

# **PERTH AND KINROSS COUNCIL**

## **Strategic Policy and Resources Committee**

**25 November 2020**

### **COMPOSITE CAPITAL BUDGET 2020/29 & HOUSING INVESTMENT PROGRAMME 2020/25 – MONITORING REPORT NUMBER No.2**

**Report by the Head of Finance**  
(Report No. 20/226)

#### **PURPOSE OF REPORT**

This report provides a summary position to date for the 9-year Composite Capital Programme for 2020/21 to 2028/29 and the 5-year Housing Investment Programme 2020/21 to 2024/25 and seeks approval for adjustments to the programmes.

#### **1. BACKGROUND / MAIN ISSUES**

- 1.1 The Council approved an updated nine-year gross Composite Capital Budget for 2020/21 to 2028/29 totalling £597,341,000 and a five-year gross Housing Investment Programme for 2020/21 to 2024/25 totalling £68,642,000 at its meeting on 30 September 2020 (report 20/175 refers).
- 1.2 The Covid-19 pandemic has had a significant impact upon the delivery of the Council's Capital budget in 2020/21. The national lockdown in the earlier part of the year saw the temporary suspension of all construction between April and early July. The focus then shifted to ensuring that the Council's learning estate was appropriately adapted to allow a safe return to school-based education from early August.
- 1.3 The severe weather event of 12 August 2020, which caused significant damage to local infrastructure, several Council properties and Perth Leisure Pool has also required resources to be re-deployed. Responding to the immediate and ongoing requirements placed upon the Council by Covid-19, together with unplanned work arising from severe weather, has necessarily impacted upon the monitoring and delivery of the approved Capital programme.
- 1.4 This report is, therefore, presented as an exceptions report, based upon expenditure to 31 October 2020. The report focuses upon requesting approval for those adjustments to the Capital budget which have been identified to date.
- 1.5 For the reasons set out above, it has not proved practical to undertake a comprehensive Capital monitoring exercise in advance of preparing this report. Eventual expenditure on the Capital programme in 2020/21 will be determined by factors such as the pace at which contractors can remobilise on site; the impact of existing or any future Covid-19 restrictions on planned works (including access to Council buildings); internal capacity to procure,

manage and deliver Capital expenditure should staff resources be re-deployed and the annual risk to external works arising from winter weather. It is anticipated that Capital expenditure in 2020/21 will be significantly lower than in previous years and that capacity to catch-up on programmes of works will be limited.

- 1.6 The forecast expenditure (projected outturn) for 2020/21 on the Council's Capital budget contained within this report is, accordingly, heavily caveated. In the current absence of more detailed analysis, it is largely based upon the assumption that all budgeted expenditure in 2020/21 can be incurred in-year and is, therefore, likely to represent the highest level of Capital expenditure which can be achieved in 2020/21.

## 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) available over the nine years 2020/21 to 2028/29 amount to £598,382,000. Movements from the revised Composite Capital Budget approved on 30 September 2020 are summarised in the table below, and the constituent elements for each year are shown at Appendix I.

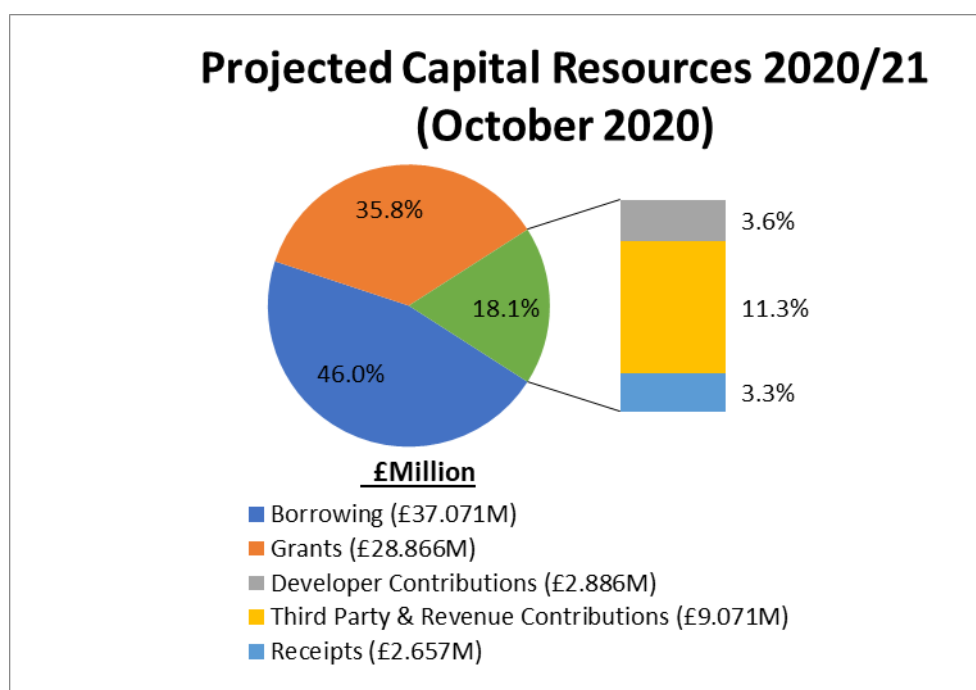
	<b>Total Composite Gross Capital Resources</b>		
	<b>Approved 30 Sept 2020</b>	<b>Current Estimate</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2020/21</b>	81,710	80,551	(1,159)
<b>2021/22</b>	127,517	129,717	2,200
<b>2022/23</b>	164,736	164,736	0
<b>2023/24</b>	73,784	73,784	0
<b>2024/25</b>	42,342	42,342	0
<b>2025/26</b>	29,766	29,766	0
<b>2026/27</b>	26,834	26,834	0
<b>2027/28</b>	24,728	24,728	0
<b>2028/29</b>	25,924	25,924	0
<b>Total</b>	<b>597,341</b>	<b>598,382</b>	<b>1,041</b>

- 2.2 Scottish Government Capital Grants in 2020/21 have increased by £714,000 as a result of an additional allocation from the Town Centre Regeneration Fund (see Section 3.5).
- 2.3 Movements on Third Party Contributions are £13,000 received on the Small Parks programme from a local village association (see section 3.3.2), and £239,000 from Scottish Water in the Commercial Property Investment Programme (see section 3.6). There have been no movements in Developer Contributions or Revenue Contributions over the 9-year budget, however, it is anticipated that forecast Developer Contributions may require to be rephased into later years due to the current pandemic. Receipts Carried Forward on the Commercial Property Investment Programme have reduced by £75,000 due to the inclusion of addition expenditure on the programme (see Section 3.6).

- 2.4 The projected Borrowing Requirement in 2020/21, which is effectively the balancing item for resources, is £37,071,000. This is £2,200,000 lower than the Borrowing Requirement approved by this Committee on 30 September 2020 and is a result of rephasing of expenditure in the current year.
- 2.5 There is a corresponding increase in the total Borrowing Requirement in the subsequent years 2021/22 to 2028/29 of £2,200,000 to £328,244,000, resulting in no overall movement over the 9-year programme.
- 2.6 All movements in the Borrowing Requirement are shown in the Proposed Budget Adjustment column within Appendix II, and summarised in the table below:

	2020/21	2021/22	2022/23	Later Years	Total
	£'000	£'000	£'000	£'000	£'000
Movements arising from re-phasing of expenditure and receipts (Appendix II)	(2,200)	2,200	0	0	0
<b>Increase/(Decrease) in Borrowing Requirement</b>	(2,200)	2,200	0	0	0

- 2.7 The chart below shows the Capital Resources required to fund the 2020/21 Composite Capital Programme following the proposed budget adjustments detailed in this report.



### 3. COMPOSITE CAPITAL PROGRAMME – EXPENDITURE

#### Total Expenditure and Proposed Budget Adjustments to the Current Programme

- 3.1 Total expenditure (net of grants and contributions) to 31 October 2020 on the Composite Capital Programme amounts to £9,386,000, which is detailed at Appendix II and can be summarised as follows:

	<b>Net Expenditure to 31 October 2020 £'000</b>
Education & Children's Services - Expenditure	4,887
Education & Children's Services – Early Learning & Childcare Grant	(3,800)
Housing & Environment	6,589
Health and Social Care	102
Corporate & Democratic Services	1,608
<b>Total</b>	<b>9,386</b>

#### **Education and Children's Services**

- 3.2 The Executive Director (Education & Children's Services) has further updated the programme for their Service and proposes the following budget adjustment.
- 3.3 The Rattray Primary School Upgrade project within the Early Learning & Childcare programme was due to commence on site this financial year. However, as result of Covid-19 restrictions impacting on the tendering process, the project has been delayed and will not now commence until 2021/22. With only professional fees in developing the project being incurred this year, it is therefore proposed to move £900,000 of the budget from the current year into next year.
- 3.4 The above proposed adjustment has been reflected in Appendices I and II. With several other projects having just restarted after the lifting of restrictions, revised expenditure profiles are currently being worked on and these will be reported in the next report to this Committee.

#### **Housing & Environment**

- 3.5 As noted in section 2 above, the Council has been awarded a further grant of £714,000 from the Town Centre Fund in 2020/21. A report on progress with the Town Centre Fund was considered by the Executive Sub Committee on 23 October (Report 20/204 refers) and a further update is provided in a separate report to this meeting of the Committee. The Executive Sub Committee in October agreed to decommit resources for the proposed Coupar Angus Cycling Hub due to the project not proceeding and to allocate funding to projects as follows: Strathmore Community Hub (additional £487,000); Kinross/Loch Leven project (additional £20,000); Perth Y Centre

project (£25,000) and the Local Full Fibre Network project (£200,000). The proposed expenditure on these projects, together with the grant award, have been reflected in Appendix II.

- 3.6 The Council has also been allocated £13,000 from a local village association towards a project that was completed last financial year within the Community Greenspace Programme. This therefore also increases the amount available for the current year programme.
- 3.7 Within the Commercial Property Investment Programme, the need for further drainage works to service the additional developments at Broxden has been identified. Scottish Water has estimated the cost to be £314,000 with Scottish Water contributing £239,000 towards the cost. The Council's share of the cost can be met from existing ring-fenced receipts brought forward which are available for the programme.

### **Corporate & Democratic Services**

- 3.8 Due to delays in receiving and agreeing finalised design work for Perth City Hall as a result of the lockdown, it is proposed to move £1,300,000 of the project budget from 2020/21 to 2021/22 with work on Perth City Hall now expected to commence on site in March 2021.

## **4. HOUSING INVESTMENT PROGRAMME**

- 4.1 The current estimated expenditure, net of contributions, for the Housing Investment Programme over the 5 years 2020/21 to 2024/25 amounts to £68,642,000. Movements from the previous estimates approved by the Council on 30 September 2020 are as follows and are detailed in Appendix III:

	<b>Approved 30 September 2020</b>	<b>Current Estimate</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2020/21</b>	18,626	14,641	(3,985)
<b>2021/22</b>	7,430	10,056	2,626
<b>2022/23</b>	7,946	7,995	49
<b>2023/24</b>	11,452	11,275	(177)
<b>2024/25</b>	23,188	24,675	1,487
<b>Total</b>	<b>68,642</b>	<b>68,642</b>	<b>0</b>

### **Total Expenditure to 31 October 2020 (Housing Investment Programme)**

- 4.2 Net expenditure for 2020/21 to 31 October 2020 amounts to £5,740,000 and receipts amount to £258,000, giving a borrowing requirement of £5,482,000 for the year to date.
- 4.3 The Executive Director (Housing & Environment) has reviewed the Housing Investment Programme and proposes the following budget adjustments which are included at Appendix III.

- 4.4 Following the lockdown in the first half of the year, new house building has resumed at various sites. However, there has been some rephasing of expenditure between 2020/21 and 2021/22 to reflect the reduced activity in the first half of the current year. It is also proposed to drawdown £59,000 from the Future Developments budget in 2020/21 for professional fees in developing the proposed development at Fairfield, Perth.
- 4.5 In addition, it is proposed to rephase £1,170,000 of the Council House Buy-Back budget in 2020/21 to 2021/22 (£337,000) and 2022/23 (£833,000).
- 4.6 Several other projects have also been impacted by the lockdown in the current year and it is proposed to rephase the budgets accordingly. The main movements are:
- External Fabric - £822,000 from 2020/21 to future years
  - Energy Efficiency - £337,000 from 2020/21 to future years.
  - Multi Storey Flats - £962,000 from 2020/21 to 2021/22.
  - Balmoral Road Refurbishment - £160,000 from 2020/21 to 2021/22
  - Lift Upgrade & Replacement Programme - £60,000 from 2020/21 to 2021/22.
- 4.7 All of the above proposed adjustments, together with other smaller movements, have been included in Appendix III. The total Housing Investment Programme borrowing requirement over the five-year period to 31 March 2025 is unchanged from the position approved by the Council on 30 September 2020.

## **5. BUDGET OVERVIEW**

- 5.1 The projected net expenditure outturn in 2020/21 for the Composite Capital Budget is £52.483 million and represents 75% of the 2020/21 budget as approved in March 2020 (£69.599 million).
- 5.2 Net expenditure to 31 October 2020 on the Composite Capital Budget is £9.386 million and represents 18% of the proposed revised budget for 2020/21 of £52.483 million.
- 5.3 In accordance with normal reporting practice, the revised budget is based on the latest projection of expenditure in year and is updated in each monitoring report. The revised budget in 2020/21 of £52.483 million reflects both budget adjustments agreed by Council on 30 September and the proposed adjustments within this report.
- 5.4 The projected net expenditure outturn in 2020/21 for the Housing Investment Programme is £14.641 million and represents 89% of the 2020/21 budget approved by the Housing and Communities committee in January 2020 (£16.520 million)

5.5 Net expenditure to 31 October 2020 on the Housing Investment Programme is £5.740 million which represents 39% of the proposed revised budget for 2020/21 of £14.641 million.

5.6 As noted in section 1 of the report, these projections should be considered indicative. In respect of the Composite Capital Budget, the projections are not currently based upon a comprehensive monitoring exercise.

## 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 nine-year Composite Capital Budget 2020/21 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 2020/21 to 2024/25 set out in Section 4 of this report and summarised at Appendix III.

### Author(s)

Name	Designation	Contact Details
John Jennings	Senior Accountant	<a href="mailto:CHXFinance@pkc.gov.uk">CHXFinance@pkc.gov.uk</a>

### Approved

Name	Designation	Date
Stewart MacKenzie	Head of Finance	12 November 2020
Karen Donaldson	Interim Chief Operating Officer (Corporate & Democratic Services)	13 November 2020

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
<b>Resource Implications</b>	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
<b>Assessments</b>	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
<b>Consultation</b>	
Internal	Yes
External	None
<b>Communication</b>	
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 2020/21 to 2028/29
- Appendix II – Composite Capital Programme - Summary of Capital Resources and Expenditure 2020/21 to 2028/29
- Appendix III – HRA Capital Investment Programme – Summary of Capital Resources and Expenditure 2020/21 to 2024/25