

PERTH AND KINROSS COUNCIL

20 June 2018

COMPOSITE CAPITAL BUDGET 2018 - 2028

Report by Head of Finance (Report No. 18/212)

PURPOSE OF REPORT

This report seeks Council approval for the Provisional Composite Capital Budget for years 2018/19 to 2027/28. Approval is also sought for the Capital Strategy and Prudential Indicators for years 2018/19 to 2027/28 as detailed within the report.

1. BACKGROUND/MAIN ISSUES

- 1.1 At the meeting on 4 October 2017 (Report No.17/317 refers) the Council agreed to approve indicative Capital Resource limits for 2023/24 and 2024/25 and to “top-slice” resources in each year for specific projects and programmes. Subsequently, at the meeting on 22 February 2018 (Report No. 18/47 refers) it was agreed to defer the setting of a new Composite Capital Budget to June 2018 in anticipation of an announcement on the Tay City Deal. Whilst, at the time of writing, there has been no announcement on the Tay City Deal, it is proposed to set a new budget covering an extended period of ten years. This will allow Council to consider Capital investment decisions over a longer timescale and permit Services to plan ahead for the delivery of approved projects and programmes.
- 1.2 This report, therefore, sets out the estimated resources and the recommended Provisional Composite Capital Budget for the years 2018/19 to 2027/28.
- 1.3 **ACTION: The Council is asked to approve the setting of a ten year Capital Budget for financial years 2018/19 to 2027/28.**

2. CAPITAL RESOURCES 2018/19 TO 2027/28

- 2.1 The monitoring reports submitted to the Strategic Policy & Resources Committees throughout 2017/18 incorporated full details of resources and expenditure within the approved six year programme to 2022/23. Monitoring Report No.4 submitted to the Strategic Policy & Resources Committee on 18 April 2018 (Report No. 18/134 refers) outlined the latest estimates for these years.
- 2.2 A comprehensive review of all the available resources has now been undertaken, including the additional years to 2027/28. The estimated new resources available for 2018/19 to 2027/28 are outlined below and summarised at Appendix I.

- 2.3 The level of new borrowing included in the programme is consistent with the amount assumed in the Council's approved Medium Term Financial Plan, and has been maintained at £12M for each year to 2027/28.
- 2.4 The estimates of Scottish Government General Capital Grant allocated to the Council since the last Capital Budget was set in June 2016 have been reviewed. The actual amount of Capital Grant received in the last two years has increased from the original estimates. It is, therefore, considered appropriate to reflect a prudent increase in future General Capital Grant funding. Accordingly, assumptions on future Capital Grant funding have been increased by £1M in 2019/20 and by £1.5M in each of the years 2020/21 to 2022/23, whilst £14M has been assumed in each of the new years to 2027/28. The additional £236,000 awarded in 2018/19, as detailed in the Revenue Budget report on 22 February 2018 (Report No. 18/47 refers), has also been included.
- 2.5 On 1 May 2018 the Scottish Government announced Early Learning & Childcare ring-fenced Capital grant allocations. These total £14.2M for the Council over the 3 years 2018/19, 2019/20 and 2020/21, which have now been included in the programme. Ring-fenced grant for Cycling Walking & Safer Streets (CWSS) has also been included, and assumed to continue at the current level of £200,000 per annum. It should be noted that all estimates for future levels of Scottish Government Capital grant funding will be subject to revision when actual allocations become known.
- 2.6 It is assumed that a number of projects will be funded by Developer Contributions over the longer term, and that these contributions will be received by the Council in line with future house building rates. Consequently, an estimate of Developer Contributions to be received by the Council has been included in each year to 2027/28, based on building rates in the larger developments. Further, an additional £71,000 of property disposal receipts has been included in 2021/22 (£21,000) and 2022/23 (£50,000) and it is proposed that a provision of £250,000 per annum is included for each of the new years to 2027/28. This will also be subject to ongoing review throughout the budget period.
- 2.7 The total new resources available for allocation, as detailed above, are summarised at Appendix I and amount to £162.757M. The revised total resources available for the ten year period 2018/19 to 2027/28 amount to £585.169M and are set out in Appendix II.
- 2.8 **ACTION: The Council is asked to agree the level of Capital resources for 2018/19 to 2027/28 set out in Section 2 above and Appendices I and II.**

3. CAPITAL BUDGET PROPOSALS 2018/19 TO 2027/28

- 3.1 Updated Capital Budgets for 2018/19 to 2022/23 have previously been approved by the Strategic Policy and Resources Committee. There are, however, a number of proposed amendments to the current approved programme, and these are outlined in the sections below.

- 3.2 When approving the Capital Budget on 22 June 2016 (Report No. 16/277 refers), the Council also approved the commitment of resources to the year beyond 2022/23. This related to the building of new primary schools at Oudenarde and North/West Perth in line with anticipated future house building, with £5.412M and £5.35M required in 2023/24 for each school respectively. These were also included in the Medium Term Financial Plan approved by the Council on 4 October 2017 (Report No 17/317 refers).
- 3.3 It is also proposed to maintain the current practice of “top-slicing” resources for structural maintenance, footways and expenditure previously transferred from the Revenue Budget in each year of the 10 year programme. However, the amount top-sliced has not increased since setting the budget in 2012, and has remained fixed up to 2022/23. Due to the impact of inflation over this period, this has steadily reduced the purchasing capacity of the Structural Maintenance programme. Therefore, it is proposed that the amount allocated to the Structural Maintenance Budget is increased by £1M in each year from 2018/19 to £7.8M. The remaining top-sliced programmes relate to Early Learning & Childcare and CWSS which are ring-fenced grant funded expenditure.
- 3.4 In light of the lack of clarity over the Tay Cities Deal and the limited Capital resources available (without undertaking additional borrowing), the Council approved in October 2017 that no new Business Cases for Capital projects should be developed at this time. Consequently, it is proposed that any remaining resources are allocated to either existing rolling programmes in order that they can continue beyond 2022/23 or to emerging issues identified by the Council’s Executive Officer Team in the context of reviewing the existing approved programme.
- 3.5 The Executive Officer Team have reviewed the Capital Programme and recommend the inclusion of the following adjustments to the Provisional Capital Budget based upon an assessment of the strategic and operational risks presented to the Council should the issues identified not be addressed. Section 3.6 below sets out a number of specific adjustments to the previously approved Capital Budget to contribute to the replacement of Perth High School. The Executive Officer Team consider Perth High School to be the most significant and urgent strategic priority for capital investment in the school estate.

Perth High School

- 3.6 Perth High School is the largest secondary school in Perth and Kinross, with existing capacity for c1,600 pupils, drawing young people from 15 primary schools from across Perth City and beyond. The Executive Director (Education & Children’s Services) considers Perth High School to be of strategic importance to the continued delivery of educational services because of the number of young people impacted and the current absence of alternative provision.

- 3.7 The building is over 40 years old and recent structural and condition surveys of Perth High School indicate that it is rated C (poor) for both suitability and condition. The Council continues to invest in the school in order to ensure that the school remains operational. However this provides no improvement in the educational environment or extension to the operational life of the school. It is anticipated that over the next few years the building will further deteriorate.
- 3.8 Replacement of the school is, therefore, considered the most cost effective and educationally beneficial option in the medium term. The cost of a replacement school on the existing site has been estimated at approximately £50M. Although there has been no announcement, to date, on any further Scottish Government support for investment in the education estate, recent discussions with the Scottish Futures Trust indicate that it is not likely that any Scottish Government funding would be available in the short to medium term for a like for like replacement for Perth High School, if at all.
- 3.9 Accordingly, the only option currently available to the Council which does not incur additional revenue costs (loan charges) is to fund a replacement school through a reprioritisation of projects and programmes already included within the existing approved Capital Budget. The proposed Capital Budget, therefore, recommends the following funding strategy for the replacement of Perth High School based upon the re-allocation of budgeted expenditure from projects currently included in the approved Capital programme.

	£'000
Existing Perth High School Funding	13,800
Review of Existing Capital Budget Provision – Learning Estate - see paragraphs 3.11 and 3.12	23,829
Review of Existing Capital Budget Provision – Community Facilities - see paragraphs 3.13 to 3.17	9,443
Review of Existing Capital Budget Provision - Infrastructure – see paragraph 3.18	750
Funding No Longer Required -	
• <i>Ladywell Landfill</i>	117
• <i>Lewis Place</i>	100
• <i>Beechgrove RHE</i>	241
Allocation of new Capital resources	1,720
TOTAL ESTIMATED COST	50,000

- 3.10 In the event that any future announcement is made by the Scottish Government on possible funding, this will be evaluated at that time. This may include consideration of other school projects which are currently unfunded as a result of ongoing reviews of the School Estate.

Oudenarde Primary School (reduction of £10.029M)

- 3.11 Perth & Kinross Council has demonstrated continued commitment to this project for over 15 years with specific funding approved within the Capital Budget, however there has been limited progress with the housing development to date. The new development at Oudenarde has been further deferred pending the outcome of the current planning enquiry. Revised proposals for the new school will be brought forward at a future date once there is more clarity on the timing of future house building at the site. The Council remains committed to this development and will keep the situation under review.

Pitlochry Primary School Replacement (reduction of £13.8M)

- 3.12 The Council has committed c£2.8M in improvement works to Pitlochry Primary School. This investment will ensure that the building remains operational beyond the timescale of this current Capital Budget. Therefore, it is proposed to remove the funding for the replacement of Pitlochry Primary School from the programme at this stage.

Blairgowrie Recreation Centre (reduction of £3M)

- 3.13 The Provisional Capital Budget includes significant investment of £14.7M in Blairgowrie Recreation Centre. This investment will provide an enhanced leisure facility which will deliver the requirements of the local community and the school curriculum. Since the initial inception of the project the design has been rescoped to reduce the recurring revenue costs of the facility which will be included in future Revenue Budget submissions. The implications of this exercise are that £3M can be redirected within the Capital Budget.

PH20 (reduction of £4.725M)

- 3.14 The PH20 Project is a Live Active Leisure (LAL) proposal to redevelop Perth Leisure Pool which is now in excess of 30 years old and requires ongoing maintenance. Discussions are ongoing with LAL on how best to progress the project as additional funding sources have not been forthcoming to date. It is also necessary to update the market appraisal that supports the outline business case for PH20, as market conditions have changed since the project was first proposed in 2012. The Council is jointly funding this further analysis to assist LAL in making progress.
- 3.15 The findings of this exercise will be reported to a joint LAL/Council officer working group in late summer 2018 when any required revisions to the business case and consequent changes to the design brief will be considered, which may include transfer of the site to the Council. Further updates will also be provided to the Council as they become available.
- 3.16 The Council are supportive of this strategic project and is investigating alternative funding options, including Prudential Borrowing, to take this forward in partnership with LAL.

Letham Wellbeing Hub, Perth (reduction of £1.718M)

- 3.17 The Council is committed to the Letham Wellbeing Hub and working with the community to deliver this project. Officers are working with the community to evaluate the assumptions underpinning the operating model to ensure that the revenue costs of the new facility can be met. This may include reviewing the activities to be delivered from the new facility. The proposed Capital Budget includes an investment of £1.25M in this facility. This may be used by the Community to attract other match funding to deliver this project.

Road Improvements Due to A9 Works Dualling (reduction of £0.750M)

- 3.18 It is proposed to remove the Road Improvements due to A9 Dualling project from the programme at this stage as the actual impact on future traffic flow/levels resulting from the A9 dualling programme remains unclear. Further, the budget provision of £750,000 is likely to be insufficient to fund any significant road improvements required, with further work requiring to be undertaken on the detailed design and ground investigations before options can be fully costed. Revised proposals will be reconsidered at a future date as the Scottish Government dualling works progress.

- 3.19 **ACTION: The Council agrees to funding for a replacement of Perth High School as set out in paragraphs 3.6 to 3.18.**

- 3.20 The following paragraphs set out a number of new business critical expenditure pressures. These have been considered by the Executive Officer Team to represent significant strategic and operational risks and are, therefore, recommended for approval in the proposed Capital Budget. This includes provision for increases in costs which are, largely, outwith the Council's control.

Microsoft Licences & Office 365

- 3.21 Microsoft products remain a core component of the Council's ICT infrastructure. Current licensing arrangements are due for renewal over the next few years. This investment will provide the Council with more flexibility to adapt to meet its evolving business requirements and transformation needs. It will also ensure compliant use of Microsoft software and relicence the entire Microsoft Office estate. It is recommended that the Council provide for £4.4M in the proposed Capital Budget to meet future price increases and licensing costs over the 10 year period of the Capital programme.

SWIFT Social Work System Replacement

- 3.22 The SWIFT social work system is integral to the management and delivery of social care both across Council Services and the Integration Joint Board. The previous software vendor Northgate had advised that they were not continuing with the operation of the SWIFT social care system beyond March 2020. Whilst a new supplier (OLM Systems) has since purchased the system they have subsequently confirmed that they will continue to support it but will not

undertake any further developments of the system. As the availability of a modern and adaptable social care system is critical to the delivery of the Council's statutory responsibilities, the proposed Composite Capital Budget includes provision to procure a replacement social care system at an estimated cost of £2.7M (depending on the outcome of the tendering process). Currently this work is planned for 2019/20 and 2020/21.

Schools Audio-Visual Replacement Programme

- 3.23 Interactive audio visual equipment ("AV") is an effective medium for accessing and sharing a broad range of teaching resources and for supporting a wide range of learners and learning styles. Schools are increasingly dependent on legacy AV equipment, some of which is now more than ten years old. This lacks the functionality of more modern integrated solutions, is expensive to maintain and increasingly unreliable, which can be disruptive to learning and teaching.
- 3.24 At present there is no provision in the Composite Capital Budget for replacing school AV equipment. It is therefore recommended that a rolling replacement programme is established to address current gaps/shortfalls in provision and manage ongoing replacement of the existing estate. The indicative cost is £4.5 million between 2019/20 and 2027/28 at £500,000 per annum.

Structural Maintenance

- 3.25 The Strategic Policy & Resources Committee has previously approved that £5M of expenditure be transferred from the Structural Maintenance budget for 2018/19 to 2022/23 to meet projected cost increases on the Almondbank Flood Protection Scheme. Having reviewed the impact of this adjustment on the Council's future Structural Maintenance programme together with other pressures on the programme, such as cost inflation, the Executive Officer Team recommend that the amount of £5M be re-instated to the Structural Maintenance budget.

A9/A85 Junction Improvements

- 3.26 The A9/A85 project is currently budgeted at £45M and is progressing well with completion anticipated in spring 2019. In accordance with the contract, a series of compensation events have, however, been submitted by the main contractor resulting from factors such as unforeseen ground conditions and inclement weather. These are currently forecast at £2.2M with further unbudgeted costs arising from statutory utility works; temporary traffic management and land compensation claims.
- 3.27 Based on industry standards, projects of the scale and complexity of the A9/A85 Junction Improvements report typical unavoidable cost increases of between 10-14%. The latest projections for this project indicate a potential over spend of c£3M which represents 6% of the approved budget. As the project is still to complete, this projection remains under review and may require to be adjusted further.

- 3.28 **ACTION: The Council is asked to approve the additional expenditure proposals set out in paragraphs 3.21 to 3.27.**

Annual Rolling Programmes

- 3.29 There are a number of rolling programmes included within the current approved budget which are due to come to an end in the next five years. In order to continue investment in the Council's existing infrastructure and assets and ensure that they remain fit-for-purpose, it is proposed that the funding for these programmes is continued to 2027/28. The programmes are as follows:

- Investment in the Learning Estate
- Structural Maintenance
- Road Safety
- Traffic Signals
- Bridges & Parapets
- Disability Adaptation Works
- Property Improvements
- Property Compliance
- Community Greenspace
- Cemetery Extensions
- Council Contact Centre
- ICT Infrastructure

- 3.30 The proposed allocation to each programme is based on recent average allocations, and is summarised in Appendix III except for Structural Maintenance where the budget has been enhanced by £1M each year and Bridges & Parapets which has been enhanced by £240,000 each year.

- 3.31 **ACTION: The Council is asked to approve the Annual Rolling Programmes set out in paragraphs 3.29 and 3.30 and Appendix III.**

Prudential Borrowing Projects

- 3.32 It is also proposed that various annual replacement programmes, relating to Fleet Vehicles, Commercial and Domestic Wheeled Bins, Other Waste Containers, Litter Bins and Energy Efficiency continue to be funded by Prudential Borrowing. These projects either generate sufficient revenue savings to offset the associated investment costs or have their investment costs met through other revenue sources.

- 3.33 **ACTION: The Council is asked to approve the Prudential Borrowing projects set out in paragraph 3.32 and Appendix IV.**

- 3.34 All the above projects outlined in Section 3 above are included in the proposed Composite Capital Budget for 2018/19 to 2027/28 shown at Appendix IV. This shows that the Council's proposed total gross investment on the Composite Capital Programme in the ten years to 2027/28 amounts to £585.169M.

- 3.35 **ACTION: The Council is asked to approve the Capital expenditure proposals as set out in Section 3 and Appendix IV of this report.**

4. PRUDENTIAL CODE AND INDICATORS

- 4.1 The principal means of monitoring and controlling adherence to the Council's capital and treasury plans, and ensuring that they remain affordable, sustainable and prudent, is the determination and monitoring of Prudential Indicators. These Indicators must relate to, and be consistent with, the Council's approved Capital Budget and Treasury Management Strategy.
- 4.2 It is, therefore, proposed to set new Prudential Indicators for the ten year period covered by the proposed Composite Capital Budget outlined in this report. In addition, the Housing & Communities Committee at its meeting on 24 January 2018 (Report No. 18/16 refers) set a revised Housing Investment Programme for the years to 2022/23. In order to match the time period covered by these Capital programmes, provisional estimates have been assumed for the Housing Investment Programme for later years to 2027/28.
- 4.3 The full set of proposed Prudential Indicators for 2018/19 to 2027/28, including limits, is shown at Appendix V. The Council is free to set each indicator or limit at any level felt appropriate, however, once set, they must not be breached. Any amendment to these limits must be approved by the Council. The limits proposed are based on the levels of capital investment that have been calculated as being affordable and sustainable, on a prudent basis. In the case of Treasury Management, the proposed limits have been set to allow sufficient flexibility for the Council to consider new opportunities that may arise, such as debt rescheduling exercises, or to manage exceptional (short-term) cashflows whilst maintaining the desired level of control and risk management.
- 4.4 The Indicators include estimates of the Council's underlying need to borrow for a Capital purpose (Capital Financing Requirement or Borrowing Requirement), and also ensure that the borrowing periods are consistent with the type of capital expenditure being funded. The amount of external debt is measured at two levels:
- Operational Boundary – is the level of external debt *estimated* for each year. The actual level of debt may exceed this level in the short-term following exceptional cashflows, however the trend over the period being considered should be consistent with the Operational Boundary. As such it is not a limit, but an indicator of the probable level of external debt.
 - Authorised Limit – is the *maximum* level of external debt approved by the Council, and is also known as the "Statutory Limit", and must not be exceeded. It includes headroom over the Operational Boundary to allow for some unexpected fluctuations or movements. It therefore measures the level of debt which could be affordable in the medium-term, but which may not be sustainable in the longer term. Any increase to the Authorised Limit,

for example following revision to the Council's Capital Plans or due to unforeseen circumstances, would require the prior approval of the Council.

- 4.5 For the current Capital plans and Treasury Strategy described in this report, it is proposed to increase the Authorised Limit from £640M to £770M for each year from 2018/19 to 2027/28. This is consistent with the funding strategy for the Council's Capital plans, as well as Loans Fund policies and the Medium Term Financial Plan. It is based on total gross external borrowing and long-term liabilities under PPP/PFI arrangements, and takes account of when the borrowing requirement is at its peak over the ten year period and is then applied in each year (to allow flexibility). The Operational Boundary for each year is also shown within Appendix V.
- 4.6 Given that many of the new resources in the proposed Composite programme are applied in the earlier years, the resultant acceleration of the borrowing will be managed by the continuation of the Capital Fund Strategy over the medium to long term. Updated Capital Fund projections, based on the proposed Composite Capital Budget are shown at Appendix VI. The projections show that, on current assumptions, Loan Charges can be contained by the use of the Capital Fund until 2038/39, and therefore, the Capital Budget remains affordable, prudent and sustainable. These projections will be kept under continuous review.
- 4.7 In December 2017, CIPFA published a revised Prudential Code and Treasury Management Code of Practice. The revised codes are effective from 1 April 2018, however CIPFA has advised that they may be implemented on a phased basis during 2018/19 as a result of the delays in their publication. The revised codes include some changes to the Prudential Indicators, as well as new requirements relating to "non treasury management" investments, and the setting of a Capital Strategy each year.
- 4.8 The number of Prudential Indicators required has been reduced, and no new ones have been included. In particular, the Indicators relating to adoption of the code, interest rate exposures and debt maturity profile have been removed, with such matters being included within the Council's approved policies and Treasury Management Practices. In addition, the Incremental Impact of Capital Plans on Council tax and Housing Rents have also been removed, with these matters forming part of the Council budget setting process.
- 4.9 All of the proposed Indicators at Appendix V comply with the revised CIPFA Code of Practice for Treasury Management in the Public Services, whilst the Capital Strategy is described in the Section below.
- 4.10 **ACTION: The Council is asked to approve the Prudential and Treasury Management Indicators for 2018/19 to 2027/28 as set out in Section 4 and Appendix V of this report.**

5. CAPITAL STRATEGY

- 5.1 The revised Prudential Code requires that Councils produce a Capital Strategy each year in order to demonstrate that capital expenditure is in line with service objectives. The Capital Strategy should outline the context in which capital investment decisions are taken, including asset management plans, the availability of resources and affordability in the long term. It should also take a long-term view on capital investment decisions, and outline the risks and benefits to the Council in undertaking the capital investment plans.
- 5.2 The formulation and updating of the Capital Strategy should be integrated into the planning and budget setting process. The Capital Strategy should also improve governance and delivery of the plans, and assist the understanding of the long term implications and risks of undertaking the capital plan. This would include outlining the Council's estimated long term liabilities position and all future revenue consequences resulting from the Capital plan.
- 5.3 The proposed Composite Capital Budget for 2018/19 to 2027/28 assumes that the Council is successful in attracting funding through the Tay Cities Bid for specific projects, most notably the Cross Tay Link Road. At the time of preparing this report, there has been no announcement by the Scottish and UK Governments on heads of terms for the Tay Cities Bid. There is, therefore, a risk to the affordability of the Provisional Composite Capital Budget should there be a significant difference between the Tay Cities Bid funding assumed in preparing the budget and the detail of any eventual announcement.
- 5.4 The Council will be advised, in due course, on progress with the Tay Cities Bid and any financial implications for the Council's Composite Capital Budget will be reported to the Strategic Policy & Resources Committee for consideration.
- 5.5 The Council has previously approved a School Estate Strategy and a Corporate Property Asset Review. The School Estate Strategy assumes recurring Revenue savings of £200,000 from a reduction in the Council's school estate, subject to statutory consultation. The Corporate Property Asset Review, which forms part of the Council's Transformation Programme, assumes recurring Revenue savings of £1.8m over the next three years through the rationalisation of the Council's property estate.
- 5.6 The delivery of savings from both the School Estate Strategy and the Corporate Property Asset Review are assumed within the Council's approved Revenue Budget for 2018/19 and Provisional Budgets for 2019/20 and 2020/21. Any delay in the achievement of these savings will impact upon the Council's future Revenue expenditure which, in turn, may impact on the affordability of the borrowing levels assumed in the proposed Composite Capital Budget.
- 5.7 In working within an overall budgeted resource limit of £585.169M for the 10 year period, as set out in paragraph 2.7 above and Appendix II attached, it is recommended that a number of ongoing Capital programmes are maintained

at their current level. The impact of cost inflation, over time, will reduce the level of activity which can be funded from these programmes and, accordingly, funding for these programmes will require to be assessed, reviewed and adjusted as necessary in light of Council priorities and updated projections of affordability.

- 5.8 The proposed Composite Capital Budget for 2018/19 to 2027/28 and Capital Strategy are based on estimates of affordable borrowing; Scottish Government General Capital Grant funding; Tay Cities Deal funding and third party and other income. All of the assumptions within the Provisional Budget will be subject to ongoing review and refinement as more information becomes available.
- 5.9 The proposed Capital Strategy is shown at Appendix VII.
- 5.10 **ACTION: The Council is asked to approve the Capital Strategy set out at Appendix VII to this report.**

6. PROJECT APPRAISAL AND GOVERNANCE

- 6.1 The Council has previously approved that all potential Capital investment decisions should be supported by a business case in line with guidance from Audit Scotland. The Council's business case template is based on guidance from the HM Treasury Green Book which is considered best practice (Report 15/396 refers).
- 6.2 As noted in paragraph 3.5 above, in setting the Medium Term Financial Plan the Council agreed to "not invite new detailed business cases from Services at this time." (Report 17/317 refers).
- 6.3 The Council is, therefore, advised that in proposing any new projects not already reflected within the existing Capital Budget:
- i. All such projects require to be approved in principle only, subject to the preparation of a detailed business case.
 - ii. The estimated funding for any such project requires to be identified.
 - iii. Final consideration of the business case for new projects and confirmation of funding will be subject to approval by the Strategic Policy & Resources Committee.

7. CONCLUSION AND RECOMMENDATIONS

- 7.1 This report outlines the review of resources available for the Composite Capital Budget, and details the proposed Composite Capital Budget for the 10 years 2018/19 to 2027/28.

7.2 It is recommended that the Council:

- (i) Approve the setting of a ten year Capital Budget for financial years 2018/19 to 2027/28 – see paragraph 1.3.
- (ii) Agree the level of Capital resources for 2018/19 to 2027/28 set out in Section 2 above and Appendices I and II – see paragraph 2.8.
- (iii) Agrees to funding for a replacement of Perth High School as set out in paragraphs 3.6 to 3.18 – see paragraph 3.19.
- (iv) Approve the additional expenditure proposals set out in paragraphs 3.21 to 3.27 – see paragraph 3.28.
- (v) Approve the Annual Rolling Programmes set out in paragraphs 3.29 and 3.30 and Appendix III – see paragraph 3.31
- (vi) Approve the Prudential Borrowing projects set out in paragraph 3.32 and Appendix IV – see paragraph 3.33.
- (vii) Approve the Capital expenditure proposals as set out in Section 3 and Appendix IV of this report – see paragraph 3.35
- (viii) Approve the Prudential and Treasury Management Indicators for 2018/19 to 2027/28 as set out in Section 4 and Appendix V of this report- see paragraph 4.10.
- (ix) Approve the Capital Strategy set out at Appendix VII to this report – see paragraph 5.10.

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Approved

Name	Designation	Date
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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

Corporate Plan

- 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.
- 1.2 The Chief Executive's Service provides a range of functions for internal and front-line customers alike. Those functions support the work of the whole Council by assisting them in the delivery of the Council's Corporate Objectives. As a consequence, this report does not specifically relate to one of the objectives, but assists with the delivery of all five.

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.

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.

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

There has been no consultation 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 – New Composite Capital Budget Estimated Resources 2018/19 to 2027/28

Appendix II – Total Composite Capital Budget Estimated Resources 2018/19 to 2027/28

Appendix III – Proposed Annual Rolling Programmes 2018/19 to 2027/28

Appendix IV - Proposed Composite Capital Budget 2018/19 to 2027/28

Appendix V – Prudential and Treasury Indicator Limits 2018/19 to 2027/28

Appendix VI – Loan Charges and Capital Fund Projections

Appendix VII – Capital Strategy 2018/19 to 2027/28