

PERTH & KINROSS COUNCIL

10 MARCH 2021

REVENUE BUDGET 2021/22

Report by Head of Finance (Report No. 21/33)

PURPOSE OF REPORT

This report recommends setting the 2021/22 Final Revenue Budget.

1. BACKGROUND

- 1.1 On 30 September 2020, the Council agreed to set a one-year Final Revenue Budget for 2021/22. This is a temporary departure from existing practice whereby the Council sets both a final budget for the coming year and provisional budgets for the following two years. It is, however, considered a pragmatic, prudent and cautious approach in a situation where Council resources are currently diverted both to maintaining essential services and responding to Covid-19. Significant uncertainty also remains over the full extent of the impact of Covid-19 on Council services and local communities.
- 1.2 The Council's Corporate Plan 2018-2023 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'
- 1.3 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*
- 1.4 The 2021/22 Provisional Revenue Budget, which is summarised in Appendix B includes expenditure pressures and savings proposals relating to each of these strategic objectives as set out in Appendix D.
- 1.5 For clarity, Appendix D only includes new expenditure pressures and savings proposals identified since the Budget was last considered by Council in March 2020, on the basis that decisions taken previously are already included within the 2021/22 Provisional Revenue Budget.
- 1.6 On 20 February 2019, the Council first set a balanced Provisional Revenue Budget for 2021/22 (Report No. 19/49 refers). On 6 March 2020, the Council approved an updated 2021/22 Provisional Revenue Budget (Report No. 20/57 refers). The updated 2021/22 Provisional Revenue Budgets was approved on the basis that further savings of **£3.006 million** had still to be identified.

- 1.7 An indicative Council Tax increase of 4.28% for 2021/22 was also approved in March 2020.
- 1.8 As is normal practice, the updated Provisional Revenue Budget and indicative Council Tax assumption is the starting point for the Council setting a Final Revenue Budget and Council Tax for 2021/22.
- 1.9 On 30 September 2020, the Council approved the updated Medium-Term Financial Plan (MTFP) (Report No. 20/174 refers). Recognising the significant impact of Covid on the Council's finances, the Council approved the setting of a Revenue Budget for 2021/22 only, with the intention of returning to medium term budget setting at the earliest opportunity.
- 1.10 The September 2020 update of the Medium-Term Financial Plan 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.
- 1.11 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 September 2020 covered the six years to financial year 2026/27.
- 1.12 The Medium-Term Financial Plan included the latest assumptions in relation to potential adjustments to Scottish Government grant funding and increases in pay awards.
- 1.13 The Council endorsed the "mid-range" level savings requirement to 2026/27, which is summarised in Table 1 below.

Table 1: Estimated Savings Requirement (September 2020)

	21/22	22/23	23/24	24/25	25/26	26/27	TOTAL
	£m	£m	£m	£m	£m	£m	£m
Estimated Savings Requirement	16.4	17.7	11.4	6.7	2.3	5.6	60.1

- 1.14 On 24 February 2021, the Council agreed to the terms of the 2021/22 Draft Scottish Budget, including agreeing to a Council Tax freeze for 2021/22 (Report No. 21/25 refers). The 2021/22 Provisional Revenue Budget has been updated to reflect this Council Tax position and the associated compensation within the Local Government Finance Settlement which is available following this decision and results in a net pressure of £1.174 million. (Reduced Council Tax income of £3.991 million, partially offset by compensation for freezing Council Tax of £2.817 million).
- 1.15 The Scottish Government have provided funding information for 2021/22 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. By continuing to plan for the medium term, the Council provides authority for officers to roll out the programme of significant change encompassed within the Perth and Kinross Offer.

- 1.16 The Council also approved the 2022/23 Provisional Revenue Budget in March 2020. At that point the Budget was out of balance by £2.482 million. Work will continue on the delivery of the approved 2022/23 Provisional Revenue Budget (Report No. 20/57 refers) including the identification of additional savings. This will require to be addressed prior to finalising the 2022/23 Final Revenue Budget.

2. UNITED KINGDOM BUDGET

- 2.1 The Chancellor of the Exchequer presented the 2021 Budget to the UK Parliament on 3 March 2021. The Budget was delayed from November 2020, due to the uncertainties caused by the Covid-19 global pandemic and its impact on the economy and public finances over the short, medium and longer term.

- 2.2 The Budget set out the United Kingdom's ongoing response to the impact of the Covid-19 pandemic, the UK Government's proposals for economic recovery and proposals for changes to taxation. The Budget was informed by updated forecasts for the economy by the Office of Budget Responsibility (OBR).

- Economy shrunk by 10% in 2020/21 but OBR forecast for economic growth is 4% in 2021; 7.3% in 2022 and 1.7% in 2023.
- Forecast for peak unemployment is revised down to 6.5%
- OBR forecast for Government borrowing in 2020/21 is a record £355 billion (17% of Gross Domestic Product (GDP)). Forecast borrowing in 2021/22 is £234 billion (10.3% of GDP) then 4.5% of GDP in 2022/23 and 3.5% in 2023/24. Underlying debt is forecast at 93.8% of GDP in 2021/22, peaking at 97.1% in 2023/24 then reducing to 96.8% by 2025/26.
- Furlough scheme and support for self-employed extended until the end of September
- £65 billion package of additional economic support measures
- Total Covid-19 support package, this year and next, of £352 billion.
- Personal tax thresholds uplifted to planned levels in April 2021 then frozen to 2026
- Corporation Tax rate on company profits increased to 25% from April 2023 but with protection for small businesses and tax incentives for investment.
- Barnett consequentials of budget measures increase funding for devolved administrations by £1.2 billion in Scotland; £740 million in Wales and £410 million in Northern Ireland.

- 2.3 On 19 February 2021, the Office for Budget Responsibility published "Commentary on the Public Sector Finances: December 2020". This update highlighted the ongoing fiscal cost of the Covid-19 pandemic. The main headlines which will impact on the UK Budget were as follows:

- Public Sector Net Borrowing totalled £8.8 billion in January 2021. In the period January to October 2020, £270.6 billion of borrowing was undertaken.

- HM Revenue & Customs cash receipts were 12.1% less than a year earlier.
- Central Government Spending is 29.2% higher than a year earlier.
- Net debt rose by 14.7% of Gross Domestic Product on the previous year to reach 97.9% in January.

3. SCOTTISH BUDGET – 28 JANUARY 2021

- 3.1 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 postponement of the UK Budget in November 2020.
- 3.2 The Scottish Budget for 2021/22 was announced on 28 January 2021. The publication of the Scottish Budget is normally the start of a period of parliamentary scrutiny by Committees and the Parliament along with negotiations between political parties before the vote on final tax and spend proposals.
- 3.3 The Stage 2 and 3 debates on the Scottish Budget will take place on 8 and 9 March 2021 respectively.
- 3.4 The final size of the devolved budget for Scotland in 2021/22 will not be known until after the UK budget is announced on 3 March 2021.

4. LOCAL GOVERNMENT FINANCE CIRCULAR 1/2021

- 4.1 Local Government Finance Circular 1/2021 was issued by the Scottish Government on 1 February 2021 and includes the provisional financial settlement for 2021/22 at an individual Council level. As anticipated, the Settlement included information for 2021/22 only. The Circular is attached at Appendix A (i). The Cabinet Secretary for Finance also wrote to COSLA on 28 January 2021 providing further detail and this is attached at Appendix A(ii).
- 4.2 The Circular provides details of the provisional total Revenue and Capital funding allocations for 2021/22, as well as the latest information on current known funding redeterminations for 2020/21. The Circular also provides details on a range of business rates measures, including the 2021/22 Non-Domestic Rates poundage.
- 4.3 The details of the Finance Circular were also included in the report to Council on 24 February 2021 (Report No 21/25 refers).
- 4.4 As has been the case in previous years, Finance Circular 1/2021 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 - £35.369 million
- Gaelic - £0.163 million
- Customer First Top-Up - £1.410 million
- School Child Burials - £600,000

- 4.5 Based on Finance Circular 1/2021, the total Revenue funding being made available by the Scottish Government to Perth & Kinross Council in 2021/22 is £281.271 million (see Table 2 below).

Table 2: Scottish Government Grant Funding – Perth & Kinross Council

	2021/22	<i>2020/21</i>
	£m	<i>£m</i>
General Revenue Funding	217.645	198.921
Non-Domestic Rates	43.889	56.569
Council Tax Freeze	2.817	-
Ring-Fenced Grants	16.920	15.499
TOTAL REVENUE FUNDING	281.271	<i>270.989</i>

Source: Finance Circular 1/2021 – 1 February 2021

- 4.6 Based upon the latest information, the 2021/22 Scottish Government provisional funding allocation of £281.271 million represents a £10.282 million increase in absolute cash terms than the allocation for 2020/21, as set out in Finance Circular 1/2020 (issued March 2020).
- 4.7 The 2021/22 provisional funding allocation includes £4.940 million which is either ring-fenced by the Scottish Government towards meeting specific initiatives (most notably for Early Learning and Childcare), or where there is an expectation or requirement for the Council to apply funding for a stated purpose (e.g. health & social care or carers act).
- 4.8 The 2021/22 provisional funding allocation also includes £2.817 million to compensate Councils who choose to freeze Council Tax at 2020/21 levels.
- 4.9 Therefore, on a like for like basis, the provisional Scottish Government funding allocation for 2021/22, represents a **£2.525 million** cash increase (0.9%) over the equivalent position for 2020/21 as set out in Finance Circular 1/2020. 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.
- 4.10 Table 3 below summarises the movements in the total funding package from the Scottish Government to facilitate a comparison of the 2021/22 provisional allocation with the current year on a comparable basis.

**Table 3: Cash Movements between 2020/21 and 2021/22
(on a comparable basis)**

	£m
2020/21 – Finance Circular 1/2020 (updated 26/2/20)	270.989
2021/22 – Finance Circular 1/2021	281.271
Year on year cash increase in funding	10.282
Year on year % increase in cash funding	3.8%
Less:	
- funding directed to service delivery	(4.940)
- Council Tax compensation	(2.817)
£ Cash Increase (on a comparable basis)	2.525
% Cash Increase	0.9%

- 4.11 The cash increase set out above of 0.9% does not take account of the additional impact of inflation or growth in service need.
- 4.12 The Finance Circular and subsequent update does not contain any funding information beyond 2021/22. The 2022/23 Provisional Revenue Budget, as approved by Council on 6 March 2020, remains in place (Report No. 20/57 refers) and this will be the starting point for setting the 2022/23 Final Revenue Budget in February / March 2022.

Implications for the 2021/22 Capital Budget

- 4.13 Finance Circular 1/2021 also includes provisional Capital Grant allocations for 2021/22. The consequences on these allocations will be considered in more detail in future updates of the Capital Budget scheduled for later in 2021.

Non-Domestic Rates

- 4.14 Finance Circular 1/2021 notes the Non-Domestic Basic Rate poundage for 2021/22 of 49p (49.8p in 2020/21), a reduction of 1.6%. Two additional rates are levied on properties with a rateable value over £51,000 (50.3 pence) and £95,000 (51.6 pence) respectively.
- 4.15 The Scottish Budget for 2021/22 also introduces the following policies:
- The rateable value upper threshold in order to qualify for Fresh Start Relief will be increased from £65,000 to £95,000 to match the Higher Property Rate threshold.

- 100% relief for at least three months for properties in the retail, hospitality, leisure and aviation sectors which will now be application-based, in order to ensure that this support goes only to those who require it.
- Business Growth Accelerator (BGA) relief will be expanded to property improvements where there has been a concurrent change of use to incentivise the re-use of existing assets.
- 100% BGA relief in relation to unoccupied new-builds, which is currently available until 12 months after the property is first occupied regardless of how long it is unoccupied, will continue to be available for up to three years on those properties from the point at which it is first received.
- 100% Day Nursery Relief for all standalone nurseries in the public, private and charitable sectors will be extended to 30 June 2023.
- Other announcements relating to Small Scale Hydro Plant & Machinery District Heating.

- 4.16 The Small Business Bonus Scheme threshold for 100% relief remains at £15,000, so that the overall scheme is applicable as per Table 4 below (which is consistent with the 2020/21 scheme):

Table 4: Small Business Bonus Scheme 2021/22

Combined Rateable Value of all Properties	2021/22
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

5. 2021/22 UPDATED PROVISIONAL REVENUE BUDGET

- 5.1 In setting the 2021/22 Provisional Revenue Budget in February 2019 and subsequently updating it in March 2020, the Council agreed expenditure pressures and savings (Report Nos 19/46 and 20/57 refer) which are summarised in Table 5 below.

Table 5: Summary of 2021/22 Provisional Budget Decisions

	Feb 19	Mar 20	Total
	£'000	£'000	£'000
Total Expenditure Pressures	2,624	2,926	5,550
Total Savings	(1,340)	(1,608)	2,948

- 5.2 At the point that the 2021/22 Provisional Revenue Budget was updated and approved in March 2020 (Report No. 20/57 refers), the budget was out of balance by **£3.006 million**. This is made up of the excess of pressures and savings identified in Table 5 above as well as decisions taken by Council on 6 March 2020. This information was also included in the Medium-Term Financial Plan approved on 30 September 2020, where it was agreed officers would bring forward proposals to balance the Budget (Report No. 20/174 refers).

- 5.3 With the Council having taken decisions on the 2021/22 Provisional Revenue Budget in February 2019 and March 2020, any changes to the previously agreed pressures or savings will result in the funding gap being adjusted.

Process for Updating the 2021/22 Provisional Revenue Budget

- 5.4 The process for updating the Provisional Revenue Budget for 2021/22 commenced in October 2020, which is consistent with previous years.
- 5.5 Updated Revenue Budget submissions or “Executive Summaries” for 2021/22 have been prepared on a thematic basis in line with the Council’s approved strategic objectives. The Executive Summaries set out movements to the 2021/22 Provisional Revenue Budgets (approved in March 2020).
- 5.6 The process of updating the Executive Summaries has identified additional expenditure pressures of **£1.439 million** and savings proposals of **£677,000** which means that 2021/22 is further out of balance by **£762,000**. This increases the “gap” in the 2021/22 Provisional Revenue Budget. The Executive Summaries are attached at Appendix D to this report and the movements are summarised in Table 6 below. This adds to the gap of £3.006 million included in the 2021/22 Provisional Revenue Budget approved in March 2020.

Table 6: Summary of 2021/22 Provisional Revenue Budget Submissions
(see Appendix D)

	2021/22
	£'000
Additional Expenditure Pressures	1,439
Additional Savings Proposals	(677)
Excess of Pressures over Savings	762

- 5.7 The updating of the 2021/22 Provisional Revenue Budget also included the identification of a number of non-recurring budgetary pressures which are set out in more detail below and in Appendix C.
- 5.8 The 2021/22 Updated Provisional Revenue Budget is predicated on maintaining the same level of service delivery reflected in the Budget approved by Council in March 2020 (Report No. 20/57 refers), with the exception of the specific issues identified within this report or in the Revenue Budget Executive Summaries contained at Appendix D.
- 5.9 The Provisional Revenue Budget submissions have been subject to scrutiny by Elected Member Budget Review Groups which commenced in November 2020. The detailed analysis of these expenditure pressures and savings proposals are set out in Appendix D.

- 5.10 The 2021/22 Provisional Revenue Budget has 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 Council officers and has been reviewed by the Executive Officer Team. There is, however, a significant risk, given the impact Covid-19 may have upon the Council's finances going forward, that these assumptions may require to be revised in due course as part of the ongoing monitoring of Council expenditure and income. This analysis and review is consistent with previous years and will be reported to elected members throughout 2021/22.
- 5.11 The potential workforce implications identified within the Executive Summaries include vacant posts and will be influenced by turnover. 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.
- 5.12 The updated Executive Summaries also 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.
- 5.13 Equality and Fairness Impact Assessments for individual expenditure pressures and savings proposals were prepared and considered by the Strategic Equalities Forum in January 2020. This facilitated the preparation of a cumulative impact assessment which was distributed to all Elected Members in advance of the Council meeting in March 2020.
- 5.14 There is only one new substantive saving included in Appendix D which has been equality impact assessed.

Non-Recurring Budgetary Pressures and Funding Proposals

- 5.15 Throughout the current financial year, elected members have been advised of emerging budgetary pressures impacting on 2020/21, predominantly associated with or resulting from Covid-19. It is likely that many of the issues identified in 2020/21 will be replicated in 2021/22. However, in order to minimise the immediate impact on recurring budgets, the 2021/22 Provisional Revenue Budget has been constructed on the basis that these budgetary pressures are **non-recurring**. This will provide more time to fully understand the longer-term impact on the Council.

5.16 Budgetary pressures of **£8.575 million** have been identified and these are set out in detail in Appendix C. Within Appendix C, the budgetary pressures have been categorised as follows:

- Impact on Approved Expenditure – these pressures have predominantly arisen due to delays in taking forward approved projects due to the impact of Covid-19 on capacity. This will ensure that the funding is carried forward to allow these projects to be completed.
- Impact on Approved Savings – there are several approved savings that have been delayed as capacity has been diverted to the Covid-19 response. While it is currently still the intention to deliver these savings, this will be subject to review during 2021/22.
- Impact on Income – this is the anticipated impact on budgeted income targets due to Covid-19. There is a risk that restrictions are in place for an extended period and that these projections require to be revised. This includes funding to reduce the budgeted Council Tax collection rate from 98% to 96% in 2021/22.
- Other – mixture of increased demand and essential service developments.

5.17 These non-recurring budgetary pressures are reflected within the 2021/22 Provisional Revenue Budget and set out in detail at Appendix C to the report. It is proposed that these pressures are funded from the Covid-19 earmarked Reserve

5.18 **ACTION: The Council is requested to approve the non-recurring budget pressures of £8.575 million set out in Appendix C to this report to be funded from the Covid-19 earmarked Reserve.**

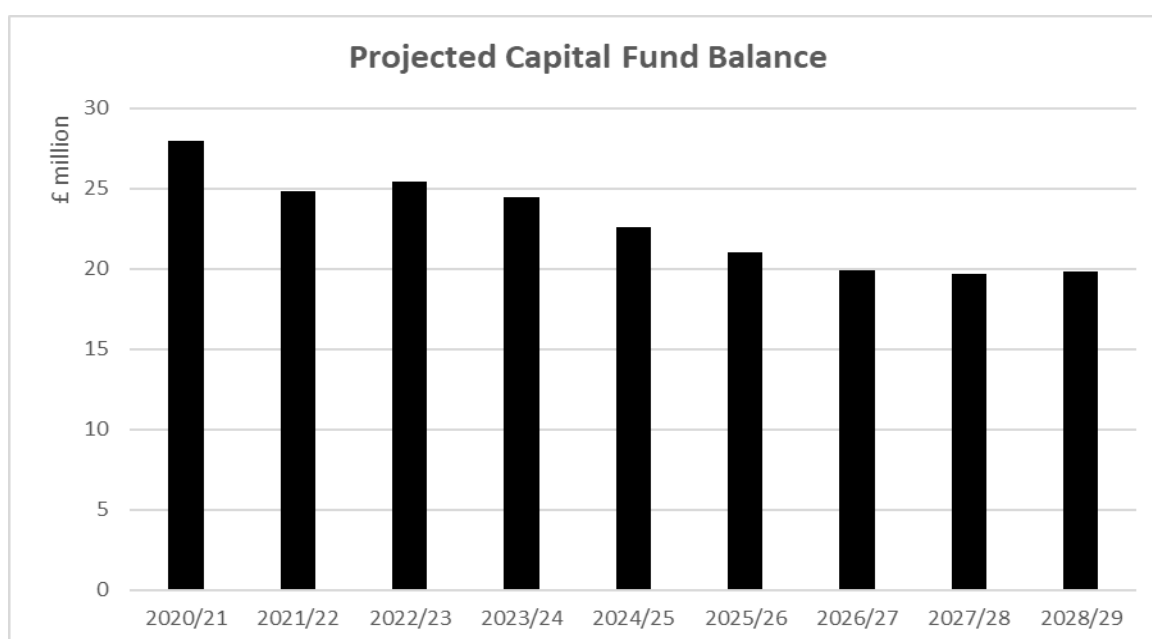
5.19 The Council has previously endorsed a pro-active approach to dealing with these non-recurring budgetary pressures by approving the creation of a Covid-19 earmarked Reserve and agreeing that, in the event the Council should under spend in 2020/21, this will contribute to the earmarked Reserve.

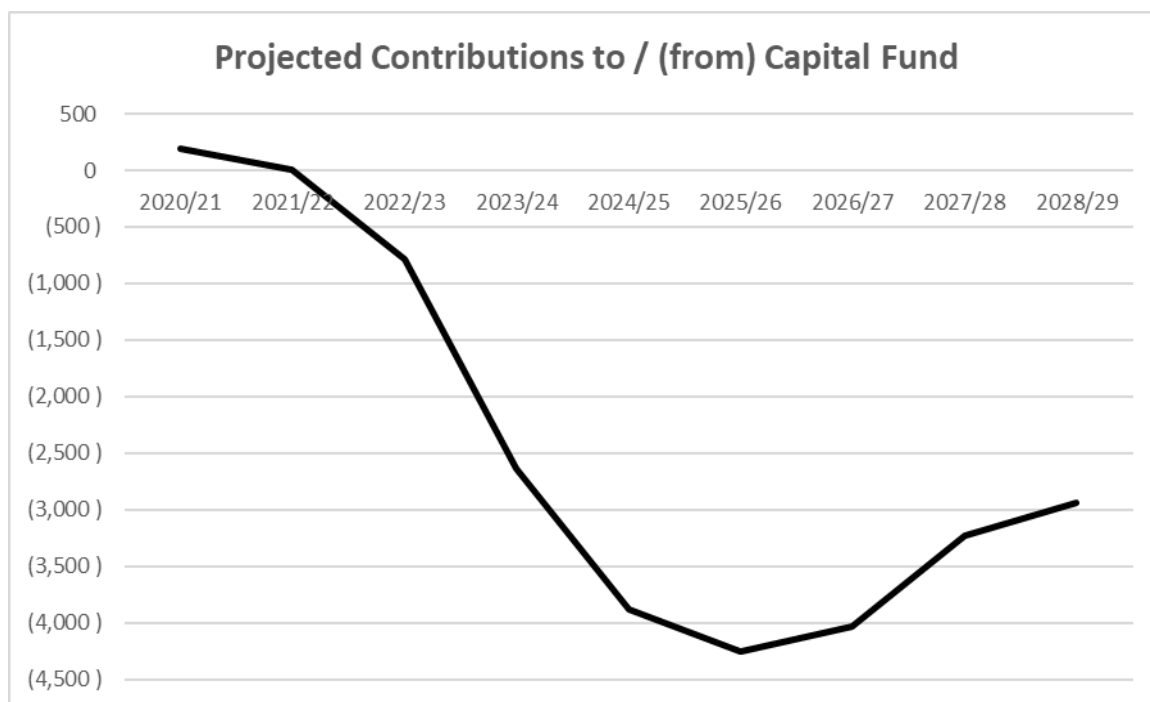
5.20 Further non-recurring funding proposals have been identified, which will be transferred into the Covid-19 earmarked Reserve, and are set out below.

5.21 In accordance with approved policy, and as has been the case for a number of years, the Council has adopted the practice of transferring any over or under spends on Capital Financing Costs and Interest on Revenue Balances to the Capital Fund to manage Capital expenditure over future years. However, it is up to the Council to allocate this and therefore the previous approach can be adjusted as required to help support the current situation in these exceptional circumstances.

5.22 In order to provide a further contribution to the Covid-19 earmarked Reserve, it is proposed that the budgeted contributions in 2020/21 and 2021/22 are not transferred to the Capital Fund. This will result in contributions to the Covid-19 earmarked Reserve of **£1.668 million** and **£1.957 million** in 2020/21 and 2021/22 respectively.

- 5.23 The Capital Fund may also be applied to meet annual principal repayments on borrowing for the core Capital programme. This is similar to the loans fund holiday that is included within the fiscal flexibilities offered by the Scottish Government but without incurring additional interest costs from delaying the repayment of debt in subsequent years.
- 5.24 By utilising the Capital Fund to make principal repayments, resources of **£3.432 million** are available in 2020/21 with a further **£2.965 million** in 2021/22. This allows a non-recurring reduction in borrowing costs for the core Capital programme which can be applied to the Covid-19 earmarked Reserve.
- 5.25 The projected balance on the Capital Fund has been remodelled based on these proposals. Due to a downward revision in the estimated cost of future borrowing, these proposals do not impact upon the affordability of the currently approved Capital Budget 2020 – 2029. The following graphs set out the projected Capital Fund balance over the period of the approved Capital Budget 2020 – 2029 assuming the approval of the recommendation set out below and the planned contribution to and from the fund over the same period.





5.26 The managed use of the Capital Fund underpins the Council's current and future Capital financing strategy. The projected balance on the Capital Fund and future recommendations on its use will require to reflect:

- The Council's determination of future Capital investment priorities in considering the interim Capital Investment Blueprint and Capital Budget later in the current year.
- Any update on forecast future borrowing costs.
- The outcome of current discussions between Scottish Government officials; COSLA and the Directors of Finance section on the proposed review of Loans Fund accounting which has been linked to the granting of fiscal flexibilities by the Scottish Government.
- The Council's ongoing Revenue Budget position and any rebalancing of capacity between the Revenue and Capital Budgets which may be required.

5.27 In light of the above uncertainties and until the Council has determined its future Capital priorities these adjustments are viewed as non-recurring and no further proposals are made beyond 2021/22

5.28 Table 7 below summarises the proposed transfers to the Covid-19 earmarked Reserve resulting in total resources of **£10.022 million** over 2020/21 and 2021/22.

Table 7: Contributions to Covid-19 Earmarked Reserve

	2020/21	2021/22	Total
	£million	£million	£million
Implications of not making Contribution to Capital Fund	1.668	1.957	3.625
Implications of making principal repayments from the Capital Fund	3.432	2.965	6.397
T/f to Covid-19 Earmarked Reserve	5.100	4.922	10.022

- 5.29 **ACTION: The Council is requested to approve the non-recurring funding proposals and the transfer of these funds to the Covid-19 earmarked Reserve as set out in paragraphs 5.22 and 5.24 and summarised in Table 7 above.**

Updated 2021/22 Provisional Revenue Budget

- 5.30 There are several adjustments to the 2021/22 Provisional Revenue Budget set out earlier in this report which are summarised in Table 8 below and cumulatively mean that the Budget is unbalanced by **£2.417 million**.

Table 8: Adjustments to 2021/22 Provisional Revenue Budget

	£ million
“Gap” approved in setting 2021/22 Provisional Revenue Budget (March 2020) – para. 5.2	3.006
Appendix D – expenditure pressures in excess of savings proposals – para 5.7	0.762
Additional Scottish Government Funding – para. 4.11	(2.525)
Council Tax Freeze compensation – para 1.13	(2.817)
Loss of Council Tax income – para 1.13 (based on indicative Council Tax increase of 4.28% assumed in Provisional Budget)	3.991
Updated Funding Gap	2.417

- 5.31 Subject to Council approval of the proposed budget pressures and savings, there is a recurring funding “gap” in the 2021/22 Provisional Revenue Budget of £2.417 million which is identified in Table 8 above.
- 5.32 It is proposed that resources are applied from the Covid-19 earmarked Reserve in 2021/22 in order to set a balanced, lawful budget. All things being equal this leaves £4.797 million in the Covid-19 earmarked Reserve to support future Covid-19 expenditure / income pressures and other priorities that will be determined by elected members.
- 5.33 **ACTION: The Council is asked to approve the application of £2.417 million from the Covid-19 earmarked Reserve to meet the recurring funding gap within the Updated 2021/22 Provisional Revenue Budget.**

- 5.34 As described at paragraph 5.18, the Council has previously approved the creation of a Covid-19 earmarked Reserve. Currently, this earmarked Reserve has the capacity by 2021/22 to fund the non-recurring budgetary pressures identified in Appendix C as well as the “gap” identified in Table 8 above. This is set out in Table 9 below and shows that after the transfers in and out of the Covid-19 earmarked Reserve, £4.797 million remains.

Table 9 – Covid-19 Earmarked Reserve as at 31 March 2021

	2020/21	2021/22	Total
	£million	£million	£million
Implications of not making Contribution to Capital Fund	1.668	1.957	3.625
Implications of making principal repayments from the Capital Fund	3.432	2.965	6.397
Projected 2020/21 Under spend (per Reserves Strategy)	2.062	-	2.062
Redesignation of unearmarked Reserves (per Reserves Strategy)	1.261	-	1.261
Transfer in excess of 2% (per Reserves Strategy)	2.444	-	2.444
T/f to Covid-19 Earmarked Reserve	10.867	4.922	15.789
Funding of non-recurring budgetary pressures – Appendix C			(8.575)
Funding of 2021/22 “Gap”			(2.417)
Amount Remaining to support Covid-19 response			4.797

- 5.35 Together with the use of the Reserve to meet non-recurring pressures, this would bring the total application of the Covid reserve in setting the Updated 2021/22 Provisional Revenue Budget to £10.992 million. There also remains the possibility of further funding from the Scottish Government in the near future. Should additional funding be received, and dependent upon the amount, it is proposed that the Covid-19 earmarked Reserve is reinstated with the £2.417 million identified at paragraph 5.30 above.
- 5.36 The Council is recognised for its prudent approach to financial management. Should additional funding in excess of £2.417 million be received, elected members may wish to be prudent and cautious in its application. Given the level of uncertainty over the short to medium term in relation to additional expenditure and reduced income, and the unknown impact of Covid-19 on Council services, local communities and the local economy, elected members may wish to retain this financial capacity for determination through 2021/22 and therefore, adopt a cautious and prudent approach towards the application of remaining funds within the Covid-19 earmarked Reserve.

- 5.37 Should the Council agree this course of action, elected members will have the opportunity to apply the Covid-19 earmarked Reserve to meet additional expenditure and reduced income or to fund the Council's recovery and renewal approach such as the Economic Wellbeing Plan and other priority areas.
- 5.38 **ACTION: The Council is asked to approve that, in the event of additional funding being received from the Scottish Government the Covid-19 earmarked Reserve is reinstated.**
- 5.39 The Council is reminded that the 2021/22 Provisional Revenue Budget, as set out in Appendix B, is based upon the assumption that all the expenditure pressures and all the savings proposals within the Executive Summaries attached as Appendix D are approved.
- 5.40 **ACTION: The Council is asked to approve the Updated 2021/22 Provisional Revenue Budget as set out in Appendix B.**
- 5.41 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 Motion / Amendments may require a commensurate increase in staffing capacity to deliver them.

2021/22 Fees and Charges

- 5.42 The savings proposals set out in Appendix D contain details of proposed increases to existing levels of charges in 2021/22. Full details of recommended charges in 2021/22 are set out in Appendix E.
- 5.43 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.
- 5.44 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 10 below.

Table 10: 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.

Medium Term Financial Plan

- 5.45 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. 20/174 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.
- 5.46 The MTFP is designed to inform the direction of travel of the Council for financial planning purposes. As detailed budget proposals are developed, the broad assumptions included within 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 updated 2021/22 Provisional Revenue Budget.
- 5.47 The key elements of the Medium-Term Financial Plan, in addition to the General Fund Revenue Budget, are summarised below.

Composite Capital Budget

- 5.48 In setting the 2021/22 Final Revenue Budget, the Council is approving the amount available to support current and future borrowing.
- 5.49 The interim Capital Investment Blueprint and Capital Budget will be considered by elected members later this year.

General Fund Reserves Strategy

- 5.50 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. 21/34 refers).
- 5.51 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 2020/21, the Council will hold uncommitted Reserves of 2%. 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

- 5.52 The final Housing Revenue Account (HRA) Revenue Budget for 2021/22 and Five-Year Capital Investment Programme and Rent Strategy to 2025/26 were approved by the Housing & Communities Committee on 3 February 2021 (Report No. 21/15 refers). The Committee approved the recommendation of an average weekly rent increase for 2021/22 of 1% or £0.71 per week in accordance with the requirements of the Council's approved Housing Business Plan including supporting investment in new council housing.
- 5.53 Traditionally, the HRA hold a Reserve of £1 million which is carried forward in the Annual Accounts. The latest revenue monitoring, that will be presented to Council in March will set out a positive movement from the previously reported position of approximately £1.350 million. This is a result of a better than anticipated position in relation to bad debt and voids income, along with less expenditure than anticipated on planned maintenance as a result of the lockdown arrangements from 26 December 2020. Ordinarily any over or under spends within the Housing Revenue Account are managed through Capital Financed from Current Revenue leading to either an increase or reduction in borrowing.
- 5.54 Given the uncertainty over how Covid-19 may impact on the Housing Revenue Account in terms of additional costs and reduced income, it is proposed that the final movement on the Housing Revenue Account in 2020/21 (currently projected at £1.350 million) is transferred to an earmarked Covid-19 Reserve (HRA) which is consistent with the approach adopted by the General Fund. This will be available to be drawn down over future financial years, if required, to support the Covid-19 response.
- 5.55 **ACTION: The Council approve that the final movement in the Housing Revenue Account in 2021/22 is transferred to a Covid-19 earmarked Reserve (HRA).**

6. PERTH AND KINROSS INTEGRATION JOINT BOARD

- 6.1 In December 2020, Perth & Kinross Integration Joint Board (P&KIJB) agreed to the development of a 2021/22 Budget based on the Provisional Budget agreed by P&KIJB in March 2020.

Cost and Demand Pressures

- 6.2 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. Recurring expenditure pressures of £4.189 million and additional income and savings proposals of £3.733 million have been identified for 2021/22 which are set out in Table 11 below.

Table 11: Analysis of Social Care Expenditure Pressures

	2021/22
	£'m
Expenditure Pressures	
• Pay/Price Pressure	2.266
• Demand Pressure	1.780
• Essential Service Developments	0.143
Total Expenditure Pressures	4.189
Savings Proposals	
Savings	(0.955)
Income	
• Social Care Allocation – Scottish Government	(2.503)
• Resource Transfer – NHS Tayside	(0.275)
Total Savings Proposals	(3.733)
Recurring Gap	456

Cost Pressures

- 6.3 Pay/Price Pressures relate to pay uplifts for Perth & Kinross Council employees and Scottish Government commitments towards the Living Wage, Free Personal Care, the National Care Home Contract and the Carers Act.
- 6.4 Demand pressures largely reflect the impact of demographic growth on demand for social care services including Care Home Placements and Care at Home as well as care packages for very complex Mental Health and Learning Disability needs.
- 6.5 Essential Service Developments include support to discharge from hospital aimed at shifting the balance of care and investment in strategic leadership capacity.

- 6.6 The impact of Covid 19 and the associated expenditure pressures are not included in the recurring position and have been considered as part of the non-recurring pressures and savings below. It is too early to predict the level of expenditure which may be required to support Covid 19 on a long-term recurring basis.

Savings

- 6.7 As part of a 3 Year Plan to deliver financial balance across health and social care services, significant transformation and efficiency plans were identified and included in the 2021/22 Provisional Revenue Budget. These have been reviewed and all are deliverable, notwithstanding any delays anticipated in 2021/22 due to ongoing Covid Response and Remobilisation included in the non-recurring pressures section below. The savings proposals include £708,000 of income anticipated in 2021/22 from Perth & Kinross Council's review of the Contributions Policy for Adult Social Work and Social Care.

Income

- 6.8 The Scottish Government Budget Settlement announced on 28 January 2021, included £72.6 million for social care. P&KIJB's share of this funding is £2.503 million and this is being passed on in full by the Council.
- 6.9 The Scottish Government Settlement included an uplift on Health Budgets of 1.5%, which was less than the 3% uplift anticipated within the 2021/22 Perth & Kinross Health & Social Care Partnership (PKHSCP) Provisional Revenue Budget. For Social Care, this has resulted in a £274,000 reduction in the level of uplift for Resource Transfer.
- 6.10 In overall terms, the lower than anticipated level of social care funding from the Scottish Government and the lower than anticipated level of uplift being provided to NHS Boards have both directly impacted on the increase in the PKHSCP recurring deficit to **£456,000**.

Non-Recurring Proposals

- 6.11 Consistent with the Council's position, a number of non-recurring pressures have been identified, along with non-recurring solutions which are set out in Table 12 below

TABLE 12: Non-Recurring Proposals

	2021/22
	£'m
Recurring Gap (see Table 11)	0.456
Covid -19 Costs	3.231
Slippage in savings delivery	1.019
Delay in Review of Contributions Policy	0.708
Transformation Support	0.393
Total Non-Recurring Pressures	5.807
IJB Covid 19 Reserve	(2.960)
SG Covid Funding 2021/22	(0.271)
IJB General Reserve (2020/21 Under spend)	(1.738)
Perth & Kinross Council Non-recurring funding	(0.838)
Total Non-Recurring Solutions	(5.807)
Surplus / Shortfall	0.000

Non-Recurring Pressures

- 6.12 Forecasted Covid-19 costs to support ongoing response and remobilisation during 2021/22 include provider sustainability payments to care providers, additional staffing, loss of income, service management capacity and PPE.
- 6.13 Unachieved savings include slippage in both 2020/21 and in 2021/22 in relation to Complex Care Transformation and Redesign of Older Peoples Services including Care at Home and Care Home Placements.
- 6.14 The Covid 19 Pandemic has impacted significantly on progress in reviewing the Adult Social Work and Social Care Contributions Policy. It is therefore proposed that the review is delayed and implemented from 1 April 2022. The additional income anticipated as part of the IJB 2021/22 Provisional Budget can be offset by Perth & Kinross Council through the allocation of non-recurring funding (see below).
- 6.15 ACTION: The Council is asked to delay implementation of the review of the Adult Social Work and Social Care Contributions Policy to 1 April 2022.**

- 6.16 Transformation support includes essential funding to support the transformation of complex care; the establishment of a project team to develop the Integrated Resource Framework aimed at considering inequalities in the consumption of resources across localities to support future investment, and disinvestment decisions.

Non-Recurring Solutions

- 6.17 In 2020/21, the Scottish Government allocation to PKIJB for Covid-19 Social Care Costs is £3.978 million higher than forecast. This will be carried forward as an earmarked IJB Reserve and used to support 2021/22 Covid Costs in line with Scottish Government guidance.
- 6.18 The projected £2.163 million under spend on core Social Care Services in 2020/21 will be carried forward in an IJB reserve in order to offset future year non-recurring pressures. For 2021/22, £1.738m of this will be required to deliver break-even in 2021/22, with the balance held to meet unforeseen costs.
- 6.19 The Council's 2021/22 Provisional Revenue Budget includes £708,000 of non-recurring support to recognise the delay in progressing the Review of Contributions Policy. The provision of non-recurring support at this stage assumes that the revised Contributions Policy will be in place by 1st April 2022 which may be subject to revision following the Scottish Government's consideration of the Feeley report.
- 6.20 In addition, a further £131,000 is anticipated to support the transformation of Complex Care.

Recommended Funding for Perth & Kinross Integration Joint Board

- 6.21 The Executive Officer Team have continued to work with the Health & Social Care Partnership in supporting the development of a range of transformational approaches to service provision aimed at building on best practice in health & social care provision.
- 6.22 The 2021/22 Provisional Revenue Budget includes an allocation of £63.685 million for health and social care. Of this allocation £60.671 million relates to IJB related activities and £3.014 million to non-IJB related activities). This level of funding represents a cash uplift of £3.531 million or 5.8% including the Council's share of £72.6 million 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.
- 6.23 **ACTION: The Council is requested to approve the contribution to Perth & Kinross Integration Joint Board of £63.685 million in the 2021/22 Provisional Revenue Budget.**

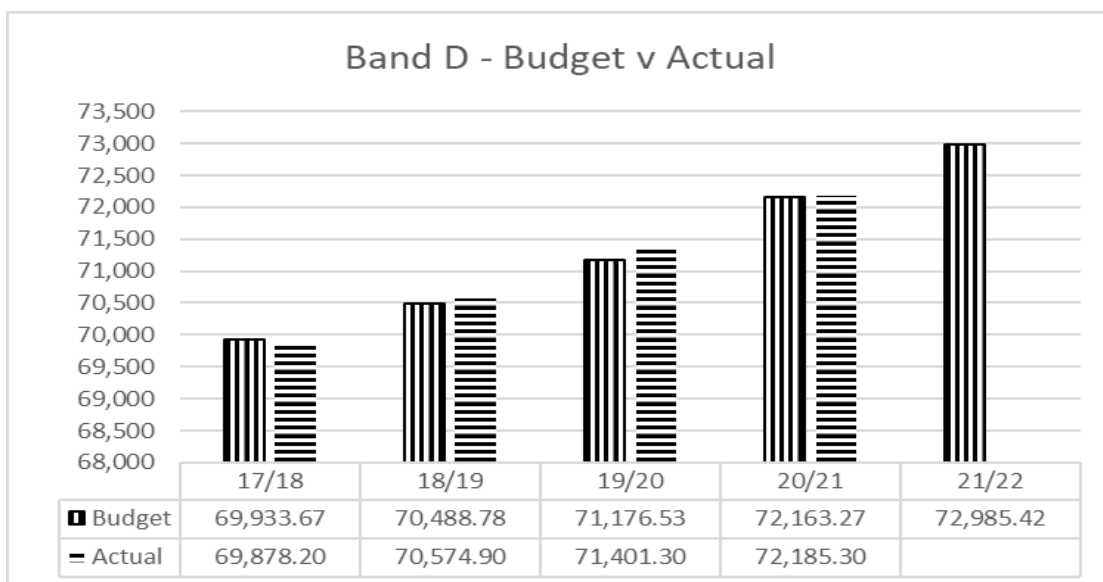
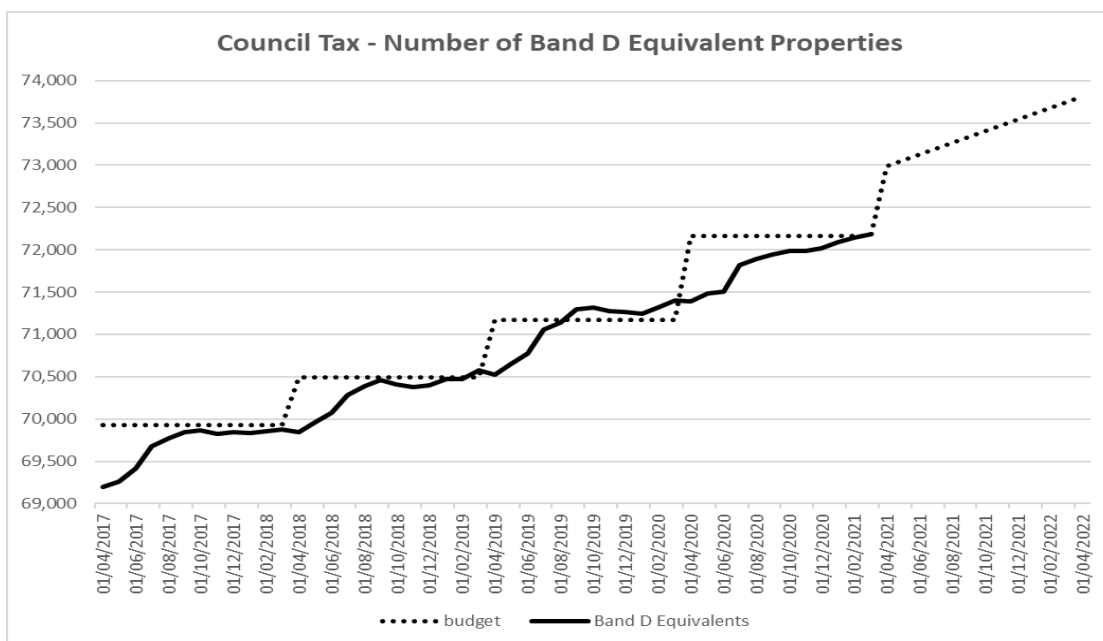
7. COUNCIL TAX

Council Tax Collection Rate

- 7.1 In previous financial years, the Council has budgeted for a Council Tax collection rate of 98%. This target, whilst challenging, was supported by the Council's collection performance over recent years and represents a realistic budgeted collection rate.
- 7.2 Elected members have been regularly advised of Council Tax collection performance throughout the current financial year. The latest performance information shows a reduction of approximately 1.5% in collection performance in comparison to 2019/20 against a target of 98%. Therefore, it is recommended that the budgeted collection rate for 2021/22 be reduced to 96% in setting the 2021/22 Final Revenue Budget. This is recommended as a one-year non-recurring adjustment to allow time to assess the longer-term impact of Covid-19 on Council Tax collection. The impact of this adjustment is included within the non-recurring expenditure pressures described in Section 5 and Appendix C.
- 7.3 The level of Council Tax recovered in the year of billing was 97.1% in 2019/20 (the latest audited statistics), but it usually 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 its income recovery activities.
- 7.4 It should, however, also be noted that there remains a risk of reduced collection levels due to the economic environment; changes in legislation in relation to debt recovery and welfare reform. Covid-19 and its impact on household incomes may also have a significant impact.
- 7.5 **ACTION: The Council is asked to agree a Council Tax collection rate of 96% in 2021/22.**

Council Tax Base

- 7.6 The number of chargeable band D equivalent dwellings for Council Tax purposes, the Council Tax base (after adjusting for assumed non-collection of 4%), is estimated to be 70,067 in 2021/22 (100% equals 72,985 which is included in the graphs below).
- 7.7 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. Historic trend information is included in the following graphs.



7.8 ACTION: The Council is asked to approve a Council Tax base of 70,067 in 2021/22.

Scottish Water Charges

7.9 The Council has received notification from Scottish Water that domestic water and wastewater charges for 2021/22 will increase by 2.5%. This results in a band D equivalent charge in 2021/22 for water and wastewater from Scottish Water of £459.18, an increase of £11.07 (£448.11 in 2020/21). The split between water and wastewater is set out in Table 13 below.

TABLE 13: BAND D WATER & WASTEWATER CHARGES FOR 2021/22

	Water	Wastewater	Total
Band D	£212.49	£246.69	£459.18

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

8. WORKFORCE PLANNING

- 8.1 The Council's Corporate Workforce Plan 2018-21 recognises the pace of change is increasing and the world of work is evolving as public services continue to transform and people's expectations from both an employee and customer perspective change too. Throughout the response to the COVID-19 pandemic, Council staff have regularly demonstrated their skills, dedication and passion to ensure delivery of essential services to the people, businesses and communities of Perth and Kinross. The Corporate Workforce Plan is being reviewed to ensure that it supports the development and delivery of the Perth and Kinross Offer, using the experiences and learning from our response to the pandemic and focussing on multi-disciplinary teams, integrated working and more locality-based decision-making. Investment in building the capability and capacity in the workforce through learning and development opportunities, boosting productivity, encouraging innovation and creativity, promoting fair work, embracing digital technology and promoting wellbeing and resilience are key to our future approach.
- 8.2 A range of enabling projects are already underway to prepare employees and the organisation for the future – digital skills, mobile/remote working, positive career choices, job families, building resilience and promoting positive mental health and wellbeing, along with the Organisational Development (OD) Plan which was included in an update to the Council meeting on 7 October 2020. Leadership development, coaching skills and a collaborative leadership development programme with neighbouring Councils are all in place. The Council continues to invest in training and development opportunities for young people via its Modern Apprenticeship and Graduate Programmes. Together, these initiatives help develop and nurture talent to meet future requirements and are even more important at a time when employment opportunities have reduced because of the impact of COVID-19.
- 8.3 Within the 2019/20 Audited Annual Accounts, there is an earmarked Reserve to support future Workforce Management and Organisational Development. This sum is also available, in part, to help reshape and upskill our workforce to ensure we have the skills and capacity to deliver agreed priorities.

9. BUDGET CONSULTATION EXERCISES

- 9.1 The Council undertook an online budget consultation exercise with residents between 9 November and 9 December 2020. The consultation web page received 5,744 unique views by the public (not including 868 internal staff unique views). Overall, however there were 642 completed surveys which is an increase of 158 on last year. This was circulated to all elected members in January 2021.
- 9.2 Appendix F includes a report summarising the findings of the consultation exercise.

10. RISK ASSESSMENT

- 10.1 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.
- 10.2 Elected members will be kept up to date on the impact of these risks through revenue monitoring reports to the Strategic Policy & Resources Committee and / or Council.
- 10.3 The General Fund Reserves Strategy is integral to supporting the Council's approach to the management of financial risk. The following comments upon the most significant risks identified in preparing the Revenue Budget. The risks 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. 21/34 refers).

Impact of Covid-19

- 10.4 Undoubtedly, Covid-19 will have a significant impact on Council resources over the medium term. It is likely that the Council will incur additional expenditure as the Covid response continues as well as seeing further pressure on income streams from both Council Tax and fees & charges due to the impact of the pandemic on the local economy. In addition, as capacity is diverted to supporting the Covid response, there is a risk that approved savings and future transformation is delayed.
- 10.5 At its meeting on 27 January 2021, the Council approved the adoption of a proactive approach to managing this risk through the creation of an earmarked Reserve for Covid-19. Furthermore, the Council also agreed to transfer the 2020/21 final under spends to this earmarked Reserve to support activity in future years (Report No 21/8 refers).
- 10.6 Elected members will be kept up to date with developments through the revenue and capital monitoring updates that will be provided throughout the financial year.

Local Government Funding

- 10.7 There is a risk that there are changes to the 2021/22 Scottish Budget at the Stage 2 and 3 debates within the Scottish Parliamentary process. At this time (4 March 2021) the Scottish Parliament has not yet formally approved the budget for 2020/21 – this is expected to take place on 9 March 2021. There is therefore, a risk that the final budget approved by the Scottish Parliament alters the funding available to local government which in turn impacts on the Council. In addition, there is a risk that the assumptions made by the Scottish Government differ from the final UK Budget and this requires in year adjustments to the Council's 2021/22 Final Revenue Budget.

- 10.8 There is also no confirmation on whether the additional Scottish Government revenue funding of £2.817 million for Councils that choose to freeze Council Tax levels is recurring or non-recurring
- 10.9 The Council has no information on funding levels from the Scottish Government beyond 2021/22 which presents a risk to the 2022/23 Provisional Revenue Budget.
- 10.10 It is very difficult to estimate Scottish Government future funding scenarios. 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. The 2022/23 Provisional Revenue Budget has been constructed on the basis that the Council receives funding (General Revenue Grant and Non-Domestic Rates) consistent with 2021/22. There is a real risk that these assumptions may prove to be too optimistic placing further pressure on future year's Revenue Budgets.
- 10.11 The potential for cash and real terms reductions in future funding beyond financial year 2021/22 is, therefore, considered to represent a risk in the management of the budget over the medium term. 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.
- 10.12 In view of this, a prudent approach in applying any unallocated budgeted resources towards expenditure proposals in the 2021/22 Provisional Revenue Budget should be considered.

2022/23 Provisional Revenue Budget

- 10.13 The 2022/23 Provisional Revenue Budget that was approved in March 2020 was not in balance by £2.526 million. The full year impact of the proposal to reinstate secondary teachers is £234,000 in 2022/23. If no additional funding is received as part of the 2021/22 settlement, then the application of £2.417 million from Reserves will have to be addressed in 2022/23. Finally, there is no information on whether the Council Tax freeze compensation will be baselined which puts a further potential pressure on 2022/23. Cumulatively this results in a potential pressure of £7.991 million will require to be addressed prior to setting the 2022/23 Final Revenue Budget which is set out in the following Table 14 below.

	£m
2022/23 Provisional Revenue Budget (March 20) – current gap	2.526
Secondary Teachers	0.234
Reserves – balancing budget for 2021/22	2.417
Council Tax freeze compensation – not baselined	2.817
TOTAL	7.991

Arms-Length External Organisations

- 10.14 All three of the Council's Arms-Length External Organisations, Live Active Leisure, Culture Perth and Kinross and Horsecross Arts Ltd, have been impacted by the Covid-19 pandemic. Public facing activity all but ceased for Live Active Leisure and Horsecross Arts Ltd. throughout 2020/21.
- 10.15 During 2020/21, the Job Retention Scheme provided financial assistance to all three organisations. All three also secured additional funding from other UK Government / Scottish Government sources with Horsecross Arts Ltd securing by far the largest amounts from the Performing Arts Relief Fund and other sources totalling over £1 million. These are non-recurring grants but stabilised Horsecross Arts Ltd.'s financial position at a critical point.
- 10.16 There are a number of unknowns that ALEOs are facing into 2021/22. The impact of the extension of the Job Retention Scheme announced by the Chancellor on 3 March 2021 needs to be understood for all three organisations. Furthermore, if restrictions remain in place which limits the capacity of the organisations to generate income and no external funding is available, Live Active Leisure Ltd. and Horsecross Arts Ltd, in particular, are likely to experience significant financial challenges which may require support from the Council. All three organisations have been asked to look at contingency/alternative delivery plans for Quarter 2 in 2021/22 onwards assuming easing of lockdown restrictions in line with the Scottish Government announcements on 22 February 2021. It is important to note some service changes were already in discussion prior to Covid, for example digital services and community self-management arrangements; Covid has however increased the need to progress these changes.

Number of Band D properties

- 10.17 The 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

- 10.18 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.

Pay Award Assumptions

- 10.19 Collective national negotiations for the 2021/22 pay awards have yet to formally 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.
- 10.20 The 2021/22 Provisional Revenue Budget includes an allowance for a pay award of 3% for all staff groups.

Expenditure Pressures in 2022/23

- 10.21 There is a risk that the assumptions in relation to the expenditure pressures in the 2022/23 Provisional Revenue Budget differs from what actually happens and that this has an impact on setting the Final Revenue Budgets.

Inflation

- 10.22 There is a risk that levels of Service specific inflation exceed budgeted provisions including energy and construction and that levels of general inflation cannot be contained within existing resources as is currently assumed within the Provisional Revenue Budgets. Future increases in the National Living Wage, pressure to enhance wage rates paid by service providers and suppliers and the impact of the leaving the European Union and global uncertainty on the value of Sterling may also create inflationary pressures.

Current Economic Climate

- 10.23 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.
- 10.24 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.
- 10.25 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.
- 10.26 The economy has also been impacted on an unprecedented level by Covid-19 and this will undoubtedly put further pressure on public finances as tax revenues are reduced and expenditure rises.

11. CONCLUSION AND RECOMMENDATIONS

11.1 The Council remains committed to medium term financial planning. However, in recognition of the uncertainties of the full impact of Covid-19, the Council agreed to set a one-year final Revenue Budget for 2021/22 and adopt a prudent and cautious approach. It would be the intention to return to multi-year budgets at the earliest opportunity.

11.2 The Council is requested to:

- i) approve the non-recurring budget pressures of £8.575 million set out in Appendix C to this report to be funded from the Covid-19 earmarked Reserve – see paragraph 5.18.
- ii) approve the non-recurring funding proposals and the transfer of these funds to the Covid-19 earmarked Reserve set out in paragraphs 5.22 and 5.24 – see paragraph 5.28.
- iii) approve the application of £2.417 million from the Covid-19 earmarked Reserve in 2021/22 to meet the recurring funding gap within the Updated 2021/22 Provisional Revenue Budget – see paragraph 5.33.
- iv) approve that, in the event of additional funding being received from the Scottish Government, the Covid-19 earmarked Reserve is reinstated – see paragraph 5.38.
- v) approve the Updated 2021/22 Provisional Revenue Budget as set out in Appendix B to the report – see para 5.40.
- vi) approve that the final movement in the Housing Revenue Account in 2021/22 is transferred to a Covid-19 earmarked Reserve (HRA) – see paragraph 5.55.
- vii) approve the delay in implementing of the review of the Adult Social Work and Social Care Contributions Policy to 1 April 2022 – see paragraph 6.15.
- viii) approve the contribution to Perth & Kinross Integration Joint Board of £63.685 million that is included in the 2021/22 Provisional Revenue Budget – see paragraph 6.23.
- ix) approve a Council Tax collection rate of 96% in 2021/22 and 2022/23 – see paragraph. 7.5.
- x) approve Council Tax base of 70,066 in 2021/22 – see paragraph 7.8.
- xi) determine the 2021/22 Final Revenue Budget 2021/22.

Author(s)

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Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	4 March 2021
Karen Donaldson	Chief Operating Officer	4 March 2021

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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	Yes
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Corporate Plan

- 1.1 The Council's Corporate Plan 2018 – 2023 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

- 1.2 This report relates to all of these objectives.

2. Resource Implications

Financial

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

Workforce

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

Asset Management (land, property, IT)

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

3 Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The Revenue Budget Executive Summaries have been subject to an equalities assessment where appropriate.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

Internal

- 4.1 The Interim Chief Executive and Executive Officer Team have been consulted in the preparation of the updated 2021/22 Provisional Revenue Budget.

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 A (i) – Finance Circular 1/2021
- Appendix A (ii) – Letter from the Cabinet Secretary from Finance dated 28 January 2021.
- Appendix B – 2021/22 Provisional Revenue Budget.
- Appendix C – 2021/22 Non-Recurring Budgetary Pressures.
- Appendix D – 2021/22 Recurring Expenditure Pressures and Savings.
- Appendix E – Fees and Charges – 2021/22.
- Appendix F – Budget Consultation Summary Report.

