

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee

27 November 2019

COMPOSITE CAPITAL BUDGET 2019/29 & HOUSING INVESTMENT PROGRAMME 2019/24 – MONITORING REPORT NUMBER 2

Report by the Head of Finance (Report No. 19/341)

PURPOSE OF REPORT

This report provides a summary position to date for the 10 year Composite Capital Programme for 2019/20 to 2028/29 and the 5 year Housing Investment Programme 2019/20 to 2023/24, and seeks approval for adjustments to the programmes.

1. BACKGROUND / MAIN ISSUES

- 1.1 At the meeting on 11 September 2019, the Committee approved a ten-year gross Composite Capital Budget for 2019/20 to 2028/29 totalling £632,930,000 and a five year gross Housing Investment Programme for 2019/20 to 2023/24 totalling £69,398,000 (report 19/245 refers).
- 1.2 This report advises on expenditure to 31 October 2019 and the latest estimate of the projected outturn for each of the years to 2028/29 for the Composite Programme and to 2023/24 for the Housing Investment Programme.
- 1.3 The Capital Programme Exceptions Report (Appendix IV) provides summary information on the latest position for individual projects reported within Sections 3 and 4.

2. COMPOSITE CAPITAL PROGRAMME – GROSS CAPITAL RESOURCES

- 2.1 The current estimated total gross capital resources (which includes movements in Capital Receipts, Capital Grants, Contributions and the Borrowing Requirement) available over the ten years 2019/20 to 2028/29 amount to £632,297,000. Movements from the revised Composite Capital Budget approved on 11 September 2019 are summarised in the table below, and the constituent elements for each year are shown at Appendix I.

	Total Composite Gross Capital Resources		
	Approved 11 Sept 2019	Current Estimate	Movement
	£'000	£'000	£'000
2019/20	72,230	69,424	(2,806)
2020/21	110,059	110,448	389
2021/22	153,202	153,295	93
2022/23	116,782	115,993	(789)
2023/24	46,787	46,373	(414)
2024/25	27,839	29,798	1,959
2025/26	27,998	29,658	1,660
2026/27	26,952	26,772	(180)
2027/28	24,888	24,643	(245)
2028/29	26,193	25,893	(300)
Total	632,930	632,297	(633)

- 2.2 The movement in the total Gross Resources for the 10 years 2019/20 to 2028/29 shown above can be summarised as follows:

	£'000
Net Reduction in estimated Capital Receipts	(149)
Increase in Third Party Contributions (Section 2.4)	312
Reduction in Borrowing Requirement (Section 2.5)	(796)
Reduction in Gross Capital Resources (Section 2.1)	(633)

- 2.3 There is a net reduction of £149,000 in estimated Capital Receipts largely arising from a review of the Fleet Vehicles Replacement budget.

- 2.4 Third Party Contributions have increased by £312,000 overall as a result of various contributions to be received by the Council in 2019/20. The most significant of these are in respect of the Learning Estate programme (£56,000), Road Safety Initiatives (£130,000) and Structural Maintenance (£120,000). These movements are detailed in paragraphs 3.2.4 and 3.3.2 below. There are no movements in Revenue Contributions or Developer Contributions.

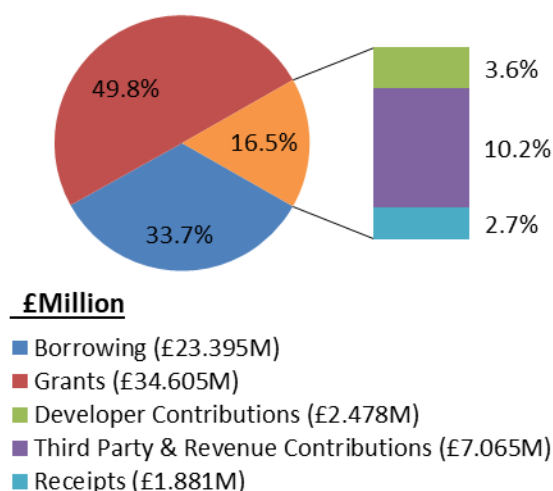
- 2.5 The projected Borrowing Requirement in 2019/20, which is effectively the balancing item for resources, is £23,395,000. This is £2,562,000 lower than the Borrowing Requirement approved by this Committee on 11 September 2019. The total Borrowing Requirement in the subsequent years 2020/21 to 2028/29 has increased by £1,766,000 to £344,208,000, resulting in an overall decrease of £796,000 across the whole ten year programme.

- 2.6 All movements in the Borrowing Requirement are shown in the Proposed Budget Adjustment column within Appendix II, and are summarised in the table below:

	2019/20	2020/21	2021/22	Later Years	Total
	£'000	£'000	£'000	£'000	£'000
Increase/(Reduction) in the Fleet Vehicle Replacement Prudential Borrowing Programme (Paragraph 3.3.9)	(950)	291	656	(942)	(945)
Reduction/(Increase) in Fleet Vehicle Disposals (Prudential Borrowing) Programme (Paragraph 3.3.9)	149	(29)	(65)	94	149
Adjustments to the borrowing requirement from movements in capital expenditure and receipts (Appendix II)	(1,761)	(269)	(603)	2,633	0
Increase/(Decrease) in Borrowing Requirement	(2,562)	(7)	(12)	1,785	(796)

- 2.7 The chart below shows the Capital Resources required to fund the 2019/20 Composite Capital Programme following the proposed budget adjustments detailed in this report.

Projected Capital Resources 2019/20 (October 2019)



3. COMPOSITE CAPITAL PROGRAMME – EXPENDITURE

3.1 Total Expenditure and Proposed Budget Adjustments to the Current Programme

- 3.1.1 Total expenditure (net of grants and contributions) to 31 October 2019 on the Composite Capital Programme amounts to £19,118,000 (35% of the revised budget). This is detailed at Appendix II and can be summarised as follows:

	Expenditure to 31 Oct 2019 £'000
Education & Children's Services - expenditure	6,029
Education & Children's Services - Early Learning & Childcare grant	(5,600)
Housing & Environment	17,588
Health and Social Care	139
Corporate & Democratic Services	962
Total	19,118

- 3.1.2 A comprehensive monitoring exercise has been carried out, which is detailed at Appendix II. The most significant features are discussed below.

3.2 Education and Children's Services

- 3.2.1 The Executive Director (Education & Children's Services) has reviewed the programme for their Service and proposes the following budget adjustments.
- 3.2.2 Following the tendering process for the expansion of the nursery provision in the Oakbank Primary School Upgrade Project, there is an overall projected increase in costs of £449,000. This reflects additional preliminary works being undertaken, increased requirements under new building regulations, and associated mechanical, engineering and architectural fees. It is proposed that this is funded

by moving £449,000 from the Early Learning & Childcare budget provided by the Scottish Government in 2020/21.

- 3.2.3 It is proposed to bring forward £338,000 for Perth Academy Refurbishments to the current year from the budget in 2020/21. This is mostly related to the fire prevention works recently completed during the school holidays. It is also proposed to move £500,000 for the Longforgan Primary School Upgrade Project from the current year to 2020/21, in line with the scheduled programme of works, which are anticipated to be completed by July 2020.
- 3.2.4 A rebate of £56,000 has been received from Hubco relating to works undertaken across the Learning Estate programme. This has been treated as a Third Party Contribution in 2019/20, and it is proposed that it is applied to the Investment in the Learning Estate programme in 2020/21.

3.3 Housing & Environment

- 3.3.1 The Executive Director (Housing & Environment) has reviewed the programme for their Service and proposes various budget adjustments, the most significant of which are described below.
- 3.3.2 The Council has been allocated a further £100,000 of third party funding within the Traffic & Road Safety programme. A contribution of £130,000 from TACTRAN has been allocated for the Road Safety Initiatives Programme whilst a £10,000 contribution from a housing developer has been allocated to the Cycling Walking & Safer Streets programme. Both these contributions, together with the proposed expenditure in the current year, have been included at Appendix II. In addition, a further contribution of £120,000 has been agreed with a housing developer for Traffic Management works at Cherrybank, with the works being undertaken within the Structural Maintenance programme in the current year. In addition, it is proposed to accelerate £600,000 of the Structural Maintenance works programme to 2019/20 from future years.
- 3.3.3 It is also proposed to move £465,000 within the budget for Car Park Investment from 2019/20 to 2020/21 as land and site negotiations remain ongoing.
- 3.3.4 The new Road Safety Barrier programme is nearing completion in the current year. It is also proposed to transfer the remaining budget of £37,000 for Road Safety Barriers in 2019/20 and £40,000 in 2020/21 to Road Safety initiatives in 2020/21, as any further Safety Barrier works will be undertaken as part of other Road Safety projects.
- 3.3.5 The proposed works for Old Perth Bridge and the Queens Bridge in Perth have been moved to later years, with the project now proposed to be undertaken in 2024/25 and 2025/26. More recent intrusive surveys on the bridges have indicated that the works are less urgent than previously indicated, allowing them to be safely postponed until after the Cross Tay Link Road (CTLR) has been completed.
- 3.3.6 Within the Community Greenspace programme, it is proposed to rephase the Community Greenspace Sites budget of £694,000 in 2019/20 over the 10 year

Capital Programme. This reflects ongoing consultation on the proposed schemes.

- 3.3.7 Within the Property Services programme, it is proposed to bring forward £600,000 on the Capital Improvement Projects budget primarily to undertake necessary heating infrastructure works at Viewlands Primary School and fire compliance works at Parkdale Residential Home for the Elderly. It is also proposed to bring forward £305,000 from the Pitlochry High School budget to 2019/20 to reflect the on site project phasing.
- 3.3.8 On the Commercial Property Investment programme it is proposed to rephase the budget for Rural Business Units from the current year to next year, to allow for the development of suitable schemes. A separate report on the Commercial Property Investment Programme is on the agenda for this Committee meeting, and any subsequent amendments to the programme will be included in future monitoring reports to the Committee.
- 3.3.9 Within the Prudential Borrowing programme, the Fleet Vehicle Replacement budget for the next 3 years has been comprehensively reviewed based upon updated Service user requirements. Consequently, it is proposed to reduce the budget for new vehicles by £945,000 between 2019/20 and 2022/23, together with rephasing the budget over this period. However, with fewer vehicles being replaced, receipts from Vehicle Disposals will also reduce over the same period by an estimated £149,000, with the net effect being to reduce Prudential Borrowing by £796,000 in respect of the Fleet Replacement budget. Also within the Prudential Programme, it is proposed to rephase the Dredging of Perth Harbour from the current year to 2021/22. This follows a review by the new Harbour operator, who is currently assessing the level of dredging required.
- 3.3.10 Within the Housing Projects, a budget of £1,750,000 for Housing With Care was approved in February 2012. Since this time, the model of service delivery has changed and a budget of £297,000 remains in 2019/20. It is proposed that this be used to further improve Gypsy Travellers Sites across the Perth & Kinross area, in line with the Scottish Government and COSLA initiative launched in October 2019 and the Scottish Housing Regulator's priorities published in April 2019. This allows the Council to continue to meet its commitment to improving sites and exceed the minimum standards, through engagement and working with the Gypsy Traveller community.

3.3.11 All the above proposed adjustments have been reflected in Appendices I and II.

3.4 Health & Social Care

- 3.4.1 Within the Health & Social Care programme, the Chief Officer has proposed to move the budget of £229,000 for Developing Supported Tenancies from 2019/20 to 2020/21 to allow for the identification and development of appropriate projects.

3.5 Corporate & Democratic Services

- 3.5.1 The Deputy Chief Executive (Chief Operating Officer) has reviewed the programme for their Service and proposes the budget adjustment described below.

Cultural Attraction Projects

- 3.5.2 In line with the planned development of the Collection Store project, it is proposed to move £500,000 of the budget from 2019/20 into 2020/21.

Information Systems & Technology

- 3.5.3 Following a review of the School Audio-Visual (AV) Equipment Replacement programme, it is proposed to rephase the existing budget across the 10 year programme. This proposed adjustment has been included in Appendices I and II.

4. HOUSING INVESTMENT PROGRAMME

- 4.1 The current estimated expenditure, net of contributions, on the Housing Investment Programme over the 5 years 2019/20 to 2023/24 amounts to £69,487,000. This represents an increase of £89,000 from the revised budget approved on 11 September 2019, which relates to the receipt of additional income in 2019/20 as described at paragraph 4.5 below. Movements from the previous budget are set out below and detailed in Appendix III:

	Approved 11 Sept 2019	Current Estimate	Movement
	£'000	£'000	£'000
2019/20	18,477	14,003	(4,474)
2020/21	8,771	16,944	8,173
2021/22	5,715	5,933	218
2022/23	9,093	8,917	(176)
2023/24	27,342	23,690	(3,652)
Total	69,398	69,487	89

- 4.2 Net expenditure for 2019/20 to 31 October 2019 amounts to £8,261,000 (59% of the revised budget). The Executive Director (Housing & Environment) has reviewed the Housing Investment Programme and proposes the following budget adjustments which are included at Appendix III.
- 4.3 As a result of the new house building schemes at the Glebe, Scone and Huntingtower, it is proposed to transfer £3,486,000 in 2019/20 and £3,602,000 in 2023/24 from the Future Developments budget to these schemes. Accordingly, £5,288,000 is proposed to be allocated to the Glebe over 2019/20, 2021/22 and 2022/23, and £1,828,000 to Huntingtower. A further £8,028,000 of Scottish Government grant and £2,790,000 of Second Home Council Tax income have also been applied to these projects.
- 4.4 The Council has been allocated £840,000 grant funding from the Scottish Government for the Council House Buy-Back programme in 2019/20 which increases the budget for Council House buy-backs in 2019/20 to £2,925,000.
- 4.5 The annual rebate has been received from the Scottish Procurement Alliance Framework amounting to £89,000, and it is proposed to apply this income to the Triple Glazing budget in 2019/20 to meet the current works programme. It is also proposed to transfer £100,000 from the Mortgage to Rent budget in 2019/20 and £50,000 from the External fabric budget in 2021/22 to the Triple glazing budget in

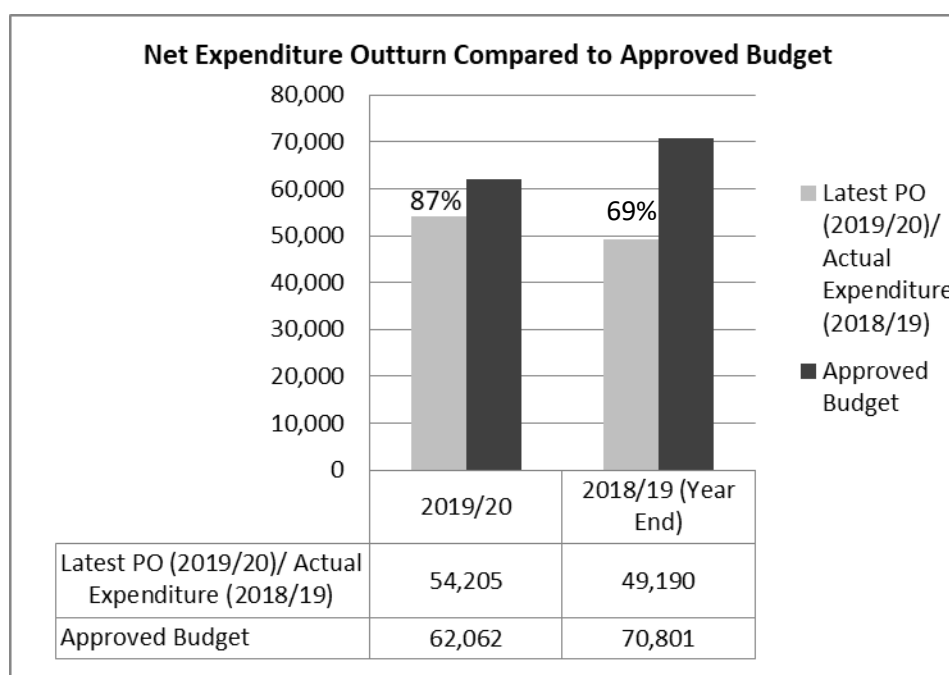
2019/20. These movements reflect the additional properties added to the Triple Glazing contract.

4.6 It is proposed to accelerate £226,000 into 2019/20 on the Environmental Improvements budget from future years to undertake improvements to retaining walls at various locations. In addition, it is proposed to move £2,009,000 within the Multi Storey Flats budget from 2019/20 to 2020/21 to ensure the programme of future works reflect the outcome of consultation with residents.

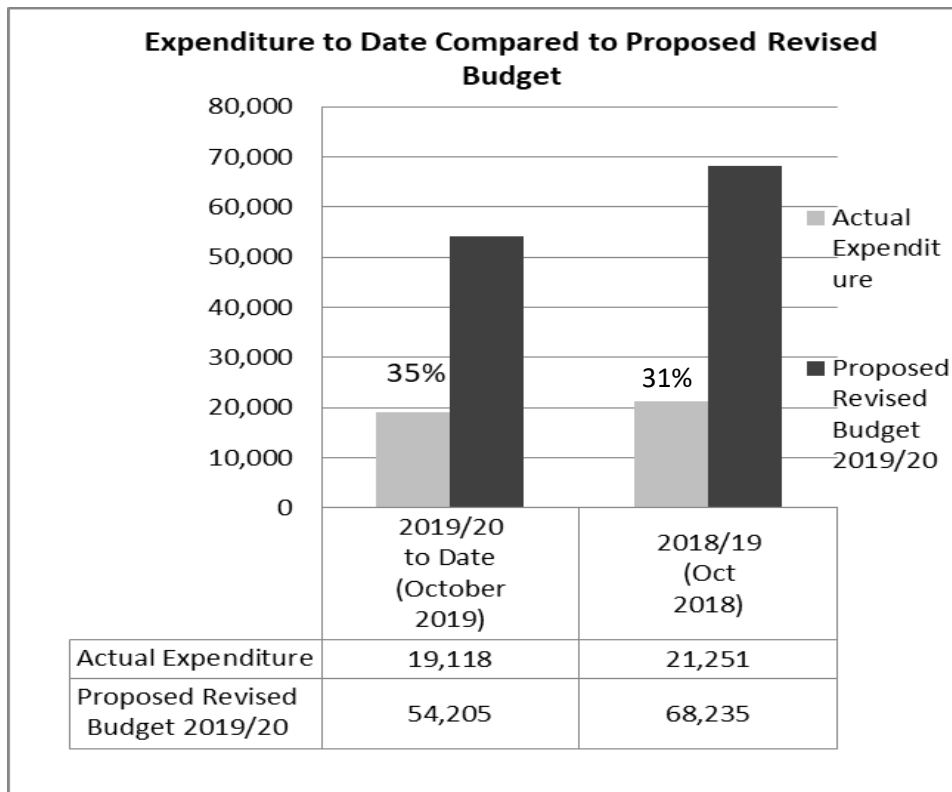
4.7 As reflected in the Revenue Monitoring report being considered at this meeting, the Capital Financed from Current Revenue (CFCR) budget has been revised to £1,600,000 in 2019/20. This results in an increase of £1,198,000 in the amount of borrowing required for the programme.

5. BUDGET OVERVIEW

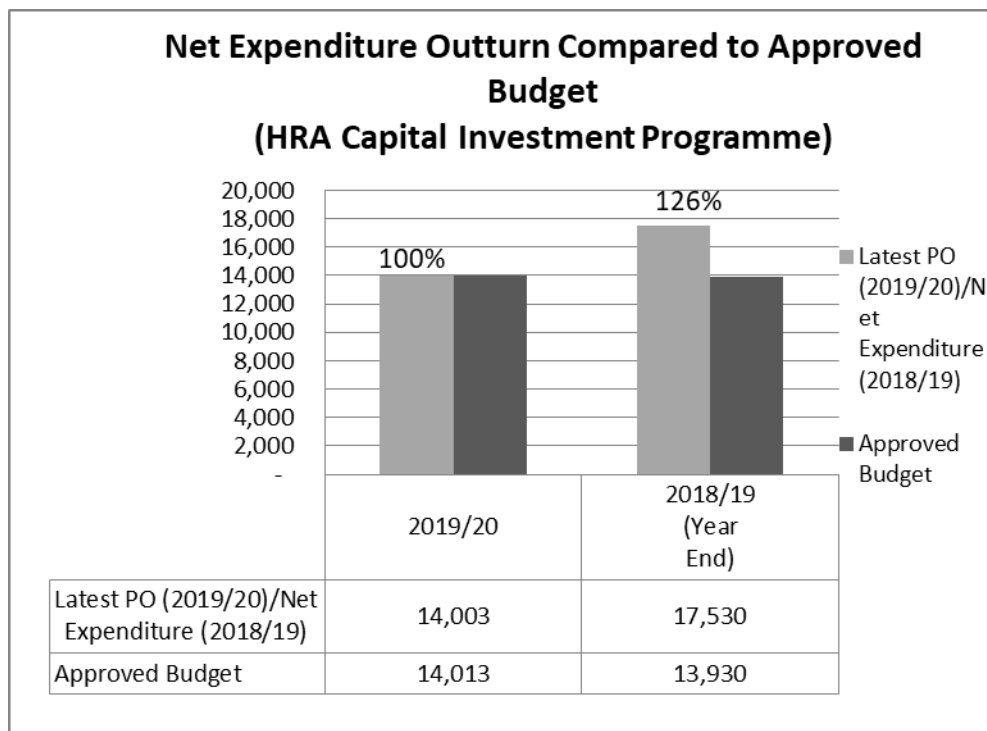
5.1 The 10 year Composite Capital Budget has been reviewed and updated to reflect the latest monitoring position. The latest projected 2019/20 net expenditure outturn for the Composite Capital Programme represents 87% of the 2019/20 budget approved on 20 February 2019:



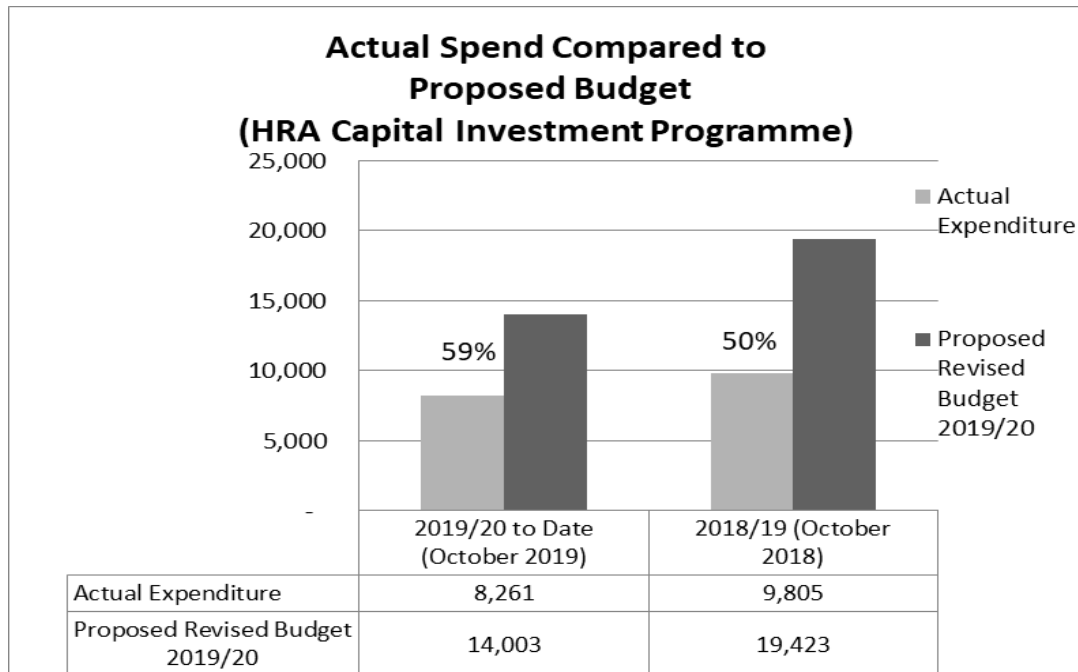
5.2 Actual net expenditure to 31 October 2019 on the programme represents 35% of the proposed revised 2019/20 budget:



- 5.3 Movements in proposed net expenditure on the Composite Capital Programme and the subsequent impact upon the Council's Borrowing Requirement will continue to be managed through the Council's Treasury function.
- 5.4 The latest projected net expenditure outturn for the Housing Investment Programme represents almost 100% of the 2019/20 budget approved by the Housing and Communities Committee in January 2019:



- 5.5 This is in line with the total Housing Investment Programme for 2019/20 previously approved by the Committee.
- 5.6 Actual net expenditure at 31 October 2019 on the Housing Investment Programme represents 59% of the proposed revised 2019/20 budget:



- 5.7 This report identifies revised projected expenditure and proposed budget movements on a number of Capital projects and programmes. As detailed in paragraphs 2.5 and 2.6, the estimated borrowing requirement on the 10 year Composite Programme has reduced by £796,000. Proposed movements on the Housing Investment Programme are detailed at Section 4, with the borrowing requirement over the 5 year programme increasing by £1,198,000 from the position approved by this committee on 11 September 2019 (Report 19/245 refers).

6. RECOMMENDATIONS

- 6.1 It is recommended that the Committee:
- (i) Notes the contents of this report.
 - (ii) Approves the proposed budget adjustments to the ten year Composite Capital Budget 2019/20 to 2028/29 set out in Sections 2 and 3 of this report and summarised at Appendices I and II.
 - (iii) Approves the proposed budget adjustments to the Housing Investment Programme Budget 2019/20 to 2023/24 set out in Section 4 of this report and summarised at Appendix III.

Author(s)

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Approved

Name	Designation	Date
Jim Valentine	Depute Chief Executive and Chief Operating Officer	13 November 2019
Stewart MacKenzie	Head of Finance	14 November 2019

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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 – 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 of 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 and the Executive Directors 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 I – Composite Capital Programme - Estimated Capital Resources 2019/20 to 2028/29
- Appendix II – Composite Capital Programme - Summary of Capital Resources and Expenditure 2019/20 to 2028/29
- Appendix III – HRA Capital Investment Programme – Summary of Capital Resources and Expenditure 2019/20 to 2023/24
- Appendix IV – Capital Programme Exceptions Report 2019/20