

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee 20 April 2022

COMPOSITE CAPITAL BUDGET 2021/28 & HOUSING INVESTMENT PROGRAMME 2021/26 – MONITORING REPORT NUMBER 4

Report by the Head of Finance (Report No. 22/88)

PURPOSE OF REPORT

This report provides a summary position to date for 2021/22 and for the 6-year Composite Capital Delivery Programme 2022/23 to 2027/28 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 £606,199,000 and a five-year gross Housing Investment Programme for 2021/22 to 2025/26 totalling £67,870,000 at its meeting on 2 February 2022 (report 22/25 refers). Subsequently, on 23 February the Council approved its 6-year Capital Delivery Programme for 2022/23 to 2027/28 totalling £634,436,000, which together with the current year approved programme of £88,525,000 results in an overall total of £722,961,000.
- 1.2 This report advises on expenditure to 28 February 2022, and the latest estimate of the projected outturn for each of the years to 2027/28 for the Composite Programme and to 2025/26 for the Housing Investment Programme.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee:
- (i) notes the contents of this report.
 - (ii) approves the proposed budget adjustments to the seven-year Composite Capital Budget 2021/22 to 2027/28 set out in Sections 3 and 4 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 5 of this report and summarised at Appendix III.

3. COMPOSITE CAPITAL PROGRAMME – GROSS CAPITAL RESOURCES

- 3.1 The current estimated total gross capital resources (which includes movements in Capital Receipts, Capital Grants, contributions and borrowing) over the seven years 2021/22 to 2027/28 amount to £723,430,000. Movements from the revised Composite Capital Budget approved on 23 February 2022 are

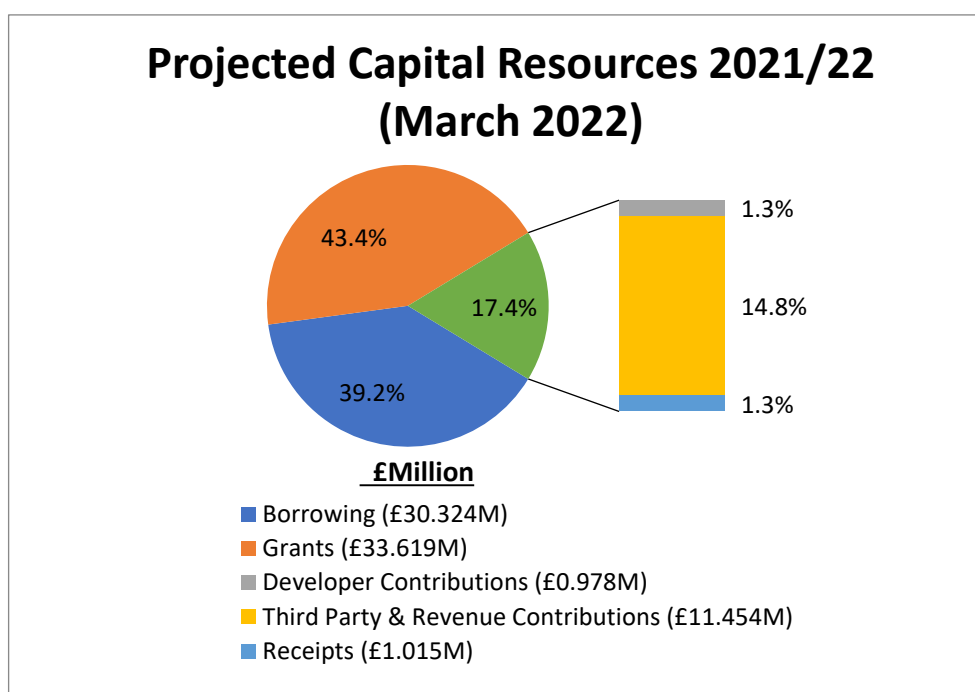
summarised in the table below, and the constituent elements for each year are shown at Appendix I.

Total Composite Gross Capital Resources			
	Approved 23 Feb 2022	Current Estimate	Movement
	£'000	£'000	£'000
2021/22	88,525	77,390	(11,135)
2022/23	176,562	162,452	(14,110)
2023/24	173,493	187,177	13,684
2024/25	126,749	137,954	11,205
2025/26	61,376	61,769	393
2026/27	52,519	52,830	311
2027/28	43,737	43,858	121
Total	722,961	723,430	469

- 3.2 The increase in resources of £469,000 comprises the following budget adjustments:
- Additional Third-Party Contributions of £92,000 for Play Areas and Core Paths (see Para 4.3.11).
 - Additional Revenue Contribution of £22,000 for the Almondbank Flood Protection Scheme
 - Additional Scottish Government Capital Grant of £144,000 for Play Parks (Para 4.3.11) and £100,000 for Coastal Change Adaptations (Para 4.3.6).
 - Additional Scottish Government ring-fenced grant funding for Cycling, Walking & Safer Streets (CWSS) in 2021/22 of £111,000.
- 3.3 There has also been rephasing of contributions and grants, including bringing forward £5,000,000 of the grant for the Cross Tay Link Road (CTLR) from 2023/24 to 2021/22. This is in line with the final agreement with Transport Scotland which reflects the progress made on the project.
- 3.4 In February, the Scottish Government confirmed the 2022/23 allocations for the Renewal of Play Parks as part of the General Capital Grant, with the Council being allocated £144,000. In addition, the Council has been allocated £100,000 grant funding for Coastal Change Adaptation in 2023/24. There is also an adjustment in funding between years of £120,000 in relation to TACTRAN.
- 3.5 The updated projected Borrowing Requirement in 2021/22 is £30,324,000, which is £14,606,000 lower than the Borrowing Requirement approved by the Council on 23 February 2022. Of this movement £5,000,000, however, relates to the rephasing of grant funding for the Cross Tay Link Road which has recently been confirmed.
- 3.6 The total Borrowing Requirement in the subsequent years 2022/23 to 2027/28 has increased by £14,606,000 to £502,003,000, resulting in no overall movement across the whole 7-year programme. The movement in borrowing is summarised as follows:

	2021/22	2022/23	2023/24	Later Years	Total
	£'000	£'000	£'000	£'000	£'000
Adjustment in Grant funding between years (Para 3.4)	(120)	120	0	0	0
Rephasing of Capital Grant for the Cross Tay Link Road (Para 3.3)	(5,000)	0	5,000	0	0
Movements arising from re-phasing of other expenditure and receipts (Appendix II)	(9,486)	(14,740)	12,196	12,030	0
Increase/(Decrease) in Borrowing Requirement	(14,606)	(14,620)	17,196	12,030	0

- 3.7 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.



4. COMPOSITE CAPITAL PROGRAMME – EXPENDITURE

4.1 Total Expenditure and Proposed Budget Adjustments

- 4.1.1 Total expenditure (net of grants and contributions) to 28 February 2022 on the Composite Capital Programme amounts to £42,934,000, which is detailed at Appendix II and can be summarised as follows:

	Net Expenditure to 28 Feb 2022
	£'000
Education & Children's Services	9,448
Communities	26,123
Health and Social Care	249
Corporate & Democratic Services	7,114
Total	42,934

4.1.2 All the additional expenditure and budget adjustments for each year approved by the Council at its meeting on 23 February 2022 are shown in Appendix II.

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

4.2 Education and Children's Services

4.2.1 The Executive Director (Education & Children's Services) has reviewed the programme for their Service and proposes various budget adjustments as outlined below.

4.2.2 Enablement Work has commenced on the refurbishment of Methven Primary School with the demolition of the existing gym facilities and a new nursery play area and access path being completed. To align with the design process, it is proposed to rephase £600,000 of the budget for Methven Primary School from 2021/22 into 2022/23 (£350,000) and 2024/25 (£250,000).

4.2.3 There has been significant progress made on-site on the construction of the new Riverside Primary School. As a result, it is proposed to accelerate £1,600,000 into 2021/22 from 2023/24 to meet the estimated valuation of works undertaken by the end of March 2022. The upgrade project at Longforgan Primary School has been completed and there is no further anticipated spend. It is proposed that the remaining budget of £96,000 is transferred back to Investment in the Learning Estate for use in 2023/24.

4.2.4 Within Early Learning and Childcare, there is no further expenditure planned for 2021/22. It is therefore proposed that £160,000 is moved from 2021/22 to 2022/23. Works at Letham Primary School have been completed and £250,000 of the budget for this project will not be required. It is proposed that this amount is also transferred back to the Early Learning and Childcare budget for use next year. Within the Early Learning & Childcare programme, following delays in the delivery of materials, the upgrade project at Rattray Primary School has been reviewed and it is proposed that £500,000 is moved from the current to next financial year in line with the revised works schedule, with the project still due for completion in Summer 2022.

4.2.5 All of the above proposed movements, together with other smaller adjustments, have been included in Appendix II.

4.3 Communities

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

4.3.2 Within Traffic and Road Safety, it is proposed to rephase £341,000 for Schools Road Safety Measures and £75,000 and £79,000 for the 20mph signage programmes from the current year into 2022/23 to allow for further work on the identification of priority sites and in recognition of the ongoing trial of the effectiveness of 20mph zones. Also, following an increase in the Cycling Walking & Safer Streets grant of £111,000, it is proposed to allocate

£75,000 in the current year to works at Wade Bridge, with the remainder allocated across various schemes in the current year.

- 4.3.3 Within the Roads and Lighting Programme, it is proposed to transfer £234,000 from Structural Maintenance into the future years' Bridge Refurbishment Programme. It is also proposed to move £53,000 from the current year to next year within Traffic Signal Renewals as a result of the rephasing of various works planned for 2022/23.
- 4.3.4 The Bridges Programme has been reprofiled to better reflect the level of work which it is estimated can be delivered each year and it is, therefore, proposed to move £110,000 from the current year and £1,371,000 from next year to be allocated equally in each of the following five years. At the previous meeting on 2 February 2022 (Report 22/25 refers), it was agreed for the works on both Old Perth Bridge and Queens Bridge to be rephased to align with the completion of the Cross Tay Link Road and thereby reduce disruption in Perth City Centre. Following a review of the scheme, it is proposed that £170,000 for Old Perth Bridge and £305,000 for Queens Bridge be moved from 2022/23 to 2023/24 in line with the previous rephasing of work. Also, within the Bridges Programme, it is proposed to move £354,000 from the current year into next year for the works at Glendevon Bridge due to the complex nature of the works currently being undertaken by the contractor. Following a review of the scheme at Tullyfergus Bridge, it is now anticipated that design work is due to be completed during 2022/23 and as such, on site works are unlikely to be completed during the same year. Due to this, it is proposed to move £123,000 from 2022/23 to 2023/24.
- 4.3.5 Within the Improvement Schemes it is proposed to rephase the works on the Cross Tay Link Road (CTLR) with a reduction in budget in the current year (£1,874,000) and 2024/25 (£236,000) and a subsequent increase in the budget next year and in 2023/24 of £2,085,000 and £25,000 respectively. The grant income towards the CTLR has also been rephased with £5,000,000 now due in the current year which was originally expected in 2023/24. It is also proposed to move £133,000 for the A977 Upgrades and £31,000 for Brioch Road from the current year into next in line with the planned completion of the works.
- 4.3.6 Within Rural Flood Protection Schemes, on the Comrie Flood Protection Scheme, a resourcing issue has developed following the loss of both the Project Manager and Engineer which has led to a review of the scheme and associated timeline. It is, therefore, proposed that the budget for the current year is reduced by £491,000 and for 2022/23 by £7,381,000 and 2023/24 by £2,381,000. The budget for 2024/25 would be increased by £10,253,000 to reflect this rephasing. Also, it is proposed to rephase the works on the various schemes at Milnathort, South Kinross and Scone by reducing the budget by £118,000 in the current year, £62,000 next year and £529,000 in 2023/24, and increasing the budgets in 2024/25 by £627,000 and in 2025/26 by £82,000 respectively. It is also proposed to include a new budget of £100,000 in 2023/24 for Coastal Change Adaptations in line with the Scottish Government Capital Grant.

- 4.3.7 Within the Perth & Kinross Place-making budget, a number of projects have been rephased due to ongoing discussions in respect of external funding, and it is not anticipated that ground works will commence in 2022/23. It is therefore proposed to move the budgets totalling £3,620,000 from 2021/22 and 2022/23 to 2023/24. Also, within the Perth & Kinross Place-making budget, it is proposed to move £100,000 of the budget for the Perth & Kinross Lighting Action Plan from the current year into next year.
- 4.3.8 Within the Other Planning Projects budget, it is proposed to move £109,000 of the budget for the Low Carbon Transport & Active Travel Hub from the current year to next year, along with the corresponding third-party contributions. This is expected to have no impact on the overall completion date next year.
- 4.3.9 Within the City Centre Developments programme, following an eight week delay to allow for archaeology and delays in the supply of materials, the spend profile for Perth City Hall has been revised. It is, therefore, proposed to move £2,106,000 of the budget from the current year into 2023/24. This adjustment is not, however, expected to impact upon the completion date for the project. In addition, the budgets for both Perth Museum and Art Gallery (£3,304,000 in 2022/23) and the Collections Centre (£6,400,000 in 2022/23) are proposed to be moved to 2023/24 due to Covid factors that have led to delays in the revised design programme and spending plans.
- 4.3.10 Within Community Planning, it is proposed to move £3,577,000 of the budget for Letham Community Wellbeing Hub, and £1,486,000 of Scottish Government Grant and other contributions from the current to next financial year to align with the anticipated programme of works being incurred. The project remains scheduled for completion in November 2022.
- 4.3.11 Within the Community Greenspace budget, it is proposed to move £123,000 for Play Areas from 2021/22 to 2022/23 in line with the programme of works to be completed each year, along with the rephasing of third-party contributions. The budget for 2022/23 is also supplemented by the additional Scottish Government Grant of £144,000 and by a further £17,000 third party contribution. Following the award of a grant for £75,000 from Sustrans towards the Crieff to Comrie core path, it is proposed to increase the budget in the current year by £2,000 and next year by £73,000. Due to ongoing difficulties in securing land together with staff capacity issues, it is proposed to move £256,000 of the budget for Cemetery Extensions from next year into 2023/24.
- 4.3.12 Within the Commercial Property Investment Programme (CPIP), following delays in the procurement process for the Broxden Drainage Mitigation Works, the project is still within the design phase with works not expected to progress until next year. It is, therefore, proposed that the budget (£314,000) and contribution from Scottish Water (£239,000) be moved into next year. In addition, the design of the Eco-Hub Manufacturing Facility is still being finalised and it is no longer anticipated that expenditure will be incurred next year. It is hence proposed to move the budget of £1,388,000 from next year into 2023/24.

4.3.13 Within the Prudential Borrowing programme, it is proposed to move £352,000 of the budget for the Vehicle Replacement Programme from the current year to next year. On the LED Traffic Signal Replacement programme, it is proposed to move £144,000 of the budget to next year following the identification of lengthy lead-in times by the contractor.

4.3.14 All the above proposed movements, together with other smaller adjustments, have been included in Appendix II.

4.4 Health & Social Care

4.4.1 The Developing Supported Tenancies project has not progressed in the current year as it is still in the development phase, and it is therefore proposed that the budget of £229,000 be moved from the current year to next financial year.

4.4.2 The above proposed adjustment is reflected in Appendix II.

4.5 Corporate & Democratic Services

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

Property Services

4.5.2 There continues to be delays in sourcing materials and contractors to carry out property works in the current climate which has impacted on the overall level of new works that can be completed in the current year. Consequently, it is proposed to move £129,000 of the budget for DDA Adaptations and £63,000 for Property Compliance Works from the current year into next year. It is, however, proposed to accelerate £256,000 of the budget for Capital Improvement Projects from 2027/28 to the current year to cover additional works identified within existing projects at 2 High Street, Milnathort Primary school and Perth Theatre. Also, within Property Services, following an update to the works profile for the Pitlochry High School Upgrade Programme, it is proposed to move £175,000 from the current to next financial year.

4.5.3 All the above proposed adjustments, together with other smaller adjustments, have been reflected in Appendices I and II.

5. HOUSING INVESTMENT PROGRAMME

5.1 The Housing & Communities Committee approved a new 5-year Capital Investment Programme to 2026/27 on 24 January 2022 (report 22/15 refers). Budgeted expenditure on the current Housing programme (2021/22- 2025/26) totals £79,870,000 and the approved budget for 2026/27 will form part of next year's capital monitoring.

5.2 The latest estimated expenditure, net of contributions, on the Housing Investment Programme over the 5 years 2021/22 to 2025/26 is £79,830,000. Movements from the previous estimates are as follows, and detailed in Appendix III:

	Approved 2 Feb 2022	Current Estimate	Movement
	£'000	£'000	£'000
2021/22	12,617	12,018	(599)
2022/23	17,299	17,963	664
2023/24	15,983	15,983	0
2024/25	13,886	13,871	(15)
2025/26	20,085	19,995	(90)
Total	79,870	79,830	(40)

- 5.3 Total net expenditure to 28 February 2022 on the Housing Investment Programme amounts to £8,782,000, with receipts amounting to £112,000.
- 5.4 The Executive Director (Communities) has reviewed the Housing Investment Programme and proposes further budget adjustments as outlined below:
- 5.5 The new build works at Fairfield, Perth have been delayed as a result of the necessary road closures for the sewer works being postponed from last year until the start of this year. Consequently, it is proposed to move £1,350,000 of the budget into 2022/23, together with the corresponding Scottish Government Grant and Council Tax Second Home income for the project. In addition, it is proposed to increase the Council Tax Second Home income applied to the development by £40,000 as the final design now incorporates 2 additional affordable housing units. Further works at the refurbishment of 149-151 Dunkeld Road have been identified in order to meet the varying needs of different Independent Living clients. It is, therefore, proposed to transfer £90,000 to the project in 2021/22 from the Scottish Housing Quality Standard (SHQS) Future Development budget in 2025/26.
- 5.6 It is proposed to accelerate a net total of £754,000 from the Council House Buy-Backs budget in 2022/23 into 2021/22. This is required to meet the cost of further purchases and Scottish Housing Quality Standard improvements incurred to the end of February (£824,000), less an additional £70,000 of Scottish Government grant. Additional amounts may be required should further purchases and improvements be concluded this year.
- 5.7 It is proposed to move £547,000 of the External Fabric budget and £270,000 of the Environmental Improvements budget from the current year to 2022/23. These reflect adjustments due to labour and material shortages, as well as procurement delays. There are no further planned works in the current year for Greyfriars (£34,000) or the Upgrade & Replacement Lift (£143,000) programme, whilst there have been no applications under the Mortgage to Rent Scheme (£75,000). Therefore, it is proposed to carry forward the budgets for each of these schemes to 2022/23.
- 5.8 Estimated Capital Financed by Current Revenue (CFCR) has reduced by £83,000 in 2021/22. After adjusting for an increase in receipts of £38,000 and the drawdown of a further £40,000 from the Council Tax Second Home Reserve, the net increase in the borrowing requirement for the programme in 2021/22 is £5,000.

5.9 The above proposed adjustments, together with other smaller movements between years, have been included in Appendix III.

6. SUMMARY

6.1 The projected net expenditure outturn in 2021/22 for the Composite Capital Budget is £56.882 million which represents 56% 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.

6.2 Net expenditure to 28 February 2022 on the Composite Capital Budget is £42.934 million which represents 75% of the proposed revised budget for 2021/22 of £56.882 million.

6.3 The projected net expenditure outturn in 2021/22 for the Housing Investment Programme is £12.018 million which represents 121% of the original 2021/22 budget approved by the Housing and Communities committee in February 2021 (£9.919 million).

6.4 Net expenditure to 28 February 2022 on the Housing Investment Programme is £8.782 million which represents 73% of the proposed revised budget for 2021/22 of £12.018 million.

6.5 The Committee are reminded that the figures within this report are shown at a point in time and that Capital expenditure at the end of the financial year is historically higher once accruals and year-end valuations are taken into account. As members will be aware, the delivery of Capital projects and programmes is determined not only by officer capacity but also by significant and increasing challenges in the construction sector supply chain. This, in turn, is reflected in the cost of delivering Capital projects which currently remains volatile and subject to significant inflationary pressure.

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Approved

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

Corporate Plan

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

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

1.2 This report relates to all of these objectives.

2. Resource Implications

Financial

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

Workforce

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

Asset Management (land, property, IT)

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

3 Assessments

Equality Impact Assessment

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

Strategic Environmental Assessment

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

Sustainability

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

4. Consultation

Internal

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

2. BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt

information) were relied on to any material extent in preparing the above report.

3. APPENDICES

- Appendix I – Composite Capital Programme - Estimated Capital Resources 2021/22 to 2027/28
- Appendix II – Composite Capital Programme - Summary of Capital Resources and Expenditure 2021/22 to 2027/28
- Appendix III – HRA Capital Investment Programme – Summary of Capital Resources and Expenditure 2021/22 to 2025/26