

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee

2 February 2022

COMPOSITE CAPITAL BUDGET 2021/29 & HOUSING INVESTMENT PROGRAMME 2021/26 – MONITORING REPORT NO.3

Report by the Head of Finance
(Report No. 22/25)

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 £605,258,000 and a five-year gross Housing Investment Programme for 2021/22 to 2025/26 totalling £67,870,000 at its meeting on 24 November 2021 (report 21/215 refers).
- 1.2 This report advises on expenditure to 31 December 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 £606,199,000. Movements from the revised Composite Capital Budget approved on 24 November 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 24 Nov 2021	Current Estimate	Movement
	£'000	£'000	£'000
2021/22	96,796	88,841	(7,955)
2022/23	159,320	166,206	6,886
2023/24	158,859	159,546	687
2024/25	70,901	68,704	(2,197)
2025/26	34,311	34,936	625
2026/27	28,883	31,395	2,512
2027/28	27,284	27,613	329
2028/29	28,904	28,958	54
Total	605,258	606,199	941

2.2 The £941,000 increase in resources comprises the following adjustments:

- £937,000 additional Scottish Government capital grant from the Local Bridge Maintenance Fund (para 3.3.3)
- £4,000 additional borrowing on the Communities Prudential Borrowing programme (para 3.3.8)

2.3 The Scottish Government has also allocated some of the previously undistributed General Capital Grant. Consequently, the Councils grant in 2021/22 has increased by £48,000. As it is not proposed to allocate this to any specific expenditure at this time, the Council's borrowing requirement has also reduced by this amount, resulting in no overall increase in resources.

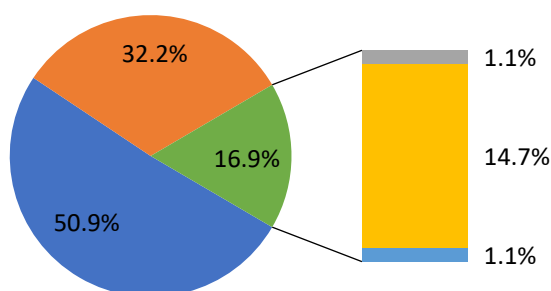
2.4 The projected Borrowing Requirement in 2021/22 is £45,246,000, which is £8,337,000 lower than the Borrowing Requirement approved by the Committee on 24 November 2021.

2.5 The total Borrowing Requirement in the subsequent years 2021/22 to 2028/29 has increased by £8,293,000 to £365,453,000, resulting in an overall reduction of £44,000 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
(Increase) in General Capital Grant (Section 2.3)	(48)	0	0	0	(48)
Increase/(Reduction) in Communities Prudential Borrowing Programme (Section 3.3.8)	(1,659)	1,162	(196)	697	4
Movements arising from re-phasing of other expenditure and receipts (Appendix II)	(6,630)	5,121	883	626	0
Increase/(Decrease) in Borrowing Requirement	(8,337)	6,283	687	1,323	(44)

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.

Projected Capital Resources 2021/22



£Million

- Borrowing (£45.246M)
- Grants (£28.620M)
- Developer Contributions (£0.978M)
- Third Party & Revenue Contributions (£13.045M)
- Receipts (£0.952M)

3. COMPOSITE CAPITAL PROGRAMME – EXPENDITURE

3.1 Total Expenditure and Proposed Budget Adjustments

3.1.1 Total expenditure (net of grants and contributions) to 31 December 2021 on the Composite Capital Programme amounts to £37,472,000, which is detailed at Appendix II and can be summarised as follows:

	Net Expenditure to 31 Dec 2021
	£'000
Education & Children's Services	7,818
Communities	23,021
Health and Social Care	249
Corporate & Democratic Services	6,384
Total	37,472

3.1.2 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 Following a comprehensive exercise undertaken earlier in the financial year, a further review by the Executive Director (Education & Children's Services) proposes only small movements at this time to bring the budget into line with the latest estimated expenditure in the current year. The budget will continue to be monitored as each project progresses and further 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 Within the Roads and Lighting Programme, it is proposed to rephase £1,188,000 for Structural Maintenance from the current year into next. This is in line with prioritisation of works and the capacity of officers for completing works in the current year. It is also proposed to move £60,000 on the Footways budget from the current year to next year as a result of the prioritisation of works and staff capacity.
- 3.3.3 Within the Bridges Programme, there are a number of adjustments. Following the Council's bid to the Scottish Government's Local Bridge Maintenance Fund, the Council has been awarded additional General Capital Grant in 2021/22 and 2022/23 totalling £937,000 for the purpose of maintaining key bridges on the road network. It is proposed that this is applied to the Bridge Refurbishment budget in 2022/23. It is also proposed to move £461,000 from the Bridge Refurbishment Programme in the current year to next, due to engineer resourcing capacity and the need to prioritise the works. In addition, it is proposed to rephase the works on Dalhenzen Culvert (£287,000) and Dunkeld Golf Course (£226,000) from 2022/23 to 2023/24 and 2024/25 respectively to align with the anticipated delivery of the schemes. It is also proposed to transfer the remaining budget of £29,000 for the Vehicular Bridge Parapets Programme from the current year to next year to enable the planning of further works.
- 3.3.4 It is proposed to rephase the works on both Old Perth Bridge and Queens Bridge by one year to align these works with the completion of the Cross Tay Link Road (CTRL) in order to mitigate traffic concerns when works commence. The primary movements are £160,000 and £2,209,000 from 2023/24 and 2024/25 on Old Perth Bridge to 2025/26; and £50,000 and £2,103,000 from 2024/25 and 2025/16 on Queens Bridge to 2026/27. These movements are supplemented by a transfer of £80,000 from the current year into 2022/23. Design work is ongoing for Tullyfergus Bridge, and it is anticipated that the works will be undertaken next year and it is, therefore, proposed to transfer £123,000 in line with the planned works.
- 3.3.5 The Perth Flood Protection Scheme Pump Replacement project is progressing with works scheduled for completion this year. As part of the project, upgrades to a culvert at the South Inch is still in the design phase and as such the works will not complete until next year. It is proposed to move £145,000 of the budget from the current year into next.
- 3.3.6 Within the Perth & Kinross Place-making budget, a number of projects have been rephased due to ongoing discussions in respect of external funding and officer capacity. It is therefore proposed to move the budgets for the following projects from the current year to next:

- Mill Street Environmental Improvements £127,000
- Perth City Centre Golden Route £493,000
- Green Network Routes £115,000
- Tay Street, Perth £902,000
- Mill Street, Perth Phase 3 (Shared Space at Bus Station) £600,000
- South Street, Perth (Transport Hub) £200,000

3.3.7 In addition, it is proposed to transfer £20,000 from the Tay Street to City Greening budget in the current year, and £522,000 of the Lighting Action Plan from this year to next year.

3.3.8 Within the Community Greenspace budget, it is proposed to move £50,000 for Play Areas from the current year to next year in line with the works anticipated to be progressed this year. It is proposed to move £150,000 for Countryside Sites from the current year to next year in order to undertake a consultation with the community. It is also proposed to rephase the budget for Community Greenspace Sites with a reduction in the budget of £140,000 and £149,000 from the current year and next year respectively, which is reallocated over future years. Within the Community Greenspace Bridges budget is funding for the refurbishment of Shaky Bridge in Glen Lednock. As works will not progress in the current year, it is proposed to move the budget of £35,000 from the current year to next year. Within Community Greenspace, works at Auchterarder Public Park are at an early stage with design work underway, and it is proposed to transfer £127,000 of the budget from the current year to next year in line with the schedule of works.

3.3.9 Within the Prudential Borrowing programme, it is proposed to move £42,000 for Recycling Containers from the current year to next year linked to the deposit return scheme. In addition, due to an increase in unit costs, it is proposed to increase the budget for litter bins by £4,000 in 2021/22. Due to component shortages impacting on the global supply and availability of new vehicles, fewer vehicles will be replaced in the current year. As such, it is proposed to transfer £1,392,000 of the purchase budget and £88,000 of the capital receipts budget from the current year to next year. Also, within the Prudential Borrowing programme, due to resource shortages within Tayside Contracts and the Council, together with a shortage of semi-conductors, it is proposed to reduce the programme for Street Lighting LED Renewals in each of the next three years and reallocate the amounts to future years.

3.3.10 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 The Photovoltaic works at Crieff Primary School are now to be undertaken in April next year. Accordingly, it is proposed to move the budget of £77,000, together with the funding from the Salix Reserve, to next year.

Information Systems & Technology

- 3.4.3 The software licence costs for the Revenues & Benefits system have historically been charged to the former Housing Software Licence budget. It is now proposed to move this to the Corporate & Democratic Services programme to reflect the current Council service structure with £26,000 in the current year and £25,000 in each subsequent year transferring from the Housing & Social Care budget to the Corporate Information Systems & Technology programme.
- 3.4.4 Following the tender for the Swift System Replacement, under the terms of the accepted tender, the only anticipated costs to be incurred in advance of the new system going live in March 2023 are the licencing costs of the new system, together with the ongoing staff costs for implementation. It is therefore proposed to rephase the budget accordingly, with the balance of available funds being moved to 2023/24. It is also proposed to bring forward £500,000 from 2022/23 to the current year in line with progress on the Schools Audio-Visual Replacement Programme. In addition, it is proposed to move £129,000 of the Customer Service Blueprint budget from the current year to 2022/23 to reflect the implementation of the systems developments within the Customer Contact Centre.
- 3.4.5 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, on 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 24 November 2021 are as follows, and detailed in Appendix III:

	Approved 24 Nov 2021	Current Estimate	Movement
	£'000	£'000	£'000
2021/22	14,292	14,617	325
2022/23	12,576	12,299	(277)
2023/24	12,983	12,983	0
2024/25	10,934	10,886	(48)
2025/26	17,085	17,085	0
Total	67,870	67,870	0

- 4.2 Total net expenditure to 31 December 2021 on the Housing Investment Programme amounts to £7,520,000, with receipts amounting to £28,000.
- 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 bring-forward a total of £277,000 from the Council House Buy-Backs budget in 2022/23 to 2021/22. This is required to meet the cost of purchases and Scottish Housing Quality Standard improvements incurred to the end of November. It is anticipated that further amounts may be required should further purchases and improvements be progressed this year.
- 4.5 It is also proposed to bring-forward £48,000 on the Rewiring, Infrastructure & Property Refurbishment budget from 2024/25 to the current year. This is required for additional works carried out at properties in Perth and Blairgowrie.
- 4.6 The estimated Capital Financed by Current Revenue (CFCR) has reduced by £54,000 in 2021/22. Consequently, the borrowing requirement has increased by this amount.
- 4.7 The above proposed adjustments have been included in Appendix III.

5. SUMMARY

- 5.1 The projected net expenditure outturn in 2021/22 for the Composite Capital Budget is £71.621 million and represents 70% 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 31 December 2021 on the Composite Capital Budget is £37.472 million and represents 52% of the proposed revised budget for 2021/22 of £71.621 million. It should also 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 £14.617 million and represents 147% of the original 2021/22 budget approved by the Housing and Communities committee in February 2021 (£9.919 million).
- 5.4 Net expenditure to 31 December 2021 on the Housing Investment Programme is £7.52 million which represents 51% of the proposed revised budget for 2021/22 of £14.617 million.

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
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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