

PERTH AND KINROSS COUNCIL

27 January 2021

COMPOSITE CAPITAL BUDGET 2020/29 & HOUSING INVESTMENT PROGRAMME 2020/25 – MONITORING REPORT NUMBER No.3

Report by Head of Finance (Report No. 21/9)

PURPOSE OF REPORT

This report provides a summary position to date for the 9-year Composite Capital Programme for 2020/21 to 2028/29 and the 5-year Housing Investment Programme 2020/21 to 2024/25 and seeks approval for adjustments to the programmes.

1. BACKGROUND / MAIN ISSUES

- 1.1 The Strategic Policy and Resources Committee approved an updated nine-year gross Composite Capital Budget for 2020/21 to 2028/29 totalling £598,382,000 and a five-year gross Housing Investment Programme for 2020/21 to 2024/25 totalling £68,642,000 at its meeting on 25 November 2020 (report 20/226 refers).
- 1.2 The Covid-19 pandemic continues to have a significant impact upon the delivery of the Council's Capital budget in 2020/21. As reported to Committee in November 2020, the first national lockdown in the earlier part of last year saw the temporary suspension of all non-essential construction in Scotland between April and early July 2020 with staff normally engaged in delivering the Capital programme being redeployed to support the provision of essential services. The focus then shifted to ensuring that the Council's learning estate was appropriately adapted to allow a safe return to school-based education from early August. The severe weather events in August 2020, which caused significant damage to local infrastructure; Council properties and Perth Leisure Pool, also required resources to be re-deployed from the delivery of planned Capital works.
- 1.3 Responding to the immediate and ongoing requirements placed upon the Council by Covid-19, together with the above unplanned work has necessarily impacted upon the monitoring and delivery of the approved Capital programme. As reflected in this monitoring report and the attached appendices, the impact in the current year has led to a significant effect upon the delivery of the Capital Programme over the next 3 years in terms of the re-phasing of planned expenditure.
- 1.4 This report is based upon expenditure to 31 December 2020. Eventual expenditure on the Capital programme in 2020/21 will be determined by factors such as the pace at which contractors can mobilise on site; internal capacity to procure, manage and deliver Capital expenditure given the continuing demands of responding to the Covid pandemic; any re-imposition of restrictions on construction and the annual risk to external works arising

from winter weather. Capital expenditure in 2020/21 will, therefore, be significantly lower than in previous years.

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 Borrowing) available over the nine years 2020/21 to 2028/29 amount to £600,116,000. Movements from the revised Composite Capital Budget approved on 25 November 2020 are summarised in the table below, and the constituent elements for each year are shown at Appendix I.

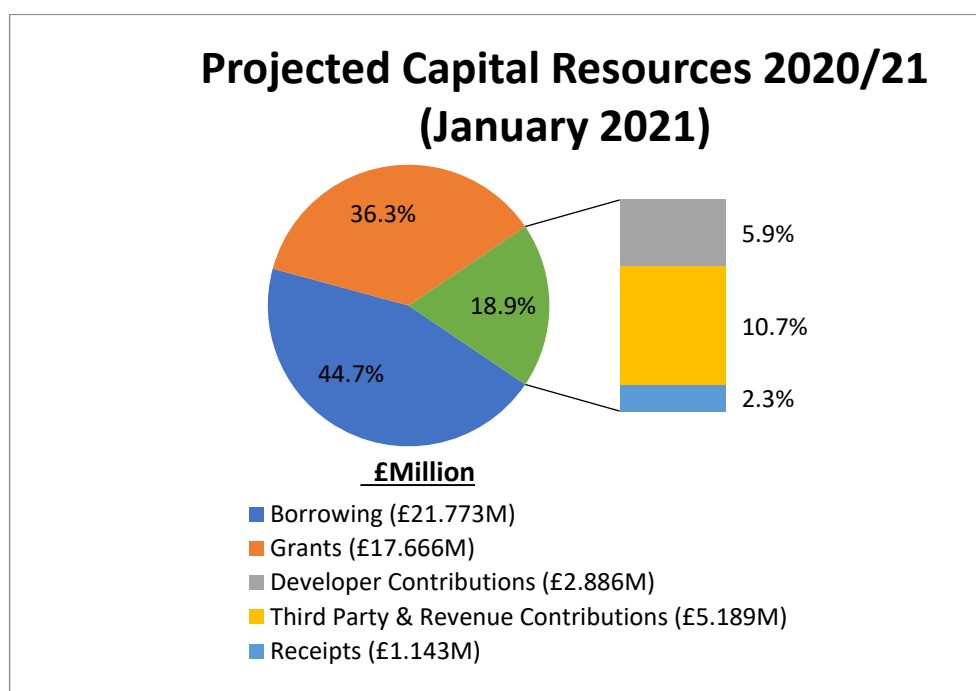
	Total Composite Gross Capital Resources		
	Approved 25 Nov 2020	Current Estimate	Movement
	£'000	£'000	£'000
2020/21	80,551	48,657	(31,894)
2021/22	129,717	116,312	(13,405)
2022/23	164,736	157,240	(7,496)
2023/24	73,784	122,706	48,922
2024/25	42,342	47,836	5,494
2025/26	29,766	29,780	14
2026/27	26,834	26,855	21
2027/28	24,728	24,766	38
2028/29	25,924	25,964	40
Total	598,382	600,116	1,734

- 2.2 The **Scottish Government Grant** of £1,000,000 from the Regeneration Capital Fund for the Letham Community Wellbeing Hub has now been included in Appendix I and II (Section 3.5.2). The only other significant movement in Scottish Government grants is the rephasing of the grant of £40,000,000 from Transport Scotland for the Cross Tay Link Road in line with the revised profile of expenditure (see Section 3.3.4).
- 2.3 **Commercial Property receipts** are projected to increase by £271,000 over the current and next financial year. After allowing for an increase in expenditure of £25,000 on the Commercial Property Investment Programme (see Section 3.3.6), receipts to be carried forward to future years have increased by £246,000.
- 2.4 There is an increase in projected **Third-Party Contributions** of £273,000 relating to various projects within the Communities programme. This includes £72,000 from TACTRAN for Cycling Walking & Safer Streets (Section 3.3.2), £60,000 from a developer towards new Traffic Signals in Kinross (Section 3.3.3), £130,000 for works at Kinnoull Hill and £62,000 for works at The Knock, Crieff (Section 3.3.5). This is offset by a reduction of £80,000 in contributions on the Local Full Fibre Network (LFFN) project (section 3.3.4) due to a reduction in expenditure. There is also an increase in **Revenue Contributions** of £430,000, relating to the Almondbank Flood Protection Scheme (Section 3.3.7).

- 2.5 The projected **Borrowing Requirement** in 2020/21, which is effectively the balancing item for resources, is £21,773,000. This is £15,298,000 lower than the Borrowing Requirement approved by this Committee on 25 November 2020 and is a result of the significant rephasing of expenditure and resources in the current year.
- 2.6 There is a corresponding increase in the total Borrowing Requirement in the subsequent years 2021/22 to 2028/29 of £15,298,000 to £343,542,000, resulting in no overall movement in the amount of borrowing over the 9-year programme.
- 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:

	2020/21	2021/22	2022/23	Later Years	Total
	£'000	£'000	£'000	£'000	£'000
Movements arising from re-phasing of expenditure and receipts (Appendix II)	(15,298)	1,962	(38,909)	52,245	0
Increase/(Decrease) in Borrowing Requirement	(15,298)	1,962	(38,909)	52,245	0

- 2.8 The chart below shows the Capital Resources required to fund the 2020/21 Composite Capital Programme following the proposed budget adjustments detailed in this report.



3. COMPOSITE CAPITAL PROGRAMME – EXPENDITURE

3.1 Total Expenditure and Proposed Budget Adjustments to the Current Programme

3.1.1 The Council at its meeting on 16 December 2020 approved the increase of £3,300,000 to the budget for Perth City Hall (report 20/256 refers) in order that the project could reach financial close. This was to be funded from slippage in current year programmes, and the approved adjustments, detailed below, have now been incorporated into Appendix II:

- Roads Asset Management - £2,532,000 from Structural Maintenance and £68,000 (net of income) from Unadopted Roads and Footways.
- Perth & Kinross Place-making - £200,000 from the Tay Street Environmental Improvements Place-making budget.
- Investment in Learning Estate - £500,000 from the Investment in Learning Estate programme.

3.1.2 Total expenditure (net of grants and contributions) to 31 December 2020 on the Composite Capital Programme amounts to £17,365,000. This represents 49% of the revised projected outturn for 2020/21 of £35,665,000 and is detailed at Appendix II and summarised as follows:

	Net Expenditure to 31 December 2020 (£'000)
Education & Children's Services - Expenditure	7,194
Education & Children's Services – Early Learning & Childcare Grant	(3,800)
Housing & Environment	11,753
Health and Social Care	160
Corporate & Democratic Services	2,058
Total	17,365

3.2 Education and Children's Services

3.2.1 The Executive Director (Education & Children's Services) has further updated the programme for their Service and proposes the following budget adjustments.

3.2.2 The ongoing pandemic has had a continuing impact on delivery of the current year's programme. As a consequence, there are several proposed adjustments to the phasing of current year budgets, which have been reflected in Appendix II.

3.2.3 The St. Ninians Primary School Upgrade project is nearing completion. Consequently, it is proposed that the contingency of £86,000 within the budget in 2020/21 is transferred to the Early Learning & Childcare budget in 2021/22. This will subsequently be applied to other projects within this programme as required. Further, the external and ventilation works have been accelerated at Perth Academy, and it is therefore proposed to bring forward £215,000 of the 2021/22 budget to 2020/21.

3.3 Communities

- 3.3.1 The Executive Director (Communities) has undertaken a full review of the programme for their Service. As this is the first opportunity to undertake a comprehensive review due to the redeployment of officers in responding to Covid, there are significant budget adjustments proposed.
- 3.3.2 With the loss of a significant portion of the year, as a result of lockdown, to deliver the programme, the priority within Traffic & Road Safety is undertaking grant funded works in the current financial year to meet the funding conditions. This includes the delivery of projects funded through Sustrans for Spaces for People and £72,000 of Cycling Walking & Safer Streets works at Aberargie funded by a Third-Party Contribution from TACTRAN. As a consequence of the reprioritised programme, a total of £933,000 of expenditure is proposed to move to 2021/22.
- 3.3.3 The Roads & Lighting programme has also been rephased, with a total reduction of £2,686,000 in expenditure in the current year, most of which has been transferred from the Structural Maintenance programme in respect of Perth City Hall (Section 3.1.1). However, the Traffic Signal Renewal programme has been accelerated, with a proposed increase of £177,000 for work in the current year and £29,000 in 2021/22. This includes two new crossings in Kinross which are being funded by a Third-Party Developer Contribution of £60,000. The remaining accelerated works are proposed to be funded by bringing forward future years budgets.
- 3.3.4 The Bridges, Improvement Schemes, Rural Flood Protection, Place-making and Other Planning programmes have also been rephased. This includes the rephasing of the Perth Transport Futures budget and £40,000,000 of Transport Scotland grant funding for the Cross Tay Link Road in line with the revised projected expenditure profile. In addition, the final allocation of expenditure on the Local Full Fibre Network (LFFN) project between Perth & Kinross and Angus Council's has resulted in a reduction of £80,000 in the Council's share of the estimated cost of the scheme. This also results in a corresponding reduction of grant from the Department of Culture, Media and Sport attributable to this Council.
- 3.3.5 Several of the programmes within Community Greenspace have also been impacted by the pandemic, with several projects being rephased. However, there has been additional Third-Party Contributions of £62,000 received for proposed works at The Knock, Crieff, which includes £50,000 from the SUEZ Communities Trust and £10,000 from Crieff Community Council. There has also been various Third Party Contributions totalling £130,000 towards proposed works at Kinnoull Hill, Perth, with £90,000 in the current year and £40,000 in 2021/22. In addition, £15,000 has been received from Sustrans under the Core Paths programme for works between Crieff and Comrie. From within the Community Greenspace Sites budget, it is proposed to allocate £150,000 for Auchterarder Public Park phased over 2020/21 and 2021/22 with the balance of the Greenspace budget being allocated to a number of smaller projects (£79,000) or carried forward to 2021/22 (£96,000).

- 3.3.6 Within the Property Division, the priority in the current year is Capital Improvement works, with other programmes moving to 2021/22. Under the Commercial Property Investment Programme, much of the expenditure is being rephased to 2021/22, however, there is also a proposed increase in expenditure totalling £25,000 over various projects. This increase in expenditure is funded from the Commercial Property Receipts brought forward to be applied in the programme.
- 3.3.7 Within the Prudential Borrowing programme, additional disposal receipts of £6,000 have been received for the sale of skips and it is proposed to increase the expenditure budget accordingly. As a result of the lockdown, the remaining landscaping work at the Crematorium will now be undertaken in the spring and it is proposed to move the budget to 2021/22, whilst the budgets for Smart City Waste and LED Street Lighting are proposed to be rephased over future years. There are additional costs of £430,000 for the Almondbank Flood Protection scheme as a result of ongoing negotiations for land compensation costs and fees. It is proposed that these are funded by a Revenue Contribution.
- 3.3.8 The Council is still dealing with the repair works related to bridges and structures which were damaged during the severe weather event on 12 August (Culteuchar Culvert, Glendevon Bridge and Tullyfergus Bridge). The Council has activated the Bellwin Scheme and intends to claim funding for all eligible temporary and emergency works from the Scottish Government, however, the first £743,022 of revenue costs must be funded by the Council. If the preferred engineering solution and community consultation identifies the need for a more permanent replacement, it is proposed that these costs be met initially from the Council's existing Bridge Refurbishment Programme capital budget. An update will be provided when there is further certainty on final proposals and estimated costs.
- 3.3.9 All the above proposed adjustments have been included in Appendix II.

3.4 Health & Social Care

- 3.4.1 Delivery of the Health & Social Care programme has also been impacted by Covid-19. This includes the purchase of Occupational Therapy (OT) equipment; the development and delivery of the Moving & Handling Office Refurbishments and the Development of Supported Tenancies. It is, therefore, proposed to move a total of £307,000 from the current year to next year, which is detailed at Appendix II.

3.5 Corporate & Democratic Services

- 3.5.1 It is anticipated that Perth City Hall will reach Financial Close early in 2021, with work expected to commence on site by the Spring. Consequently, in consultation with the Tay City Deal Programme Office, the drawdown of grant funding has been revised as reflected in Appendix II. As detailed at Section 3.1.1 above, an increase in the project budget of £3,300,000 was approved by

Council in December which has been included in 2022/23. It is anticipated that a revised profile of expenditure will be available following financial close.

- 3.5.2 The Council was offered a grant of £1,000,000 from the Scottish Government's Regeneration Capital Grant Fund for the Letham Community Wellbeing Hub project. A condition of this funding was that the Council would have appointed a preferred supplier by 31 March 2021. However, due to COVID-19 this date is now unachievable. Therefore, the Council has been in discussion with the Scottish Government to roll forward the grant into 2021/22. Initial feedback from these discussions has been positive as a number of projects have been impacted in a similar way. In the meantime, the budget has been increased accordingly in Appendices I and II, together with the grant, which has been included in 2021/22 subject to formal confirmation from the Scottish Government.
- 3.5.3 There have been small movements in the profile of expenditure on the Swift Social Work System Replacement. This represents the revised timing of expenditure on the various components of the programme between years, with the new system still on track to be completed by June 2022.

4. HOUSING INVESTMENT PROGRAMME

- 4.1 The current estimated expenditure, net of contributions, for the Housing Investment Programme over the 5 years 2020/21 to 2024/25 remains unchanged at £68,642,000 in total. Movements from the previous estimates approved by the Council on 25 November 2020 are as follows and are detailed in Appendix III:

	Approved 25 November 2020	Current Estimate	Movement
	£'000	£'000	£'000
2020/21	14,641	15,341	700
2021/22	10,056	9,920	(136)
2022/23	7,995	8,264	269
2023/24	11,275	11,608	333
2024/25	24,675	23,509	(1,166)
Total	68,642	68,642	0

4.2 Total Expenditure to 31 December 2020 (Housing Investment Programme)

Net expenditure for 2020/21 to 31 December 2020 amounts to £7,470,000 which is 49% of the revised projected outturn of £15,341,000. Housing receipts amount to £258,000, giving a borrowing requirement of £7,212,000 for the year to date.

- 4.3 The Executive Director (Communities) has reviewed the Housing Investment Programme and proposes some adjustments outlined below.
- 4.4 It is proposed to allocate £548,000 (net of Scottish Government grant and Council tax income) from the New Build Future Developments budget in 2021/22 to various schemes in 2020/21 as follows:

- Glebe, Scone - £81,000 for additional road construction
 - Ardler Road, Meigle - £451,000 (net of Grant and Council Tax income) to purchase a further 4 properties at the site
 - Fairfield, Perth - £6,000 for planning fees
 - Inchtute - £1,000 for professional fees
 - Lynedoch Road, Methven - £9,000 for professional fees.
- 4.5 Within the Environmental Improvements programme, it is proposed to bring forward a total of £311,000 from the 2024/25 budget as well as transfer £722,000 from the External Fabric budget in 2024/25. This is for the purpose of required improvements to retaining walls at various locations, and it is proposed that these amounts are spread across the whole 5-year programme.
- 4.6 The other proposed adjustments reflect accelerating expenditure in the current year on the Rewiring, Infrastructure & Property Refurbishments programme (£133,000 for works on voids) and External Fabric (£65,000 for the current approved programme of works).
- 4.7 Based upon the latest Revenue monitoring, estimated Capital Financed from Current Revenue (CFCR) in 2020/21 has increased by £34,000. As a consequence, the Housing Investment Programme borrowing requirement has reduced by this amount. This is the only movement in the total borrowing requirement over the five-years to 31 March 2025.

5. BUDGET OVERVIEW

- 5.1 The projected net expenditure outturn in 2020/21 for the Composite Capital Budget is £35.665 million and represents 51% of the 2020/21 budget as approved in March 2020 (£69.599 million).
- 5.2 Net expenditure to 31 December 2020 on the Composite Capital Budget is £17.365 million and represents 49% of the proposed revised budget for 2020/21 of £35.665 million.
- 5.3 In accordance with normal reporting practice, the revised budget is based on the latest projection of expenditure in year and is updated in each monitoring report. The revised budget in 2020/21 of £35.665 million reflects all budget adjustments approved this year together with the proposals within this report.
- 5.4 The projected net expenditure outturn in 2020/21 for the Housing Investment Programme is £15.341 million and represents 93% of the 2020/21 budget approved by the Housing and Communities committee in January 2020 (£16.520 million)
- 5.5 Net expenditure to 31 December 2020 on the Housing Investment Programme is £7.470 million which represents 49% of the proposed revised budget for 2020/21 of £15.341 million.
- 5.6 While the projections have been based on a comprehensive monitoring exercise, they remain subject to considerable uncertainty, particularly over the winter months, in delivering the programme.

6. RECOMMENDATIONS

6.1 It is recommended that Council

- (i) notes the contents of this report.
- (ii) approves the proposed budget adjustments to the nine-year Composite Capital Budget 2020/21 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 2020/21 to 2024/25 set out in Section 4 of this report and summarised at Appendix III.

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Approved

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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 2020/21 to 2028/29
- Appendix II – Composite Capital Programme - Summary of Capital Resources and Expenditure 2020/21 to 2028/29
- Appendix III – HRA Capital Investment Programme – Summary of Capital Resources and Expenditure 2020/21 to 2024/25