

**Perth & Kinross Council**

**Finance & Resources Committee**

**13 September 2023**

**REVENUE BUDGET 2023/24 – UPDATE NO. 1**

**Contact Officer: Scott Walker, Chief Accountant**  
(Report No. 23/242)

**1. PURPOSE**

- 1.1 This report provides an update on progress with the 2023/24 General Fund Revenue Budget based upon the June 2023 ledger, updated for any subsequent known material movements, and the projected financial position of the Housing Revenue Account.
- 1.2 The total net projected over spend on the 2023/24 General Fund Management Budget is **£1.008 million** (see **Appendix 1**).

**2. RECOMMENDATIONS**

- 2.1 The Committee is requested to:
- A. note the contents of the report,
  - B. note the projected outturn for General Fund Services set out in **Section 5** and **Appendix 1 and 2**,
  - C. note the projected outturn for Corporate Budgets set out in **Section 6**,
  - D. note the funding update provided in **Section 7**,
  - E. note the projected outturn for the Housing Revenue Account, which is summarised in **Section 8** and **Appendix 3**,
  - F. approve the adjustments to the 2023/24 Management Revenue Budget detailed in **Sections 10,11 & 12** and **Appendices 1, 2, 4, 5, and 6**,
  - G. note the financial risks set out in **Section 13** and **Appendix 7**.

**3. STRUCTURE**

Section 4	Background
Section 5	Revenue Monitoring – Service Budgets
Section 6	Revenue Monitoring – Corporate Budgets
Section 7	Revenue Monitoring – Funding
Section 8	Revenue Monitoring – Other Updates
Section 9	Issues Arising from Financial Year 2022/23

Section 10	2023/24 Additional Funding
Section 11	2023/24 Virements
Section 12	2023/24 Movements in Reserves
Section 13	Financial Risks
Section 14	Conclusions

#### **4. BACKGROUND**

- 4.1 This report updates the Committee on progress with the 2023/24 Revenue Budget. **Appendix 1** to this report summarises the current projected year end (outturn) position for each Service based upon the June 2023 ledger, updated for any subsequent known material movements.
- 4.2 The budget total reflected in Column 1 of **Appendix 1** to this report is that approved by the Council in setting the 2023/24 Final Revenue Budget on 1 March 2023 (Report No. 23/72 refers). In addition, adjustments approved by the Finance & Resources Committee on 26 April 2023 (Report No. 23/120 refers) and Executive Sub-Committee of the Finance and Resources Committee on 24 July 2023 (Report No. 23/219 refers) are reflected in **Appendix 1** (Column 2).

#### **5. REVENUE MONITORING – SERVICE BUDGETS**

- 5.1 The total net projected under spend on Service budgets, which is summarised in **Section 1** of **Appendix 1** to this report, is **£161,000** which represents **0.04%** of total net Service expenditure.
- 5.2 Details of variances against individual Service budgets are shown in **Appendix 2** to this report with the most significant variances summarised below.
- 5.3 The management of Service over and under spends are considered throughout the financial year and may also form part of the Revenue Budget strategy for future years.
- 5.4 There remains a risk that the Council continues to experience increases in costs over the short to medium term that are higher than budgeted inflation levels. This is already being seen in the cost of the materials required by property and housing maintenance teams. Going forward, this may continue to have an impact on projected outturns and future years' budgets.

#### **Education & Children's Services**

- 5.5 The projected outturn for Education & Children's Services excluding Devolved School Management (DSM) and the Pupil Equity Fund (PEF) is currently anticipated to be **on target** against budget. The individual elements contributing to this position is summarised in the following table and narrative.

Function	Projected Outturn			Movement
		£'000	%	£'000
Education Services	Over spend	345	0.5	-
Children, Young People & Families	Under spend	(20)	(0.1)	-
Business & Resource Services	Under spend	(51)	0.7	-
Catering Services	Under spend	(274)	(3.8)	-
<b>TOTAL</b>		-	-	-

- 5.6 Within **non devolved Education Services** there is a net projected over spend of **£345,000**. This is made up of the non-achievement of staff slippage (£253,000), reduced income (£88,000) and loan charges (£36,000) partially offset by savings on non-domestic rates (£32,000).
- 5.7 In **Services for Children, Young People & Families** there is a net projected under spend of **£20,000**. Within this projection there is a net under spend on support for young people and additional income partially offset by projected over spends on legal & translation fees, and client travel partially.
- 5.8 In **Business & Resource Services** there is a net under spend of **£51,000** due to staff slippage partially offset by reduced school let income.
- 5.9 In **Catering Services** there is a net projected under spend of **£274,000** due to updated meal projections.
- 5.10 The **Devolved School Management Scheme** is currently projected to be **on target**. However, schools are experiencing challenges in delivering approved staff slippage targets. The budgets for the Devolved School Management scheme are allocated by financial year (April – March), whereas expenditure is incurred by academic year (August – June).
- 5.11 At this stage of the academic year, expenditure met from the **Pupil Equity Fund (PEF)** is projected to be **£100,000** less than the allocation from the Scottish Government of £1.874 million. Schools are being instructed to use this year's PEF by 31 March 2024. It is anticipated that the projected under spend on teacher and support costs will be carried forward to 2024/25 to meet commitments. The budgets for the Pupil Equity Fund scheme are allocated by financial year, whereas expenditure is incurred by academic year.

### Communities

- 5.12 The projected outturn for Communities is currently anticipated to be **£140,000** more than budget, which represents **0.2%** of the Service Management Budget. The projected over spend is summarised in the following table and narrative.

Function	Projected Outturn			Movement
		£'000	%	£'000
Environmental & Consumer Services	Over spend	45	0.1	-
Planning & Development	Over spend	30	0.5	-
Housing	Over spend	40	0.5	-
Business & Resources	Over spend	25	0.4	-
<b>TOTAL</b>	<b>Over Spend</b>	<b>140</b>	<b>0.2</b>	

- 5.13 In **Environmental & Consumer Services** there is a projected net over spend of **£45,000**. The projected over spend is made up of additional costs relating to hire costs (refuse collection vehicles), consultancy fees (operational assets) and reduced income in corporate health & safety. These are partially offset by a net projected under spend on fleet management and additional income from Bereavement Services.
- 5.14 In **Planning & Development** there is a projected over spend of **£30,000** in relation to Perth Harbour.
- 5.15 In **Housing** there is a projected over spend of **£40,000** due to energy costs at Greyfriars Hostel and void rent loss in relation to housing support properties.
- 5.16 Within **Business & Resources** there is a projected over spend of **£25,000** due to additional costs at Perth Bus Station.

### Corporate & Democratic Services

- 5.17 The projected outturn for Corporate & Democratic Services is currently anticipated to be **£282,000** less that budget which represents **1%** of the net Service budget. The main movements are summarised in the following table and narrative.

Function	Projected Outturn			Movement
		£'000	%	£'000
Legal & Governance Services	Under spend	(156)	(3.5)	-
Finance	Over spend	43	3.3	-
Human Resources	Under spend	(12)	(2.6)	-
IT & Revenues & Benefits	Under spend	(157)	(1.6)	-
<b>TOTAL</b>	<b>Under spend</b>	<b>(282)</b>	<b>1.0</b>	-

- 5.18 In **Legal & Governance**, there is a projected under spend / additional income of **£156,000** which is primarily a result of additional staff slippage.
- 5.19 Within **Finance** there is a projected over spend of **£43,000** due to increased external audit fees.
- 5.20 In **Human Resources** there is a projected under spend of **£12,000**, due in the main to staff slippage.

5.21 In **Information Technology and Revenues & Benefits** there is a projected under spend of £157,000, due primarily to the latest estimates on housing benefit subsidy.

5.22 Whilst the budget is on target across **Property**, there is a projected under spend on energy and Pullar House which is contributing to additional maintenance activity.

#### **Chief Executive Service**

5.23 The projected outturn for the Chief Executive's Service is currently anticipated to be **£19,000** less than budget due to staff slippage and additional income.

### **6. REVENUE MONITORING – CORPORATE BUDGETS**

6.1 Included within **Section 2 of Appendix 1** is an update on the Council's Corporate budgets. More information on variances against individual budget headings are set out below.

#### **Health & Social care**

6.2 The Health & Social Care Partnership will report its first financial monitoring for Perth & Kinross Integration Joint Board (IJB), for the financial year 2023/24, to the IJB's Audit & Performance Committee on 18 September 2023.

6.3 In setting the 2023/24 final Revenue Budget, the IJB approved the use of Reserves to deliver a balanced position. However, the financial position of the IJB remains challenging due to health and social care continuing to face recruitment challenges, increasing needs and complexities, uncertainty over funding and rising costs particularly within prescribing.

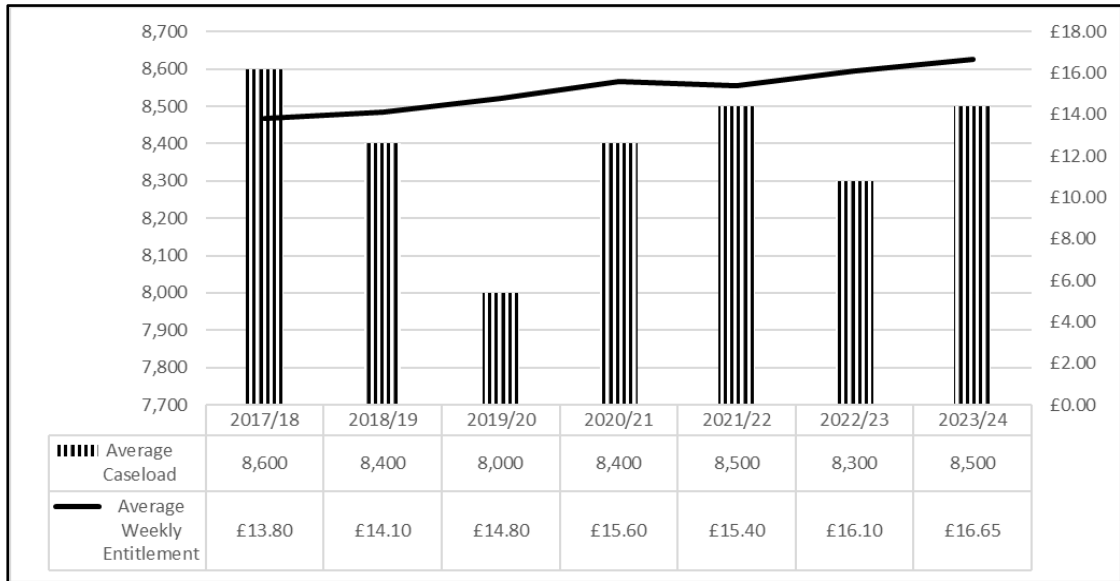
6.4 Any financial implications arising from the IJB will be reported to future meetings of the Finance & Resources Committee.

6.5 In relation to non-devolved functions there is currently a projected under spend of **£31,000** which is reflected in **Appendix 1**.

#### **Council Tax Reduction Scheme**

6.6 The application of the Council Tax Reduction Scheme is a statutory function for the Council. The promotion and encouragement of take up is a key responsibility for the Council, particularly when households are facing significant pressures on the cost of living.

6.7 The level of expenditure incurred by the Council is dependent upon two main drivers, firstly, the average number of weekly caseload and, secondly, the average value of weekly entitlements. The following graph sets out both variables over the current and previous six financial years. The graph shows a clear increase in the average weekly entitlement whereas the average caseload has been more volatile but has returned to higher levels.



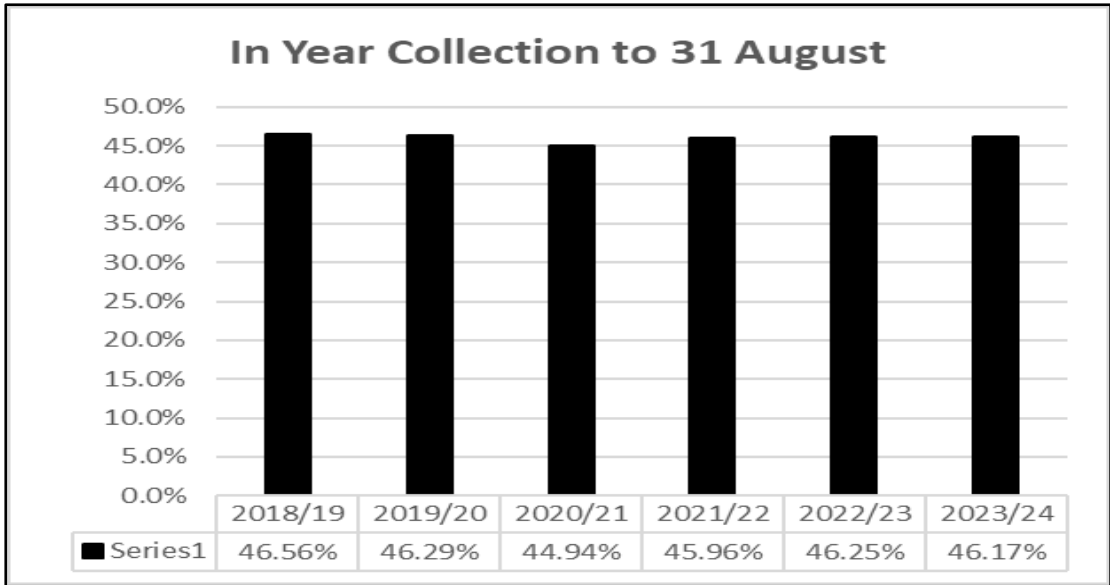
- 6.8 In the current financial year, the Council is supporting approximately **8,500** households across Perth and Kinross with the Council Tax Reduction Scheme with an average award of **£16.65** per week. This results in a projected overspend on the Council Tax Reduction Scheme of approximately **£1.2 million** which is reflected in **Appendix 1**.

## 7. REVENUE MONITORING – FUNDING

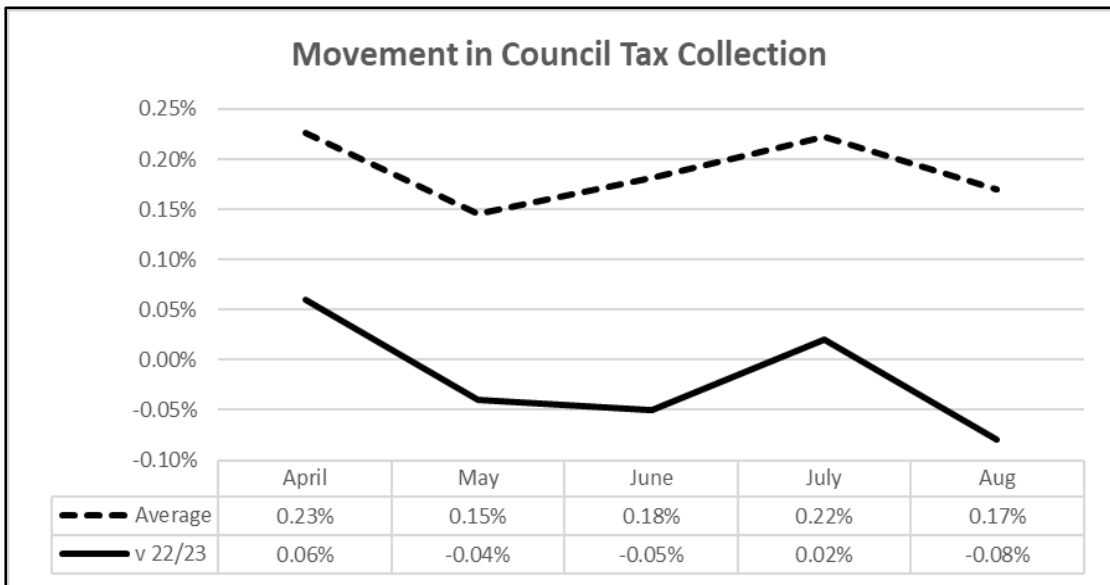
- 7.1 Further information on the Council's funding is set out within **Section 3 of Appendix 1**. More information on variances against individual budget headings are set out below.

### Council Tax Income

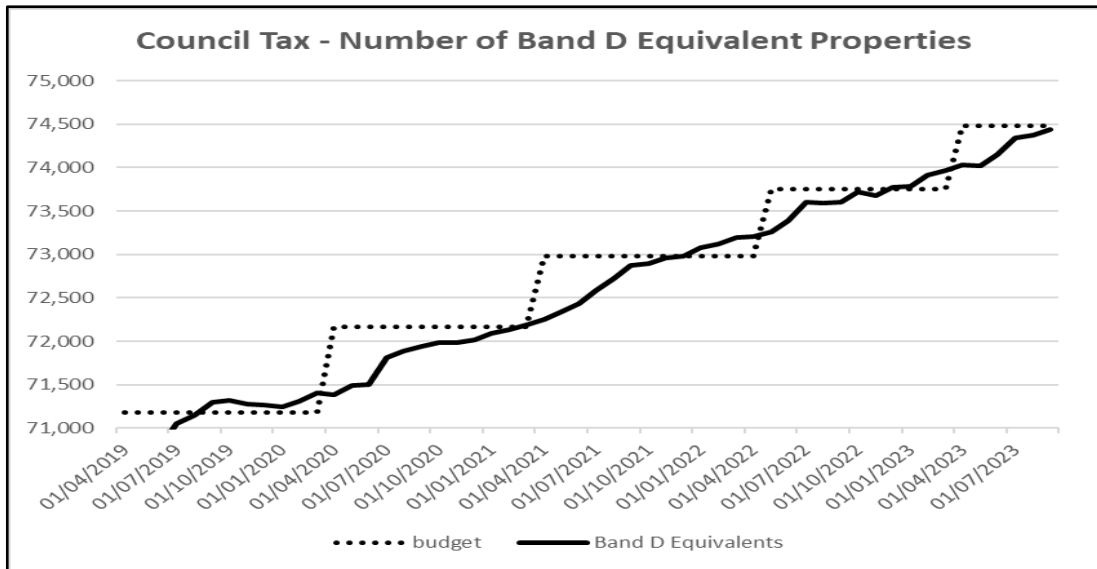
- 7.2 The amount of income the Council will generate from Council Tax is dependent on two main factors, firstly the collection levels and secondly, the number of Band D properties on the Valuation Roll.
- 7.3 Monitoring of Council Tax collection levels is carried out monthly. The following graph sets out collection performance to 31 July 2023 together with prior year comparative figures for the previous five financial years.



7.4 Between 2018/19 and 2022/23, the average collection figure to 31 August was 46%. The actual collection figure to 31 August 2023 was **46.17%** which is an increase of **0.17%** compared to the five-year average, but a **0.08%** reduction on the comparable position in 2022.



7.5 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.



- 7.6 Given the 2023/24 collection rate that is set out at paragraph 7.4 above is consistent with previous years, and that the growth in the number of Band D equivalent properties is in line with expectations, it is currently anticipated that Council Tax income is on target for the current year.

### Non-Domestic Rates

- 7.7 The actual collection rate to 31 July 2023 was **22.89%**, compared to 24.06% for the same period in 2022/23.

## 8. REVENUE MONITORING – OTHER UPDATES

### Impact on Arm's Length External Organisations (ALEOs)

- 8.1 The Council continues to work closely with its three Arm's Length External Organisations (ALEOs) – Live Active Leisure (LAL), Perth Theatre & Concert Hall (PTCH) and Culture Perth & Kinross (CPK) who make an important contribution to the Corporate Plan through the current Culture, Physical Activity and Sport Strategies approved by Council in May 2023.
- 8.2 To date, no significant financial issues have been identified relating to Culture Perth and Kinross or Perth Theatre & Concert Hall.
- 8.3 Live Active Leisure finished 2022/23 with a revenue deficit of **£203,000**. For 2023/24, LAL has a budgeted deficit of **£630,000**, which it expects to rise to **£1.3 million** in 2024/25. For 2023/24, LAL are funding the budgeted deficit from their Reserves and at this stage, there is no ask of the Council.
- 8.4 LAL's projected deficits in 2021/22 and 2022/23 did not materialise, which is positive. However, Council officers will work with LAL throughout the year on best/worst/mid-range projections to ensure that the Committee has more certainty about the likely year end position for 2023/24. This will be particularly important to support work on the ALEO budget positions and SLA awards for 2024/25 given the continuing financial challenges which face the Council.



- 8.5 As part of the ALEO Transformation Review, Glasgow Audit will be commissioned to review the financial resource position of each ALEO and provide some analysis and commentary on financial sustainability and governance.
- 8.6 The long-term sustainability of the Council's ALEOs across future financial years will be kept under review with updates provided to future meetings of the Finance & Resources Committee.

### **Tayside Contracts**

- 8.7 The operating environment for Tayside Contracts remains challenging. They continue to experience significant inflationary pressures on the price of staple foods – beyond that of the headline CPI and RPI rates quote more widely.
- 8.8 Beyond that, negotiations on the 2023/24 pay award are still ongoing. Should the outcome of the negotiations exceed budgeted levels, without sufficient external funding forthcoming, there is a risk that this will cause a further significant risk to the profitability of Tayside Contracts.
- 8.9 Tayside Contracts are in the process of identifying mitigating actions and the three constituent Councils are looking at how they may assist. Work will continue between officers of the Council and Tayside Contracts to further refine these projections.
- 8.10 Both of these pressures may impact on the Council in the form of a request for additional financial support, as has been the case in previous financial years and / or the non-achievement of the budgeted income from the share of Tayside Contract's surplus.
- 8.11 At this stage, the potential costs of providing additional financial support have not been factored into the Council's projections. Any proposal to provide additional funding to Tayside Contracts will be brought back to a future meeting of the Finance & Resource Committee for approval by elected members.
- 8.12 In addition, given the financial challenges facing Tayside Contracts, there is a risk that the budgeted amount from the Trading Operations surplus of **£550,000** will not be received in the current year.

### **Housing Revenue Account**

- 8.13 The Housing Revenue Account is currently projected to **break even** in the current financial year. The main elements are summarised below and set out in **Appendix 3**.
- 8.14 Across the Housing Revenue Account activity there is a net projected under spend of **£110,000**. This is made up of additional income from Interest on

Revenue Balances and Recharges which is partially offset by IT system upgrades and expenditure on decant costs.

- 8.15 As a result of the variances identified above Capital from Current Revenue will increase by **£110,000**.

## 9. ISSUES ARISING FROM FINANCIAL YEAR 2022/23

- 9.1 In completing the 2022/23 Unaudited Annual Accounts, two issues have been identified which require adjustments to be made to the 2023/24 Management Budget.

### Devolved School Management / Pupil Equity Fund Balances

- 9.2 In setting the 2023/24 Final Revenue Budget on 1 March 2023 (Report No. 22/72 refers), the Council approved a projected **Devolved School Management** (DSM) carry forward of £777,000. However, the final under spends (which included agreed planned carry forwards) on the DSM scheme was £722,000 which is **£55,000** less.
- 9.3 Similarly, the Council approved a projected **Pupil Equity Funding** carry forward of £300,000. However, the final under spend was £140,000 which is **£160,000** less. Schools spent 95% of their total Pupil Equity Funding in 2022/23, a significant improvement on previous years.
- 9.4 **ACTION:** The Committee is requested to remove **£215,000** from the Education & Children's Services to reflect the actual Devolved School Management scheme and Pupil Equity Fund balances brought forward from 2022/23. This adjustment is reflected in **Appendix 1** (Column 3) to this report and has no overall impact on the level of uncommitted Reserves.

### Revenue Grants

- 9.5 Accounting arrangements under International Accounting Standards require that, subject to certain conditions, revenue grants which were received by the Council in 2022/23 but not utilised by 31 March 2023 should be accounted for in Reserves at the end of the financial year. Approval is therefore sought to draw down **£9.438 million** in 2023/24 from the earmarked Reserve for Revenue Grants. These revenue grants are set out in detail in **Appendix 4**.
- 9.6 Approval is now sought to adjust the budgets of Education & Children's Services (**£1.639 million**), Communities (**£7.744 million**) and Health & Social Care (**£55,000**).
- 9.7 **ACTION:** The Committee is asked to approve the adjustments totalling **£9.438 million** to the above Service budgets (set out in detail in **Appendix 4**), funded from Reserves, to reflect revenue grants received in 2022/23 in respect of expenditure which will not be incurred until 2023/24. These additional

adjustments are reflected in **Appendix 1** (Column 3) to this report and have no overall impact on the budgeted level of uncommitted Reserves.

## 10. 2023/24 ADDITIONAL FUNDING

10.1 Since the 2023/24 Revenue Budget was updated on 26 April 2023 (Report No. 23/120 refers), the Council has been advised of additional funding for the current financial year from several sources. To ensure that the 2023/24 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:

- Teachers Pay Award 2023/24: £4.068 million (Education & Children’s Services (ECS))
- Additional Funding for Summer Holidays: £98,712 (ECS)
- No-One Left Behind – Approach to Employability: £322,000 (Communities)

10.2 The Scottish Government has advised that the increase in Revenue Support Grant identified above of **£4.489 million** will be made through a redetermination of the Council’s Revenue Support Grant. It is therefore necessary to adjust budgets for Education & Children’s Services and Revenue Support Grant.

10.3 **ACTION:** The Council is asked to approve the adjustments set out at paragraph 10.2 which is reflected in **Appendix 1** (Column 4) to this report.

### Other Funding

10.4 Other funding amounting to **£4.856 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**.

10.5 **ACTION:** The Committee is asked to note the receipt of **£4.856 million** of additional resources, with this funding being reflected within Education & Children’s Services, Communities and Health & Social Care as additional grant income. The current projected outturn assumes that all these additional resources will be fully expended in 2023/24 or will be carried forward under the terms of the grant award.

## 11. 2022/23 VIREMENTS

### Contribution to/from Capital Fund

11.1 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.

- 11.2 The latest monitoring indicates a projected under spend on capital financing costs (loan charges) of **£130,000** based on the latest treasury management activity and an increase of **£633,000** in income from interest on revenue balances due to rising rates. This will result in an increased Contribution to the Capital Fund of **£763,000** in the current financial year.
- 11.3 **ACTION:** The Committee is requested to approve the virement of **£130,000** from the Capital Financing Costs (Loan Charges) Budget and **£633,000** 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 5) to this report.
- 11.4 At 31 March 2023, the unaudited Annual Accounts included a Capital Fund balance of **£26.343 million**. The Capital Fund is currently projected to peak in 2024/25 at approximately **£31.6 million**, before gradually reducing until fully utilised in 2044/45.

#### **Service Virements**

- 11.5 To ensure that the 2023/24 Management Revenue Budget continues to reflect current Service needs and operational requirements there are several virements that are reflected in **Appendix 1** (column 5) that have been processed in line with the Scheme of Administration.

## **12. 2023/24 MOVEMENTS IN RESERVES**

- 12.1 Included at **Appendix 6** is an update on the Council's General Fund Reserves. The appendix includes the following:
- Earmarked and unearmarked Reserves as at 31 March 2023 (per unaudited Annual Accounts).
  - previously approved contributions to and from earmarked Reserves in 2023/24, 2024/25 and 2025/26.
  - The impact of proposals within this report on earmarked Reserves.
  - The impact of the latest revenue monitoring on the level of unearmarked Reserves.
- 12.2 The earmarked Reserves are brigaded under three headings as follows:
- i. Balances held under statute / regulation – these earmarked Reserves are prescribed under legislation and the Council has limited discretion in how they are applied.
  - ii. Balances held for specific (previously approved) purposes – the purpose of these earmarked Reserves has been previously approved by Council in either the Reserves Strategy or Annual Accounts
  - iii. Balances held for other purposes – the creation of these earmarked Reserves has been approved by Council, but not specific proposals.

- 12.3 Going forward proposals involving earmarked Reserves under i. and ii. above will be advised to Committee in summary as Council either has limited discretion or previously approved their application. Proposals to apply earmarked Reserves under iii. above will include more detail for elected member consideration.

#### **Balances Held Under Statute / Regulation**

- 12.4 The application of these earmarked Reserves was considered earlier in this report in **Section 9**.

#### **Balances Held for Specific (Previously Approved) Purposes**

- 12.5 These earmarked Reserves have previously been approved by elected members in their consideration of the Reserves Strategy or Annual Accounts. The proposals listed below are simply about the transfers in and out of earmarked Reserves to take forward approved proposals.

- Contribution to 2023/24 Revenue Budget - £12,000
- Culture - £31,000
- Financial Insecurity - £30,000
- Works Maintenance (River Ericht) - £200,000
- Project Feasibility Fund - £115,000
- Working Smarter - £15,000

#### **Balances Held for Other Purposes**

- 12.6 The **Transformation & Workforce Management** earmarked Reserve was created to provide the funding required to take forward the Transformation and Change Programme as well as fund the financial implications of workforce changes.
- 12.7 The 2023/24 Revenue Budget, approved by Council on 1 March 2023 included funding to take forward a number of anti-poverty initiatives. This funding will also support work in 2024/25, therefore approval is sought to transfer **£74,000** from the Chief Executive's Service to the earmarked Reserve.
- 12.8 In addition, approval is sought to transfer **£52,000** from the Transformation & Workforce Management earmarked Reserve to ensure completion of several previously approved projects including mental health training and low carbon.
- 12.9 **ACTION:** The Committee is asked to approve the net transfer of **£22,000** to the Transformation & Earmarked Reserve with adjustments reflected in **Appendix 1** (Column 5) to the report.
- 12.10 Furthermore, under the Framework for Managing Workforce Change, the authority to approve voluntary severance requests sits with the Executive Leadership Team, except for requests from Chief Officers. With that in mind,

approval is sought to draw down **£178,000** from the Transformation and Workforce Management earmarked Reserve to fund the voluntary severance requests for **seven** officers across the Council. These voluntary severance requests will support the delivery of savings previously approved by Council and payback in less than two years.

- 12.11 **ACTION:** The Committee is asked to approve the transfer of **£178,000** from the Transformation & Earmarked Reserve with adjustments reflected in **Appendix 1** (Column 5) to the report.
- 12.12 The **Covid-19 earmarked Reserve** is was originally created to address the ongoing impact of the global pandemic. Latterly it has supported initiatives designed to mitigate against the cost of living.
- 12.13 To that end, approval is sought to transfer funding to the Warm Welcome Fund (formerly known as the Cost of Living Community Fund). This funding would be available for local community groups or organisations in Perth and Kinross to apply for to provide activities and warm spaces for those struggling with the cost of living over the winter months. Groups are being encouraged to work together to develop proposals which meet the needs of their local communities. To ensure that there are enough physical spaces and activities to meet the needs of communities within every ward an additional **£50,000** is requested for the Warm Welcome Fund.
- 12.14 **ACTION:** The Committee is asked to approve the transfer of **£50,000** from the Covid-19 earmarked Reserve to Communities for the Warm Welcome Fund. This adjustment is reflected in **Appendix 1** (Column 5) to the report.
- 12.15 Subject to approval of the proposals included within this report, the level of earmarked Reserves will reduce to **£30.361 million**.
- 12.16 When the implications of the revenue monitoring included within **Appendix 1** are factored in, unearmarked Reserves reduce to **£17.069 million (3.6%)**.

### **Scottish Crannog Centre**

- 12.17 On 1 February 2023, the Finance & Resources Committee agreed to underwrite up to **£210,000** of a contingency allowance for the Scottish Crannog Centre (Report No. 23/30 refers).
- 12.18 Following that decision, terms were confirmed with the project that this funding would contribute to unforeseen necessary works, not additional works or contract inflation.
- 12.19 The works on the Scottish Crannog Centre are progressing with a planned completion in Christmas 2023. Currently additional costs are being forecast for third party utilities connections, additional remedial works to existing buildings, additional external works only visible once on site and clarifications in specifications. The Scottish Crannog Centre has subsequently requested

an interim drawdown of **£93,000** of the contingency funding from the Council. Additional requests may be made before the contract completes.

- 12.20 **ACTION:** The Committee is asked to approve the transfer of **£93,000** from unearmarked Reserves to Communities to support the Scottish Crannog Centre. This adjustment is reflected in Appendix 1.

### 13. FINANCIAL RISKS

- 13.1 In preparing the Council's 2023/24 Revenue Monitoring, officers have considered the key strategic, operational and financial risks facing the Council over this period. Whilst the risks may be managed in the current financial year, there is the potential for there to be an impact in the future.
- 13.2 To alleviate the impact these risks may have if they occur, a number of general risk mitigation factors are utilised by the Council which include detailed budget monitoring carried out by Services and having general fund balances available to meet unforeseen expenditure.
- 13.3 Going forward, new risks will be captured within the body of the report with a summary being maintained in **Appendix 7**.

#### **Budgeted Slippage on Teaching Posts**

- 13.4 Across all Council Services there is an approved staff slippage target of **4%**. The ability to manage this target is limited in early learning and childcare and school settings due to the requirement to fill all vacancies as they arise. It is also challenging due to the national requirement to maintain the teacher number ratio. Teaching slippage targets are currently not being met across all school settings.
- 13.5 As the financial year progresses, Education & Children's Services will be able to quantify the impact on delivery of the 2023/24 Revenue Budget. If the requirement to maintain the ratio is continued beyond the current financial year, this will inevitably put further pressure on Revenue Budgets as well as restrict where future savings may be drawn from.

#### **Services for Children, Young People and Families**

- 13.6 The 2023/24 Revenue Budget, agreed by Council on 1 March 2023 (Report No. 23/72 refers) includes additional non-recurring funding of **£1.952 million** for Services for Children, Young People & Families budget for 2023/24. Had this additional funding not been provided, the Services for Children, Young People & Families would likely show a projected over spend of **£2 million**.
- 13.7 The levels of need remain high following the impact of Covid-19. Recruitment and retention challenges have further exacerbated the situation. Notwithstanding the additional temporary staffing in place, there remains a risk to future revenue Budgets. Future budget projections do not allow for the £380,000 of funding for the REACH team.

## **Financial Insecurity Funding**

- 13.8 The Council has directed significant levels of non-recurring funding towards the Scottish Welfare Fund and the Financial Insecurity Fund to support vulnerable individuals and families with the cost-of-living pressures in recent years. In addition, the Council has received external funding which it has also directed to provide additional support.
- 13.9 As things stand, this additional funding will not be available in 2024/25. This will likely result in the Council having to raise the priority rating for the Scottish Welfare Fund to “high, most compelling”, which would be a first for Perth & Kinross Council. It may result in the provision of less dignified support during times of crisis and push households in crisis to community groups that would struggle to cope with the demand. It may also cut across the ambition of Cash-First.
- 13.10 In the current financial year, the Scottish Welfare Fund and Financial Insecurity Fund has had non-recurring additional funding of **£600,000** and **£500,000** respectively applied to them.

## **2023/24 Pay Awards**

- 13.11 The non-teaching pay awards for 2023/24 have not yet settled. There is a risk to both the current year, and future years that the final increases exceed both the current budgetary provision and external funding made available by the Scottish Government.
- 13.12 Any shortfall could lead to further pressures on Reserves and / or cuts in service delivery.

## **Tayside Contracts**

- 13.13 There is a risk that the Council is required to provide additional funding for Tayside Contracts to contribute towards higher inflation costs, reduced demand for school meals and a pay award that exceeds budgeted levels.

## **14. CONCLUSION**

- 14.1 Based on the June 2023 ledger, a projected over spend of **£1.008 million** has been identified in the current financial year.
- 14.2 This level of projected over spend will result in a reduction in the level of unearmarked Reserves to **£17.069 million** or **3.6%**.
- 14.3 The financial position of the Council and its partners and ALEOs remains challenging and regular updates will be provided to the Council and the Finance & Resources Committee as the position develops.



**APPROVED**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Stewart Mackenzie	Head of Finance	31 August 2023
Karen Donaldson	Chief Operating Officer	31 August 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

#### Corporate Plan

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

- 2.4 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.
- 2.5 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 Leadership 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 – 2023/24 Management Budget
- Appendix 2 – General Fund 2023/24 Projected Outturn – Service Analysis
- Appendix 3 – Housing Revenue Account 2023/24 Projected Outturn
- Appendix 4 – Revenue Grants
- Appendix 5 – Other Fundings
- Appendix 6 – General Fund Balances
- Appendix 7 – Financial Risks