

PERTH & KINROSS COUNCIL

27 January 2021

REVENUE BUDGET 2020/21 UPDATE No. 3

Report by the Head of Finance (Report No. 21/8)

PURPOSE OF REPORT

This report provides an update on progress with the 2020/21 Revenue Budget, with a focus on the estimated financial impact of Covid-19 in the current year.

1. BACKGROUND

- 1.1. On 25 November 2020, the Strategic Policy & Resources Committee considered the Revenue Budget 2020/21 Update No.2 (Report No. 20/225) refers. At that time, the gross impact of Covid on the Council's in-year financial position was estimated at between £26.0 million and £30.4 million.
- 1.2. After allowing for additional Scottish Government funding and mitigating action using forecast in-year under-spends, the remaining net financial gap in 2020/21 was estimated at between £300,000 and £4.7 million.
- 1.3. This report provides the Council with the latest forecast year end position for financial year 2020/21 based on expenditure and income to October 2020 for the General Fund and Housing Revenue Account, updated for any anticipated material changes.
- 1.4. This report also provides a further update on the funding that has been made available to the Council.

2. LATEST PROJECTED FINANCIAL IMPACT OF COVID-19 ON COUNCIL

- 2.1 The projections included within this report are based on the most up to date information available at the time of writing. Undoubtedly the position will change as new information emerges, any further funding announcements are made and as the Council's response to Covid-19 evolves in light of local circumstances and the requirements of the Scottish Government Covid protection levels.
- 2.2 Elected Members will continue to be kept fully apprised of the latest projections over the coming months.
- 2.3 The Executive Officer Team has reviewed the projected outturns included within this update and these are set out in more detail below. The impact of Covid-19 has been summarised in the following categories:
 - Impact on –
 - Expenditure
 - Income

- Approved Savings
- Local Taxes
- Arm's Length External Organisations (ALEOs)
- Other Areas

Impact on Expenditure

- 2.4 Using the latest information available, the projected impact of Covid-19 on Council **expenditure** is currently estimated at approximately **£12.6 million**. This is a net increase of £0.2 million on the position reported to the Strategic Policy & Resources Committee on 25 November 2020 (Report No. 20/225 refers). The main reasons for this increase are the inclusion of updated projections in relation to cleaning, PPE and equipment supplies as well as anticipated costs in relation to tackling financial insecurity (funded by the Scottish Government) which is partially offset by a reduction in the support provided to Tayside Contracts.
- 2.5 Examples of the pressures contributing to this position are set out in the following table.

<i>Giving every child the best start in life</i>	<ul style="list-style-type: none"> • Provision of free school meals - £0.795m • Provision of childcare / activity centres - £0.666m
<i>Developing educated, responsible and informed citizens</i>	<ul style="list-style-type: none"> • Additional teaching and support staff - £1.988m • Return of Schools - £0.868m • Home to School Transport - £0.652m • Additional property / energy costs - £0.597m
<i>Supporting people to lead independent, healthy & active lives</i>	<ul style="list-style-type: none"> • Crisis Grants - £0.410m • Tackling Financial Insecurity - £0.368m • Social Care - £4.170m • Mental Health & Wellbeing - £0.416m • Food support - £0.237m
<i>Creating a safe and sustainable place for future generations</i>	<ul style="list-style-type: none"> • Fly Tipping Fund - £0.020m
<i>Organised to deliver</i>	<ul style="list-style-type: none"> • Payments to Tayside Contracts - £0.5m • PPE / Cleaning / Supplies - £0.746m

Impact on Income

- 2.6 Using the latest information available, the projected impact of Covid-19 on Council **income** is currently estimated at approximately **£6.2 million**. This is a net reduction of £0.1 million on the position reported to the Strategic Policy & Resources Committee on 25 November 2020 (Report No. 20/225 refers).
- 2.7 Examples of the income sources contributing towards this position are set out in the following table.

<i>Giving every child the best start in life</i>	<ul style="list-style-type: none"> • Kids clubs - £0.431m
<i>Developing educated, responsible and informed citizens</i>	<ul style="list-style-type: none"> • School meals - £1.442m • Instrumental music - £0.249m • Breakfast Clubs - £0.123m
<i>Promoting a prosperous, inclusive and sustainable economy</i>	<ul style="list-style-type: none"> • Planning & building warrant fees - £0.8m • Licensing - £0.278m
<i>Supporting people to lead independent, healthy & active lives</i>	<ul style="list-style-type: none"> • School lets - £0.085m • Greenspace (North Inch Golf / events) - £0.110m • Contributions Policy - £0.480m
<i>Creating a safe and sustainable place for future generations</i>	<ul style="list-style-type: none"> • Waste (commercial / sales) - £0.630m
<i>Organised to deliver</i>	<ul style="list-style-type: none"> • Recharges to Capital - £0.5m • Statutory Additions - £0.1m • Tayside Contracts Surplus - £0.3m • Council Tax Reduction Scheme - £0.4m

Impact on Approved Savings

- 2.8 Using the latest information available, the projected impact of Covid-19 on Council **approved savings** is currently estimated at approximately **£1.3 million**. This is a reduction of £0.4 million and is primarily due to updated forecasts in relation to recycling performance and property asset management. More information on this is set out in the following table.

<i>Promoting a prosperous, inclusive and sustainable economy</i>	<ul style="list-style-type: none"> • Economic Development – sponsorship / advertising - £0.075m
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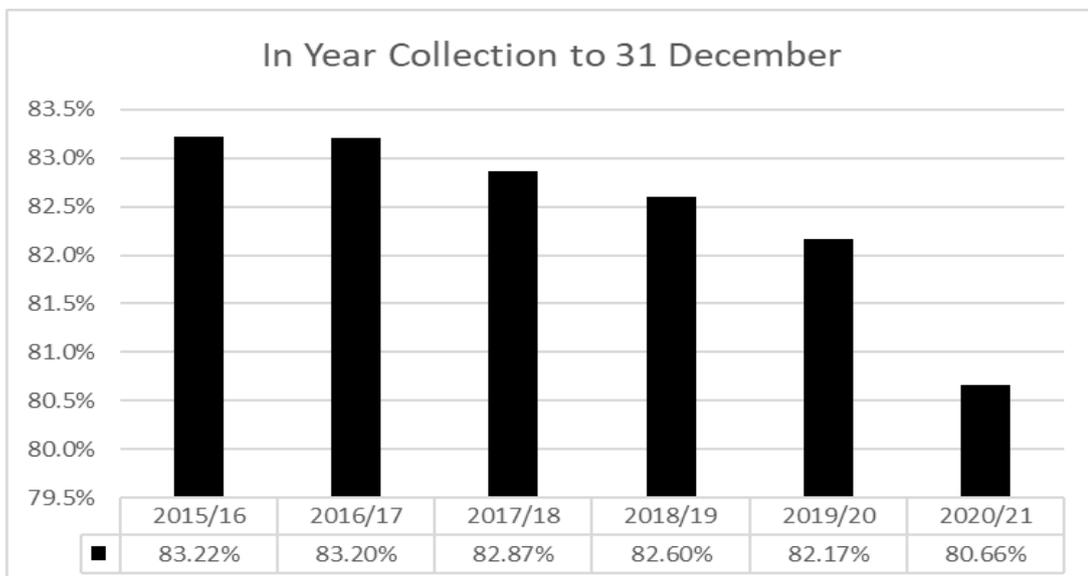
<i>Supporting people to lead independent, healthy & active lives</i>	<ul style="list-style-type: none"> • Older People – residential placements - £0.230m • Learning Disabilities - £0.395m • Income Contributions - £0.273m
<i>Creating a safe and sustainable place for future generations</i>	<ul style="list-style-type: none"> • Review of cultural trusts - £0.150m
<i>Organised to deliver</i>	<ul style="list-style-type: none"> • Review of support services - £0.250m • Review of communications / design - £0.025m

Impact on Local Taxes

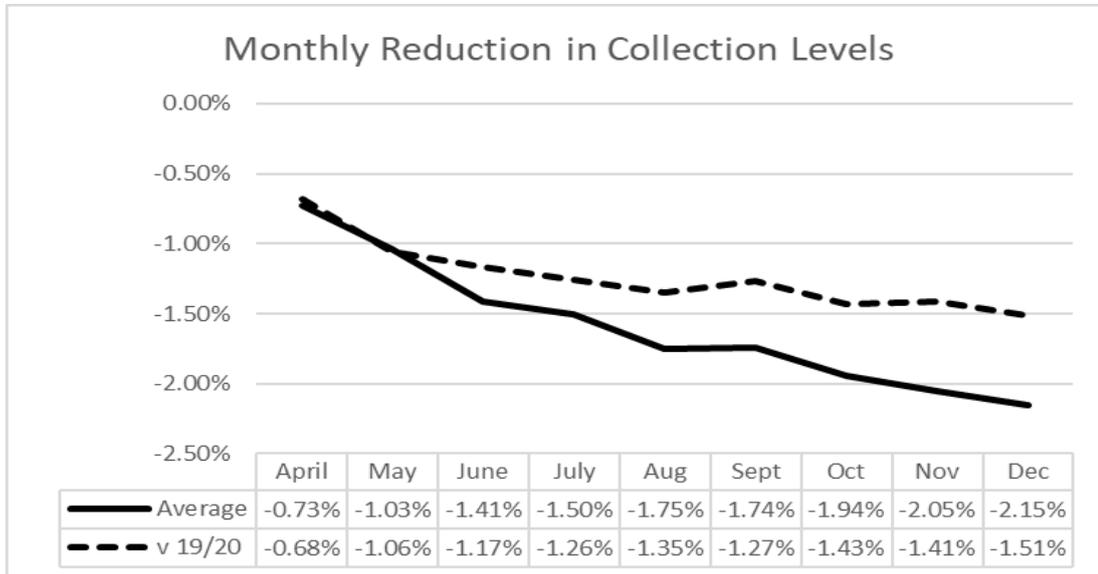
Council Tax

2.9 The amount of income the Council will generate from Council Tax is dependent on two main factors, firstly the collection levels and secondly, the number of Band D properties on the Valuation Roll.

2.10 Monitoring of Council Tax collection levels is carried out on a monthly basis. The graph that follows sets out collection performance to 31 December 2020.



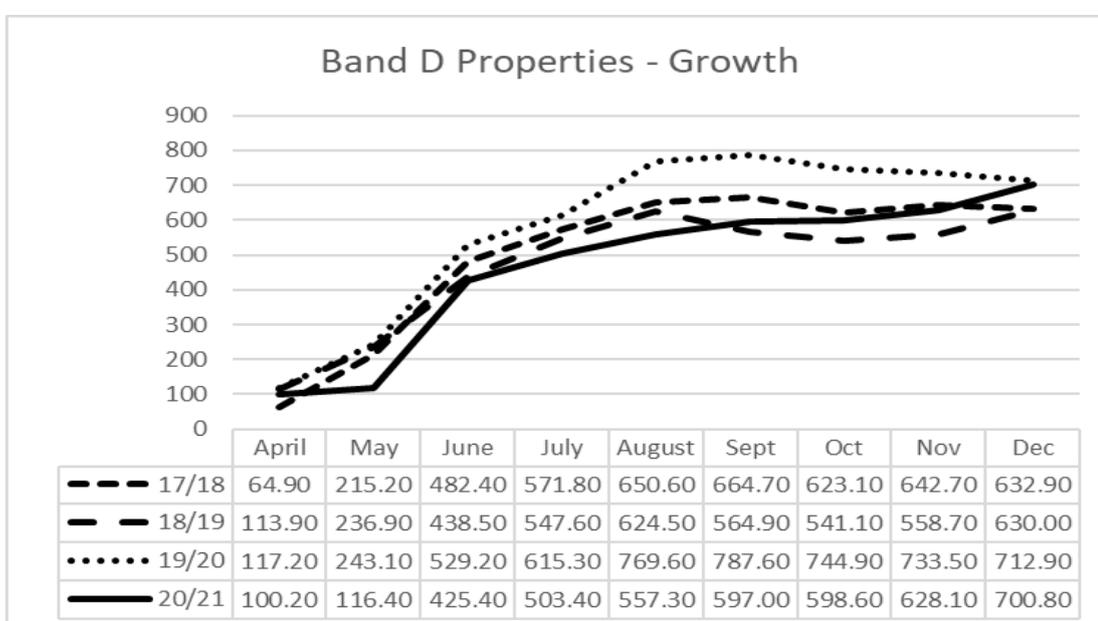
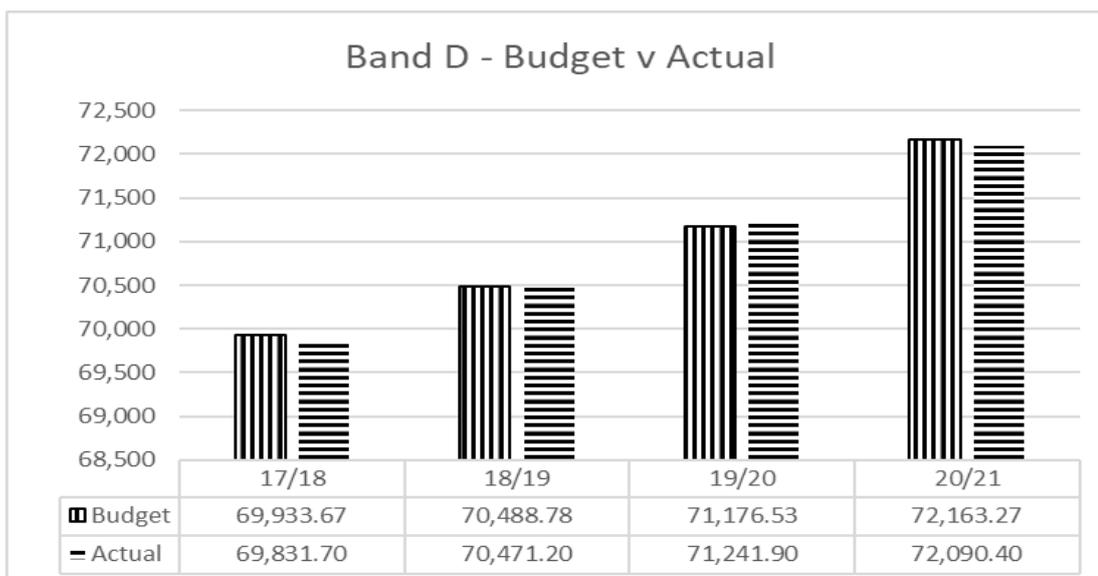
2.11 Collection levels have reduced compared to previous years. Between 2015/16 and 2019/20 the average collection figure by 31 December was 82.81%. The actual collection figure to 31 December 2020 was 80.66% which is a reduction of 2.15% compared to the historical average and 1.51% on 31 December 2019.



2.12 It is assumed that extension of the Job Retention Scheme to 30 April 2021 is supporting Council Tax collection. In light of the latest update and experience to date, potential non-collection levels in the current financial year have been re-modelled more positively at 2%, 3% and 4% in the table below (previous assumptions were 2% - 6% non-collection). However, potential collection levels in future years remain uncertain and Council Tax collection will continue to be kept under review.

2% reduction	£1.9m
3% reduction	£2.85m
4% reduction	£3.8m

2.13 Secondly, in setting the Council's Revenue Budget, assumptions are made on increases in the number of Band D equivalent properties. The two graphs set out below suggest that there is a risk that the level of growth will be less than budgeted assumptions. This potentially affects not only current year budgets, but also future years because of the impact on the base level of income. The other factor of note is that the growth in the current year had been flattening but appears to have improved towards the end of calendar year 2020.



2.14 The potential financial consequences of a reduction in the budgeted assumptions of between 100 and 300 properties are set out in the following table.

100 properties	£0.132m
200 properties	£0.264m
300 properties	£0.396m

Non-Domestic Rates

2.15 The actual collection rate to 31 December 2020 was 78.44%, compared to 82.49% for the same period in 2019. However, because Non-Domestic Rates

bills were not issued until the end of June, comparisons with previous years are less meaningful. The current collection levels for Non-Domestic Rates are shown prior to the full impact of formal recovery action which recommenced in mid-November. The Council continues to provide the Scottish Government with monthly reporting on Non-Domestic Rates collection levels.

Impact on Arm's Length External Organisations (ALEOs)

- 2.16 Monthly service level agreement payments have been being paid as normal to all three Arm's Length External Organisations (Live Active Leisure, Culture Perth & Kinross and Horsecross Arts Ltd.) to assist with their cashflow as they continue to forecast and monitor the ongoing impact of Covid-19 upon their financial position.
- 2.17 Live Active Leisure have updated their financial planning assumptions based on the latest information available. The two main factors impacting on the latest projections are confirmation that the Job Retention Scheme will remain available for the remainder of the financial year and the assumption that it is likely that venues will not re-open this financial year. While both of these developments have a material impact, confirmation of the Job Retention Scheme has reduced the projected 2020/21 deficit significantly. After the application of Live Active Leisure Reserves, the Council's contribution may now be approximately £400,000 and this is reflected in the Council's financial planning.
- 2.18 As the end of this financial year approaches, consideration may have to be given to providing Live Active Leisure with additional financial support. Work will continue between officers of the Council and Live Active Leisure to further refine projections. Any proposal to provide additional funding to Live Active Leisure will be brought back to elected members at the appropriate forum agreed by the Council in the separate paper on governance arrangements on this Agenda.
- 2.19 The projected contribution to Culture Perth & Kinross in 2020/21 has been removed following discussions with officers as additional support will no longer be required in the current financial year (previously assumed at £200,000).

Impact on Other Areas

Housing Revenue Account

- 2.20 It is anticipated that the Covid-19 pandemic will result in additional costs/reduced income for the Housing Revenue Account (HRA) of £1.239 million (a small increase of £35,000 from the position last reported to Committee).
- 2.21 Across the Housing Revenue Account, net projected under spends of £749,000 have been identified to contribute towards the additional costs identified above.

- 2.22 The net effect of the variances set out above is a reduction in the contribution from the Revenue Budget to support Capital expenditure of £490,000.

Car Park Trading Account

- 2.23 Between 1 April and 31 July, in common with most Scottish local authorities, the Council did not charge for on or off-street parking. Income has not returned to prior year levels and, with restrictions in place and an increase in home working, this is not expected to improve in the current year. The forecast reduction in revenue from car parking has, therefore, been revised to **c£1.8 million** (a further increase of £300,000). This will be funded by the Car Park Trading Account Earmarked Reserve which, at 31 March 2020 stood at £1.183 million with any deficit in excess of the reserve being charged to the General Fund. This has implications both in the current financial year and, potentially, for the future operation of the Council's parking services.
- 2.24 The following table summarises the potential gross financial impact of Covid-19 in a range between **£26.0 million and £28.6 million**.

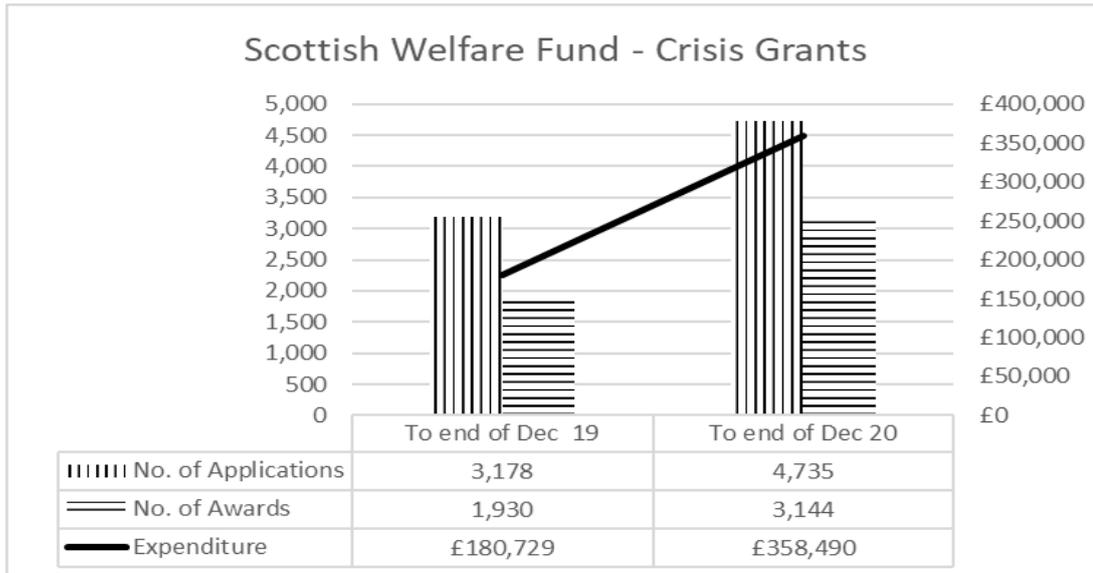
	Latest Estimate £m	<i>Last Update (25/11/20) £m</i>
Expenditure	12.6	12.4
Income	6.2	6.3
Approved Savings	1.3	1.7
Council Tax – collection levels	1.9 to 3.8	1.9 to 5.7
Council Tax – number of Band Ds	0.1 to 0.4	0.1 to 0.4
ALEOs	0.4	0.9 to 1.2
Housing Revenue Account	1.2	1.2
Car Park Trading Account	1.8	1.5
TOTAL POTENTIAL GROSS IMPACT	25.5 to 27.7	<i>26.0 to 30.4</i>

- 2.25 **ACTION:** The Committee is asked to note the potential gross financial impact of Covid-19 of between £25.5 million and £27.7 million.

Other Financial Information

Crisis Grants

- 2.26 As at 31 December 2020, the Council had received 4,735 applications for Crisis Grant funding. Of those applications, 3,178 have been paid, with a total value of c£358,000.
- 2.27 This area of activity has seen a significant growth in demand which is set out in the following graph.



Covid-19 Business Support Grants

- 2.28 Since March 2020, the Council has provided advice and support to local businesses experiencing financial challenges as a result of restrictions and regulations introduced to control the spread of Covid-19. The Council has delivered financial support from a number of Scottish Government grant schemes. To date, around £40 million has been distributed to more than 3,800 businesses. A recurring feature of these grant schemes has been that they evolved rapidly with changing parameters and complexity and had to be delivered within very challenging timescales.
- 2.29 Several additional schemes have been announced recently which will be launched early in 2021. For some of the schemes, at the time of writing, the parameters have not been set by the Scottish Government and will require the Council to be agile and flexible to allow an efficient and timely delivery.
- 2.30 A list of current and future schemes is provided below with Scotland-wide funding allocations:
- Taxi and Private Vehicle Hire Support Fund - £19m
 - Top Up Support for Larger Hospitality Businesses - £40m
 - Additional January Grant for Hospitality Businesses - £19m
 - Contingency Fund Plus (travel agents, brewers, indoor football) - £7.3m
 - Newly Self-Employed Hardship Fund - £15m
 - Mobile Close Contact Services Fund - £15m
 - Support for B&B and Guest Houses - £3m
 - Self-catering Businesses - £tbc
 - Strategic Framework Business Fund - as of 18 December 2020, £935,850 has been paid to 277 qualifying businesses covering well over 300 business premises.

- 2.31 The Scottish Government has also recently allocated £831,463 to Perth & Kinross Council in 2020/21 designated as the 'COVID-19 Local Authority Discretionary Fund.' The Council must take into account general criteria set out by the Scottish Government and then agree specific local criteria in order to launch the Discretionary Fund as quickly as possible.
- 2.32 On that basis the following criteria has been developed to recognise known gaps in the previously announced scheme to take forward the Local Authority Discretionary Fund:
- Businesses that supply goods or services to those who have been closed or restricted (e.g. home-based bed & breakfast businesses; cleaning businesses; tradespeople and facilities management businesses)
 - Businesses facing hardship as an indirect consequence of the current travel restrictions (e.g. kennels and catteries; tour guides; removals),
 - Businesses who do not have business premises and are therefore ineligible for grants attached to the non-domestic rates system. (some of which may be picked up in a national fund- e.g. close contact businesses such hairdressers and beauticians who do not operate out of business premises).
- 2.33 The fund will pay out one off grants of a flat rate of £2,000 to businesses that have not received any Covid-19 related grant support
- 2.34 It is further proposed that authority be delegated to the Head of Planning & Development to progress the scheme. Should any material changes be made in coming weeks, a further update will be provided to the appropriate elected members following consideration of the governance arrangements on the Agenda for this Special Meeting of the Council.
- 2.35 **ACTION:** The Council agrees the criteria that will apply to the Covid-19 Local Authority Discretionary Fund and delegates authority to the Head of Planning and Development to progress the scheme.
- 2.36 On 15 January 2021 the Council was also made aware of an additional allocation of £17.280 million from the Covid-19 Strategic Framework Business Fund. This funding has been made available on the basis that this is the maximum cost of continued support to businesses, assuming that the Council remains subject to the highest level of restrictions until 31 March 2021. By the end of January around £8 million will have been passed across to businesses.

3. POTENTIAL MITIGATION MEASURES

- 3.1 This section of the report sets out several mitigation measures which are being applied in helping to address the financial impact of Covid-19 on the Council in 2020/21.

Scottish Government Funding

- 3.2 The Council has received additional funding from the Scottish Government to support the response to Covid-19. The funding notified to date is set out in the following table.
- 3.3 Of the **£16.449 million** of funding allocated to date, £9.449 million is directed towards specific areas of activity and £7 million is to support the Council's wider response. This represents an increase of £1.188 million on the position reported to Committee in November and is made up of additional funding in relation to Tackling Financial Insecurity (£368,000) and anticipated funding in relation to Social Care (£820,000).

	Latest Information £m	<i>Last Update</i> <i>(25/11/20)</i> <i>£m</i>
Funding to support specific initiatives / meet specific demand		
Scottish Welfare Fund	£0.410m	<i>£0.410m</i>
Food Poverty (1)	£0.621m	<i>£0.621m</i>
Food Poverty (2)	£0.595m	<i>£0.595m</i>
Registration Service	£0.017m	<i>£0.017m</i>
P&K IJB	£4.650m	<i>£3.830m</i>
Teachers / Support Staff	£1.284m	<i>£1.284m</i>
Education Logistics Funding	£0.592m	<i>£0.592m</i>
Community Mental Health – Planning	£0.104m	<i>£0.104m</i>
Community Mental Health – Children & Young People	£0.311m	<i>£0.311m</i>
Parental Support - Employability	£0.147m	<i>£0.147m</i>
Council Tax Reduction Scheme	£0.350m	<i>£0.350m-</i>
Tackling Financial Insecurity	£0.368m	-
Sub-Total	£9.449m	£8.261m

Funding to support Council Response / Impact on Council		
Hardship Fund	£1.378m	£1.378m
Barnett Consequentials (1)	£4.272m	£4.272m
Barnett Consequentials (2)	£1.350m	£1.350m
Sub-Total	£7.000m	£7.000m
TOTAL (to date)	£16.449m	£15.261m

3.4 **ACTION:** The Council is asked to approve the allocation of the additional funding of £1.188 million of Scottish Government funding towards the Council's Covid-19 response.

3.5 In line with discretions agreed by the Scottish Government, the Council has previously approved the application of £2.250 million of funding for Early Learning and Childcare towards the Council's Covid-19 response.

Non Covid-19 Revenue Monitoring

3.6 Operational savings from the closure of Council buildings and the temporary suspension of services due to Covid-19, together with normal budget variances, has given rise to a projected net under spend of £5.977 million across other expenditure budgets. The projected net under spend has increased by £243,000 from the position reported to Committee in November and will continue to be reviewed.

Projected Over / Under Spends		
	Latest Estimate	Last Update (25/11/20)
	£'000	£'000
Staff Costs	(1,334)	(895)
Complex Behavioural Issues (Young People)	(424)	(392)
Property Costs – energy/water/maintenance	(2,344)	(2,225)
Partner Providers	(225)	(225)
Slippage on vehicle replacements	(365)	(365)
Housing Support / Care & Repair	(281)	(311)
Other Social Care	(842)	(832)
Other Education & Children's Services (net)	(543)	(433)
Other Communities (net)	(541)	(537)
Other Corporate & Democratic Services (net)	(547)	(315)

GROSS PROJECTED UNDER SPEND	(7,446)	(6,530)
School Transport	297	297
Additional Support Needs	148	208
Foster / Kinship Care	281	291
Severe Weather Event – August 2020	743	-
GROSS PROJECTED OVER SPEND	1,469	796
NET PROJECTED UNDER SPEND	(5,977)	(5,734)

- 3.7 The two main reasons for the increase in the Gross Projected Under Spend are updated assumptions in relation to staff and property costs. The net projected under spend on Other Social Care assumes the carry forward of £621,000 to support social care activity in 2021/22. The net projected under spend in Communities includes a contribution of £430,000 towards the cost of compensation payments in relation to the Almondbank Flood Protection Scheme as reflected in the separate Capital monitoring report to this special meeting of the Council.
- 3.8 The Gross Projected Over Spend now includes the assumed contribution from the Council towards expenditure caused by the severe weather event in August 2020. It is assumed that expenditure in excess of this will be reclaimed from the Scottish Government through the Bellwin Scheme.
- 3.9 **ACTION:** The Council is asked to approve the application of £5.977 million of Revenue budget under spends towards the Covid-19 response.
- 3.10 In summary the net forecast position for the Council is currently estimated at between a “surplus” of **£1.6 million** and net deficit of **£0.6 million**. There is still huge uncertainty regarding the final outturn for 2020/21 and these figures will be updated and refined as the financial year progresses and more information becomes available. This position is summarised in the following table and includes the measures identified to date by officers to reduce, as far as possible, the impact of Covid-19 on the current year’s Revenue Budget. This work will continue over the coming months and beyond.

POTENTIAL FINANCIAL CHALLENGE		
	Latest Estimate £m	Last Update (25/11/20) £m
Total Potential Gross Impact (see 2.26 above)	25.5 to 27.7	26.0 to 30.4
Scottish Government Funding (see 3.4 above)	(16.4)	(15.3)
Early Learning & Childcare (see 3.6 above)	(2.3)	(2.3)
Other projected under spends (see 3.7 above)	(6.0)	(5.7)
HRA Contribution	(1.2)	(1.2)
Car Park Trading Account	(1.2)	(1.2)
REMAINING POTENTIAL GAP (NET)	(1.6) to 0.6	0.3 to 4.7

- 3.11 **ACTION:** The Council is asked to note a remaining net financial gap of between a surplus of £1.6 million and a deficit of £600,000.
- 3.12 It is reasonably foreseeable that many of the issues identified above i.e. additional expenditure, reduced income and delays in the delivery of approved savings will be replicated in financial year 2021/22 as a result of any ongoing response to the Covid-19 pandemic as well as adjustments and adaptations that will be required to the provision of services in a 'Covid world'. An economic wellbeing plan is also being developed which will require to be funded and this will be part of a wider recovery. More information on the extent of these issues will be included in the 2021/22 Provisional Revenue Budget report that the Council will consider on 3 March 2021. However, the position set out on 3 March 2021 will undoubtedly change and elected members will be kept up to date with regular updates to the appropriate forum throughout 2021/22.
- 3.13 Given the significant levels of uncertainty the Council faces in 2021/22 and beyond it is considered prudent to establish an earmarked Reserve to manage this position.
- 3.14 Furthermore, based on the latest information set out in the table at paragraph 3.10 there is now a possibility that the Council will under spend in 2020/21. Should this be the case, approval is sought to apply any final under spend in the current financial year to the earmarked Reserve for Covid-19 to support the Council's response in future financial years.
- 3.15 **ACTION:** The Council is asked to approve the creation of an earmarked Reserve for Covid-19 and, on the basis that the Council under spends in 2020/21, approval is sought to apply this amount to the earmarked Reserve for Covid-19 to support the response in future financial years.

4. **OTHER POTENTIAL COST PRESSURES**

- 4.1 Following the First Minister's statement on 19 December and the imposition of new national restrictions from 26 December, the Council has been working with Scottish Government and COSLA officials to implement new business support measures. The Council has also maintained Education and Social Care provision.
- 4.2 Work remains ongoing to quantify the totality of any additional costs arising from the Council's response to Covid-19 in light of the new restrictions set in place.

5. **OTHER POTENTIAL MITIGATION MEASURES**

- 5.1 As set out in section three and four, the Council is likely to face significant financial challenges over the short, medium and longer term. The purpose of this section is to set out how the Council could respond to the challenge set out above.

Further Scottish Government Funding

- 5.2 Cosla continues to lobby the Scottish Government for additional financial support for Councils.
- 5.3 In addition to previously announced funding to support Education Recovery, a further allocation of £30 million was made available. Councils are expected to utilise all initial allocations before bidding for a share of this additional sum.
- 5.4 Perth & Kinross Council's "bid", submitted on 2 December 2020 was for £2.790 million (£2.120 million for 2020/21 and a further £670,000 for 2021/22). Elected members will be notified of the outcome of this process in due course.
- 5.5 At this time there is no further formal update on the Loss of Income Scheme and how much funding the Council will receive. However, the Council has been made aware of a potential indicative allocation of c£1.5 million but this is subject to confirmation and has not yet been included in the financial projections set out above.
- 5.6 On 13 January the Scottish Government announced an additional £45 million for the purchase of additional digital devices, to recruit additional staff and to provide additional family support to support to schools and families as they deal with the challenges of remote learning during lockdown. The distribution of this funding has still to be agreed.
- 5.7 The Council may also receive further additional funding in relation to other activities and this will be reported when information becomes available.

Reserves

- 5.8 Any proposals to apply Reserves to offset expenditure arising from the Council's response to Covid-19 will be included within the updated Reserves Strategy that the Council will consider on 3 March 2021.

Treasury Management

- 5.9 Elected members have been previously advised of a number of potential treasury management options that might be available to support the Council's response to Covid-19. Recommendations on the application of these measures will be reported to Council in March as part of the consideration of the Council's 2021/22 Revenue Budget.

Other Savings

- 5.10 Work will continue across the Council to mitigate the financial impact of Covid-19 on the Revenue Budget, both in the current financial year and in future years.

5.11 **ACTION:** The Council is asked to note the options that may be available to contribute towards the financial consequences of Covid-19.

6. OTHER 2020/21 ISSUES

6.1 In order to ensure that the 2020/21 Management Budgets continue to reflect the operational requirements of the Council, there are a number of adjustments required. These are summarised below and set out in detail in Appendix 1.

Movements in Funding

6.2 Since the 2020/21 Final Revenue Budget was updated by the Strategic Policy & Resources Committee on 25 November 2020 (Report No. 20/225 refers), notification has been received of additional resources in the current financial year from a number of sources as set out below.

Scottish Government: Revenue Support Grant

- Teacher Induction Scheme: £185,771 (Education and Children's Services)

6.3 The Scottish Government has advised that the increase in Revenue Support Grant of £185,771 identified above will be made through a redetermination of the Council's Revenue Support Grant. It is, therefore necessary to adjust both the budget for Education & Children's Services and Revenue Support Grant.

6.4 **ACTION:** The Council is asked to approve the adjustment set out at 6.2 above. This adjustment is reflected in Appendix 1 (Column 3) to this report.

Other Funding (£1,965,796)

6.5 Other funding amounting to £1,965,796 will be paid outside the Revenue Support Grant mechanism as Other Grant income and is therefore cost neutral in terms of the budget summary. The detail of this other funding is set out in Appendix 2.

6.6 **ACTION:** The Council is also asked to note the receipt of £1,965,796 of additional resources, with this funding being reflected within Education & Children's Services and Corporate & Democratic Services as additional grant income. The current projected outturn assumes that all these additional resources will be fully expended in 2020/21.

Movements in Reserves

Non-Domestic Rates

6.7 The Council has received a refund of approximately £668,000 in relation to Non-Domestic Rates. This refund covers a number of establishments, primarily across the school estate, and was anticipated in the Reserves

Strategy approved by Council on 6 March 2020. Approval is sought to transfer this to unearmarked Reserves and will be considered in the overall context of the Reserves Strategy that the Council will be asked to approve on 3 March 2021. **ACTION:** The Council is asked to approve the transfer of £668,000 from Education & Children's Services to unearmarked Reserves. This adjustment is reflected in Appendix 1 (Column 5) to this report.

Cultural Activities

- 6.8 The 2020/21 Revenue Budget includes a recurring budget of £500,000 towards supporting Cultural Activities. Due to Covid-19, £250,000 of activity has been delayed. Approval is sought to transfer the projected under spend of £250,000 to the earmarked Reserve for Culture.
- 6.9 **ACTION:** The Council is asked to approve the transfer of £250,000 from Corporate & Democratic Services to earmarked Reserves. This adjustment is reflected in Appendix 1 (Column 5) to this report.

Community Investment Fund

- 6.10 The 2020/21 Final Revenue Budget includes £300,000 for the Community Investment Fund. Due to the Covid-19 pandemic it has not been possible to take this forward in the current financial year. Approval is sought to transfer this to the earmarked Reserve for the Community Investment Fund to be drawn down in future financial years.
- 6.11 **ACTION:** The Council is asked to approve the transfer of £300,000 from Corporate & Democratic Services to earmarked Reserves. This adjustment is reflected in Appendix 1 (Column 5) to this report.

Public Sector Leadership

- 6.12 The Council has been working in partnership with the Scottish Government and the third sector on the development of a broader pilot public sector leadership offer within social care. The Scottish Government has committed, in principle, to contributing to the overall cost of the project. Approval is sought to commit Council resources of £40,000 over two years to support this work.
- 6.13 **ACTION:** The Council is asked to approve a contribution from Reserves of £40,000 over two financial years to contribute to a public sector leadership offer.

7. CONCLUSION AND RECOMMENDATIONS

- 7.1. Covid-19 has resulted in the Council facing a significant financial challenge, in terms of additional expenditure, reduced income and non-achievement of savings.

- 7.2. The latest gross financial impact of Covid-19 is estimated at between £25.5 and £27.7 million. Mitigation measures of £27.1 million have been identified resulting in a potential net outturn position of between a surplus of £1.6 million and deficit of £600,000.
- 7.3. The Council's financial position in 2021/22 will, however, remain subject to change and elected members will be updated as the position develops.
- 7.4. The Council is requested to:
- i) Note the potential gross financial impact of Covid-19 of between £25.5 million and £27.7 million.
 - ii) Agree the criteria that will apply to the Covid-19 Local Authority Discretionary Fund and delegates authority to the Head of Planning and Development to progress the scheme.
 - iii) Note the allocation of £16.4 million of Scottish Government funding towards the Council's Covid-19 response.
 - iv) Note the application of £6.0 million of other net under spends towards the Covid-19 response.
 - v) Note the current projected net outturn position for 2020/21 of between a surplus of £1.6 million and deficit of £600,000.
 - vi) Approve the creation of an earmarked Reserve for Covid-19 and, that, on the basis that the Council under spends in 2020/21, this amount is transferred to the earmarked Reserve for Covid-19 to support the response in future financial years.
 - vii) Approve the adjustments to management budgets set out in section six.

Author(s)

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Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	14 January 2021
Karen Donaldson	Chief Operating Officer	19 January 2021

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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 – 2022 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 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 Executive Officer Team 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 1 – 2020/21 Management Budget
Appendix 2 – 2020/21 Other Funding