

PERTH & KINROSS COUNCIL

Finance & Resources Committee

13 September 2023

COMPOSITE CAPITAL BUDGET 2023/28 & HOUSING INVESTMENT PROGRAMME 2023/28 – MONITORING REPORT NUMBER No.1

Report by Head of Finance
(Report No. 23/243)

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. The format of the report has been updated in light of elected member feedback from workshop sessions held in July :

- 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 six-year gross Composite Capital Budget for 2022/23 to 2027/28 totalling **£727,448,000** and a five-year gross Housing Investment Programme for 2022/23 to 2027/28 totalling **£87,018,000** at its meeting on 26 April 2023 (report 23/121 refers).

4.2 This report advises on the impact of the final outturn expenditure in 2022/23 on the programmes; expenditure to 31 July 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 **£623,150,000**. Movements from the revised Composite Capital Budget approved on 26 April 2023 for these 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 26 April 2023	Current Estimate	Movement
	£'000	£'000	£'000
2023/24	198,729	202,214	3,485
2024/25	193,284	196,980	3,696
2025/26	109,577	110,535	958
2026/27	65,408	65,942	534
2027/28	46,605	47,479	874
Total	613,603	623,150	9,547

5.2 The monitoring position has been updated for amounts carried forward from 2022/23 as reflected within the unaudited accounts. The overall movement in the total Gross Resources for the 5 years 2023/24 to 2027/28 shown at Section 5.1 above can be summarised as follows:

	£'000
Resources Brought-forward from 2022/23:	
Property Receipts, including carried forward to future years	98
Capital Grants	332
Tay City, Developer, Other Third Party and Revenue Contributions	1,339
Borrowing	6,045
Total Resources Brought-forward from 2022/23	7,814
Increase in Resources from current monitoring:	
Increase in Commercial Property and other Receipts	381
Increase in Capital Grants (Section 5.3)	151
Increase in Third Party, Revenue and Developer Contributions (Section 5.4)	1,201
Total Increase in Gross Capital Resources (Section 5.1)	9,547

5.3 There is a net increase of £151,000 in capital grants for various programmes listed below. These have been reflected in the proposed expenditure budgets for these programmes, and are included in Appendix II, as follows:

- £353,000 Nature Restoration included in the General Capital Grant (Section 6.3.5)
- £30,000 Cycling Walking & Safer Streets (Section 6.3.2)
- Less a reduction of £208,000 from the Recycling Improvement Fund (Section 6.3.8), and £24,000 for Gypsy Traveller Site Improvements (Section 6.3.11), reflecting reduced expenditure on the schemes.

5.4 Third Party Contributions have increased by £1,148,000. These relate to £150,000 from TACTRAN for the Cycling Walking & Safer Streets programme (Section 6.3.2), £109,000 from the Forestry Commission for Timber Routes (Section 6.3.3) and £889,000 from Scottish Water on the Commercial Property Investment Programme (Section 6.3.10). Revenue Contributions have increased by a net total of £53,000, with an increased contribution of £125,000 on the Mosaic Implementation Programme (Section 6.4.3), less a reduction in the funding of £72,000 required from the Salix Reserve (Section 6.4.2).

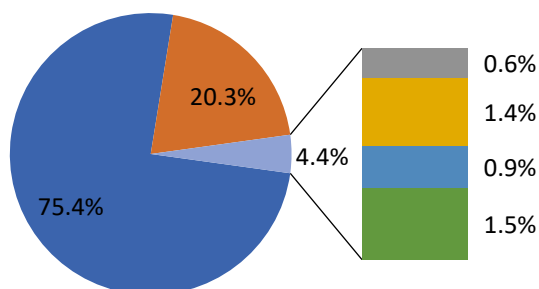
5.5 The projected borrowing requirement in 2023/24, which is effectively the balancing item for resources, is **£152,394,000**. This is £974,000 higher than the borrowing requirement approved on 26 April 2023. This comprises £6,045,000 of borrowing originally budgeted in 2022/23 which has been brought forward to 2023/24, less a reduction of **£5,071,000** arising from the current monitoring exercise.

5.6 The total new borrowing requirement in the subsequent years 2024/25 to 2027/28 has increased by **£5,071,000** to **£345,480,000**, resulting in no overall change in the total level of **borrowing** across the whole 5-year programme. The movement in borrowing (excluding the amount brought-forward) is summarised as follows:

	2023/24	2024/25	2025/26	Later Years	Total
	£'000	£'000	£'000	£'000	£'000
Movements arising from re-phasing of expenditure and receipts (Appendix II)	(5,071)	2,830	958	1,283	0
Increase/(Decrease) in Borrowing Requirement	(5,071)	2,830	958	1,283	0

5.7 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.

Projected Capital Resources 2023/24 (August 2023)



£Million

- Borrowing (£152.394M)
- Grants (£40.975M)
- Tay City Deal (£1.257M)
- Developer Contributions (£2.847M)
- Third Party & Revenue Contributions (£1.732M)
- Receipts (£3.009M)

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 31 July 2023 on the Composite Capital Programme amounts to **£40,660,000**, which is detailed in Appendix II and summarised as follows:

	Net Expenditure to 31 July 2023
	£'000
Education & Children's Services	13,079
Communities	26,242
Health and Social Care	64
Corporate & Democratic Services	1,275
Total	40,660

6.1.2. A comprehensive monitoring exercise has been carried out, which is detailed in Appendix II, which also includes the various brought forward adjustments from 2022/23 as outlined in Section 5 above. 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 early estimate for the BCIS All-in Tender Price Index, which shows the general movement on construction pricing, forecasts a 1.1% increase between Q1 2023 and Q2 2023 which represents an increase of 4.9% in the year from Q2 2022. By comparison the increase in the year to Q2 2022 from

Q2 2021 was 10.3%. While construction costs continue to rise, this forecast indicates that the rate of increase is beginning to reduce.

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.

6.2.2 It was previously agreed that the upgrade works at Kirkmichael Primary School would be funded by a ring-fenced receipt from the sale of the former Straloch Primary School. The actual amount received for Straloch Primary exceeded the original estimate resulting in a further £28,000 for additional upgrades at Kirkmichael Primary School.

6.2.3 The remaining budget adjustments reflect timing differences on various projects, with the main proposed movements detailed in the table below:

Project	2023/24 £'000	2024/25 £'000	Later Years £'000	Description
Technology Upgrades	(250)	0	250	Works programme rephased and extended to the summer holidays in 2025
Harris Academy	(150)	150	0	The refurbishment of existing classrooms within the project to be undertaken in summer holidays 2024

6.2.4 There are several other small adjustments to various Education & Children’s Services projects relating to amounts carried forward from 2022/23 which are included in Appendix II. These mostly relate to projects that have been completed. All of 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, TACTRAN have provided a £150,000 Third Party Contribution towards the Cycling, Walking and Safer Routes (CWSR) programme. This is supplemented by an increase in the Scottish Government Grant of £30,000 which is proposed to be allocated to the Schools Road Safety Measures budget (£28,000) and the CWSR budget (£2,000) in the current year.

6.3.3 With Asset Management – Roads & Lighting, the Forestry Commission have allocated an additional £109,000 to the Council towards Timber Routes, which is included within the Structural Maintenance programme. This has been

added to the 2023/24 budget which, when combined with an acceleration of budget from future years, increases the budget in the current year by £394,000.

- 6.3.4 Springfield have advised the Council that they will not construct the Perth Transport Futures Phase 3 Bertha Park Link Road themselves, and instead have exercised their legal right to provide an agreed sum through developer contributions over time as house sales are completed. Therefore, it has now become necessary for the Council to undertake the detailed design work for the road. It is proposed that up to £500,000 of the contingency included within the Phase 2 CTRLR project is utilised for this design work, and that options for funding the construction, including the use of developer contributions, is considered by Council when it sets the next Capital Budget in February next year.
- 6.3.5 The Scottish Government has also allocated £353,000 to the Council for the Nature Restoration programme in 2023/24. This has therefore been added to the current year budget within the Other Planning programme, with the grant added to the Council's General Capital Grant. The budget is also augmented by a small rounding adjustment of £1,000.
- 6.3.6 Within the City Centre Developments – Cultural Attractions programme, the construction phase of Perth Museum is now complete and the project remains within the total approved budget, with only final fit-out works ongoing, prior to its opening in the spring of next year.
- 6.3.7 The Letham Hub project is scheduled to conclude prior to Christmas 2023. Members are advised that the contractor has submitted a number of claims for an extension of time and a corresponding substantial financial claim. This is currently being evaluated and will be subject to ongoing discussion with the contractor. There is no request for additional funding at this time.
- 6.3.8 Within Waste Strategy, a reduction in expenditure of £208,000 has also meant the level of grant funding from the Recycling Improvement Fund has been reduced by a corresponding amount in the current year.
- 6.3.9 During the cyclical condition survey programme the roof structure of the Friarton Waste Transfer Station has been found to have incurred severe corrosion. Engineering advice is that the building and surrounding area may be at risk in the event of winter storms and/or heavy snow and remedial action has therefore been instigated at an estimated cost of £250,000 in 2023/24 which will be met from the Property Compliance Works Programme. Operational plans will be put in place by Communities to redirect waste to alternative locations from October. An update on the investment requirements on the Council's operational estate will be included as part of the Corporate Asset Management Plan to Council in December.

- 6.3.10 Within the Commercial Property Investment Programme, the costs to deliver the Broxden Drainage Mitigation Works have been revised with an additional £401,000 required in the current year and £866,000 next year for the full required works to be undertaken. Scottish Water are providing a contribution to the cost of the project, with an additional £231,000 this year and £658,000 next year. It is proposed that the remaining costs are met from the Commercial Receipts which have been brought forward. After allowing for other adjustments to the programme, this results in a net increase in expenditure of £353,000.
- 6.3.11 The various programmes of works for the Gypsy Traveller Sites are being reviewed, and specific proposals will be considered at a future meeting of this Committee. However, reduced expenditure of £24,000 on one of the grant funded schemes which originated in 2021/22 has resulted in a reduction in grant for the project, which has been reflected in Appendix I and II.
- 6.3.12 There have been several other small adjustments to various Communities projects relating to amounts carried forward from 2022/23 which are included in Appendix II. These mostly relate to projects that have been completed or rounding adjustments. All the above proposed adjustments 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 It is proposed to reduce the Energy Efficiency Works funded from the Salix Reserve by £72,000, due to the complexities of installing the heating control systems in some buildings.

Information Systems & Technology

- 6.4.3 The planned go-live date for the new Mosaic system has been moved from March 2024 to 1 April 2024. Therefore, this results in the full licence costs now being chargeable to new financial year when the system goes live, with only staff costs for the ongoing development and implementation being incurred in the current year. In addition, it also means that a further year of the current Revenue Contributions is available to meet some of the costs of the project in 2026/27. The budget has therefore been rephased for these proposed budget adjustments and been included in Appendix II.
- 6.4.4 The remaining budget adjustments reflect timing differences on various projects, with the main proposed movements detailed in the table below:

Project	2023/24 £'000	2024/25 £'000	Later Years £'000	Description
Property - Decarbonisation	(1,300)	1,300	0	Following a review of the work to be undertaken in the new project, the budget has been rephased to reflect staff capacity and procurement timescales.
ICT Infrastructure Replacement & Upgrade Programme	(354)	(721)	1,075	The Programme has been rephased to align with infrastructure replacement projects & licensing requirements.
IST – Data & Analytics	(442)	164	278	Rephasing of the Data Management Programme
IST – Supporting Digital	(564)	141	423	Works to be planned around the re-procurement of various digital platforms.
School audio-Visual (AV) Replacement Programme	(798)	173	625	The programme has been rephased to align with replacement plans and other property related project work.

6.4.5 All the above proposed adjustments, together with other small movements, have been reflected in Appendix II.

6.5 Health & Social Care

6.5.1 The Developing Supported Tenancies project is a contribution towards works within the Housing Revenue Account. It has been confirmed that the budget of £229,000 will not be required in the current year and it is therefore proposed that the budget is moved to next year whilst options continue to be evaluated.

6.5.2 The above proposed adjustment has been reflected in Appendix II.

7. HOUSING INVESTMENT PROGRAMME

Final Outturn 2022-23

7.1 The final position for 2022/23 on the Housing Investment Programme (subject to audit) was as follows:

	2022/23 Budget	Actual to 31 March 2023	Variance to Budget
	£'000	£'000	£000
Total Net Expenditure	18,180	13,856	(4,324)
Total Receipts & CFCR	(2,652)	(2,741)	(89)
Borrowing Requirement	15,528	11,115	(4,413)

7.2 In order to determine the carry-forward adjustments to 2023/24 required for each project, the difference between the 2022/23 actuals and previous projections are adjusted against the 2023/24 budgets. These adjustments are neutral over the 2 years and has resulted in a movement of £4,413,000 of borrowing from 2022/23 to 2023/24 and is shown in Appendix III.

Current Programme: 2023/24 to 2027/28

7.3 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 the Finance & Resources Committee on 26 April 2023 are summarised in the table below and detailed in Appendix III.

	Approved 26 April 2023	Current Estimate	Movement
	£'000	£'000	£'000
2023/24	20,422	27,597	7,175
2024/25	13,853	13,744	(109)
2025/26	15,519	17,253	1,734
2026/27	19,044	19,044	0
2027/28	19,044	14,567	(4,477)
Total	87,882	92,205	4,323

7.4 The increase in resources of £4,323,000 represents £4,413,000 brought forward from 2022/23, less the increase in CFCR of £90,000 applied in 2022/23 which has not been carried forward.

7.5 Total Expenditure to 31 July 2023 (Housing Investment Programme)

Net expenditure for 2023/24 to 31 July 2023 amounts to £5,015,000. As there have been no receipts, this therefore means that the borrowing requirement for the year to date is also £5,015,000.

7.6 After making adjustments relating to small carry-forward amounts from last year, which are included in Appendix III, the Executive Director (Communities) has reviewed the Housing Investment Programme and proposes further budget adjustments outlined below.

7.7 It is proposed to draw-down a total of £4,477,000 from the SHQS Future Developments budget in 2027/28 and to allocate this across various programmes as follows:

- Heating Upgrades - £700,000 allocated to each of the years 2023/24, 2024/25 and 2025/26, due to additional properties requiring heating upgrades, and to maintain an ongoing programme of works.
- Fire Precaution Measures - £427,000 allocated to 2023/24, to cover additional properties which were not included in the original programme of works.

- Environmental Improvements - £500,000 allocated to 2023/24 to cover additional works required due to Health & Safety requirements.
- Bathroom Modernisation Programme - £1,450,000 allocated to 2023/24, as a result of the continuing referrals from Occupational Therapists.

7.8 Due to the complexity of the redevelopment of the property in Balmoral Road, Blairgowrie, the estimated costs have increased. Consequently, it is proposed not to proceed with the project, and to transfer the budget of £264,000 to the redevelopment of 149-151 Dunkeld Road, Perth. It is also proposed to increase the budgets for Sheltered Housing (£20,000) and General Works (£77,000) by transferring £97,000 from the ICT Expenditure budget in 2023/24.

7.9 The remaining budget adjustments reflect timing differences on various projects, with the main proposed movements detailed in the table below:

Project	2023/24 £'000	2024/25 £'000	Later Years £'000	Description
External Fabric (net of Third party Contributions)	894	(528)	(366)	Following conclusion of the Tenement Management System, additional properties have been added to the current contract, primarily roof and harling works at Logie Crescent, Perth.
Kitchen Modernisation Programme	(1,400)	0	1,400	Increased lifespan of previous kitchen upgrades has reduced demand in the current modernisation cycle. Budget rephased to maintain a future replacement programme
Energy Efficiency	279	(279)	0	Works have been completed faster than anticipated, consequently additional works have been planned and the budget rephased accordingly.

7.10 Capital Financed by Current Revenue (CFCR) increased by £90,000 in 2022/23 which has reduced the borrowing requirement on the programme. There are no further movements which impacts the borrowing requirement over the remainder of the 5-year programme.

8. BUDGET OVERVIEW

8.1 The projected net expenditure outturn in 2023/24 for the Composite Capital Budget is **£180,346,000** and represents **101%** of the 2023/24 budget as 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 31 July 2023 on the Composite Capital Budget is **£40,660,000** and represents 23% of the proposed revised budget for 2023/24 of **£180,346,000**. This level of expenditure is higher than normal at this early stage of the financial year, and reflects several larger projects being on-site with construction works now being undertaken.
- 8.3 The projected net expenditure outturn in 2023/24 for the Housing Investment Programme is **£27,597,000** and represents **135%** of the 2023/24 budget approved on 26 April 2023 (£20,422,000). The increase reflects the level of expenditure brought forward from last year as well as the allocation of some of the SHQS Future Developments budget from later years to specific projects in the current year.
- 8.4 Net expenditure to 31 July 2021 on the Housing Investment Programme is **£5,015,000** which represents **18%** of the proposed revised budget for 2023/24 of £27,597,000.
- 8.5 Overall, the estimated Council Borrowing Requirement in 2023/24 has increased as a result of borrowing previously budgeted last year being carried-forward to the current year. There is no movement in the level of borrowing arising from the current monitoring exercise. 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)

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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 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