

PERTH & KINROSS COUNCIL

28 FEBRUARY 2024

REPORT NO: 24/64

STRATEGIC INVESTMENT & CAPITAL BUDGET 2024/25 – 2029/30

Report by the Head of Finance

(Report No. 24/64)

1. PURPOSE

- 1.1 This report provides an update on the Composite (General Fund) Capital Budget. The recommendations within the report are informed by the recently approved Corporate Asset Management Framework (Report 24/18 refers), the Transformation Review of Leisure Assets (Report 24/19 refers) and the Review of the Council's Learning Estate (Report 20/20 refers) together with other ongoing work on the Council's infrastructure and assets.
- 1.2 The report updates members on the Council's provisional 2024/25 Scottish Government Capital Grant funding; recommends that the Council approve an updated 6 Year Capital Delivery Programme for the period 2024/25- 2029/30 and sets out officer recommendations on specific Capital Projects and Programmes of works.
- 1.3 Investment in the Council's assets and infrastructure involves the long-term commitment of Revenue Budget resources to meet Capital financing costs. The Council has a duty to ensure that its financial position remains sustainable and can evidence best value in the use of public funds. The report provides members with an updated assessment of the overall affordability of the Composite (General Fund) Capital Budget. The report also outlines the risks and challenges surrounding the Council's Capital Budget and makes recommendations on the Capital Funding Strategy underlying current and future investment and disinvestment decisions.

2. RECOMMENDATIONS

2.1 The Council is requested to:

- a) note the contents of the report.
- b) approve setting a 6 Year Capital Delivery Programme for the period 2024/25 – 2029/30 based on updating the current General Fund Capital Budget attached at **Appendix 1** to the report (paragraph 8.7 refers).
- c) approve budget provision of £33.469 million in 2028/29 and £30.438 million in 2029/30 for Capital Programmes as presented in section 9 and table 4 in the report (paragraph 9.9 refers).

- d) approve budget provision of £3.370 million in both 2028/29 and 2029/30 for the Prudential Borrowing Programmes (paragraph 9.11 refers).
- e) approve budget provision of £13.2 million for the Bertha Park Link Road as presented in section 10.3 and **Appendix 2** to the report (paragraph 10.3.8 refers).
- f) approve budget provision of £4.317 million to reflect the revised cost estimates for Flood Schemes as presented in section 10.4 and table 5 in the report (paragraph 10.4.4 refers).
- g) approve budget provision of £6.330 million for IT licensing and infrastructure as presented in section 10.5 and **Appendix 3** to the report (paragraph 10.5.4 refers).
- h) approve budget provision of £3 million for a replacement Waste Transfer Station at the Friarton Depot site as presented in section 10.6 of the report (paragraph 10.6.3 refers).
- i) approve budget provision of £1.158 million for the MOSAIC system as presented in section 10.7 of the report (paragraph 10.7.3 refers).
- j) approve budget provision of £0.4 million for traffic signal renewal as presented in section 10.8 of the report (paragraph 10.8.4 refers).
- k) remit officers with providing a progress report on Perth West to the Finance & Resources Committee on 12 June 2024 to confirm funding to deliver the next stage of the project (paragraph 11.7 refers).
- l) note the funding assumptions and the financial modelling supporting recommendations within the Provisional Revenue Budget on the Capital Funding Strategy (section 12 of the report refers).

3. **STRUCTURE OF THE REPORT**

The structure of this report is set out as follows:

- **Section 4** - Corporate Asset Management Framework
- **Section 5** -Transformation Review of Leisure Assets
- **Section 6** - Review of Learning Estate
- **Section 7** - Scottish Government Capital Grant Funding in 2024/25
- **Section 8** - Review of the General Fund Capital Budget
- **Section 9** - Recommendations on Capital Programme Expenditure
- **Section 10** - Recommendations on Capital Project Expenditure
- **Section 11** - Perth West
- **Section 12** - Capital Funding Strategy & Affordability
- **Section 13** – Risk Assessment
- **Section 14** - Summary

4. CORPORATE ASSET MANAGEMENT FRAMEWORK

- 4.1 The Corporate Plan approved by Council in December 2022, sets our vision for **“a Perth and Kinross where everyone can live life well, free from poverty and inequality”**. The achievement of this vision is supported by 7 key strategic priorities which set the direction for Council policy, the focus of service delivery and the allocation of the Council’s available resources. These are listed below:
- Working in partnership with communities,
 - Tackling poverty,
 - Tackling climate change and supporting sustainable places,
 - Developing a resilient, stronger and greener local economy, Developing a resilient, stronger, and greener local economy,
 - Enabling our children and young people to achieve their full potential,
 - Protecting and caring for our most vulnerable people,
 - Supporting and promoting physical and mental wellbeing.
- 4.2 The Council has adopted a Strategic Capital Investment Planning Framework based upon the 5-case model applied by the UK Treasury. The Framework comprises both an unfunded 30-Year Investment Blueprint to inform the Council’s long term strategic investment and a 6 Year Funded Capital Delivery Programme to meet more immediate investment needs (Report 21/180 refers).
- 4.3 The Council approved a 5 Year Capital Delivery Programme 2023/24-2027/28 at the Council meeting on 1 March 2023 (Report 23/73 refers). This was intended as an interim position pending the reversion to a 6 Year Funded Delivery Programme. In setting the budget last March, Council remitted officers with the development of a new Corporate Asset Management Plan and the development of a long-term investment plan and funding strategy to inform future Capital investment decisions.
- 4.4 In January 2024, Council approved the Corporate Asset Management Framework (Report 24/18 refers). This comprises an overarching Corporate Asset Management Policy and Strategy which describes the corporate approach to the management of assets to deliver the Council’s strategic priorities. This is supported by 5 stream asset management plans covering:
- Community Greenspace
 - Fleet
 - ICT
 - Property
 - Roads

The asset plans describe how individual asset streams adhere to the corporate policy and provide an assessment of the 30-year investment requirement for each asset stream based upon life cycle planning for the existing asset base and existing levels of service. The asset plans are intended to be iterative documents

and will be updated on an annual basis to incorporate additional investment and disinvestment decisions.

- 4.5 Asset management strategy and planning for the Council's social housing stock is undertaken through the separate Strategic Housing Investment Programme (SHIP) which is developed in consultation with Council tenants and funded through the Housing Revenue Account.
- 4.6 The approved Corporate Asset Management Framework is based upon the following principles:
- we maximise the public value of our physical assets.
 - we only have / keep and invest in the physical assets that we need to support effective service delivery.
 - our approach to asset management helps mitigate the impact of climate change.
 - our approach to asset management helps promote inclusive economic growth.
 - our approach to asset management planning helps promote equality and fairness through service design and delivery.
 - our approach to asset management helps promote and enhance digital inclusion.
- 4.7 A key component of the Framework is the introduction of the Asset Challenge. This challenge provides a measurable and comparable overview across all asset streams giving an evidence base to support more informed and risk aware investment decision making. Any proposed investment or disinvestment will be subject to this challenge.
- 4.8 The Council has also recently approved the establishment of a Strategic Investment Advisory Group (SIAG) comprising elected members and officers to provide political and strategic direction to and oversight of the Council's investment planning in line with our vision and priorities. The SIAG will work on an ongoing basis to consider the impact of legislative changes, nation policy direction, future developments, and emerging opportunities on the Council's strategic investment planning. This will include considering investment requirements alongside other public sector delivery partners.
- 4.9 While elected members are asked to approve setting a 6 Year Capital Delivery Programme at this meeting of Council, the consideration of Capital investment need and the development of affordable; deliverable and sustainable responses to this need is an ongoing and evolving process. Through the work of the SIAG and consideration of Finance & Resources Committee and Council reports. elected members will shape, scrutinize, and determine Capital investment throughout the course of the financial year. This includes the forthcoming reports on PH2O, and Perth West referenced below.
- 4.10 While elected members are asked to approve setting a 6 Year Capital Delivery Programme at this meeting of Council, the consideration of Capital investment need and the development of affordable; deliverable and sustainable responses to this need is an ongoing and evolving process. Through the work of the SIAG and consideration of Finance & Resources Committee and Council reports.

elected members will shape, scrutinize, and determine Capital investment throughout the course of the financial year. This includes the forthcoming reports on PH2O, and Perth West referenced below.

- 4.11 The critical importance for service delivery of the Council’s assets and infrastructure is reflected within the 5 stream asset management plans. The asset plans also highlight the long-term financial challenge presented through investing in and operating these assets. Detailed information on each asset stream is set out within the Corporate Asset Management Framework (Report 24/18 refers) with an overview provided in the table below:

Table 1: Corporate Asset Management Overview & Projected Investment Requirement (2030/31-2053/54)

Asset Stream	Current Asset Base	Net Book Valuation at 31/3/2023**	Projected investment requirement over 24 Years 2030/31-2053/54 based on lifecycle planning. (Period beyond 6 Year Delivery Programme)
Community Greenspace	1,614 greenspace sites	£7.6 million	£99 million
Fleet	2,380 items of fleet & mechanical Equipment	£22.2 million	£72 million
Information and Communication Technology (ICT)	23,025 items of hardware and all corporate software	£12.1 million	£167 million
Property	968 sites within the property estate	£702 million	£1,759 million
Roads	1,546 miles of carriageway and related infrastructure	£3,660 million	£497 million
Total			£2,594 million

*** Valuations are based on the accounting policies used in preparing the Council’s audited financial statements and do fully reflect the current replacement cost of the Council’s assets.*

- 4.12 The Corporate Asset Management Plan and Strategy underlines the importance of the Council committing a significant element of its available Capital resources on a recurring basis towards investment in our existing assets and infrastructure. The recommendations within the report recognise and prioritise investment in the Council’s existing asset base.
- 4.13 This approach supports the Asset Management Framework principles of maximising the public value of our physical assets; only investing in physical assets that we need to support effective service delivery and mitigating the impact of climate change. It is also consistent with the Scottish Government’s Investment Hierarchy of maximising the useful life of existing assets.

- 4.14 The Framework and Asset Challenge methodology provides a more robust basis in future for evidence led investment decisions. This evidence base will support the work of the Strategic Investment Advisory Group which will provide political oversight and input at an early stage in the development of investment proposals.
- 4.15 An evidence based and led assessment of investment need will also prove critical as the significant cost of maintaining the Council's asset base will require managed disinvestment to form an integral part of an affordable and sustainable Capital Budget strategy.
- 4.16 Investment in the Council's existing assets and infrastructure is reflected with the Capital Programmes of Works. Officer recommendations on the Council's Capital Programmes are set out below in **Section 9** of the report.

5. TRANSFORMATION REVIEW OF LEISURE ASSETS

- 5.1 In February 2022, Council approved the allocation of £90 million towards the delivery of a combined water, ice, and group fitness facility - the PH2O project - on the site of the current Perth Leisure Pool and Dewar's Centre (Report 22/36 refers). This was supported by an adjustment to the Council's Capital Funding Strategy linked to the ring-fencing of income from growth in the Council Tax base.
- 5.2 At the Council meeting on 1 March 2023, members were provided with a revised cost estimate for PH2O of £110 million reflecting both the scale and complexity of the proposed facility. At that time, Council approved pausing the development and delivery of the PH2O project on the grounds of overall Capital Programme affordability with the existing budget provision for the project of £90 million being retained pending the outcome of the Review of Leisure Assets (Report 23/73 refers).
- 5.3 On 22 January 2024, Council considered the Transformation Review of Leisure Assets (Report 24/19 refers). The scope of the review encompassed all current leisure assets owned by the Council or our arms-length delivery partner Live Active Leisure (LAL). The purpose was to review current leisure facilities operated by Live Active Leisure to ensure they align with future service needs and make best use of resources.
- 5.4 The Review considered the current usage of leisure facilities and future forecast demand; their accessibility for the population of Perth & Kinross, operating costs and subsidy levels per usage and estimated capital expenditure required by venue including investment in energy efficiency measures.

- 5.5 Council agreed to an amendment to the recommendations within the report. Subject to formal approval of the Council Minutes, officers have been remitted to:
- Bring back to Council in August 2024 options for the consolidation of leisure provision in Perth City on one site including “an ice rink component and a design for a new swimming pool which will allow a family friendly leisure swim offering alongside fitness and lesson swims.”
 - A costed Transition Plan for the next 3-5 years
 - Proceed with energy efficiency measures for Live Active Loch Leven and Strathearn campuses and prepare a business case for upgrading facilities at these locations.
 - Consolidate all booking and payment systems for leisure facilities operated by LAL and in secondary schools.
 - (in respect of Community Halls), consider the creation of a Capital fund budget to facilitate Community Asset Transfer.
- 5.6 In accordance with the previous decision of Council in March 2023, the report has been prepared based on £90 million being provisionally allocated within the Capital Funding Strategy for the delivery of the Review of Leisure Assets.
- 5.7 The full funding requirement for a new consolidated leisure facility in Perth will be subject to Council consideration pending further work by officers, as instructed, to investigate options for retaining ice facilities, with further advice to Council due in August 2024.
- 5.8 Members are advised that there is no budget provision currently allocated for the Community Asset Transfer of Halls. This carries a risk that the Council is unable to deliver the property rationalisation approved in both the Review of Leisure Assets and the Transformation Reviews of the Council’s Arm’s Length External Organisations (ALEOs). Officers are continuing to progress both of these workstreams as well as the transformation workstream in relation to community engagement. From this, recommendations will be made to the Strategic Investment Advisory Group (SIAG).S, relAG) udget provision to support asset transfer and will require to be considered in the future determination of the Capital Budget.
- 5.9 Members are also advised that there is currently no identified budget provision to meet the Council’s obligations under the lease for Perth Concert Hall. The Concert Hall is over 20 years old, and a programme of upgrade and compliance works has been identified for the facility. Budget provision to undertake these works will require to be considered in the future determination of the Capital Budget to allow the works to be scheduled around the Concert Hall’s programme of events.

6. REVIEW OF THE LEARNING ESTATE

6.1 On 22 January 2024, Council considered a report on the Learning Estate (Report 24/20 refers). The report provided an update on the work undertaken to review the Council's Learning Estate with the following recommendations being approved:

- No further action following the outcome of the feasibility of introducing Early Learning and Childcare provision in all rural primary schools currently without one as there are no solutions that would help to generate a sustainable school roll.
- No further action following the outcome of work undertaken on catchment analysis that seeks to utilise available capacity in low occupancy primary schools as there are no solutions that would help to generate a sustainable school roll.
- Instruct the Director, Strategy, People & Resources to commence community engagement to seek the views of stakeholders and communities regarding the vision and future of the secondary learning estate in Perth City.
- Notes that a review is underway relating to the timing of a new primary school at Bertha Park.

6.2 Following the report to Council, on 31 January 2024 the Finance & Resources Committee approved the re-phasing of the budget for the new school at Bertha Park by two years from 2026 until 2028. The figures considered within the review are based upon the current forecast for house completions at the Bertha Park development (Report 24/41 refers) and support the re-phasing with the situation being kept under review.

6.3 In accordance with the prior decisions of Council and the Finance & Resources Committee, the report has been prepared based on maintaining the current level of budgeted investment in the Council's Learning Estate.

6.4 Further investment need identified in respect of the Council's secondary learning estate in Perth City, will be subject to a future decision of Council following consideration of the outcome of community engagement and statutory consultation.

7. SCOTTISH GOVERNMENT CAPITAL GRANT FUNDING IN 2024/25

7.1 Finance Circular No 8/2023 issued on 21 December 2023, advised local authorities of their provisional Scottish Government Revenue and Capital funding allocations. The local government settlement provides for Capital Grant funding for local authorities of £638.009m in 2024/25, of which £516.837 million is General Capital Grant funding and £121.172 million is Specific Capital Grants.

7.2 General Capital Grant is provided in support of local authority determined Capital expenditure together with £33.6 million allocated to support Scottish Government

approved priority Flood Schemes. The Specific Capital Grant funding of £121.172 million in 2024/25 comprises £5 million for approved vacant & derelict land schemes; £92.245 million for the Affordable Housing Supply Programme and £23.927 million for projects funded through the Scottish Government Cycling, Walking & Safer Streets programme.

- 7.3 The COSLA Budget Reality statement issued on 21 December 2023 identified a cash cut of £54.9 million in comparing the Capital Grant in the provisional 2024/25 settlement to equivalent Capital Grant funding in the final 2023/24 settlement.
- 7.4 The Council's General Capital Grant for 2024/25 (excluding Flood Schemes) is £1.179 million lower than originally estimated in line with the national position.
- 7.5 The Council's Grant funding for priority Flood Schemes has, however, been uplifted by £11.410 million in 2024/25 (and a further £5.858 million in later years) based upon the latest cost estimates for the schemes concerned. Together with additional Specific Capital Grant funding for Cycling, Walking & Safer Streets projects, the net movement in the Council's provisional 2024/25 Capital Grant funding is £10.695 million as set out in the table below:

Table 2: 2024/25 Perth & Kinross Council Provisional Scottish Government Capital Grant Funding

	Original Estimate £'000	Finance Circular 8/2023 £'000	Movement £'000
General Capital Grant (excluding Flood Schemes)	13,130	11,951	-1,179
Flood Schemes (80% Revised Estimate)	1,680	13,090	11,410
Specific Capital Grant (Cycling, Walking & Safer Streets)	200	664	464
Less: Capital Grant applied in Revenue Budget	-1,600	-1,600	0
Total 2024/25 Provisional Capital Grant	13,410	24,105	10,695

8 REVIEW OF THE GENERAL FUND CAPITAL BUDGET

- 8.1 Officers have undertaken a review of the current approved General Fund Capital Budget 2023/24 – 2027/28, **attached at Appendix 1** to the report, as the starting point for the development of recommendations on the forward 6 Year Capital Delivery Plan.
- 8.2 As reported to the Finance & Resources Committee on 31 January 2024, expenditure on the General Fund Capital Budget over the period 2023/24-2027/28 is currently estimated at approximately £623.9 million (Report 24/41 refers).
- 8.3 The Capital budget is based upon resourcing both discrete Capital Projects and ongoing programmes of Capital works up to 2027/28. The breakdown of budgeted expenditure between Capital Projects and Capital Programmes is set out in the table below:

Table 3: Budgeted Expenditure on General Fund Capital 2023/24-2027/28

Gross Expenditure	Budget 2023/24 - 27/28 £'000	% of Total Budget
Budgeted Expenditure on Capital Projects	435,434	69.8%
Budgeted Expenditure on Capital Programmes	166,171	26.6%
“Prudential Borrowing” **	22,311	3.6%
Total Gross General Fund Capital Programme	623,916	100%

**Refers mainly to the vehicle fleet and wheeled bin replacement programmes where revenue savings generated through investment have been used to finance Capital expenditure.

- 8.4 With the exception of the PH2O project (see section 5 above), most of the Council’s substantial Capital Projects over the period to 2027/28 are either already on site or at an advanced stage of planning and have incurred significant cost. This includes the Destiny Bridge, Perth High School Replacement and Blairgowrie Recreation Centre Projects. The redevelopment project for Perth Museum opens to the public in March 2024.
- 8.5 There is consequently no officer recommendation to remove any currently budgeted project from the approved General Fund Budget for 2023/24-2027/28. Officer recommendations on the re-phasing of the project budgets for the new primary school at Bertha Park and Perth West were approved by the Finance & Resources Committee on 31 January 2024.

8.6 Given the significant level of investment required to support the Council's existing infrastructure and assets highlighted through the Corporate Asset Management Framework, there are no officer recommendations to reduce the budgeted level of expenditure on Capital Programmes over the period 2023/24-2027/28.

8.7 **Recommendations**

Council is asked to approve setting a 6 Year Capital Delivery Programme for the period 2024/25 – 2029/30 based on updating the current General Fund Budget attached at Appendix 1 to the report.

8.8 All of the recommendations within this report are, therefore, either **already funded within or are in addition to** the expenditure detailed at Appendix 1.

9. **RECOMMENDATIONS ON CAPITAL PROGRAMME EXPENDITURE**

9.1 Based upon estimated lifecycle planning costs, the potential investment requirement in the Council's existing assets and infrastructure is currently forecast at approximately £2.6 billion over the 30-year period to 2054 (section 4 and table 1 above refer).

9.2 It is recognised that investment requirements over such a diverse asset base and over an extended timescale should be regarded as indicative. The actual level of investment required will depend upon a range of factors such as the future condition of the Council's assets and infrastructure; ongoing investment decisions; future legislative and regulatory standards; cost inflation and the future policy objectives of the Council amongst others.

9.3 The Council has no budget provision for Capital Programmes of works beyond 2027/28 and the conclusion of the current 5 Year approved General Fund Capital Budget, Therefore, officers recommend that in setting the 6 Year Capital Delivery Programme for 2024/25-2029/30, the Council provides for ongoing investment in its existing assets and infrastructure through continued funding for Capital programmes in financial years 2028/29 to 2029/30.

9.4 Given the extremely challenging financial position the Council faces, the following recommendations are based upon largely maintaining the same level of investment in the Council's Capital Programmes as at present.

9.5 In recommending Capital Programmes in 2028/29 and 2029/30 based on current levels of investment on the grounds of affordability, there is an explicit acknowledgement that due to cost inflation this will not provide sufficient capacity to maintain all infrastructure and assets in their existing condition.

9.6 It is, therefore, anticipated that the level of future investment in the Council's Capital Programmes and its existing infrastructure and assets will form a key area of consideration for the Strategic Investment Advisory Group

9.7 The table below sets out officer recommendations on the level of budgeted investment in each Capital Programme area, together with the average level of annual investment by programme over the 5 years of the current General Fund Capital Programme:

Table 4: Recommendations on General Fund Capital Programmes in 2028/29 and 2029/30

Capital Programmes	5 Year Average Annual Investment 2023/24-2027/28 £'000	Recommended Budget 2028/29 £'000	Recommended Budget 2029/30 £'000
Structural Maintenance	9,600	10,000	10,000
Bridge Refurbishment	2,200	2,000	2,000
Road Safety	400	400	400
Footways	400	410	410
Traffic Signals	100	100	100
Street Lighting	700	600	600
Play Area Improvements	500	500	500
Community Greenspace	700	700	700
Cemetery Extensions	200	300	300
IT Infrastructure & licensing	3,300	6,209	2,984
School Audio-Visual replacement	200	300	471
Supporting Digital & Data Analytics	1,600	1,630	1,653
Property (including the Learning Estate)	9,800	10,000	10,000
Health & Social Care (Occupational Therapy & IT)	320	320	320
Total	30,020	33,469	30,438

9.8 The total recommended investment in IT and Digital programmes over the two-year period 2028/29 – 2029/30 is £12.476 million (excluding School audio-visual replacement). This reflects the assessed requirements of the ICT and Digital Asset Management Strategy 2023-29 and comprises the following elements:

- £9.193 million budget provision for delivering, upgrading, and improving the core IT infrastructure. This supports expenditure on IT assets including computers; telephony; network infrastructure and security.
- £3.283 million budget provision for investment in our digital platform to further improve customer access to Council services and investment in data analytics and automation.

9.9 **Recommendation:**

Council is asked to approve budget provision of £33.469 million in 2028/29 and £30.438 million in 2029/30 for Capital Programmes as presented in section 9 and table 4 above.

9.10 **Prudential Borrowing Programmes**

The Council also provides for what are referred to as Prudential Borrowing Programmes where revenue savings generated through investment have been used to finance Capital expenditure. These relate mainly to expenditure on the Council's fleet vehicles and associated equipment and the Council's wheeled bin replacement programme.

As with the Council's other Capital Programmes, provision for maintaining these programmes requires to be included in setting the 6 Year Capital Delivery Programme for 2024/25 – 2029/30. The estimated investment requirement on the Prudential Programmes, based upon current levels of expenditure, is approximately £3.370 million in both 2028/29 and 2029/30 or £6.740 million in total.

9.11 **Recommendation:**

Council is asked to approve budget provision of £3.370 million in both 2028/29 and 2029/30 for the Prudential Borrowing Programmes as set out in paragraph 9.10 above.

10. RECOMMENDATIONS ON CAPITAL PROJECT EXPENDITURE

10.1 Further to the work on developing the Council's Corporate Asset Management Plan and the continued review of the current and proposed capital projects, officers recommend the following additional expenditure on Capital Projects in setting the 6 Year Capital Delivery Programme.

10.2 Recommendations on additional project expenditure are based upon assessed need and have been restricted to:

- Projects where the Council has an obligation to incur expenditure.
- Expenditure on the urgent replacement or upgrade of infrastructure / assets which are critical to service delivery.

10.3 **Perth Transport Futures Phase 3 - Bertha Park Link Road £13.2 million.**

10.3.1 The Perth Transport Futures Programme is the delivery response to the challenges and opportunities set out in the Shaping Perth's Transport Future Strategy which was approved by the Council in January 2012. The programme comprises 4 phases:

Phase 1 – A9/A85 improvements completed in May 2019.

Phase 2 – Destiny Bridge (formerly the Cross Tay Link Road project), due for completion in Spring 2025.

Phase 3 – Bertha Park Link Road linking Phases 1 and 2.

Phase 4 – associated Perth City centre improvements including traffic management measures; public transport and active travel development.

10.3.2 Delivery of Phase 4 (associated Perth City centre improvements) is dependent on completion of Phase 3 to enable more radical change in the city centre. A background paper for the Bertha Park Link Road project is attached at **Appendix 2** to the report.

10.3.3 Under the terms of the extant Section 75 Planning Agreement the developers, Bertha Park Ltd, had the option to either deliver the link road (Phase 3) directly or contribute to the capital cost of the Council delivering it. Bertha Park Ltd have now formally notified the Council that they will not deliver the link road but instead will take up the option of making an agreed contribution toward the cost as a Developer Contribution.

10.3.4 The estimated cost of constructing the Bertha Park Link Road is currently forecast at £13.2 million. The new link road will be built to the same standard as the existing Phase 1 and 2 roads, including the required pedestrian and cycle provision.

10.3.5 The Council has the option to include the development of a Park & Choose facility into the design for the link road and benefit from economies of scale in constructing the facility alongside the main link road project. The Bertha Park site is the only site identified in the Local Development Plan for a Park & Choose facility on the northern approaches to Perth. This location is considered optimal given the A9 traffic from the north, the Cross Tay traffic from the A93 and A94 and the nearby Bertha Park major housing site. The cost of constructing a Park & Choose facility on the site is currently estimated at an additional £8.7 million. The current estimate for the total cost of constructing the Bertha Park Link Road with a Park & Choose facility is, therefore, £21.9 million.

10.3.6 Given the financial constraints faced by the Council, officers recommend the inclusion of budget provision for the Bertha Park Link Road only at this time.

10.3.7 It is, however, recognised that there are likely cost economies from developing the link road project and a Park & Choose facility at the same time. The development of a Park & Choose facility at Bertha Park would align closely with the Council's strategic climate change priorities and provide improved facilities for the management of traffic in Perth City.

10.3.8 Recommendation:

Council is asked to approve budget provision of £13.2 million for the Bertha Park Link Road project, as presented in section 10.3 above and Appendix 2 to the report.

10.4 Flood Schemes - £4.317 million

10.4.1 The Council has several Flood Schemes in development which have been approved for funding by the Scottish Government. The Scottish Government funding commitment is to meet 80% of the contract award (tender price) of approved schemes. The recipient authority being liable for meeting the remaining 20% plus any subsequent cost overrun. The Scottish Government undertakes regular monitoring of progress with approved schemes.

10.4.2 The Council's share of the cost of approved Flood Schemes is included within the General Fund Budget 2023/24-2027/28 attached at Appendix 1. Based upon monitoring submissions made towards the end of 2023, the Scottish Government has increased the Council's General Capital Grant in 2024/25 by £11.410 million in 2024/25 and £5.858 million in later years (total £17.268 million) to meet the forecast uplift in the cost of delivering the Council's approved Flood Schemes.

10.4.3 The following table sets out the latest forecast cost for the Council's approved Flood Schemes including both the Scottish Government's and the Council's estimated funding commitments:

Table 5: Recommended uplift in Council Funding for Scottish Government approved Flood (Schemes).

Flood Scheme	Revised Gross Cost Estimate £'000	Movement in Gross Cost Estimate £'000	Revised SG Funding (80%) £'000	Uplift in Grant Finance Circular 8/2023 £'000	Required Uplift in Council Funding £'000
Comrie	40,011	11,577	32,009	9,262	2,315
South Kinross	15,075	11,314	12,060	9,051	2,263
Milnathort	910	(1,306)	728	(1,045)	(261)
Total	55,996	21,585	44,797	17,268	4,317

10.4.4 Recommendation:

Council is asked to approve budget provision of £4.317 million to reflect the revised cost estimates for Flood Schemes, as presented in section 10.4 above and table 5 in the report.

10.5 IT Licensing & Infrastructure - £6.330 million

10.5.1 The Council's ambitious strategy for the use of information, technology, and digital platforms to enhance customer access to Council services and drive improvement in service delivery is set out within "Digital Perth & Kinross 2023-2027".

10.5.2 Council was advised in October 2021 that the existing budget provision for Microsoft licenses beyond 2024/25 did not fully reflect the move to an MS365 licensing environment (Report 21/181 refers). At that time, Council approved additional Capital expenditure of £10.5 million for IT infrastructure and Digital capacity but did not fully uplift the budget for future MS licensing costs.

10.5.3 To meet the Council's Microsoft licensing commitments over the period of the Digital Strategy, officers recommend uplifting the budgets for IT licensing & infrastructure by £6.330 million in setting the 6 Year Capital Delivery Plan. This is **in addition** to the recommended funding for the IT Infrastructure and Licensing Capital Programme in 2028/29 and 2029/30 set out in section 9 of the report. A background paper on IT & Digital investment requirements is attached at **Appendix 3** to the report.

10.5.4 Recommendation:

Council is asked to approve budget provision of £6.330 million for IT licensing and infrastructure, as presented in section 10.5 above.

10.6 Friarton Depot Waste Transfer Station - £3 million

10.6.1 In September 2023, the Finance & Resources Committee approved the application of £250,000 from the Property Compliance Works Programme to meet the cost of urgent remedial works to the Friarton Depot Waste Transfer Station following the identification of significant structural issues (Report 23/243 refers).

10.6.2 The Waste Transfer Station is critical infrastructure to the operation of the Council's waste collection and handling services. While temporary arrangements are in place, the current facility has reached the end of its operational life and requires to be replaced. The estimated cost of a replacement Waste Transfer Station at the Friarton Depot site is £3 million.

10.6.3 Recommendation

Council is asked to approve budget provision of £3 million for a replacement Waste Transfer Station at the Friarton Depot site, as presented in section 10.6 above.

10.7 MOSAIC - £1.158 million

10.7.1 On full implementation, the MOSAIC system will be used to manage all information relating to younger people and adults supported locally by the Integration Joint Board (IJB) and Council social work and care services.

10.7.2 Officers recommend additional investment of £1.158 million in MOSAIC to meet additional implementation costs (£197,000); to resource a 2-year transition period to 2027 where the project team is partially retained to support the development of the system (£276,000) and to meet anticipated future licensing costs for 2027-2030 (£685,000).

10.7.3 Recommendation

Council is asked to approve budget provision of £1.158 million for the MOSAIC system, as presented in section 10.7 above.

10.8 Traffic Signal Renewal -- £0.4 million

10.8.1 There is no provision within the General Fund Capital Budget for the renewal of traffic signals beyond 31 March 2024.

10.8.2 The recommendations on Capital Programmes in section 9 of the report include provision for £100,000 of investment on traffic signal renewal per annum in financial years 2028/29 and 2029/30.

10.8.3 Although more accurately a programme of works, the recommendation is to provide for £400,000 of expenditure on traffic signal renewal over the 4-year period 2024/25-2027/28 to maintain annual investment of £100,000 in signal renewal. This is **in addition** to the recommendation in section 9, bringing the total proposed additional investment in traffic signal renewal to £0.6 million over a 6-year period.

10.8.4 Recommendation

Council is asked to approve budget provision of £0.4 million for traffic signal renewal as presented in section 10.8 above.

10.9 Summary of Officer Recommendations on Capital Project Expenditure

Table 6: Recommendations on Capital Project Expenditure

Project	Recommended Investment £'000
Bertha Park Link Road (excluding provision for Park & Choose)	13,200
Flood Schemes	4,317
IT licensing & infrastructure	6,330
Friarton Depot Waste Transfer Station	3,000
MOSAIC	1,158
Traffic Signal Renewal	400
Total	28,405

11. PERTH WEST

11.1 In March 2023, the Council considered the Outline Business Case for the Perth Eco-Innovation Park (now referred to as Perth West to reflect the wider scope of the proposed project) and approved £10 million towards the cost of delivering enabling works for Phase 1 of the project (Report 23/73 refers).

11.2 The current cost estimate for the advance infrastructure for Phase 1 of the Perth West development is £32.8 million. A background paper on Perth West is attached at **Appendix 4** to the report.

11.3 The current approved General Fund Capital Budget 2023/24 - 2027/28, attached at Appendix 1 to the report includes the following funding assumptions for the Perth West enabling works:

	£'000
11.4 Council Budget allocation (Report 23/73 refers)	10,000
Tay Cities Deal Funding	5,000
Future land sales	5,000
Developer Contributions	13,000
Total	33,000

At its meeting on 31 January 2024, the Finance & Resources Committee approved the re-phasing of £3 million of expenditure on Perth West enabling works from the current financial year to 2024/25 pending the outcome of ongoing negotiations with the landowner (Report 24/41 refers).

11.5 The current estimate of pre-construction costs for the Perth West project in relation to site investigation and design is approximately £3 million. The revised timeframe for delivering the enabling works is now likely to be towards the end of 2028 at the earliest.

11.6 The assumption of significant developer contributions toward infrastructure costs is central to the Council's funding strategy for the enabling works for Perth West.

Both the Council's legal and planning teams are currently engaged with the landowner and their representatives on this issue,

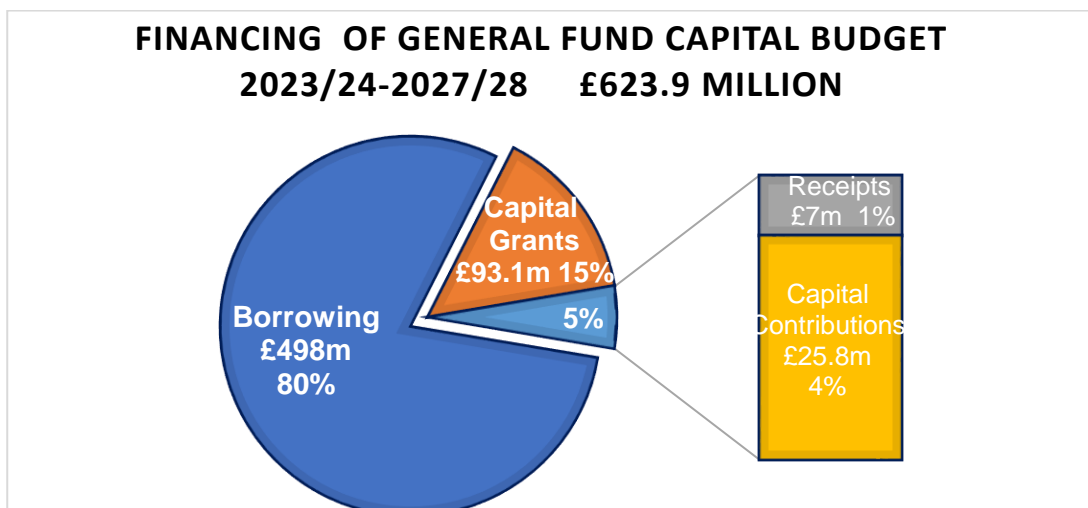
11.7 Recommendation

Council is asked to remit officers with providing a progress report on Perth West to the Finance & Resources Committee on 12 June 2024 to confirm funding to deliver the next stage of the project.

12. CAPITAL FUNDING STRATEGY AND AFFORDABILITY

Capital Resources

12.1 The chart below sets out the financing of the current General Fund Capital Budget 2023/24-2027/28.



12.2 The Council's current and planned Capital expenditure is largely financed through borrowing (c 80%). Borrowing is undertaken from the Public Works Loans Board (PWLB) which is operated by the UK Debt Management Office on behalf of HM Treasury. As is common amongst local authorities, the Council's borrowing is almost exclusively sourced through the PWLB as this has historically allowed the Council to access borrowing significantly below commercial rates.

12.3 Capital Grants currently represent c.15% of the Council's Capital funding. The £93 million forecast until the end of 2027/28 mostly comprises £73.5 million of Scottish Government General Capital Grant funding and the balance of £15 million of funding from Transport Scotland for the Destiny Bridge project (Cross Tay Link Road).

12.4 As set out in section 7 and table 2 above, the Council's General Capital Grant Funding reduced by £1.179 million in 2024/25 from the previously forecast position. While this was more than offset by a significant increase in funding for

approved Flood schemes, the expectation is that General Capital Grant funding from the Scottish Government will remain constrained in future years.

- 12.5 Contributions towards Capital expenditure currently represent 4% of the Council's Capital funding and includes £5.3 million of Tay Cities Deal funding; £7.4 million in third party and £12.7 million is anticipated developer contributions towards infrastructure costs under planning agreements. The value of developer contributions is anticipated to grow in future years as housing developments progress.
- 12.6 Historically, the Council has financed only a small percentage of its Capital expenditure from Capital receipts and the estimate of £7 million to 2027/28 includes £3.2 million of ring-fenced receipts and £1.8 million of commercial property receipts which are normally reinvested in the Council's Commercial Property Investment Programme.
- 12.7 Given the Council's reliance on borrowing to finance Capital expenditure, the focus of the Council's Capital Funding Strategy must be on developing a sustainable approach to meeting current and future borrowing costs. As servicing the Council's borrowing is a long-term Revenue expense, any Capital Funding Strategy must take account of both the considerable pressures on the Council's Revenue expenditure and the impact on service delivery of allocating increasing levels of Revenue resources to debt servicing.
- 12.8 All Council borrowing, and investment is governed by the CIPFA Prudential Code and the Council's approved Treasury and Investment policy, the latest iteration of which will be considered by Council in March. Both borrowing and investment activity are reported to the Finance & Resources Committee through the Treasury Activity & Compliance reports.
- 12.9 As previously reported, there are several factors which are impacting on the financial sustainability of the Council's Capital investment. In summary:
- Perth & Kinross Council has an ambitious Capital Budget. The Council has recently completed or is in the process of delivering significant Capital Projects including Destiny Bridge (£110 million net); Perth High School Replacement (£80 million); Perth Museum (£27 million); Blairgowrie Recreation Centre (£36 million) and Riverside Primary School (£19.9 million). Also factored into the current funding strategy is a provision of £90 million for the leisure assets review and £24 million for a new school at Bertha Park.

- The cost of delivering assets and infrastructure has increased significantly post Covid across all sectors of the economy. A combination of more exacting building standards, tender price inflation and the Council making a commitment to low carbon design in the Council's Climate Change Strategy and Action Plan has increased capital costs. However, approaching projects such as Riverside PS and Perth HS with the Passivhaus standard has allowed access to significant 25-year revenue support through the Scottish Government Learning Estate Investment Programme. The Passivhaus standard delivers measurable operational energy / carbon savings and construction quality improvements but currently at increased market cost on previous approaches.
- The cost of borrowing from the Public Works Loans Board has been impacted by increases in the cost of UK Government borrowing. Over the preceding 10 years, the Council has borrowed at an average interest rate of 2.16% from the PWLB. The current financial modelling, discussed in more detail later below, assumes interest rates on *new* PWLB borrowing of between 4.5% reducing to 3.3% over time. Existing PWLB debt is unaffected as lending is taken at a fixed rate for the period of the loan.
- The increase in the cost of borrowing coincides with a period in which the Council's requirement to borrow to finance the approved Capital Budget has never been greater. **Table 8** below details the Council's forecast Capital Financing Requirement (borrowing) over the next 6 years for both the Council's General Fund (non-housing) Capital Budget and Housing Investment Programme.
- As noted at 12.7 above, the pressure on local authority budgets from cost inflation; constrained income and growth in the need for Council services is such that the long-term commitment of further Revenue resources to finance Capital investment on an affordable basis is increasingly challenging.

Capital Funding Strategy; Financial Modelling and Assumptions

12.10 The Council's Capital Funding Strategy is based upon:

- Increasing the Council's Revenue budget for borrowing costs (referred to as the loans charges budget) over time.
- The managed use of the Council's Capital Fund

- Supported by Scottish Government Capital Grant funding, contributions, and receipts (see 12.1 above)

12.11 Subject to approval of the Final Revenue Budget, the Council's loans charges budget in 2024/25 will be £16.478 million. This includes the proposed £800,000 increase in the loan's charges budget reflected in the 2024/25 Provisional Revenue Budget. The Council's loans charges budget will be uplifted by a further £450,000 each and every year from growth in the tax base as previously approved by Council in February 2022 (Report 22/36 refers).

12.12 The audited balance on the Council's Capital Fund at 31 March 2023 was £26.343 million. The Council applies the Capital Fund over the long-term to support financing its Capital investment with any forecast over or under-spend on financing costs in -year applied to or met from the Capital Fund. These adjustments are reported to the Finance & Resources Committee as part of the Council's routine revenue monitoring (Reports 23/242; 23/315 and 24/40 refer).

12.13 The Council's current Capital Funding Strategy has been reviewed in preparing the report. The financial modelling used to review the strategy assumes the funding of previously approved Capital expenditure over the period 2024/25-2027/28 and an additional £99 million of Capital expenditure in respect of the recommendations within the report as summarised in table 7 below. The Capital Delivery Programme has also been adjusted for the increase funding for the Council's approved Flood Schemes and the additional grant funding for Cycling, Walking and Safer Streets projects.

Table 7: Estimated Gross Capital expenditure on the 6 Year Capital Delivery Programme 2024/25-29/30 (assuming all recommendations accepted)

	<i>Ref</i>		
Current Approved Capital Budget 2024/25-2027/28 (detailed at Appendix 1)			£432.7m
Provision for Capital Programmes in 2028/29 and 2029/30 (detailed in table 4)	9.10	£63.9m	
Provision for Prudential Borrowing Programmes in 2028/29 and 2029/30	9.12	£6.7m	
Additional expenditure on Capital Projects (detailed in table 6)	10.1-10.8	£28.4m	
Sub-Total: Recommendations within Report			£99.0m
Adjustment for uplift in funding of Flood Schemes inc. carry-forward of grant (scheme budgets detailed in table 5)	10.4		£23.7m
Adjustment for Cycling, Walking & Safer Streets funding			£0.9m
Estimated Gross Capital Expenditure 2024/25-2029/30			£556.3m

12.14 Based on forecast Scottish Capital Grant funding; Contributions to Capital and Capital receipts over the period 2024/25-2029/30, the following Capital Financing Requirement (underlying need to borrow) has been assumed in the financial modelling and Capital Funding Strategy:

Table 8: Forecast Capital Funding & Capital Financing Requirement 2024/25 - 29/30 and overall PWLB Debt (including both General Fund *and* Housing Capital expenditure)

Financial Year	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Gross Capital Expenditure	205.2	118.3	90.4	71.4	37.0	34.0	556.3
Funding							
Capital Grant	24.7	12.8	18.2	12.4	12.3	12.4	92.8
Contributions	4.1	3.1	5.2	8.5	4.0	4.4	29.3
Receipts	0.9	1.0	1.2	1.3	1.0	1.0	6.4
Capital Financing Requirement (borrowing- General Fund)	175.5	101.4	65.8	49.2	19.7	16.2	427.8
Total Funding	205.2	118.3	90.4	71.4	37.0	34.0	556.3
Estimated PWLB Debt (see Note below)	772	872	957	1,042	1,080	1,115	

Note: The table shows the Council's estimated Public Works Loans Board (PWLB) Debt at the end of each financial year on a cumulative basis assuming all the recommendations within the report are approved. New borrowing will be undertaken in line with the requirements of delivering the Capital Programme and prevailing borrowing rates.

The estimate includes the borrowing required to support the recommendations within the report on the Council's General Fund (non-housing expenditure) of £427.8 million and a further £99.4 million of estimated borrowing required to support the Council's investment in its social housing stock over the same period 2024/25-2029/30. Investment in Council housing is funded from the Housing Revenue Account (rental income), supplemented by Scottish Government grant funding.

The estimate for new borrowing each year also takes into account loans which are due to be repaid in full and any required debt re-financing less a provision for the annual repayment of debt.

- 12.15 Interest rate assumptions have been reviewed based on forecasts from the Council's treasury advisors and current market expectations. Average PWLB borrowing rates of between 4.5% reducing over time to 3.3% have been used for the purposes of modelling but these should be considered as indicative only and will remain subject to ongoing review.
- 12.16 The Capital Funding Strategy assumes the long-term use and availability of the Capital Fund to support Capital investment. This reflects the fact that much of the Council's PWLB borrowing has been taken out over a 50-year period to support investment in assets and infrastructure with a long useful life, in some cases more than 100 years.
- 12.17 At the point where the Capital Fund is fully applied, the Council will require to address any recurring deficit on financing costs through the commitment of additional Revenue funding. Council budgets have previously been set on projections of the Capital Fund continuing into the late 2040s / early 2050s which will enable the Council to take a long-term managed approach to resourcing its Capital investment.
- 12.18 The timescale over which the Capital fund is fully applied is, therefore, a key measure of the long-term **affordability** of the Council's planned Capital investment.
- 12.19 **Financial Modelling of Proposed Capital Expenditure on Current Capital Funding Strategy**

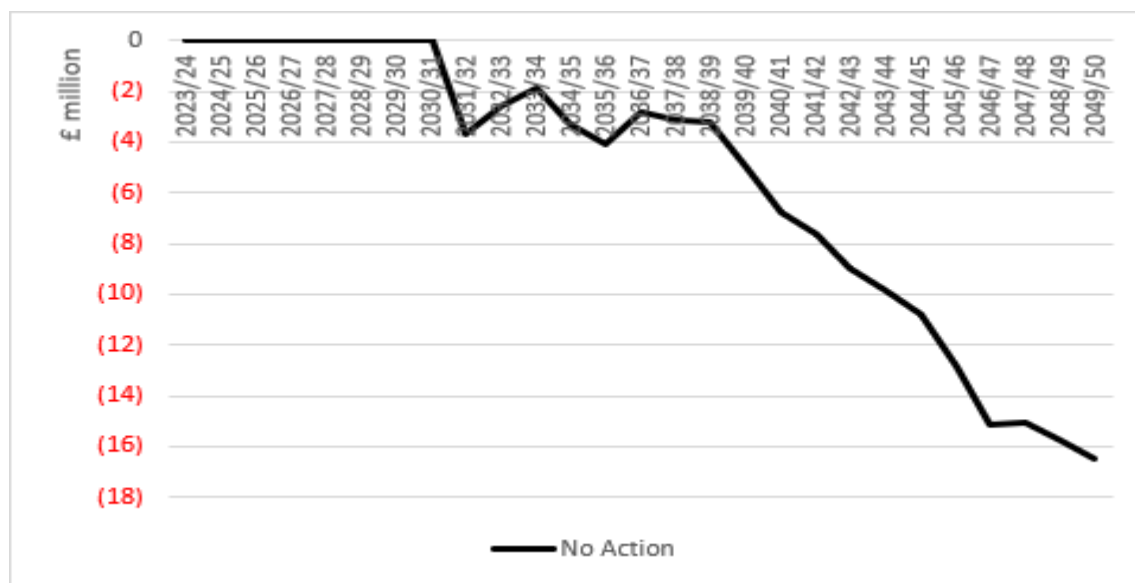
The graph below models the forecast implications of the current Capital Funding Strategy on the timescale over which the Council's Capital Fund is fully applied using the following set of assumptions:

- Gross Expenditure on the General Fund Capital Budget of £556.3 million over the period 2024/25 – 2029/30 as summarised in table 7 above.
- Additional PWLB borrowing to support this expenditure estimated at £427.8 million over the period 2024/25- 2029/30.
- Average interest rates on PWLB borrowing in the range of 4.5% - 3.3%, with the assumption that rates will reduce over time.
- Loan Charges Budget of £16.478 million in 2024/25 increasing by £450,000 year on year from growth in the Council Tax base (as previously approved by Council).

Under the current Capital Funding Strategy:

- The Council's Capital Fund is forecast to be fully applied by financial year **2030/31**.
- Deficit in 2031/32 is estimated at approximately £3.7 million, this will require to be addressed through additional Revenue funding.
- Deficit varies between years but increases over time.

Forecast Balance on Capital Fund under current Funding Strategy



12.20 Implications of Financial Modelling

The current Capital Funding Strategy does not provide a sustainable basis on which to resource the proposed level of Capital investment on the Council's assets and infrastructure over the next 6 financial years.

The requirement to address a significant financial deficit in the strategy by the end of the next 6 Year Capital Delivery Programme will further exacerbate the existing pressure on the Council's Revenue Budget and impact on the delivery of Council Services.

The potential for reviewing the level of planned expenditure is also limited by the fact that the Council is already on site and delivering a substantial part of its planned investment over this period. Approximately 78% (£432.7 million) of the Council's proposed non-housing investment over the next 6 years is already included within the currently approved General Fund Budget, including several major projects under construction.

12.21 RECOMMENDED UPDATE TO CAPITAL FUNDING STRATEGY

The 2025/26 & 2026/27 Provisional Revenue Budgets, therefore, include the recommendation to update the Capital Funding Strategy through ring-fencing 1% of future Council Tax increases to support the Capital Budget. This recommendation forms part of the separate Revenue Budget report to this meeting of the Council as it requires an adjustment to the Revenue Budget.

Based on the current Council Tax base and current collection levels, this recommendation is estimated to add an additional £1.1 million recurring to the Council's Loans Charges budget in each year the ring-fencing is applied.

The impact of an annual and recurring uplift in the Council's loans charges budget will improve the resilience of the Capital Funding Strategy by extending the period over which the Capital Fund will be available to support Capital

investment. It will allow the Council to take a long-term strategic and managed view on how it finances its planned Capital expenditure going forward and, if maintained, afford the Council with further options for Capital investment.

The recommendation is, however, presented as a long term and recurring adjustment to the Council's Capital Funding Strategy. In the event of any future restriction being placed on Council Tax increases, the equivalent uplift in the Council's loan charges budget will require to be accommodated through other measures, including budget cuts, to ensure the strategy remains robust.

The Council's Capital Funding Strategy must, therefore, be seen as dynamic and will require ongoing adjustment for any changes in the Council's forecast funding position, other emerging investment priorities, challenges in Capital delivery and changes in borrowing costs or other unforeseen events.

13 RISK ASSESSMENT

- 13.1 Determining the 6 Year Capital Delivery Programme and related Capital Funding Strategy requires an assessment of the financial, delivery and operational risks which may impact upon the Council's current and future Capital investment.

It is not possible to fully mitigate against these risks within the Council's limited resources and any recommended corrective action will be set out in update reports to the Finance & Resources Committee or Council.

- 13.2 Construction Inflation

There has been a significant increase in the cost of Capital investment over recent years. The Building Cost Information Service (BCIS) 5-year forecast published in March 2023 forecasts tender prices to rise by 17% in the five years to quarter 1 2028. Although construction inflation has reduced in recent months, the industry remains liable to further disruption due to global political and economic factors. The affordability of the Council's Capital investment could be significantly impacted by adverse movements in construction inflation which would require both a review of planned investment and the Council's Capital Funding Strategy.

- 13.3 Capital Borrowing Costs and Regulatory Risk

The Council's Capital investment is predominantly financed through borrowing from the Public Works Loans Board (PWLB). The proposed Capital Delivery Programme will require the Council to increase its borrowing for non-housing Capital expenditure by approximately £428 million over the 6 years to 2029/30 during a period when PWLB borrowing costs are anticipated to remain significantly higher than over the preceding 10-year period. This is before allowing for any variation from budget in the cost of delivering Capital Projects or Programmes.

PWLB borrowing is undertaken at prevailing HM Treasury rates on the day the loan is taken out and these rates remain fixed for the entire period of the loan. The rates themselves reflect the cost of UK Government borrowing and

prevailing market conditions. Loans are approved on the basis that local authorities can evidence their borrowing is affordable and is not being undertaken for onward investment. All Council borrowing is also governed by the CIPFA Prudential Code and the Council's approved Treasury & Investment policy.

Assumptions of higher PWLB borrowing costs have been reflected within the financial modelling which supports the recommendations on the Capital Funding Strategy. There remains, however, both a risk that borrowing costs increase by more than forecast and/or that Treasury conditions and regulations on local authority borrowing change in a manner which adversely impacts upon the Council. The affordability of the Council's Capital investment could be significantly impacted by either event which would require both a review of planned investment and the Council's Capital Funding Strategy.

13.4 Council Funding

The level of Capital investment which the Council can support is largely a product of its ability to borrow which is a Revenue expense. There is a risk that any adverse change in either the Council's Revenue or Capital Grant funding from the Scottish Government may have a significant impact on the affordability of the Capital Delivery Programme. This would require corrective action to both planned expenditure and the approved Capital Funding Strategy.

13.5 Capacity to Deliver

The Council's planned Capital investment is dependent upon the availability of external contractors capable of delivering proposed schemes and of in-house or consultancy resources with the experience and knowledge to consult upon, plan, co-ordinate and oversee the delivery of what are often complex and large-scale projects.

There is a recognised shortage in the employment market of skills in specialist areas such as structural engineering. The impact of current and future budget cuts may further reduce internal capacity to employ and retain staff to deliver Capital investment and appropriate consultancy support may not always be an available or cost-effective option.

All local authorities experience some degree of slippage in the delivery of their Capital Programmes for similar reasons. The Council will, therefore, need to consider delivery risk in both setting an affordable programme and in managing community expectations on delivery.

14 SUMMARY

- 14.1 The report reflects the recent decisions of Council in respect of the Corporate Asset Management Framework; the Transformation Review of Leisure Assets and the Review of the Learning Estate as set out in sections 4, 5 and 6 of the report.

- 14.2 In accordance with the previous decision of Council, £90 million is provisionally allocated within the Capital Delivery Programme for the Review of Leisure Assets, as set out in section 5 of the report.
- 14.3 The report recommends that Council determine a 6 Year Capital Delivery Programme for the period 2024/25-2029/30 based upon the existing approved General Fund Capital budget, as summarised in section 8 of the report and detailed at **Appendix 1**.
- 14.4 Officers have reviewed the Council's General Fund Budget and have made recommendations on additional Capital investment totalling approximately £99 million, as set out in sections 9 and 10 of the report and summarised in table 7.
- 14.5 Officers recognise the significant decisions the Council has already made in respect of its Capital investment and the challenge this presents in terms of affordability. Officer recommendations are, therefore, limited to maintaining investment in existing Council infrastructure and assets and on new projects only where these reflect an obligation upon the Council or are critical to ongoing service delivery.
- 14.6 Officers are remitted with bringing a progress report on Perth West to the Finance & Resources Committee on 12 June 2024 to confirm funding to deliver the next stage of the project.
- 14.7 An update is provided on the estimated borrowing required to fund the 6 Year Capital Delivery Programme. The report also presents the financial modelling which supports the recommendation within the Provisional Revenue Budget to ring-fence 1% of future Council Tax increases to support the Capital Budget, as set out in section 12 of the report.
- 14.8 A Risk Assessment in relation to the Council's Capital investment and Capital delivery is set out, in overview, in section 13 of the Report. Council is strongly advised that the Capital Funding Strategy must be viewed as a dynamic model which will be kept under review.
- 14.9 Any significant change in the Council's overall funding position; the identification of further investment priorities, the cost of project or programme delivery or the cost of Council borrowing (as examples) will require the Funding Strategy to be reviewed and, where necessary, adjusted.
- 14.10 The Council's Capital expenditure and funding position will continue to be monitored on an ongoing basis and reported routinely to the Council's Finance & Resources Committee or Council, together with recommendations for corrective action where necessary.
- 14.11 The recommendations contained within this report are estimated to require the Council to undertake approximately £428 million of additional borrowing over the period 2024/25-2029/30 to support investment in non-housing Capital expenditure.

14.12 Combined with an estimated borrowing requirement of £99.4 million for investment in the Council's social housing over the same period, the Council is forecast to have approximately £1.115 billion of outstanding debt with the Public Works Loans Board by the end of financial year 2029/30. The actual level of investment undertaken and borrowing required is dependent on current and future decisions by Council elected members.

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Approved

Name	Designation	Date
Stewart MacKenzie	Head of Finance	16 February, 2024
Clare Mailer	Director (Strategy, People and Resources)	16 February, 2024

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

The undernoted table should be completed for all reports. Where the answer is 'yes', the relevant section(s) should also be completed

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	None
Asset Management (land, property, IST)	None
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 2022 – 2027 lays out seven 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:

- Tackling poverty
- Tackling climate change and supporting sustainable places
- Growing a sustainable and inclusive local economy
- Enabling our children and young people to achieve their full potential
- Protecting and caring for our most vulnerable people
- Supporting and promoting physical and mental wellbeing
- Placing communities at the heart of how we work

1.2 This report relates to all 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.

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 2008, the Council has a general duty to demonstrate its commitment to sustainability and the community, and the environmental and economic impact 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 Executive Leadership Team has 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 1 - General Fund Capital Budget 2024/25 – 202027/28

Appendix 2 - Background Paper, Bertha Park Link Road

Appendix 3 – Background Paper, IT & Digital

Appendix 4 – Background Paper, Perth West