

**PERTH AND KINROSS COUNCIL****Strategic Policy and Resources Committee****29 November 2017****REVENUE BUDGET 2017/18 – MONITORING REPORT NUMBER 2****Report by the Head of Finance****PURPOSE OF REPORT**

This report provides an update on progress with the 2017/18 General Fund Revenue Budget based upon the August 2017 ledger, updated for any subsequent known material movements, and the projected financial position of the Housing Revenue Account.

The total net projected under spend on the 2017/18 General Fund Management Budget is £1,785,000 (see Appendix 1).

**1. BACKGROUND / MAIN ISSUES**

- 1.1 This is the second report updating the Committee on progress with the 2017/18 Revenue Budget. Appendix 1 to this report summarises the current projected year end (outturn) position for each Service based upon the August 2017 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 Final Revenue Budget for 2017/18 on 22 February 2017 (Report No. 17/47 refers). In addition, adjustments that were approved by the Council on 28 June 2017 (Report No. 17/236 refers) and the Strategic Policy and Resources Committees on 19 April and 13 September 2017 (Report Nos. 17/152 and 17/279 refer) are reflected in Appendix 1 (Column 2).
- 1.3 The Council's Financial Regulations allow Service Directors to vire budgets up to £100,000 within their Service. Any virements between Services or in excess of £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 2017/18 General Fund and Housing Revenue Account budgets.

**2. PROPOSALS****2.1 Service Budgets**

- 2.1.1 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 £1,785,000 which represents 0.67% of total net Service expenditure.

2.1.2 The utilisation of these Service under spends is considered throughout the financial year and may also be considered as part of the Revenue Budget strategy for future years.

2.1.3 **Education & Children's Services:** The projected outturn (excluding the Devolved School Management (DSM) and Pupil Equity Fund (PEF) budgets) is currently anticipated to be £660,000 less than budget – a favourable movement of £516,000 from the position last reported to Committee.

2.1.4 This projected additional net under spend is made up as follows -

- Staff Costs (increase in projected under spend of £611,000) due to slippage on the appointment of area support teaching staff and early childhood practitioners. In addition, the mainstreaming of Evidence to Success funding means that Revenue Budget Flexibility funding carried forward from 2016/17 is no longer required.
- Property Costs (increase in projected under spend of £10,000) due to further under spends on non-domestic rates following the 2017 revaluation.
- Supplies and Services (increase in projected under spend of £194,000) due to a further projected under spend on early learning and childcare provision and the mainstreaming of Evidence to Success funding referred to above.
- Transport Costs (reduction in projected under spend of £13,000) based on the latest levels of activity.
- Home to School Transport (projected over spend of £216,000) due to increased costs as a result of changing demand and above inflation contract increases due to market forces.
- Third Party Payments (reduction in projected under spend of £30,000) due, in the main, to revised projections on the cost of providing continuing care.
- Services for young people with additional support needs and foster / kinship care (increase in projected under spends of £57,000 and £11,000 respectively) based on the latest demand projections.
- Loan Charges (increase in projected over spend of £2,000) based on the latest projections for land disposals.
- Income (reduction in level of projected income of £106,000) due, in the main, to reductions in the number of paid for school meals.

2.1.5 There is a projected under spend of £709,000 on Devolved School Management budgets (DSM) due, mainly, to staff slippage and additional income. It is anticipated that, in line with the approved DSM scheme, the eventual over and under spends will be carried forward into 2018/19.

2.1.6 The projected carry forward of £709,000 represents 0.84% of the overall DSM budget.

2.1.7 At this stage of the academic year, expenditure from the Pupil Equity Fund is projected to be £30,000 less than the allocation from the Scottish Government of £1,608,000. In line with the terms of this funding, this under spend will be carried forward to 2018/19 to meet staffing commitments. Further updates will be provided to the Committee as expenditure plans are progressed with individual head teachers.

2.1.8 **Housing & Community Safety:** The projected outturn is currently anticipated to be £588,000 less than budget – a favourable movement of £328,000 from the position last reported to Committee.

2.1.9 This projected additional net under spend is made up as follows -

- Housing (including temporary accommodation) (increase in projected over spend of £17,000) due to updated occupancy levels for Greyfriars, St Catherine's and dispersed tenancies.
- Revenues and Benefits (increase in projected under spend of £296,000) due primarily to the accelerated delivery of approved savings and additional staff slippage.
- Strategic Planning and Commissioning (increase in projected under spend of £17,000) due to reduced service level agreement / contract expenditure.
- Mental Health (increase in projected over spend of £9,000) following an update of staff costs.
- Learning and Development (reduction in projected under spend of £10,000) following an update of staff cost projections.
- Community Safety (increase in projected under spend of £51,000) due to additional staff slippage.

2.1.10 **The Environment Service:** The projected outturn is currently anticipated to be £235,000 less than budget – a favourable movement of £285,000 from the position last reported to Committee.

2.1.11 This projected net additional under spend is made up as follows –

- Staff Costs (projected under spend of £200,000) due to additional slippage and the accelerated delivery of savings from the voluntary severance scheme.
- Planning & Development (projected over spend of £40,000) due to additional expenditure in relation to the River Tay boat trip pilot project.
- Roads & Transport (projected under spend of £50,000) due to the receipt of additional income in relation to statutory road closures and site notices.
- Public Transport (projected under spend of £100,000) due to projected savings in tendered services primarily as a result of the commercialisation of two services that were previously subsidised.
- Operations, Waste Strategy & Fleet Management (projected under spend of £275,000) due to additional income (sale of recyclates and trade waste) and projected savings on waste disposal contract payments.

- Property (reduction in projected income of £300,000) following a review of professional fees chargeable to the capital programme.

2.1.12 **Corporate and Democratic Services:** The projected outturn is currently anticipated to be £302,000 less than budget – a favourable movement of £171,000 from the position last reported to Committee.

2.1.13 This projected net additional under spend is made up as follows –

- Staff Costs (increase in projected under spend of £97,000) due to the continued proactive approach to vacancy management.
- Income (increase in projection of £32,000) due to updated estimates.
- Modern Apprentice Programme (increase in projected under spend of £34,000) based on the current level of placements. In line with previous practice, it is proposed that the final under spend on the Modern Apprentice programme be carried forward towards future commitments.
- Other net under spends (increase in projected under spend of £53,000) on various budgets across the Service.
- Local Government By-Election 23 November 2017 (projected cost of £45,000).

## 2.2 Movements in Funding

2.2.1 Since Revenue Monitoring Report No. 1 was approved by the Committee in September (Report No. 17/279 refers), notification has been received of additional resources in the current financial year from a number of sources as set out in paragraphs 2.2.2 and Appendix 3.

Other Funding: (£205,492)

2.2.2 Other funding amounting to £205,492 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 are set out in Appendix 3.

2.2.3 **ACTION:** The Committee is asked to note the receipt of £205,492 of additional resources, with this funding being reflected within Education & Children's Services; Housing & Community Safety; Corporate & Democratic Services and Culture & Leisure Services as additional grant income. The current projected outturn assumes that all of these additional resources will be fully expended in 2017/18.

## 2.3 Virements

Contribution to/from Capital Fund

2.3.1 In line with the strategy for managing the Council's Capital Programme over the medium term (as reported to Council on 22 June 2016 – Report No. 16/277 refers) 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.

2.3.2 The latest monitoring indicates a reduction in the projected outturn for capital financing costs (loan charges) of £34,000 and an increase in the level of projected income from Interest on Revenue Balances of £6,000. These projections factor in the financial implications of treasury management activity in the year to date.

2.3.3 **ACTION:** The Committee is requested to approve the virement of £34,000 from the Capital Financing Costs (Loan Charges) Budget and £6,000 from Interest on Revenue Balances with an increase of £40,000 in the projected Contribution to the Capital Fund. These adjustments have been reflected in Appendix 1 (Column 4) to this report.

## 2.4 Movements in Reserves

### Corporate Transformation Programme

2.4.1 Approval is sought to adjust the budgets for a number of transformation projects due to changes in the phasing of expenditure as follows –

- Home First – reduction of £43,000 (Housing & Community Safety (H&CS))
- Communities First – increase of £75,000 (H&CS); reduction of £218,000 (Health & Social Care (H&SC))
- Review of Residential Care – reduction of £50,000 (H&SC)
- Review of Day Care – reduction of £97,000 (H&SC)
- Collaborative Working – increase of £67,000 (Corporate & Democratic Services C&DS)

2.4.2 **ACTION:** The Committee is asked to approve the adjustments listed above in relation to the Corporate Transformation Programme. These adjustments are reflected in Appendix 1 (Column 5) to the report.

### Discretionary Non-Domestic Rates Relief Scheme

2.4.3 The Strategic Policy and Resources Committee of 13 September 2017 approved a discretionary non-domestic rates relief scheme targeted at key vacant property across Perth and Kinross (Report No. 17/281 refers).

2.4.4 The Committee approved the transfer of £100,000 from the Environment Service which would be earmarked in Reserves to be drawn down as required.

2.4.5 **ACTION:** The Committee is asked to approve the transfer of £100,000 from the Environment Service to Reserves which will be earmarked to fund the discretionary non-domestic rates relief scheme. This adjustment is reflected in Appendix 1 (Column 5 to the report).

### Further Transformation and Organisational Development

- 2.4.6 The Reserves Strategy approved by Council on 22 February 2017 (Report No. 17/48 refers) included £2,000,000 towards further transformation and organisational change in an earmarked Reserve. The Strategic Policy and Resources Committee of 13 September 2017 approved the first allocation of funding of £252,217 from this earmarked Reserve (Report No. 17/279 refers).
- 2.4.7 Since that approval was granted, a further project has been endorsed by the Executive Officer Team in relation to Intent Based Leadership at a cost of £49,000. Subject to approval, this funding will support a practical, organisation-wide approach to leadership and cultural development, at scale and accessible to everyone in the Council over time. The approach will support the ongoing development of an authorising environment, and new ways of working with communities.
- 2.4.8 **ACTION:** The Committee is asked to approve the transfer of £49,000 from the earmarked Reserve for further transformation and organisational change to Corporate & Democratic Services to support the project described at 2.4.7 above. This adjustment is reflected in Appendix 1 (Column 5) to the report.

## **3. CORPORATE BUDGETS**

### Perth & Kinross Integration Joint Board

- 3.1 The meeting of Perth and Kinross Integration Joint Board of 3 November 2017 considered a report entitled “2017/18 Financial Position and Forward Look” from the Board’s Chief Finance Officer (Report No. G/17/173 refers).
- 3.2 This update included the detail supporting a projected under spend on social care activity of £2,564,000. For the Council’s financial management purposes the current projected under spend has been removed from the Health & Social Care Budget for 2017/18 by adjusting the Council’s Management Budget. The financial position for the Integration Joint Board will be kept under review and it is proposed that the final controllable under spend on the Council’s contribution to health & social care be earmarked in the Council’s Reserves to support future social care activity.
- 3.3 **ACTION:** The Committee is asked to approve that the final controllable under spend on the Council’s contribution towards Health & Social Care in 2017/18 be earmarked towards future social care activity.
- Contributions to Tayside Valuation Joint Board
- 3.4 The Treasurer of the Tayside Valuation Joint Board is currently projecting that expenditure is in line with budget.

## Tayside Contracts Joint Committee

- 3.5 The Tayside Contracts Joint Committee has approved that the percentage share of surpluses which will be allocated to Perth & Kinross Council for 2017/18 will amount to 33%. (32.9% in 2016/17) This is based on the previous year's (2016/17) turnover.

### **4. HOUSING REVENUE ACCOUNT (HRA)**

- 4.1 The Interim Director of Housing & Community Safety is currently projecting a break even position on the Housing Revenue Account. Within this projection there are a number of variances which are set out below.
- Improvements and South (reduction in projected under spend of £22,000) due to additional staff costs.
  - Letham and North (increase in projected over spend of £20,000) due to additional staff costs.
  - Perth City and Specialist (increase in projected under spend of £29,000) due to increased staff slippage.
  - Housing Management (reduction in projected under spend of £2,000) due to updated staff cost projections.
  - Administration (reduction in projected under spend of £6,000) due to updated loan charges projections.
  - Income (increase in projected shortfall of £126,000) due, in the main, to reduced income from housing rents as a result of additional "right to buy" sales in excess of budgeted levels and delays in the completion of houses at Birch Avenue.
- 4.2 The net projected over spends described above result in a reduction in the projected contribution to Capital Financed from Current Revenue (CFCR) (£34,000) available for the HRA Capital Programme.
- 4.3 Full details of the movement against the HRA Revenue Budget are set out in Appendix 4.

### **5. CONCLUSION AND RECOMMENDATIONS**

- 5.1 The total net projected under spend on the General Fund net expenditure, as set out in Appendix 1 to this report, is £1,785,000.
- 5.2 Additionally the projected planned under spend on Devolved School Management Budgets currently stands at £709,000 and £30,000 from the Pupil Equity Fund.
- 5.3 The Interim Director of Housing & Community Safety is currently projecting a break even position on the Housing Revenue Account.

5.4 The Committee is requested to:

- Note the contents of the report;
- Approve the adjustments to the 2017/18 Management Revenue Budget detailed in Appendix 1 and Section 2 and 3 above;
- Approve 2017/18 Service virements summarised in Appendices 2 and 4;

**Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
Scott Walker	Chief Accountant	<a href="mailto:chxfinance@pkc.gov.uk">chxfinance@pkc.gov.uk</a>

**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Stewart Mackenzie	Head of Finance	14 November 2017
Jim Valentine	Depute Chief Executive and Chief Operating Officer	14 November 2017

If you or someone you know would like a copy of this document in another language or format, (on occasion, only a summary of the document will be provided in translation), this can be arranged by contacting the Customer Service Centre on 01738 475000.

You can also send us a text message on 07824 498145.

All Council Services can offer a telephone translation facility.



## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### 1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 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.

1.1.2 This report relates to all of these objectives.

### 2. Resource Implications

#### 2.1 Financial

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

## 2.1 Workforce

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

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

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

## 3. **Assessments**

### 3.1 Equality Impact Assessment

- 3.1.1 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.
- 3.1.2 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.

### 3.2 Strategic Environmental Assessment

- 3.2.1 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.2.2 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.

### 3.3 Sustainability

- 3.3.1 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.
- 3.3.2 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**

### **4.1 Internal**

- 4.1.1 The Chief Executive, Depute Chief Executives and Directors 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 – General Fund 2017/18 Revenue Budget - Summary

Appendix 2 – General Fund 2017/18 Projected Outturn – Service Analysis

Appendix 3 – Other 2017/18 Funding

Appendix 4 – Housing Revenue Account 2017/18 Projected Outturn