

PERTH & KINROSS COUNCIL

6 MARCH 2020

REVENUE BUDGET 2020/21, 2021/22 & 2022/23

Report by the Head of Finance (Report No. 20/57)

PURPOSE OF REPORT:

This report recommends setting the Final Revenue Budget for 2020/21, updating the 2021/22 Provisional Revenue Budget and setting the 2022/23 Provisional Revenue Budget. The report also recommends that the Council determines the Final Council Tax for 2020/21 and indicative levels of Council Tax for 2021/22 and 2022/23.

1. EXECUTIVE SUMMARY

- 1.1 The Council's Corporate Plan 2018-2022 sets out the Council's commitment to the vision of the Community Planning Partnership for our area: -

'Creating a confident, ambitious and fairer Perth and Kinross, for all who live and work here'

- 1.2 The agreed strategic objectives to support the delivery of this vision are: -

- *Giving every child the best start in life*
- *Developing educated, responsible and informed citizens*
- *Promoting a prosperous, inclusive and sustainable economy*
- *Supporting people to lead independent, healthy and active lives*
- *Creating a safe and sustainable place for future generations*

- 1.3 The 2020/21, 2021/22 and 2022/23 Provisional Revenue Budgets, which are summarised in Appendix B include expenditure pressures and savings proposals relating to each of these strategic objectives as set out in Appendix D. The following narrative provides some context around each objective in terms of the Council's ambitions and commitments. Performance information for each area is available in the [Annual Performance Report 2018/19](#) and individual [Service Business Management and Improvement Plans 2019/20](#).

- 1.4 Under each strategic objective is contextual information as follows:

- Net Revenue Budget for 2019/20
- Expenditure pressures and savings agreed in February 2018
 - 2020/21
- Expenditure pressures and savings agreed in February 2019
 - 2020/21 and 2021/22

- Expenditure pressures and savings proposals for March 2020
 - 2020/21, 2021/22 and 2022/23

1.5 For the avoidance of doubt, Appendix D only includes the new expenditure pressures and savings proposals for March 2020 on the basis that decisions taken in February 2018 and 2019 are already included within the Provisional Revenue Budgets.

Giving Every Child the Best Start in Life

1.6 The Council's ambition is that 'children and young people have the best start in life and that Perth and Kinross is the best place in Scotland to grow up'. To support this, the following commitments were developed in collaboration with Community Planning Partners and are the basis of the Tayside Plan for Children, Young People and Families 2017-20: -

- Our children will be cared for and supported to learn in nurturing environments,
- Our children and young people are physically, mentally and emotionally healthy,
- Our children and young people who experience inequalities and disadvantage will achieve comparable health, wellbeing and educational outcomes, and
- Our children and young people will be safe and protected from harm at home, school and in the community.

TOTAL BUDGET: £17,643,000								
	2020/21				2021/22			2022/23
	Feb-18	Feb-19	Mar-20	Total	Feb-19	Mar-20	Total	Mar-20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure Pressures	105		75	180				
Savings Proposals	(151)			(151)		(145)	(145)	(87)

Developing Educated, Responsible and Informed Citizens

1.7 The Council's ambition is that 'everyone in Perth and Kinross has a stake in creating a confident, ambitious and fairer place to live, learn, work and visit. It will support children, young people, adults and communities to develop their skills and active participation in their communities.' In the Corporate Plan 2018-22, the Council committed to: -

- Provide high quality learning opportunities for all,
- Support our citizens to find and sustain employment, and
- Enable communities to participate

TOTAL BUDGET: £189,350,000								
	2020/21				2021/22			2022/23
	Feb-18	Feb-19	Mar-20	Total	Feb-19	Mar-20	Total	Mar-20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure Pressures	2,453	313	340	3,106	1,753	360	2,113	2,058
Savings Proposals	(1,291)	(294)	(442)	(2,027)	(406)	(1,022)	(1,428)	(887)

Promoting a Prosperous, Sustainable and Inclusive Economy

1.8 The Council's ambition is that 'we live in a fairer Perth and Kinross which promotes inclusive economic growth and a thriving economy'. In the Corporate Plan 2018-22, we committed to: -

- Support businesses to grow and attract investment and higher value jobs,
- Improve the public realm and infrastructure and transform our cultural offer,
- Deliver new investment to the Tay Cities Region, and
- Develop the workforce and retain and attract young people to the area

TOTAL BUDGET: £11,773,000								
	2020/21				2021/22			2022/23
	Feb-18	Feb-19	Mar-20	Total	Feb-19	Mar-20	Total	Mar-20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure Pressures	275		275	550	44	50	94	100
Savings Proposals	(274)	(21)	(30)	(325)	(64)		(64)	(75)

Supporting People to Lead Independent, Healthy and Active Lives

1.9 The Council's ambition is that 'people in Perth and Kinross lead independent, healthy and active lives, with choice and control over the decisions they make about their health, care and support'. In the Corporate Plan 2018-22, it committed to: -

- Work with our communities to deliver person-centred healthcare and support,
- Design our services around prevention and early intervention,
- Reduce inequalities and unequal health and social outcomes,
- Provide opportunities and support people to live active and independent lives,
- Reduce social isolation, and
- Ensure affordable quality housing is viable for all

TOTAL BUDGET: £88,175,000								
	2020/21				2021/22			2022/23
	Feb-18	Feb-19	Mar-20	Total	Feb-19	Mar-20	Total	Mar-20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure Pressures	289	170	5,707	6,166	302	2,296	2,598	3,946
Savings Proposals	(322)	(354)		(676)	(511)		(511)	(50)

Creating a Safe and Sustainable Place for Future Generations

1.10 The Council's ambition is that 'Perth and Kinross is a sustainable, safe place for everyone to live, work and visit, and we make the most of our outstanding urban and rural environment for the benefit of all'. In the Corporate Plan 2018-22, it committed to: -

- Work with communities to create safe, strong sustainable places,
- Reduce offending,
- Support communities to feel safe,
- Protect our outstanding area, and
- Build a sustainable future with smarter connections

TOTAL BUDGET: £41,271,000								
	2020/21				2021/22			2022/23
	Feb-18	Feb-19	Mar-20	Total	Feb-19	Mar-20	Total	Mar-20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure Pressures	405	437	1,835	2,677	525	220	745	680
Savings Proposals	(12)	(280)	(1,065)	(1,357)	(315)	(505)	(820)	(865)

Organised to Deliver

1.11 The Corporate Plan also commits to how the Council is going to work together and reshape the organisation, to ensure it is fit for purpose to face the change, challenges and opportunities over the period 2018-22. To do this, the Council is committed to: -

- Prioritise prevention, reduce inequalities and promote equality,
- Ensure greater integration of service design and delivery at a local level, driven by better partnership, collaboration and effective local delivery with communities and other public services through the Perth and Kinross Offer,
- Invest in our people through enhanced workforce development and effective leadership, and
- Focus on improving performance, through greater transparency, innovation and continuous improvement

TOTAL BUDGET: £2,453,000								
	2020/21				2021/22			2022/23
	Feb-18	Feb-19	Mar-20	Total	Feb-19	Mar-20	Total	Mar-20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure Pressures			75	75		525	525	
Savings Proposals	(47)	(48)		(95)	(720)		(720)	

2. BACKGROUND

- 2.1 On 22 February 2018 the Council set a balanced Provisional Revenue Budget for 2020/21 (Report No. 18/47 refers). On 20 February 2019 the Council updated the 2020/21 Provisional Revenue Budget and set a new Provisional Revenue Budget for 2021/22 (Report No. 19/46 refers). The Provisional Revenue Budgets for both years were balanced at that point.
- 2.2 Indicative Council Tax increases of 4% for 2020/21 and 2021/22 were also approved in February 2019.
- 2.3 These Provisional Revenue Budgets and indicative Council Tax assumptions are the starting point for the Council setting a Final Revenue Budget and Council Tax for 2020/21 and an Updated Provisional Revenue Budget and indicative Council Tax for 2021/22.
- 2.4 On 3 October 2018 the Council approved the Medium-Term Financial Plan for the period 2019 – 2024 (Report No. 18/326 refers). This update built upon previously approved Plans and considered future funding levels, increasing costs and rising demand over the short to medium term insofar as they may impact on Perth & Kinross Council.
- 2.5 The Medium-Term Financial Plan is intended to outline the broad “direction of travel” for the Council’s financial management and the update approved in October 2018 covered the five years to financial year 2023/24.
- 2.6 The Medium-Term Financial Plan included the latest assumptions in relation to potential reductions in Scottish Government grant funding and increases in pay awards. Significantly, the Council approved a planning assumption of flat cash funding in 2020/21 and 2021/22.
- 2.7 The Council endorsed the “mid-range” level savings requirement to 2023/24, which are summarised in Table 1 below.

Table 1: Estimated Savings Requirement (October 2018)

	2020/21	2021/22	2022/23	2023/24	TOTAL
	£m	£m	£m	£m	£m
Estimated Savings Requirement	9.1	9.8	9.0	7.9	35.8

- 2.8 Ordinarily the Council would have considered an update of the Medium-Term Financial Plan in October 2019 and a Budget Update in December 2019. However, when the United Kingdom was expected to leave the European Union on 31 October 2019 there was unprecedented levels of uncertainty impacting on the Medium-Term Financial Plan. The United Kingdom Budget was subsequently due to have been published in early November 2019 with the Scottish Budget on 12 December 2019. Both budgets were delayed due to the UK Parliamentary Election on 12 December 2019 with the result that there was no information with which to provide a meaningful update to Council in December 2019.

3. PROVISIONAL REVENUE BUDGETS 2020/21, 2021/22 & 2022/23

- 3.1 In setting Provisional Revenue Budgets for 2020/21 and 2021/22 in February 2018 and February 2019, the Council has already agreed expenditure pressures and savings across all Services (Report No's 18/47 and 19/46 refer). The Provisional Revenue Budgets for both years were balanced at those points and the decisions are summarised in the Table 2 below.

Table 2: Summary of Provisional Budget Decisions

	2020/21 (Feb 18 & Feb 19)	2021/22 (Feb 19)	Total
	£'000	£'000	£'000
Total Expenditure Pressures	4,447	2,624	7,071
Total Savings	(3,094)	(2,016)	5,110

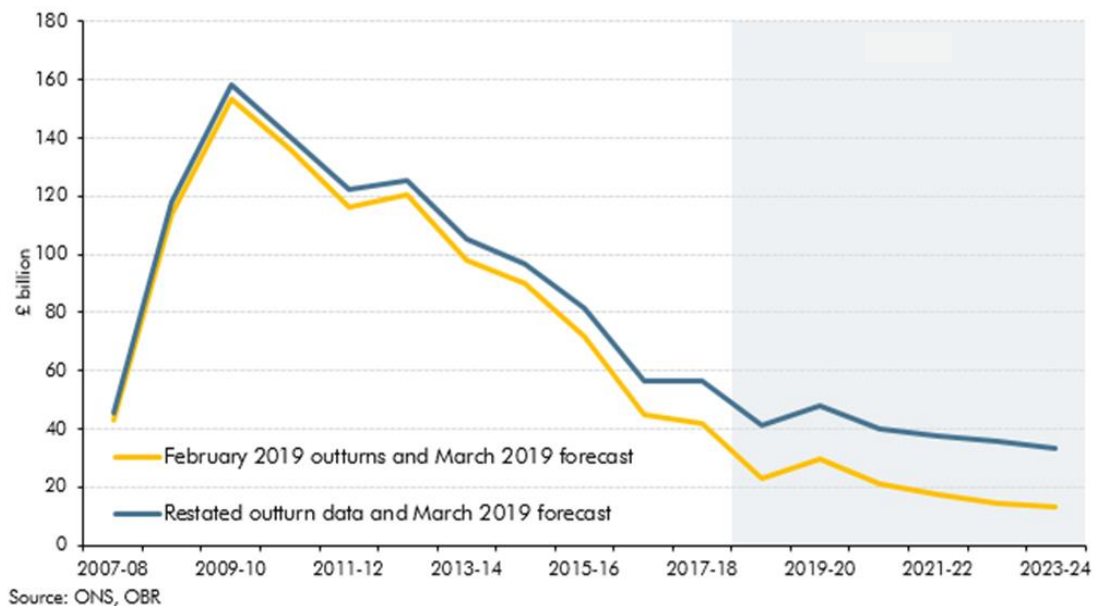
- 3.2 With the Council having previous agreed balanced Revenue Budgets (February 2018 and February 2019), any adjustment to the previously agreed pressures or savings will result in the budget being out of balance (either positively or negatively).

4. UNITED KINGDOM BUDGET

- 4.1 The Chancellor of the Exchequer will present the 2020 Budget to the UK Parliament on 11 March 2020. The Budget was delayed from November 2019 when the UK General Election was called and is the first UK Budget statement since October 2018. The Budget will set out the United Kingdom's finances and the Government's proposals for changes to taxation. The Budget also includes forecasts for the economy by the Office of Budget Responsibility (OBR).
- 4.2 The most recent commentary by the OBR is a restatement of the March 2019 projections, updated in Autumn 2019 and published following the UK General Election in December 2019. The restatement includes recent Office of National Statistics statistical changes but does not incorporate any other new data, new judgements nor include an update to the economic forecast. After

incorporating these changes, borrowing has increased materially by around £20 billion per year which is set out in the Chart 3 below.

Chart 3: Public Sector Net Borrowing: Restated Outturn and Forecast



- 4.3 The projected deficit is estimated to be in excess of £30 billion in the final year of the forecast in 2023/24. However, all forecasts remain highly uncertain currently, especially in relation to the ultimate impact of the United Kingdom's departure from the European Union.

5. SCOTTISH BUDGET – 6 FEBRUARY 2020

- 5.1 The publication of the Scottish Government's Budget Bill would normally take place in December followed by a period of parliamentary scrutiny by Committees and Parliament. However, this was delayed due to the UK Parliamentary Election in December 2019.
- 5.2 The Scottish Budget for 2020/21 was announced on 6 February 2020 with the Budget Bill introduced the same day. The publication of the Scottish Budget is normally the start of a period of parliamentary scrutiny by Committees and the Parliament, and negotiation between political parties before the vote on final tax and spend proposals.
- 5.3 The Scottish Budget is made up of three main parts:
- the Block Grant from the UK Government, calculated by the Barnett formula, which is determined by increases or decreases in expenditure in England on functions that are "comparable" to those devolved to the Scottish Parliament.
 - the UK Block Grant Adjustments (BGAs) which are essentially a forecast of the revenue the UK Government has foregone by devolving taxes to the Scottish Parliament (such as Scottish Income Tax).

- forecasts for income raised from Scottish taxes devolved or transferred to the Scottish Government which are produced by the Scottish Fiscal Commission.
- 5.4 For 2020/21 the Scottish Government has based its budget upon estimates of the devolved block grant settlement from the UK Spending Round in September 2019. What is not available are any Barnett consequential changes for 2020/21 which might result from the UK Budget planned for 11 March 2020. The Scottish Government also doesn't have advance notification of UK Government plans for devolved taxes and social security, so it doesn't have the latest UK BGAs. The forecasts for income raised from Scottish taxes as well as social security spend are produced by the Scottish Fiscal Commission (SFC) and were published alongside the Scottish Budget when it was published on 6 February.
- 5.5 The final size of the Scottish spending envelope in 2020/21 will, therefore, not be known until after the UK budget is approved including updated block grant adjustments to Scotland's finances.
- 5.6 There were BGAs in the Scottish Budget presented in February, but it is still not clear whether these forecasts will subsequently be updated.
- 5.7 The risks in determining the Scottish Budget in advance of the UK Budget centre on potential changes to the block grant, changes to the block grant adjustment, and changes to UK Government tax policies which might lead the Scottish Government to adapt its own income tax policy.
- 5.8 The Scottish Government has opted to publish its budget before the UK budget, stating in a letter to the Finance and Constitution Committee, that any changes arising from the UK budget can be handled via an in-year budget revision.

6. LOCAL GOVERNMENT FINANCE CIRCULAR 1/2020

- 6.1 [Local Government Finance Circular 1/2020](#) was issued by the Scottish Government on 6 February 2020 and includes the provisional financial settlement for 2020/21 at an individual Council level. As anticipated, the Settlement included information for 2020/21 only with no information from the Scottish Government for 2021/22 and beyond.
- 6.2 The Circular provides details of the provisional total revenue and capital funding allocations for 2020/21, as well as the latest information on current known funding redeterminations for 2019/20. The Circular also provides details on a range of business rates measures, including the 2020/21 Non-Domestic Rates poundage.
- 6.3 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 Local Government Finance (Scotland) Order 2020 being presented to the Scottish Parliament, which is currently scheduled for 5 March 2020.

- 6.4 The Minister for Public Finance and Digital Economy also wrote to the COSLA President on 6 February 2020 to confirm the details of the local government finance settlement for 2020/21. This letter is included at Appendix A.
- 6.5 Both the Finance Circular and the letter to COSLA set out a funding package of £11.336 billion for local government which includes the following –
- “£201 million revenue and £121.1 million capital to support the expansion in funded Early Learning and Childcare (ELC) entitlement to 1,140 hours by 2020;
 - A further £100 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;
 - Baselineing of the £90 million added at Stage 1 of the Budget Bill for 2019/20;
 - 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;
 - Provision for Teachers Pay (£156 million) and Pensions (£97 million);
 - £5.3 million for implementation costs in relation to the recommendations of the Barclay review on Non-Domestic Rates; and
 - A new capital £50 million Heat Networks Early Adopters Challenge Fund to support local authorities who are ready to bring forward “investment-ready heat networks.”
- 6.6 As has been the case in previous years, Finance Circular 1/2020 also contained information on revenue funding which has still to be distributed. The following list outlines this undistributed funding and how much is available nationally.
- Teachers’ Induction Scheme - £37.600 million
 - Discretionary Housing Payments - £11.949 million
 - Mental Health Officer Shortfall - £0.500 million
 - Gaelic - £0.128 million
 - Barclay Implementation - £0.378 million
 - Customer First Top-Up - £1.410 million
 - Stage 1 Budget Bill – Support for Ferries - £1 million
- 6.7 On 26 February 2020 the Scottish Government announced a further £95million of funding for Local Government. The Council’s share of this funding is £2,618,000 and this is reflected in the following analysis.
- 6.8 Based on Finance Circular 1/2020 and the additional funding announced on 26 February 2020, the total revenue funding being made available by the Scottish Government to Perth & Kinross Council in 2020/21 is £270,989,000 (see Table 4 below).

Table 4: Scottish Government Grant Funding – Perth & Kinross Council

	2020/21
	£m
General Revenue Funding	198.921
Non-Domestic Rates	56.569
Ring-Fenced Grants	15.499
TOTAL REVENUE FUNDING	270.989

Source: Finance Circular 1/2020 – 6 February 2020, updated 26 February 2020

- 6.9 Based on the latest information, the 2020/21 Scottish Government provisional funding allocation of £270,989,000 is £16,448,000 greater than the allocation for 2019/20 as set out in Finance Circular 2/2019 (issued March 2019).
- 6.10 However, the 2020/21 provisional funding allocation includes £15,087,000 which is either ring-fenced by the Scottish Government towards meeting specific initiatives (most notably £4,919,000 for Early Learning and Childcare), or where there is an expectation or requirement for the Council to apply funding for a stated purpose (£4,178,000 towards Teacher's Pay and £2,793,000 towards Teacher's Pensions).
- 6.11 On a like for like basis, the provisional Scottish Government funding allocation for 2020/21, therefore, represents a £1,361,000 cash increase (0.5%) over the equivalent position for 2019/20 set out in Finance Circular 2/2019. A like for like comparison is provided to illustrate the movement in Scottish Government funding over which the Council has direct control in determining its own budget priorities.
- 6.12 Table 5 below, summarises the movements in the total funding package from the Scottish Government to facilitate a comparison of the 2020/21 provisional allocation with the current year on a comparable basis.

Table 5: Cash Movements between 2019/20 and 2020/21 (on a comparable basis)

	£m
2019/20 – Finance Circular 2/2019	254.541
2020/21 – Finance Circular 1/2020 (updated 26/2/20)	270.989
Year on Year Cash Increase in Funding	16.448
2019/20 Position	
Finance Circular 2/2019 – March 2019	254.541
2020/21 Position	
Finance Circular 1/2020 (updated 26/2/20)	270.989

Less	
- Early Learning & Childcare	(4.919)
- Teachers Pay	(4.178)
- Teachers Pensions	(2.793)
- Health & Social Care	(2.466)
- Free Sanitary Products in Schools	(0.054)
- Appropriate Adults	(0.028)
- Rapid Rehousing Plan	(0.212)
- Access to Counselling in Schools	(0.437)
Updated 2020/21 (on a comparable basis)	255.902
£ Cash Increase	1.361
% Cash Increase	0.5%

6.13 The cash increase set out above of 0.5% does not take account of the additional impact of inflation or growth in service need. Therefore, the real terms reduction in funding could be in the region of 1.5% to 2%.

6.14 The Finance Circular and subsequent update does not contain any funding information beyond 2020/21 and the assumptions on levels of funding included in the 2021/22 and 2022/23 Provisional Revenue Budgets remain based upon the Medium-Term Financial Plan approved by Council on 3 October 2018 (Report No. 18/326 refers).

Implications for the 2020/21 Capital Budget

6.15 Finance Circular 1/2020 and the update issued on 26 February 2020 also includes provisional Capital Grant allocations for 2020/21 which are set out in Table 6 below –

Table 6: Capital Settlement 2020/21

	2020/21
	£m
General Capital Grant	11.970
Specific Grant – Cycling, Walking, Safer Streets	0.665
Specific Grant – Early Year's Expansion	3.800
TOTAL CAPITAL GRANT FUNDING	16.435

6.16 In setting earlier Capital Budgets, the Council had previously made assumptions on the level of funding in 2020/21. The allocation in figures in Finance Circular 1/2020 and subsequent update shows a net reduction in the Council's Provisional Capital Grant allocation in 2020/21 of £3,565,000 (22%)

after allowing for the rephasing of flood prevention and early learning and childcare grants between years. This reduction will be managed within the overall context of the Loans Fund and Capital Fund.

- 6.17 This reduction will be considered in more detail in Capital Monitoring Report No.4 that will be considered by the Strategic Policy & Resources Committee on 25 March 2020.

Non-Domestic Rates

- 6.18 Finance Circular 1/2020 provisionally set the Non-Domestic Rate poundage for 2020/21 at 49.8p (49.0p in 2019/20), an increase of 1.6%.

- 6.19 The Scottish Budget for 2020/21 also introduces the following policies:

- “Properties with a rateable value (RV) above £95,000 will continue to be charged the Higher Property Rate (formerly the poundage plus the Large Business Supplement) of 2.6p on top of the poundage;
- Properties with an RV of between £51,000 and £95,000 will now only be charged an additional 1.3p on rates on top of the standard poundage (Intermediate Property Rate);
- An extension of 100% relief for Enterprise Areas to 31 March 2022;
- An amendment to the reset period for Empty Property Relief from 6 weeks to 6 months;
- The restriction of the Small Business Bonus Scheme to occupied properties;
- The introduction of a 70-day requirement for actual letting for a self-catering property in order to be considered non-domestic;
- The introduction of a new 100% relief for Reverse Vending Machines from 1 April 2020 which will assist retailers in the context of the Deposit Return Scheme and supporting efforts to tackle climate change; and
- The guarantee of district heating relief until 2032 in order to provide certainty to investors.

- 6.20 The Small Business Bonus Scheme threshold for 100% relief remains at £15,000, so that the overall scheme is applicable as per Table 7 below (which is consistent with the 2019/20 scheme):

Table 7: Small Business Bonus Scheme 2020/21

Combined Rateable Value of all Properties	2020/21
Up to £15,000	100%
£15,001 to £18,000	25%
£18,001 to £35,000	25% on individual property each with rateable value up to £18,000

7. 2020/21, 2021/22 & 2022/23 PROVISIONAL REVENUE BUDGETS

Process for Preparing the 2020/21, 2021/22 & 2022/23 Provisional Revenue Budgets

- 7.1 The process for updating the Provisional Revenue Budget for 2020/21 & 2021/22 and preparing the new Provisional Revenue Budget for 2022/23 commenced in Autumn 2019.
- 7.2 Revenue Budget submissions or “Executive Summaries” for 2020/21, 2021/22 and 2022/23 have been prepared on a thematic basis in line with the Council’s approved strategic objectives.
- 7.3 The Scottish Government have provided funding information for 2020/21 only. It remains critical, however, that the Council continues to plan over the medium term to allow sufficient lead in time to identify and deliver the savings that are likely to be necessary in future years. The delivery of the transformation programme and savings options in financial years 2021/22 and 2022/23 require a longer-term planning horizon. By continuing to plan for the medium term the Council provides authority for officers to roll out the programme of significant change (including transformation) which will seek to protect front line services for the communities within Perth and Kinross.
- 7.4 The submissions set out movements to the 2020/21 & 2021/22 Provisional Revenue Budgets (approved in February 2018 and February 2019) and new expenditure pressures and savings proposals for 2022/23. The submissions are attached at Appendix D to this report.
- 7.5 The 2020/21, 2021/22 and 2022/23 Provisional Revenue Budgets are predicated on maintaining the same levels of service delivery reflected in the Provisional Revenue Budget approved in February 2018 (Report No. 18/47 refers) and February 2019 (Report No. 19/46 refers) with the exception of the specific issues identified within this report or in the Revenue Budget Executive Summaries contained at Appendix D. The Provisional Revenue Budgets also include the impact of changes in reporting lines with the Head of Planning & Development moving to Corporate & Democratic Services and Head of Innovation moving to Housing & Environment.
- 7.6 Updated Executive Summaries include an assessment of the potential impact of expenditure pressures (where applicable) and savings proposals against the following criteria:
 - Fairness – including the potential socio-economic impact on vulnerable individuals and groups.
 - Workforce – including information on numbers of employees affected, vacancies, staff turnover and fixed term contracts.
 - Customers – including information on the effect on all customers /stakeholders (both external and internal).
 - Equalities/Diversity – ensuring that any statutory equalities issues are considered.

- Outcome & Performance – identifying any significant impact on the Local Outcomes Improvement Plan and/or Service Business Management and Improvement Plans.
- 7.7 In addition, Equality and Fairness Impact Assessments for individual expenditure pressures and savings proposals have been prepared. The equality assessments were also considered by the Strategic Equalities Forum. This facilitated the preparation of a cumulative impact assessment which was distributed to all Elected Members in advance of this special meeting of the Council.
- 7.8 The 2020/21, 2021/22 and 2022/23 Provisional Revenue Budgets are set out in detail in Appendix B to this report. This includes confirmation of £362,000 of resources which are available to either reinstate savings proposals in 2020/21 or fund additional expenditure pressures (on either a recurring or non-recurring basis). At this time the Council has not identified sufficient savings for 2021/22 and 2022/23 of £3,006,000 and £2,482,000 respectively. This will require to be addressed prior to finalising Final Revenue Budgets in future years.
- 7.9 Elected Members are advised that there may be delays in the implementation of any additional expenditure proposals as arrangements are put in place and some of the activity may slip into future financial years. Elected members should also be aware that additional projects introduced through the Revenue Budget may require a commensurate increase in staffing capacity to deliver them.
- 7.10 The Council is reminded that the Provisional Revenue Budgets, as set out in Appendix B are based upon the assumption that all the expenditure pressures and all the savings proposals within the Executive Summaries attached as Appendix D are approved.
- 7.11 **ACTION: The Council is asked to approve the Updated Provisional Revenue Budgets for 2020/21 & 2021/22 and the new Provisional Revenue Budget for 2022/23 as set out in Appendix B.**
- 7.12 The Provisional Revenue Budgets have been prepared based upon the information currently available, both in terms of financial resources and anticipated Service delivery pressures. The analysis reflects the judgement of the Council Officers concerned and has been reviewed by the Council's Executive Officer Team. There is, however, a risk that these assumptions may require to be revised in due course as part of the ongoing monitoring of Council expenditure and income.
- 7.13 The potential workforce implications identified within the Executive Summaries include vacant posts and will be influenced by turnover, including voluntary severance. The Council's positive and proactive approach to workforce management is designed to mitigate the impact on its people, including investment in skills for the future, retraining, support to take on new job roles, career coaching and building resilience.

- 7.14 For the avoidance of doubt, the information in Table 8 below only includes the **movements** in the 2020/21 and 2021/22 Provisional Revenue Budgets. Decisions approved by Council in February 2018 in relation to 2020/21 and in February 19 in relation to 2021/22 are **excluded** (and are summarised in Table 2 above). The Provisional Revenue Budget submissions have been subject to scrutiny by Elected Member Budget Review Groups during January and February 2020. The detailed analysis of these expenditure pressures and savings proposals are set out in Appendix D.
- 7.15 Table 8 below also includes income assumptions in relation to funding from the Scottish Government towards health & social care while Council pressures include the consequences of previous decisions in relation to the Instrumental Music Service and Central Processing Unit.

Table 8: Summary of Service Provisional Revenue Budget Submissions
(see Appendix D)

	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000
Total Expenditure Pressures	8,307	3,451	6,702	18,460
Total Savings Proposals	(1,537)	(1,672)	(1,964)	(5,173)
Income Assumptions	(2,221)	(1,449)	(2,256)	(5,926)
Council Pressures	100	426		526
"Gap"	4,649	756	2,482	7,887

- 7.16 Table 8 shows that, currently, in 2020/21, 2021/22 and 2022/23, expenditure pressures exceed savings proposals by £4,649,000, £756,000 and £2,482,000 respectively. Cumulatively there is a funding gap of £7,887,000 over the three years.
- 7.17 The totality of savings, both previously approved (see Table 2 above) and new savings proposal (see Table 8 above) are set out in Table 9 below.

Table 9: Total Savings Agreed and Proposals

	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000
Savings Agreed – Feb 18 & Feb 19	3,094	2,016		5,110
Savings Proposals – Feb 20	1,537	1,672	1,964	5,173
Total Potential Savings	4,631	3,688	1,964	10,283

(excludes Social Care)

Closing the “Gap”

7.18 Officers have developed a number of proposals for closing the “gap” identified in Table 8 above and these are explained in more detail below.

- Tayside Contracts Surplus – the current budgeted annual surplus returned to Perth & Kinross Council is £350,000. Over a number of years, this budget has been significantly exceeded. It is proposed that the budget can be increased by £200,000 on a recurring basis to reflect recent experience.
- External Income – the Council currently recharges around £2.1m for corporate & democratic support as well as Pullar House against a budget of around £1.9m. It is proposed that this actual level of activity is reflected by increasing the income budget by £200,000 on a recurring basis.
- Council Tax Base Growth – the Medium-Term Financial Plan includes projected annual growth of 600 Band D equivalent properties. Having reviewed the latest additions to the Valuation List that are applied to the Council Tax system there is scope to revise this growth estimate by a further 210 properties and increase budgeted income by approximately £250,000 on a recurring basis.
- Inflation / Non-Domestic Rates – general inflation is currently running at a rate lower than previously budgeted. In addition, the increase in the Non-Domestic Rates poundage was less than the level reflected in the Provisional Revenue Budget. (1.6% rather than 2.5%). These adjustments generate a further £250,000 that can be applied on a recurring basis.
- Non-Domestic Rates Revaluation – the Council has recently been advised that it has successfully appealed against the 2017 Non-Domestic Rates Revaluation, primarily in relation to schools. The appeal has resulted in savings of £250,000 which can be applied on a recurring basis. The appeal will also mean a refund to 1 April 2017 which has been included within the Reserves Strategy.
- Additional Charge to Capital – activity to the value of £2.5m, currently funded from within the Revenue Budget, has been identified which can be transferred to the Capital Budget. This will require to be managed through the Loans Fund but does free capacity in the Revenue Budget. However, of the £2.5m identified, £2.25m is non-recurring and therefore is reversed in 2021/22. Accordingly, only £250,000 is estimated to be available to close the funding “gap” on a recurring basis.
- Additional funding – Table 5 sets out the impact of the funding announcement on 26 February 2020 which meant that £1,361,000 could be applied to the “gap”. It is assumed that this funding is available on a recurring basis.

- 7.19 These proposals are summarised in Table 10 below. This includes confirmation of £362,000 of resources which are available to reinstate savings proposals or fund additional expenditure pressures (on either a recurring or non-recurring basis).
- 7.20 Table 10 below, also sets out a gap of £3,006,000 and £2,482,000 in financial years 2021/22 and 2022/23 respectively. These gaps will require to be addressed in advance of setting the 2021/22 and 2022/23 Final Revenue Budgets in February 2021 and February 2022 respectively
- 7.21 Considering the financial challenges facing the Council over the short term, the Council is strongly advised to consider a prudent approach in applying unallocated budgeted resources towards recurring expenditure proposals in the 2020/21, 2021/22 and 2022/23 Provisional Revenue Budgets and that the level of new expenditure proposals is minimised.

Table 10: Closing the “Gap”

	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000
“Gap”	4,649	756	2,482	7,887
Tayside Contracts Surplus	(200)			(200)
External Income	(200)			(200)
Council Tax Base Growth	(250)			(250)
Inflation / Rates Poundage	(250)			(250)
Non-Domestic Rates	(250)			(250)
Additional Charge to Capital	(2,500)	2,250		(250)
Additional Funding (see Table 5 above)	(1,361)			(1,361)
Headroom / (Remaining Gap)	362	(3,006)	(2,482)	(5,126)

2020/21 Fees and Charges

- 7.22 The savings proposals set out in Appendix D contain details of proposed increases to existing levels of charges in 2020/21. Specific increases in future years will be considered in setting Final Revenue Budgets at that time. Full details of recommended charges in 2020/21 are set out in Appendix E.
- 7.23 The annual review of charges considers a number of factors including an assessment of previous year's income levels, trends in user demand, inflationary pressures, savings targets, alternative charging structures and the potential impact on vulnerable groups.
- 7.24 All fees and charges should be set in line with the approved individual charging policy and fall into one of the following categories set out in Table 11 below.

Table 11: Charging Categories

Charging Strategy	Objective
Commercial Charges	The Council aims to cover the cost of providing the service and make a surplus.
Full Cost Recovery	The Council aims to cover the cost of providing the service from those who use it.
Subsidised	The Council wishes users of the service to contribute to the costs of providing it. This might meet a service objective or allow competition with other providers.
Free	The Council chooses to make the service available at no charge to meet a service objective.
Statutory	Charges are determined in line with legal requirements.

Revenue Budget Flexibility

- 7.25 The Council has an approved Revenue Budget Flexibility Scheme (Report No. 01/306 refers) which allows certain Service under and over spends from one financial year to be carried forward to future financial years subject to Council approval.
- 7.26 The proposed use of Revenue Budget Flexibility (£2,026,000) is reflected within the Provisional Revenue Budget for 2021/22 & 2022/23 and set out in detail at Appendix C to the report.
- 7.27 **ACTION: The Council is requested to approve the use of Revenue Budget Flexibility as set out in Appendix C to the report.**

Perth and Kinross Integration Joint Board

Cost and Demand Pressures

- 7.28 The following is based upon the assessment of current Health & Social Care budgetary pressures undertaken by the Integration Board Chief Officer and Chief Financial Officer. An analysis of expenditure pressures has been undertaken across Core Hospital and Social Care Services. Pressures of £15,400,000 have been identified over the next three years with £7,300,000 of pressures anticipated in 2020/21 as set out in Table 12 below.

Table 12: Analysis of Social Care Expenditure Pressures

	2020/21	2021/22	2022/23	Total
	£'m	£'m	£'m	£'m
Expenditure Pressures B/F	2.3	-	-	2.3
Pay/Price Pressure	2.2	2.3	2.3	6.8
Demand Pressure	2.3	1.7	1.8	5.8
Essential Service Developments	0.5	-	-	0.5
Total Pressures	7.3	4.0	4.1	15.4

- 7.29 Expenditure pressures brought forward makes provision for the previously reported deficit in the 2020/21 budget.
- 7.30 Pay/Price Pressures relate to pay uplifts for Perth & Kinross Council employees and Scottish Government commitments towards the Living Wage; Free Personal Care over 65; the National Care Home Contract Uplift; Free Personal Care under 65 and the Carers Act.
- 7.31 Demand Pressures reflect the impact of demographic growth on demand for social care services; the stepped increase in the demand for Care at Home; the demand for Occupational Therapy Equipment and the numbers and complexity of the care packages required for people with very complex Mental Health and Learning Disability needs. Going forward, there are further anticipated expenditure pressures from Care at Home, Care Home Placements and Learning Disability and Mental Health Care Packages.
- 7.32 Essential Service Developments include an investment in Care About Physical Activity and enhanced community support (over three years). This investment is part of a 3 year invest to save strategy which through upfront investment in community-based teams will deliver a fundamental shift in the balance of care with a reprofiling of beds and a delivery of significant savings in 2020/21 & 2021/22.

Savings Proposals & Income Assumptions

- 7.33 Significant work has been undertaken to identify transformation and efficiency plans to respond to the level of pressures whilst in parallel delivering the core Strategic aims of the Integration Joint Board (IJB).
- 7.34 Assumptions have also been made in relation to additional income in future financial years. Table 13 below sets out the 3 Year savings and income assumptions included in future years financial planning.

TABLE 13: 3 YEAR SAVINGS PROGRAMME & INCOME ASSUMPTIONS

	2020/21	2021/22	2022/23	Total
	£'m	£'m	£'m	£'m
Total Savings	2.0	1.7	0.2	3.9
Income Assumptions	2.2	1.4	2.3	5.9

- 7.35 The development of savings and transformation proposals has been led by the Perth & Kinross Health & Social Care Partnership Executive Management Team, supported by each of the Strategic Programme Boards.
- 7.36 For Older People and Unscheduled Care, the savings proposals are part of a 3 year invest to save strategy which through upfront investment in community-based teams will deliver a fundamental shift in the balance of care with a reprofiling of beds and a delivery of significant savings in 2020/21 & 2021/22.
- 7.37 For Mental Health and Wellbeing, the savings proposals focus on a radical redesign of the Learning Disability Community Care Service Models. In addition, a review of care pathways and community investment will lead to a shift from bed-based models within Learning Disabilities and General Adult Psychiatry.
- 7.38 The IJB has also undertaken a review of all other partnership wide budgets and identified a number of further opportunities for efficiency from corporate management and commissioned services.
- 7.39 The savings proposals that the Integration Joint Board will consider in late March 2020, also include a review of the Adult Social Work and Social Care Contributions Policy. This policy covers all care and support services received by a person at home such as homecare, day services, transport, short-breaks, telecare and sheltered housing support. This review will seek to ensure that the local policy is more in line with national guidance and has been fully Equality Impact assessed against the statutory Equality characteristics. If this proposal is accepted, an additional £1,218,000 of income will be generated in a full year.
- 7.40 Subject to approval of the 2020/21 Revenue Budget by the Integration Joint Board, full details of this proposal to review the Contributions Policy will be considered by the Council on 17 June 2020 in advance of implementation for further detailed scrutiny.

Recommended Funding for Perth & Kinross Integration Joint Board

- 7.41 Based upon the above assessment, the Revenue Budget submission from Perth & Kinross Integration Joint Board includes expenditure pressures which exceed savings proposals by around £5,400,000 during the period 2020/21 to 2022/23. Included within this is the Council's share of £100million of national funding from the Scottish Government for Social Care to meet a number of

Scottish Government Commitments and toward wider service pressures – the Council's share is approximately £2.5m.

- 7.42 All things being equal, this is significantly higher than that reported in other areas of Council Service delivery for the reasons set out above. This builds on the significant growth also included in the 2019/20 Final Revenue Budget.
- 7.43 The Chief Executive and current Health & Social Care Partnership Chief Officer have been in discussion throughout the preparation of the Revenue budget on appropriate measures to ensure that the Council's funding for Health & Social Care remains sufficient to meet service demand but sustainable in the medium to longer term. This is underlined by the significant movement in projected expenditure on adult social care in the current financial year 2019/20 which has necessitated the implementation of agreed recovery plan savings as reported to the Strategic Policy & Resources Committee through the Revenue monitoring process.
- 7.44 The Chief Executive and Executive Officer Team have, therefore, undertaken to work with the Health & Social Care Chief Officer in supporting the development of a range of transformational approaches to service provision aimed at building on best practice in health & social care provision. This may include future Capital investment in areas such as telecare and supported housing.
- 7.45 The 2020/21 Provisional Revenue Budget includes an allocation of £60,154,000 for health and social care (both IJB and non-IJB related activities). This level of funding represents a cash uplift of £5,322,000 or 9.5% (on a like for like basis) including the Council's £2,500,000 share of £100m additional income received from the Scottish Government ring fenced for Social Care to meet a number of Scottish Government Commitments and toward wider service pressures. The proposed uplift in funding in 2020/21 is in addition to the 11.2% increase that was approved by Council in the 2019/20 Final Revenue Budget.
- 7.46 In recent years the Council's contribution towards social care has been towards the lower end of local authority funding. It is anticipated that this level of investment by the Council in both 2019/20 and 2020/21 will result in a significant improvement in the funding contribution compared with other Councils.
- 7.47 **ACTION: The Council is requested to approve the contribution to Perth & Kinross Integration Joint Board of £60,154,000 in the 2020/21 Provisional Revenue Budget.**

Medium Term Financial Plan

- 7.48 The Council's Medium-Term Financial Plan (MTFP) places the development of budgetary strategy in the context of delivering the Council's key outcomes and considers the financial and process risks considered in the management of the Council's finances (Report No. 18/326 refers). The Medium-Term

Financial Plan is subject to regular review and the updated plan will be submitted, in due course, to a future meeting of the Council for consideration.

- 7.49 The MTFP is designed to inform the direction of travel of the Council for financial planning purposes. As individual Services develop detailed budget proposals the broad assumptions included in the MTFP will be superseded by more detailed analysis of individual cost pressures and the identification of savings options. The refinement of these assumptions is included in the 2020/21, 2021/22 and 2022/23 Provisional Revenue Budgets.
- 7.50 The key elements of the Medium-Term Financial Plan, in addition to the General Fund Revenue Budget, are summarised below.

Composite Capital Budget

- 7.51 In setting the 2020/21 Final Revenue Budget and 2021/22 & 2022/23 Provisional Revenue Budgets, the Council is approving the amount available to support current and future borrowing.
- 7.52 The Capital Update report 2020/21 to 2029/30 is the subject of a separate report to this special meeting of the Council on 6 March 2020 (Report No. 20/58 refers) and it is anticipated that the Council will review and update the Capital Budget in June 2020.

General Fund Reserves Strategy

- 7.53 The strategy under-pinning the use of the Council's General Fund Revenue Reserves is an integral part of the development of both the Revenue and the Composite Capital Budget. The Reserves Strategy is the subject of a separate report to this special meeting of the Council (Report No. 20/59 refers).
- 7.54 Within the Reserves Strategy, it is recommended that the Council's uncommitted General Fund Reserves are maintained at a level of at least 2% of the Net Provisional Revenue Budget. It is currently anticipated that at the end of financial year 2019/20, the Council will hold uncommitted Reserves of 2.6%. The application of Reserves should only be considered on a non-recurring basis or where there is a sustainable proposal to take forward an initiative.

Housing Revenue Account

- 7.55 The final Housing Revenue Account (HRA) Revenue Budget for 2020/21- and Five-Year Capital Investment Programme and Rent Strategy to 2024/25 were approved by the Housing & Communities Committee on 29 January 2020 (Report No. 20/29 refers). The Committee approved the recommendation of an average weekly rent increase for 2020/21 of 3.5% or £2.41 per week in accordance with the requirements of the Council's approved Housing Business Plan including supporting investment in new council housing.

8. COUNCIL TAX

Council Tax Collection Rate

- 8.1 It is recommended that the current budgeted collection rate of 98% be maintained in determining the 2020/21 Final Revenue Budget and 2021/22 and 2022/23 Provisional Revenue Budgets. This target, whilst challenging, is supported by the Council's collection performance over recent years and represents a realistic budgeted collection rate.
- 8.2 The level of Council Tax recovered in the year of billing was 97.9% in 2018/19 (the latest audited statistics), but it takes on average a further 5 years to reach or exceed a collection level of 98%. The Council remains committed to sustaining and improving performance in respect of all of its income recovery activities.
- 8.3 It should, however, be noted that there remains a risk of reduced collection levels due to increases in the level of the tax, the economic environment; changes in legislation in relation to debt recovery and welfare reform.
- 8.4 **ACTION: The Council is asked to agree a Council Tax collection rate of 98% in 2020/21, 2021/22 and 2022/23.**

Council Tax Base

- 8.5 The number of chargeable band D equivalent dwellings for Council Tax purposes, the Council Tax base (after adjusting for assumed non-collection of 2%), is estimated to be 70,620 in 2020/21, 71,124 in 2021/22 and 71,717 in 2022/23.
- 8.6 The Council's tax base is regularly reviewed, based upon an analysis of recent trends, and adjusted for anticipated growth in the number of dwellings as well as increases in the number of discounts and exempt dwellings.
- 8.7 **ACTION: The Council is asked to approve a Council Tax base of 70,620 in 2020/21, 71,124 in 2021/22 and 71,717 in 2022/23.**

Council Tax Rate

- 8.8 The Provisional Revenue Budgets for 2020/21, 2021/22 and 2022/23 assume an increase in the Council Tax rate of 4% each year.
- 8.9 In the letter from the Minister for Public Finance and Digital Economy on 6 February 2020, Councils were advised that they were being provided with "*the flexibility for 2020/21 to increase the Council Tax by 3% in real terms (4.84% cash)*".

Scottish Water Charges

- 8.10 The Council has received notification from Scottish Water that domestic water and wastewater charges for 2020/21 will increase by 0.9%. This results in a

band D equivalent charge in 2020/21 for water and wastewater from Scottish Water of £448.11, an increase of £3.87 (£444.24 in 2019/20). The split between water and wastewater is set out in Table 14 below.

TABLE 14: BAND D WATER & WASTEWATER CHARGES FOR 2020/21

	Water	Wastewater	Total
Band D	£207.36	£240.75	£448.11

- 8.11 Scottish Water charges for water and wastewater will continue to be charged using the multiplier that was in place prior to 1 April 2017.

9. WORKFORCE PLANNING

- 9.1 The Council refreshed its approach to workforce planning with the introduction of the Corporate Workforce Plan for 2018-21 approved by the Council on 7 March 2018 (Report No. 18/69 refers). It continues to use workforce planning measures which include vacancy management, flexible working, and appropriate use of fixed term contracts.
- 9.2 The Council continues to transform and modernise its services to meet the changes associated with reduced funding, growing service need and fulfilling our ambitions for Perth and Kinross. Its approaches to developing and reshaping its workforce must be flexible and agile in order to deliver at scale and with pace. Its focus is to build skills and capacity within the workforce by creating opportunities to reallocate resources more effectively through the use of Job Families and updating and refreshing skills through retraining and reprioritising learning and employment opportunities to change career paths; for example, “Learn to” opportunities are facilitating the movement of staff to areas of growth and skill shortage and have proven to be cost effective tools in managing workforce reduction in certain areas.
- 9.3 Investment in young people through the Modern Apprenticeship and Graduate programmes is another important way of developing leaders for the future. Upskilling and introducing new ways of working in respect of mobile working have also created opportunities to retrain staff and with investment in digital capability.
- 9.4 These changes mean that the Council can positively respond to areas of growth by utilising existing resources and working smarter across the Council, creating efficiencies and improved customer service. The use of voluntary severance as a tool to facilitate service redesign and transformation has worked well over many years and has made a significant impact on efficiencies. However, it is becoming a less attractive and cost-effective measure to be used on a large-scale basis.
- 9.5 The Council offers an attractive employment package, underpinned by fairness, equity and transparency. In a tight labour market, it ensures that its employment offer remains competitive by keeping it under review to ensure it can attract and retain staff, reward staff fairly and equitably, value employee contributions and provide opportunities for learning and development.

10. BUDGET CONSULTATION EXERCISES

- 10.1 The Council undertook an online budget consultation exercise with residents between 6 January 2020 and 16 February 2020. The consultation web page received 765 unique views by the public (not including internal staff views) – an increase from the 521 views in last year's consultation. Overall, however there were 484 completed surveys which is a reduction on previous years (2019 – 1,085; 2018 – 736; 2017 – 332; 2016 – 91).
- 10.2 Appendix F includes a report summarising the findings of the consultation exercise.
- 10.3 There was also a session with members of the Strategic Equalities Forum on 24 February 2020 to consider the potential impact of Revenue Budget proposals. The output from this session was shared with Elected Members following the meeting.

11. RISK ASSESSMENT

- 11.1 Determining the Revenue Budget requires consideration of the strategic, operational and financial risks potentially facing the Council. Both the uncertainty of future events and resource constraints make it impractical to mitigate against all potential risks. In developing its medium-term financial plan, the Council must also be aware of the sustainability of its expenditure proposals. Significant risks, which are of relevance in determining the Revenue Budget, are outlined below.
- 11.2 The General Fund Reserves Strategy is integral to supporting the Council's approach to the management of financial risk. The following comments on the most significant risks identified in preparing the Revenue Budget require to be considered in conjunction with the Reserves Strategy which is the subject of a separate report to this special meeting of the Council (Report No. 20/59 refers).

Local Government Funding 2020/21

- 11.3 There is a risk that there are changes to the Scottish Budget at the Stage 2 and 3 debates within the Scottish Parliamentary process. At this time (28 February 2020) the Scottish Parliament has not yet formally approved the budget for 2020/21 – this is expected to take place on 5 March 2020. There is a risk that the final budget approved by the Scottish Parliament alters the funding available to local government which would have an impact upon the Council.
- 11.4 In addition, as at the date of setting the Council's 2020/21 Final Revenue Budget, the UK Budget has not been announced. There is a risk that the assumptions made by the Scottish Government differ from the final UK Budget and this requires in year adjustments.

Local Government Funding Beyond 2020/21

- 11.5 The Council has no information on funding levels from the Scottish Government beyond 2020/21. This presents a risk to the Provisional Revenue Budgets for 2021/22 and 2022/23. There is also no information as to whether the additional Scottish Government revenue funding of £2,618,000 announced on 26 February 2020 is recurring or non-recurring. In the absence of confirmation, at this time, this report and the 2020/21 Provisional Revenue Budget have been prepared in line with the CoSLA assumption that this funding is recurring.
- 11.6 It is very difficult to estimate Scottish Government future funding scenarios with certainty. The magnitude of any potential future funding reduction will be influenced by many aspects of the wider economic climate and UK and Scottish Government policies. There is also the increasing influence of negotiations in the Scottish Parliament over the budget on the ultimate level of funding available for local government. Scottish Local Government has experienced reductions in funding that are greater than most other parts of the Scottish public sector. The 2021/22 and 2022/23 Provisional Revenue Budgets has been constructed on the basis that the Council receives funding (General Revenue Grant and Non-Domestic Rates) consistent with 2020/21. There is a real risk that these assumptions may prove to be too optimistic placing further pressure on future year's Revenue Budgets.
- 11.7 Previously, the Scottish Government has committed to "*bringing forward a three-year funding settlement for local government from 2020/21 budget onwards; and to develop a rules-based framework for local government funding in partnership with COSLA that would be introduced in the next Parliament.*" However, this was not possible due to the uncertainty over the last 12 months.
- 11.8 The potential for cash and real terms reductions in future funding beyond financial year 2020/21 is, therefore, considered to represent a risk in the management of the budget over the medium term.
- 11.9 Once inflation and demand are included these factors may result in further significant real terms reductions in funding to the Council over the medium term at a time of increasing need for Council services.
- 11.10 In view of this, the Council is advised to consider a prudent approach in applying unallocated budgeted resources towards recurring expenditure proposals in the 2020/21, 2021/22 and 2022/23 Provisional Revenue Budgets.
- 11.11 In addition, there is no information on the possible conditions which may be attached to the local government finance settlement beyond 2020/21. There are particular risks around the assumptions included in the 2021/22 and 2022/23 Provisional Revenue Budgets in relation to teacher numbers, the funding of future Living Wage rates and increases in Council Tax.

Corporate Transformation Projects

- 11.12 There are a number of corporate transformation projects (including property asset management, procurement / mobile working and PKC MyAccount) which are included in future years' Provisional Revenue Budgets. There is inevitably a degree of uncertainty about the ability of the Council to achieve significant savings in the short to medium term as these projects are implemented.

Service Transformation Projects

- 11.13 All Services include projected Revenue Budget savings from previously approved Service specific transformation projects. In line with the corporate projects, more certainty on these savings will materialise as the projects are progressed.

Number of Band D properties

- 11.14 The 2020/21, 2021/22 and 2022/23 Provisional Revenue Budgets assume growth in the number of Band D equivalent properties. These assumptions are consistent with the Medium-Term Financial Plan and are based on levels of growth currently being experienced. If the levels of growth in the number of properties do not continue there is a risk to the budgeted level of Council Tax income.

Welfare Reform

- 11.15 It is still not possible to fully estimate the potential financial impact on Council Services and budgets of Welfare Reform with any accuracy, however, it is evident that this continues to impact upon customers, front-line services and our budgets.
- 11.16 In June 2018, Full Service Universal Credit (UC) was rolled out throughout the whole of Perth and Kinross to all new claimants. Even though ongoing changes have been made/planned to be made by the Department of Work & Pensions (DWP) in respect of UC, a number of the well documented challenges and issues remain for both customers and Council. The timetable for Managed Migration to UC (for those working age claimants currently on legacy benefits) continues to be delayed and it was recently announced that the end date is now 2024 (previously scheduled to take place between July 2019 and 2023); a pilot is currently underway (with only 13 households having successfully migrated by end of January 2020).

Pay Award Assumptions

- 11.17 The 2020/21 Provisional Revenue Budget includes the allowance for pay awards of 3% agreed as part of the multi-year pay settlement through to 2020/21.
- 11.18 Negotiations for pay awards beyond 2020/21 have yet to commence. The 2021/22 and 2022/23 Provisional Revenue Budgets include assumptions in

line with the Medium-Term Financial Plan. There is a risk that the outcome of national pay negotiations in future financial years differs from the Council's assumptions which could have a significant financial impact upon the Council.

Expenditure Pressures in 2021/22 and 2022/23

- 11.19 There is a risk that the assumptions in relation to the expenditure pressures in the 2021/22 and 2022/23 Provisional Revenue Budgets differ from what actually happens and that this has an impact on setting Final Revenue Budgets in those years.

Inflation

- 11.20 There is a risk that levels of Service specific inflation exceed budgeted provisions and that levels of general inflation cannot be contained within existing resources as is currently assumed within the Provisional Revenue Budgets. This risk is enhanced by the continued implementation of the National Living Wage, pressure to enhance wage rates paid by service providers and suppliers and the impact of the European Union referendum result and global uncertainty on the value of Sterling.

Current Economic Climate

- 11.21 There is a risk that both the Council's capacity to generate income, and the expenditure it incurs in meeting demand for its Services, may be less predictable in the current volatile economic climate.
- 11.22 In terms of income generation, there is a continued risk that Council Tax collection levels, commercial rental income and other areas of income generated by the Council may be further affected.
- 11.23 The economic climate may also increase demand for and expenditure on Council services. This risk will require to be managed within the Council's available resources.

12. CONCLUSION AND RECOMMENDATIONS

- 12.1 The Council is committed to medium term financial planning and as such has prepared 2020/21, 2021/22 and 2022/23 Provisional Revenue Budgets during a period of significant financial challenge and uncertainty and against a backdrop of ongoing public sector reform.
- 12.2 The Council is requested to:
- 12.2.1 Approve the Updated Provisional Revenue Budget for 2020/21, 2021/22 and new Provisional Revenue Budgets for 2022/23 as set out in **Appendix B** to the report – see para 7.11.
- 12.2.2 Approve the carry forward of resources from 2019/20 into 2020/21 and future years under the terms of the Revenue Budget Flexibility scheme as set out in **Appendix C** to the report – see para 7.27.

12.2.3 Approve the contribution to Perth & Kinross Integration Joint Board of £60,154,000 that is included in the 2020/21 Provisional Revenue Budget – see para 7.47.

12.2.4 Approve a Council Tax collection rate of 98% in 2020/21, 2021/22 and 2022/23 – see para. 8.4.

12.2.5 The Council is asked to approved Council Tax base of 70,620 in 2020/21, 71,124 in 2021/22 and 71,717 in 2022/23 – see para 8.7.

12.2.6 Determine the Final Revenue Budget and Council Tax for financial year 2020/21.

12.2.7 Determine the Updated Provisional Revenue Budget and Indicative Council Tax level for 2021/22.

12.2.8 Determine the Provisional Revenue Budget and Indicative Council Tax level for 2022/23.

Author(s)

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Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	28 February 2020
Jim Valentine	Depute Chief Executive and Chief Operating Officer	28 February 2020

ANNEX

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

1.1. Corporate Plan

1.1.1. 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.

1.1.2 This report relates to all of these objectives.

2. Resource Implications

2.1. Financial

2.1.1. There are no direct financial implications arising from this report other than those reported within the body of the main report.

2.2. Workforce

2.2.1. There are no direct workforce implications arising from this report other than those reported within the body of the main report.

2.3. Asset Management (land, property, IT)

2.3.1. There are no direct asset management implications arising from this report other than those reported within the body of the main report.

3. Assessments

3.1. Equality Impact Assessment

3.1.1. 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.

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

3.2 Strategic Environmental Assessment

3.2.1 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

3.2.2 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.

3.3 Sustainability

3.3.1 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.

3.3.2 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

4.1 Internal

- 4.1.1 The Chief Executive and Executive Officer Team have been consulted in the preparation of the Provisional Revenue Budgets for 2020/21, 2021/22 and 2022/23.

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 (i) – Letter from the Minister for Public Finance and Digital Economy dated 6 February 2020.
- Appendix A (ii) – Letter from the Cabinet Secretary for Finance dated 27 February 2020.
- Appendix A (iii) – Detailed funding announcement 27 February 2020
- Appendix B – 2020/21, 2021/22 & 2022/23 Provisional Revenue Budgets.
- Appendix C – Revenue Budget Flexibility Scheme – Proposed Carry Forwards from 2019/20.
- Appendix D – Expenditure Pressures and Savings
- Appendix E – Fees and Charges – 2020/21:
- Appendix F – Budget Consultation Summary Report