0	0	(10,000)
<u>Community Planning</u>										
Letham Wellbeing Hub	2,223	0	0	0	0	0	0	0	0	2,223
<u>Information Systems and Technology</u>										
ICT Infrastructure & Replacement & Upgrade Programme	2,002	3,338	3,284	3,428	2,903	3,538	2,478	2,637	2,312	25,920
School Audio-Visual (AV) Equipment Replacement Programme	507	995	970	30	224	125	365	130	35	3,381
Online/Mobile Working/Bertha Park IT Equipment	1,031	268	204	145	148	153	0	0	0	1,949
Third Party Contribution (ERDF)	(146)	0	0	0	0	0	0	0	0	(146)
Swift Social Work System Replacement	410	1,611	393	0	0	0	0	0	0	2,414
Council Contact Centre	196	40	40	40	40	40	40	40	19	495
TOTAL	5,179	17,171	15,648	3,643	3,315	3,856	2,883	2,807	2,366	56,868

PERTH AND KINROSS COUNCIL
HRA CAPITAL INVESTMENT PROGRAMME
SUMMARY OF CAPITAL RESOURCES AND EXPENDITURE 2020/21 to 2024/25

	Revised Budget Report 1 2020/21 £'000	Revised Budget Report 1 2021/22 £'000	Revised Budget Report 1 2022/23 £'000	Revised Budget Report 1 2023/24 £'000	Revised Budget Report 1 2024/25 £'000	Revised Budget Report 1 TOTAL £'000
<u>Council House New Build Programme</u>						
Glebe, Scone - 65 Units	6,856	161	0	0	0	7,017
Council Tax (Second Income)	(1,300)	0	0	0	0	(1,300)
Scottish Government Subsidy	(271)	0	0	0	0	(271)
	5,285	161	0	0	0	5,446
Milne Street, Perth - 8 Units	1,476	0	0	0	0	1,476
Council Tax (Second Income)	(160)	0	0	0	0	(160)
Third Party Contribution (Commutated Sums)	(188)	0	0	0	0	(188)
Scottish Government Subsidy	(383)	0	0	0	0	(383)
	745	0	0	0	0	745
Ardler Road, Meigle - 8 Units	772	0	0	0	0	772
Council Tax (Second Income)	(160)	0	0	0	0	(160)
Scottish Government Subsidy	(149)	0	0	0	0	(149)
	463	0	0	0	0	463
Huntingtower, Perth - 70 Units	3,767	107	0	0	0	3,874
Council Tax (Second Income)	(1,400)	0	0	0	0	(1,400)
Scottish Government Subsidy	0	0	0	0	0	0
	2,367	107	0	0	0	2,474
Future Developments* see below	10	2,741	2,867	2,894	13,128	21,640
Council Tax (Second Income)	0	0	0	0	0	0
Scottish Government Subsidy	0	0	0	0	0	0
	10	2,741	2,867	2,894	13,128	21,640
Total Council House New Build	8,870	3,009	2,867	2,894	13,128	30,768
<u>Increase in Council House Stock</u>						
Council House Buy-Backs	3,649	2,000	0	0	0	5,649
Scottish Government Subsidy	(840)	0	0	0	0	(840)
	2,809	2,000	0	0	0	4,809
Lock-ups and Garage Sites	0	0	0	0	50	50
<u>Standard Delivery Plan</u>						
Central Heating and Rewiring Works	1,572	250	0	0	250	2,072
- less Third Party Contribution	(590)	0	0	0	0	(590)
Rewiring/Infrastructure	0	0	1,000	1,000	2,000	4,000
Triple Glazing	227	0	0	0	0	227
Controlled Door Entry	42	10	10	0	30	92
Property Refurbishment	0	0	0	0	0	0
Kitchen Moderisation Programme	74	343	1,083	1,510	1,500	4,510
Bathroom Moderisation Programme	65	25	0	1,121	750	1,961
External Fabric	1,240	1,220	1,376	900	1,500	6,236
Energy Efficiency	810	200	0	0	1,500	2,510
Multi Storey Flats	2,310	50	0	0	0	2,360
Environmental Improvements	53	45	0	0	400	498
Fire Precaution Measures	73	50	400	500	1,000	2,023
Sound Insulation	0	0	250	100	100	450
Structural	0	0	750	250	250	1,250

PERTH AND KINROSS COUNCIL
HRA CAPITAL INVESTMENT PROGRAMME
SUMMARY OF CAPITAL RESOURCES AND EXPENDITURE 2020/21 to 2024/25

	Revised Budget Report 1 2020/21 £'000	Revised Budget Report 1 2021/22 £'000	Revised Budget Report 1 2022/23 £'000	Revised Budget Report 1 2023/24 £'000	Revised Budget Report 1 2024/25 £'000	Revised Budget Report 1 TOTAL £'000
Total Standard Delivery Plan	5,876	2,193	4,869	5,381	9,280	27,599
<u>Other Investment in Council House Stock</u>						
Total Major Adaptations to Council House Stock	141	0	0	0	100	241
Balmoral Road, Rattray, Refurbishment (3 Units)	275	0	0	0	0	275
Rannoch Road Conversion, Perth, 5 Units	32	0	0	0	0	32
149-151 Dunkeld Road, Perth	108	0	0	0	0	108
St.Catherine's Square Redevelopment	0	0	0	2,991	402	3,393
Shops & Offices	89	50	70	50	50	309
Greyfriars and Satellite Sites	0	43	0	0	50	93
Sheltered Housing	26	25	0	0	18	69
Sheltered Housing - Housing Add'l Support	0	0	0	0	0	0
General Capital Works	39	10	40	36	10	135
Upgrade and Replacements to Lifts Programme	143	0	0	0	0	143
ICT Expenditure	193	50	50	50	50	393
Mortgage to Rent	25	50	50	50	50	225
Total Other Investment in Council House Stock	1,071	228	210	3,177	730	5,416
Total Net Expenditure	18,626	7,430	7,946	11,452	23,188	68,642
Total Gross Expenditure	24,067	7,430	7,946	11,452	23,188	74,083
<u>Income</u>						
CAPITAL RECEIPTS (Muirton)	(258)	(74)	0	0	0	(332)
OTHER RECEIPTS & INCOME	0	0	0	0	0	0
CFCR	(2,577)	(3,155)	(3,724)	(4,004)	(4,416)	(17,876)
TOTAL BORROWING REQUIREMENT	15,791	4,201	4,222	7,448	18,772	50,434

APPENDIX 2

Background Information Report

by Head of Planning and Development

This report provides a summary of the rationale behind previously agreed decisions in relation to the Cross Tay Link Road, along with the work undertaken to date on the project. It also outlines that it is a critical stage of implementation and is therefore one of 5 projects the Council is being asked to take a decision on, in advance of the development of the Investment Blueprint.

1. PROJECT OVERVIEW AND KEY OBJECTIVES

- 1.1 The Cross Tay Link Road (CTLR) has been a strategic priority of the Council since 2008. It is a vital component of the Perth Transport Futures Project (PTFP) which is an integrated series of measures to support the sustainable economic growth of the Perth and Kinross area, whilst also addressing the major congestion and air quality issues in and around Perth.
- 1.2 The CTLR is a key element of the Council's statutory Development Plan comprising the TAYplan Strategic Development Plan 2016-2036 and the Perth and Kinross Local Development Plan 2019. The adoption of the Local Development Plan (LDP2) by the Council on 29 November 2019 was the culmination of 4 years' work, and was the result of an extensive consultation process, an examination and Council resolutions. Delivery of the CTLR is therefore central to the housing, employment and transport strategies for the plan area and for the Perth Core Area. This report considers the reasons for this infrastructure project and some of the key objectives.
- 1.3 The PTFP comprises four phases:
 1. A9/A85 Junction Improvement and Link Road to Bertha Park (final completion 1 May 2019);
 2. Cross Tay Link Road (the subject of this report and connecting the A9, A93 and A94);
 3. Bertha Park connection road (links Phases 1 and 2 and will be taken forward by the developer); and
 4. Associated Perth City improvements (projects aimed at reallocating road space to greener modes of travel in and around Perth i.e. the Places for People Sustrans programme, Park & Ride projects and the proposed Bus/Train Interchange).
- 1.4 Whilst Phase 1 of PTFP was completed on 1 May 2019, it is the delivery of Phase 2 which is considered to be the key infrastructure project to deliver the following objectives:
 - enable the new, planned and committed residential developments as set out in the Local Development Plan (LDP2), meet the requirements of TAYPlan and unlock the sustainable growth of the Perth Area;

- deliver a significant overall increase in the number of jobs in the area and release much needed employment land;
 - reduce congestion by diverting traffic away from Perth City Centre;
 - improve air quality to address the Council's legal obligations with respect to Perth's Air Quality Management Area;
 - enable Perth City improvements (Phase 4 of PTFP) by reducing traffic volumes and freeing up road space for improved public transport, active travel and public spaces;
 - link communities via multiple modes of transport;
 - improve access to Inveralmond Industrial Estate, Scone Palace and Perth Racecourse; and
 - reduce journey times to and from the city centre for local traffic.
- 1.5 The CTLR has been subject to many years of detailed technical assessment, and professional and independent scrutiny. It has followed the multi-stage process directed by both legislation and Transport Scotland guidance, summarised as follows:
- Scottish Transport Appraisals Guidance (STAG) (2008);
 - Strategic Environmental Assessment (2010/2011);
 - Design Manual for Roads and Bridges (DMRB) Stage 1 Assessment (2011);
 - DMRB Stage 2 Assessment and associated environmental impact assessment (2012 – 2016); and
 - DMRB Stage 3 assessment and Environmental Impact assessment (April 2020).
- 1.6 Following conclusion of the DMRB Stage 2 Assessment, the Council approved the preferred route for the CTLR at its meeting on 14 December 2016 (Report No. 16/560 refers).
- 1.7 A detailed development timeline of the key dates, relevant assessments, plans, reports and approvals is appended to this report.
- 1.8 Sweco were appointed as consultant engineers by the Council in July 2017. Since their appointment, Sweco and the Council's Project Delivery Team have undertaken a substantial amount of work, including all site surveys and investigations, the preparation of a Specimen Design and an Environmental Impact Assessment (EIA) and, should the project proceed, will complete the contract documents and specification. The procurement process commenced earlier this year with the first stage (pre-qualification) completed. Since July 2017, the Council has spent approximately £5.2m to undertake this work.
- 1.9 Other key milestones included the allocation of funding (£78m) in the Capital Budget in 2016 supplemented in January 2019 by a £40m grant from the Scottish Government (allied to the Tay Cities Deal) which ensured that the project was fully funded. The Council is currently in the process of seeking planning consent and it is anticipated that, if the decision is to proceed, the planning application will be considered in October 2020.

- 1.10 The Council approved the promotion of the Perth and Kinross (Perth Transport Futures Project Phase 2 Cross Tay Link Road) Compulsory Purchase Order 2019 (CPO) at its meeting on 25 September 2019 (Report No. 19/276 refers). The CPO was subsequently submitted to Scottish Ministers for consideration following which a total of eight objections were received (one non-statutory). The non-statutory objection has subsequently been withdrawn as have two of the statutory objections, one of which was from the owner of the major part of the land required for the scheme. Officers remain optimistic that several of the remaining landowners will reach agreement with the Council and that their objections will also be withdrawn.

2. CROSS TAY LINK ROAD OVERVIEW RISK ASSESSMENT

- 2.1 The CTLR is one of 5 projects currently within the Council's Capital Programme which is at a critical stage. Accordingly, the following table summarises the main benefits of continuing to implement the CTLR and the potential risks associated with not progressing the CTLR. These are then considered in more detail below. Further information is provided in the risk assessment attached to this report.
- 2.2 The wider economic benefits that arise from the project listed below are as a direct result of the construction of the road and is calculated as per the methodology set out in HM Treasury Green Book Guidance. There are also as a result of the project significant benefits to drivers on the network mainly as a result of travel time savings. The overall benefits of the scheme compared to the estimated costs at this stage over a standard appraisal term of 60 years are significant.

Sub Section	Benefits of CTLR	Risks with no CTLR
Economy Treasury Green Book compliant methodology with outputs signed off by Scottish & UK Governments	Enables release of 12,207 housing units	Immediately embargoes/restricts through planning permissions around 4,400 residential units, which is over a third of the overall LDP2 supply for the Perth Housing Market Area. A lack of an effective housing land supply likely to put pressure on surrounding area.
	Enables release of 117 ha of employment land	Constrains the delivery of the majority of employment land in Perth core limiting Perth's ability to generate jobs.
	£966m of additional private sector investment	With constraints on housing and employment land the private sector investment will be severely curtailed.
	938 person years of construction employment related to CTLR delivery.	Loss of opportunity to generate construction jobs (including apprenticeships and training) associated with the project,

	A further 1,956 person years of construction employment are associated with housebuilding and employment land	compounded by loss of housebuilding and economic development opportunities - likely to result in local job losses.
	Estimated that the housing supporting the CTLR will, when completed, generate an additional £10.6m per annum of Council Tax receipts	<p>The Perth area accounts for approximately 50% of housing growth in PKC whilst some development may be displaced to the rest of PKC, growth in Council Tax income will be constrained.</p> <p>Population growth will be constrained, and the benefits of additional spending power will be lost to the City Centre undermining the objective of supporting and sustaining local jobs and services.</p>
	£484 million of construction Gross Value Added (GVA)	Major loss of GVA impacting on health of wider PKC economy.
	Enable expansion of the Perth Area and development of a modern and vibrant local and regional economy	Not progressing the project will result in Perth Area being unable to expand significantly reducing the opportunities to develop a modern and vibrant local and regional economy.
Development Plan Strategy	Enables delivery of TAYPlan, Local Development Plan Housing Strategy, Transport Strategy and City Plan	<p>All plans / strategies are predicated on the delivery of the CTLR and without the project the strategy cannot be delivered. The loss of housing land would result in PKC breaching Scottish Planning Policy within a short time frame, and a Ministerial direction to prepare a new plan.</p> <p>Would require full review of LDP2 taking minimum of 4 years and at a cost of approximately £1m. In the interim a development moratorium would remain in place for much of the Perth Core Area, with the prospect of more planning appeals being supported by Ministers.</p>

Air Quality	Improves air quality allowing review of the Perth Air Quality Management Area	<p>The CTLR is identified as the critical project required to allow the Council to meet its statutory air quality standards.</p> <p>[Note: The roll out of electric vehicles will take 20+years and will not solve the pollution breaches related to particulates.]</p>
Congestion	Removes significant traffic from Perth City centre and immediately surrounding areas and redistributes/impacts on peak flows at Broxden and Inveralmond	<p>Congestion remains, creating additional pollution.</p> <p>[Note: Journey time delays also have a negative impact on business profitability.]</p>
Impact on other projects	SUSTRANS funded Dunkeld Road corridor active travel routes	The project is predicated on reduced traffic levels as a result of the CTLR and also relies on match funding from the CTLR project. Without the CTLR the project is unlikely to be sustainable.
	Facilitates Bertha Park & Ride site	The P&R at Bertha Park could not be delivered as it is dependent on the A9/CTLR junction for access.
	Perth Transport Futures Phase 4 – the move towards greener modes of travel in the Perth Area	The ability to implement many of the proposed improvements within the city is predicated on the reduction of traffic volumes generated by the CTLR and as a result could not be implemented.
	Frees up road space for public transport improvements (bus lanes etc.)	Limits the potential to improve bus services by reducing journey times and increasing reliability.
Financial	Utilises £40m Transport Scotland funding	This money is not transferable to other PKC projects and will be lost.
	Attracts £17m+ developer contributions (assuming a pessimistic house completion rate) over time. As contributions can only be ingathered for approved	Significant loss in income from developer contributions and some money already collected may have to be returned.

	PTF projects much of it would require to be returned with a reduced ability to ingather future contributions due to the development moratorium.	
	£10.6 million per annum of Council Tax receipts on completion	Constraining housing development will impact on council tax receipts.
	Investment in CTRL can act as match funding for other projects including the Sustrans Perth People Place Programme	The potential to utilise investment in CTRL will impact on a number of potential projects.
Reputational	PKC is identified as best practice through a proactive approach to growth through investing infrastructure	The Council will incur significant reputational damage with developers who have invested in Perth on the basis of the development plan strategy and the commitment to the CTRL. Public confidence in the Council's long- term ambitions for developing the economy, resolving congestion, improving air quality and will be damaged.
Legal	Removes likelihood of legal action for damages against the Council.	High likelihood of legal action for damages against the Council because planning consents have been granted on the basis of the adopted LDP2 which includes the CTRL.
	Removes potential for judicial review.	A decision not to proceed with the CTRL at this stage would likely result in a judicial review petition being raised against the Council which would have real prospects of success.
	Compulsory purchase of the land is at an advanced stage.	CPO will require to be withdrawn and any future attempts to carry out compulsory purchase of land for this project will be made extremely difficult. Risk that landowners affected by CPO will attempt to hold the

		Council liable for losses they may incur.
		<p>Risk of breaching statutory duty to secure best value. £5.2m spent to date.</p> <p>If the project does not proceed now, the strategic planning framework could still oblige the Council to proceed but at higher costs and without the £40m from the Scottish Government.</p>

Financial Implications

- 2.3 The following table summarises the financial implications, as they are estimated at this time, in relation to progressing with the CTRLR project.

External Funding	Total Council Approved Budget (Gross)	Latest Projection	Potential Funding "Gap"	Spend To Date	Estimated Additional Revenue Costs	Estimated Completion Date (assuming all required approvals)
£m	£m	£m	£m	£m	£m	Late 2024
(40) Note A (17+) Note C	78	118	-	5.2	Note B	

Note A: The Scottish Government (Transport Scotland) has confirmed an offer of £40m of funding for the CTRLR. The formal Grant Offer is currently being worked through with officials from Transport Scotland.

Note B: The development of the CTRLR as the Council's largest single infrastructure asset will require to be reflected in the Council's asset management programme.

Note C: It is estimated that £17+m will be recovered through developer contributions over 20 to 25 years, taking a pessimistic view of house completions.

3. THE LOCAL DEVELOPMENT PLAN'S RELATIONSHIP TO THE CTRLR

- 3.1 The biggest single **development** constraint is the capacity of the transport infrastructure in and around Perth in terms of congestion and air pollution. The current transport network is only able to support limited future developments.
- 3.2 Scottish Government policy promotes an infrastructure first approach, and infrastructure needs to be in place or capable of being delivered. During the preparation of LDP1, a large variety of options were considered to facilitate

sustainable economic growth and address the congestion and air quality issues in the city. The only viable solution identified was a new bridge over the River Tay to the North of Perth.

- 3.3 In developing the first LDP, the Council had extensive discussions with Transport Scotland about the transport infrastructure in and around Perth and its ability to cope with planned growth. Traffic modelling was undertaken looking at different infrastructure scenarios and potential growth. The development of the CTRLR as part of the PTFP was found to be the essential element which allowed the LDP strategy to progress. It helped ensure Transport Scotland support for LDP1 in 2014 and more recently the approved LDP 2 (2019).
- 3.4 Funding for the CTRLR is split between Scottish Government, the Council and Developer Contributions. As such, contributions have already been accrued to support the delivery of the CTRLR although these contributions are highly likely to be legally challenged if it does not go ahead. Planning appeals and further legal challenges should also be anticipated from those who have acted in reliance of the statutory development plan in taking forward development sites.
- 3.5 The Council has a legal duty to prepare a local development plan which is in accordance with the strategic plan, TAYPlan 2016-2036. The CTRLR is identified as an infrastructure requirement of that plan and the current LDP2 meets this requirement. Without the CTRLR, it is difficult to foresee an alternative housing and transport strategy for the Perth Core Area that could be approved. Other Perth and Kinross housing market areas would then have to accommodate more development.
- 3.6 A £40m grant for the CTRLR was awarded by Scottish Government to deliver the project. If it does not progress it is not likely that the money will be available for any other project. It is anticipated that, should there be a significant project delay, the Council may be obliged to deliver the CTRLR without Scottish Government grant. Transport Scotland has indicated funding may need to be reallocated to support priorities emerging from next year's Strategic Transport Projects Review.

4. RELATED MATTERS FOR CONSIDERATION

Benefit Cost Ratio (BCR)

- 4.1 Economic assessments have been carried out on the scheme using the Transport User Benefits Appraisal (TUBA). This was done to inform the Transport Statement, which formed part of the planning application submitted in November 2019, resulting in a BCR of 4.54. In respect of infrastructure schemes, this BCR result is deemed to be 'very high' by the Department for Transport who set out six 'Value for Money' categories as shown in the table below:

Value for Money Category	Implied by
Very High	BCR greater than or equal to 4
High	BCR between 2 and 4
Medium	BCR between 1.5 and 2
Low	BCR between 1 and 1.5
Poor	BCR between 0 and 1
Very Poor	BCR less than or equal to 0

Maintenance Costs

- 4.2 The maintenance costs associated with roads infrastructure is significantly low in comparison to buildings. With regard to cyclic and reactive maintenance of the new road, the Council's Roads Maintenance Partnership currently spends in the region of £5,000 per kilometre for a road and a footway combined. Using this rate, the CTLR will cost on average in the region of £30,000 per annum in cyclic and reactive maintenance.
- 4.3 With regard to ongoing routine maintenance and inspection of the bridges included with the CTLR, this is estimated to be in the region of £6,600 per year when averaged over the design life of the bridges (120 years).
- 4.4 It should be noted that the structural form chosen for the proposed Tay Crossing (a 3-span post tensioned reinforced concrete structure) was selected in an options appraisal due to various advantages over other structures. One of the advantages of the structure chosen was the low ongoing maintenance costs when compared with other options.

City Centre/Bridgend and the Broxden & Inveralmond Roundabouts:

- 4.5 The CTLR will impact on traffic flows and journey times within the city centre, and particularly at Bridgend. It will also affect how traffic flows at two trunk road junctions on the A9 (Broxden and Inveralmond Roundabouts). Both of these junctions, however, are the responsibility of Transport Scotland.

City Centre/Bridgend:

- 4.6 The CTLR will provide significant journey time benefits across the city centre as it is predicted that there will be a reduction of 20% in traffic volumes within the city centre. There will also be journey time savings for the main arterial routes coming into the city with the reduction and removal of through traffic.
- 4.7 There will be major benefits for the Gannochy area as less drivers are likely to use this area as a rat-run as space is freed up on the main route. The main benefits for the city centre will be the potential for the creation of major improvements in public space and sustainable modes of travel through Phase 4 of the wider PTFP. This will allow the creation of improvements which

would, with the status quo, not be able to happen with the city centre still dominated by heavy and increased levels of traffic over time.

- 4.8 There will also be journey time savings for traffic from Scone and North of Scone, including communities along the A93 and A94, wishing to travel to Broxden as they will be able to use the CTLR rather than via Bridgend and/or the city centre.

Inveralmond:

- 4.9 In the opening year of the CTLR, the modelling outputs show that it is anticipated that journey times would increase in the morning peak period from Luncarty to Perth City Centre, via A912 Dunkeld Road, by on average 2 to 3 minutes. For anyone travelling from Luncarty in the afternoon/evening peak period, it is anticipated that journey times to the city centre will, on average, decrease by around 4 to 5 minutes. However, Council officers are currently working with Transport Scotland on improving and optimising the operation of the signalised roundabout. It is likely this will be carried out before the CTLR is in place and will offset some of the delay predicted.

Broxden:

- 4.10 It is recognised that queuing occurs on the transport network for both local and strategic traffic with long queues observed at the morning and evening peak periods of the day. The CTLR, however, does not alter traffic volumes going through the junction significantly, rather it redistributes traffic in a different manner. In essence, traffic arriving for instance from the A9 South rather than traversing through the city centre will now take the much quicker route north via Inveralmond and the CTLR.
- 4.11 Transport Scotland and the Council have undertaken feasibility work identifying a suite of improvements at both roundabouts. For Broxden signalisation, new slip lanes and carriageway widening are currently being designed and costed by Transport Scotland. Further updates are anticipated as part of the ongoing national review of major transport projects.

Air Quality

- 4.12 The CTLR has been identified for a number of years (and in the most recent Annual Air Quality Progress Report 2019) as the project which has the greatest positive impact on air quality within Perth City. All other measures identified in the report are predicted to have less impact in lowering existing levels.
- 4.13 On the basis that the CTLR would be constructed, there has been no requirement to undertake a stage two screening assessment for a National Low Emission Zone, however should this position change then further screening would need to be considered. It is also predicted that the cumulative aspects of proposed development identified within the Local Development Plan (even with any associated embargoes) will likely result in

increased levels of air pollution in Perth City. The CTLR is predicted to provide sufficient mitigation to accommodate this impact.

- 4.14 All Local Authorities have a duty to monitor air quality in their areas, but in order to revoke the existing Air Quality Management Area for Perth City there requires to be consistent compliance with national air quality objectives over a prolonged period (at least 3 years). It is predicted that the CTLR would assist in achieving such sustained compliance.

COVID-19 Impact on Traffic

- 4.15 The impact of the pandemic to date on the network has been carefully monitored to understand the consequences of any potential changes to travel patterns. The CTLR analysis was based on traffic volumes before the impact of the pandemic so it was important to understand how that may have changed.
- 4.16 In summary, overall traffic in the city centre area (within the ring road) is approximately 80% of previous traffic flows as at the beginning of September 2020 but there are specific critical locations where it is back to pre-COVID-19 levels i.e. at the two bridges over the River Tay in the city. Volumes have generally risen gradually back to towards previous levels, but it should be noted that there are still major employers in the city with a significant number of employees still home working. The Council would be the obvious example of this so there is an expectation that figures will rise again.
- 4.17 Analysis of the vehicle composition shows that the percentages have remained relatively consistent, with slightly fewer cars and buses, and a slight increase in delivery vehicles compared to previous surveys. The proportion of cyclists increased slightly in May but had returned to pre-COVID-19 levels by early July and has remained at this level.

Potential to Divide Project into Sections

- 4.18 A request was made for consideration be given to only part of the CTLR being constructed in the near future. This is not possible because this phase of PTFP has been assessed using the processes set out in paragraph 1.4 as a composite scheme in respect of costs and benefits. The CPO has also been promoted and justified to the Scottish Ministers on that basis. Furthermore, building the link through North Scone to serve new housing development without the bridge itself would simply add to congestion through Scone, Bridgend and the city centre. The Development Plan could not support this. Likewise, completing the Phase 3 Bertha Park link road (private sector funded) without the bridge would push even more traffic towards the A85 junction and Crieff Road. Again, the Development Plan would not support this.

Carbon Footprint / Climate Change Implications

- 4.19 Carbon reduction has been a major consideration for the CTLR as it has been designed following a new carbon management process (PAS 2080). This has ensured that every opportunity for carbon emissions reductions has been

considered. Details of how this has been undertaken is contained within the Environmental Impact Assessment with additional information within the report 'CTLR and the Climate Emergency' circulated to Members as part of the briefing pack.

- 4.20 It is not possible to build infrastructure without producing any carbon emissions, but by applying PAS 2080 and implementing it through the DMRB Stage 3 design process, emissions have been reduced as far as possible at this stage. The initial carbon cost of the CTLR route was 60,214 tCO₂e (tonnes of carbon dioxide equivalent). However, through efficient design this has been reduced by 21% to 47,308 tCO₂e. This is negligible in comparison to Scotland and the UK's annual carbon emissions and will not impact the ability of Scotland or the UK to meet its Paris Agreement obligations.
- 4.21 The carbon cost of excess journeys which occur as a result of the CTLR is expected to be an increase of 5,560 tCO₂e in end user emissions per annum by the design year 2038. However, it should be noted that this increase is partially associated with the future development, and not generally caused by the CTLR itself. In the opening year of the CTLR, it is estimated that there will be reduction of 128 tCO₂e in end user emissions per annum, due to the reduction in traffic congestion.
- 4.22 Throughout the next stages of the project (i.e. detailed design and construction), the PAS 2080 process will continue to be applied and a further reduction of the carbon cost is expected. Tendering contractors will be required to set out opportunities to reduce carbon further, bringing the project to as close to net zero as possible. This will encourage innovation and allow further possibilities such as electrified construction plant and carbon offsetting to be reviewed by the Council, considering best value for money in achieving the objectives set out in the evolving Climate Emergency Action Plan. The successful contractor will also be required contractually to further reduce the construction carbon cost with the success of this measured by targets throughout the construction period.
- 4.23 Officers are confident that the carbon efficiencies mentioned above, alongside the measures in Phase 4 of PTF project to promote greener travel modes demonstrate that the CTLR and the entire PTF project have factored in carbon reductions throughout the life of the projects.

Procurement

- 4.24 The procurement of the main construction contract is currently paused pending Council's decision, with stage one (the ESPD i.e. pre-qualification) having been completed and five bidders selected to tender for the design and build prior to the COVID-19 pandemic.
- 4.25 The bidders have been kept informed of the situation and so far, all remain interested in submitting a tender for the project. However, the longer the procurement exercise is delayed, the more it is likely that bidders will lose interest. This risk along with the risk of a significant change in the market conditions since the start of the procurement exercise could potentially result

in the need to re-start the procurement process from scratch, should there be further significant delay.

5. CONCLUSIONS

- 5.1 The CTLR, as part of the PTFP, has been in development since 2008, and is a fundamental element of the Council's strategic planning framework through both TayPlan and the Local Development Plan.
- 5.2 This report outlines the key benefits of the project and risks if the project were not to proceed. These are outlined as follows:
- Economic/finance – section 2
 - Local Development Plan – section 3
 - Benefit/cost ratio – paragraph 4.1
 - Maintenance costs – paragraph 4.2
 - Traffic management – paragraph 4.3
 - Air quality – paragraph 4.4
 - COVID-19 Impact on traffic – paragraph 4.5
 - Carbon footprint & climate change implications – paragraph 4.7
 - Procurement – paragraph 4.8.
- 5.3 Modelling undertaken to date indicates that, while there will be increased volumes of traffic at Inveralmond and the redistribution of traffic at Broxden, there will be significant improvements in Perth City Centre and at Bridgend. The impact of traffic along the A93 and the A94 continues to be developed and it is recognised that this is understandably a major concern to residents along these routes.
- 5.4 As part of the Shaping Perth's Transport Future Strategy approved by Council in 2012, the Council has agreed a developer contributions strategy. Under the strategy, developers will be required to contribute to the cost of the CTLR as a condition of planning consent for future housing developments within the LDP facilitated by the crossing and associated roads infrastructure. It is prudently estimated that in the order of £17 million will be generated in developer contributions towards the cost of the CTLR over an extended time period of 20-25 years as development progresses.
- 5.5 The use of the HM Treasury Green Book Guidance has provided an independent tool to assess the wider economic benefits as a direct result of the construction of the CTLR. This indicates that there will be a sufficient housing land supply to satisfy the requirements of the LDP, along with the creation of the employment land, and provides large private sector investment, along with construction jobs and additional Council Tax receipts.
- 5.6 Elected Members are requested to take account of the information contained within this report, and the associated briefing materials, in respect of a decision on the CTLR.

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TIMELINE OF KEY DECISION DATES
Perth Transport Futures Project (including the CTRL)

1995	Perth Area Local Plan 1995	Identified the need for a new bridge north of Perth town centre and recommended amending the A9/A85 junction.
2003	Perth and Kinross Structure Plan 2003	Included recommendations for the A9/A85 and a need for a new road bridge across the River Tay.
2009	Enterprise and Infrastructure Committee: Strategic Transport Network Issues (Report 09/405)	Outlined the key findings of the STAG appraisal including the preferred corridor for the CTRL and an improved A9/A85 junction.
Aug 2009	Enterprise and Infrastructure Committee: North West Perth Expansion Area Study (Report 09/406)	Agreed to take forward further development work into the detailed infrastructure design for North West Perth i.e. the A9/A85 junction improvement and to investigate delivery funding options.
2010	Scottish Transport Appraisals Guidance (STAG)	STAG appraisal of Perth's wider transport issues and potential solutions. 11 options were considered and 6 taken forward for further appraisal with conclusion that a Cross Tay Link Road with a range of other measures was the preferred approach.
Oct 2010, approved Jan 2012	Shaping Perth's Transport Future Strategy	Summarised the outcome of the STAG appraisal and formed the Council's Transport Strategy for Perth and the wider region.
2010/2011	Strategic Environmental Assessment	SEA Report (and subsequent addendum) carried out in respect of the Transport Strategy detailed in the Shaping Perth's Transport Future Strategy document. This firmed up the corridor options for the CTRL.
Nov 2011	DMRB Stage 1 Assessment	More detailed appraisal of 3 CTRL corridor options identified in STAG appraisal together with 2 amended corridors based on recommendations of SEA and Shaping Perth's Transport Future Strategy document.

Jan 2012	Special Council Meeting (Report 12/5)	Approved proposed local development plan (LDP) for public consultation.
Jan – April 2012	Proposed LDP	Proposed LDP published for public consultation showing CTRL route and interface with site H29. Fourteen public consultation events held including one in Scone attended by 271 people.
May 2012	A9/A85 Junction Planning Application Approval (Planning Reference 11/01579/FLL)	The approved application included the formation of slip roads, roundabouts, bridge, SUDS ponds, landscaping and the Lade diversion (excludes link to Bertha Park).
June 2012	TAYPlan Strategic Development Plan 2016 - 2036	The approved Plan promoted improvements to existing transport infrastructure, including the A9/A85 junction and the CTRL.
May 2013	Perth City Plan	Reflected the requirement to improve road and transport infrastructure to enhance connectivity between the city centre and the planned western expansion, the wider region and the rest of Scotland.
June 2013	Council Meeting Perth Transport Futures Project (Report 13/336)	Council endorsed need for PTFP and agrees to commit to funding to Phase 1 PTFP.
Nov 2013	Workshop and site visit with Elected Members	Site visit by Elected members along route of proposed Phase 1 PTFP.
Feb 2014	Council Meeting (Report 13/597)	The Council agreed to adopt the LDP.
May 2014	Council Meeting PTFP – Phase 1 (Report 14/192)	Council approved borrowing of £15.7m towards Phase 1 PTFP (A9/A85 to Bertha Park)
June 2014	Council Meeting – PTFP Phase 1 (14/303)	Council approved authority to acquire land by CPO to facilitate construction of PTFP Phase 1
Oct 2014	Council Meeting – PTFP Phase 1 (14/437)	Council approved authority to acquire additional land and rights by CPO to facilitate construction of PTFP Phase 1.
2015	Main Issues Report LDP2	Proposed LDP2 indicated the preferred CTRL route and housing development

		site H29. No representations received in relation to the CTRLR and its route through site H29.
March 2015	Phase 1 A9/A85 Junction Improvements and Link Road to Bertha Park Planning Application Approval (15/01579/FLL)	Upgrading of roads infrastructure including the formation of new roads, roundabouts, bridges, car parking, landscaping and associated works.
March 2016	The Perth and Kinross Council (Perth Transport Futures Project Phase 1 A9/A85 Crieff Road Junction and Link Road to Bertha Park) Compulsory Purchase Order 2014	Compulsory Purchase Order confirmed by Scottish Ministers
Feb 2016	PTFP Phase 1 A9/A85 Junction Improvements and Link Road to Bertha Park Planning Application Approval (15/02185/FLL)	Modification of permission 15/00036/FLL (upgrading of roads infrastructure) to include alterations to roundabout.
May - Dec 2016	H29 Planning Application (16/02127/IPM)	Application submitted for Scone North development
June 2016	Council Meeting – PTFP Phase 2 CTRLR (Report 16/227)	Council commits funding of £78million towards Phase 2 PTFP (Cross Tay Link Road).
Sept 2016	PTFP Phase 1 A9/A85 Junction Improvements and Link Road to Bertha Park Contract Award	Contract Awarded to Balfour Beatty in September 2016 with a contract price £35,369,292.62.
Nov 2016	PTFP Phase 1 A9/A85 Junction Improvements and Link Road to Bertha Park Planning Application Approval (Planning Reference 16/01290/FLL)	Upgrading of roads infrastructure including the formation of new roads, roundabouts, bridges, car parking, landscaping and associated works (revised design).
Dec 2016	Council Report PTFP Phase 2 CTRLR Preferred Route (Report 16/560)	Council approves final preferred route for CTRLR
May 2017	H29 Planning Application (16/02127/IPM)	The in principle application and masterplan for site H29 accorded with

		the LDP and was granted planning consent.
July 2017	Appointment of consultants to progress Phase 2 PTFP	Sweco appointed to progress the preferred CTLR route through DMRB Stage 3 assessment.
October 2017	Scottish Ministers issue Approval of TAYPlan Strategic Development Plan 2016 -2036	Approval confirms CTLR as a strategic infrastructure project for Perth City region.
Nov 2017	Council Meeting (Report 17/387)	Approved draft LDP2 for public consultation showing CTLR route and interface with H29.
Dec 2017	Proposed Plan LDP2	Proposed Plan LDP2 published showing the CTLR route with a nine week public consultation period until 2 February 2018.
May 2018	CTLR Elected Members Briefing	Briefing on project, progress to date and cost estimate in advance of public consultations.
Aug 2018	Elected Members Briefing – CTLR, Traffic Modelling and Perth Cycle Network Masterplan	Presentation to Elected Members.
Aug 2018	Council Meeting (Report 18/263)	Approved Proposed Plan LDP2
Sept 2018	Proposed Plan LDP2	Submitted to Reporter for examination. There were no unresolved representations regarding the CTLR but assurances given to the Reporter reflected the currently anticipated programme for delivery of the CTLR. A report is expected from the Reporter in July 2019 identifying any recommended changes for LDP2 prior to its adoption.
Jan 2019	PTFP Phase 2 Scottish Government Funding	Scottish Government announced funding of £40million towards the CTLR with scheme (containing preferred route) now fully funded.
May 2019	PTFP Phase 1 A9/A85 Junction Improvements	All new roads and infrastructure opened to the travelling public in

	and Link Road to Bertha Park Final Completion of Construction	January 2019, with finishing works (e.g. landscaping) completed in May 2019.
June 2019	Council Meeting (Report 19/189)	Approved to progress with currently alignment of the CTLR between the A93 and A94
Sept 2019	Council Meeting (Report 19/276)	Council approved authority to acquire land by CPO to facilitate construction of PTFP Phase 2 CTLR
Nov 2019	Planning Application 19/01837/FLM	Planning Application for Phase 2 CTLR validated
June 2020	Members Briefing Phase 2 – CTLR	Traffic Modelling Presentation

Project Summary Sheet

Project Name:	Cross Tay Link Road		
Asset Type:	Roads Asset		
This project will deliver new major road infrastructure from the A9 Trunk Road (north of Inveralmond Roundabout) to the A94 north of Scone. The project is known as the Cross Tay Link Road and forms the second phase of the Perth Transport Futures Project.			
Risk Analysis			
	Stop	Pause	Continue
Strategic	The CTLR is a key driver in the recently approved Local Development Plan and a requirement of TAYPlan -		No strategic risks have been identified in continuing the project.
	Stopping the CTLR would prevent the delivery of the LDP and its outcomes.	Pausing the CTLR will delay the delivery of the LDP outcomes, add increase costs and potential result in a failure to meet housing land targets set by Scottish Minsters, and result in large unallocated sites securing planning consent.	
	Stopping the CTLR will require a full review of the LDP and this will take a minimum of 4 years and a cost of approximately £1M. There is a risk that even if there is any identifiable alternative it would not be politically unacceptable the council. There is also the risk that at the end of the process the Scottish Minsters would reject the plan as it would not be possible to meet the requirements of the National planning Framework.		
	The CTLR is a cornerstone for the plan to grow the Perth area -		
	Stopping the project may result in an embargo on further development in the Perth Core Area and prevent the release of land for	Pausing the project will delay this planned expansion both in the 'CTLR released' land and also in	

Risk Analysis			
	Stop	Pause	Continue
	economic development and in excess of 8,000 houses most notably 2,300 in Bertha Park.	the scale of the Bertha Park Development.	
	This project is part of the flagship Perth Transport Futures programme phase 1 of which was delivered through the A9/A85 junction project -		
	Stopping the project will prevent the delivery of the approved Perth Transport Strategy, with the resolution of traffic congestion, other environmental, placemaking and economic benefits it secures.	Pausing the project will delay the delivery of the approved Perth Transport Strategy, with the resolution of traffic congestion, other environmental, placemaking and economic benefits it secures.	
	The approved Perth City Plan is partly predicated on the delivery of this project -		
	Stopping the project will prevent the full implementation the Perth City Plan, including the delivery of effective active transport and sustainable travel through the Perth, People, Place programme. In particular, this will impact on the Dunkeld Road Corridor, but also futures phased work, specifically Scone to Bridgend and Glasgow Road corridors.	Pausing the project will delay the full implementation the Perth City Plan, including the delivery of effective active transport and sustainable travel through the Perth, People, Place programme. Any delay may impact on the Sustran match funding.	
Legal	A compulsory purchase order for land for this project is being pursued and has reached advanced stage. The consent of the largest affected landowner has now been secured -		Legal risks cannot be removed entirely but in continuing to promote the CPO the legal risk is minimal. The project accords with the development plan framework, it is unopposed by the largest landowner affected and it is supported by Transport Scotland.
	Stopping the project will require the ending of the compulsory purchase order and will make any future	Pausing the project other than for a short period, could be hugely damaging and potentially fatal to	

Risk Analysis			
	Stop	Pause	Continue
	attempt to carry out a compulsory purchase order for this project extremely difficult.	the compulsory purchase order. The process would require to be started a fresh and would be set back years. The Council could not ask a Reporter to confirm the Order unless an implementation date is certain.	
	There is a risk that landowners affected by the CPO will have acted in the expectation that the order will continue to be promoted and attempt to hold the Council liable for losses they may incur, should the project be stopped or paused.		
	Because of the expenditure incurred to date, there is a risk that stopping or pausing the CTRLR could breach the Council's statutory duty to secure best value.		
	<p>Both the Stopping and Pausing of the CTRLR create a risk of legal action against the Council by developers, landowners or other affected stakeholders. Both the CPO and Planning legislation allow certain statutory rights of appeal to the courts. There is also the risk of judicial review where a statutory appeal right does not exist.</p> <p>The risk of a challenge in a planning context is particularly acute. A decision leading to the abandonment of the 2019 Local Development Plan's current transport and housing strategy for the Perth Core area is especially vulnerable to challenge. For example, approx. £20m has been invested by a private developer in Bertha Park. It is improbable the company would readily accept a decision restricting the scale of their development to around 20%-25% of the site's capacity. There would be other developers similarly affected though on a lesser scale. Various investment decisions by developers and others will have been predicated on LDP2 and the Council's commitments to Scottish Ministers in relation to that plan. The extent to which other developers will have taken</p>		

Risk Analysis			
	Stop	Pause	Continue
	decisions based on the form and content of the development plan cannot be known but they will scrutinise the council's actions and are likely litigate if there is scope to offset their losses. If the Council abandons the form of LDP2 it will lose an effective 5 year land supply. This would move the Council away from plan led development to the less predictable developer led approach. Legal disputes then become more probable- whether the council grants or refuses these applications. Developers are less likely to accept Council planning decisions and more likely to pursue court action. Communities may be aggrieved at major unallocated sites coming forward and try to challenge decisions by judicial review.		
Financial	There has been significant expenditure on this project -		As we continue to experience the economic impacts of COVID-19 we have no definitive understanding of our revenue income streams particularly in the short to medium term. In this situation, there is a risk that we cannot afford to fund this project.
	The Council has spent approximately £5.2 million to date developing the project.	Depending on how long the project was paused for, could result in a major revenue pressure for the Council.	
	This project has attracted £40Million of third-party funding from the Scottish Government -		
	This will be lost if the project is stopped.	Pausing the project would risk losing this funding.	The funding model for the project relies, in part, on developer contributions. The impact of COVID-19 on the development of housing remains unknown and there is a risk that developer contributions do not meet our expected phasing.
	The project will generate a significant developer contributions, which will offset part of the capital cost -		
	This will be lost if the project is stopped. In addition, there will be pressure to return some of the developer contributions already received.	This will be delayed if the project is paused	
	Sustrans have match funded approximately £6.5M against this project, which is being used in the delivery of the Perth, People, Place programme -		
		The impact of COVID-19 on the construction sector at this point is unquantifiable. There is a risk that the impact results in significant	

Risk Analysis				
	Stop	Pause	Continue	
	Stopping the project will result in the loss of this match funding	Depending on the length of pause and Sustrans financial phasing requirements, this funding may be lost.	increase in tender prices resulting in us being unable to afford the project.	
	Delivery of this project will allow for the construction of approximately 8,000 housing units and approximately 117ha of employment land by completion of all development. This is projected to provide £10.6 million additional Council Tax payments per annum (once fully developed and occupied) and c.£580,000 additional Business Rate payments per annum (once fully developed and occupied). -			
	Stopping the project will prevent this increase in council income	Pausing the project will delay the increase in income to the council		
		Increase in project cost as a result of construction inflation. The impact of COVID-19 on construction inflation remains an unknown. The figures below should be treated as indicative and are derived from the Building Cost Information Service's current assessment of construction inflation – the figures show the cumulative impact of construction inflation over 4 years:		
		2021 – 3.9%:		£ 3,510,000
		2022 – 3.8%:		£ 7,063,000
		2023 – 4.2%:		£ 11,140,000

Risk Analysis				
	Stop	Pause		Continue
		2024 – 4.3%:	£ 15,489,000	
Reputational	This project is part of the flagship Perth Transport Futures programme phase 1 of which was delivered through the A9/A85 junction project -			There is a risk that the construction of such major road infrastructure might be viewed as being against the drive to address the ongoing climate emergency.
	Stopping the project will risk failing to meet public expectations of the positive outcomes associated with programme: <ul style="list-style-type: none">improved air quality and associated health benefitsreduced vehicular congestionincreased opportunities for active travelimproved journey timesexpansion of Perth areaincreased economic opportunities	Pausing the project will risk failing to meet public expectations of the positive outcomes associated with programme: <ul style="list-style-type: none">improved air quality and associated health benefitsreduced vehicular congestionincreased opportunities for active travelimproved journey timesexpansion of Perth areaincreased economic opportunities		There is a risk that a project of this scale may be seen as not being appropriate during this period of pandemic.
Economic	A key outcome of this project is the enabling of large areas of development land which would allow for the expansion of the Perth area and the development of a modern and vibrant local and regional economy -			The economic assumptions were made in a pre-COVID-19 world, there is a risk that these are no longer valid.
	stopping the project will result in Perth area being unable to expand significantly reducing the opportunities to develop a modern and vibrant local and regional economy.	Pausing the project will delay the expansion of the Perth area significantly reducing the opportunities to develop a modern and vibrant local and regional economy.		
	There are significant positive economic impacts anticipated directly from the construction of the CTLR together with associated house building for			

Risk Analysis			
	Stop	Pause	Continue
	local businesses and contractors – (also social value through community benefits/PK Offer)		
	If the project is stopped, these will be lost, exacerbating the impact of COVID-19.	If the project is paused these will be delayed, exacerbating the impact of COVID-19.	
	The positive economic outcomes of the approved LDP and Perth City Plan are dependent on the delivery of this project -		
	Stopping the project will prevent the delivery of these positive economic outcomes	Pausing the project will delay the delivery of these positive economic outcomes	
Staffing	There are 5 technical professional PKC staff who are funded through the capital programme, in addition, the 3 professional posts who are directly employed to deliver the Perth, People, Place programme -		There are no staffing risks are associated with continuing the project.
	If the project is stopped their posts would be at risk.	Pausing the project will impact on these posts.	

APPENDIX 3

Background Information Report

by Executive Director (Education & Children's Services)

The purpose of this report is to update on the options for the replacement of Perth High School. Since the budget for this project was agreed there has been updated Scottish Government guidance for the internal ventilation standards in schools (2018) and ambitious targets have been set for the reduction of carbon emissions as a result of Climate Change ([Emissions Reductions Targets\) \(Scotland\) Act 2019](#)).

A direction on the climate change ambitions and specification is required to progress the project to the next stage of design as a result of the approved Interim Climate Emergency Report and Action Plan approved at Full Council in December 2019.

1. BACKGROUND

- 1.1 Perth and Kinross Council approved and budgeted for a replacement Perth High School as part of the Capital Budget in 2018 with an indicative budget of at £50M for a 1600 pupil capacity school.
- 1.2 This project was budgeted based on a feasibility study and Scottish Futures Trust (SFT) space and cost metrics. These included the anticipated accommodation size and relevant building standards at the time of the study.
- 1.3 The climate emergency motion unanimously agreed by Full Council in June 2019 committed the Council to lead by example in accelerating the transformational change required to address the climate emergency. ([link](#)) and the Council's Interim Climate Emergency Report and Action Plan in December 2019 ([link](#)) included an action to Investigate options and costs for Passivhaus construction methods to achieve energy efficiency and quality in areas such as Learning Estate Projects

2. CURRENT SITUATION

Design development and options

- 2.1 Options were developed to respond to the climate emergency motion and report which range from a building regulations compliant school to a Passivhaus option which meets the lowest energy target of 67kwh/m2/annum set by SFT (for inclusion in the Learning Estate Programme). The recent Infrastructure Commission for Scotland report ([link](#)) prioritised a net zero carbon economy and work is underway to develop a new 'Net Zero Carbon' standard by the Scottish Government for all public buildings which directs new buildings towards a Passivhaus or equivalent standard.

- 2.2 The standards set by Passivhaus address issues with energy efficiency by adopting a fabric first approach to make the envelope of the building as simple, airtight and insulated as possible with the highest quality standard of construction. This in turn reduces the primary heat energy demand, reduces CO2 emissions and retains heat within the building. This quality assured process equally benefits the quality of the completed building.
- 2.3 The table below summarises a base building standard compliant option to a Passivhaus option. All options include the accommodation required for the 1600 pupil secondary school:

	Estimated Capital (£'000) incl PKC internal costs and contingency	Energy (kwh/m2)	Annual energy cost (2020 prices)	TonnesCO2-Annum in year 1 (2019 conversion factor)*	Notes
Existing School	N/A	190kwh/m2	£170,447	473	Actual energy costs for 2019/20
Option 1: Base build with all briefed areas	£51,000	118 kwh/m2	£118,547	391	Includes all education accommodation requirements
Option 2: All briefed areas at Passivhaus standard	£58,300	60kwh/m2	£116,750	249	Includes all education accommodation requirements Maximum reductions in carbon from base build.

Fuel Sources

- 2.4 Operational carbon is the direct emission from energy consumed. Ambitions of the Scottish Government's Climate Change Plan require 75% reductions on operational emissions from buildings by 2030 and net zero emissions by 2045. Space heating that relies on fossil fuels (gas, oil, coal etc) will likely not receive building standard consent by 2024. The base option is based on a normal natural gas heating solution, and the Passivhaus option is based on an electric air source heat pump solution, to take advantage of the increasing proportion of zero carbon electricity produced in Scotland, including for this school, a possible direct link to Perth's anticipated Smart Energy network. Looking ahead it is considered that an increasing proportion of electricity will be produced from zero/low carbon sources.

Retrofit

- 2.5 Building to current building standards at lowest capital cost (the base option) will result in the Council looking to upgrade / retrofit energy saving measures before 2045. This will be a growing factor across all our estate. With a 50 plus year lifespan at Perth High School, and the obligations on the Council to move

the estate to net zero by 2045 a retrofit programme will be required in the future that has been estimated at £22m at present day costs. This retrofitting energy efficiency measures (such as increased insulation, low energy electric heating) in a school in the future will be both technically difficult and disruptive.

50 year lifecycle costs

Existing emissions are 473 tCO₂ per annum.

Option	Capital cost	50 year cost	50 year Energy consumption (kwh)	50 year carbon emissions(tCO ₂)	Annual Yr1 emissions (tCO ₂)
Base option	£51m	£153.2m	58.8m	14,717	391
Passivhaus	£58.3m	£151.9m	44.9m	12,450	249
Difference	£7.3m	(£1.3m)	(13.9m)**	(2,267) (15%***	142 (36%)

*50 year cost: loan charges, life cycle costs, retrofit costs (in year 16), energy costs (all 2020 rates)

** the reduction in kwh consumed is primarily in space heating

***carbon emissions not pro rata to kwh due to different source energy conversion factors, forecast on 2020 conversion factor on electricity

The Table above shows that an additional single investment of £7.3m, generates financial savings of £1.3 m over 50 years, and reduces carbon emissions by 15%. As electricity becomes cleaner this % will increase.

3. FUNDING OPTIONS

- 3.1 Officers are proposing to submit a bid to the Scottish Governments Learning Estate Investment Programme – Phase 2 to include the replacement of Perth High School in the programme. This funding stream is energy performance linked. The bid has minimum energy requirements which only the Passivhaus option will meet. The outcome of the Scottish Government bid should be known by December 2020. If a bid is successful, the Scottish Government will provide revenue funding to the Council over 25 years to the value of 50% of the capital costs. It should be noted that the Council requires to fund the full capital cost of the new school even if the bid is successful.

4. ASSOCIATED RISKS

- 4.1 The project is still over a year away from a confirmed project cost and signing of Financial Close. There is a risk that during the detailed design process further cost pressure materialises resulting in increased costs, as is the case in all capital projects. The options presented above do not include any COVID-19 impact costs at this time.

- 4.2 There is a risk of failure to achieve the carbon reduction objectives, however it is intended that the energy performance of the building will be written into the final construction contract.

5. FINANCIAL IMPLICATIONS

Capital

- 5.1 The base option would result in estimated additional capital costs of £1M. The Passivhaus option would result in estimated additional capital costs of £8.3M.

Revenue

- 5.2 Both of the options reduce energy costs by approximately £50,000 per annum, compared with the current school, based on current rates.

6. CONCLUSIONS

- 6.1 The latest projections for the Perth High School replacement are based upon delivering low-carbon energy efficient buildings which are anticipated to be compliant with future Scottish Government standards.
- 6.2 The Scottish Government Learning Directorate has written to local authorities requesting an update on how each Council is developing its Learning Estate and whether they have identified any priority projects for investment that are supported by an approved financial and political commitment.
- 6.3 The Learning Estate Investment Programme is predicated upon Councils' meeting the upfront Capital cost of school projects. Projects approved for funding through the programme will then be eligible for Revenue grant funding equivalent to 50% of the Capital cost of the project, payable over a period of 25 years to support maintaining the condition of the buildings concerned.
- 6.4 A prerequisite of securing support through the Investment Programme – Phase 2 is, therefore, the inclusion of funding to deliver the project within the Capital Budget. Subject to approval to proceed with the Perth High School replacement project, it is proposed to apply for financial support for this project through Phase 2 of the Learning Estate Investment Programme.
- 6.5 Elected Members are requested to take account of the information contained within this report, and the associated briefing materials, in respect of a decision on the Perth High School. Elected members may wish to give direction in relation to the following, whether:
- (i) Officers progress the new Perth High School project on the basis of the design most likely to attract Scottish Government funding being the Passivhaus option;
 - (ii) Officers submit a bid to the Scottish Government's Learning Estate Improvement Programme – Phase 2 for the project; and
 - (iii) Officers bring back funding solution to Council in 2021 for addressing the Capital Budget shortfall.

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Name	Designation	Date
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Project Summary Sheet

Project Name:	Perth High School
Asset Type:	Building
New secondary school to replace the existing Perth High School	

Risk Analysis			
	Stop	Pause	Continue
Strategic	The Perth High School project is the replacement for the Council's largest secondary school and a key component of the secondary school estate. There are ongoing issues with the existing building which have already impacted on the ability to deliver services from it -		There is ongoing community engagement as part of the development of the Perth and Kinross Offer. There is a risk that if we do not pause the project until we understand the Offer, we will miss the opportunity to review the purpose and the scope of the project to ensure that the investment is affordable and best meets the needs of all the community, now and in the future.
	stopping the project would not address the identified issues and would greatly increase the risk of building failure, which would have significant negative impacts on our ability to deliver education to our young people.	pausing the project would delay addressing the identified issues and would increase the risk of building failure, which would have significant negative impacts on our ability to deliver education to our young people.	
Legal	No legal risks were identified		No specific legal risks identified however as with all projects of this size and complexity, ongoing project risks will continue.
Financial	There has been significant expenditure on this project -		As we continue to experience the economic impacts of COVID-19 we have no definitive understanding of our revenue income streams particularly in the short to medium term. In this situation, there is a risk that we cannot afford to fund this project.
	The Council has spent approximately £1.2 million to date developing the project.	Depending on how long the project was paused for, could result in additional revenue pressure for the Council. Increase in project cost as a result of construction inflation. The impact of COVID-19 on construction inflation remains an unknown, however, the Building Cost Information Service current assessment of construction inflation is:	

Risk Analysis				
	Stop	Pause		Continue
		2021	3.9%	
		2022	3.8%	
		2023	4.2%	
		2024	4.3%	
Reputational	<ul style="list-style-type: none"> The Council has committed to replacing the existing High School on the basis of its condition and suitability – There has been significant spend to date on the Project (£1.2M) 			
	stopping the project will risk reputational damage for the Council	pausing the project will risk reputational damage for the Council		Given the potential opportunities which might emerge from the ongoing community engagement and the delivery of the Perth and Kinross Offer, there is a risk that in delivering a new secondary school with only limited community access there is a perception that additional opportunities for development were missed, leading to reputational damage.
Economic	There are positive economic impacts anticipated directly from the construction of the new Perth High School project.			
	if the project is stopped, these will be lost, exacerbating the impact of COVID-19.	if the project is paused these will be delayed, exacerbating the impact of COVID-19.		No economic risks were identified with continuing the project.
Staffing	There are PKC staff funded by the capital plan which includes the Perth High School project			
	Stopping the project may impact on these posts.	Pausing the project may impact on these posts.		There are no staffing risks associated with continuing the project.

APPENDIX 4

Background Information Report**Report by Executive Director (Housing & Environment)**

This report provides a summary of the rationale behind previously agreed decisions in relation to Perth City Hall, along with the work undertaken to date on the project. It also outlines that it is a critical stage of implementation and is therefore one of 5 projects the Council is being asked to take a decision on, in advance of the development of the Investment Blueprint.

1. BACKGROUND / MAIN ISSUES

- 1.1 Perth City Hall has an approved budget of £23M in the current capital programme and received Council approval to proceed in June 2016 (see para 1.6, below) (Report No. 16/279 refers). Pre-Covid, it was scheduled to open early-mid 2023. £3M of the approved budget is for public realm works surrounding the building. Prior to 2016, a number of alternative proposed uses for City Hall were considered by the Council but were unviable for various reasons although cultural use had been identified as a possible future option. Historic Environment Scotland had consistently refused permission to demolish the building.
- 1.2 The original Strategic Outline Case to redevelop Perth City Hall into a museum attraction of national and UK significance was built on independent market appraisal commissioned in 2013/14, with findings presented to Council in October 2014 (Report No. 14/438 refers). The appraisal found Perth city was substantially underperforming as a visitor destination in comparison to other parts of Eastern Scotland, and Highland Perthshire.
- 1.3 A key finding was the decline from 2011 of almost 25% in local visitors to cultural attractions in Perth. Local visitors are defined as living within 30 minutes travel time of Perth. The key reason was (and remains) lack of a single headline attraction in the city centre, 'headline attraction' being defined as capable of attracting over 100,000 annual visits.
- 1.4 As well as market failure, the appraisal also identified substantial market opportunity from two sources: the Scottish/UK domestic visitor market and the international visitor market. Total potential domestic market size was assessed at 4.7M annual visits, most of which (3.6M) are Scottish residents. This is because of Perth's central location, with around 71% of the Scottish population living within 90 minutes travel time of Perth. The international visitor market was already expanding in 2014, with an increase of 33% in visits to Perth since 2011. This is largely attributable to the value of the Perthshire brand, enhanced through world class events like the Ryder and Solheim Cups.

- 1.5 Further appraisal carried out in 2016/17 to support the UK City of Culture bid for Perth also demonstrated the fragility of the local creative economy, against a backdrop where creative industry was the fastest growing UK sector contributing over £100B to the UK economy. Creative businesses in Perth and Kinross contribute only 1.2% GVA to the total Scottish creative economy.
- 1.6 Council therefore instructed officers to prepare a strategic response which would address these findings. The appraisal, plus experience elsewhere, showed no single new cultural attraction in Perth would fully address either market failure or opportunity. A set of interventions were required:
- 1.6.1 *Investment in existing attractions* as well as a potential new cultural offer;
- 1.6.2 *Cohesive marketing and programming* across key attractions which was easy for visitors to navigate and focused on Perth's unique place as the ancient capital of Scotland as well as its role in shaping modern Scotland through its artists, writers, thinkers, inventors and explorers. The strapline 'Ancient Roots, Modern Scots' was developed for this new marketing and programming approach.
- 1.6.3 *Significant change to Perth's image and perception* at the time as a heritage city rather than a lively contemporary destination.
- 1.7 The Perth Cultural Transformation Programme was the strategic response brought forward from 2015 with three key elements:
- 1.7.1 *The UK City of Culture 2021* bid approved by Council in October 2015 (report 15/417 refers)
- 1.7.2 *The bid for Perth to be a new home for the Stone of Destiny* (launched June 2016)
- 1.7.3 *Capital investment of £20M in three projects*: a new museum attraction (now City Hall, following site options appraisal); refurbishment of Perth Museum; and enabling works to create a new store for the Council museum collection, which has National Recognition Status. This investment was approved in June 2016
- 1.8 The investment objectives for the Perth Cultural Transformation Programme are to:
- contribute to a world class tourism offer of scale to grow the visitor economy in Perth, Perth and Kinross and the wider Tay Cities Deal (TCD) region.
 - diversify and strengthen the cultural tourism offer in Perth building on recent/current investment including Perth Theatre, the Black Watch Museum and Perth Creative Exchange.
 - grow the value of the creative economy in the region through jobs, training and business support for the creative sectors in Perth and Kinross
 - widen cultural participation through excellent cultural product and innovations in public programming including digital engagement, mass participation events and community co-production.
 - enhance community pride in Perth (community engagement carried out to support the UK City of Culture bid identified this as a key priority).

- 1.9 From 2017, City Hall became a proposed Tay Cities Deal project, and was included in the Heads of Terms published November 2018. It is the only cultural project in the Deal with UK Government funding attached. Since January 2017, business case development for City Hall has followed Green Book/Treasury requirements, with governance via a Programme Board chaired by the Leader of the Council and independent advisory support from Sir Mark Jones, previously Director of National Museums Scotland and now Chair, National Trust for Scotland.
- 1.10 In August 2020, the Outline Business Case for City Hall was 'greenlit' to proceed to Full Business Case and this work is now underway. Pre-Covid, visitor projections prepared for the OBC estimated between 140-160,000 annual visits to City Hall, of which around 21,000 were attributed to potential visitors to the Stone of Destiny. Clearly, COVID-19 has, and will continue to have, an impact on visitor numbers to cultural attractions world-wide. Customer confidence in safety/compliance as well as the quality of the offer is absolutely key. A re-assessment of the original visitor and income projections, and the investment objectives, will be carried out to support the FBC in October 2020 based on emerging data from the UK and internationally. A key working assumption (to be tested through the re-assessment) is that visitor levels to cultural attractions will return to pre-Covid levels by early 2024, when City Hall is now scheduled to open if the project proceeds.
- 1.11 The Commissioners for the Safeguarding of the Regalia, who are responsible for advising HM The Queen on the future location of the Stone of Destiny, have requested regular updates on the project since March 2020. The Commissioners are aware of the Council's timescales for reaching financial close on City Hall. The Council's Chief Executive has provided formal written confirmation to the Commissioners, via the Scottish Government, of the strategic importance of the project to Perth's wider economic development. The Chief Executive also commissioned a further independent review of the business case assumptions for the project from Ernst and Young, to underline the level of due diligence conducted on the project.
- 1.12 The remainder of this report summarises current project status and key risks for Council to consider should the project pause, proceed, or be cancelled.

2. CURRENT STATUS

- 2.1 In order to bring the project to financial close later this autumn if Council decides to proceed, a Value Engineering (VE) exercise has been ongoing since spring 2020, overseen by the Senior Officers Group which reports to the Programme Board.
- 2.2 In May 2020, the Programme Board was advised that a realistic total project cost would be £26.2M. Significant savings have been made as part of the VE exercise; however, in the current environment, it has not been possible to maintain costs within the current approved £23M budget. In addition, some tender prices are yet to be confirmed on some parts of the build, and it is recommended that appropriate project contingency is retained to deal with

any outstanding tender cost issues. There is no specific risk sum for dealing with future COVID-19 delays or cost increases as these issues are currently unquantifiable, but total project cost is therefore estimated to be £26.5M

- 2.3 This estimate is based on achieving financial close on the construction contract in late 2020 and proceeding with a construction phase under “normal” working conditions. As with the entire PKC capital programme, COVID-19 represents a significant risk - time and cost increases as construction programmes could be extended due to various factors, including new operational requirements for public venues.

3. KEY ISSUES

- 3.1 There are several key issues which may have an impact on the construction programme milestones. These are reflected in the risk profile for the project set out below, but can be summarised as follows:
- the continuing uncertainty created by COVID-19.
 - the Tay Cities Deal agreement has reached the final stages but has not yet been signed.
 - the decision of the Commissioners on the Stone of Destiny has not yet been confirmed although dialogue with Scottish Government has been ongoing.
 - as with all construction projects, there may be unexpected site issues causing delays during the construction phase. Site surveys completed to date are helping to manage this risk.
- 3.2 Subject to the issues above being resolved and Council approving the project to proceed, it is anticipated that construction could start in late 2020/early 2021 with a completion date in early 2024. .

4. KEY RISKS

- 4.1 If the project proceeds, there are a number of risks for Council to consider:
- 4.2 There is a risk that COVID-19 will impact on programme timescales and costs; it is currently not possible to quantify the impact or determine risk controls. Continued strong risk management by the Senior Officer Group/Programme Board as these impacts emerge will be essential.
- 4.3 There is a risk that if the impact of COVID-19 is prolonged, visitor and income projections for City Hall will not be achieved and therefore investment objectives will not be delivered. Current risk mitigation is to re-assess the visitor and income projections, and revise the investment objectives, as part of the Full Business Case for the project.
- 4.4 There is a financial risk because the project cannot be delivered within the current approved budget of £23.2M. Value engineering has been completed to find savings, however without significantly altering the project vision and brief the estimated total project cost is now £26.5M.

- 4.5 There is a risk that the Stone of Destiny is not secured for City Hall which may impact on UK Government's view of the strategic significance of the project. It is worth reiterating that visitor projections for the Stone of Destiny alone are conservative. Current risk mitigation is to prepare an alternative display proposal; and this work was completed in 2019
- 4.6 There are also risks to the Council if the project pauses or is cancelled:
- If the project is paused, construction costs are likely to rise as delay in reaching financial close will impact on final prices
 - If the project is cancelled, there may be wider impacts/implications for the Tay Cities Deal, a key strand of which is predicated on growing cultural tourism market share across the region as a whole
 - If the project is cancelled, the risks associated with market failure first identified in 2014 will be exacerbated, and market opportunity will be lost. This may be significant given substantial investment elsewhere in the region/Eastern Scotland in cultural tourism.
 - If the project is cancelled, £2.4M has been expended on project design development to date which will have a revenue consequence for the Council.
- 4.7 A full risk assessment is attached to this report

5. FINANCIAL IMPLICATIONS

Capital

- 5.1 Proceeding with the project requires additional capital funding of £3.3M.

Revenue

- 5.2 An extract of the indicative income and expenditure forecasts prepared for the Outline Business Case required for the Tay Cities Deal and independently reviewed by Ernst & Young in December 2019, are provided below. As stated earlier, these assumptions will be re-assessed in October 2020.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Income	1,006	1,040	1,308	1,873	1,977	1,901	1,910	2,021	1,907	1,924	2,039
Expenditure	(981)	(1,056)	(1,471)	(2,190)	(2,238)	(2,307)	(2,356)	(2,404)	(2,452)	(2,502)	(2,553)
Surplus/(Deficit)	25	(16)	(163)	(317)	(261)	(407)	(446)	(383)	(545)	(578)	(514)

6. CONCLUSIONS

- 6.1 Perth City Hall has been in development as a cultural attraction since 2016, when it was approved as part of the Council's capital programme.

This report outlines the key benefits of the project and risks if the project were not to proceed. These are outlined as follows

- COVID 19 – paragraphs 4.2 – 4.3
- Financial – paragraph 4.4 and 4.6 and section 5

- Stone of Destiny – paragraph 4.5
- Tay City Deal – paragraph 4.6
- Market failure - paragraph 4.6

On 7 September 2020, the Tay Cities Joint Committee agreed to advance to signing the Tay Cities Deal and the Programme Management Office is currently engaged in confirming an official signing date. The Perth City Hall project has been allocated £10m of UK Government funding as part of the Tay Cities Deal. The project has recently received approval from the UK Treasury and Scottish Government to progress from Outline Business Case to Final Business Case, a significant step in the City Deal gateway review process. The Programme Management Office has confirmed that expenditure incurred on the project to date will not be recoverable from the Tay Cities Deal should Council determine not to progress with the project.

- 6.2 Elected members are requested to take account of the information contained within this report, and the associated briefing materials, in respect of a decision on the City Hall.

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Project Summary Sheet

Project Name:	Perth City Hall		
Asset Type:	Property Asset		
Refurbishment of Perth City Hall and the surrounding public realm including vennels.			
Risk Analysis			
	Stop	Pause	Continue
Strategic	The Perth City Hall project is a UKG-funded Tay Cities Deal project part of the Cultural Transformation Programme approved by Council June 2016 to address visitor market opportunity and failure in Perth, and also a key component of the Perth City Plan -		Cultural investment is central to the Tay City Deal objectives to create smarter, fairer work for all by attracting higher value sectors and jobs to the Cities Region. The primary project objectives are economic development but there has also been strong community support for City Hall, with community engagement programmes running since 2017.
	stopping the project would impact negatively on the delivery of the outcomes from the Tay City Deal and the City Plan.	pausing the project would delay the delivery of the outcomes from the TCD and the City Plan.	
	The Perth City Hall project will allow for the redevelopment of a key city centre site -		
	Stopping the project would result in a key city centre site remaining undeveloped City Hall has been a controversial vacant site since 2004, with no viable alternative use identified until 2016.	Pausing the project would result in a key city centre site remaining undeveloped for extended period as City Hall has been a controversial vacant site since 2004, with no viable alternative use identified until 2016.	
Legal	No legal risks identified although the project is a TCD project and there may be implications for the wider Deal if PKC decides not to proceed. The project is the only cultural project to receive UKG funding within the Deal Heads of Terms, signalling its strategic significance at UK as well as national level.		No specific legal risks identified however as with all projects of this size and complexity, ongoing project risks will continue.
Financial	There has been significant expenditure on this project -		As we continue to experience the economic impacts of COVID-19 we have no definitive understanding of our revenue income streams particularly in the short to medium term. In this situation, there is a risk that we cannot afford to fund this project.
	The Council has spent approximately £2.3 million to date developing the project. This expenditure would not be recoverable from Tay Cities Deal funding if the project were stopped. Reinstating the building to a condition in which	Depending on how long the project was paused for, could result in additional revenue pressure for the Council.	

Risk Analysis					
	Stop	Pause	Continue		
	it could be made accessible to the public would incur further costs.				
	This project has bid for £10M Tay Cities Deal funding from UK Government -				
	Upon signing of the Tay Cities Deal, should a project no longer be progressed the Cities Deal funding for that project remains within the Cities Deal programme. It is then a matter for the Cities Deal partners, in agreement with both Governments, to determine how the funding should be allocated.	it is unclear how this would be affected if the project was paused for a significant period	The funding model for the project relies, in part, on Tay Cities Deal contributions which are not yet confirmed until the TCD is finalised and signed.		
		Increase in project cost as a result of construction inflation. The impact of COVID-19 on construction inflation remains an unknown. The figures below should be treated as indicative and are derived from the Building Cost Information Service current assessment of construction inflation Potential inflation has been calculated on the stage 1 design construction cost. The tender process is nearing completion and value engineering is ongoing, these costs may vary as the project progresses and costs are finalised. The cumulative construction inflation projected by BCIS, based on the stage 1 design cost, would be:	The current tenders received for the project and the total project cost do not account for any future COVID-19 impact on the construction sector, which at this stage is unquantifiable.		
		2021 – 3.9%:	£818,838		
		2022 – 3.8%:	£1,647,796		
		2023 – 4.2%:	£2,598,830		
	2024 – 4.3%:	£3,613,401			
Reputational	<ul style="list-style-type: none">A key part of this project has been to acquire the Stone of Destiny through a bid to the Commissioners for the Safeguarding of the Regalia –This project is part of the proposed Tay Cities DealThere has been extensive public consultation on this project since 2017 which has demonstrated significant national/local support and enthusiasm for the project – over 2000 people responded to the 2019 SG consultation on the Stone of Destiny, majority in favour of PerthThe City Hall is a key city centre site and a grade B listed building identified as ‘At Risk’ by Historic Environment Scotland. Prior to 2016 there had been significant discussion and controversy about proposed demolition or viable		There is a risk in continuing the project that we are unsuccessful in the bid for the Stone of Destiny.		

Risk Analysis			
	Stop	Pause	Continue
	alternative use <ul style="list-style-type: none">There has been significant spend to date on the Project (£2.8M)		
	Stopping the project would result in the withdrawal of the bid for the Stone of Destiny which would cause reputational damage to PKC and potentially SG.	Pausing the project would likely mean the bid for the Stone would not succeed.	
Economic	There are significant positive economic impacts anticipated directly from the City Hall project and wider Cultural Transformation Programme– <ul style="list-style-type: none">220,000 visitors annually to City Hall and Perth Museum and Art Gallery (160,000 to City Hall)50,000 visitors annually to touring exhibitions at City HallVisitor GVA for Perth and Kinross: £2.9MVisitor GVA Scotland: £1.24MVisitor expenditure Scotland: £49MVisitor expenditure UK: £88MVisitor expenditure overseas: £129M54 FTE new jobs at City Hall (34 FTE at City Hall & construction jobs)		The economic assumptions were made in a pre-COVID-19 world. These will be revised in Sept 2020 factoring in emerging data from UK and international museum attractions which have now re-opened. Independent advice is a reasonable working assumption is that visitor levels will have returned to pre-Covid levels when the project opens in 2024. .
	if the project is stopped, these will be lost, exacerbating the impact of COVID-19.	if the project is paused these will be delayed, exacerbating the impact of COVID-19.	
	This project is a key part of the Perth City Plan -		
	stopping the project will impact on the positive outcomes of the City Plan	pausing the project will impact on the positive outcomes of the City Plan	
	There are significant positive economic impacts anticipated directly from the construction of the PCH together with also social value through community benefits/PK Offer		
	if the project is stopped, these will be lost, exacerbating the impact of COVID-19.	if the project is paused these will be delayed, exacerbating the impact of COVID-19.	
Staffing	There are 2 PKC staff including a Graduate Trainee funded by the capital plan which includes the City Hall project		There are no staffing risks associated with continuing the project.
	Stopping the project may impact on these posts.	Pausing the project may impact on these posts.	

APPENDIX 5

Background Information Report**By Head of Finance**

The purpose of this report is to update on the options for the replacement of Blairgowrie Recreation Centre. Since the budget for this project was agreed a design process based on the agreed schedule of accommodation has been undertaken. In addition, ambitious targets have been set for the reduction of carbon emissions as a result of Climate Change ([Emissions Reductions Targets \(Scotland\) Act 2019](#)).

A direction on the design specification and climate change ambitions is required to progress the project to the next stage of design, and as a result of the approved Interim Climate Emergency Report and Action Plan approved in December 2019.

1. BACKGROUND

- 1.1 Perth and Kinross Council approved and budgeted for a replacement Blairgowrie Recreation Centre as part of the Capital Budget in February 2019 with an indicative budget of £15.1m.
- 1.2 This project was budgeted for based on a feasibility study including the anticipated accommodation size and relevant building standards at the time of the study. The accommodation's main use is as the Blairgowrie High School's Physical Education (PE) Department accommodation for delivery of the curriculum.
- 1.3 The climate emergency motion unanimously agreed by full Council in June 2019 committed the Council to lead by example in accelerating the transformational change required to address the climate emergency. ([link](#)) and the Council's Interim Climate Emergency Report and Action Plan in December 2019 ([link](#)) included an action to Investigate options and costs for Passivhaus construction methods to achieve energy efficiency and quality in areas such as Learning Estate Projects.

2. CURRENT SITUATION**Design development and options**

- 2.1 Options were developed to respond to the climate emergency motion and report which range from a building regulations compliant centre to a Passivhaus option which meets the lowest energy target of 67kwh/m2/annum set by SFT for other school projects. The recent Infrastructure Commission for Scotland report ([link](#)) prioritised a net zero carbon economy and work is underway to develop a new 'Net Zero Carbon' standard by the Scottish Government for all public buildings which directs new buildings towards a Passivhaus or equivalent standard.

- 2.2 The standards set by Passivhaus address issues with energy efficiency by adopting a fabric first approach to make the envelope of the building as simple, airtight and insulated as possible with the highest quality standard of construction. This in turn reduces the primary heat energy demand, reduces CO2 emissions and retains heat within the building. This quality assured process equally benefits the quality of the completed building.

Design Development

- 2.3 During the period of lockdown, the User Reference Group (URG) had designs shared with them via email with feedback being sought on these. Feedback has included comments about the proposals relating to the amount of social space, the inability to use the venue for children's parties and the desire for a six-court hall (as opposed to the proposed four court hall). There would be further significant capital cost beyond the figures in this report to add such scope into the project.
- 2.4 Locating the replacement recreation centre on the planned site ensures that the PE facilities are co-located with the school building. It would also allow any potential replacement secondary school in the future to be built without the need for a decant as the school will remain operational as a new school is built.

Costs

- 2.5 The costs of the project have increased significantly from the initial £15.1m feasibility study. The internal floor area of the building has increased by 898m² (from 3313m²) from sketch feasibility study to current concept design. The main sources of floor area growth are a) internal circulation space growth (design), b) increased changing accommodation and 3) increased plant room space. Latest estimated construction costs have also risen by £1,000 per sqm for the base option.
- 2.6 The table below summarises a base building standard compliant option to a Passivhaus option. All options include the accommodation approved by the Council previously:

	Estimated Capital (£'000) incl PKC internal costs and contingency	Estimated Energy consumption (kwh/m2)	Estimated Annual energy cost (2020 prices)	Estimated Tonnes C02/Annum in year 1*	Notes
Existing Building	N/A	554	£80,603	265	Actual 2019/20 energy costs.
1. Building Standards Compliant (Building Regs plus BB101)	£22,000	387	£69,000	304	
2. Passivhaus	£24,000	221	£55,000	83	

Fuel Sources

- 2.7 Operational carbon is the direct emission from energy consumed. Ambitions of the Scottish Governments Climate Change Plan require 75% reductions on operational emissions from buildings by 2030 and net zero by 2045. Space heating that relies on fossil fuels (gas, oil, coal etc) will likely not receive building standard consent by 2024.

Retrofit

- 2.8 Building to current building standards at lowest capital cost (the base option) will result in the Council looking to upgrade / retrofit energy saving measures before 2045. This will be a growing factor across all our estate. With a 40 year lifespan (for a wet leisure facility) and the obligations on the Council to move the estate to net zero by 2045 a retrofit programme will be required in the future that has been estimated at £7m at present day costs. This retrofitting energy efficiency measures (such as increased insulation, low energy electric heating) in a school / public building in the future will be both technically difficult and disruptive.

40 year lifecycle costs

Existing emissions are 265 tCO₂ per annum.

Option	Capital cost	40 year cost	40 year Energy consumption (kwh)	40 year carbon emissions(tCO ₂)	Annual Yr 1 emissions (tCO ₂)
Base option	£22m	£54.4m	44m	6856	304
Passivhaus	£24m	£52.1m	34m	3320	83
Difference	£2m	(£2.3m)	(1m)**	(3536) (52%)***	221 (73%)

*40 year cost: loan charges, life cycle costs, retrofit costs (in year 16), energy costs (all 2020 rates)

** the reduction in kwh consumed is primarily in space heating

***carbon emissions not pro rata to kwh due to different source energy conversion factors, forecast on 2020 conversion factor on electricity.

The Table above shows that an additional single investment of £2m, generates financial savings of £2.3m over 40 years, and reduces carbon emissions by half.

3. FUNDING OPTIONS

- 3.1 It is considered there are no external funding sources for this replacement facility.

4. ASSOCIATED RISKS

- 4.1 The project is still over a year away from a confirmed project cost and signing of Financial Close. There is a risk that during the detailed design process further cost pressure materialises resulting in increased costs, as is the case in all capital projects. The options presented above do not include any COVID-19 impact costs at this time.
- 4.2 Failure to achieve carbon reduction objectives.

5 FINANCIAL IMPLICATIONS

5.1 Capital

The base option would result in estimated additional capital costs of £6.9M. The Passivhaus option would result in estimated additional capital costs of £8.9M.

5.2 Revenue

Both of the options reduce energy costs. For the base option the reduction would be by approximately £11,000 per annum, and the Passivhaus option by £25,000 from existing costs, based on current rates.

6. CONCLUSIONS

- 6.1 The latest projections for the Blairgowrie Recreation Centre replacement is based upon delivering low-carbon energy efficient buildings which are anticipated to be compliant with future Scottish Government standards.
- 6.2 Elected Members are requested to take account of the information contained within this report, and the associated briefing materials, in respect of a decision on the Blairgowrie Recreation Centre. Elected members may wish to give direction in relation to the following, whether::
- (i) Officers progress the new Blairgowrie Recreation Centre project on the basis of the design being the Passivhaus option;
 - (ii) Officers bring back funding solution to Council in 2021 for addressing the Capital Budget shortfall.

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Project Summary Sheet

Project Name:	Blairgowrie Recreation Centre
Asset Type:	Building
New recreation centre to replace the existing Blairgowrie Recreation Centre	

Risk Analysis				
	Stop		Pause	Continue
Strategic	Blairgowrie Recreation Centre is the PE facility for Blairgowrie High School -			There is ongoing community engagement as part of the development of the Perth and Kinross Offer. There is a risk that if we do not pause the project until we understand the Offer, we will miss the opportunity to review the purpose and the scope of the project to ensure that the investment is affordable and best meets the needs of all of Blairgowrie, now and in the future.
	stopping the project would increase the risk of losing PE facility due to failure in existing building.		pausing the project would increase the risk of losing PE facility due to failure in existing building.	
	The existing Blairgowrie Recreation Centre does not allow access to all facilities for all potential users -			
	stopping the project will not address the existing building’s lack of adherence to the Equalities Act 2010.		pausing the project will delay addressing the existing building’s lack of adherence to the Equalities Act 2010.	
	The existing Recreation Centre does not fully meet the requirements of the community of Blairgowrie -			The existing Blairgowrie High School is a condition rated B and suitability rated C building, which is likely to need significant medium- and long-term investment. In proceeding with this project there is a risk that the opportunity to take a more holistic approach to redeveloping the site is missed.
	stopping the project would not address this issue		pausing the project would delay addressing this issue	
Legal	No legal risks have been identified with stopping or pausing this project			No specific legal risks identified however as with all projects of this size and complexity, ongoing project risks will continue.
Financial	There has been expenditure on this project relating to the development of designs -			As we continue to experience the economic impacts of COVID-19 we have no definitive understanding of our revenue income streams particularly in the short to medium term. In this situation, there is a risk that we cannot afford to fund this project.
	The Council has spent approximately £300,000 to date developing the project.		depending on how long the project was paused for, could result in additional revenue pressure for the Council.	

Risk Analysis				
	Stop	Pause		Continue
		Increase in project cost as a result of construction inflation. The impact of COVID-19 on construction inflation remains an unknown, however, the Building Cost Information Servicer current assessment of co instruction inflation is:		The project operating model was established before the pandemic. There is a risk that the assumptions in this model are no longer valid in a post-COVID-19 world.
		2021	3.9%	The impact of COVID-19 on the construction sector at this point is unquantifiable. There is a risk that the impact results in significant increase in tender prices resulting in us being unable to afford the project.
		2022	3.8%	
		2023	4.2%	
		2024	4.3%	
Reputational	<ul style="list-style-type: none">This has been a key project for the community of BlairgowrieDelivering this project is viewed as redressing the inequitable distribution of sports facilities across Perth and Kinross.-There is ongoing public consultation through the User Reference Group regarding the final design of the Centre; there is a community expectation that the project will be deliveredThere has been spend to date on the Project (c.£300K)-		Given the potential opportunities which might emerge from the ongoing community engagement and the delivery of the Perth and Kinross Offer, there is a risk that in only delivering a new recreation centre there is a perception that additional opportunities for development were missed, leading to reputational damage.	
	stopping the project will risk reputational damage for the Council	pausing the project will risk reputational damage for the Council		
Economic	There are positive economic impacts anticipated directly from the construction of the Blairgowrie Recreation Centre project.		No economic risks were identified with continuing the project.	
	if the project is stopped, these will be lost, exacerbating the impact of COVID-19.	if the project is paused these will be delayed, exacerbating the impact of COVID-19.		
Staffing	There are PKC staff funded by the capital plan which includes the Blairgowrie Recreation Centre project		There are no staffing risks associated with continuing the project.	
	Stopping the project may impact on these posts.	Pausing the project may impact on these posts.		

APPENDIX 6

Background Information Report**by Executive Director (Education & Children's Services)**

The purpose of this report is to update on the options for the development of the new combined replacement school for North Muirton and Balhousie Primary Schools. Since the budget for this project was agreed there has been updated Scottish Government guidance for the internal ventilation standards in schools (2018) and ambitious targets have been set for the reduction of carbon emissions as a result of Climate Change ([Emissions Reductions Targets](#)) ([Scotland](#)) [Act 2019](#)).

A direction on the climate change ambitions and specification is required to progress the project to the next stage of design as a result of the approved Interim Climate Emergency Report and Action Plan approved by Full Council in December 2019.

1. BACKGROUND

- 1.1 Perth and Kinross Council approved and budgeted a replacement North Muirton and Balhousie Primary School as part of the Capital Budget in June 2016 with an indicative budget of £16m. The scope of the project is for a 16-class primary school, a nursery with capacity for 82 and a 2 class enhanced additional support needs (ASN) provision.
- 1.2 This project was budgeted based on a feasibility study and Scottish Futures Trust (SFT) space and cost metrics. These included the anticipated accommodation size and relevant building standards at the time of the study.
- 1.3 The climate emergency motion unanimously agreed by Full Council in June 2019 committed the Council to lead by example in accelerating the transformational change required to address the climate emergency. ([link](#)) and the Council's Interim Climate Emergency Report and Action Plan in December 2019 ([link](#)) included an action to Investigate options and costs for Passivhaus construction methods to achieve energy efficiency and quality in areas such as Learning Estate Projects

2. CURRENT SITUATION**Design development and options**

- 2.1 Options were developed to respond to the climate emergency Motion and report which range from a building regulations compliant school to a Passivhaus option which meets the lowest energy target of 67kwh/m2/annum set by SFT (for inclusion in the Learning Estate Programme). The recent Infrastructure Commission for Scotland report ([link](#)) prioritised a net zero carbon economy and work is underway to develop a new 'Net Zero Carbon'

standard by the Scottish Government for all public buildings which directs new buildings towards a Passivhaus or equivalent standard.

- 2.2 The standards set by Passivhaus address issues with energy efficiency by adopting a fabric first approach to make the envelope of the building as simple, airtight and insulated as possible with the highest quality standard of construction. This in turn reduces the primary heat energy demand, reduces CO2 emissions and retains heat within the building. This quality assured process equally benefits the quality of the completed building.
- 2.3 The table below summarises a base building standard compliant option to a Passivhaus option. All options include the accommodation required for the primary school, nursery and ASN provision:

	Estimated Capital (£'000) incl PKC internal costs and contingency	Energy (kwh/m2)	Annual energy cost (2020 prices)	Tonnes CO2 – annum in year 1 (2019 conversion factor)*	Notes
Existing Schools	N/A	142 kwh/m2	£49,105	142	Actual energy costs for 2019/20.
Option 1: Base build with all briefed areas	£15,000	118 kwh/m2	£49,103	126	Includes all education accommodation requirements.
Option2: All briefed areas at Passivhaus standard	£16,400	60 kwh/m2	£33,462	71.5	Includes all education accommodation requirements Maximum reductions in carbon from base build.

Fuel Sources

- 2.4 Operational carbon is the direct emission from energy consumed. Ambitions of the Scottish Government's Climate Change Plan require 75% reductions on operational emissions from buildings by 2030 and net zero emissions by 2045. Space heating that relies on fossil fuels (gas, oil, coal etc) will likely not receive building standard consent by 2024. The base option is based on a normal natural gas heating solution, and the Passivhaus option is based on an electric air source heat pump solution, to take advantage of the increasing proportion of zero carbon electricity produced in Scotland, including for this primary school, a possible direct link to Perth's anticipated Smart Energy network. Looking ahead it is considered that an increasing proportion of electricity will be produced from zero/low carbon sources.

Retrofit

- 2.5 Building to current building standards at lowest capital cost (the base option) will result in the Council looking to upgrade / retrofit energy saving measures before 2045. This will be a growing factor across all our estate. With a 50 plus year lifespan at the new combined primary school and the obligations on the Council to move the estate to net zero by 2045 a retrofit programme will be required in the future that has been estimated at £7m at present day costs. This retrofitting energy efficiency measures (such as increased insulation, low energy electric heating) in a school in the future will be both technically difficult and disruptive.

50 year lifecycle costs

Existing emissions are 142 tCO₂ per annum.

Option	Capital cost	50 year cost	50year Energy consumption (kwh)	50 year carbon emissions(tCO ₂)	Annual Yr1 emissions (tCO ₂)
Base option	£15.0m	£45.3m	16.9m	4,447	126
Passivhaus	£16.4m	£42.7m	12.9m	3,575	71.5
Difference	£1.4m	(£2.6m)	(4m)**	(872) (20%)***	54.5 (43%)

*50 year cost: loan charges, life cycle costs, retrofit costs (in Year 16), energy costs (all 2020 rates)

** the reduction in kwh consumed is primarily in space heating

***carbon emissions not pro rata to kwh due to different source energy conversion factors, forecast on 2020 conversion factor on electricity.

The Table above shows that an additional single investment of £1.4m, generates financial savings of £2.6m, and reduces carbon emissions by 20%, which will improve as electricity gets cleaner in the future.

3. FUNDING OPTIONS

- 3.1 Officers are proposing to submit a bid to the Scottish Governments Learning Estate Investment Programme – Phase 2 to include the replacement of Perth High School in the programme. This funding stream is energy performance linked. The bid has minimum energy requirements which only the Passivhaus option will meet. The outcome of the Scottish Government bid should be known by December 2020. If a bid is successful, the Scottish Government will provide revenue funding to the Council over 25 years to the value of 50% of the capital costs. It should be noted that the Council requires to fund the full capital cost of the new school even if the bid is successful.

4. ASSOCIATED RISKS

- 4.1 The project is still over a year away from a confirmed project cost and signing of Financial Close. There is a risk that during the detailed design process

further cost pressure materialises resulting in increased costs, as is the case in all capital projects. The options presented above do not include any COVID-19 impact costs at this time.

- 4.2 There is a risk of failure to achieve carbon reduction objectives, however it is intended that the energy performance of the building will be written into the final construction contract.

5 FINANCIAL IMPLICATIONS

5.1 Capital

The Passivhaus option would result in estimated additional capital costs of £0.4M to the budget.

5.2 Revenue

The Passivhaus option reduces energy consumption by £16,000 per annum, based on existing rates.

6. CONCLUSIONS

- 6.1 The latest projections for the new North Muirton/Balhousie Primary School replacement is based upon delivering low-carbon energy efficient buildings which are anticipated to be compliant with future Scottish Government standards.
- 6.2 The Scottish Government Learning Directorate has written to local authorities requesting an update on how each Council is developing its Learning Estate and whether they have identified any priority projects for investment that are supported by an approved financial and political commitment.
- 6.3 The Learning Estate Investment Programme is predicated upon Councils' meeting the upfront Capital cost of school projects. Projects approved for funding through the programme will then be eligible for Revenue grant funding equivalent to 50% of the Capital cost of the project, payable over a period of 25 years to support maintaining the condition of the buildings concerned.
- 6.4 A prerequisite of securing support through the Investment Programme – Phase 2 is, therefore, the inclusion of funding to deliver the project within the Capital Budget. Subject to approval to proceed with the new North Muirton/Balhousie Primary School replacement project, it is proposed to apply for financial support for this project through Phase 2 of the Learning Estate Investment Programme.
- 6.5 Elected Members are requested to take account of the information contained within this report, and the associated briefing materials, in respect of a decision on the new North Muirton/Balhousie Primary School. Elected members may wish to give direction in relation to the following, whether:

- i) Officers progress the new North Muirton/Balhousie Primary School project on the basis of the design most likely to attract Scottish Government funding being the Passivhaus option at £16.4M;
- ii) Officers submit a bid to the Scottish Government's Learning Estate Improvement Programme – Phase 2 for the project; and
Officers bring back funding solution to Council in 2021 for addressing the Capital Budget shortfall.

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Name	Designation	Date
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Project Summary Sheet

Project Name:	North Muirton/Balhousie Primary School
Asset Type:	Building
New primary school to replace the existing North Muirton and Balhousie primary schools.	

Risk Analysis				
	Stop		Pause	Continue
Strategic	The new primary school project is a key part of the Council’s drive to transform its school estate and will deliver a single school to replace the existing North Muirton and Balhousie primary schools -			There is ongoing community engagement as part of the development of the Perth and Kinross Offer. There is a risk that if we do not pause the project until we understand the Offer, we will miss the opportunity to review the purpose and the scope of the project to ensure that the investment is affordable and best meets the needs of all the community, now and in the future.
	stopping the project would prevent the delivery of the transformed school estate and its associated positive outcomes.		stopping the project would prevent the delivery of the transformed school estate and its associated positive outcomes.	
	There are identified property issues with the existing Balhousie Primary especially around the long-term operation of the heating system. If the heating system was to fail, there would be the requirement to implement the emergency decant plan for pupils at Balhousie -			
	Stopping the project would significantly increase the risk of the existing heating system failing, resulting in the need to decant pupils.		Pausing the project would increase the risk of the existing heating system failing, resulting in the need to decant pupils.	
Legal	No legal risks were identified in stopping or pausing the project.			No specific legal risks identified however as with all projects of this size and complexity, ongoing project risks will continue.
Financial	There has been expenditure on this project -			As we continue to experience the economic impacts of COVID-19 we have no definitive understanding of our revenue income streams particularly in the short to medium term. In this situation, there is a risk that we cannot afford to fund this project.
	The Council has spent approximately £400,000 to date developing the project.		Depending on how long the project was paused for, could result in additional revenue pressure for the Council.	
			Increase in project cost as a result of construction inflation. The impact of	The impact of COVID-19 on the construction sector at this point is unquantifiable. There is a risk that the

Risk Analysis					
	Stop		Pause		Continue
			COVID-19 on construction inflation remains an unknown, however, the Building Cost Information Servicer current assessment of construction inflation is:		impact results in significant increase in tender prices resulting in us being unable to afford the project.
			2021	3.9%	
			2022	3.8%	
			2023	4.2%	
			2024	4.3%	
Reputational	The Council has committed to replacing the existing schools on the basis of its condition and suitability -				Given the potential opportunities which might emerge from the ongoing community engagement and the delivery of the Perth and Kinross Offer, there is a risk that in delivering a new primary school with only limited community access there is a perception that additional opportunities for development were missed, leading to reputational damage.
	stopping the project will risk reputational damage for the Council		pausing the project will risk reputational damage for the Council		
	The replacement school will address identified property issues with Balhousie Primary School, which risk impacting on the operation of the existing school				
	stopping the project without addressing the identified property issues will risk reputational damage for the Council		Depending on the timescale, pausing the project may increase the level of risk associated with Balhousie Primary School		
	There has been spend to date on the Project (£400K)				
	Pausing the project will risk adverse publicity to the Council		Pausing the project will risk adverse publicity to the Council		
Economic	There are positive economic impacts anticipated directly from the construction of the new North Muirton/Balhousie Primary School project.				No economic risks were identified with continuing the project.
	if the project is stopped, these will be lost, exacerbating the impact of COVID-19.		if the project is paused these will be delayed, exacerbating the impact of COVID-19.		
Staffing	There are PKC staff funded by the capital plan which includes the North Muirton/Balhousie New Primary School project				There are no staffing risks associated with continuing the project.
	Stopping the project may impact on these posts.		Pausing the project may impact on these posts.		

