

PERTH & KINROSS COUNCIL

Finance & Resources Committee

22 November 2023

COMPOSITE CAPITAL BUDGET 2023/28 & HOUSING INVESTMENT PROGRAMME 2023/28 – MONITORING REPORT No.2

Report by Head of Finance
(Report No. 23/316)

1. PURPOSE

- 1.1 This report provides a summary position to date for the 5-year Composite Capital Budget and the 5-year Housing Investment Programme for 2023/24 to 2027/28 and seeks approval for adjustments to the programmes.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee:
- (i) notes the contents of this report.
 - (ii) approves the proposed adjustments to the five-year Composite Capital Budget 2023/24 to 2027/28 set out in Sections 5 and 6 of this report and summarised in Appendices I and II.
 - (iii) approves the proposed adjustments to the Housing Investment Programme Budget 2023/24 to 2027/28 set out in Section 7 of this report and summarised in Appendix III.

3. STRUCTURE

- 3.1 This report is structured over the following sections:
- Section 4: Background / Main Issues
 - Section 5: Composite Capital Programme – Gross Capital Resources
 - Section 6: Composite Capital Programme – Expenditure
 - Section 7: Housing Investment Programme
 - Section 8: Summary

4. BACKGROUND / MAIN ISSUES

- 4.1 The Finance & Resources Committee approved an updated five-year gross Composite Capital Budget for 2023/24 to 2027/28 totalling **£623,150,000** and a five-year gross Housing Investment Programme for 2023/24 to 2027/28 totalling **£92,205,000** at its meeting on 13 September 2023 (report 23/243 refers).
- 4.2 This report advises on expenditure to 30 September 2023, and the latest estimate of the projected outturn for each of the years to 2027/28 for the Composite Programme and for the Housing Investment Programme.

5. COMPOSITE CAPITAL PROGRAMME – GROSS CAPITAL RESOURCES

5.1 The current estimated total gross capital resources (which includes movements in Capital Receipts, Capital Grants, Contributions and borrowing) available over the five years 2023/24 to 2027/28 amount to **£623,484,000**.

5.2 Movements from the revised Composite Capital Budget approved on 13 September 2023 for the five years are summarised in the table below, and the constituent elements for each year are shown in Appendix I.

Total Gross Composite Capital Resources			
	Approved 13 September 2023	Current Estimate	Movement
	£'000	£'000	£'000
2023/24	202,214	196,328	(5,886)
2024/25	196,980	201,340	4,360
2025/26	110,535	111,750	1,215
2026/27	65,942	65,582	(360)
2027/28	47,479	48,484	1,005
Total	623,150	623,484	334

5.3 The overall movement in the total Gross Resources for the 5 years 2023/24 to 2027/28 shown at Section 5.2 above can be summarised as follows:

	£'000
Increase in Capital Grant – Community Bus Fund (Section 5.5)	199
Increase in Revenue Contributions (Section 5.6)	62
Decrease in Third Party Contributions (Section 5.6)	(29)
Increase in Borrowing Requirement (Section 5.8)	102
Increase in Gross Capital Resources (Section 5.2)	334

5.4 There has been some rephasing of General Fund, Commercial Property and Ring-Fenced receipts across the 5-year programme, however there is no change to the overall totals under each category.

5.5 The Scottish Government announced details of the Community Bus Fund on 20 September 2023, with the Council being allocated a Capital Grant of £199,000 in 2023/24. The grant is to improve connectivity and integration of transport modes or to support innovative transport solutions in areas of rural deprivation. The Grant has been added to the General Capital Grant, together with an expenditure budget for Community Transport Initiatives whilst specific proposals are developed.

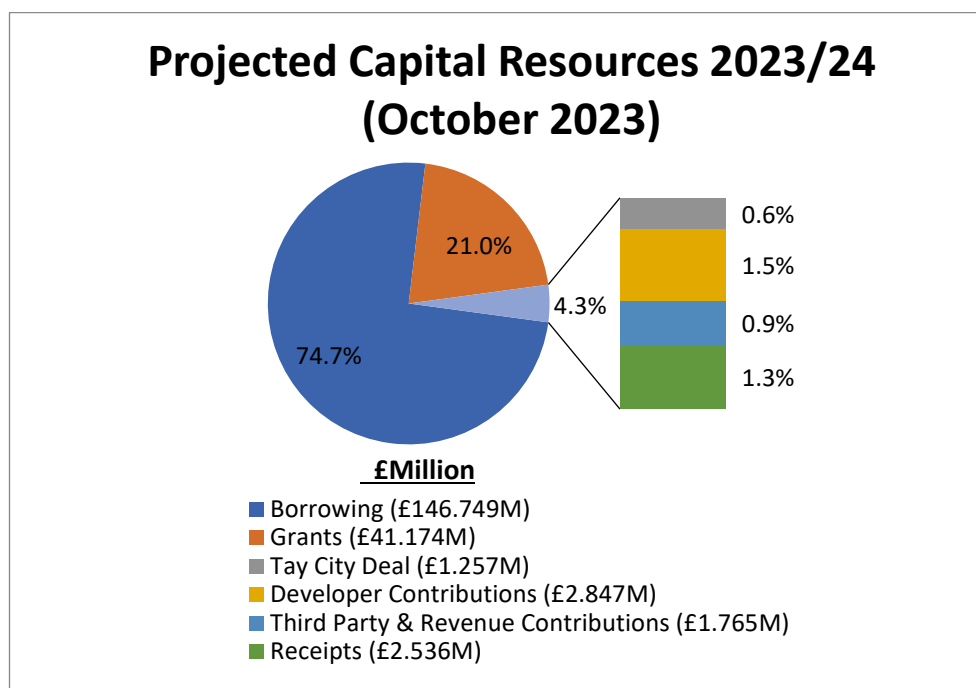
5.6 Revenue Contributions have increased by a net £62,000, mostly relating to Car Parking Investment (£65,000, Section 6.3.2), whilst Third Party Contributions have reduced by £29,000 in relation to the Smart City Waste project (Section 6.3.6).

5.7 The projected borrowing requirement in 2023/24, which is effectively the balancing item for resources, is **£146,749,000**. This is **£5,645,000** lower than the borrowing requirement approved on 13 September 2023.

5.8 The total new borrowing requirement in the subsequent years 2024/25 to 2027/28 has increased by **£5,747,000** to **£351,227,000**, resulting in an overall increase of **£102,000** in the total level of borrowing across the whole 5-year programme. The movement in borrowing is summarised as follows:

	2023/24	2024/25	2025/26	Later Years	Total
	£'000	£'000	£'000	£'000	£'000
Increase in Prudential Borrowing – Commercial Waste Wheeled Bins (Section 6.3.6)	173	0	0	0	173
Reduction in Prudential Borrowing – Smart Cities Waste (Section 6.3.6)	(71)	0	0	0	(71)
Movements arising from re-phasing of expenditure and receipts (Appendix II)	(5,747)	4,256	796	695	0
Increase/(Decrease) in Borrowing Requirement	(5,645)	4,256	796	695	102

5.9 The chart below shows the Capital Resources required to fund the 2023/24 Composite Capital Programme following the proposed budget adjustments detailed in this report.



6. COMPOSITE CAPITAL PROGRAMME – EXPENDITURE

6.1 Total Expenditure and Proposed Budget Adjustments to the Current Programme

6.1.1 Total expenditure (net of grants and contributions) to 30 September 2023 on the Composite Capital Programme is detailed in Appendix II and summarised as follows:

	£'000
Net Expenditure to 30 September 2023:	
Education & Children's Services	21,924
Communities	42,197
Health and Social Care	265
Corporate & Democratic Services	2,673
Total Net Capital Expenditure	67,059

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

6.1.3 In common with all Scottish local authorities and public and private sector bodies, the Council has experienced significant inflationary pressures on the delivery of its Capital investment programme over the past few years.

6.1.4 The Building Cost Information Service (BCIS) All-in Tender Price Index, which shows the general movement on construction pricing updated quarterly, forecasts a 0.7% increase between Q2 2023 and Q3 2023 which represents an increase of 4.0% in the year to Q3 2023. By comparison the increase in the year to Q3 2023 from Q3 2022 was 9.4%. Although construction costs are still rising, this forecast indicates that the rate of cost increase is reducing.

6.2 Education and Children's Services

6.2.1 The Executive Director (Education & Children's Services) has reviewed the programme for their Service and proposes the following budget adjustments, all of which reflect the realigning of budgets and programmes of works. The rephasing of budgeted expenditure on the Perth High School replacement project has no impact upon the completion date for the project which remains scheduled to open in August 2025.

Project	2023/24 £'000	2024/25 £'000	Later Years £'000	Description
Investment in Learning Estate	300	(300)	0	Works programme accelerated to meet current demands
Methven Primary School Refurbishment	110	(110)	0	Professional fees to be met in current year ahead of the scheduled works.
Perth Academy Refurbishment	1,000	0	(1,000)	Acceleration of works from previous works schedule.
Perth High School – New School Investment	(5,000)	5,000	0	Rephasing of budget to align with latest estimated cashflow from the contractor.

6.2.2 All the above proposed adjustments have been reflected in Appendices I & II.

6.3 Communities

6.3.1 The Executive Director (Communities) has reviewed the programme for their Service and proposes various budget adjustments, the most significant of which are described below.

6.3.2 Within Traffic & Road Safety, the contract value for car park resurfacing works is £65,000 higher than anticipated. The additional cost is being met through a proposed revenue contribution from the Car Park Trading Account with both these adjustments reflected in Appendix II.

6.3.3 Within Asset Management – Bridges, a review has been carried out to assess the work that can be completed in the current year and future years with the current staff capacity. The following adjustments are proposed which better reflects the ability for works to be scheduled:

2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
(1,997)	50	309	306	

6.3.4 It is also proposed that the budget of £134,000 for Tullyfergus Bridge is transferred back to the Bridge Refurbishment Programme, to be split evenly over 2024/25 to 2027/28 as there is currently no work scheduled on this bridge within the current capital programme.

6.3.5 Within Community Greenspace it is proposed that £411,000 of the Play Areas Improvement Implementation Strategy budget over the next three years is allocated across various programmes, with the majority (£403,000) allocated to be spent on play park equipment within Neighbourhood Parks over this year and next.

6.3.6 Within the Prudential Borrowing Projects, it is proposed to increase the borrowing for Commercial Bins by £173,000. This will be used to introduce a twin stream approach to commercial recycling with the aim of improved recycling rates and reduced contamination. This aligns with the twin stream domestic recycling currently being introduced, which is collected using the same vehicles for both domestic and commercial waste. In addition, there is a proposed reduction in expenditure of £100,000 on the Smart Cities Waste Programme, together with the consequent reduction in the ERDF Contribution of £29,000, resulting in a net reduction in borrowing of £71,000 on the programme. This reduction is a result of the complexities of delivering the works within the ERDF timescales.

6.3.7 The remaining budget adjustments reflect timing differences on various projects, with the most significant movements detailed in the table below:

Project	2023/24 £'000	2024/25 £'000	Later Years £'000	Description
Additional Road Safety – Pedestrian Crossings	(175)	0	175	Following a review of Traffic & Road Safety staff capacity, £175k of the budget for pedestrian crossings has been rephased to later years. This will not impact on school safety initiatives.
Pitlochry Car Park	(150)	150	0	No site has yet been identified for additional car parking in Pitlochry – it is therefore anticipated that works will not commence this year.
Cemetery Extensions	(439)	(90)	529	Rephasing of the Programme
Vehicle Replacement Programme – Purchases	2,000	(500)	(1,500)	Catch up of vehicle deliveries following previous delays due to Covid and supply chain disruptions.
Vehicle Replacement Programme - Disposals	(100)	25	75	Realigned disposals in line with revised purchases (above).
New Gypsy Traveller Site	(1,990)	0	1,990	Delay with progress due to recruitment issues. Project Manager appointed in October 2023. Steering Group in place to oversee the project.

6.3.8 All the above proposed adjustments, together with other small movements, have been reflected in Appendices I & II.

6.4 Corporate & Democratic Services

6.4.1 The Chief Operating Officer has reviewed the programme for their Service and proposes the budget adjustments described below.

Property Services

6.4.2 The Committee has previously approved that £250,000 for remedial action at Friarton Waste Transfer Station would be met from the Property Compliance Works Programme. As the programme budget is fully committed for 2023/24, it is proposed that £250,000 is accelerated from the Property Compliance Works Programme budget for 2024/25 to meet the cost of this urgent work.

6.4.3 The above proposed adjustment, together with a small movement on the Swift Replacement Project (Mosaic), have been reflected in Appendix II.

7. HOUSING INVESTMENT PROGRAMME

7.1 The current estimated expenditure, net of contributions, for the Housing Investment Programme over the 5 years 2023/24 to 2027/28 amounts to **£92,205,000**. Movements from the previous estimates approved by this Committee on 13 September 2023 are summarised in the table below and detailed in Appendix III.

	Approved 13 September 2023	Current Estimate	Movement
	£'000	£'000	£'000
2023/24	27,597	22,238	(5,359)
2024/25	13,744	13,503	(241)
2025/26	17,253	17,253	0
2026/27	19,044	17,644	(1,400)
2027/28	14,567	21,567	7,000
Total	92,205	92,205	0

7.2 Total Expenditure to 30 September 2023 (Housing Investment Programme)

Net expenditure for 2023/24 to 30 September 2023 amounts to £8,845,000. As there have been no receipts, this therefore means that the borrowing requirement for the year to date is also £8,845,000.

7.3 The Executive Director (Communities) has reviewed the Housing Investment Programme and proposes the budget adjustments outlined below.

7.4 Due to delay with project starts in the current year, it is proposed to re-allocate the 2023/24 New Build Future Developments budget as follows:

- £1,641,000 to the Council House Buy-Back programme in 2023/24 to cover the increased level of properties expected to be purchased this year.
- £7,000,000 to the New Build Future Developments budget in 2027/28, to be drawn down in future years as new projects are progressed.

7.5 With additional properties identified under the Triple Glazing Programme, it is proposed to re-allocate £1,400,000 to this budget in 2023/24 from the SHQS Future Developments budget in 2026/27.

7.6 The remaining budget adjustments reflect timing differences on various projects, as detailed in the table below:

Project	2023/24 £'000	2024/25 £'000	Later Years £'000	Description
Energy Efficiency	163	(163)	0	Budget accelerated into 2023/24 to fund internal wall insulation works undertaken in the current year
Major Adaptations to Council House Stock	78	(78)	0	Budget accelerated into 2023/234 to fund an extension to a property in Douglas Road, Scone for a medical adaptation

7.7 The above proposed adjustments do not impact the borrowing requirement over the 5-year programme, therefore the total borrowing requirement remains unchanged at £80,712,000.

8. BUDGET OVERVIEW

8.1 The projected net expenditure outturn in 2023/24 for the Composite Capital Budget is **£174,327,000** and represents **98%** of the original 2023/24 budget approved on 26 April 2023 (£178,033,000). The revised budget is based on the latest projection of expenditure and all budget adjustments outlined within this report.

8.2 Net expenditure to 30 September 2023 on the Composite Capital Budget is **£67,059,000** and represents 38% of the proposed revised budget for 2023/24 of **£174,327,000**. This level of expenditure is higher than normal at this stage of the financial year, and reflects several large projects currently on-site, notably Destiny Bridge (Cross Tay Link Road); the Perth High School replacement project and Blairgowrie Recreation Centre.

8.3 The projected net expenditure outturn in 2023/24 for the Housing Investment Programme is **£22,238,000** and represents **109%** of the original 2023/24 budget approved on 26 April 2023 (£20,422,000). The increase reflects the acceleration of several programmes in the current year since April 2023.

8.4 Net expenditure to 30 September 2023 on the Housing Investment Programme is **£8,845,000** which represents **40%** of the proposed revised budget for 2023/24 of £22,238,000.

8.5 The Council's total Borrowing Requirement for the year-to-date (to 30 September 2023), based on the Composite and Housing Investment Programmes, was **£64,894,000**. The estimated overall Council Borrowing Requirement for 2023/24 as a whole has reduced by **£11,004,000** to **£166,932,000** as a result of the monitoring adjustments reflected within this report. Over the whole 5-year programme, there is only a small increase of **£102,000** in the overall level of borrowing, relating to Prudential Borrowing projects.

8.6 While the projections have been based on a comprehensive monitoring exercise, they continue to remain subject to uncertainty as a result of ongoing inflationary pressures, particularly in the construction industry, in the current economic environment.

Author(s)

Name	Designation	Contact Details
John Jennings	Senior Accountant	CHXFinance@pkc.gov.uk

Approved

Name	Designation	Date
Stewart MacKenzie	Head of Finance	24 October 2023
Karen Donaldson	Chief Operating Officer	

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

Corporate Plan

1.1 The Council's Corporate Plan 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 of these objectives.

2. Resource Implications

Financial

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

Workforce

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

Asset Management (land, property, IT)

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

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

Internal

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

2. BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

Appendix I – Composite Capital Programme - Estimated Capital Resources 2023/24 to 2027/28

Appendix II – Composite Capital Programme - Summary of Capital Resources and Expenditure 2023/24 to 2027/28

Appendix III – HRA Capital Investment Programme – Summary of Capital Resources and Expenditure 2023/24 to 2027/28

Appendix IV – Significant Capital Projects Progress Update