

PERTH & KINROSS COUNCIL
STRATEGIC POLICY & RESOURCES COMMITTEE

25 November 2020

REVENUE BUDGET 2020/21 UPDATE No.2

Report by the Head of Finance
(Report 20/225)

<p>PURPOSE OF REPORT</p> <p>This report provides an update on progress with the 2020/21 Revenue Budget, with a focus on the estimated financial impact of Covid-19 in the current year.</p>
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1. BACKGROUND

- 1.1. On 30 September 2020, the Council considered the Revenue Budget 2020/21 Update (Report No. 20/173) refers. At that time, the gross impact of Covid on the Council's in-year financial position was estimated at between £22.4 million and £26.8 million.
- 1.2. After allowing for additional Scottish Government funding and mitigating action through the use of forecast in-year under-spends, the remaining net financial gap in 2020/21 was estimated at between £2 million and £6.4 million.
- 1.3. This report provides the Council with the latest forecast year end position for financial year 2020/21 based on expenditure and income to August/September 2020 (month 5/6 ledger) for the General Fund and Housing Revenue Account, updated for any anticipated material changes.
- 1.4. This report also provides a further update on the funding that has been made available to the Council.

2. LATEST PROJECTED FINANCIAL IMPACT OF COVID-19 ON COUNCIL

- 2.1 The projections included within this report are based on the most up to date information available at the time of writing. Undoubtedly the position will change as new information emerges, any further funding announcements are made and as the Council's response to Covid-19 evolves in light of local circumstances and the requirements of the Scottish Government Covid protection levels.
- 2.2 Elected Members will continue to be kept fully apprised of the latest projections at Council or Strategic Policy & Resources Committee meetings scheduled over the coming months.

2.3 The Executive Officer Team has reviewed the projected outturns included within this update and these are set out in more detail below. The impact of Covid-19 has been summarised in the following categories:

- Impact on –
 - Expenditure
 - Income
 - Approved Savings
 - Local Taxes
 - Arm's Length External Organisations (ALEOs)
 - Other Areas

Impact on Expenditure

2.4 Using the latest information available, the projected impact of Covid-19 on Council **expenditure** is currently estimated at approximately **£12.4 million**. This is an increase of £1.6 million on the position reported to Council in September. The main reasons for this increase are the inclusion of updated projections in relation to education (e.g. teaching costs, school logistics and the provision of home to school transport) and anticipated costs in relation to community mental health (funded by the Scottish Government).

2.5 Examples of the pressures contributing to this position are set out in the following table.

<i>Giving every child the best start in life</i>	<ul style="list-style-type: none"> • Provision of free school meals - £0.795m • Provision of childcare / activity centres - £0.666m
<i>Developing educated, responsible and informed citizens</i>	<ul style="list-style-type: none"> • Additional teaching and support staff - £1.988m • Return of Schools - £0.848m • Home to School Transport - £0.652m • Additional property / energy costs - £0.695m
<i>Supporting people to lead independent, healthy & active lives</i>	<ul style="list-style-type: none"> • Crisis Grants - £0.410m • Commissioned services within social care - £3.286m • Other social care - £0.600m • Mental Health & Wellbeing - £0.416m • Food support - £0.115m

<i>Creating a safe and sustainable place for future generations</i>	<ul style="list-style-type: none"> • Fly Tipping Fund - £0.020m
<i>Organised to deliver</i>	<ul style="list-style-type: none"> • Payments to Tayside Contracts - £1.1m • PPE / Cleaning / Supplies - £0.620m

Impact on Income

- 2.6 Using the latest information available, the projected impact of Covid-19 on Council **income** is currently estimated at approximately **£6.3 million**. This is an increase of £1.4 million on the position reported to Council in September. The main reasons for this movement are the inclusion of updated projections in relation to school meals, breakfast clubs, council tax reduction scheme and recharges to the Capital Budget.
- 2.7 Examples of the income sources contributing towards this position are set out in the following table.

<i>Giving every child the best start in life</i>	<ul style="list-style-type: none"> • Kids clubs - £0.390m
<i>Developing educated, responsible and informed citizens</i>	<ul style="list-style-type: none"> • School meals - £1.385m • Instrumental music - £0.239m • Breakfast Clubs - £0.123m
<i>Promoting a prosperous, inclusive and sustainable economy</i>	<ul style="list-style-type: none"> • Planning & building warrant fees - £0.8m • Licensing - £0.259m
<i>Supporting people to lead independent, healthy & active lives</i>	<ul style="list-style-type: none"> • School lets - £0.085m • Greenspace (North Inch Golf / events) - £0.110m • Contributions Policy - £0.480m

<i>Creating a safe and sustainable place for future generations</i>	<ul style="list-style-type: none"> Waste (commercial / sales) - £0.620m
<i>Organised to deliver</i>	<ul style="list-style-type: none"> Recharges to Capital - £0.801m Statutory Additions - £0.1m Tayside Contracts Surplus - £0.3m Council Tax Reduction Scheme - £0.4m

Impact on Approved Savings

- 2.8 Using the latest information available, the projected impact of Covid-19 on Council **approved savings** is currently estimated at approximately **£1.7 million**. More information on this is set out in the following table.

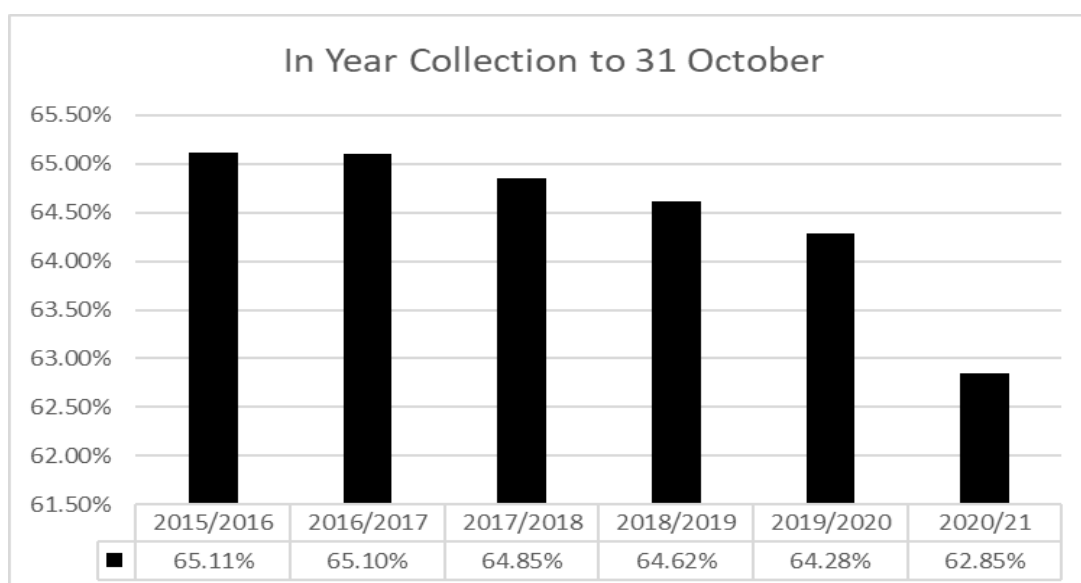
<i>Promoting a prosperous, inclusive and sustainable economy</i>	<ul style="list-style-type: none"> Economic Development – sponsorship / advertising - £0.075m
<i>Supporting people to lead independent, healthy & active lives</i>	<ul style="list-style-type: none"> Older People – residential placements - £0.230m Learning Disabilities - £0.395m Income Contributions - £0.273m
<i>Creating a safe and sustainable place for future generations</i>	<ul style="list-style-type: none"> Recycling performance - £0.120m Review of cultural trusts - £0.150m
<i>Organised to deliver</i>	<ul style="list-style-type: none"> Review of support services - £0.250m Property Asset Management - £0.130m Review of communications / design - £0.025m

Impact on Local Taxes

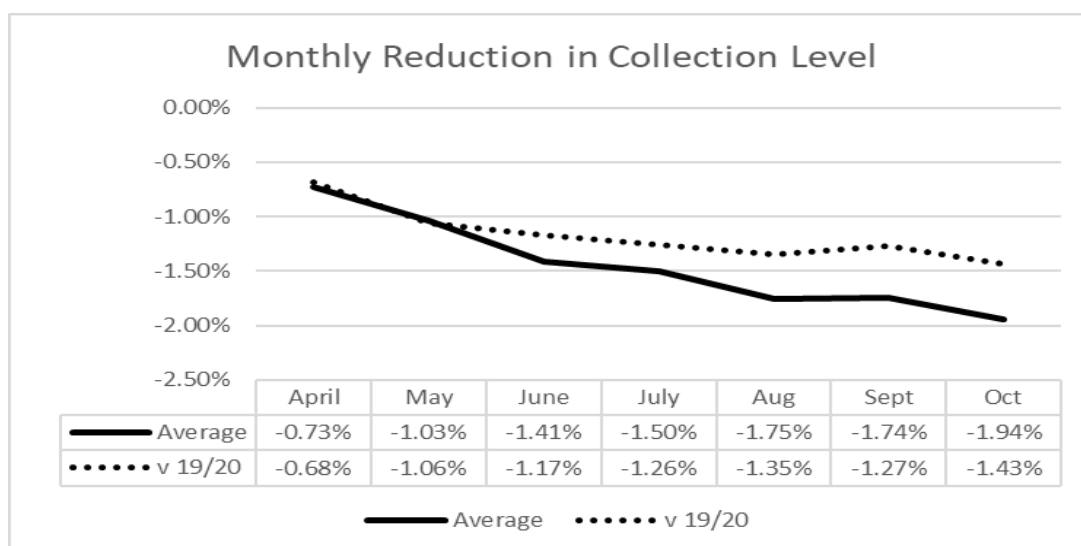
Council Tax

- 2.9 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.

- 2.10 Monitoring of Council Tax collection levels is carried out on a monthly basis. The graph that follows sets out collection performance to 31 October 2020.



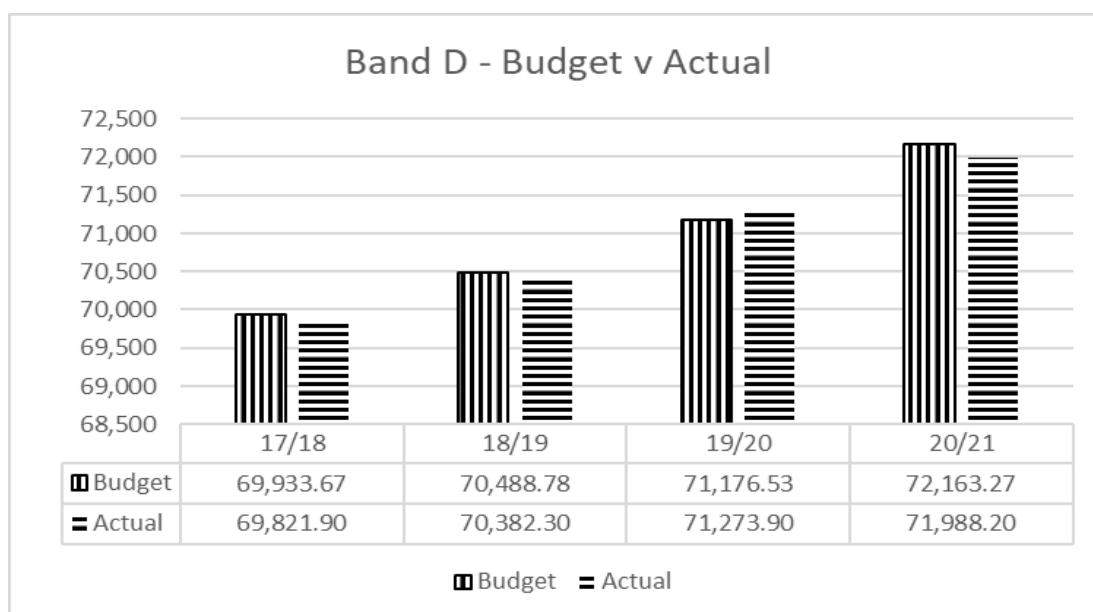
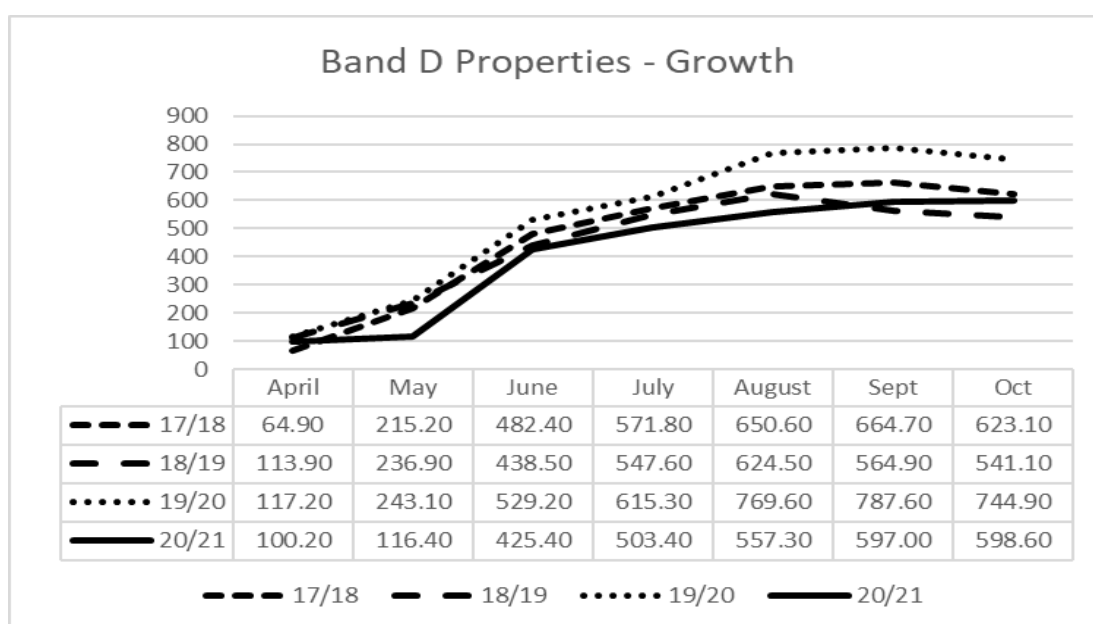
- 2.11 Collection levels have reduced compared to previous years. Between 2015/16 and 2019/20 the average collection figure by 31 October was 64.79%. The actual collection figure to 31 October 2020 is 62.85% which is a reduction of 1.94% compared to the historical average and 1.43% on 31 October 2019.



- 2.12 The UK Government have recently announced an extension to the Job Retention Scheme which is now expected to end on 31 March 2021 rather than 31 October 2020, as previously indicated. The impact of this announcement on future collection levels will be kept under review.
- 2.13 Based on this information the three scenarios identified in the last update continue to be relevant, and reductions of 2%, 4% and 6% and the financial impact is shown in the following table.

2% reduction	£1.9m
4% reduction	£3.8m
6% reduction	£5.7m

- 2.14 Secondly, in setting the Council's Revenue Budget, assumptions are made on increases in the number of Band D equivalent properties. The two graphs set out below suggest that there is a risk that the level of growth will be less than budgeted assumptions. This potentially affects not only current year budgets, but also future years because of the impact on the base level of income. The other factor of note is that the growth in the current year appears to be flattening.



- 2.15 The potential financial consequences of a reduction in the budgeted assumptions of between 100 and 300 properties are set out in the following table.

100 properties	£0.132m
200 properties	£0.264m
300 properties	£0.396m

Non-Domestic Rates

- 2.16 There were significant changes to the Non-Domestic Rates (NDR) system in 2020/21, particularly around the introduction of a range of new reliefs to support the hospitality, leisure and retail sectors. This meant that the NDR bills were not issued until the end of June 2020.
- 2.17 The actual collection rate to 31 October 2020 was 60.39% compared to 67.56% for the same period in 2019. However, because the non domestic rates bills did not go out until the end of June, comparisons with previous years are less meaningful. The current collection levels for Non-Domestic Rates are shown prior to the commencement of formal recovery action which is due to recommence in mid-November.

Impact on Arm's Length External Organisations (ALEOs)

- 2.18 Council officers continue to work with all three ALEOs (Live Active Leisure, Culture Perth & Kinross and Horsecross Arts Limited) to more fully understand the implications of Covid-19.
- 2.19 Monthly payments by the Council continue to be maintained to all three ALEOs to assist with cashflow.
- 2.20 The projected positions for ALEOs remain unchanged. Live Active Leisure are still projecting a potential financial impact of between £650,000 and £1 million with £200,000 assumed for Culture Perth & Kinross.

Impact on Other Areas

Housing Revenue Account

- 2.21 It is anticipated that the Covid-19 pandemic will result in additional costs/reduced income for the Housing Revenue Account (HRA) of £1.204 million. In terms of expenditure, this is made up of £150,000 of additional costs borne by the Tenancy Support Fund and £110,000 in relation to the Covid-19 response. In terms of income, there is projected to be an increase in rent arrears of £500,000 and rent loss due to void re-let times of £300,000. Delays in house completions and reduced Interest on Revenue Balances will result in a further reduction of £144,000.

- 2.22 Across the Housing Revenue Account, net projected under spends of £680,000 have been identified to contribute towards the additional costs set out above. The main sources of this projected under spend are reduced repairs & maintenance of £435,000 and a reduction in loan charges of £203,000 which are partially offset by net overspends of £111,000.
- 2.23 The net effect of the variances set out above is a reduction in the contribution from the Revenue Budget to support Capital expenditure of £524,000.

Car Park Trading Account

- 2.24 Between 1 April and 31 July, and in common with most Scottish local authorities, the Council did not charge for on or off-street parking. Income has not returned to prior year levels and with restrictions in place and an increase in home working this is not expected to improve in the current year. The forecast reduction in revenue from car parking has, therefore, been revised to **c£1.5 million** (an increase of £500,000). Initially this will be funded by the Car Park Trading Account Earmarked Reserve which, at 31 March 2020 stood at £1.183m million which will reduce the balance to zero. This has implications for the General Fund in the current financial year which may continue in future years.
- 2.25 The following table summarises the potential gross financial impact of Covid-19 in a range between **£26.0 million and £30.4 million**.

	Latest Estimate £m	Last Update (30/9/20) £m
Expenditure	12.4	10.8
Income	6.3	4.9
Approved Savings	1.7	1.6
Council Tax – number of Band Ds	0.1 to 0.4	0.1 to 0.4
Council Tax – collection levels	1.9 to 5.7	1.9 to 5.7
ALEOs	0.9 to 1.2	0.9 to 1.2
Housing Revenue Account	1.2	1.2
Car Park Trading Account	1.5	1.0
TOTAL POTENTIAL GROSS IMPACT	26.0 to 30.4	22.4 to 26.8

- 2.26 **ACTION:** The Committee is asked to note the potential gross financial impact of Covid-19 of between £26.0 million and £30.4 million.

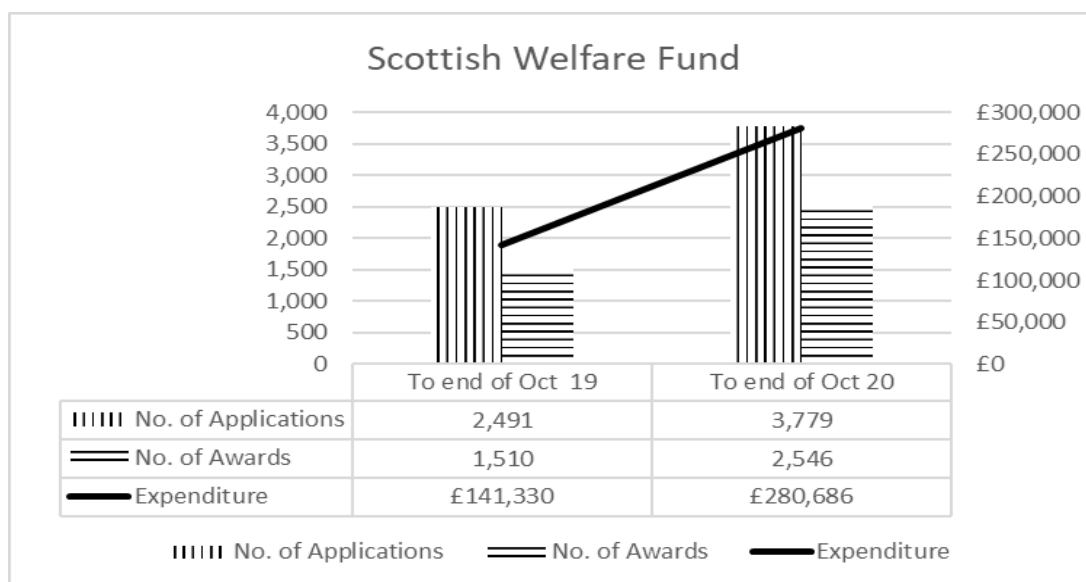
Other Financial Information

Business Grants

- 2.27 The Council will receive £755,000 to support businesses impacted by Covid-19 restrictions. As of 10 November 2020, the Council had received 401 applications of which 247 had been awarded and 154 have been rejected. The financial value of the awards to date is £377,845.

Crisis Grants

- 2.28 As at 31 October the Council had received 3,779 applications for Crisis Grant funding. Of those applications, 2,546 have been paid, with a total value of c£281,000.
- 2.29 This area of activity has seen a significant growth in demand which is set out in the following graph.



3. POTENTIAL MITIGATION MEASURES

- 3.1 This section of the report sets out several mitigation measures that could be applied in helping to address the financial impact of Covid-19 on the Council in 2020/21. For the reasons set out at paragraph 2.1 above, these measures will be refined as the financial position becomes more certain. It may be much later in the financial year before levels of confidence increase in areas of activity such as Council Tax collection.

Scottish Government Funding

- 3.2 The Council has received additional funding from the Scottish Government to support the response to Covid-19. The funding notified to date is set out in the following table.
- 3.3 Of the **£15.261 million** of funding allocated to date, £8.261 million is directed towards specific areas of activity and £7 million is to support the Council's wider response. This represents an increase of £2.682 million.

	Latest Information £m	<i>Last Update (30/9/20) £m</i>
Funding to support specific initiatives / meet specific demand		
Scottish Welfare Fund	£0.410m	£0.410m
Food Poverty (1)	£0.621m	£0.621m
Food Poverty (2)	£0.595m	£0.595m
Registration Service	£0.017m	£0.017m
P&K IJB	£3.830m	£2.060m
Teachers / Support Staff	£1.284m	£1.284m
Education Logistics Funding	£0.592m	£0.592m
Community Mental Health – Planning	£0.104m	-
Community Mental Health – Children & Young People	£0.311m	-
Parental Support - Employability	£0.147m	-
Council Tax Reduction Scheme	£0.350m	-
Sub-Total	£8.261m	£5.579m
Funding to support Council Response / Impact on Council		
Hardship Fund	£1.378m	£1.378m
Barnett Consequentials (1)	£4.272m	£4.272m
Barnett Consequentials (2)	£1.350m	£1.350m
Sub-Total	£7.000m	£7.000m
TOTAL (to date)	£15.261m	£12.579m

- 3.4 **ACTION:** The Committee is asked to approve the allocation of the additional funding of £2.682 million of Scottish Government funding towards the Council's Covid-19 response.
- 3.5 Previously, in line with discretions agreed by the Scottish Government, the Council approved the application of £2 million of funding for Early Learning and Childcare towards the Council's Covid-19 response. A further analysis of known commitments and the roll out of 1140 hours in Perth and Kinross has been undertaken and a further £250,000 has been identified to contribute towards the Covid response.

- 3.6 **ACTION:** The Committee is asked to approve the utilisation of a further £250,000 from Early Learning & Childcare towards additional costs/reduced income related to the Council's Covid-19 response.

Non Covid-19 Revenue Monitoring

- 3.7 At this time, operational savings from the closure of Council buildings and the temporary suspension of services due to Covid-19, together with normal budget variances, has given rise to a projected net under spend of £5.734 million across other expenditure budgets – this figure will change as the financial year progresses. The primary reasons for this increase are the inclusion of updated projections in relation to staff and property costs which are summarised in the following table.

Projected Over / Under Spends		
	Latest Estimate	Last Update (30/9/20)
	£'000	£'000
Staff Costs	(895)	(267)
Emotional & Behavioural Disorders	(392)	(241)
Property Costs – energy / water / maintenance	(2,225)	(1,375)
Partner Providers	(225)	(225)
Slippage on vehicle replacements	(365)	(365)
Housing Support / Care & Repair	(311)	(400)
Other Social Care	(832)	(848)
Other Education (net)	(433)	(211)
Other Housing & Environment (net)	(537)	-
Other Corporate (net)	(315)	(436)
GROSS PROJECTED UNDER SPEND	(6,530)	(4,668)
School Transport	297	291
Additional Support Needs	208	212
Foster / Kinship Care	291	302
GROSS PROJECTED OVER SPEND	796	805
NET PROJECTED UNDER SPEND	(5,734)	(3,863)

- 3.8 **ACTION:** The Committee is asked to approve the application of £5.734 million of Revenue budget under spends towards the Covid-19 response.
- 3.9 In summary the potential size of the net financial challenge facing the Council is currently estimated at between **£0.3 and £4.7 million**. These figures will be updated and refined as the financial year progresses and more information becomes available. This position is summarised in the following table and includes the measures identified to date by officers to reduce, as far as possible, the impact of Covid-19 on the current year's Revenue Budget. This work will continue over the coming months and beyond.

POTENTIAL FINANCIAL CHALLENGE		
	Latest Estimate £m	<i>Last Update (30/9/20) £m</i>
Total Potential Gross Impact (see 2.24 above)	26.0 to 30.4	22.4 to 26.8
Scottish Government Funding (see 3.4 above)	(15.3)	(12.6)
Early Learning & Childcare (see 3.6 above)	(2.3)	(2.0)
Other projected under spends (see 3.8 above)	(5.7)	(3.6)
HRA Contribution	(1.2)	(1.2)
Car Park Trading Account	(1.2)	(1.0)
REMAINING POTENTIAL GAP (NET)	0.3 to 4.7	2.0 to 6.4

- 3.10 **ACTION:** The Committee is asked to note a remaining net financial gap of between £0.3 million and £4.7 million.

4. OTHER POTENTIAL COST PRESSURES

- 4.1 On 30 September 2020 the Council was provided with summary information on a number of potential expenditure pressures that the Council could face over the short and medium term as follows:

- Recovery & Renewal
- Digital Investment
- Further Education costs
- Wider welfare provision
- Business & Economy

- Further local lockdown
- Other Areas for Consideration
 - Borrowing costs
 - Impact on local taxes
 - Staff slippage

4.2 Work is still ongoing to quantify the totality of these additional costs, or indeed when the funding will be required.

4.3 There are two other areas that may impact on the current year's revenue monitoring. Firstly, discussions are ongoing with regards to the share of Tayside Contracts standing charges which may result in the Council incurring expenditure in excess of the level contained within this update. Secondly, the costs of the severe weather event that took place on 12 August. The Council has activated the Bellwin Scheme. However, the first £743,022 must be funded by the Council and this is not included within this update.

5. OTHER POTENTIAL MITIGATION MEASURES

5.1 As set out in paragraph 3.10 and in section four, the Council is likely to face significant financial challenges over the short, medium and longer term. The purpose of this section is to set out how the Council could respond to the challenge set out above.

Further Scottish Government Funding

5.2 Cosla continues to lobby the Scottish Government for additional financial support for Councils. At this stage there is no specific information on any further funding.

5.3 Further funding of £30 million has been made available nationally to support Education Recovery which is ringfenced to meet further costs. Councils will be expected to utilise the initial allocations before bidding for a further share of the £30 million. The Council will also receive a share of £20 million in relation to financial security but, at this time, this has not been allocated to individual authorities.

5.4 More information has become available on the loss of income scheme, although there is no formally agreed scheme yet. The Scottish Government have allocated £90 million towards this scheme which is the level of estimated Barnett consequential from the English scheme.

5.5 It is understood that the proposed scheme in Scotland is different to that of the scheme in England, in that it is based upon an allocation not a claim. Furthermore, the total cost of the scheme in England won't be known until the final claims are validated in May next year, so the funding available for the Scottish scheme could go up or down.

- 5.6 The Scottish Government through Cosla and Directors of Finance are consulting on a number of principles to underpin the scheme. The scheme is in place to only support external income excluding council tax and housing rents. It will not cover internal recharges, such as charges to Capital. As expected, and similar to the English scheme, the first 5% of losses is to be borne by Councils to reflect the natural variations in income. Importantly, the scheme in Scotland is expected to include loss of income for our ALEOs.

Reserves

- 5.7 On 30 September 2020, the Council was advised that work was being undertaken to review earmarked Reserves and identified areas that could be unearmarked. This work will continue and be refined as the totality of the potential funding gap becomes clearer. Any proposals to redirect Reserves will be brought to future meetings of the Strategic Policy & Resources Committee.

Treasury Management

- 5.8 On 30 September elected members were advised that the Cabinet Secretary for Finance, supported by COSLA, had written to the Chancellor of the Exchequer seeking additional financial flexibilities to allow Councils to manage funding pressures they may face due to Covid-19. The UK Treasury have subsequently advised the Scottish Government that flexibility for local authorities to borrow to offset the costs of Covid 19 will not be granted. However, flexibility in relation to the use of in-year Capital receipts; accounting for Credit Arrangements and a Loans Fund Repayment Holiday have been made available. COSLA are currently in discussion with the Scottish Government on technical issues relating to these flexibilities and on making the necessary changes to regulations to allow them to be implemented by local authorities. The implications of these for the Council are still being considered and will be included in future updates.
- 5.9 Slippage in the current year capital programme will also likely result in savings in Loan Charges this year and next. These savings could be applied in the current year by managing the contributions to the Capital Fund. It is anticipated that further slippage and savings as a result of the current (and ongoing) restrictions will be identified once the full impact of the pandemic can be determined. Options for these savings will be considered in future updates.

Other Savings

- 5.10 Work will continue across the Council to mitigate the financial impact of Covid-19 on the Revenue Budget, both in the current financial year and in future years.
- 5.11 **ACTION:** The Committee is asked to note the options that may be available to contribute towards the financial consequences of Covid-19.

- 5.12 Additional briefings will be provided to elected members in December and January or when significant information is received such as clarity on the loss of income scheme.

6. OTHER 2020/21 ISSUES

- 6.1 In order to ensure that the 2020/21 Management Budgets continue to reflect the operational requirements of the Council, there are a number of adjustments required. These are summarised below and set out in detail in Appendix 1.

Movements in Funding

- 6.2 Since the 2020/21 Final Revenue Budget was updated by Council on 30 September 2020 (Report No. 20/173 refers) notification has been received of additional resources in the current financial year from a number of sources as set out below.

Scottish Government: Revenue Support Grant (£350,000)

- Council Tax Reduction Scheme: £350,000

- 6.3 The Scottish Government has advised that this increase in funding will be made through a redetermination of the Council's Revenue Support Grant. It is, therefore, necessary to adjust the budgets for Council Tax Reduction Scheme and Revenue Support Grant.

- 6.4 **ACTION:** The Committee is asked to approve the adjustments set out at 6.2 above. This adjustment is reflected in Appendix 1 (Column 3) to this report.

Other Funding (£305,000)

- 6.5 Other funding amounting to £305,000 will be paid outside the Revenue Support Grant mechanism as Other Grant income and is, therefore, cost neutral in terms of the budget summary. The detail of this other funding is set out in Appendix 2.

- 6.6 **ACTION:** The Committee is also asked to note the receipt of £305,000 of additional resources, with this funding being reflected within Housing & Environment and Corporate & Democratic Services as additional grant income. The current projected outturn assumes that all these additional resources will be fully expended in 2020/21.

Virements

- 6.7 The Scottish Government has allocated a Capital Grant of £53,089 to the Council from the School Transport Covid-19 Mitigation Fund in 2020/21. The allocation is to be distributed to school transport operators to provide physical protection measures for pupils and drivers including fogging machines, sanitiser dispensers and protective screens on vehicles used for school transport. As the funds are to be spent by third party operators, the expenditure and grant have been included in the Council's Revenue Budget.

- 6.8 **ACTION:** The Committee is asked to approve the virement of £53,089 between Capital Grant and Housing & Environment to reflect school transport funding. This adjustment is reflected in Appendix 1 (Column 4) to this report.

Movements in Reserves

- 6.9 Appendix 3 sets out proposals to transfer £228,000 to support approved transformation projects. This has no impact on the level of unearmarked Reserves. Approval is also sought to draw down £52,000 for additional social work capacity as agreed by Council on 30 September (Report No. 20/173 refers)
- 6.10 **ACTION:** The Committee is asked to approve the transfer of £280,000 from earmarked Reserves for approved projects as set out in Appendix 3 and additional social work capacity. This adjustment is reflected in Appendix 1 (Column 5) to this report.
- 6.11 Perth & Kinross Council, along with Angus Council and Dundee City Council, have entered into a contract with Mindspace to provide access to school counsellors. The contract will commence in November 2020 for 3 years. This will require a rephasing of funding received by the Scottish Government to reflect the contract period. The actual costs will be dependent upon uptake, but at this time it is estimated that £574,000 will be available to transfer to an earmarked Reserve. Approval is, therefore, sought to transfer the balance remaining in 2020/21 (currently estimated at £574,000) to an earmarked Reserve to be drawn down in future financial years.
- 6.12 **ACTION:** The Committee is asked to approve the transfer of the balance of school counsellor funding remaining in 2020/21 (currently estimated at £574,000) to an earmarked Reserve to be drawn down in future financial years. This adjustment is reflected in Appendix 1 (Column 5) to this report.

Vacant Retail Premises Conversion Scheme

- 6.13 On 6 March 2020, the Council approved additional funding of £337,000 to support a number of economic development measures to support inward investment and business expansion, including a vacant retail premises conversion scheme. Under this scheme, grants of up to a maximum of £75,000 will be available to individual applicants. The Committee is asked to delegate authority to the Head of Planning & Development to approve applications that meet the terms of the Scheme within the overall resources that are available to support this initiative.
- 6.14 **ACTION:** The Committee delegates authority to the Head of Planning & Development to approve applications of up to £75,000 that meet the terms of the vacant retail premises conversion scheme.

7. 2021/22 REVENUE BUDGET

7.1 On 30 September 2020, the Council agreed to only set a Revenue Budget for 2021/22 in February/March 2021. This is intended as a temporary departure from existing practice whereby the Council has previously set both a final budget for the coming year and provisional budgets for the following two years. It is, however, considered a pragmatic approach in a situation where Council resources are currently diverted both to maintaining essential services and responding to Covid-19. This may also mean that there is less officer capacity to support elected member budget discussions.

7.2 A series of principles have been shared with all political groups and agreed with the majority to support the adoption of a pragmatic approach to the development of the 2021/22 Revenue Budget. These measures are temporary, and the Council will revert to a more detailed consideration of the Revenue Budget for 2022/23.

- The primary aim of the Revenue budget process is the delivery of a balanced/lawful /achievable budget;
- The process for 2021/22 requires to be as streamlined as possible;
- The focus will be on updating the Provisional 2021/22 Revenue Budget previously approved by Council in March of this year.
- There is limited flexibility to apply to the Capital Budget;
- Risk and materiality will be at the heart of budget submissions;
- The best available support will be provided to elected member Budget Review Groups within the resources available, but the clear priority for officers will be the maintenance of essential services and the Council's response to Covid 19. The full impact of Covid will not be known until much later and unlikely to be available for February / March 2021 meaning that an in-year budget review may be required post 1 April 2021;
- There is insufficient capacity, in current circumstances, to support major policy review work through the budget process or to commit to such work at a future date whilst the response to Covid 19 is ongoing and expectations will require to be managed
- The Chief Executive or Chief Operating Officer will determine whether any request for additional work or information arising from the budget review can be supported.
- The Revenue Budget and Capital Investment Blueprint should align with the Offer; and
- Work on the future year budgets will commence at the earliest opportunity.

8. CONCLUSION AND RECOMMENDATIONS

- 8.1. Covid-19 has resulted in the Council facing a significant financial challenge, in terms of additional expenditure, reduced income and non-achievement of savings.
- 8.2. The latest gross financial impact of Covid-19 is estimated at between £26.0 and £30.4 million. Mitigation measures of £25.7 million have been identified resulting in potential financial gap of £0.3 million to £4.7 million.
- 8.3. In addition, there will be further cost pressures and possibly other mitigation measures that will change this position which will be reported to Elected Members over coming months.
- 8.4. The Council is requested to:
 - Note the potential gross financial impact of Covid-19 of between £26.0 million and £30.4 million.
 - Approve the allocation of £15.3 million of Scottish Government funding towards the Council's Covid-19 response.
 - Approve the utilisation of £2.3 million from the 2020/21 allocation for Early Learning & Childcare towards the additional costs / reduced income related to the Council's Covid-19 response.
 - Approve the application of £5.7 million of other net under spends towards the Covid-19 response.
 - Note a remaining net financial gap of between £0.3 million and £4.7 million.
 - Note the options that may be available to contribute towards the financial consequences of Covid-19.
 - Approve the adjustments to management budgets set out in section six.
 - Delegates authority to the Head of Planning & Development to approve applications of up to £75,000 that meet the terms of the vacant retail premises conversion scheme.

Author(s)

Name	Designation	Contact Details
Scott Walker	Chief Accountant	chxfinance@pkc.gov.uk

Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	12 November 2020
Karen Donaldson	Interim Chief Operating Officer (Corporate & Democratic Services)	13 November 2020

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

2. BACKGROUND PAPERS

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

3. APPENDICES

- Appendix 1 – 2020/21 Management Budget
- Appendix 2 – 2020/21 Other Funding
- Appendix 3 – 2020/21 Transformation Funding