

PERTH COMMON GOOD FUND COMMITTEE

19 February 2020

2020/21 BUDGET & 2019/20 FINANCIAL STATEMENT

Report by Head of Finance
(Report No. 20/45)

PURPOSE OF REPORT

This report seeks approval of the budget for Financial Year 2020/21 for Perth Common Good Fund and details the Income and Expenditure to 22 January 2020 and the projected outturn for Financial Year 2019/20.

1. BACKGROUND / MAIN ISSUES

- 1.1 The budget for Financial Year 2019/20 was approved by the Committee on 27 February 2019 (Report 19/55 refers).
- 1.2 The Financial Assistance budget has been refined in recent years and separate budgets have been created for the funding of Financial Assistance awards for Fireworks, Small Grants and Capital Grants. In addition, the Committee previously approved proposals for maintaining a minimum Revenue Account balance over the medium term and for the earmarking of Revenue Reserves to fund specific Common Good property and infrastructure projects.
- 1.3 The proposed budget for 2020/21 has been prepared based on activity undertaken in previous financial years, adjusted for anticipated changes in the new financial year. Appendix 1 provides the proposed 2020/21 Budget for the Perth Common Good Fund and the draft budgets for 2021/22 and 2022/23.
- 1.4 This report also provides the monitoring position and projected outturn for the Financial Year 2019/20.

2. PROPOSALS

- 2.1 Budget 2020/21
The proposed budget for 2020/21 and draft budgets for 2021/22 and 2022/23 are at current prices and have been prepared in line with activity for prior years, and the anticipated costs which are likely to be incurred in future years.
 - 2.1.1 Appendix 1 provides details of the proposed and draft budgets in the traditional format and provides a summary of the actual outturn for the years 2017/18 and 2018/19, together with the projected outturn for 2019/20, the proposed budget for 2020/21, and draft budgets for 2021/22 and 2022/23. The projected deficit for the current financial year is due to the upgrade works required to the 2 North Port shop.

- 2.1.2 The proposed budgets for 2020/21 to 2022/23 assume a surplus of 10% of the annual income to provide contingency for any in-year movement in the actual income and/or expenditure of the Fund. Further property related upgrade expenditure is not anticipated in the short term; however, it is proposed that an annual surplus is maintained in order to restore the total balance of the Fund following the impact of various upgrade works in recent years.
- 2.1.3 Appendix 1 demonstrates that it is anticipated the Perth Common Good therefore remain sustainable in the longer term provided that all assumptions remain unchanged.
- 2.1.4 A number of risks remain and these have the potential to impact upon the longer term financial position of the Perth Common Good Fund:-

- (I) Section 102 of the Community Empowerment (Scotland) Act 2015 requires the Council to establish and maintain a register of property which is held by the authority as part of the common good and to publish a list of property that it proposes to include in the register. Section 104 of the Act requires the Council to consult community bodies prior to the disposal or change of use of a common good property.

Until the review exercise is complete, there remains the risk that the Perth Common Good Fund property portfolio is incomplete and the Perth Common Good Fund may, therefore, potentially be liable for the future repair and upgrade costs for property which is not currently identified as common good.

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

- 2.1.5 The proposed adjustments to the budget between 2019/20 and 2020/21 are summarised below and are detailed within Appendix 1.

2.2 Rent & Rates

The Rateable Value of Perth Town Waters is used for the assessment of the amount due to the Tay District Salmon Fisheries Board in respect of salmon fishing rights. The levy for the 2020 season was unknown at the time of preparing this report and it is, therefore, proposed that the budget remains in line with 2019/20 pending confirmation of the amount due.

2.3 Repairs and Maintenance

It is proposed to maintain the General budget at £15,000 in line with the pattern of expenditure incurred during recent years whilst allowing for expenditure on any unexpected minor repairs to Common Good properties.

2.4 Financial Assistance

It is proposed that the budgets for Small Grants and Capital Grants remain in line with 2019/20, and that the grant for Fireworks is uplifted by 10% in line with the value of funding approved by Committee during 2019/20. The total budget available to support Fireworks, Small Grants, and Capital Grants, therefore, will increase to £116,500.

2.4.1 The draft budgets for future years assume that the total Financial Assistance budget will remain at £116,500 in 2021/22 and 2022/23. It is anticipated that expenditure pressures will reduce, however, it is proposed that there is no further increase to the Financial Assistance budget in the medium term and any surplus is returned to Reserves to ensure the longer term sustainability of the Fund.

2.5 Christmas Events

It is proposed that the 2020/21 Christmas Events budget for expenditure on the storage of lights and equipment is reduced by £2,000 in line with the anticipated expenditure for 2019/20. All other expenditure budgets for the installation, removal and maintenance of Christmas lights and associated equipment, and the contribution towards the Switch on Ceremony, remain unchanged from 2019/20.

2.6 Income

It is assumed that the Rent income generated from the lease of sites will remain stable. A small increase in the income budget for years 2021/22 and 2022/23 is included to allow for the additional rent which may arise from lease reviews.

2.6.1 The Fund balance is invested as a fixed term deposit in The Council's Loans Fund. There are several uncertainties which may impact upon interest rates, and the estimated £14,000 budget for 2020/21 will be reviewed in advance of the term deposit rollover in August 2020.

2.6.2 The fishing permit income received to date for 2019/20 is lower than anticipated and the 2020/21 Budget assumes that the income budget will reduce to £1,300 in line with the projection for 2019/20.

2.7 Revenue Account Balance

The total useable Revenue Account balance is projected to be £1,493,927 at 31 March 2020. Assuming all forecasts remain unchanged, the Revenue Account Balance is projected to increase to £1,519,527 at 31 March 2021.

- 2.7.1 A number of risks are outlined in Section 2.1.4 of this report and the Fund, therefore, remains susceptible to potential negative impact in the event that any of the risks materialise. In addition it would be prudent to maintain the Revenue Account balance at a reasonable level in order that the Fund can benefit in the event that investment interest rates were to increase in the future. It is, therefore, proposed that the balance of the Revenue Account continues to be maintained at a minimum of £1,000,000 to protect the longer term sustainability of the Fund.
- 2.7.2 The balance in the earmarked Repair & Renewal Reserve is projected to reduce to £120,000 by 31 March 2020 due to the expenditure which has been incurred on the 2 North Port shop. All known property upgrades will be completed by the end of 2019/20 and it is proposed that the Repair & Renewal Reserve continues to be maintained at £120,000 pending completion of the review of property titles referred to in Section 2.1.4 (i).
- 2.7.3 The projected uncommitted balance at 31 March 2021 is, therefore, £399,527 and will remain available for the funding of any unforeseen obligations arising for the Perth Common Good Fund.

2.8 Financial Statement 2019/20

On the basis of Appendix 2, it is anticipated that there will be a deficit of £22,488 in 2019/20 and that the Fund's estimated Revenue Account Balance will be £1,493,927 at 31 March 2020.

- 2.8.1 Appendix 2 includes an 'uncommitted' column to provide the Committee with a note of the funding remaining available to support applications for Financial Assistance to be considered at this meeting. The total amount of uncommitted expenditure for 2019/20 is £39,000, and the value of applications for Financial Assistance is £17,496. Following the decisions taken by Committee at this meeting, year-end projections will be refined and the updated position will be reported to the April 2020 meeting of the Perth Common Good Fund Committee.
- 2.8.2 Of the total balance a minimum of £1,000,000 is set aside to ensure the long term sustainability of the Fund, and £120,000 will remain earmarked in the Repair and Renewal Reserve for the funding of the potential repair works to Perth Common Good property. The projected uncommitted balance available for the funding of additional discretionary expenditure is therefore £373,927.

3. **CONCLUSION AND RECOMMENDATIONS**

- 3.1 The proposed 2020/21 Budget and draft budgets for 2021/22 and 2022/23 have been prepared using expenditure and income trends for the Fund and incorporate the anticipated future expenditure pressures arising from maintaining the Perth Common Good property portfolio.

3.2 Appendix 1 details the proposed 2020/20 Budget and draft budgets for 2021/22 and 2022/23 and demonstrates the sustainability of the Perth Common Good Fund.

3.3 The Committee is requested to:

- (i) Approve the Perth Common Good Fund budget for financial year 2020/21, as set out in Appendix 1;
- (ii) Note the Perth Common Good Fund draft budget for financial years 2021/22 and 2022/23, as set out in Appendix 1;
- (iii) Note the Perth Common Good Fund Income and Expenditure to 22 January 2020 and the projected outturn to 31 March 2020, as set out in Appendix 2.

Author(s)

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Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	31 January 2020
Jim Valentine	Depute Chief Executive (Chief Operating Officer)	3 February 2020

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

Corporate Plan

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

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

1.2 This report relates to all objectives.

2. Resource Implications

Financial

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

3. Assessments

Equality Impact Assessment

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

Strategic Environmental Assessment

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

Sustainability

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

4. Consultation

Internal

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

5. BACKGROUND PAPERS

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

6. APPENDICES

Appendix 1 – Perth Common Good Fund - Proposed Budget for 2020/21 and draft budgets for 2021/22 and 2022/23

Appendix 2 – Perth Common Good Fund Financial Statement for period to 22 January 2020 for Financial Year 2019/20