

# **PERTH & KINROSS COUNCIL**

## **Strategic Policy & Resources Committee**

**27 November 2019**

### **REVENUE BUDGET 2019/20 – MONITORING REPORT NUMBER 2**

**Report by the Head of Finance (Report No. 19/340)**

#### **PURPOSE OF REPORT**

This report provides an update on progress with the 2019/20 General Fund Revenue Budget based upon the August 2019 ledger, updated for any subsequent known material movements, and the projected financial position of the Housing Revenue Account.

The total net projected over spend on the 2019/20 General Fund Management Budget is £1,875,000 (see Appendix 1).

#### **1. BACKGROUND / MAIN ISSUES**

- 1.1. This is the second report updating the Committee on progress with the 2019/20 Revenue Budget. Appendix 1 to this report summarises the current projected year end (outturn) position for each Service based upon the August 2019 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 2019/20 Final Revenue Budget on 20 February 2019 (Report No. 19/46 refers). In addition, adjustments approved by the Strategic Policy & Resources Committee on 17 April and 11 September 2019 (Report Nos. 19/110 and 19/246 refer) are reflected in Appendix 1 (Column 2).
- 1.3. The Council's Financial Regulations allow Executive Directors to vire budgets up to £100,000 within their Service. Any virements between Services or more than £100,000 are either included in the body of the revenue monitoring report or in the appendices for approval.
- 1.4. This report details the latest projected outturns and proposed adjustments to the 2019/20 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 over spend on Service budgets, as set out in Appendix 1 to this report, is £29,000 which represents 0.01% of total net Service expenditure.

(In the corresponding report in November 2018, the projected under spend was £882,000 which represented 0.33% of total net Service expenditure).

2.1.2 The utilisation of 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 in line with budget.

2.1.4 Within this position are several projected over and under spends as follows -

- Property costs (projected under spend of £27,000) due to continued proactive monitoring of the Investment in Learning unitary charge contract.
- Third Party Payments (reduction in projected over spend of £150,000) due to lower than anticipated partner provider payments following a lower uptake in the number of placements than budgeted for.
- Residential Schools / Foster Care & Kinship Care (reduction in net projected under spend of £133,000) due primarily, to changes in activity for this specialist care provision.
- Further projected reduction in income (£44,000) due primarily to a 5% decrease in the number of paid school meals and the reduced number of school days within the financial year.

2.1.5 There is a projected under spend of £670,000 on Devolved School Management budgets (DSM) due, mainly, to staff slippage, educational materials and additional income. This includes the planned carry forwards that individual schools identify on an annual basis. It is anticipated that, in line with the approved DSM scheme, the eventual over and under spends will be carried forward into 2020/21.

2.1.6 The projected carry forward of £670,000 represents 0.67% 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 £556,000 less than the allocation from the Scottish Government of £1,667,400. In line with the terms of this funding, the final under spend will be carried forward to 2020/21 to meet future commitments.

2.1.8 **Housing & Environment:** The projected outturn is currently anticipated to be £56,000 more than budget, a movement of £546,000 from the position last reported to Committee.

2.1.9 This movement in the projected net over spend is made up as follows –

- Planning & Development (increase in projected over spend of £50,000) due to the net operating costs of the River Tay boat programme.

- Operations & Fleet Management (increase in projected under spend of £190,000) due to projected savings on loan charges based on the planned vehicle replacement programme.
- Community Greenspace (increase in projected under spend of £117,000) following the receipt of additional income from HM Revenue & Customs.
- Roads & Transport (increase in projected under spend of £90,000) due to further savings on energy costs with the continued roll out of the LED street lighting replacement programme.
- Housing (reduction in projected under spend of £17,000) due, primarily, to maintenance works.
- Business & Resources / Planning Commissioning (increase in projected under spend of £16,000) due to staff slippage.
- Property (increase in projected under spend of £200,000) due to projected savings on energy costs based on current consumption and favourable procurement.

2.1.10 **Corporate and Democratic Services:** The projected outturn is currently anticipated to be £27,000 less than budget, a movement of £40,000 from the position last reported to Committee.

2.1.11 This movement in the projected over spend is made up as follows –

- Staff costs (reduction in projected over spend of £80,000) due to staff turnover.
- Housing Benefits (reduction in projected under spend of £48,000) due to increased demand.
- Other net under spends across all Divisions (increase in projected net under spend of £8,000).

## 2.2 Movements in Funding

2.2.1 Since the 2019/20 Management Budget was updated by the Strategic Policy & Resources Committee on 11 September 2019 (Report No. 19/246 refers), notification has been received of additional resources in the current financial year.

### Scottish Government: Revenue Support Grant (£378,000)

- Access to Counsellors within Schools £328,000 (Education & Children's Services)
- EU Exit Funding: £50,000 (Housing & Environment)

2.2.2 The Scottish Government has advised that the increase in funding of £378,000 will be made through a redetermination of the Council's Revenue Support Grant. It is, therefore, necessary to adjust the budgets for Education & Children's Services, Housing & Environment and Revenue Support Grant.

- 2.2.3 **ACTION:** The Committee is asked to approve the adjustments set out at 2.2.1 above. These adjustments are reflected in Appendix 1 (Column 3) to this report.

#### Other Funding

- 2.2.4 Historically the Strategic Policy & Resources Committee has been made aware of “Other Funding” which could range from grants from many sources ranging from a few hundred pounds to hundreds of thousands of pounds. In line with the level of variance reporting included within the Financial Regulations a deminimus value of £50,000 will be set, with any non-RSG grant received less than this amount not being reported to Committee.

#### 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 20 February 2019 (Report No. 19/47 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 £143,000 and a projected reduction in interest earned on balances of £50,000. Both of these updated projections reflect the most recent treasury management activity.
- 2.3.3 **ACTION:** The Committee is requested to approve the virement of £143,000 from the Capital Financing Costs (Loan Charges) Budget and £50,000 to Interest on Revenue Balances with a subsequent increase of £93,000 in the projected Contribution to the Capital Fund. These adjustments have been reflected in Appendix 1 (Column 4) to this report.
- 2.3.4 On 9 October 2019, the UK Treasury announced a 1% increase in Public Works Loan Board borrowing rates. The impact of this change in the current year is limited due to significant borrowing being undertaken in advance of this change. The treasury management position will be reported to Council on 18 December in the quarterly update report.

## **2.4 Movements in Reserves**

#### Transformation Programme (including Workforce Management and Organisational Change)

- 2.4.1 Approval is sought to adjust the budgets for several approved transformation projects as set out in Appendix 3 to reflect changes in the profile of expenditure.
- 2.4.2 **ACTION:** The Committee is asked to transfer £45,000 from Reserves to the Services listed in Appendix 3 to reflect revised expenditure profiles in relation to Transformation. These adjustments are reflected in Appendix 1 (Column 5)

to this report and have no overall impact on the budgeted level of uncommitted Reserves.

#### Investment in North Inch Golf Course

- 2.4.3 Over several years Council officers from Finance and Community Greenspace have been working with external support to reclaim VAT charged on historic golf course fees. This came about following a change by HMRC in the VAT treatment of sporting activities. After allowing for fees, the Council has received a net refund of £234,000. It is proposed that £117,000 of this is applied to Housing & Environment in the current year with the remaining balance of £117,000 being earmarked in Reserves for future investment in North Inch Golf Course.
- 2.4.4 **ACTION:** The Committee is asked to transfer £117,000 to an Earmarked Reserves from Housing & Environment for future investment in North Inch Golf Course. This adjustment is reflected in Appendix 1 (Column 5) to this report.

### **3. CORPORATE BUDGETS**

#### Council Tax Income

- 3.1 The monitoring of Council Tax income as at 30 September 2019 indicates that additional income in excess of budget in the order of £200,000 may be generated in the current year. The primary reasons for this additional income are anticipated favourable movements in the provisions for bad debts and a net increase in the Council Tax base in excess of budget assumptions.
- 3.2 These projections are indicative at this stage and are subject to further review. This additional income is reflected in Appendix 1.

#### Health & Social Care - Perth & Kinross Integration Joint Board

- 3.3 The projected outturn for Health & Social Care is split between that which is delegated to Perth & Kinross Integration Joint Board (IJB) and that which remains with the Council. Full details of the projected outturn for Health & Social Care are set out in Appendix 4.
- 3.4 Despite uplifts in funding and a significant savings programme, demand for health and social care services continues to grow – both in terms of the number of service users and the complexity of care packages required. This increased demand is across almost all services including care home placements, care at home and mental health & learning disability community services.
- 3.5 In response to the projected over spend reported to the Strategic Policy & Resources Committee on 11 September 2019, officers from the Health & Social Care Partnership have developed a Financial Recovery Plan which was approved by the IJB on 27 September 2019, subject to agreement with

the Chief Executives of Perth & Kinross Council and NHS Tayside as set out in the Integration Scheme.

- 3.6 The meeting of the IJB on 6 November 2019 considered a financial update as at 30 September 2019 from the Boards Chief Financial Officer which will set out a gross projected overspend of £4,400,000. This reflects significant demand growth across several areas but is lower than the position reported to the Committee on 11 September 2019 due to the assumed delivery of the recovery plan measures. The update by the Chief Financial Officer includes commentary on the reasons for the projected over spend as set out at Appendix 4.
- 3.7 After the application of the measures set out in the Financial Recovery Plan, the projected over spend reduces to £3,325,000, which is set out in detail in Appendix 4.
- 3.8 Under the terms of the existing approved Integration Scheme, Perth & Kinross Council is liable for £2,056,000 of the total projected over spend (£3,325,000) less the projected under spend on non-devolved adult care functions (£28,000). The net projected over spend of £2,028,000 on Health & Social Care is reflected in Appendix 1.
- 3.9 Discussions on future risk sharing arrangements are ongoing between the Council and NHS Tayside. Any proposed changes to the risk sharing arrangement and the projected outturn will be reported to future meetings of the Strategic Policy & Resources Committee.

#### Contributions to Tayside Valuation Joint Board

- 3.10 The Treasurer of the Tayside Valuation Joint Board is currently projecting that expenditure will be in line with budget.

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

- 4.1 The Executive Director (Housing & Environment) is currently projecting a break-even position on the Housing Revenue Account. Within this projection there are several variances which are set out below.
- Repairs & Improvements (increase in projected over spend of £25,000) due to increased expenditure within external repairs & maintenance.
  - Administration (increase in projected over spend of £194,000) due to an increase in loan charges and corporate recharges.
  - Income (increase in projected over recovery of income of £48,000) due, primarily, to additional rental income.
  - Other functions (increase in projected under spend of £11,000)
- 4.2 The net projected over spends described above result in a further reduction in the estimated contribution to Capital Financed from Current Revenue (CFCR) (£160,000) available for the HRA Capital Programme.

- 4.3 Full details of the movement against the HRA Revenue Budget are set out in Appendix 5.

## 5. CONCLUSION AND RECOMMENDATIONS

- 5.1. The total net projected over spend on the 2019/20 General Fund, as set out in Appendix 1 to this report, is £1,875,000.
- 5.2. Within the overall net projected over spend for the Council, £2,028,000 relates to Health & Social Care.
- 5.3. The Executive Director (Housing & Environment) is currently projecting a break-even position on the Housing Revenue Account in 2019/20.
- 5.4. The Committee is requested to:
- Note the contents of the report;
  - Approve the adjustments to the 2019/20 Management Revenue Budget detailed in Appendices 1 to 3 and Section 2 & 3 above;
  - Approve 2019/20 Service virements summarised in Appendices 2 and 5;
  - Note the Health & Social Care projected outturn summarised in Paragraphs 3.3 to 3.11 and Appendix 4;
  - Note the Housing Revenue Account projected outturn summarised in Section 4 above and Appendix 5.

### Author(s)

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### Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	14 November 2019
Jim Valentine	Depute Chief Executive and Chief Operating Officer	14 November 2019

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## 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 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 – General Fund 2019/20 Revenue Budget - Summary  
Appendix 2 – General Fund 2019/20 Projected Outturn – Service Analysis  
Appendix 3 – Corporate Transformation Funding 2019/20  
Appendix 4 – Health & Social Care 2019/20 Projected Outturn  
Appendix 5 – Housing Revenue Account 2019/20 Projected Outturn