

# PERTH AND KINROSS COUNCIL

31 March 2021

## COMPOSITE CAPITAL BUDGET 2020/29 & HOUSING INVESTMENT PROGRAMME 2020/25 – MONITORING REPORT NUMBER 4

Report by the Head of Finance  
(Report No. 21/41)

### PURPOSE OF REPORT

This report provides a summary position 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 £600,116,000 and a five-year gross Housing Investment Programme for 2020/21 to 2024/25 totalling £68,642,000 at its meeting on 27 January 2021 (report 21/9 refers).
- 1.2 The Covid-19 pandemic continues to have a significant impact upon the delivery of the Council's Capital budget in 2020/21. This has led to a significant re-phasing of planned expenditure.
- 1.3 This report is based upon expenditure to 28 February 2021. Eventual expenditure on the Capital programme in 2020/21 will be determined by the Council's capacity to procure, manage and deliver Capital expenditure given the continuing demands of responding to the Covid pandemic.

### 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 £605,785,000. Movements from the revised Composite Capital Budget approved on 27 January 2021 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 27 Jan 2021</b>	<b>Current Estimate</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2020/21</b>	48,657	43,851	(4,806)
<b>2021/22</b>	116,312	124,398	8,086
<b>2022/23</b>	157,240	159,321	2,081
<b>2023/24</b>	122,706	122,693	(13)
<b>2024/25</b>	47,836	47,891	55
<b>2025/26</b>	29,780	29,716	(64)
<b>2026/27</b>	26,855	27,343	488
<b>2027/28</b>	24,766	24,702	(64)
<b>2028/29</b>	25,964	25,870	(94)
<b>Total</b>	<b>600,116</b>	<b>605,785</b>	<b>5,669</b>

2.2 The Local Government Finance Circular issued on 1 February 2021 included the 2021/22 allocation of **Scottish Government General Capital Grant** of £25,287,000 to the Council. After excluding £12,903,000 of grant relating to the priority flood schemes and £1,600,000 which is applied within the Revenue Budget, this leaves £10,784,000 available towards the current programme. This is broadly in line with last year's allocation. There is also an adjustment between 2020/21 and 2021/22 of £69,000 relating to Capital Grant applied within the Revenue Budget.

2.3 On 4 February 2021, the Cabinet Secretary for Finance wrote to the President of COSLA providing an "outline five-year indicative allocation for general capital grant and other specific funding streams provided through the local government finance settlement". The intention being to "offer Councils and other public bodies as much certainty as possible at this stage to support effective medium-term planning". The indicative allocation for local government is set out in the table below with the Cabinet Secretary's letter attached at Appendix IV to the report.

Local Government	2020/21	2021/22	2022/23	2023/24	2024/24	2025/26	5 year Total (2021/22-2025/26)
Support for Capital (1)	£467.9m	£477.9m	£488.9m	£486.9m	£514.4m	£521.4m	£2,489.5m
Specific Capital Grants (2)	£310.1m	£139.1m	£139.1m	£139.1m	£139.1m	£139.1m	£695.5m
Total	£778.0m	£617.0m	£628.0m	£626.0m	£653.5m	£660.5m	£3185.0m

Notes: (1) Includes £150m funding to invest in flood risk management  
 (2) Reduces by £171m from 2020/21 onwards as a result of the completion of the Early Learning (£121m) and Heat Network Early Adaptors (£50m) programmes.

2.4 Although Scottish Government funding for local authority Capital expenditure is set to gradually increase, the funding is lower than in previous years and is different from the Council's current assumptions on Capital Grant funding going forward. These assumptions have been reviewed in light of the above outline allocation and the Council's forecast share of Capital funding. In total, assumed Scottish Government Capital grant funding has been reduced by £19,119,000 over the 9 years of the existing programme as follows:

Forecast Grant	2020/1	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Current	10,266	24,305	21,416	14,000	14,000	14,000	14,000	14,000	14,000	139,987
Revised	10,335	23,618	15,117	11,132	11,845	12,026	12,265	12,265	12,265	120,868
Movement	69	(687)	(6,299)	(2,868)	(2,155)	(1,974)	(1,735)	(1,735)	(1,735)	(19,119)

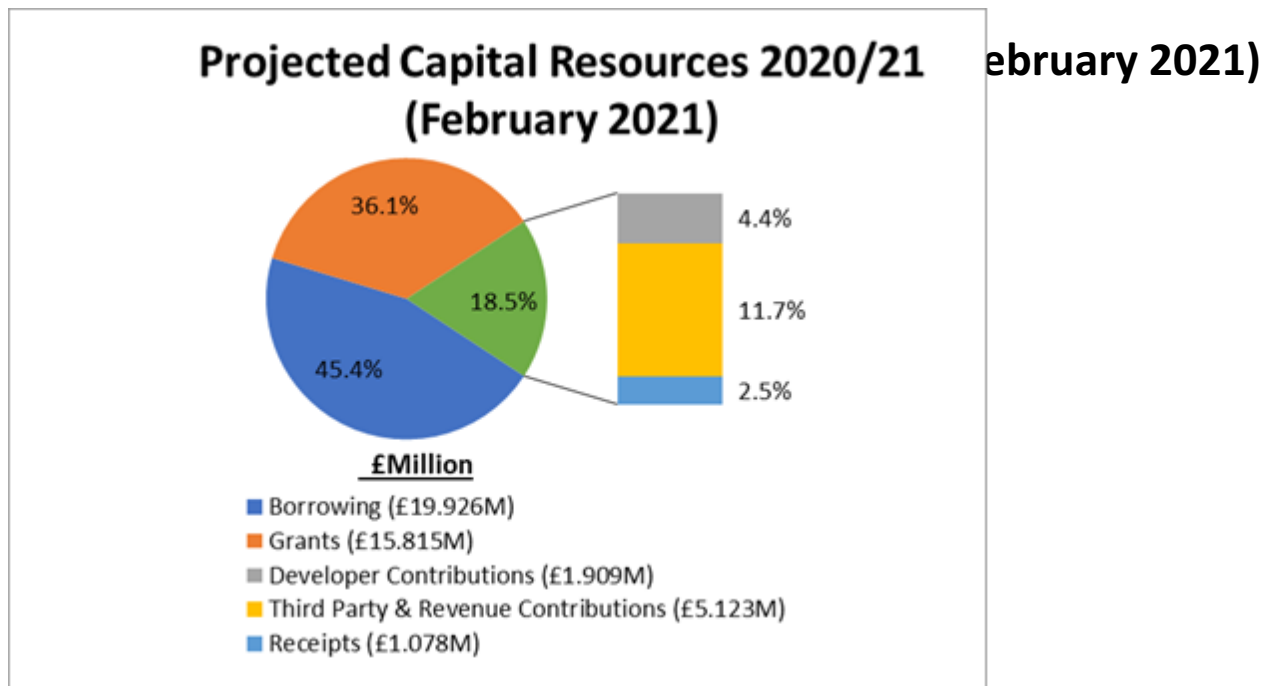
2.5 The above funding assumptions will be kept under review and will be updated as and when more information becomes available.

2.6 **Ring-fenced Capital Grant** for Cycling Walking & Safer Streets in 2021/22 amounts to £665,000. The Council has also received £124,858 of Capital Grant for Public Sector Gypsy Traveller Sites Improvements in 2020/21 (Section 3.3.9).

- 2.7 **General Fund receipts, Commercial Property receipts and Ring-Fenced receipts** have been rephased between the current year and the next two years, whilst there is a small increase of £1,000 in **Housing Receipts**.
- 2.8 There has been an increase of £12,000 in **Revenue Contributions** in relation to the Corporate Programme Management System. There has also been some reallocation between **Third-Party** and **Revenue Contributions**, with the £15,000 contribution from the Choose Life Fund for works at Kinnoull Hill now included as a Revenue Contribution as the fund is administered by the Council. The level of forecast **Developer Contributions** has also been reviewed, with reduced contributions in the earlier years of the Capital Programme and increased levels in later years.
- 2.9 The projected **Borrowing Requirement** in 2020/21, which is effectively the balancing item for resources, is £19,926,000. This is £1,847,000 lower than the Borrowing Requirement approved by the Council on 27 January 2021 and is a result of the significant rephasing of expenditure and resources in the current year.
- 2.10 There is a forecast increase in the total Borrowing Requirement in the subsequent years 2021/22 to 2028/29 of £26,032,000 to £369,574,000, resulting in an overall net increase in the amount of borrowing over the 9-year programme of £24,185,000.
- 2.11 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
Increase/(Reduction) in forecast General Capital Grant (Section 2)	0	3,668	3,383	12,202	<b>19,253</b>
(Reduction)/Increase in Capital Grant allocated to the Revenue Budget (Section 2.2)	(69)	69	0	0	<b>0</b>
(Increase)/Decrease in Grant for Flood Priority Schemes (Section 3.3.4)	0	(3,050)	2,916	0	<b>(134)</b>
Increase in Rural Flood Protection Expenditure (Section 3.3.4)	0	0	32	135	<b>167</b>
Increase in Structural Maintenance (Section 3.3.1)	0	4,000	0	0	<b>4,000</b>
Increase/(Decrease) in Land Purchase & Development Prudential Borrowing (Section 3.3.8)	(1,000)	0	1,900	0	<b>900</b>
(Increase)/Decrease in Housing Receipts (Section 2.3)	(3)	1	1	0	<b>(1)</b>
Movements arising from re-phasing of expenditure and receipts (Appendix II)	(775)	1,888	681	(1,794)	<b>0</b>
<b>Increase/(Decrease) in Borrowing Requirement</b>	<b>(1,847)</b>	<b>6,576</b>	<b>8,913</b>	<b>10,543</b>	<b>24,185</b>

2.12 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

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

3.1.1 Total expenditure (net of contributions) to 28 February 2021 on the Composite Capital Programme amounts to £20,675,000. This represents 63% of the latest projected outturn for 2020/21 of £32,945,000 and is detailed at Appendix II and summarised as follows:

	<b>Net Expenditure to 28 February 2021 (£'000)</b>
Education & Children's Services - Expenditure	7,505
Education & Children's Services – Early Learning & Childcare Grant	(3,800)
Communities	12,211
Health and Social Care	193
Corporate & Democratic Services	4,566
<b>Total</b>	<b>20,675</b>

#### 3.2 Education and Children's Services

3.2.1 The Executive Director (Education & Children's Services) has updated the programme for their Service and proposes the following budget adjustments.

3.2.2 At its meeting on 30 September 2020 (report 20/175 refers), the Council approved the North Muirton/Balhouses Primary School Replacement. A budget shortfall of £400,000 was identified at that time. As the project is to be tendered during the summer of 2021 it is proposed to transfer £400,000 from

the Investment in Learning Estate budget to the North Muirton/Balhouseie Primary School Replacement budget to facilitate the tender process.

- 3.2.3 It is proposed to increase the budget for the Inchtute Primary School Upgrade in 2020/21 by £110,000 from the Early Learning & Childcare budget in 2020/21 (£50,000) and 2021/22 (£60,000). This is required to cover the costs of additional utilities work undertaken as well as delays resulting from the Covid-19 pandemic. Delays as a result of Covid-19 have also resulted in an increase of £70,000 in costs on the Longforgan Primary School Upgrade in the current year, which is proposed to be funded from the 2021/22 Investment in Learning Estate budget. As a result of the impact of Covid-19, there is a need to align £468,000 of the Blairgowrie Recreation Centre Replacement budget in 2020/21 to 2021/22 to align funding with the revised programme.

### **3.3 Communities**

- 3.3.1 At its meeting on 10 March 2021, the Council approved additional expenditure for Structural Maintenance (£3,800,000) and road safety measures including 20mph signage around schools (£200,000) in 2021/22 in order to catch up on delayed works and address issues resulting from the recent severe weather (budget motion in respect of report 21/33 refers). This has been included at Appendix II on the 2021/22 Structural Maintenance and Schools Road Safety Measures programmes to be applied across the road network, footways and unadopted roads.
- 3.3.2 The Executive Director (Communities) has undertaken a further review of the programme for their Service with the proposed budget adjustments outlined below.
- 3.3.3 The Traffic & Road Safety and Structural Maintenance programmes have been rephased to reflect the latest projections. With officers prioritising grant-funded programmes, other works which had been scheduled for the current year will now be undertaken next year. The Cycling Walking & Safer Streets (CWSS) programme has been increased by £465,000 to £665,000 in 2021/22 in line with the Council's grant allocation included within the Scottish Government settlement. Projected expenditure on Structural Maintenance has increased by £515,000 in relation to the retaining wall project at Welton Road, Blairgowrie as a result of the revised scheme of works. It is proposed that this is met by transferring funding from the Bridge Refurbishment Programme for later years. The Road Safety Barrier works are being undertaken in conjunction with Network Rail, and it is now proposed to undertake the works in 2021/22 once the necessary agreements with Network Rail are in place. In addition, £65,000 of works on the A977 Upgrades programme are also proposed to be moved to 2021/22.
- 3.3.4 The priority projects within the Rural Flood protection programme have been updated to reflect the latest projected costs and phasing. This has resulted in an increase of £167,000 in the overall costs of the schemes in later years. It is anticipated that £134,000 (80%) of the projected increase in costs will be recoverable through the receipt of additional Scottish Government Capital Grant for Flood schemes at the time the works are tendered. It is proposed that the remaining £33,000 is funded from the overall revised General Grant

estimates. There has also been some rephrasing of the current year's budgets to later years.

- 3.3.5 It is proposed to move £2,045,000 of the Town Centre Fund grant from the current year to 2021/22 to match the profile of expenditure. It is anticipated that all expenditure within the programme will be committed by the end of the current year, with the works being undertaken in the first half of next year.
- 3.3.6 The Corporate Programme Management system is in the final stage of development and is scheduled to go live from 1 April 2021. Overall costs have increased by £12,000 in the current year, and it is proposed to fund this by Revenue contributions from each service.
- 3.3.7 With works now commenced on site at Perth City Hall in March 2021, a revised project cashflow has been received from the contractor. Consequently, it is proposed to bring forward £396,000 of next year's budget into the current year.
- 3.3.8 Within the Prudential Borrowing programme, it is proposed to transfer the £1,000,000 Land Purchase & Development budget to 2022/23, and to increase the total to £1,900,000 to facilitate potential investment in the city centre as considered by Council on 24 June 2020 (report 20/106 refers). There are also adjustments to various other budgets between years.
- 3.3.9 The Council has been awarded £124,858 of Capital Grant from the Scottish Government for Improvements to Public Sector Gypsy Traveller Sites in 2020/21. Following consultation with the Gypsy Traveling community, it is proposed the grant is used to provide meeting and storage space at the Double Dykes and Bobbin Mill sites. It has been agreed with the Scottish Government that the expenditure under the programme can be carried forward and spent in 2021/22.
- 3.3.10 All the above proposed adjustments have been included in Appendix II.

#### **3.4 Corporate & Democratic Services**

- 3.4.1 Within the Property Division, some works within the DDA Adaptations programme have been deferred until 2021/22 in order that they can be consolidated with other improvements into a single plan of works at various school and office locations. However, it is proposed to bring forward £411,000 from future years on the Capital Improvements budget to meet betterment costs following the storm damage in August 2020. The other proposed movements in the Property Division programme are smaller adjustments to reflect the latest projections.
- 3.4.2 Due to delays resulting from Covid-19 it is proposed to reprofile £552,000 of the ICT Infrastructure Programme to 2026/27. In addition, it is proposed that £130,000 of the budget in the current year for Customer Contact Centre system developments is moved into next year.

## 4. HOUSING INVESTMENT PROGRAMME

- 4.1 At its meeting on 3 February 2021, the Housing & Communities Committee approved a new Housing Investment Programme for 2021/22 to 2025/26 (report 21/15 refers). This included moving £10,333,000 of expenditure from 2024/25. Of this, £5,000,000 was moved to the Council New Build Future Developments programme in 2022/23 (£3,000,000) and 2023/24 (£2,000,000), with the balance of £5,333,000 moving to 2025/26. Monitoring of the budget for 2025/26 will be included in next year's monitoring reports.
- 4.2 The current estimated expenditure, net of contributions, for the Housing Investment Programme over the 5 years 2020/21 to 2024/25 now amounts to £63,309,000. Movements from the previous estimates approved by the Council on 27 January 2021, including those set out above, are as follows and are detailed in Appendix III:

	<b>Approved 27 January 2021</b>	<b>Current Estimate</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2020/21</b>	15,341	14,005	(1,336)
<b>2021/22</b>	9,920	11,527	1,607
<b>2022/23</b>	8,264	11,098	2,834
<b>2023/24</b>	11,608	13,519	1,911
<b>2024/25</b>	23,509	13,160	(10,349)
<b>Total</b>	<b>68,642</b>	<b>63,309</b>	<b>(5,333)</b>

### 4.3 Total Expenditure to 28 February 2021 (Housing Investment Programme)

Net expenditure for 2020/21 to 28 February 2021 amounts to £10,069,000 which is 72% of the latest projected outturn of £14,005,000. Housing receipts amount to £258,000, giving a borrowing requirement of £7,498,000 for the year to date.

- 4.4 The Executive Director (Communities) has reviewed the Housing Investment Programme and proposes the further adjustments outlined below.
- 4.5 The Council has received additional Scottish Government grant for the New Builds programme in 2020/21, which has been included at Appendix III as follows:
- Fairfield, Perth - £141,000, to be applied in 2020/21 (£87,000) and 2021/22 (£54,000)
  - Newburgh Road, Abernethy - £4,000 to be applied in 2020/21
  - 149-151 Dunkeld Road, Perth - £146,000, to be applied in 2021/22
- 4.6 It is proposed to accelerate budgeted expenditure from future years into the current year in line with the latest projections for 2020/21 as follows:
- Rewiring, Infrastructure & Property Developments - £16,000 from 2024/25
  - Bathroom Modernisation Programme - £89,000 from 2023/24
  - Fire Precaution Measures - £200,000 from 2021/22 and 2022/23

- Greyfriars - £9,000 from 2021/22
- General Capital works - £14,000 from 2021/22 and 2022/23

4.7 Work on the Multi-Storey Flats has been delayed, with no works now planned for the current year, with only professional fees to be incurred. It is, therefore, proposed to move £1,322,000 to next year. In addition, there are no works currently planned this year on the Upgrade and Replacement Lift Programme, and it is proposed to move the budget of £83,000 to next year. There is also a proposed movement of £59,000 on the Milne Street New Build project in the current year to next year.

4.8 In setting the HRA Revenue Budget on 3 February 2021, the Housing & Communities Committee approved the level of Capital Financed from Current Revenue (CFCR) for each year of the Capital Programme. This has resulted in a reduction of £1,417,000 in CFCR for the years 2021/22 to 2024/25. Accordingly, with a reduction in expenditure of £5,333,000, offset by the reduction in CFCR, borrowing over the current 5-year programme has reduced by £3,916,000.

## 5. BUDGET OVERVIEW

5.1 The projected net expenditure outturn in 2020/21 for the Composite Capital Budget is £32.945 million and represents 47% of the 2020/21 budget as approved in March 2020 (£69.599 million). The revised budget is based on the latest projection of expenditure and reflects all budget adjustments approved this year together with the proposals within this report.

5.2 Net expenditure to 28 February 2021 on the Composite Capital Budget is £20.675 million and represents 63% of the proposed revised budget for 2020/21 of £32.945 million.

5.3 The projected net expenditure outturn in 2020/21 for the Housing Investment Programme is £14.005 million and represents 85% of the 2020/21 budget approved by the Housing and Communities committee in January 2020 (£16.520 million).

5.4 Net expenditure to 28 February 2021 on the Housing Investment Programme is £10.069 million which represents 72% of the proposed revised budget for 2020/21 of £14.005 million.

5.5 While the projections have been based upon a comprehensive monitoring exercise, the outturn position will be dependent upon expenditure in March and valuations on ongoing projects.

## 6. RECOMMENDATIONS

6.1 It is recommended that Council

- (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)

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#### Approved

Name	Designation	Date
Karen Donaldson	Chief Operating Officer	24 March 2021
Stewart MacKenzie	Head of Finance	24 March 2021

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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 interim 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
- Appendix IV – Cabinet Secretary’s letter dated 4 February 2021 on the Local Government capital settlement 2021/22 to 2025/26