

## PERTH AND KINROSS COUNCIL

## Strategic Policy and Resources Committee

29 November 2017

**COMPOSITE CAPITAL BUDGET 2017/23 & HOUSING INVESTMENT  
PROGRAMME 2017/22 – MONITORING REPORT NUMBER 2**

Report by the Head of Finance

**PURPOSE OF REPORT**

This report provides a summary position to date for the Composite Capital Programme for 2017/18 to 2022/23 and the Housing Investment Programme 2017/18 to 2021/22, and seeks approval for adjustments to the programmes.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 At its meeting on 13 September 2017, this Committee approved a revised Gross Composite Capital Budget for 2017/18 to 2022/23 totalling £492,011,000 (report 17/280 refers). The Committee also approved a revised Housing Investment Programme for the 5 years 2017/18 to 2021/22, with the estimated net expenditure over this period totalling £80,308,000.
- 1.2 This report advises of expenditure to 31 October 2017 and the latest estimate of the projected outturn for each of the years to 2022/23 for the Composite Programme and to 2021/22 for the Housing Investment Programme.
- 1.3 The Capital Programme Exceptions Report (Appendix V) provides summary information on the latest position for individual projects reported within Sections 3 and 4 of this report.

**2. COMPOSITE CAPITAL PROGRAMME – CAPITAL RESOURCES**

- 2.1 The current estimated total gross capital resources available over the six years 2017/18 to 2022/23 amount to £491,440,000. Movements from the revised Composite Capital Budget approved on 13 September 2017 are summarised in the table below, and the constituent elements for each year are summarised at Appendix I.

<b>Total Composite Gross Capital Resources</b>			
	<b>Approved 13 September 2017</b>	<b>Current Estimate</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2017/18</b>	101,246	101,297	51
<b>2018/19</b>	68,468	69,171	703
<b>2019/20</b>	62,088	61,988	(100)
<b>2020/21</b>	88,491	88,391	(100)
<b>2021/22</b>	103,524	102,991	(533)
<b>2022/23</b>	68,194	67,602	(592)
<b>Total</b>	<b>492,011</b>	<b>491,440</b>	<b>(571)</b>

- 2.2 There have been no movements in the **General Capital Grant** or **Ring-Fenced Capital Grants** since the last report.
- 2.3 Anticipated **General Fund Property Disposal** receipts in 2017/18 have reduced by £213,000, which reflects one disposal now expected to conclude in 2018/19, and offset by another disposal being brought forward to 2017/18 from 2019/20. These movements have resulted in the rephasing of disposal receipts over these years, however, the total amount remains unchanged, and is reflected at Appendix I. There are no movements in receipts on the **Commercial Property Investment Programme**, which is subject to a separate report to this Committee (Section 3.4.6 below).
- 2.4 There is an overall reduction of £519,000 in **Third Party Contributions** in 2017/18 relating to Perth Theatre (£538,000, Section 3.3.2) and the Unadopted Roads & Footways programme (£17,000, Section 3.4.2), offset by £20,000 on the TES Capital Programme Management System (Section 3.4.4) and £16,000 on Smart City – Waste Programme (Section 3.4.7). **Revenue Contributions** have increased by £110,000 in 2017/18 relating to the Play Area Improvement Strategy (£90,000, Section 3.4.3) and the TES Capital Programme Monitoring System (£20,000, Section 3.4.4). All movements in Third Party and Revenue Contributions have been included in Appendices I and II.
- 2.5 The projected **Borrowing Requirement** in 2017/18, which is effectively the balancing item for resources, is £68,511,000, which is £699,000 higher than the previous Borrowing Requirement approved by this Committee on 13 September 2017. The total Borrowing Requirement in the subsequent years 2018/19 to 2022/23 has decreased by £861,000 to £275,386,000, resulting in an overall decrease of £162,000 across the whole six year programme. This relates to reduced Prudential Borrowing within The Environment Service (Section 3.4.7), offset by reduced Third Party Contributions for Perth Theatre (Section 3.3.2).

- 2.6 The difference in the Gross Resources at Section 2.1 above and the Borrowing Requirement can be summarised as follows:

Reduction in Borrowing Requirement (Section 2.5)	(£162,000)
Reduction in Third Party Contributions (Section 2.4)	(£519,000)
Increase in Revenue Contributions (Section 2.4)	£110,000
<b>Reduction in Gross Capital Resources (Section 2.1)</b>	<b>(£571,000)</b>

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

	2017/18	2018/19	2019/20	Later Years	Total
	£'000	£'000	£'000	£'000	£'000
Reduction in Third Party Contributions for Perth Theatre (Section 3.3.2)	538	0	0	0	538
(Reduction) in Borrowing on The Environment Services Prudential Borrowing Programme (Section 3.4.7)	(100)	(100)	(100)	(400)	(700)
Movements arising from re-phasing of other expenditure and receipts (Appendix II)	261	304	260	(825)	0
<b>Increase/(Decrease) in Borrowing Requirement</b>	<b>699</b>	<b>204</b>	<b>160</b>	<b>(1,225)</b>	<b>(162)</b>

### 3. COMPOSITE CAPITAL PROGRAMME – EXPENDITURE

- 3.1 Total expenditure (net of grants and contributions) in the current year to 31 October 2017 on the Composite Capital Programme amounts to £49,063,000, which is detailed at Appendix II and can be summarised as follows:

	Net Expenditure to 31 Oct 2017
	£'000
Education and Children's Services	15,501
The Environment Service	32,509
Health and Social Care	155
Housing and Community Safety	210
Corporate & Democratic Services	688
<b>Total</b>	<b>49,063</b>

- 3.2 In addition, General Capital Grant received to 31 October 2017 amounts to £10,777,000 and capital receipts amount to £780,000. Therefore, the borrowing requirement to 31 October 2017, after allowing for the movement in receipts brought forward and carried forward of £234,000, totals £37,272,000. A comprehensive monitoring exercise has been carried out, which is detailed at Appendix II. The most significant features are discussed below.

### 3.3 **Education and Children's Services**

- 3.3.1 The Executive Director (Education & Children's Services) has reviewed the current programme from the position approved by this Committee on 13 September 2017 (report 17/280 refers).
- 3.3.2 Following the decision of this Committee in April 2014 to underwrite £1,500,000 of additional borrowing in the event Horsecross Arts did not meet this funding target, estimated Third Party Contributions of £1,000,000 were included in the budget at the meeting of this Committee on 8 February 2017 (report 17/60 refers). The borrowing requirement was, therefore, reduced by this amount at that time. Horsecross Arts have now estimated that the total contributions received will amount to £462,000, resulting in a shortfall of £538,000. It is, therefore, proposed to reduce the Third Party Contributions by £538,000, which increases the borrowing requirement accordingly.
- 3.3.3 The only other proposed movement is in respect to the Perth Academy Refurbishments budget which was transferred from Property Services to Education & Children's Services in the last report. Consequently, it is proposed to bring forward £825,000 of the budget to 2017/18 from 2021/22 (£433,000) and 2022/23 (£392,000) to meet the cost of Fire Audit work and asbestos removal which is being undertaken in the current year.

3.2.1 The above proposed adjustments have been reflected in Appendices I and II

### 3.4 **The Environment Service**

- 3.4.1 The Director (Environment) has reviewed the current programme and proposes various budget adjustments, the most significant of which are described below.
- 3.4.2 There are a reduced number of schemes which are being progressed under the Unadopted Roads & Footways programme. Consequently, the levels of expenditure and Third Party Contributions have reduced by £17,000. In addition, the works anticipated for the current year has reduced by £65,000 and it is proposed to carry this amount forward to 2018/19.
- 3.4.3 Within the 2017/18 Community Greenspace works programmes, a Revenue Contribution of £90,000 has been included in the Play Area Improvement Strategy, which reflects capital expenditure which is funded within the Revenue Budget. The schemes to be funded from this budget are anticipated to be undertaken in 2018/19. There are also other smaller proposed adjustments in the programme, including re-profiling £115,000 of the Small Parks works from 2017/18 to 2018/19 due to ongoing consultations with the local communities.

- 3.4.4 Within the IT Upgrade Programme, it is proposed to purchase a Programme Management system at an estimated cost of £60,000 which would be developed over 2017/18 and 2018/19. The system would be used by all Services and so would ensure consistency of the development, recording and monitoring of Capital projects across the whole Council. It is also proposed, therefore, that the cost be funded from each Service, with £20,000 funded by a Revenue Contribution from Education & Children's Services in 2017/18, and a contribution from the Housing Revenue Account of £10,000 in each of the years 2017/18 and 2018/19 (shown as a Third Party Contribution).
- 3.4.5 Within Property Services, it is proposed to re-profile works budgeted in 2017/18 to 2018/19 at Pitlochry High School whilst the full programme of works is developed. There is also an adjustment of £7,000 from 2018/19 to 2017/18 in respect of DDA Adaptations & Alteration Works.
- 3.4.6 A review of the Commercial Property Investment Programme is the subject of a separate report to be considered at this meeting. The outcome of this review will be incorporated into the Capital Budget once the report has been considered.
- 3.4.7 Within the Prudential Borrowing programme, the cost of lanterns on the Street Lighting LED & Column Replacement programme has reduced significantly. The estimated cost of the planned programme of work has reduced by £100,000 in each of the next five years, and £200,000 in 2022/23 (which includes works scheduled for 2023/24). Consequently the Prudential Borrowing Requirement for the overall programme has reduced by £700,000. In addition, an additional grant of £16,000 has been awarded for the Smart City – Waste Programme in 2018/19, which requires to be matched by a £24,000 contribution from the Council (60%). It is, therefore, proposed that this is met from the Recycling Containers budget. It is also proposed to reprofile £170,000 from 2017/18 to 2018/19 for works in the Energy Conservation programme. As these works require to be undertaken during school holidays, they have now been programmed for the Easter holidays in April 2018.
- 3.4.8 All the above proposed adjustments have been reflected in Appendices I and II.

### 3.5 Housing and Community Safety & Health & Social Care

- 3.5.1 The Director (Housing & Community Safety (HCS)) has reviewed the current programme.

3.5.2 Following completion of the full design brief for the Letham Community Wellbeing Hub project, it is estimated that the project cost will be £187,000 higher than the budget allocation. As the project is still at an early stage, it is proposed that the budget is increased by £250,000 in 2018/19 to include an allowance for additional contingencies. It is further proposed that the funding is re-allocated from the Refurbish & Extend Lewis Place Day Care Centre project. The balance of the budget for Lewis Place is currently being reviewed in relation to works requiring to be undertaken at the New Rannoch Road Centre to accommodate the additional services relocating to the centre from Lewis Place.

### 3.6 Corporate & Democratic Services

3.6.1 The Corporate IT Manager has reviewed the current programme. The only proposed movement is in relation to the Online Services & MyAccount project within the Prudential Borrowing programme, with £40,000 to be rephased from the current year to 2018/19. This reflects the costs of licences which will now be used within the Mobile Working Review, with the corresponding re-profiling of the budget.

3.6.2 The above proposed adjustments have been reflected in Appendices I and II.

## 4. **HOUSING INVESTMENT PROGRAMME**

4.1 Net expenditure for 2017/18 to 31 October 2017 amounts to £12,877,000 and receipts amount to £539,000, giving a borrowing requirement of £12,338,000 for the year to date. The current estimated net expenditure over the six years 2017/18 to 2021/22 amounts to £80,235,000. The Director (Housing & Community Safety) proposes to make several adjustments to the programme approved on 13 September 2017, and these have been included within Appendix III. The most significant adjustments are described below.

4.2 It is proposed to transfer a total of £1,630,000 from the New Build Future Development budget in 2017/18 to various individual schemes. This includes:

- £594,000 for demolition and groundworks at the 208 Crieff Road development in 2017/18, with a further £807,000 in 2018/19 for construction. In addition there is £1,206,000 from the Scottish Government and £480,000 proposed to be applied from Council tax Second Home income, giving a total budget of £2,493,000 in 2018/19.
- £150,000 for Birch Avenue, Scone in 2018/19 to fund additional site development costs arising from soil contamination. As a result of the contamination, it is also proposed to re-profile £300,000 from 2017/18 to 2018/19.
- £44,000 for additional site investigation and professional fees at Main Street, Invergowrie,
- £68,000 for additional street lighting, timber fencing, retaining wall and fees at Nimmo Avenue.
- £34,000 for additional utility works at Cairns Crescent.

- Funding has also been secured from the Contaminated Land Fund for Glenearn Road New Build Development resulting in a proposed movement of £58,000 from Glenearn Road to New Build Future Developments in 2017/18 which partially offsets the above movements. It also offset by a further £9,000 as a result of a saving at Jeanfield Road.

- 4.3 As a result of the continuing progress in purchasing ex Council House stock to support the delivery of affordable housing under the Council's Buy Back scheme, it is proposed to accelerate £1,105,000 into 2017/18 from 2020/21 (£366,000) and 2021/22 (£739,000). Further, following a specification review and revaluation of site requirements, it is proposed to reduce the Garage and Lock Ups budget in 2017/18 by £73,000.
- 4.4 As a result of negotiations with private owners under the Tenancy Management Agreement, additional blocks out with the main contract have been identified for Controlled Door Entry facilities. It is, therefore, proposed that £130,000 is accelerated from the 2018/19 General Capital Works budget to the 2017/18 Controlled Door Entry programme to undertake the identified improvements. In addition, a further £115,000 has been agreed from the private owners towards the overall works.
- 4.5 Following estate-based surveys and walkabouts, a number of high priority additional works to retaining walls have been identified within the Environmental Improvements budget. Therefore, it is proposed that £600,000 is accelerated to 2017/18 from future years, with £200,000 from each of the years 2018/19, 2019/20 and 2021/22.
- 4.6 It is also proposed to transfer £395,000 from the Energy Efficiency programme to the Central Heating programme in 2017/18, as the works from both programmes are combined into one project. In addition, it is proposed to increase the Bathroom Modernisation project by £250,000 in 2017/18 to meet the additional costs of Social Work Adaptations, by transferring £50,000 from the Kitchen Upgrade programme and £50,000 from Mortgage-to-Rent in 2017/18 and £150,000 from the General Capital Works in 2021/22.
- 4.7 Capital Receipts have been revised in line with current estimates. The Right to Buy programme ended on 31 July 2016, with only applications received by that date being able to be considered. However, there remain some applications still being processed in the current year. It is therefore proposed to increase the estimated Receipts by £102,000 in line with actual sales anticipated to conclude.
- 4.8 The Scottish Procurement Alliance (SPA) is a not-for-profit central local authority purchasing body and has been used by the Council to procure housing construction, refurbishment and maintenance works. Under the agreement, a share of SPA's operating surplus is returned to the participating authorities. Consequently, £197,000 has been received by the Council in the current year in respect of capital works which were undertaken in 2013/14. As

this relates to several schemes, it cannot readily be attributed to individual projects, and it is therefore allocated as Other Receipts in 2017/18.

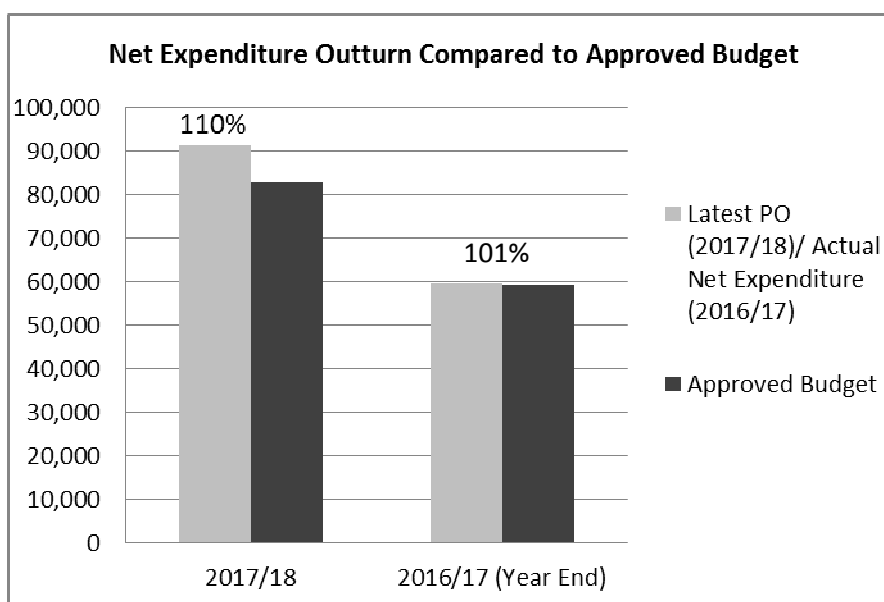
- 4.9 As a result of the proposed adjustments above, the total Housing Investment Programme borrowing requirement over the five year period to 31 March 2022 has reduced by £372,000 which relates to the reduction in the budget for Lock Up and Garages (£73,000) described in paragraph 4.3, and the increase in Capital Receipts described in paragraph 4.7 (£102,000) and paragraph 4.8 (£197,000).

## 5. RENEWAL & REPAIR FUND

- 5.1 Detailed at Appendix IV is the 2017/18 approved budget and the projected outturn for the Renewal & Repair Fund. There have been no movements in the projections since the last report, with the anticipated balance at the end of the year remaining as nil.

## 6. BUDGET OVERVIEW

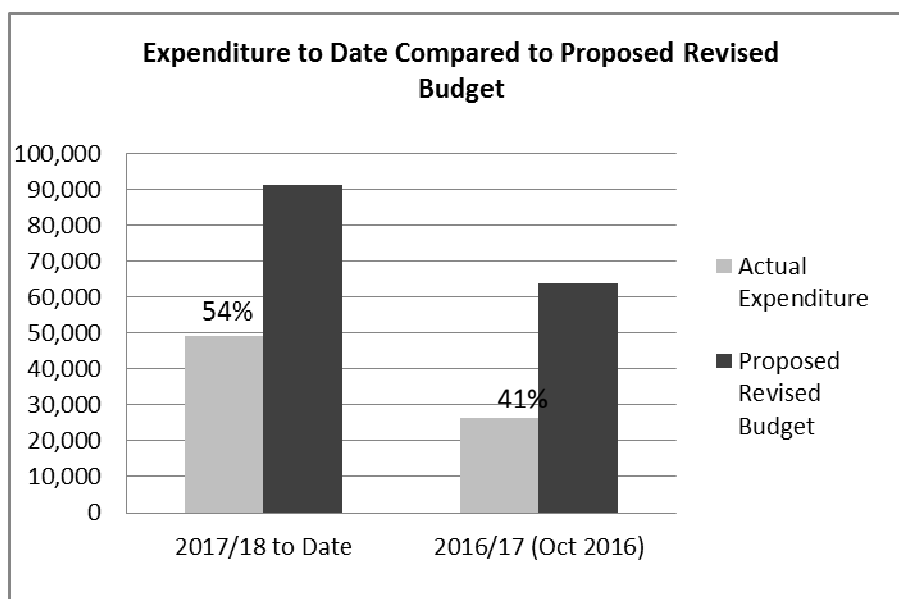
- 6.1 The Composite Capital Budget approved by this Committee on 13 September 2017 has been reviewed and updated to reflect the latest monitoring position.
- 6.2 The latest projected 2017/18 net expenditure outturn for the Composite Capital Programme represents 110% of the 2017/18 budget approved on 19 April 2017:



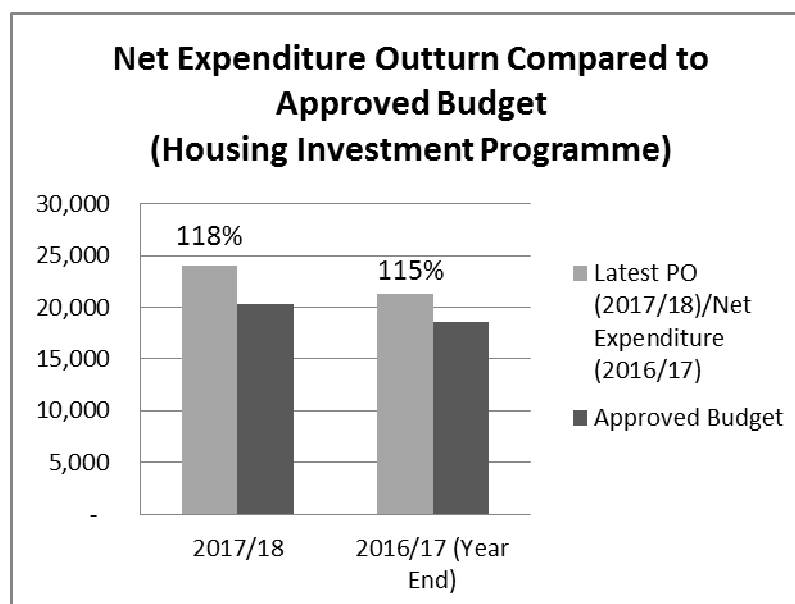
- 6.3 This difference is primarily a result of the budget adjustments detailed in the last report approved on 13 September 2017. Overall, the adjustments in 2017/18 proposed in this report amount to an increase in the net budget of £486,000.



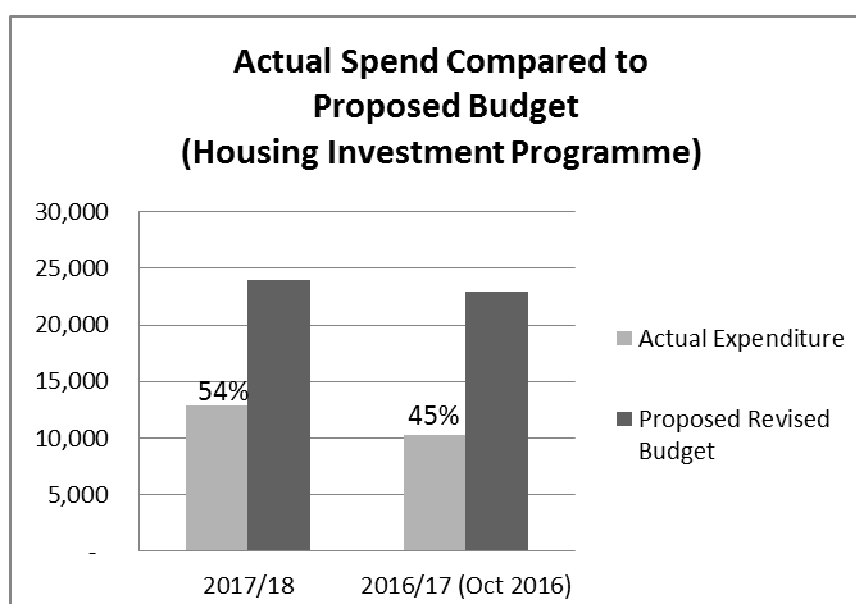
- 6.4 Actual net expenditure to 31 October 2017 on the programme represents 54% of the proposed revised 2017/18 budget:



- 6.5 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.
- 6.6 The latest projected gross expenditure outturn for the Housing Investment Programme represents 118% of the 2017/18 budget approved by this Committee on 19 April 2017:



- 6.7 Actual net expenditure at 31 October 2017 on the Housing Investment Programme represents 54% of the proposed revised 2017/18 budget:



- 6.8 This report identifies revised projected expenditure and proposed budget movements on a number of Capital projects and Programmes. As detailed in Section 2.5, the proposed borrowing requirement on the 6-year Composite Programme has decreased by £162,000, whilst proposed movements on the Housing Investment Programme detailed at Section 4.9 show a reduction in the borrowing requirement of £372,000 over the 5-year budget.

## 7. RECOMMENDATIONS

- 7.1 It is recommended that the Committee:

- (i) Note the contents of this report.
- (ii) Approve the proposed budget adjustments to the six year Composite Capital Budget 2017/18 to 2022/23 set out in Sections 2 and 3 of this report and summarised at Appendices I and II.
- (iii) Approve the proposed budget and monitoring adjustments to the Housing Investment Programme Budget 2017/18 to 2021/22 set out in Section 4 of this report and summarised at Appendix III.

### Author(s)

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**Approved**

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Jim Valentine	Depute Chief Executive and Chief Operating Officer	

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### 1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 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.

1.1.2 This report relates to all of these objectives.

### 2. Resource Implications

#### 2.1 Financial

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

## 2.2 Workforce

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

## 2.3 Asset Management (land, property, IT)

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

## 3. **Assessments**

### 3.1 Equality Impact Assessment

- 3.1.1 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.
- 3.1.2 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.

### 3.2 Strategic Environmental Assessment

- 3.2.1 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.2.2 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.

### 3.3 Sustainability

- 3.3.1 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.
- 3.3.2 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**

### **4.1 Internal**

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

## **5. BACKGROUND PAPERS**

- 5.1 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.

## **6. APPENDICES**

Appendix I – Composite Capital Programme - Estimated Capital Resources  
2017/18 to 2022/23

Appendix II – Composite Capital Programme - Summary of Capital Resources  
and Expenditure 2017/18 to 2022/23

Appendix III – Housing Investment Programme – Summary of Capital  
Resources and Expenditure 2017/18 to 2021/22

Appendix IV – Renewal & Repair Fund Budget 2017/18

Appendix V – Capital Programme Exceptions Report 2017/18