

# Perth & Kinross Council

4 October 2023

## MEDIUM TERM FINANCIAL PLAN 2024 – 30

Contact Officer: Scott Walker, Chief Accountant

(Report No. 23/267)

### 1. PURPOSE

- 1.1 This report updates the Medium-Term Financial Plan (MTFP) approved by Council on 28 September 2022 (Report No. 22/249 refers). The report summarises the implications of the latest projections on future Council General Fund Revenue Budgets over the medium term and provides an update on the Council's Capital Budget, Housing Revenue Account and Reserves position. The report also sets out a proposed approach to the development of the Revenue and Capital Budgets over the short and medium term.
- 1.2 The MTFP is being brought alongside the draft Corporate Delivery & Improvement Plan (CDIP) to strengthen the alignment between the priorities set in the Corporate Plan, improvement activity, and budget and resource allocation. It is anticipated that the final CDIP will be considered by Council following approval of the 2024/25 Final Revenue Budget on 28 February 2024 to ensure that improvement activity is aligned with the funded priorities.

### 2. RECOMMENDATIONS

- 2.1 It is recommended that the Council:
  - (i) requests the Strategic Lead – Finance & Business Support maintain the Medium-Term Financial Plan and further refine the assumptions which underpin it – see paragraph 7.47.
  - (ii) approve the setting of the 2024/25 Final Revenue Budget, updated 2025/26 and 2026/27 Provisional Revenue Budgets on 28 February 2024 – see paragraph 8.5.
  - (iii) approve the setting of the Capital Budget on 28 February 2024 – see paragraph 9.9.
  - (iv) approve the submission of the updated Reserves Strategy to Council on 28 February 2024 – see paragraph 10.7

- (v) endorses the proposals to determine the Housing Revenue Account (HRA) Budget and rent levels for 2024/25 and the five-year Housing Investment Programme at the meeting of the Housing and Communities Committee on 24 January 2024 – see paragraph 11.3.

### **3. STRUCTURE**

3.1 The report is structured as follows:

Section 4	Background
Section 5	Economic and Fiscal Outlook
Section 6	Scottish Government’s Medium Term Financial Strategy
Section 7	Analysis of Medium Term – Perth & Kinross Council
Section 8	Revenue Budget – Proposed Approach
Section 9	Composite Capital Budget – Proposed Approach
Section 10	Reserves Update
Section 11	Housing Revenue Account
Section 12	Workforce Planning Measures
Section 13	Transformation & Change Strategy
Section 14	Risk Assessment
Section 15	Conclusions

### **4. BACKGROUND**

4.1 The Medium-Term Financial Plan (MTFP) is intended to outline the broad “direction of travel” for the Council’s financial management with further detail and options for managing the various challenges being developed as part of the Revenue and Capital Budget process.

4.2 For the purposes of this update, the medium term is broadly defined as the six years to financial year 2029/30.

4.3 On 22 June 2022, the Council approved the Financial Strategy and Transformation and Change Strategy (Report Nos 22/141 and 22/142 refer). Over the last year, the Council has also approved the following key elements of its Financial Strategy as follows:

	<u>Report Reference</u>
Investment Blueprint	21/180
Medium-Term Financial Plan 2023 – 2029	23/249
Housing Revenue Account Strategic Financial Plan	23/9
Strategic Planning Update and 2023-26 General Fund Revenue Budget	23/72
Strategic Investment and Capital Budget Update	23/73
Treasury & Investment Strategy and Prudential Indicators 2023/24 – 2027/28	23/135
Unaudited 2022/23 Annual Accounts	23/196

- 4.4 It is anticipated that the draft Audited 2022/23 Annual Accounts and the draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the Year Ended 31 March 2023 will be considered by the Audit & Risk Committee on 30 October 2023.
- 4.5 The MTFP seeks to provide a range of scenarios for key variables that are used in long-term budgeting and financial planning. There is no one definitive source for such data and the projections have been taken from a range of sources, including the Scottish Government, Government Expenditure and Revenue Scotland (GERS), the Office for Budget Responsibility (OBR) and the Bank of England.
- 4.6 The report considers the wider economic and fiscal outlook and how this might impact on the Council over the medium term. The report also provides an update on the Council's Revenue and Capital Budgets, Housing Revenue Account, Reserves and other Funds.
- 4.7 Many of the assumptions set out in this report will change over time in response to external factors including the ongoing impact of the cost of living challenges, future spending reviews and the macro-economic outlook.
- 4.8 The Council's financial management and budgetary process is also developing to support the delivery of the strategic objectives with budget proposals and decisions will continue to be aligned with them. This builds on the move to developing outcome-based approaches to the Council's budget where the relationship between how the Council allocates its resources and the outcomes realised through this allocation are more evident. Work is ongoing to further integrate strategic planning and financial planning.

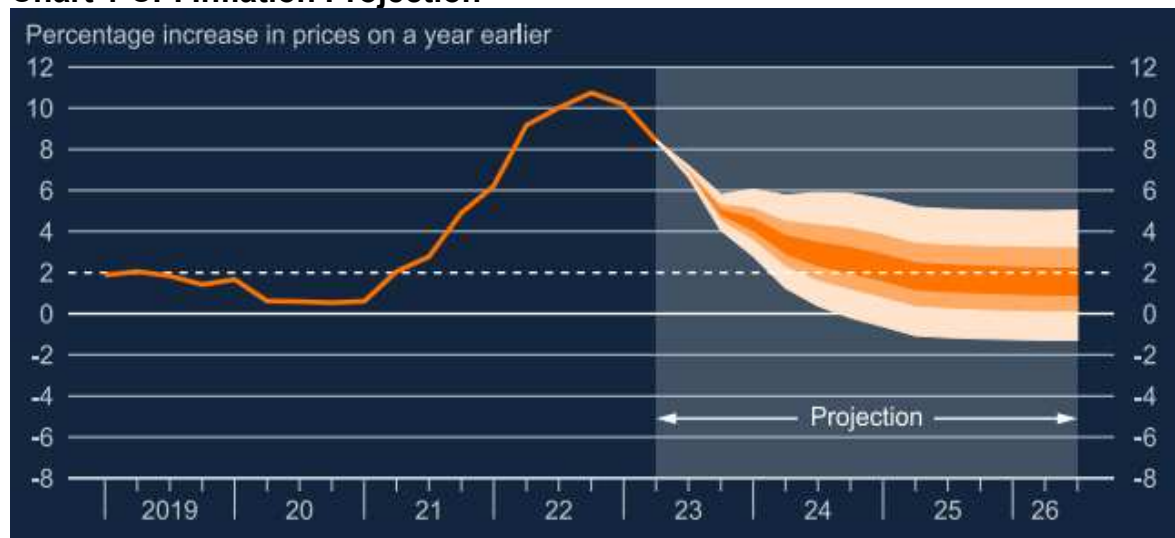
- 4.9 The draft Corporate Development & Improvement Plan (CDIP) sets out proposed improvement activity for elected members to consider as the Council approaches planning for the 2024/25 budget setting cycle. It has been brought to Council on the same agenda as this update of the Medium-Term Financial Plan (MTFP). This will allow elected members to consider the proposed improvement activity within the context of the financial planning information provided within the MTFP.
- 4.10 On 22 June 2022, the Council approved the Financial Strategy (Report No. 22/141 refers). This included a set of principles which should assist the Council in bringing forward a Medium-Term Financial Plan and Revenue Budget that is sustainable over the longer term.

## **5. ECONOMIC AND FISCAL OUTLOOK**

- 5.1 In considering an appropriate approach to preparing the Council's medium-term Revenue and Capital Budgets, it is necessary to consider the outlook for the United Kingdom and Scotland's public finances.
- 5.2 According to the Office for Budget responsibility in their Fiscal Risks and Sustainability publication in July 2023, the 2020s are turning out to be a very risky era for the public finances. In just three years, they have been hit by the Covid pandemic in early 2020, the energy and cost-of-living challenges from mid-2021, and the sudden interest rate rises in 2022, whose consequences continue to unfold.
- 5.3 This rapid succession of shocks has delivered the deepest recession in three centuries, the sharpest rise in energy prices since the 1970s, and the steepest sustained rise in borrowing costs since the 1990s. And they have pushed government borrowing to its highest level since the mid-1940s, the stock of government debt to its highest level since the early 1960s, and the cost of servicing that debt to its highest since the late 1980s.
- 5.4 From this more vulnerable position, governments face growing costs from an ageing society, a warming planet, and rising geopolitical tensions – challenges that no longer loom in the distance in their 50-year projections but pose significant fiscal risks in this current decade.
- 5.5 Together these contribute to a challenging outlook for Governments as they steer public finances through future shocks whilst managing pressures.

- 5.6 In August 2023, the Bank of England published its latest Monetary Policy Report. This latest report advised that the Bank of England's Monetary Policy Committee had voted to increase the Bank Interest Rate to 5.25% (the corresponding figure in August 2022 was 1.75%).
- 5.7 It also advised that Consumer Price Inflation (CPI) was "well above the 2% target" at 7.8%. However, it is expected to reduce further to around 5% by the end of the year, accounted for by lower energy, and to a lesser degree, food and core goods price inflation. Services price inflation, however, is projected to remain elevated at close to its current rate in the near term. The Bank of England's forecasts for inflation are set out in the **Chart 1** below.

**Chart 1 CPI Inflation Projection**



- 5.8 On 30 June the Fraser of Allander Institute published their 2023 quarter 2 economic commentary. In their publication they advise that the Scottish economy had performed better than was expected earlier in the year. However, the outlook for 2024 and 2025 had worsened, reflecting stubbornly high inflation and the continued response from the Bank of England in raising interest rates: which are now at 5.25%, with further rises still possible, rather than peaking at 4.75% as expected in March.
- 5.9 The focus on economic performance and the fiscal outlook is of even greater relevance in that under the fiscal framework of the Scotland Act (2016), a number of taxes including Income Tax (rates not allowances) are now devolved to the Scottish Government. The devolution of these taxes will have an impact on the Barnett Formula and Block Grant from the UK Treasury with adjustments made for each element of taxation devolved to the Scottish Government. This means that the future sustainability of public sector funding

and Scottish Government expenditure will be increasingly dependent upon the performance of the Scottish economy.

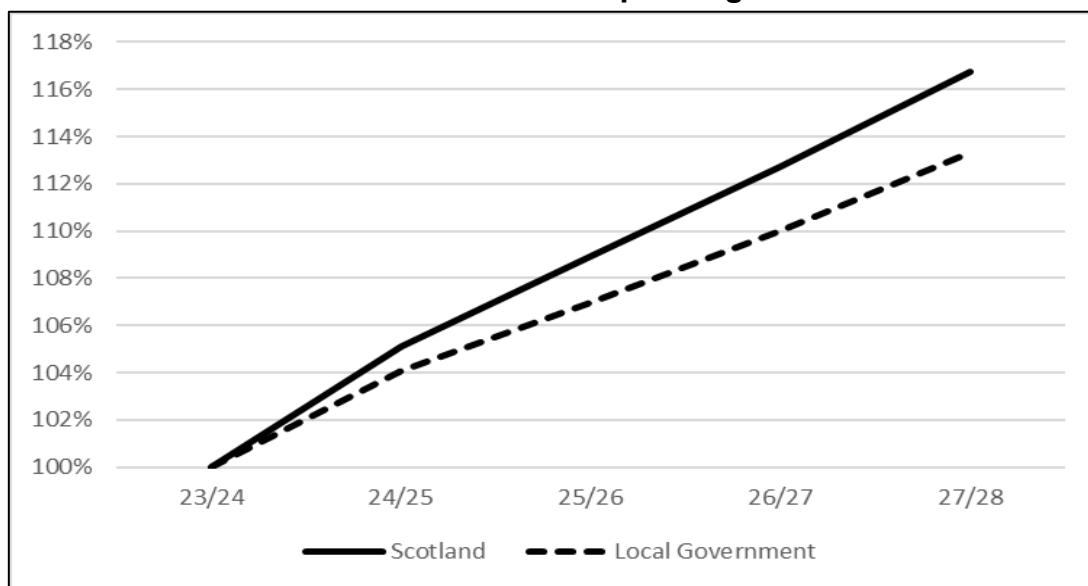
## 6. SCOTTISH GOVERNMENT'S MEDIUM TERM FINANCIAL STRATEGY

- 6.1 On 25 May 2023, the Scottish Government published its sixth Medium Term Financial Strategy (MTFS). This updated strategy sets out the medium-term fiscal outlook and provides the context for the Scottish Government's spending decisions in light of a succession of economic shocks, including the Covid pandemic, the war in Ukraine, and the recent period of high inflation all driving significant pressures on the economy, society and the public finances.
- 6.2 The Scottish Government's MTFS suggests a **0.1%** reduction in the Block Grant (Revenue) from the UK Government in 2024/25 with real terms increase of **1.1%** from 2025/26. This latest update indicates an increase in overall funding compared to the MTFS published in May 2022 but this is eroded by the sustained rates of high inflation.
- 6.3 The Central Resource Spending Outlook that is included within the latest MTFS is set out in **Table 1** below. **Chart 1** compares the increase in the spending outlook between the Scotland-wide total and local government and **Chart 2** shows the movement between the Scottish Government's MTFS in May 2022 and May 2023.

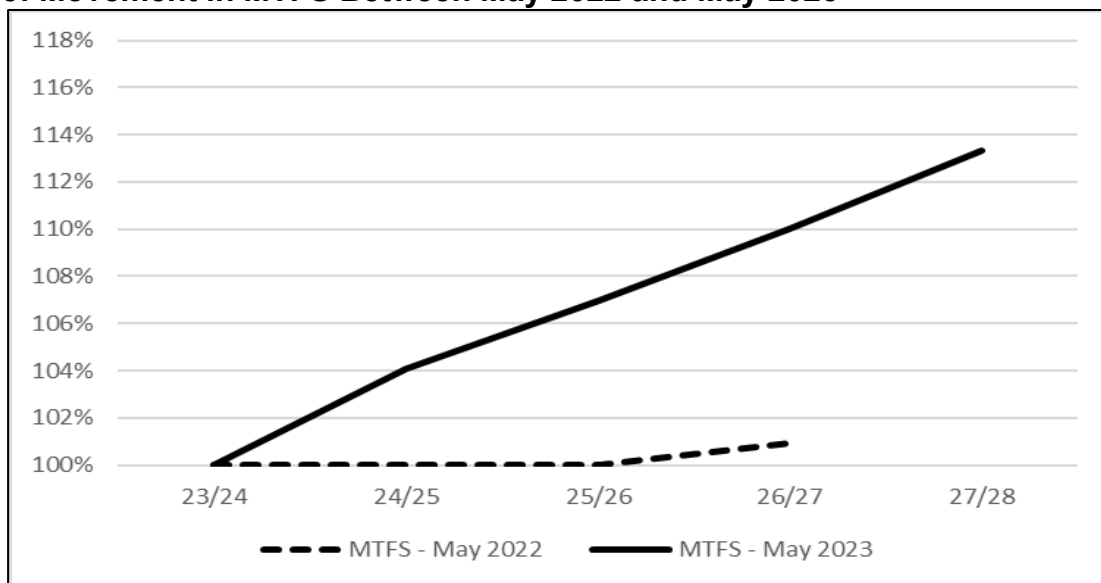
**Table 1: Central Resource Spending Outlook**

	23/24 £billion	24/25 £billion	25/26 £billion	26/27 £billion	26/27 £billion
Social Security	5.290	6.192	6.638	7.000	7.389
Health & Social Care	18.176	18.903	19.660	20.446	21.264
Local Government	10.958	11.403	11.720	12.054	12.417
Other	10.836	11.076	11.286	11.513	11.777
<b>Total</b>	<b>45.260</b>	<b>47.575</b>	<b>49.304</b>	<b>51.013</b>	<b>52.846</b>

**Chart 2: Increases in Central Resource Spending Outlook**



**Chart 3: Movement in MTFS Between May 2022 and May 2023**



6.4 The figures set out in **Table 1** and **Charts 2 & 3** reflect the funding made available to local government by Scottish Government through the combination of General Revenue Grant, including Specific Revenue Grants, and forecasts of income raised locally by Non-Domestic Rates. This only reflects approximately 50% of actual expenditure by local government which is otherwise funded by service fees & charges and council tax. The revenue funding made available to local government in 2023/24 includes an additional **£343 million** over and above the allocation published in the 2023/24 Scottish Budget document, and a further **£120.6 million** (that was previously allocated as capital) from 2024/25. These reflect funding previously agreed with COSLA to support local government pay deals.

- 6.5 In **Table 2** the Central Resource Spending Outlook is set along side the Central Funding Outlook. This shows a “modelled shortfall” of **£1.875 billion** (or 4% of funding) by 2027/28.

**Table 2 Spending versus Funding**

	23/24 £billion	24/25 £billion	25/26 £billion	26/27 £billion	26/27 £billion
Spending	45.260	47.575	49.304	51.013	52.846
Funding	45.260	46.535	47.917	49.415	50.971
<b>Modelled Shortfall</b>	-	<b>(1.040)</b>	<b>(1.387)</b>	<b>(1.598)</b>	<b>(1.875)</b>
		<b>(2%)</b>	<b>(3%)</b>	<b>(3%)</b>	<b>(4%)</b>

- 6.6 In terms of Capital, the latest MTFs indicates a **7%** real terms reduction in Barnett funding between 2023/24 and 2027/28. The Central Outlook for Capital Funding (excluding internal government adjustments known as financial transactions) is set out in **Table 3**.

**Table 3 Capital Funding**

23/24 £billion	24/25 £billion	25/26 £billion	26/27 £billion	27/28 £billion
6.004	5.873	5.882	5.902	5.909

- 6.7 It is anticipated that the Scottish Government will publish updated multi-year spending envelopes for both revenue and capital alongside the 2024/25 Budget (assumed for December 2023). This will reset the portfolio spending envelopes previously published in the Resource and Capital Spending Reviews to reflect the new economic reality and ensure that spending is aligned to the three missions for this Parliament.
- 6.8 Overall, the future funding outlook for local government remains highly uncertain. The outlook for the Scottish Government’s block grant, together with the Scottish Government’s stated spending commitments; the ongoing impact of Covid-19, wider economic outlook and increasing demand pressures on public expenditure indicate that the local government settlement in 2024/25 will continue to be challenging.

## **7. ANALYSIS OF MEDIUM TERM – PERTH & KINROSS COUNCIL**

- 7.1 This section highlights the potential financial implications of changes in key areas affecting the Council’s need to spend and to compare these to the projected level of available resources. The continued development of the



Medium-Term Financial Plan (MTFP) into future years will further establish the Plan as the foundation of the Council's financial management. The Plan recognises the combined impact of increasing need / demand for Council services, particularly because of demographic trends, inflationary pressures (including cost of living) and anticipated pressures on funding. This approach allows the consideration of options and the refinement of strategies to manage these pressures over the medium to longer term.

- 7.2 Expenditure pressures classified as “demographic” or “inflation” related are normally identified in detailed submissions considered by Council in setting Revenue Budgets each year. The MTFP, however, makes global assumptions about these variables in advance of detailed submissions to inform the Council's financial planning process over the medium term. The Plan also assumes that any additional costs in relation to new legislation will be funded by the Scottish Government.
- 7.3 The MTFP is, however, an evolving model, which will require refinement and updating on a regular basis as new information becomes available. The following section of this report focusses on the key areas to be considered in developing future years' budget strategies and sets out the assumptions made in respect of each area. The financial impact of these assumptions is summarised in **Table 6** at paragraph 7.43.
- 7.4 For financial planning purpose this update to the Medium-Term Financial Plan includes the following three scenarios –
- Optimistic – Appendix A(i)
  - Mid-Range – Appendix A(ii)
  - Pessimistic – Appendix A(iii)
- 7.5 The detailed assumptions underpinning each of the scenarios are set out in **Appendix B** with supporting narrative provided under each category below.

### **Structural Deficit**

- 7.6 The Council has operated with a structural deficit for several years with the budget being balanced in year with contributions from Reserves and other non-recurring sources. The structural deficit brought forward from 2023/24 is currently estimated at **£11.954 million**. This is a consequence of two factors. Firstly, the unwinding of the Service concession scheme that applied £10 million of non-recurring funding in 2023/24. Secondly, the recurring impact of decisions taken on 1 March 2023 in setting the 2023/24 Final Revenue Budget and 2024/25 & 2025/26 Provisional Revenue Budgets.

7.7 Addressing this structural deficit is included in all three scenarios.

### **Employee Pay Inflation**

7.8 Discussions on 2023/24 pay settlements with non-teaching unions are currently ongoing, and at the time of writing this report, these have not yet concluded for all staff groups. The 2023/24 Final Revenue Budget includes a budgeted increase of 3%, which will be insufficient. The final pay award, less the Council's existing provision, less the anticipated share of national funding for pay awards being provided by the Scottish Government will result in an additional expenditure pressure in the current year and increase the costs from 2024/25.

7.9 Looking beyond the current year there are several scenarios which could emerge for future pay settlements. Although COSLA maintain a position of seeking parity in settlements for all local government employee groups, recent settlements have included differential pay awards for different staff groups. For the purposes of this update of the MTFP, the mid-range scenario assumes an increase of 3% in each year for all staff groups with 2% and 4% for the optimistic and pessimistic scenarios respectively.

7.10 There is a risk that the assumptions set out in this MTFP and in Appendix B underestimate future pay inflation and vice versa. A 1% movement on pay award assumptions equates to **c£2.5 million** for all staff groups. There is a further risk that differentiated pay settlements impact on the sustainability of the current pay and grading structure.

### **Increments**

7.11 Local authority pay is negotiated nationally and applies to all employees. Most local government employees (Single Status and Teaching staff) are placed on nationally agreed grades which contain several scale points. Each year employees are incrementally moved up to the next scale point on their grade until the maximum point is reached. Increments are an annual cost that the Council is contractually required to pay.

7.12 In terms of the cost of incremental progression, for the purposes of this update, **£750,000** per annum has been assumed for all financial years under all three scenarios. This figure is consistent with the cost of incremental progression in previous years.

## Employer's Superannuation Contributions

- 7.13 Employees (and elected members) in Perth & Kinross Council are automatically admitted to either the Scottish Public Pensions Agency (SPPA) (teachers) or the Local Government Pension Schemes (LGPS) (non-teaching staff) upon entry to the Council. Both schemes are statutory and ensure that the Council complies with its legislative duties. Employees can opt out of either scheme; however, Perth & Kinross Council is listed in statute as an employing authority with a legislative obligation to participate in both schemes.
- 7.14 The most recent triennial review of Tayside Pension Fund was carried out at 31 March 2020 with the recommendations from this review determining the level of employer contributions from 1 April 2021 to 31 March 2024. The Council was formally advised that there would be no change to the LGPS rates in Spring 2021 for that period, with the employer's contribution remaining at **17%**.
- 7.15 This update of the MTFP covers the period of the next two triennial review as at 31 March 2023 and 31 March 2026 which may impact on financial years 2024/25 and 2027/28. A 1% increase represents a cost pressure of around **£1.149 million** per annum in respect of non-teaching employees.
- 7.16 The teacher's scheme is administered separately by the Scottish Public Pensions Agency (SPPA) which is an Executive Agency of the Scottish Government. The employer's contributions for this scheme are set by the UK Treasury. There was a significant increase in employers' contributions (from 17.2% to 23%) which took effect from 1 September 2019 to 31 March 2023. There is no information on employer contributions beyond this date. The UK Treasury have advised that changes to the employer contribution rates resulting from the 2020 valuations will take effect from April 2024. A 1% increase represents a cost pressure of around **£756,000** per annum in respect of teaching employees.
- 7.17 For the purposes of this update, the following assumptions have been made in relation to increases in the employer's contribution rates for both schemes.

**Table 4 Employers Superannuation Assumptions**

	2024/25	2027/28
Optimistic	0%	0%
Mid-range	0%	+1%
Pessimistic	+1%	+2%

## **Inflation**

- 7.18 The most recent Monetary Policy Report was published by the Bank of England on 3 August 2023. This report set out inflation projections through to 2025 which are set out in **Chart 1** above.
- 7.19 The update, in August 2023, advised that the Bank of England expected inflation to fall further, to around 5% by the end of 2023. Beyond 2023, inflation is expected to fall further in 2024 to reach the Bank of England's 2% target by early 2025. External commentators have suggested that these projections may be optimistic.
- 7.20 Under the mid-range scenario, it is assumed that the average level of general inflation for 2024/25 is **3.5%** reducing to **2%** by 2026/27 and beyond. Under the optimistic scenario, inflation reduces from 2.5% to 1% over the same time period and from 4.5% to 3% under the pessimistic scenario.
- 7.21 However, there are also several areas of Council activity where annual cost increases may be significantly more than the level of general inflation. These include energy and fuel where significantly higher increases have been assumed in earlier years.
- 7.22 As the Council also acts as a commissioner of services rather than direct provider, this element of the Revenue Budget may also be exposed to increases beyond that of general levels of inflation e.g. living wage commitments.

## **Demographics**

- 7.23 The MTFP attempts to reflect the potential additional costs to the Council of demographic changes in the population within the area. This includes the number of both young and older people with extremely complex care needs.
- 7.24 This update of the MTFP makes use of the most up to date projections available from the National Records of Scotland and are based on 2018 data (the 2018 data is the most up to date information available).
- 7.25 This area is extremely complex with the changing profile of the local population in terms of need and age. For the purposes of modelling the MTFP, a range of scenarios have been assumed based on information from the National Records of Scotland. This update of the MTFP assumes an increase of around 0.1% for general population growth every year of the Medium-Term Financial Plan.

- 7.26 Beyond this, the MTFP uses projections for different age groups to further refine the potential impact of demographics on the Council. Consistent with previous years, the most significant demographic pressure is around older people with a projected increase of over 23% in the number of local residents aged 80+ over the six-year period of this Plan. This is anticipated to lead to increasing need for access to care services over time from an ageing population compounded by the frailty of individuals with complex care needs requiring more expensive care packages.
- 7.27 The Council continues to support the work of the Health & Social Care Partnership to implement measures to mitigate these pressures. However, in the short-term, additional costs to reflect demand growth have been factored in to the MTFP to inform the Council's financial planning.

### **Learning Estate**

- 7.28 Over the period of this update of the Medium-Term Financial Plan, there will be further significant investment in the learning estate which is reflected in the Composite Capital Budget. The operating costs for the replacement of existing schools such as Perth High School and Riverside Primary School will largely be met from existing budgets. In terms of the impact on the Revenue Budget, the most significant development is, therefore, the provision of a new primary school at Bertha Park. The anticipated additional recurring running costs of the school estate facilities are included in this update of the MTFP.

### **Implications of Capital Investment Decisions**

- 7.29 The 2022/23 Revenue Budget and Reserves Strategy that was approved by Council on 22 February 2022 included an uplift in the loan's charges budget of an additional £450,000 each and every year (Report No. 22/35 refers). This increase, along with the Capital Fund will support the Capital Budget over the medium term. On this basis all three scenarios assume the increase of **£450,000**.

### **Funding and Income**

- 7.30 There are several funding / income streams that can have a significant impact on the financial position of the Council over the medium term which are discussed in further detail below.

## Scottish Government Funding

- 7.31 Previously, the MTFP has made separate assumptions in relation to General Revenue Grant (GRG) and Non-Domestic Rates Income (NDRI). Over the last few years, this income has been aggregated and any reductions have been based on a total package of funding. On that basis, these projections are based on the current total package of funding of over **£300 million** (which is the total of GRG and NDRI in 2023/24).
- 7.32 There is currently limited information on levels of specific funding for Scottish local authorities and the mid -range assumptions, set out in **Table 5** below are, therefore, based on no overall increase or a “flat cash” scenario. This reflects both experience in recent years of relatively small movements in funding together with the likely prioritisation of public expenditure on education and health and social care in light of the Scottish Government priorities. This is also supported by the high-level analysis included in the Scottish Government’s Medium Term Financial Strategy. It is stressed that these assumptions are for financial planning purposes only and will be updated upon confirmation of the Local Government Settlement.

**Table 5 Scottish Government Funding Assumptions**

<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
0%	0%	0%	+0%	+1%	+1%
£0m	£0m	£0m	£0m	£2.980m	£3.010m

- 7.33 The MTFP assumes that all new legislative pressures and any requirements of the Local Government Finance Settlement such as the social care living wage commitment, Carers Act etc. will be fully funded by the Scottish Government. There is clearly an element of risk in this assumption given anticipated pressures on the Scottish Government’s budget.

## Demographics (Impact on Funding)

- 7.34 In line with the demographic pressures discussed above, an estimate of the impact of demographic changes on the General Revenue Grant has been included. This update of the MTFP assumes an increase of approximately 0.1% in funding for general population growth every year of the Medium-Term Financial Plan (under the mid-range scenario). This is highly speculative and is dependent on the funding for Councils with reducing populations transferring to Councils with growing populations. These adjustments tend to take several years to work their way through the Local Government Settlement and the impact is often dampened by the “floor mechanism” which is in place to protect Councils from large movements in funding.

## Council Tax Income

- 7.35 For Council Tax, there are potentially two sources of additional income that are factored into this update of the Medium-Term Financial Plan.
- 7.36 Firstly, in relation to the projected growth in the number of Band D equivalent properties. Scenarios have been modelled around the impact of population growth on the Council Tax base in line with the demographic assumptions outlined above.
- 7.37 Second is the capacity for the Council to increase the level of Council Tax charges. On 1 March 2023, the Council approved a Council Tax increase of 3.9% for 2023/24 which was the lowest increase in Scotland. The Council also agreed indicative Council Tax increases of **3.9%** for 2024/25 and 2025/26. Beyond that, under the mid-range scenario, the working assumption for the purposes of preparing this update of the MTFP is that Council Tax will increase by **3%** in each year of the Plan. The actual level of Council Tax, however, will be determined by Council each year in approving the final Revenue Budget.
- 7.38 In addition, there are two other potential developments that may increase the level of Council Tax income which the Scottish Government are currently consulting on. Firstly, there is a proposal to adjust the multiplier on Council Tax bandings E through to H and secondly, whether a premium might be added to second homes.
- 7.39 Both of these proposals have the potential to generate significant levels of additional Council Tax income. However, the timing and phasing of both proposals is not yet clear, so for that reason this additional income has not been factored into any scenario within the MTFP.

## **Fees and Charges**

- 7.40 The proposed MTFP assumes that the Council raises its charges for goods and services by between 3% and 5% per annum. Decisions on actual levels of charges will be considered by the Council in setting the Final Revenue Budget.

## Utilisation of Reserves

- 7.41 The Council could consider the utilisation of Reserves on a non-recurring basis to manage budget pressures in the short term. However, Reserves are only available on a one-off, non-recurring basis. Any proposals to utilise Reserves to support recurring expenditure will require either an exit strategy or further savings to be identified.
- 7.42 All the forecasts discussed in paragraphs 7.3 to 7.41 are extremely uncertain. Actual income and expenditure will depend on several factors which are set out within the Risk Assessment (section 10) commentary in this report.

## Medium Term Financial Plan – Estimated Net Financial Pressures

- 7.43 The estimated levels of net financial pressures identified under each scenario are summarised in **Table 6** below and set out in detail in **Appendix A**.

**Table 6 Estimated Net Financial Pressures**

	24/25	25/26	26/27	27/28	28/29	29/30	Total
	£m	£m	£m	£m	£m	£m	£m
<b>Optimistic</b>	14.6	(2.1)	(2.2)	1.5	0.4	(4.7)	7.6
<b>Mid- Range</b>	27.6	11.5	12.0	17.9	15.3	10.5	94.8
<b>Pessimistic</b>	43.6	26.4	27.5	35.1	31.8	27.6	192.0

- 7.44 **Table 6** above sets out scenarios with cumulative net financial pressures of up to **£192 million** over the six-year period. While the level of net pressures identified will undoubtedly change as work progresses on the Revenue Budget, this provides an indication of the scale of the financial challenge potentially facing the Council over the six-year period 2024/25 to 2029/30. These scenarios include the expenditure pressures that will be brought forward as part of the detailed consideration of future years' Revenue Budgets.
- 7.45 There are significant variations between the scenarios due to the sensitivities around the financial modelling. For example, over the six years there is almost £35 million of a difference between the optimistic and pessimistic scenarios on pay inflation. Non staff inflation varies by over £53 million and projected levels of Scottish Government funding by around £36 million.
- 7.46 It is important to note that the budget reductions identified in **Table 6** are in addition to the significant reductions that have been delivered in previous financial years.



**7.47 ACTION: The Council is asked to request the Strategic Lead – Finance & Business Support maintain the Medium-Term Financial Plan and further refine the assumptions that underpin it.**

## **8. REVENUE BUDGET – PROPOSED APPROACH**

8.1 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 in the MTFP will be superseded by more detailed analysis of individual cost pressures and the identification of potential budget reductions.

8.2 As has been the case for a number of years, the Executive Leadership Team are preparing budget submissions in line with the approved Financial Strategy and Principles and strategic objective in the Corporate Plan as follows -

- Tackling poverty
- Tackling climate change and supporting sustainable places
- Growing a sustainable and inclusive local economy
- Enabling our children and young people to achieve their full potential
- Protecting and caring for our most vulnerable people
- Supporting and promoting physical and mental wellbeing
- Placing communities at the heart of how we work

8.3 The Council previously approved the 2024/25 and 2025/26 Provisional Revenue Budgets on 1 March 2023 (Report No. 23/72 refers). In doing so, the Council approved expenditure pressures of **£8.776 million** and budget reductions of **£7.069 million** which are summarised in **Table 7** below. This is the starting point for the 2024/25, 2025/26 and 2026/27 Revenue Budget that will be considered on by Council on 28 February 2024.

**Table 7 2024/25 & 2025/26 Provisional Revenue Budget Decisions**

	Expenditure Pressures		Reductions	
	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000
Tackling poverty	45	50	-	-
Tackling climate change and supporting sustainable places	-	-	250	250
Developing a resilient, stronger and greener local economy	-	-	-	173
Enabling our children and young people to achieve their full potential	2,438	2,029	895	397
Protecting and caring for our most vulnerable people	20	20	50	-
Supporting and promoting physical and mental wellbeing	-	-	351	351
Working in partnership with communities	1,112	764	537	205
Organised to Deliver / Transformation	1,837	461	669	2,575
<b>Total per year</b>	<b>5,452</b>	<b>3,324</b>	<b>3,118</b>	<b>3,951</b>
<b>Grand Total</b>		<b>8,776</b>		<b>7,069</b>

8.4 The Executive Leadership Team are updating the previously approved expenditure pressures for 2024/25 and 25/26 and preparing new pressures for 2026/27. These pressures will supersede the high-level assumptions included in section four of the Medium-Term Financial Plan.

**8.5 ACTION: The Council is asked to approve the setting of the 2024/25 Final Revenue Budget, updating of the 2025/26 Provisional Revenue Budget and setting of the 2026/27 Provisional Revenue Budget on 28 February 2024.**

8.6 A reminder of decisions taken on 1 March 2023 will be shared with elected members in October 2023. Updated Revenue Budget submissions will be shared with elected members from November 2023 to allow for scrutiny of proposals. To streamline the process for both elected members and officers, briefings will be provided when there have been significant changes or material developments impacting on the Council. These will include when budget submissions are available for elected member consideration, and the publication of the Scottish Budget / Local Government Finance Circular later in the year.

## **Perth & Kinross Integration Joint Board**

- 8.7 It is anticipated that Perth & Kinross Integration Joint Board (IJB) will continue to progress the development of integrated budgets which will bring together funding from both the Council and NHS Tayside. Discussions remain ongoing with all three parties as to the potential implications for the Council's Revenue Budget process. The outcome of this will be reported to future meetings of the Council. It is important to recognise the financial challenges faced by both the Council and NHS Tayside and how this may impact on the work of the IJB.
- 8.8 At this time, it is anticipated the IJB will notify the Council (and NHS Tayside) of the funding required for their Strategic Delivery Plan. The level of funding requested will then be assessed in the context of the overall level of resources available to the Council in arriving at a recommendation on funding for the IJB in 2024/25 and beyond.

## **Arm's Length External Organisations (ALEOs)**

- 8.9 Council officers are currently supporting the Council's three Arm's Length External Organisations (ALEOs): Live Active Leisure; Perth Theatre & Concert Hall Ltd. and Culture Perth & Kinross as they review their business models in light of increasing financial pressures on their operation; their recovery from the impact of the Covid pandemic and the opportunities presented by the opening of new facilities.
- 8.10 The budgets for the Council's ALEOs are considered and determined by their respective Boards. In the context of constrained financial resources, the approach adopted to the Council's future funding of their operations will, however, be based on the same focus on reviewing and reducing expenditure as is being applied to Council Services.

## **9. COMPOSITE CAPITAL BUDGET – PROPOSED APPROACH**

- 9.1 On 6 October 2021 the Council approved the Investment Blueprint which supports a more transparent and flexible approach to investment decision making and support the long-term vision of the Council (Report No. 21/180 refers).

- 9.2 The Investment Blueprint set out five overarching principles to inform decision making and ensure that investment of public money is directed to where it is most needed. The principles are that investment decisions must:
- mitigate against the impact of climate change
  - promote inclusive economic growth and a vibrant economy
  - promote equality and fairness
  - support the delivery of sustainable public services through effective management of assets
  - promote and enhance digital inclusion
- 9.3 The Blueprint is intended to help shape and inform a rolling 30 Year unfunded Investment Plan together with a 6-year rolling delivery plan which will detail the delivery of costed and funded projects and programmes developed from proposals within the 30 Year Plan.
- 9.4 Proposals set out within the 30-year investment plan will be subject to the Council's project governance framework, building in further opportunity to review, respond and adapt the Plan to respond to changing needs, circumstances and priorities as they emerge. The Plan will be reviewed annually by elected members to ensure that proposals continue to meet the strategic priorities of the Council.
- 9.5 The Council also agreed that investment proposals would be subject to the 5 Case Model (HM Treasury Green Book approach).
- 9.6 In line with the Investment Blueprint this will be extended to all future programmes in the form of an Impact Analysis Report which will profile the impact of investment proposals on assets.
- 9.7 It is anticipated that the Capital Asset Management Strategy and Capital Asset Management Plan will be considered by Council on 6 December 2023.
- 9.8 However, it is highly likely that the Council will experience further cost pressures on the Capital Budget. The Capital Budget will be updated on 28 February 2024.
- 9.9 ACTION: The Council is asked to approve the setting of the Capital Budget on 28 February 2024.**

## 10. RESERVES UPDATE

- 10.1 The Council's Reserves Strategy is subject to an annual review to ensure that recommendations on the use of Reserves take due cognisance of the Council's anticipated cash flows and make reasonable provision, within available resources, for both predicted liabilities and unforeseen events. The latest update of the Reserves Strategy was approved by the Council on 1 March 2023 (Report No. 23/72 refers).
- 10.2 The Unaudited 2022/23 Annual Accounts show that the Council had a General Fund Balance (excluding the Housing Revenue Account) of **£70.046 million** at 31 March 2023 with **£51.876 million** earmarked for known commitments. This results in uncommitted General Fund Reserves of **£18.170 million** at 31 March 2023 which is in line with the approved Reserves Strategy.
- 10.3 The Council's Useable Reserves as at 31 March 2023 (per the Unaudited 2022/23 Annual Accounts) are summarised as follows:

**Table 8 General Fund Reserves**

<b>Total Useable Reserve as at 31 March 2023</b>	£102.674m
Less:	
<b>General Fund Earmarked Reserves (see Appendix C)</b>	£51.876m
<b>Housing Revenue Account</b> <i>These balances are earmarked for use on Housing Revenue Account activities <u>only</u>.</i>	£2.647m
<b>Capital Fund</b> <i>The Fund can be <u>only</u> used to meet the principal element of loan repayments or to defray capital expenditure.</i>	£26.343m
<b>Insurance Fund</b> <i>The fund is used to meet the future liabilities of the Council self-insuring for certain categories of insurance.</i>	£1.306m
<b>Capital Receipts Reserve</b> <i>This Reserve holds proceeds from capital receipts for future investment.</i>	£2.245m
<b>Capital Grants Unapplied</b> <i>The Capital Grants Unapplied Reserve holds capital grants which have been received by the Council for which the capital works have not yet been undertaken or completed.</i>	£0.087m
<b>General Fund Uncommitted Balance at 31 March 2023</b>	<b>£18.170m</b>

- 10.4 The level of uncommitted Reserves of **£18.170 million** represents around **4%** of the 2023/24 net Revenue Budget. This is in line with the approved Reserves Strategy of holding between 2% & 4% of the net Revenue Budget as uncommitted.
- 10.5 In recent years uncommitted Reserves have been required to meet significant additional expenditure responding to both severe weather events and winter maintenance. **Table 9** sets out the levels of over and under spends in winter maintenance over the last ten years with a net use of Reserves of **£3.061 million**. In addition, the Perth & Kinross Integration Scheme adds a further risk in relation to potential health and social care over spends (as was the case in 2018/19 and 2019/20).

**Table 9 Winter Maintenance Final Over / Under Spends**

2022/23	Over spend of £759,000
2021/22	Over spend of £225,000
2020/21	Over spend of £1.024 million
2019/20	Over spend of £648,000
2018/19	Under spend of £143,000
2017/18	Over spend of £1.300 million
2016/17	Under spend of £540,000
2015/16	Over spend of £59,000
2014/15	Over spend of £260,000
2013/14	Under spend of £531,000

10.6 The updated Reserves Strategy will be presented to Council on 22 February 2023 and will include options on how Reserves might be utilised over the medium term.

**10.7 ACTION: The Council is asked to approve the submission of the updated Reserves Strategy to Council on 28 February 2024.**

## **11. HOUSING REVENUE ACCOUNT**

11.1 In agreement with tenants, the Council will continue to develop a medium / long term funding strategy for investment based upon linking annual reviews of rents to both the Tenants' and Council priorities; consideration of the state of the local economy and creating more efficient services in the future. Any revisions to the Council's Housing Investment Programme, Housing Repairs, Locality Services and the rental strategy will be subject to consultation with the Tenants.

11.2 It is anticipated that the Health & Social Wellbeing Committee will determine the Housing Revenue Account (HRA) Budget and rent levels for 2023/24 at its meeting on 24 January 2024. It is also anticipated that the five-year Housing Investment Programme will be submitted for consideration by the Committee based on the requirements of the Housing Delivery Plan.

**11.3 ACTION: The Council is asked to endorse the proposals to determine the Housing Revenue Account (HRA) Budget and rent levels for 2023/24 and the five-year Housing Investment Programme at the meeting of the Housing & Communities Committee on 24 January 2024.**

## **12. WORKFORCE PLANNING MEASURES**

- 12.1 The Council values its employees, their skills, dedication, and passion to ensure it delivers essential services to the people, businesses and communities of Perth and Kinross. Its people continue to be its most important asset and remain at the heart of everything it does.
- 12.2 The Council is currently undertaking a senior leadership review that sets out its ambitions to build and deliver its vision in a way that reflects its values and allows it to best serve the needs of the people of Perth and Kinross. The new structure and operating model will ensure that the Council is organised to deliver the refreshed Corporate Plan and priorities agreed in December 2022.
- 12.3 The Council's purpose, values, culture, and ethos to transform services and deliver efficiencies to prepare for the future remain pivotal. Investment in building the capability and capacity in the workforce through learning and development opportunities, boosting productivity, encouraging innovation and creativity, embracing agility, digital technology and promoting wellbeing and resilience continue to be key to future plans. These commitments will enable it to match its ambition for transforming services, growing the economy, reducing inequalities, protecting vulnerable people and supporting young people to be all they can be.
- 12.4 Financial pressures, changing priorities and demand for Council services continue to inform the Council with a focus on multi-disciplinary teams, integrated working and more locality-based decision-making. The Council in recognition of the inter-connectedness of workforce, digital and use of property are taking a proactive approach in working with communities, its partners and other stakeholders to deliver and prepare for new influences to ensure our workforce supports the delivery of the strategic objectives.
- 12.5 The Council's workforce management strategy continues to provide a strong basis for developing the workforce of the future helping us create the conditions to meet the future workforce, financial and demographic challenges and requirements of the organisation. Adopting a more effective and consistent approach to workforce management, a new leadership competency framework and new leadership performance framework will also be developed and rolled out. This will focus our contributions against Corporate Priorities and the delivery of key outcomes and associated output by leaders and their teams. Development and talent management will also enable us to provide versatile people solutions to support the future strategic direction of the organisation. We continue to invest in training and development opportunities for young people via Apprenticeship and Graduate Programmes. A focus on health and wellbeing and resilience are key to sustaining a healthy working environment and positive wellbeing culture and we continue to review and



refresh the wide range of health and wellbeing initiatives and support we offer to our workforce. The Council is proud to be a Fair Work employer and continues to consult and engage with employees and their trade union representatives on improvements in our employment practices and arrangements. Equalities and fairness will continue to be core principles in its workforce strategy. This will ensure we continue to have the right skills in the right place when we need them and will contribute to working together to ensure everyone can live life well.

### **13. TRANSFORMATION & CHANGE STRATEGY**

13.1 The Transformation & Change Strategy, Financial Strategy and Medium-Term Financial Plan, all align to support the delivery of the Council's vision of "**a Perth and Kinross where everyone can live life well, free from poverty and inequality**" together with the strategic priorities and key objectives outlined within the new Corporate Plan.

13.2 The Transformation & Change Strategy recognised that due to the size and complexity of the organisation a range of approaches to change would be required –

- transforming our customer's experience
- transforming the shape and structure of our organisation
- transforming our systems and processes
- transforming our spending and response to demand

13.3 It also clearly set out that to support the necessary change the Council needed to:

- Take a greater collaborative approach to the delivery of our priorities.
- Create the environment where staff at all levels could take greater responsibility, be risk aware and take greater responsibility and ownership of their own areas of work.
- Have a more accessible organisation, with the right information at the right time for staff to be able to assist and support people more effectively.
- Enable staff and managers to adopt more of an enabling and empowering leadership style.

13.4 It was agreed that the programme would be developed and phased over a five year period, with work undertaken during year one (2023/24) being key to setting the foundation for the successful delivery of the programme in future years. To build these foundations, focus during the first year has been around the Strategic Leadership Review and the nine agreed consolidation workstreams. The nine identified consolidation workstreams look to identify opportunities to consolidate functions and activities that are currently

disaggregated, with the aim of reducing any areas of duplication, improving our systems and processes and putting the customer at the centre.

- 13.5 It was also recognised that to enable change the Council needed to set the right conditions so that its people felt supported through organisational transformation. Fundamental to supporting staff is the cultural engagement programme, which has a focus on purpose, vision and values, ensuring that these are reflected in behaviours. It looks to continue to grow a culture where individuals are valued and treated with respect.
- 13.6 Within the Strategic Planning Update and 2023-26 General Fund Budget Report approved in March 2023 (Report No. 23/72 refers), a £500,000 investment was approved. This funding will provide additional capacity, enabling a greater focus on planning and support to the delivery of the overall programme.
- 13.7 On 13 September 2023, the Finance & Resources Committee were provided with a comprehensive update on the progress being made to deliver the Council's Transformation & Change Strategy (Report No. 23/245 refers). It also provided an overview of the progress made to create the conditions for the organisation to change as well as providing an overview of progress on individual projects.
- 13.8 The Finance & Resources Committee also approved the allocation of additional funding from the earmarked Reserve for Workforce Management & Transformation to support the delivery of the programme.

## **14. RISK ASSESSMENT**

- 14.1 Developing the Medium-Term Financial Plan 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 the Medium-Term Financial Plan, the Council must also be aware of the sustainability of its expenditure proposals. Significant issues, which are of relevance in determining the Revenue Budget, are outlined below.

## **Structural Deficit**

- 14.2 The Council has a known structural deficit of **£11.954 million** that, in order to deliver a legal, balanced budget will have to be addressed from 2024/25. To the extent that recurring solutions to addressing this gap are not identified, then this remains a risk in future years. The size of the structural deficit will also be influenced by the effect of current year pay awards that exceed budgeted levels and any shortfall in the identification of recurring budget reductions to fund expenditure pressures.

## **Local Government Funding**

- 14.3 It is anticipated that the Council will receive the 2024/25 financial settlement in December 2023. The Scottish Government have advised that information on future financial years will also be issued at that time. However, there is no information on at what level of detail will be provided i.e. individual Council level.
- 14.4 Future funding settlements will be influenced by many aspects of the wider economic climate and UK and Scottish Government policies. The global economic situation including the cost of living, the impact of the UK leaving the European Union and the UK and Scottish Government's response to Covid-19 may result in significant additional uncertainty over future funding levels.
- 14.5 The Scottish Government's most recent Medium Term Financial Strategy also identified a "modelled shortfall" of **£1.875 billion** by 2028/29
- 14.6 The potential for cash and real terms reductions in funding beyond financial year 2024/25 is considered to represent a significant risk in the management of the budget over the medium term.
- 14.7 Once inflation is included, these factors may result in further significant real terms reductions in funding to the Council over the medium term at a time of rising demand for Council services.
- 14.8 At this time, there is also no information on any conditions which may be attached to the local government finance settlement in 2024/25 and beyond, or indeed opportunities.

- 14.9 Following the devolvement of a number of taxes to the Scottish Government, under the terms of the Scotland Acts, the actual level of funding available to the public sector is more directly linked to the performance of the Scottish economy. Income from devolved taxation will be dependent upon the relative performance of the Scottish economy.

### **Final Pay Awards**

- 14.10 The 2023/24 pay negotiations have not yet concluded with non-teaching unions. At the time of writing, negotiations are underway whilst Trade Unions are preparing for industrial action.
- 14.11 In 2023/24 the Council has budgeted for a 3% increase in the pay bill for all staff groups. There is a significant risk that this provision, along with Scottish Government funding, will be insufficient to meet the final pay award for 2023/24. To the extent that the final pay award exceeds the additional funding and the budgeted provision, this will lead to additional costs in 2023/24 and add to the structural deficit for 2024/25.
- 14.12 Beyond the current year, there is also a further risk that future years' pay settlements are more than budgeted assumptions resulting in further financial pressures.
- 14.13 There is a further risk arising from the impact of historic and future pay awards on existing pay and grading structures. Depending on the outcome of final pay negotiations, and how they affect the lower end of the pay scale, there may be a requirement to undertake a review of the pay and grading structure.

### **Expenditure Pressures**

- 14.14 Elected members have previously been briefed on the current challenges in the construction sector and as widely reported, supply chain pressures are emerging across all sectors of the economy. There is accordingly a risk in expenditure pressures within both the Revenue and Capital Budgets increase over the short and medium term.

### **Implications of Capital Budget**

- 14.15 The Council has an established policy of drawing down the Capital Fund to support capital expenditure. As the Capital Fund reduces, resources will have to be redirected from the Revenue Budget to support the loan repayments over the short to medium term.

## **Council Tax**

- 14.16 The Medium-Term Financial Plan and Capital Budget funding strategy assumes levels of growth in the number of Band D equivalent properties. These assumptions are based on levels of growth currently being experienced. If these levels of growth in the number of properties do not continue there is a risk to the budgeted level of Council Tax income.

## **Perth & Kinross Integration Joint Board**

- 14.17 The Integration Joint Board has received significant additional Scottish Government funding, linked to national policy initiatives, over the last three years either directly or channelled through the NHS and there is an assumption that this will both continue and increase in future years in line with Scottish Government announcements. There is a risk that Scottish Government funding for health and social care does not fully reflect anticipated increases in costs including demand and inflationary pressures.
- 14.18 As set out in the Council's response to the Scottish Government consultation on a National Care Service (Report No. 21/185 refers), there is the potential that the final agreed model for delivery may have an impact upon the Council's future.

## **Inflation**

- 14.19 There is a risk that levels of Service specific inflation further exceed budgeted provisions and that levels of general inflation cannot be contained within existing resources. This may lead to further reductions in levels of service in order to contain these inflationary pressures. Further increases in the National Living Wage and "Foundation Living Wage" may exacerbate this risk with pressure to compensate providers and suppliers for enhanced wage rates.

## **Current Economic Climate**

- 14.20 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.
- 14.21 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.

- 14.22 The economic climate and increases in the cost of living may also increase need for and expenditure on Council services – particularly around poverty. As far as possible, this risk will be managed within the Council's available resources.

### **Demographics**

- 14.23 The overall population of Perth and Kinross is anticipated to reduce by around 1.0% over the next 25 years based upon National Registrars of Scotland forecasts. This may lead to reduced funding from Scottish Government.
- 14.24 However, within these overall projections the population aged over 65 is projected to grow significantly. This may place an additional financial pressure on both the Council and the Integration Joint Board into future years' Revenue Budgets and financial plans.
- 14.25 The level and components of growth will be largely dependent on complex net migration patterns which are difficult to forecast with any certainty.
- 14.26 The needs of the population are also changing with more complex intervention measures required to protect young and old people alike.

### **Climate Change**

- 14.27 On 19 June 2019, Council passed a Motion that committed it to leading by example in accelerating the transformational change required to address the Climate Emergency, which had been declared by both the UK and Scottish Parliaments earlier that year. On 18 December 2019, the Council approved an Interim Climate Emergency Report and Action Plan (Report No. 19/362 refers) and on 30 August 2021, the Council agreed to the establishment of a Climate Change Commission (Report No. 21/142 refers) which will provide scrutiny and oversight to Perth and Kinross's Climate Change Plan.
- 14.28 Legislation has been introduced by the Scottish Government that will aim to ensure Scotland reaches net zero greenhouse gas emissions by 2045. There are also a range of challenging intermediate targets and a further possibility that these targets will be accelerated by legislation.
- 14.29 As the Council strives to decarbonise, this will undoubtedly mean significant additional investment will be required. However, it must also be noted that there are major, current and proposed, national funding sources available and the Council must ensure it is in a position to fully capitalise on these.

## **Response to Covid-19**

- 14.30 The long-term impacts of Covid-19 on society remain unknown at this stage. In terms of expenditure, there will be a requirement for the Council to invest in economic regeneration, to further support communities and to respond to emerging developments / health & wellbeing. In addition, there may be further pressures on household incomes leading to increases in poverty that may require a Council response. Similarly, there is likely to be an impact on income streams, both in terms of Council Tax and fees & charges. For this update of the Medium-Term Financial Plan, it is assumed that the initial cost will be incurred in early years with the impact reducing as the Covid-19 virus is managed and / or resources are redirected across the Council.

## **Arm's Length External Organisations**

- 14.31 There is an ongoing risk to the financial sustainability of the Council's three Arm's Length External Organisations. All three ALEOs may experience reduced income and additional costs as they adjust their offer to respond to the consequences of Covid-19 and the pressures arising from wider economic pressures.

## **Severe Weather**

- 14.32 There is a risk that the Council incurs further significant levels of expenditure responding to severe weather as has been the case in previous years – this is summarised in **Table 9** above.

## **15. CONCLUSIONS**

- 15.1 In common with all Scottish local authorities and the wider public sector, Perth & Kinross Council continues to anticipate a period of financial constraint and growing costs and need for services.
- 15.2 Responding to the cost of living challenges has given rise to significant financial pressure on the Council's Revenue Budget over the short to medium term, and the longer-term impact upon service demand; service delivery and the Council's ability to generate and collect income will take some time to establish.
- 15.3 The Council continues to take proactive measures to enable it to address these challenges from a robust financial position and continues to develop and strengthen its arrangements for financial and resource management.

15.4 The continued roll out of the Transformation & Change Strategy will further support the Council's response.

15.5 The Council remains committed to modernising and improving the efficiency of functions. This update of the Medium-Term Financial Plan reinforces the Council's commitment to the delivery of excellent services in the context of meeting challenging savings targets which requires the engagement of the Council's workforce; Elected Members; Community Planning Partners and the communities which it serves.

### Author

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### Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	25 September 2023
Karen Donaldson	Chief Operating Officer	25 September 2023



## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
<b>Resource Implications</b>	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
<b>Assessments</b>	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
<b>Consultation</b>	
Internal	Yes
External	None
<b>Communication</b>	
Communications Plan	None

### 1. Strategic Implications

1.1 The Council's Corporate Plan 2022 – 2027 lays out seven 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:

- Tackling poverty
- Tackling climate change and supporting sustainable places
- Growing a sustainable and inclusive local economy
- Enabling our children and young people to achieve their full potential
- Protecting and caring for our most vulnerable people
- Supporting and promoting physical and mental wellbeing
- Placing communities at the heart of how we work

1.2 This report relates to all these objectives.

## 2. Resource Implications

### Financial

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

### Workforce

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

### Asset Management (land, property, IT)

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

## 3. Assessments

### Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

### Strategic Environmental Assessment

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

### Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act,

the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.

- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

#### **4. Consultation**

##### Internal

- 4.1 The Chief Executive, Executive Directors and Chief Operating Officer have been consulted in the preparation of this report.

#### **2. BACKGROUND PAPERS**

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

#### **3. APPENDICES**

- Appendix A (i) – Optimistic Scenario
- Appendix A (ii) – Mid-Range Scenario
- Appendix A (iii) – Pessimistic Scenario
- Appendix B – Assumptions Underlying Medium-Term Financial Plan
- Appendix C – Summary of General Fund Balances as at 31 March 2023