

PERTH & KINROSS COUNCIL

24 FEBRUARY 2021

FINANCE CIRCULAR 1/2021 UPDATE

Report by the Head of Finance (Report No. 20/25)

PURPOSE OF REPORT

This report advises the Council of the terms of the draft 2021/22 Scottish Government Budget as set out in Finance Circular 1/2021. If accepted, these terms will have a material impact upon the assumptions currently underpinning the Council's 2021/22 Provisional Revenue Budget as they include funding for a Council Tax freeze. A decision is, therefore, sought from Council as to the acceptance of these terms.

1. BACKGROUND

- 1.1 The 2021/22 Provisional Revenue Budget approved by Council on 6 March 2020 is based upon a provisional Council Tax increase of 4.28%. This is the working assumption within the Medium-Term Financial Plan 2021-2027 approved in September 2020 (Report No 20/174 refers).
- 1.2 The Scottish Government published its draft 2021/22 Budget on 28 January 2021. This draft Budget has a number of terms, including funding for early learning & childcare, health & social care, pupil : teacher ratios and probationer teachers. It also includes £90 million of funding available to "compensate Councils who choose to freeze their council tax at levels". This compensation equates to an increase in Council Tax of around 3%.
- 1.3 The terms of the draft 2021/22 Scottish Budget, in relation to a potential Council Tax freeze, represent a material change in the Council's financial planning assumptions. As set out in section 3 of the report, the change is material because the amount of compensatory funding available to the Council for a Council Tax freeze is less than the Council Tax income currently assumed within the approved 2021/22 Provisional Revenue Budget.
- 1.4 As Council Tax is a matter which only Council may determine, this report asks elected members to consider the terms of the draft Scottish Budget including funding for a Council Tax freeze.

2. LOCAL GOVERNMENT FINANCE CIRCULAR 1/2021

- 2.1 Local Government Finance Circular 1/2021 (which is attached at Appendix A) was issued by the Scottish Government on 1 February 2021 and includes the provisional financial settlement for 2021/22 at an individual Council level. As anticipated, the Settlement included information for 2021/22 only, with no information on future financial years.

- 2.2 The Circular provides details of the provisional total Revenue and Capital funding allocations for 2021/22, as well as the latest information on current known funding redeterminations for 2020/2021. The Circular also provides details on a range of business rates measures, including the 2021/22 Non-Domestic Rates poundage.
- 2.3 The provisional total funding allocations will form the basis for the annual consultation between the Scottish Government and Convention of Scottish Local Authorities (COSLA) ahead of the stage 3 parliamentary debate on the Budget Bill which is scheduled for 9 March 2021.
- 2.4 The Finance Circular sets out a funding package of £11.003 billion for local government which includes the following:
- £59 million of revenue funding to support the final tranche of expansion in funded Early Learning and Childcare (ELC) entitlement to 1,140 hours;
 - £90 million to compensate councils who choose to freeze council tax levels;
 - a further £72.6 million to be transferred from the health portfolio to Local Authorities in-year for investment in health and social care and mental health services that are delegated to Integration Authorities;
 - the ongoing £88 million to maintain the pupil : teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
 - continued provision for Teachers Pay (£156 million) and Pensions (£97 million);
 - an increase of £7.7 million in the specific grant support for Inter-Island Ferries
 - £5.3 million for Barclay implementation costs; and
 - the capital settlement includes an uplift for flood risk schemes of £10 million.

3 FINANCIAL IMPLICATIONS

- 3.1 The Council's 2021/22 Provisional Revenue Budget assumes a Council Tax increase of 4.28% which will generate approximately **£3.991 million** of additional income based upon the collection assumptions approved in March 2020.
- 3.2 Of the £90 million identified nationally to compensate for a Council Tax freeze, Perth & Kinross Council's allocation, per Local Government Finance Circular 1/2021, is **£2.817 million**. This equates to the additional income which would be generated from an increase in Council Tax of approximately 3.1% in 2021/22. Having sought advice at an officer level from COSLA, it is assumed in preparing this report that, in order to access this funding, councils will have to agree not to increase Council Tax in 2021/22.

- 3.3 Should the Council decide to accept the terms of the draft Scottish Government budget and freeze Council Tax levels in 2021/22, this will have a material impact upon the funding assumptions within the 2021/22 Provisional Revenue Budget resulting in a reduction in budgeted income levels (i.e. an expenditure pressure) of **£1.174 million**.
- 3.4 This will require the 2021/22 Provisional Revenue Budget to be adjusted to take account of these material changes which are summarised in the table below.

	£ million
Loss of Council Tax Income (based upon 4.28% increase in approved Provisional Revenue Budget)	3.991
Compensation for Council Tax freeze (per Finance Circular 1/2021 attached at Appendix A)	(2.817)
Net Impact on 2021/22 Provisional Revenue Budget (additional expenditure pressure)	1.174

4 PROPOSAL

- 4.1 The key issues are the potential impact upon the Council's 2021/22 Provisional Revenue Budget set out above, providing local Council Tax payers with clarity on Council Tax levels and enabling Council Tax billing to be processed timeously. Therefore, Council is asked to consider the terms of the 2021/22 draft Scottish Budget and make a decision as to whether or not to accept the compensatory funding allocation and freeze Council Tax levels in 2021/22.
- 4.2 Should the Council decide to accept the Scottish Government terms in relation to a Council Tax freeze, Perth & Kinross Council's Band D Council Tax in 2021/22 will be set at the current level of **£1,318**. Water and wastewater charges will be subject to a separate uplift of 2.5% in 2021/22 which is determined by Scottish Water. The Council Tax charge for second homes and long-term vacant properties would also remain unchanged from 2020/21 levels (excluding water and wastewater charges).
- 4.3 Approval by Council at this meeting to a Council Tax freeze will be regarded as authority for officers to undertake 2021/22 Council Tax billing on this basis.
- 4.4 Elected members will be aware that the Special Council date of 3 March 2021 was originally set to allow time for Council to determine the 2021/22 Council Tax as part of 2021/22 Final Revenue Budget. This was also to allow officers to be able to issue Council Tax bills for 1 April 2021.
- 4.5 If elected members agree to a Council Tax freeze at this meeting of the Council, it is less essential to consider the Revenue Budget on the 3 March 2021 as currently scheduled. As such, it is proposed to move the date of the Special Council meeting to set the 2021/22 Final Revenue Budget to 10 March 2021.

- 4.6 This will enable officers to both update the 2021/22 Provisional Revenue Budget based upon a Council Tax freeze and make it more likely that any changes in the Council's funding position arising from either the UK Budget on 3 March and/or the final stage of the Scottish Budget Bill on 9 March can be incorporated into elected members' decision making.
- 4.7 Should Council not agree a Council Tax freeze, then the previously approved indicative Council Tax increase of 4.28% will remain the assumption within the 2021/22 Provisional Revenue Budget.

5 CONCLUSION AND RECOMMENDATIONS

- 5.1 The terms of the draft Scottish Government budget, as set out in Finance Circular 1/2021, invite local authorities to make a policy decision to freeze Council Tax for 2021/22, with additional funding being made available to compensate for the loss of income.
- 5.2 For Perth & Kinross Council, the compensatory additional funding in Finance Circular 1/2021, however, equates to less than the additional Council Tax income currently assumed within the approved Provisional Revenue Budget for 2021/22.
- 5.3 The Council is, therefore requested to:
- (i) Consider the terms of the draft 2021/22 Scottish Budget in relation Council Tax and approve whether to freeze Council Tax levels for financial year 2021/22 or not.
 - (ii) Note that subject to Council approving to freeze Council Tax levels in accordance with (i) above:
 - The resultant Band D Council Tax for Perth & Kinross Council in 2021/22 will be set at £1,318 (excluding water and wastewater charges).
 - Council Tax charges in 2021/22 for second homes and long-term vacant properties in Perth & Kinross will remain unchanged from 2020/21 (excluding water and wastewater charges).
 - Council officers will be authorised to proceed with Council Tax billing on this basis
 - (iii) Subject to Council approving to freeze Council Tax levels in accordance with (i) above:
 - agree to delay consideration of the 2021/22 Final Revenue Budget to 10 March 2021 to allow officers to make the necessary adjustments to the 2021/22 Provisional Revenue Budget and ensure that elected members have the benefit of considering any additional relevant information that may become available in the interim.

Author(s)

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Scott Walker	Chief Accountant	01738 475000

Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	18 February 2021
Karen Donaldson	Chief Operating Officer	19 February 2021

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 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 Revenue Budget Executive Summaries have been subject to an equalities assessment where appropriate.

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 Officer Team have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

- 2.1 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 A – Finance Circular 1/2021