

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee

24 November 2021

COMPOSITE CAPITAL BUDGET 2021/29 & HOUSING INVESTMENT PROGRAMME 2021/26 – MONITORING REPORT NUMBER No.2

Report by the Head of Finance
(Report No. 21/215)

PURPOSE OF REPORT

This report provides a summary position to date for the 8-year Composite Capital Budget for 2021/22 to 2028/29 and the 5-year Housing Investment Programme 2021/22 to 2025/26 and seeks approval for adjustments to these budgets.

1. BACKGROUND / MAIN ISSUES

- 1.1 The Committee approved an updated 8-year gross Composite Capital Budget for 2021/22 to 2028/29 totalling £569,794,000 and a five-year gross Housing Investment Programme for 2021/22 to 2025/26 totalling £67,870,000 at its meeting on 1 September 2021 (report 21/147 refers).
- 1.2 Subsequently, the Council approved an additional £35,400,000 of expenditure on the Composite Capital Budget, funded by borrowing, at its meeting on 6 October 2021 (report 21/181 refers).
- 1.3 This report advises on expenditure to 30 September 2021, and the latest estimate of the projected outturn for each of the years to 2028/29 for the Composite Programme and to 2025/26 for the Housing Investment Programme.

2. COMPOSITE CAPITAL PROGRAMME – GROSS CAPITAL RESOURCES

- 2.1 The current estimated total gross capital resources (which includes movements in Capital Receipts, Capital Grants, contributions and borrowing) over the eight years 2021/22 to 2028/29 amount to £605,084,000. Movements from the revised Composite Capital Budget approved on 1 September 2021 are summarised in the table below, and the constituent elements for each year are shown at Appendix I.

	Total Composite Gross Capital Resources		
	Approved 1 Sept 2021	Current Estimate	Movement
	£'000	£'000	£'000
2021/22	113,445	96,796	(16,649)
2022/23	163,436	159,320	(4,116)
2023/24	131,589	158,859	27,270
2024/25	50,146	70,901	20,755
2025/26	30,660	34,311	3,651
2026/27	28,440	28,883	443
2027/28	25,799	27,284	1,485

2028/29	26,279	28,904	2,625
Total	569,794	605,258	35,464

2.2 The movement in the total Gross Resources for the 8 years 2021/22 to 2028/29 includes additional forecast grant, contributions, and receipts of £1,086,000 but predominantly reflects a net increase in the Council's estimated borrowing requirement of £34,378,000 following the decisions of Council at its meeting on 6 October.

2.3 The £1,086,000 increase in contributions and receipts comprises the following adjustments:

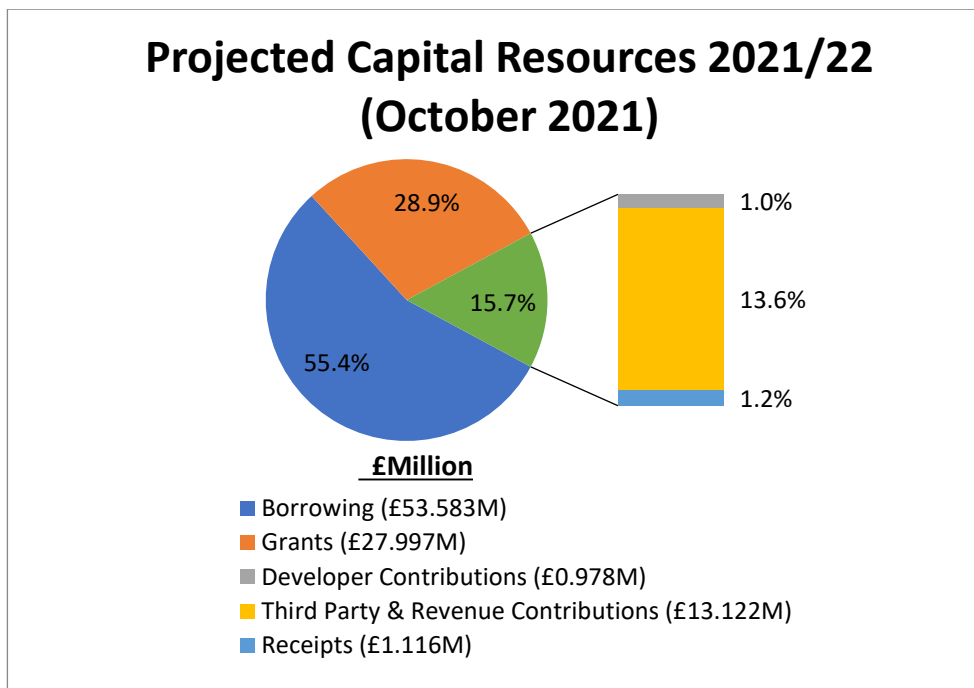
- £174,000 additional Scottish Government grant for Carbon Dioxide monitors in schools (para 3.4.3)
- £63,000 additional allocation by TACTRAN under the Cycling Walking & Safer Street Programme (para 3.3.3)
- £31,000 additional contribution to the Play Areas programme (para 3.3.3)
- £735,000 additional revenue contribution from the Placed Based Development Programme for Letham Hub (para 3.3.10)
- £77,000 proposed allocation from the Salix Reserve for energy efficiency works (para 3.4.7)
- £6,000 additional Ring-Fenced receipts on the Communities Prudential Borrowing programme (para 3.3.12)

2.4 The projected Borrowing Requirement in 2021/22 is £53,583,000. This is £10,509,000 lower than the Borrowing Requirement approved by the Committee on 1 September 2021.

2.5 The total Borrowing Requirement in the subsequent years 2021/22 to 2028/29 has increased by £44,887,000 to £357,160,000, resulting in an overall increase of £34,378,000 across the whole 8-year programme. The movement in borrowing is summarised as follows:

	2021/22	2022/23	2023/24	Later Years	Total
	£'000	£'000	£'000	£'000	£'000
Increased borrowing approved on 6 October 2021	0	3,732	12,073	19,595	35,400
Reduction in Communities Programme (Section 3.3.12)	(711)	0	0	0	(711)
Reduction in CDS Programme (Section 3.4.4)	(59)	0	0	0	(59)
Reduction in CDS Prudential Borrowing (Section 3.4.6)	(252)	0	0	0	(252)
Reduction/(Increase) in CTRL Grant (Section 3.3.6)	10,000	10,000	(20,000)	0	0
(Increase)/Decrease in Tay City Deal Third Party Contributions (Section 2.4)	(2,774)	474	2,300	0	0
Movements arising from re-phasing of other expenditure and receipts (Appendix II)	(16,713)	(7,848)	15,197	9,364	0
Increase/(Decrease) in Borrowing Requirement	(10,509)	6,358	9,570	28,959	34,378

2.6 The chart below shows the Capital Resources required to fund the 2021/22 Composite Capital Programme following the proposed budget adjustments detailed in this report.



3. COMPOSITE CAPITAL PROGRAMME – EXPENDITURE

3.1 Total Expenditure and Proposed Budget Adjustments

3.1.1 Total expenditure (net of grants and contributions) to 30 September 2021 on the Composite Capital Programme amounts to £21,398,000, which is detailed at Appendix II and can be summarised as follows:

	Net Expenditure to 30 Sept 2021
	£'000
Education & Children's Services	4,154
Communities	13,150
Health and Social Care	121
Corporate & Democratic Services	3,973
Total	21,398

3.1.2 On 6 October 2021, the Council approved an additional £35,400,000 of expenditure on the Composite Capital Programme. This has been included in the Appendices to this report and comprises:

- Increase in budget for Perth High School Replacement - £8,300,000
- Increase in budget for North Muirton/Balhousesie Primary School Replacement - £3,500,000
- Funding for Harris Academy extension to accommodate Invergowrie pupils - £4,200,000
- Increase in budget for Blairgowrie Recreation Centre - £8,900,000

- Funding for Information Technology/Digital Capacity - £10,500,000

3.1.3 A full monitoring exercise has been carried out, which is detailed at Appendix II with the most significant movements set out below:

3.2 Education and Children's Services

3.2.1 The Executive Director (Education & Children's Services) has reviewed the programme for their Service and there are no further movements to report at this time. The budget will continue to be monitored as each project progresses and updates will be provided to future meetings.

3.3 Communities

3.3.1 The Executive Director (Communities) has reviewed the programme for their Service and proposes various budget adjustments as follows:

3.3.2 Due to delays in programme delivery during lockdown and competing demand pressures on the Council's Roads team, the programme for Traffic & Road Safety has been reviewed to prioritise grant funded works and projects which can be delivered in the current year. It is therefore proposed to rephase £1,121,000 from the current year budget as follows:

- Road Safety Initiatives - £270,000 to 2022/23 (£121,000); 2023/24 (£75,000); and 2024/25 (£74,000)
- Additional Road Safety (Pedestrian Crossings) - £350,000 to 2023/24 (£175,000) and 2024/25 (£175,000)
- Schools Road Safety Measures - £200,000 to 2022/23
- 20mph Signage Programme (Schools) - £40,000 to 2022/23
- Car Parking Investment - £261,000 to 2022/23

3.3.3 Within the Traffic and Road Safety budget, £63,000 has been allocated from TACTRAN towards Cycling Walking and Safer Streets (CWSS), which has been reflected in the current year. It is also proposed that £150,000 for Car Park Investment in Pitlochry is rephased to 2022/23 whilst parking surveys are ongoing, and £84,000 for Strathmore Cycle Network is rephased to 2022/23.

3.3.4 Within the Roads and Lighting Programme, it is proposed to reallocate £200,000 for Investment in Local Footpaths from the current year to next year to better reflect the proposed timeframe for works being undertaken as a result of staff resource shortages for this programme.

3.3.5 Following an increase in the budget for the Bridges programme on 1 September 2021 (Report 21/147 refers), £893,000 was allocated across the 8-year rolling programme to meet ongoing bridge works as required. Following a review of the works to be undertaken in the current year, it is proposed to move £282,000 of the budget to next year in line with expenditure estimates. Also, within the Bridges Programme it is proposed to rephase £170,000 and £140,000 for Old Perth Bridge and Perth Queens Bridge respectively to 2022/23. This is due to staff resources being focused on Bellwin Scheme repairs and it is now

anticipated that substantive works on the Perth Bridges will not take place this financial year.

- 3.3.6 Following the award of the contract for the Cross Tay Link Road (CTLR), it is proposed to rephase the budget to reflect the updated spend profile. While there is no change to the overall budget for this project, £6,044,000 in the current year and £13,797,000 in 2022/23 requires to be rephased into 2023/24 (£11,233,000) and 2024/25 (£8,608,000) respectively. Further, following receipt of the draft terms and conditions of the Transport Scotland grant for the CTLR, it has been necessary to rephase the payment profile in line with the construction phase of the contract. Also, within Improvement Schemes, it is proposed to transfer £53,000 of the budget for A977 upgrades, relating to the B9097 realignment, from the current year to next to reflect the planned timeframe of the works.
- 3.3.7 Work on the Milnathort Flood Protection scheme had originally been scheduled for completion next year. This work will now take place in 2023/24 and, as such, it is proposed to transfer £1,603,000 from 2022/23; with £13,000 required in the current year and £1,590,000 required in 2023/24.
- 3.3.8 Within Other Planning Projects, it is no longer anticipated that work will be completed in the current year on the Low Carbon Transport and Active Travel Hub. It is proposed to transfer the income and expenditure budget for this project to 2022/23 in line with the schedule of works.
- 3.3.9 Following an update from the contractor for Perth City Hall, it is proposed to rephase the budget in line with their anticipated spend profile. The budget in 2022/23 requires to be reduced by £5,713,000 with £2,845,000 being accelerated into the current year; and £2,205,000 and £663,000 moving into 2023/24 and 2024/25 respectively. As a result of projected underspends in other authorities, Tay Cities Deal funding for the City Hall Project has also been accelerated with all funding now recognised in the current year. There are no plans for work on Perth Museum & Art Gallery (PMAG) or the Collections Store in this financial year whilst the programme is reviewed. Therefore, it is proposed that the £2,800,000 and £6,400,000 respective budgets be moved from the current year into next financial year.
- 3.3.10 The Strategic Policy & Resources Committee on 1 September 2021 approved the allocation of an additional £735,000 for the Letham Community Wellbeing Hub project, to be met through funding from the new Scottish Government Place Based Investment Programme (Report 21/149 refers). This increase has now been reflected in the budget for the Letham Community Wellbeing Hub.
- 3.3.11 Within the Community Greenspace budget, additional third-party contributions of £29,000 and £2,000 from the developer contribution reserve are due to be received towards play areas. It is, therefore, proposed to increase the Play Areas budget by a total of £31,000 in the current year. Further, it is proposed to move £140,000 from the current year to next year. This follows an allocation from the Scottish Government of an initial £140,000 additional Capital Grant for Play Parks to commence the renewal and refurbishment of play areas in 2021/22. As this work is to be commenced in 2021/22, other work in this area is now scheduled to be undertaken in 2022/23.

- 3.3.12 Within the Prudential Borrowing programme, it is proposed to remove the allocation of £711,000 for Perth Harbour Dredging as this work is no longer expected to take place during the current 8-year Capital Programme. It is also proposed to transfer the Technology & Innovation Incubator Units budget of £1,000,000 from 2021/22 to 2022/23, in line with anticipated expenditure. On the Recycling Containers Replacement Programme, a further £6,000 of receipts have been realised from the disposal of surplus skips which it is proposed to reinvest in the programme.
- 3.3.13 All the above proposed movements, together with other smaller adjustments, have been included in Appendix II.

3.4 Corporate & Democratic Services

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

Property Services

- 3.4.2 As a result of access issues due to Covid-19 and staff availability, it is proposed that £723,000 of the budget for the Property Compliance Works Programme is transferred to 2022/23.
- 3.4.3 The Scottish Government has announced additional grant funding in 2021/22 for Carbon Dioxide monitors in schools, with £174,000 of capital grant awarded to the Council. This is to be applied for the purchase and installation of monitors in schools and private third sector children's day care facilities and has been included at Appendix I and II.
- 3.4.4 Within the Capital Improvement Programme, it is proposed to accelerate £1,011,000 into the current year with a reduction in future years budgets of £411,000 in 2022/23 and £100,000 per annum for the following six years. This is due to an increase in scheduled works to be undertaken in the current year and to align the budget with the latest cost estimates. This includes essential fabric, heating and roof improvements to facilitate the re-opening of Coupar Angus Town Hall. It is also proposed to transfer the remaining budget of £6,000 on the Perth Theatre Budget to Capital Improvements as this is where the current works on the Theatre roof are being funded from.
- 3.4.5 As the Fire Audit Works at Robert Douglas Memorial School have been completed, the remaining budget of £59,000 is no longer required. It is therefore proposed that this budget is removed from the capital programme.
- 3.4.6 It is proposed that the budgets for the Upgrade Programme at Pitlochry High School and Structural Improvements at the Community School of Auchterarder are adjusted to reflect the level of works to be completed during the current year, with the remainder of works due for completion in 2022/23. This results in a rephasing of £79,000 for Pitlochry High School and £725,000 for Community School of Auchterarder from 2021/22 to 2022/23.

3.4.7 In order to progress the Photovoltaic project at Crieff Primary School, it is proposed that £77,000 of funding be made available from the Salix Fund reserve. Also, in relation to Energy Conservation, it is proposed that £252,000 of the Prudential Borrowing budget is removed from the programme in the current year.

Information Systems & Technology

3.4.8 Following the approval by Council on 6 October 2021 for an additional £10,500,000 allocation to the ICT Infrastructure budget, the budget has been rephased across the 8 years of the current programme in line with projected expenditure and licencing requirements. This includes £428,000 which is proposed to be brought forward into the current year from future years.

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

4. HOUSING INVESTMENT PROGRAMME

4.1 The current estimated expenditure, net of contributions, for the Housing Investment Programme over the 5 years 2021/22 to 2025/26 remains unchanged at £67,870,000. Movements from the previous estimates approved by the Committee on 1 September 2021 are as follows, and detailed in Appendix III:

	Approved 1 Sept 2021	Current Estimate	Movement
	£'000	£'000	£'000
2021/22	14,859	14,292	(567)
2022/23	11,612	12,576	964
2023/24	12,983	12,983	0
2024/25	10,972	10,934	(38)
2025/26	17,444	17,085	(359)
Total	67,870	67,870	0

4.2 Total net expenditure to 30 September 2021 on the Housing Investment Programme amounts to £4,698,000, with receipts amounting to £23,000.

4.3 The Executive Director (Communities) has reviewed the Housing Investment Programme and proposes further budget adjustments as outlined below:

4.4 It is proposed to drawdown a total of £1,679,000 from the New Build Future Development budget in 2021/22 (£1,357,000) and 2022/23 (£322,000). This transfer is primarily for the scheme at Fairfield, Perth, with a net amount of £371,000 required in 2021/22 and £1,291,000 required in 2022/23. This includes £1,016,000 of Scottish Government grant and £320,000 of Second Home Council Tax income which have also been applied to the project. The remainder of the proposed transfer is for professional fees for the new project at Lynedoch Road, Methven (£2,000) and final works at Milne Street, Perth (£15,000).

4.5 As a result of the redevelopment of 149-151 Dunkeld Road, Perth, it is proposed to transfer and accelerate £241,000 from Scottish Housing Quality Standard (SHQS) Future Developments budget in 2025/26 to 2021/22 for this project. The 2021/22 amount has also been grossed up to reflect £14,000 of Scottish Government grant which has been received for the project.

- 4.6 Following an increase in material costs and additional properties receiving triple glazing, it is also proposed to transfer and accelerate £118,000 from the SHQS Future Developments budget in 2025/26 to Triple Glazing in 2021/22. It is also proposed to accelerate £38,000 within Rewiring, Infrastructure & Property Refurbishment budget from 2024/25 to 2021/22 to fund the cost of two enhanced voids.
- 4.7 All of the above proposed adjustments, together with other small movements, have been included in Appendix III. The total Housing Investment Programme borrowing requirement over the five-year period to 31 March 2026 is unchanged from the position approved by the Council on 1 September 2021.

5. SUMMARY

- 5.1 The projected net expenditure outturn in 2021/22 for the Composite Capital Budget is £79.137 million and represents 78% of the original 2021/22 budget as approved on 31 March 2021 (£101.668 million). The revised budget is based on the latest projection of expenditure and the budget adjustments outlined within this report.
- 5.2 Net expenditure to 30 September 2021 on the Composite Capital Budget is £21.398 million and represents 27% of the proposed revised budget for 2021/22 of £79.137 million. It should, however, be noted that capital expenditure is historically higher in the second half of the financial year, including accounting for valuations of work completed at the financial year-end which have not been paid by that date.
- 5.3 The projected net expenditure outturn in 2021/22 for the Housing Investment Programme is £14.134 million and represents 142% of the original 2021/22 budget approved by the Housing and Communities committee in February 2021 (£9.919 million).
- 5.4 Net expenditure to 30 September 2021 on the Housing Investment Programme is £4.698 million which represents 33% of the proposed revised budget for 2021/22 of £14.134 million.
- 5.5 While the projections in this report have been based on a full monitoring exercise, they remain subject to ongoing uncertainty. The delays experienced over the last year as a result of the Covid-19 pandemic are impacting on internal capacity as Council officers seek to deal with competing demands and prioritise those projects which can be delivered in the current year. Elected members have also recently been briefed on the impact of supply chain issues within the construction industry in terms of cost inflation and the availability of materials and skilled labour. The Capital budget will remain under close review, but the Committee is advised that the delivery of the Council's Capital programme is particularly challenging in current circumstances.

6. RECOMMENDATIONS

6.1 It is recommended that the Committee:

- (i) notes the contents of this report.
- (ii) approves the proposed budget adjustments to the eight-year Composite Capital Budget 2021/22 to 2028/29 set out in Sections 2 and 3 of this report and summarised at Appendices I and II.
- (iii) approves the proposed budget adjustments to the Housing Investment Programme Budget 2021/22 to 2025/26 set out in Section 4 of this report and summarised at Appendix III.

Author(s)

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Approved

Name	Designation	Date
Karen Donaldson	Chief Operating Officer (Corporate & Democratic Services)	5 November 2021
Stewart MacKenzie	Head of Finance	4 November 2021

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

Corporate Plan

1.1 The Council's Corporate Plan 2018 – 2023 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.2 This report relates to all of these objectives.

2. Resource Implications

Financial

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

Workforce

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

Asset Management (land, property, IT)

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

3 Assessments

Equality Impact Assessment

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

Strategic Environmental Assessment

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

Sustainability

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

4. Consultation

Internal

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

2. BACKGROUND PAPERS

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

3. APPENDICES

- Appendix I – Composite Capital Programme - Estimated Capital Resources 2021/22 to 2028/29
- Appendix II – Composite Capital Programme - Summary of Capital Resources and Expenditure 2021/22 to 2028/29
- Appendix III – HRA Capital Investment Programme – Summary of Capital Resources and Expenditure 2021/22 to 2025/26