

PERTH & KINROSS COUNCIL

Strategic Policy & Resources Committee

24 November 2021

REVENUE BUDGET 2021/22 - UPDATE No.3

Report by the Head of Finance

(Report No. 21/214)

PURPOSE OF REPORT

This report provides an update on progress with the 2021/22 General Fund Revenue Budget based upon the August 2021 ledger, updated for any subsequent known material movements, and the projected financial position of the Housing Revenue Account.

The total net projected under spend / additional income on the 2021/22 General Fund Management Budget is **£1.899 million** (see Appendix 1).

1. BACKGROUND

- 1.1. This report updates the Committee on progress with the 2021/22 Revenue Budget. Appendix 1 to this report summarises the current projected year end (outturn) position for each Service based upon the August 2021 ledger, updated for any subsequent known material movements.
- 1.2. The budget total reflected in Column 1 of Appendix 1 to this report is that approved by the Council in setting the 2021/22 Final Revenue Budget on 10 March 2021 (Report No. 21/33 refers). In addition, adjustments approved by Council on 31 March 2021 and 23 June 2021 (Report Nos 21/40 and 21/101 refer) and the Strategic Policy & Resources Committee on 1 September (Report No. 21/146 refers) are reflected in Appendix 1 (Column 2). On 27 January 2021, the Council also approved the creation of the Covid-19 earmarked Reserve (Report No. 21/8 refers).
- 1.3. The Council's Financial Regulations currently allow Executive Directors to vire budgets up to £100,000 within their Service. Any virements between Services of more than £100,000 are either included in the body of the revenue monitoring report or in the appendices for approval.
- 1.4. This report details the latest projected outturns and proposed adjustments to the 2021/22 General Fund and Housing Revenue Account budgets.

2. REVENUE MONITORING – SERVICE BUDGETS

- 2.1 Details of variances against Service budgets are shown in Appendix 2 to this report with the most significant variances summarised below. The total net

projected under spend on Service budgets, as set out in Appendix 1 to this report, is **£1.111 million** which represents **0.3%** of total net Service expenditure.

- 2.2 The utilisation of Service under spends are considered throughout the financial year and may also be considered as part of the Revenue Budget strategy for future years.
- 2.3 There is a risk that the Council will experience increases in costs over the short to medium term that are higher than budgeted inflation levels. This is already being seen for the materials required by property and housing maintenance teams. Going forward, this may have an impact on projected outturns and future years' budgets.
- 2.4 Furthermore, the outcome of the 2021/22 pay negotiations is not yet known. The extent to which the final agreement is more than the Council's budgeted increase of 3% will place a further pressure on Service budgets in both the current financial year and beyond.

Education & Children's Services

- 2.5 The projected outturn for Education & Children's Services excluding Devolved School Management (DSM) and the Pupil Equity Fund (PEF) is currently anticipated to be **£887,000** less than budget, a movement of £809,000 from the position last reported to Committee. The movements are summarised as follows.
- 2.6 Staff costs – increase in projected under spend of **£310,000** due to slippage across the Service in excess of the budgeted target.
- 2.7 Property costs – increase in projected under spend of **£231,000**. The primary reason for this movement is a projected under spend on non-domestic rates due to a downward revaluation and reduced charge.
- 2.8 Home to school transport – increase in projected under spend of **£106,000** based on the latest usage figures extrapolated for the full year.
- 2.9 Income – reduction in projected income shortfall of **£131,000** due to the receipt of additional grant income partially offset by updated projections for service income.
- 2.10 Other budgets (supplies & services, transfer payments, third party payments and residential / foster / kinship care) – projected net under spend of **£31,000**.
- 2.11 There is a planned under spend of **£690,000** on Devolved School Management budgets (DSM) due to staff slippage and reduced expenditure on educational materials and transport costs. This includes the planned carry forwards that individual schools identify on an annual basis. In line with the approved DSM scheme, the eventual over and under spends will be carried forward into 2022/23. The budgets for the Devolved School Management

scheme are allocated by financial year (April – March), whereas expenditure is incurred by academic year (August – June).

- 2.12 At this stage of the academic year, expenditure met from the Pupil Equity Fund is projected to be **£600,000** less than the allocation from the Scottish Government of £2.038 million. In line with the terms of this funding, the final under spend will be carried forward to 2022/23 to meet future commitments. The budgets for the Pupil Equity Fund scheme are allocated by financial year, whereas expenditure is incurred by academic year.

Communities

- 2.13 The projected outturn for Communities is currently anticipated to be **£105,000** more than budget, a movement of £225,000 from the position last reported to Committee. The movements are summarised as follows.
- 2.14 Operations & Fleet Management – reduction in projected net under spend of **£150,000** due to reduced income from commercial waste and additional waste disposal costs.
- 2.15 Bereavement Services – increase in projected overspend of **£100,000** due to a reduction in income.
- 2.16 Public Transport – increase in projected overspend of **£75,000** due to resurfacing costs at Perth Bus Station.
- 2.17 Planning & Economic Development – reduction in the projected overspend of **£20,000** due to increased commercial rental income projections.
- 2.18 Housing – increase in projected net under spend of **£80,000** due, in the main, to slippage in the delivery of Care and Repair projects.

Corporate & Democratic Services

- 2.19 The projected outturn for Corporate & Democratic Services is currently anticipated to be **£329,000** less than budget, a movement of £46,000 from the position last reported to Committee. The movements are summarised as follows.
- 2.20 Service wide – net movement of **£46,000** across staff slippage as well as supplies and services and third-party payments.
- 2.21 Within the projected outturn for Corporate & Democratic Services it is assumed that £2.931 million in funding will be received from the Scottish Government to reimburse the Council for the following payments –
- Summer & Autumn payments to families - £625,000
 - Taxi drivers / operators - £694,000
 - Self-isolation payments - £404,000
 - Low Income Pandemic Payments - £1.208 million

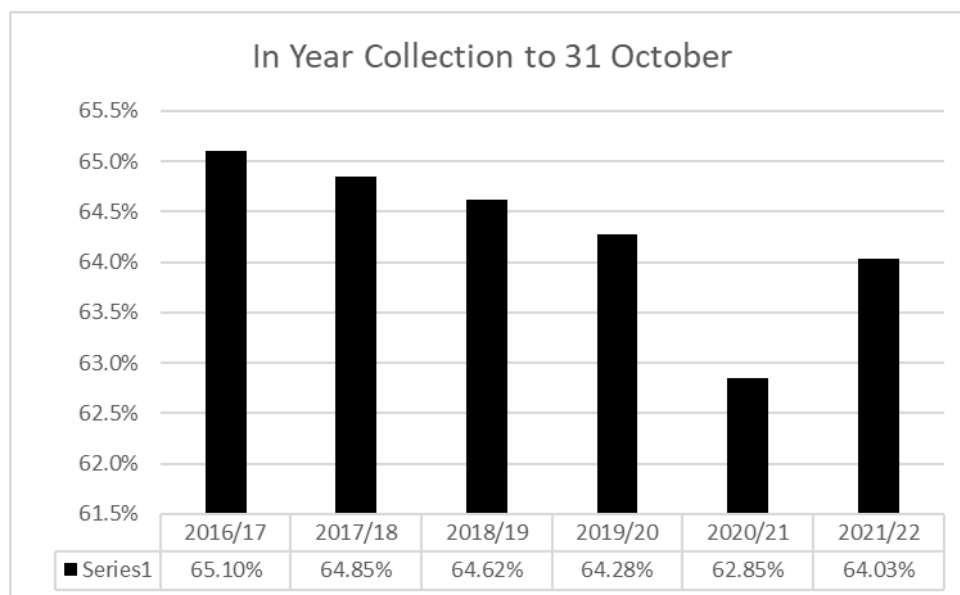
3. REVENUE MONITORING – CORPORATE BUDGETS

Health & Social care

- 3.1 The month four (July) projected outturn for Perth and Kinross Integration Joint Board (IJB) is set out in Appendix 3. Currently there is a projected net under spend of **£236,000**. This projection includes activity relating to the Covid-19 response of £5.138 million, and it is anticipated that this will be fully recoverable from the Scottish Government. It is anticipated that this projected under spend will be carried forward in the Partnership's Reserves and therefore has no impact on the Council's final outturn for the current year. It is anticipated that the month seven (October) projection will be subject to detailed formal consideration by the IJB in December 2021.

Council Tax Income

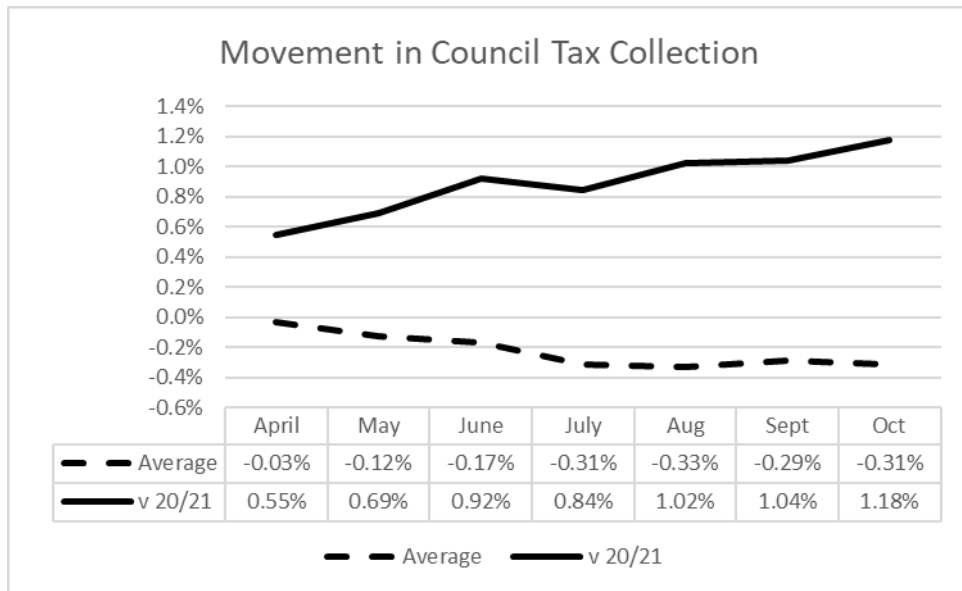
- 3.2 The amount of income the Council will generate from Council Tax is dependent on two main factors, firstly the collection levels and secondly, the number of Band D properties on the Valuation Roll.
- 3.3 Monitoring of Council Tax collection levels is carried out monthly. The following graph sets out collection performance to 31 October 2021 together with prior year comparative figures for the previous five financial years.



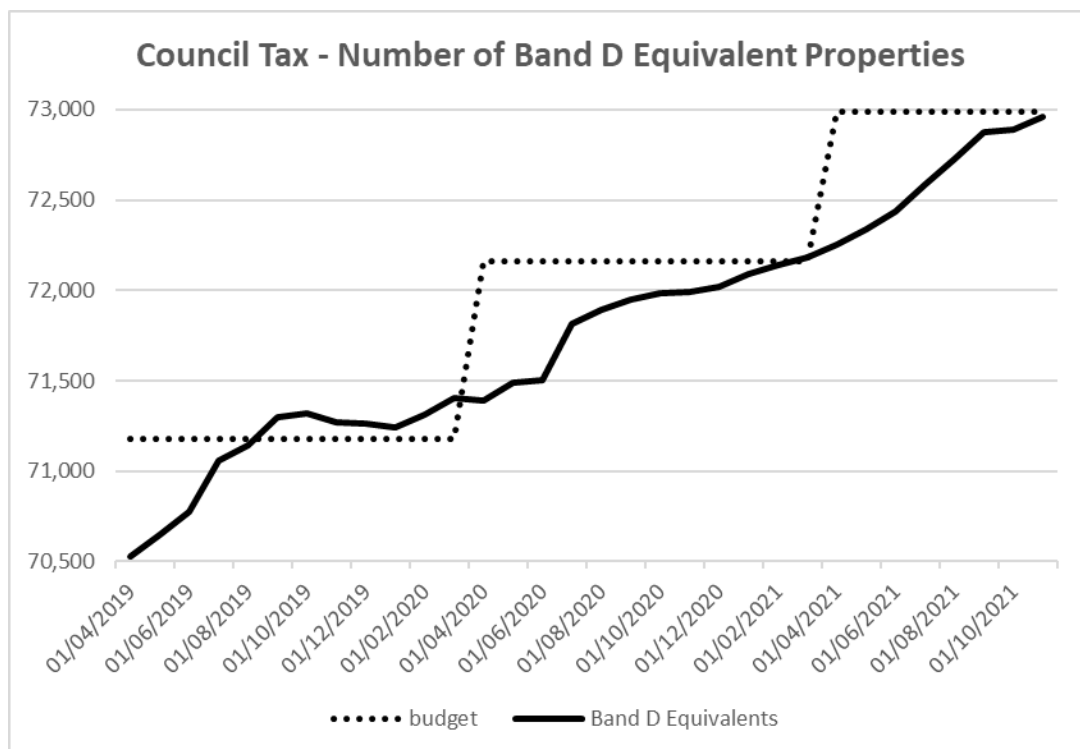
- 3.4 Collection levels in 2020/21 were clearly impacted by Covid-19. This was addressed in the 2021/22 Revenue Budget when budgeted collection levels were reduced by 1.5% to 96.5%. Based on collection levels to 31 October, Council Tax income may exceed the budgeted target. However, the impact of Covid-19 continues to impact on Council Taxpayers with the ending of the Job Retention Scheme and the reduction in Universal Credit payments, there is a risk that the collection levels at this stage of the financial year remain

artificially high. This position will be kept under review and reported in future updates.

- 3.5 Between 2016/17 and 2020/21, the average collection figure to 31 October was 64.34%. The actual collection figure to 31 October 2021 was 64.03% which is a reduction of 0.31% compared to the historical average but a 1.18% increase on the comparable position in 2020.



- 3.6 Secondly, in setting the Council's Revenue Budget, assumptions are made on increases in the number of Band D equivalent properties. The graph set out below suggests that actual growth levels are in line with budget assumptions.



- 3.7 Based on the data set out above, the latest projected outturn indicates that additional Council Tax income of **£800,000** will be received in 2021/22. There are several national issues that may impact on Council Tax income going forward. The potential impact of these issues will be kept under review with updates to elected members being provided to future meetings of this Committee.

Non-Domestic Rates

- 3.8 The actual collection rate to 31 October 2021 was 63.86%, compared to 67.56% for the same period to 2019/20 (the figure for 2020/21 was 60.39% but this is less comparable due to when bills were issued).

Other Corporate Budgets

- 3.9 Latest estimates suggest a projected overspend on the Apprenticeship Levy of **£36,000** and an under spend on payments to Tayside Pension Fund of **£24,000**.

4. REVENUE MONITORING – OTHER AREAS

Housing Revenue Account

- 4.1 The Housing Revenue Account is currently anticipated to break even in the current financial year. Within this projection there are several variances which are summarised below and set out in Appendix 4.
- 4.2 All areas of service delivery - increase in projected under spend of **£122,000** due to staff slippage.
- 4.3 Other budgets – net increase in projected overspend of **£176,000** due, primarily to increased loan charges because of accelerated capital expenditure.
- 4.4 As a result of the variances identified above Capital from Current Revenue will be reduced by a further **£54,000**.

Impact on Arm's Length External Organisations (ALEOs)

- 4.5 The Council continues to work closely with its three Arm's Length External Organisations (ALEOs) – Live Active Leisure (LAL), Horsecross Arts (Hx Arts) and Culture Perth & Kinross (CPK) who make an important contribution to the wellbeing of both citizens and visitors to Perth and Kinross.
- 4.6 As sole member and core funder of all three ALEOS, the Council has managed financial risk by maintaining normal monthly service level agreement payments have been maintained to all three organisations to mitigate the impact of Covid-19. In addition, officers are working closely with all three ALEOs to understand the impact of Covid-19 more fully on service delivery. Recovery rates (returning customers) vary across the three but are

between 30-40% of pre-Covid levels with long-term recovery likely to take a further 3 years.

- 4.7 To date, no significant financial issues have been identified relating to Culture Perth and Kinross or Horsecross Arts. Horsecross Arts have requested underwriting support for the 2021 pantomime if required but current projections at this time, indicate this will not be required.
- 4.8 The last meeting of the Strategic Policy & Resources Committee was advised that Live Active Leisure had developed a range of scenarios with a potential financial impact of between £500,000 and £1.4 million in the current financial year. This position is being kept under review and preliminary analysis of income and expenditure since restrictions were eased indicate an improving position. The range of any projected losses will be dependent on how quickly customers return following the removal of Covid restrictions, the resumption of services at Perth Leisure Pool/Dewars following flood damage and repurposing for the mass vaccination programme and the impact of changes in the local leisure market.
- 4.9 The financial position of the ALEOs will be kept under review in light of updated projections and Government advice. This will be reported to future Committees.

5. 2021/22 ADDITIONAL FUNDING

- 5.1 Since elected members considered Revenue Budget 2021/22 - Update No. 2 on 1 September 2021 (Report No 21/146 refers), the Council has been advised of additional funding in 2021/22 from several sources. To ensure that the 2021/22 Management Budget continues to reflect the operational requirements of the Council, several adjustments are required, which are summarised below and included in Appendix 1 and Appendix 5.

Scottish Government – Revenue Support Grant:

- Tenant Hardship Grant Fund (Communities) – £188,000
- CO2 Monitors - £79,000

- 5.2 The Scottish Government has advised that the increase in Revenue Support Grant identified above of **£267,000** will be made through a redetermination of the Council's Revenue Support Grant. It is therefore necessary to adjust both the budget for Communities and Revenue Support Grant.
- 5.3 **ACTION:** The Council is asked to approve the adjustment set out at paragraph 5.2 which is reflected in Appendix 1 (Column 3) to this report.

Other Funding

- 5.4 Other funding amounting to **£2.259 million** will be paid outside the Revenue Support Grant mechanism as Other Grant income and is, therefore, cost

neutral in terms of the budget summary. Details of this funding is set out in Appendix 5.

- 5.5 **ACTION:** The Council is asked to note the receipt of **£2.259 million** of additional resources, with this funding being reflected within Education & Children's Services and Communities as additional grant income. The current projected outturn assumes that all these additional resources will be fully expended in 2021/22 or will be carried forward under the terms of the grant award.

6. VIREMENTS

Contribution to/from Capital Fund

- 6.1 In line with the strategy for managing the Council's Capital Programme over the medium term, it is recommended that the eventual over or under spend on Capital Financing Costs and Interest on Revenue Balances be transferred from or to the Capital Fund.
- 6.2 The latest monitoring indicates a reduction in the projected outturn for capital financing costs (loan charges) of **£57,000** and an increase of **£1,000** in interest on revenue balances.
- 6.3 **ACTION:** The Committee is requested to approve the virement of £57,000 from the Capital Financing Costs (Loan Charges) Budget and £1,000 to Interest on Revenue Balances with a corresponding increase in the projected Contribution to the Capital Fund. These adjustments have been reflected in Appendix 1 (Column 4) to this report.

Service Virements

- 6.4 To ensure that the 2021/22 Management Revenue Budget continues to reflect current Service needs and operational requirements the following virements between budgets are required.
- Corporate & Democratic Services to Health & Social Care (£21,000) for activity related to clients
 - Health & Social Care to Communities (£4,000) for community transport
 - Communities to Corporate & Democratic Services (£161,000) for the final transfer of property related budgets and support for corporate governance

7. MOVEMENTS IN RESERVES

Remodelling of Residential Care (Children & Young People) (REACH Project)

- 7.1 On 30 September 2020, the Council approved the application of £416,000 to fund four social worker posts to support the additional demand pressures of the children and families social work service. This was funded from the earmarked Reserve for the Remodelling of Residential Care (Children & Young People). The appointment to these posts has been rephased and approval is sought to transfer **£100,000** back to the earmarked Reserve to be drawn down in future years.
- 7.2 **ACTION:** The Committee is asked to approve the transfer of £100,000 from Education & Children's Services to the earmarked Reserve for the Remodelling of Residential Care (Children & Young People) to meet future years' expenditure. This adjustment is reflected in Appendix 1 (Column 5) to the report and has no impact on the level of unearmarked Reserves.

Care at Home Services – Mobile Technology

- 7.3 Previously, the Council agreed that the final 2020/21 under spend would be transferred to the Covid-19 earmarked Reserve to support the future response / recovery. Within the 2020/21 final under spend, **£46,000** related to non-devolved functions of social care. Approval is sought to transfer this amount to Perth & Kinross Integration Joint Board to fund implementation costs arising from the further roll out of mobile technology within Care at Home Services.
- 7.4 **ACTION:** The Committee is asked to transfer £46,000 from the Covid-19 earmarked Reserve to Health & Social Care to continue with the roll out of mobile technology within Care at Home. This adjustment is reflected in Appendix 1 (Column 5) to the report and has no impact on the level of unearmarked Reserves.

Property Maintenance

- 7.5 On 1 September 2021, the Strategic Policy & Resources Committee approved the application of £380,000 for repairs to cemetery walls. Much of this work is weather dependent, therefore it is currently projected that **£250,000** of this funding will not be utilised in the current financial year. Approval is therefore sought to create an earmarked Reserve for Property Maintenance and transfer this projected under spend to it to be drawn down in future years.
- 7.6 **ACTION:** The Committee is asked to approve the creation of a Property Maintenance earmarked Reserve and transfer the projected under spend of £250,000 to it from Corporate & Democratic Services. This adjustment is reflected in Appendix 1 (Column 5) and Appendix 2).

- 7.7 There are several factors that can influence property maintenance expenditure in individual financial years, including weather, access and contractor availability. Going forward, approval is sought to transfer the final under spend on property maintenance to the earmarked Reserve to ensure that the capacity to carry out the works is not lost.
- 7.8 **ACTION:** The Committee is asked to approve that final under spends on property maintenance are transferred to the earmarked Reserve for Property Maintenance to be drawn down in future years.

Revenue Grants

- 7.9 Accounting arrangements, under International Accounting Standards, require that, subject to certain conditions, revenue grants which were received by the Council in 2020/21 but not utilised by 31 March 2021 should be accounted for in Reserves at the end of the financial year. Approval is sought to transfer **£306,000** from the earmarked Reserve for Revenue Grants for Community Mental Health (Young People) to Education & Children's Services.
- 7.10 **ACTION:** The Committee is asked to approve the transfer of £306,000 to Education & Children's Services, funded from the earmarked Reserve for Revenue Grants for Community Mental Health (Young People). This adjustment is reflected in Appendix 1 (Column 5) to this report and has no overall impact on the budgeted level of uncommitted Reserves.

Transformation Programme

- 7.11 Approval is sought to adjust the Health & Social Care budget with funding of **£9,000** from the Transformation earmarked Reserve to support mental health training
- 7.12 **ACTION:** The Committee is asked to transfer £9,000 from the Transformation Earmarked Reserve to Health & Social Care to support mental health training. This adjustment is reflected in Appendix 1 (Column 5) to this report and have no overall impact on the budgeted level of uncommitted Reserves.

8. CONCLUSION AND RECOMMENDATIONS

- 8.1. The Council's financial position in 2021/22 is likely to remain challenging and regular updates will be provided to the Council's Strategic Policy and Resources Committee as the position develops.
- 8.2. Currently, a projected under spend / over recovery of income of **£1.899 million** is reported.
- 8.3. The Committee is requested to:
- i) note the contents of the report,
 - ii) approve the adjustments to the 2021/22 Management Revenue Budget detailed in Appendices 1 to 6 and Sections 2 to 7,

- iii) approve 2021/22 Service virements summarised in Appendices 2 and 4,
- iv) note the Health & Social Care projected outturn summarised in paragraphs 3.1 and Appendix 3,
- v) note the Housing Revenue Account projected outturn summarised in Section 4 above and Appendix 4.
- vi) approve the creation of an earmarked Reserve for Property Maintenance – see para 7.4.
- vii) approve that final under spends on property maintenance are transferred to the earmarked Reserve for Property Maintenance to be drawn down in future years – see para 7.6.

Author(s)

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Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	2 November 2021
Karen Donaldson	Chief Operating Officer	11 November 2021

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

Corporate Plan

1.1 The Council's Corporate Plan 2018 – 2022 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

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

1.2 This report relates to all these objectives.

2. Resource Implications

Financial

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

Workforce

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

Asset Management (land, property, IT)

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

3 Assessments

Equality Impact Assessment

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

Strategic Environmental Assessment

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

Sustainability

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

4. Consultation

Internal

- 4.1 The Executive Officer Team have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

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

3. APPENDICES

- Appendix 1 – 2021/22 Management Budget
- Appendix 2 – General Fund 2021/22 Projected Outturn – Service Analysis
- Appendix 3 – Perth and Kinross Integration Joint Board
- Appendix 4 – Housing Revenue Account 2021/22 Projected Outturn
- Appendix 5 – Other Grant Funding