

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee

29 January 2020

COMPOSITE CAPITAL BUDGET 2019/29 & HOUSING INVESTMENT PROGRAMME 2019/24 – MONITORING REPORT NUMBER 3

Report by Head of Finance (Report No. 20/23)

PURPOSE OF REPORT

This report provides a summary position to date for the 10 year Composite Capital Programme for 2019/20 to 2028/29 and the 5 year Housing Investment Programme 2019/20 to 2023/24 and seeks approval for adjustments to the programmes.

1. BACKGROUND / MAIN ISSUES

- 1.1 At the meeting on 27 November 2019, this Committee approved a ten-year gross Composite Capital Budget for 2019/20 to 2028/29 totalling £632,297,000 and a five year gross Housing Investment Programme for 2019/20 to 2023/24 totalling £69,487,000 (report 19/341 refers).
- 1.2 This report advises of expenditure to 31 December 2019 and the latest estimate of the projected outturn for each of the years to 2028/29 for the Composite Programme and to 2023/24 for the Housing Investment Programme.
- 1.3 The Capital Programme Exceptions Report (Appendix IV) provides summary information on the latest position for individual projects reported within Sections 3 and 4.

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 the Borrowing Requirement) available over the ten years 2019/20 to 2028/29 amount to £633,516,000. Movements from the revised Composite Capital Budget approved on 27 November 2019 are summarised in the table below, and the constituent elements for each year are shown at Appendix I.

	Total Composite Gross Capital Resources		
	Approved 27 Nov 2019	Current Estimate	Movement
	£'000	£'000	£'000
2019/20	69,424	61,924	(7,500)
2020/21	110,448	104,107	(6,341)
2021/22	153,295	155,321	2,026
2022/23	115,993	128,964	12,971
2023/24	46,373	46,373	0
2024/25	29,798	29,798	0
2025/26	29,658	29,658	0
2026/27	26,772	26,772	0
2027/28	24,643	24,666	23
2028/29	25,893	25,933	40
Total	632,297	633,516	1,219

- 2.2 The movement in the total Gross Resources for the 10 years 2019/20 to 2028/29 shown above can be summarised as follows:

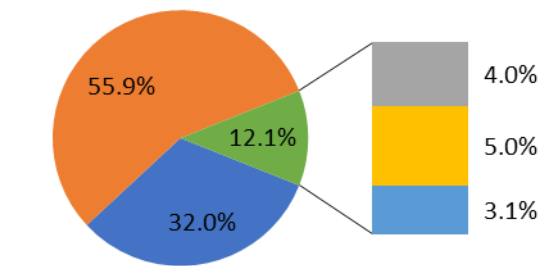
	£'000
Net Increase in estimated Capital Receipts (Section 2.3)	88
Increase in Resources c/f to future years (Section 2.3)	(85)
Increase in Third Party Contributions (Section 2.4)	1,043
Increase in Borrowing Requirement (Section 2.5)	173
Increase in Gross Capital Resources (Section 2.1)	1,219

- 2.3 Following a review of Capital receipts, primarily in respect of the **Commercial Property Programme**, the overall level of anticipated receipts has increased by £88,000, £85,000 of which requires to be carried forward into future years.
- 2.4 **Third Party Contributions** overall have increased by £1,043,000 in respect of the Low Carbon & Active Travel Transport Hub programme (£1,060,000, Section 3.3.4), offset by a reduction in Smart Waste grant (£17,000, Section 3.3.5). There has also been some re-profiling of anticipated Tay Cities Deal contributions on the Cultural Attraction programme (Section 3.5.2), however this remains subject to confirmation. There are no movements in **Revenue Contributions** or **Developer Contributions**.
- 2.5 The projected **Borrowing Requirement** in 2019/20, which is effectively the balancing item for resources, is £19,997,000. This is £3,398,000 lower than the Borrowing Requirement approved by this Committee on 27 November 2019. The total Borrowing Requirement in the subsequent years 2020/21 to 2028/29 has increased by £3,571,000 to £347,779,000, resulting in an overall increase of £173,000 across the whole ten year programme.
- 2.6 All movements in the Borrowing Requirement are shown in the Proposed Budget Adjustment column within Appendix II, and are summarised in the table below:

	2019/20	2020/21	2021/22	Later Years	Total
	£'000	£'000	£'000	£'000	£'000
Increase in Waste Equipment Purchases Prudential Borrowing Programme (Paragraph 3.3.5)	191	0	0	0	191
Reduction in Smart Waste Prudential Borrowing (Paragraph 3.3.5)	(18)	0	0	0	(18)
Adjustments to the borrowing requirement from movements in capital expenditure and receipts (Appendix II)	(3,721)	(9,052)	(261)	13,034	0
Increase/(Decrease) in Borrowing Requirement	(3,548)	(9,052)	(261)	13,034	173

- 2.7 The chart below shows the Capital Resources required to fund the 2019/20 Composite Capital Programme following the proposed budget adjustments detailed in this report.

Projected Capital Resources 2019/20 (January 2020)



£Million

- Borrowing (£19.847M)
- Grants (£34.605M)
- Developer Contributions (£2.478M)
- Third Party & Revenue Contributions (£3.097M)
- Receipts (£1.897M)

3. COMPOSITE CAPITAL PROGRAMME – EXPENDITURE

3.1 Total Expenditure and Proposed Budget Adjustments to the Current Programme

- 3.1.1 Total expenditure (net of specific grants and contributions) to 31 December 2019 on the Composite Capital Programme amounts to £26,403,000 (52% of the revised budget). This is detailed at Appendix II and can be summarised as follows:

	Expenditure to 31 Dec 2019 £'000
Education & Children's Services - expenditure	8,159
Education & Children's Services - Early Learning & Childcare grant	(5,600)
Housing & Environment	22,418
Health and Social Care	200
Corporate & Democratic Services	1,226
Total	26,403

- 3.1.2 A comprehensive monitoring exercise has been carried out, which is detailed at Appendix II. The most significant features are discussed 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 proposes the following budget adjustments.

- 3.2.2 As previously reported to the Property Sub-Committee on 21 October 2019 (Report 19/288 refers), due to issues relating to the B listed building at Longforgan Primary School a revised cashflow and schedule of works has been received from the contractor in relation to the upgrade project. It

is proposed to realign the budget in line with this revised schedule of works by moving £1,330,000 from 2019/20 into 2020/21, with the project scheduled for completion in July 2020.

3.2.3 Within the Perth High School Replacement project, it is proposed to move £400,000 from 2019/20 and reprofile the budget in future years in line with the latest anticipated project delivery. The new school remains on track for completion in August 2023.

3.2.4 Within the Investment in the Learning Estate programme, it is proposed to accelerate £63,000 from 2020/21 to 2019/20 in order to undertake additional accessibility works identified at various sites. In addition, as the Early Learning and Childcare expansion programme continues to progress, the following adjustments are proposed: -

- Move £300,000 of the contingency budget from 2019/20 to 2020/21 in relation to the Letham Primary School Upgrade project to allow for any risks as the works progress.
- Move £250,000 from 2019/20 to 2020/21 within the Inchture Primary School Upgrade programme in order to realign the budget with the latest spend profile.

3.2.5 Whilst resources continue to be prioritised towards delivering the Early Learning and Childcare expansion programme, it is proposed to move £270,000 from 2019/20 to 2020/21 within the Technology Upgrades programme.

3.2.6 External building fabric upgrades have been scheduled for Perth Academy in this financial year and as a result, it is proposed to accelerate £300,000 from 2020/21 to 2019/20 in order to fund the works.

3.3 Housing & Environment

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

3.3.2 Within the Traffic & Road Safety programme, trials of new 20 mph signs will commence in March 2020, with full roll-out of the programme anticipated to start in 2020/21. Consequently, it is proposed to move £131,000 to 2020/21. It is proposed to move £88,000 on the Strathmore Cycle Network to 2020/21, in line with the latest anticipated programme for this community-led project. It is also proposed to move £176,000 from the Dunkeld Golf Course culvert and £35,000 from the Brioch Road, Crieff projects from 2019/20 to 2020/21.

3.3.3 As a result of a bid to Sustainable Transport Scotland (Sustrans) for the Dunkeld Road, Perth Cycle Path, several projects within the Place-making programme have been delayed pending the outcome of the bid. Accordingly, these projects have been reprofiled over 2020/21 and 2021/22. With some works on the Perth and Kinross Lighting Action Plan project being related to these Place-making projects, it is further proposed

to move £294,000 of the Lighting Action Plan budget from 2019/20 into future years in line with the revised programme.

- 3.3.4 The installation of a sustainable support system, utilising batteries and renewable energy for an expanded provision of Electric Vehicle (EV) Chargers at Broxden is the first phase of the Low Carbon & Active Travel Transport Hub programme which is funded through the Tay Cities Deal and European Regional Development Fund (ERDF) grant. As the ERDF element of the funding requires to be applied by December 2020, it is proposed to include the project in the Capital Budget to ensure that it can be progressed timeously, accepting that Tay Cities Deal funding is still “at risk” until the Deal is formally signed by the UK and Scottish Governments. The total cost of the project is £1,060,000 and has been included in 2020/21 within Appendix II, together with contributions of £636,000 from the Tay Cities Deal and £424,000 from the ERDF.
- 3.3.5 Within the Prudential Borrowing programme, there is a net adjustment of £18,000 in relation to the Smart Waste project, which includes a reduction in European Regional Development Fund (ERDF) grant of £17,000, together with £191,000 of expenditure on the purchase of additional commercial waste equipment as previously approved by the Executive Sub-Committee on 15 May 2019.
- 3.3.6 All the above proposed adjustments, together with other small movements, have been reflected in Appendices I and II.

3.4 Health & Social Care

- 3.4.1 Within the Health & Social Care programme, as a result of a reduction in projected expenditure on the Occupational Therapy Equipment budget in the current year, the Chief Officer has proposed to move £29,000 of the budget to Office Refurbishment works in Pullar House to allow the Moving & Handling team to relocate from Beechgrove.

3.5 Corporate & Democratic Services

- 3.5.1 The Deputy Chief Executive (Chief Operating Officer) has reviewed the programme for their Service and proposes the budget adjustments described below.

Cultural Attraction Projects

- 3.5.2 Following the calling of a UK Parliamentary Election in December 2019 and the resultant delay in the signing of the Tay Cities Deal, a revised cash flow and programme of works for the City Hall Redevelopment project has been developed in consultation with the Tay Cities Deal Programme Office. Financial close on the project is now anticipated in Spring 2020 and project completion in late 2022. It is, therefore, proposed to realign the budget and the projected Tay Cities Deal grant funding in line with the latest revised cash flow estimates and programme of works. These movements have been reflected in Appendix II in this report.

Information Systems & Technology

- 3.5.3 Following a review of the Customer Service Centre priorities, it is proposed to move a total of £146,000 within the Customer Service Centre from 2019/20 into future years across the programme.
- 3.5.4 Within the School Audio Visual programme, it is proposed to rephase £700,000 for audio visual upgrade works from 2019/20 to 2020/21 due to the requirement for significant areas of work to be undertaken out of hours and during school holiday periods. As a consequence, it is also proposed to move £89,000 of scheduled IT Infrastructure WiFi works from 2019/20 to 2020/21.

Other Projects

- 3.5.5 It is proposed to move £1,200,000 from 2019/20 to 2020/21 in relation to the Letham Wellbeing Hub project pending the outcome of a bid for additional external funding from the Scottish Government.
- 3.5.6 All the above proposed adjustments, together with other small movements affecting future years, have been reflected in Appendices I and II.

4. HOUSING INVESTMENT PROGRAMME

- 4.1 The current estimated total expenditure, net of contributions, on the Housing Investment Programme over the 5 years 2019/20 to 2023/24 remains unchanged at £69,487,000, although there are movements within individual years of the programme as set out below and detailed in Appendix III:

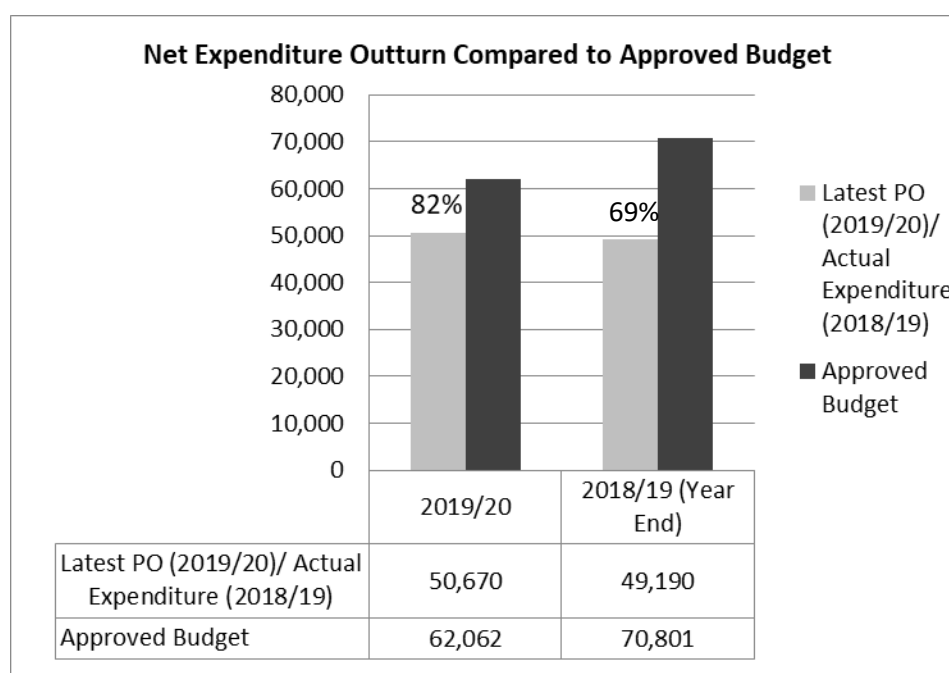
	Approved 27 Nov 2019	Current Estimate	Movement
	£'000	£'000	£'000
2019/20	14,003	15,807	1,804
2020/21	16,944	15,140	(1,804)
2021/22	5,933	5,933	0
2022/23	8,917	8,917	0
2023/24	23,690	23,690	0
Total	69,487	69,487	0

- 4.2 Net expenditure to 31 December 2019 on the programme amounts to £10,224,000 (65% of the revised budget). The Executive Director (Housing & Environment) has reviewed the Housing Investment Programme and proposes the following budget adjustments.
- 4.3 On the new house building programme, construction is progressing well at Huntingtower, and as a result of the finalisation of the land purchase agreement and revised payment schedule, it is proposed to draw down £2,003,000 from the Future Developments budget in 2020/21 to cover the final overall cost of the project. Of this total amount, £1,274,000 has been profiled in 2019/20 and £729,000 in 2020/21.

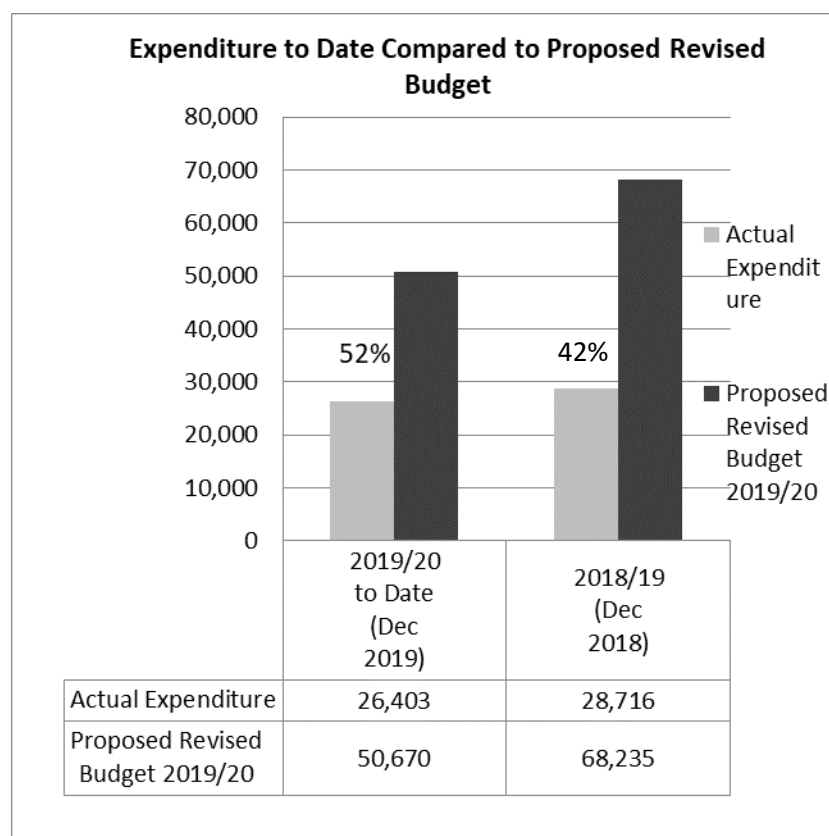
- 4.4 There has been 27 properties purchased through the buy-back scheme this financial year. In order to meet the cost of these properties, it is proposed to increase the budget by accelerating a further £530,000 of expenditure on the Council House Buy-Back programme to 2019/20 from 2020/21.
- 4.5 It is proposed to transfer £80,000 from the Major Adaptations budget to the Bathroom Modernisation programme in 2019/20 as a result of increased client demand. In addition, it is proposed to move £13,000 from the Shops & Offices budget to Greyfriars Hostel in 2019/20 to meet additional works relating to the boiler flues.
- 4.6 The latest Housing Revenue budget monitoring for 2019/20 shows an increase of £199,000 in Capital Financed from Current Revenue (CFCR) to £1,799,000. As a consequence, there is a corresponding reduction in the amount of borrowing required for the programme.

5. BUDGET OVERVIEW

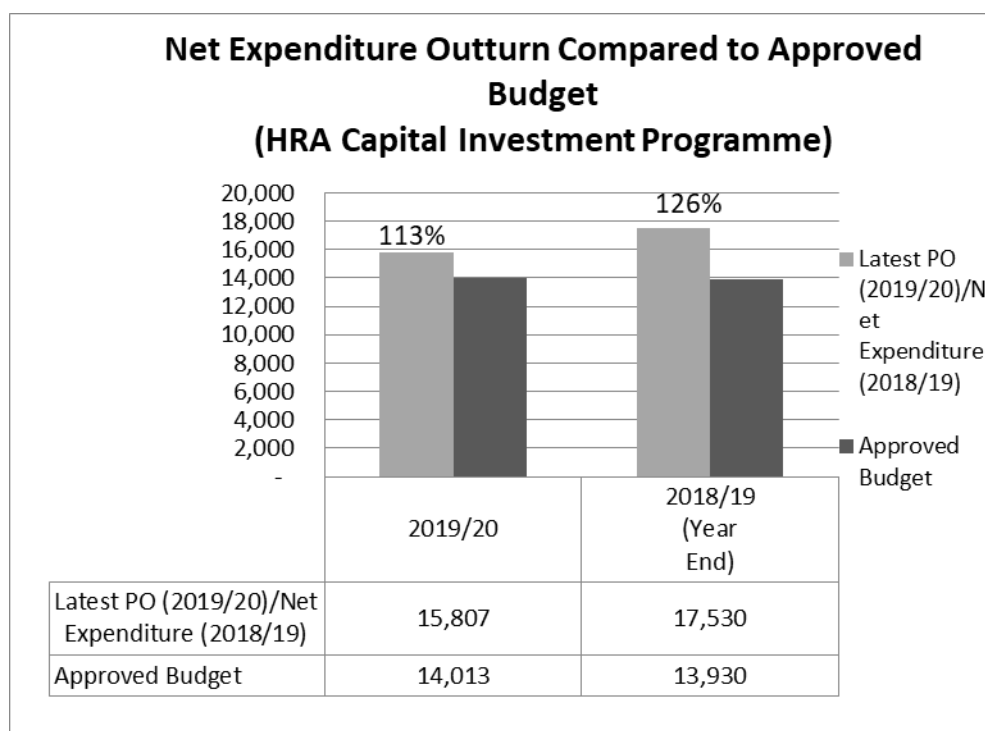
- 5.1 The 10 year Composite Capital Budget has been reviewed and updated to reflect the latest monitoring position. The current projected 2019/20 net expenditure outturn for the Composite Capital Programme represents 82% of the 2019/20 budget approved by Council on 20 February 2019 (ref 19/47 refers):



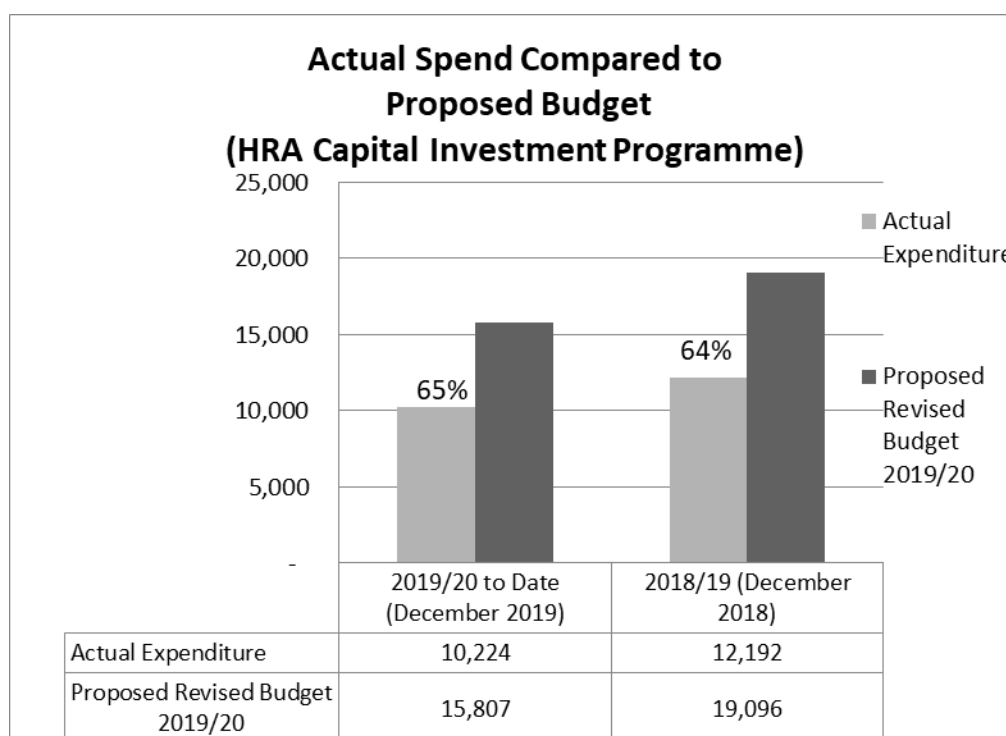
- 5.2 Actual net expenditure to 31 December 2019 on the programme represents 52% of the proposed revised 2019/20 budget:



- 5.3 Movements in net expenditure on the Composite Capital Programme and the subsequent impact upon the Council's Borrowing Requirement will continue to be managed through the Council's Treasury function.
- 5.4 The current projected net expenditure outturn for the Housing Investment Programme represents 113% of the 2019/20 budget approved by the Housing and Communities Committee in January 2019:



- 5.5 Actual net expenditure at 31 December 2019 on the Housing Investment Programme represents 65% of the proposed revised 2019/20 budget:



- 5.6 This report sets out revised projected expenditure and proposed budget movements on a number of Capital projects and programmes. As detailed in paragraphs 2.5 and 2.6, the estimated borrowing requirement on the 10 year Composite Programme has increased by £173,000. Proposed movements on the Housing Investment Programme are detailed at Section 4, with the borrowing requirement over the 5 year programme reducing by £199,000 from the position approved by the Committee on 27 November 2019 (Report 19/341 refers).

6. RECOMMENDATIONS

- 6.1 It is recommended that the Committee:

- (i) Note the contents of this report.
- (ii) Approve the proposed budget adjustments to the 10 year Composite Capital Budget 2019/20 to 2028/29 set out in Sections 2 and 3 of this report and summarised at Appendices I and II.
- (iii) Approve the proposed budget adjustments to the Housing Investment Programme Budget 2019/20 to 2023/24 set out in Section 4 of this report and summarised at Appendix III.

Author(s)

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Approved

Name	Designation	Date
Jim Valentine	Depute Chief Executive and Chief Operating Officer	17 January 2020
Stewart MacKenzie	Head of Finance	17 January 2020

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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 2019/20 to 2028/29
- Appendix II – Composite Capital Programme - Summary of Capital Resources and Expenditure 2019/20 to 2028/29
- Appendix III – HRA Capital Investment Programme – Summary of Capital Resources and Expenditure 2019/20 to 2023/24
- Appendix IV – Capital Programme Exceptions Report 2019/20