

PERTH COMMON GOOD FUND COMMITTEE

27 February 2019

2019/20 BUDGET & 2018/19 FINANCIAL STATEMENT

Report by Head of Finance (Report No. 19/55)

PURPOSE OF REPORT

This report seeks approval of the budget for Financial Year 2019/20 for Perth Common Good Fund and details the Income and Expenditure to 31 January 2019 and the projected outturn for Financial Year 2018/19.

1. BACKGROUND / MAIN ISSUES

- 1.1 The budget for Financial Year 2018/19 was approved by the Committee on 28 February 2018 (Report 18/75 refers).
- 1.2 The Financial Assistance budget has been refined in recent years and separate budgets have been created for the funding of Financial Assistance awards for Fireworks, Small Grants and Capital Grants. In addition, the Committee previously approved proposals for maintaining a minimum Revenue Account balance over the medium term and for the earmarking of Revenue Reserves to fund specific Common Good property and infrastructure projects.
- 1.3 The proposed budget for 2019/20 has been prepared based on activity undertaken in previous financial years, adjusted for anticipated changes in the new financial year. Appendix 1 provides the proposed 2019/20 Budget for the Perth Common Good Fund and the draft budgets for 2020/21 and 2021/22; Appendix 2 provides an estimate of income and expenditure over the medium term.
- 1.4 This report also provides the monitoring position and projected outturn for the Financial Year 2018/19.

2. PROPOSALS

2.1 Budget 2018/19

The proposed budget for 2019/20 and draft budgets for 2020/21 and 2021/22 are at current prices and have been prepared in line with activity for prior years, and the anticipated costs which are likely to be incurred in future years.

- 2.1.1 Appendix 1 provides details of the proposed and draft budgets in the traditional format and provides a summary of the actual outturn for the years 2016/17 and 2017/18, together with projected expenditure for 2018/19, the proposed budget for 2019/20, and draft budgets for 2020/21 and 2021/22.

The projected deficit for the current financial year is due to the replacement of the Tay Railway Viaduct Steps (Report 17/330 refers), and the upgrade works required to properties at 2 North Port and 2-4 North Methven Street (Report 18/406 refers).

- 2.1.2 The upgrade of the 2 North Port shop is scheduled for completion in the new financial year and the proposed 2019/20 budget has, therefore, been adjusted to reflect the anticipated expenditure, with a compensating reduction in the Repair & Renewal Reserve.
- 2.1.3 Further detail is provided in Appendix 2 to demonstrate the level of annual income remaining available for the funding of discretionary Financial Assistance awards. Appendix 2, therefore, provides detail of the annual income available to the Fund and includes the anticipated expenditure which will be incurred for fixed and variable costs, property repairs, and major upgrade expenditure before arriving at the income remaining to fund awards for Finance Assistance.
- 2.1.4 Also included within Appendix 2 is the proposed surplus as a percentage of the annual income of the Perth Common Good Fund. The proposed budgets for 2020/21 and 2021/22 assume a surplus of 7% of the annual income to provide contingency for any in-year movement in the actual income and/or expenditure of the Fund. It is anticipated that property related upgrade expenditure will reduce in future years, however, it is proposed that an annual surplus is maintained in order to restore the total balance of the Fund.
- 2.1.5 Appendices 1 and 2 demonstrate that it is anticipated the Perth Common Good Fund will return to a surplus in 2020/21 and in future years and will, therefore, remain sustainable in the longer term provided that all assumptions remain unchanged. The projected deficit for 2019/20 is due to the upgrade of the 2 North Port shop, the cost of works to be funded from the earmarked Repair & Renewal Reserve.
- 2.1.6 The proposed adjustments to the budget between 2018/19 and 2019/20 are summarised below and are detailed within Appendix 1.
- 2.1.7 A number of risks remain and these have the potential to impact upon the longer term financial position of the Perth Common Good Fund:-
 - (I) There remains the risk that the Perth Common Good Fund property portfolio is incomplete and the Perth Common Good Fund may, therefore, potentially be liable for the future repair and upgrade costs for property which is not currently identified as common good.
 - (II) Section 102 of the Community Empowerment (Scotland) Act 2015 requires the Council to establish and maintain a register of property which is held by the authority as part of the common good and to publish a list of property that it proposes to include in the register. Section 104 of the Act requires the Council to consult community

bodies prior to the disposal or change of use of a common good property.

Additional resource may be required to fully complete the review of property titles for Perth and there is, therefore, the risk that the Perth Common Good Fund may incur additional expenditure to progress the completion of the statutory review.

- (III) The 2019/20 Perth Common Good Fund budget and medium term plan is based upon a strategy of distributing the annual income of the Fund in full, whilst protecting the current Revenue Account balance of the Fund. There remains the risk that the balance may be further eroded in the event that there is a shortfall in income or if expenditure budgets are exceeded in any year.

2.2 Rent & Rates

The 2017 Rateable Value of Perth Town Waters remains under appeal, however, the Rateable Value is used for the assessment of the amount due to the Tay District Salmon Fisheries Board in respect of salmon fishing rights. The levy for the 2019 season was unknown at the time of preparing this report and it is, therefore, proposed that the budget remains in line with 2018/19 pending confirmation of the amount due.

2.3 Repairs and Maintenance

It is proposed to maintain the General budget at £15,000 in line with the pattern of expenditure incurred during recent years.

- 2.3.1 In addition, it is proposed that a £35,000 budget is allocated to the 2 North Port project. The preliminary works have commenced in 2018/19 and the project will complete in early 2019/20. The Committee previously approved that the upgrade works will be funded from the Repair & Renewal Reserve (Report 18/406 refers) and the budget has been adjusted to reflect the corresponding transfer from Reserves.
- 2.3.2 The Tay Railway Viaduct Steps project completed in 2018/19 and a small underspend was returned to the Uncommitted Reserve. In addition, the upgrade works at 2-4 North Methven Street shop are due to complete during the last quarter of 2018/19 and no further budget is required for this project.

2.4 Financial Assistance

It is proposed that the budgets for Financial Assistance remain in line with 2018/19 and the total budget available to support Fireworks, Small Grants, and Capital Grants, therefore, remains unchanged at £115,000.

- 2.4.1 The draft budgets for future years assume that the total Financial Assistance budget will remain at £115,000 in 2020/21 and 2021/22. It is anticipated that

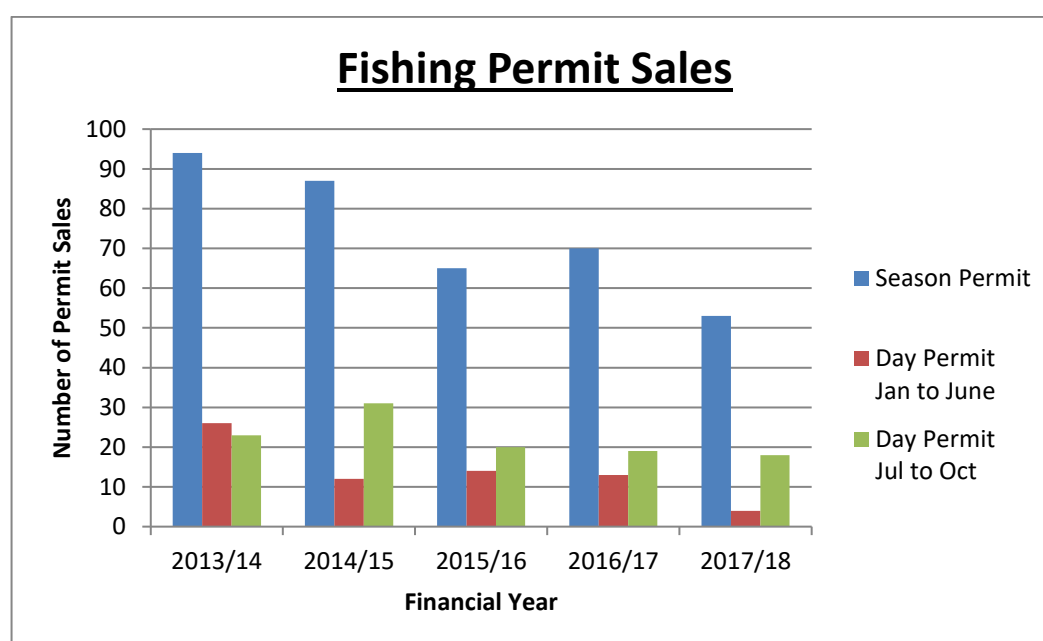
expenditure pressures will reduce, however, it is proposed that the Financial Assistance budget is not increased in the medium term.

2.5 Christmas Events

It is proposed that the 2019/20 Christmas Events budget for expenditure on the storage, installation, removal and maintenance of Christmas lights and associated equipment, and the contribution towards the Switch on Ceremony, remains unchanged from 2018/19.

2.6 Income

The number of permits sold in each of the financial years 2013/14 to 2017/18 has declined, resulting in the reduction in annual income from £2,170 in 2013/14 to £1,097 in 2017/18. The graph below demonstrates the reduction in permit sales over the five year period:-



- 2.6.1 The fishing permit income received to date for 2018/19 is in line with the 2018/19 Budget. The 2019/20 Budget assumes that the income level will be maintained at £1,400 to cover the levy due to the Tay District Salmon Fisheries Board for the Perth Town Waters. The fishing permit income will be reviewed again for the setting of the 2020/21 Budget for the Fund.

2.7 Revenue Account Balance

The total useable Revenue Account balance is projected to be £1,479,876 at 31 March 2019. Assuming all forecasts remain unchanged, the Revenue Account Balance is projected to reduce to £1,461,476 at 31 March 2020.

- 2.7.1 A number of risks are outlined in Section 2.1.7 of this report and the Fund, therefore, remains susceptible to potential negative impact in the event that any of the risks materialise. In addition it would be prudent to maintain the

Revenue Account balance at a reasonable level in order that the Fund can benefit in the event that investment interest rates were to increase in the future. It is, therefore, proposed that the balance of the Revenue Account continues to be maintained at a minimum of £1,000,000 to protect the longer term sustainability of the Fund.

- 2.7.2 The balance in the earmarked Repair & Renewal Reserve is projected to reduce to £120,000 by 31 March 2020 due to the expenditure which has been incurred on various replacement and upgrade projects. The setting of the 2017/18 Budget included proposals to maintain the Repair & Renewal Reserve at £200,000 for the medium term pending the review of properties requiring upgrade. All known property upgrades will be completed by the end of 2019/20 and it is proposed that the Repair & Renewal Reserve continues to be maintained at £120,000 pending completion of the review of property titles referred to in Section 2.1.7 (ii).
- 2.7.3 The projected uncommitted balance at 31 March 2020 is, therefore, £341,476 and will remain available for the funding of any unforeseen obligations arising for the Perth Common Good Fund.

2.8 Financial Statement 2018/19

On the basis of Appendix 3, it is anticipated that there will be a deficit of £205,151 in 2018/19 and that the Fund's estimated Revenue Account Balance will be £1,479,876 at 31 March 2019. The projections assume approval of the funding requests included within the Financial Assistance report to be considered at this meeting.

- 2.8.1 Year-end expenditure projections for Financial Assistance expenditure have been refined and represent the value of funding awards paid and committed during the financial year, and applications to be considered at this meeting. There is a projected Financial Assistance underspend (Small Grants and Capital Grants) of £22,801 for the 2018/19 financial year, assuming all requests for Financial Assistance are approved at the meeting today.
- 2.8.2 Of the total balance a minimum of £1,000,000 is set aside to ensure the long term sustainability of the Fund, and £155,000 will remain earmarked in the Repair and Renewal Reserve for the funding of the potential repair works to Perth Common Good property. The projected uncommitted balance available for the funding of additional discretionary expenditure is therefore £324,876.

3. **CONCLUSION AND RECOMMENDATIONS**

- 3.1 The proposed 2019/20 Budget and draft budgets for 2020/21 and 2021/22 have been prepared using expenditure and income trends for the Fund and incorporate the anticipated future expenditure pressures arising from maintaining the Perth Common Good property portfolio.
- 3.2 Appendix 1 details the proposed 2019/20 Budget and draft budgets for 2020/21 and 2021/22. Appendix 2 provides the proposed allocation of the

annual income of the Perth Common Good Fund over the period 2019/20 to 2023/24; taken together both appendices demonstrate the sustainability of the Perth Common Good Fund over the longer term.

3.3 The Committee is requested to:

- (i) Approve the Perth Common Good Fund budget for financial year 2019/20, as set out in Appendix 1;
- (ii) Note the Perth Common Good Fund draft budget for financial years 2020/21 and 2021/22, as set out in Appendix 1;
- (iii) Note the Perth Common Good Fund Income and Expenditure to 31 January 2019 and the projected outturn to 31 March 2019, as set out in Appendix 3.

Author(s)

Name	Designation	Contact Details
Donald Coyne	Senior Accountant	CHXFinance@pkc.gov.uk

Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	30 January 2019
Jim Valentine	Depute Chief Executive (Chief Operating Officer)	12 February 2019

If you or someone you know would like a copy of this document in another language or format, (on occasion, only a summary of the document will be provided in translation), this can be arranged by contacting the Customer Service Centre on 01738 475000.

You can also send us a text message on 07824 498145.

All Council Services can offer a telephone translation facility.

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	None
Asset Management (land, property, IST)	None
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 2013 – 2018 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 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.

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 Depute Chief Executive/Chief Operating Officer has been consulted in the preparation of this report.

2. BACKGROUND PAPERS

- 2.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

Appendix 1 – Perth Common Good Fund - Proposed Budget for 2019/20 and draft budgets for 2020/21 and 2021/22

Appendix 2 – Perth Common Good Fund – Proposed allocation of annual income for the 2019/20 Budget and draft budgets for 2020/21 to 2023/24

Appendix 3 – Perth Common Good Fund Financial Statement for period to 31 January 2019 for Financial Year 2018/19