

**PERTH AND KINROSS COUNCIL****Strategic Policy and Resources Committee****30 November 2016****Revenue Budget 2016/17 – Monitoring Report Number 2****Report by the Head of Finance****PURPOSE OF REPORT**

This report provides an update on progress with the 2016/17 General Fund Revenue Budget based upon the September 2016 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 2016/17 General Fund Management Budget is £2,953,000 (see Appendix 1).

**1. BACKGROUND / MAIN ISSUES**

- 1.1 This is the second report updating the Committee on progress with the 2016/17 Revenue Budget. Appendix 1 to this report summarises the current projected year end (outturn) position for each Service based upon the September 2016 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 2016/17 on 11 February 2016 (Report No. 16/51 refers). In addition, adjustments that were approved by the Strategic Policy and Resources Committee on 20 April and 21 September 2016 (Report Nos. 16/179 and 16/400 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 2016/17 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 £2,845,000 which represents 0.91% of total net Service expenditure. (In the corresponding report for financial year 2015/16 the projected under spend was £3,815,000 or 1.22%).

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

2.1.3 **Education & Children's Services:** The projected outturn (excluding Devolved School Management (DSM)) is currently anticipated to be £861,000 less than budget – a favourable movement of £613,000 from the position last reported to Committee.

2.1.4 The latest revenue monitoring position includes movements to projected under spends as follows:

- Staff costs (£393,000) due to additional slippage.
- Supplies and Services (£168,000) following the identification of procurement efficiencies.
- Home to School Transport (£258,000) due to a contractual price increase of 1.49% compared to the budgeted increase of 5%.
- Foster Care / Kinship Care (£290,000) due to variations in demand and the types of placements being made.

2.1.5 These movements to projected under spends are partially offset by the following adjustments to projected over spends as follows:

- Young people with severe anti-social behaviour problems (£386,000) due to an increased demand for this service and adjustments to the types of placements.
- Additional Support Needs (£51,000) due to the demand for this service.
- Third Party Payments (£22,000) due primarily to additional projected expenditure on direct payments.
- Income (£19,000) following a refresh of assumptions on future levels.
- Transport Costs (£18,000) based on the latest levels of expenditure.

2.1.6 There is also a projected under spend of £299,000 on Devolved School Management budgets (DSM) due to a projected under spend on staff costs in excess of budgeted slippage targets and the receipt of income from staff secondments and the Scottish Qualifications Authority. It is anticipated that, in line with the approved DSM scheme, the eventual over and under spends will be carried forward into 2017/18.

2.1.7 The projected carry forward of £299,000 represents 0.37% of the overall DSM budget.

2.1.8 **Housing & Community Care:** The projected outturn is currently anticipated to be £1,458,000 less than budget – a favourable movement of £1,055,000 from the position last reported to Committee.

2.1.9 This latest revenue monitoring position reflects movements to projected under spends in:

- Finance and support (£189,000) due, primarily, to the receipt of additional non-recurring income and other under spends across the Division.
- Older People (£534,000) due, in the main to a significant reduction in the number of external placements due to increased turnover of clients and further projected under spends in Care at Home due to continued private sector capacity issues.
- Learning Disabilities (£161,000) due primarily to additional slippage and the further acceleration of approved savings.
- Other Community Care Services (£237,000) due in the main to the delivery of accelerated savings.

2.1.10 These projected under spends are partially offset by movements to projected over spends in:

- Housing due, primarily, to an increase in the projected over spends on temporary accommodation (£66,000) as the Homefirst service delivery model is rolled out.

2.1.11 **The Environment Service:** The projected outturn is currently anticipated to be £220,000 less than budget – a favourable movement of £220,000 from the position last reported to Committee

2.1.12 This latest revenue monitoring position includes:

- Additional income from commercial lets (£140,000).
- Additional income from statutory site notices (£80,000)

2.1.13 There are also two other areas of potential expenditure which at this stage are not recognised in this revenue monitoring report. Firstly discussions are still ongoing with the owners of St Paul's Church that may result in the Council initially incurring expenditure. Secondly the outcome of the appeal for the Almond Valley planning application will result in costs that the Council will be required to meet.

2.1.14 **Corporate and Democratic Services:** The projected outturn is currently anticipated to be £306,000 less than budget – a favourable movement of £130,000 from the position last reported to Committee.

2.1.15 This latest revenue monitoring position reflects movements to projected under spends as follows:

- Further staff slippage in excess of budgeted levels across the Service (£87,000).
- Projected savings on IT contracts including hardware maintenance, software licenses and network costs (£69,000).

2.1.16 These projected under spends are partially offset by movements to projected over spends in:

- Miscellaneous other budgets across the Service (£26,000).

2.1.17 The Council is still awaiting information on Registration Service charges from the office of the Registrar General. Once the information is received a charging report will be presented to a future meeting of this Committee providing details of all charges in place within Corporate and Democratic Services. The Licensing Charges have previously been approved by the Licensing Committee on 31 March 2016 (Report No. 16/160 refers).

## **2.2 Movements in Funding**

2.2.1 Since Revenue Monitoring Report No. 1 was approved by this Committee (Report No. 16/400 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 2.2.5 and Appendix 3.

### **2.2.2 Scottish Government: Revenue Support Grant (£470,036)**

- Teacher Induction Scheme: £338,615 (Education & Children's Services – ECS)
- 1+2 Languages Policy: £131,421 (ECS)

2.2.3 The Scottish Government has advised that the increase in Revenue Support Grant identified at 2.2.2 of £470,036 will be made through a redetermination of the Council's Revenue Support Grant. It is therefore necessary to adjust the net budgets for Education & Children's Services and Revenue Support Grant.

2.2.4 **ACTION:** The Committee is asked to approve the adjustment of £470,036 to Education & Children's Services to reflect the additional resources being made available through Revenue Support Grant. These adjustments are reflected in Appendix 1 (column 3) to this report.

### **Other Funding (£364,633)**

2.2.5 Other funding amounting to £364,633 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 other funding is set out in Appendix 3.

2.2.6 **ACTION:** The Committee is asked to note the receipt of £364,633 of additional resources, with this funding being reflected within Education & Children's Services, Housing & Community Care and the Environment Service as additional grant income. The current projected outturn assumes that all of these additional resources will be fully expended in 2016/17.

## 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 small reduction in the projected outturn for capital financing costs (loan charges) of £1,000 and an increase in the level of projected income from Interest on Revenue Balances of £58,000. The variances reflect the latest treasury activity undertaken by the Council.
- 2.3.3 **ACTION:** The Committee is requested to approve the virement of £1,000 from the Capital Financing Costs (Loan Charges) Budget; £58,000 to Interest on Revenue Balances with a net increase of £59,000 in the projected Contribution to the Capital Fund. These adjustments have been reflected in Appendix 1 (column 4) to this report.

### Private Sector Housing Grant

- 2.3.4 The Director of Housing and Social Work is currently projecting an under spend of £500,000 on Private Sector Housing Grants in the current financial year. This projected position reflects existing levels of demand and includes changes to criteria approved by the Housing and Health Committee on 24 August 2016 (Report No. 16/355 refers) which should expand access to this funding. This Capital Grant will be used to meet other planned capital expenditure in 2016/17. It is proposed that this funding is reinstated in future years subject to confirmation of demand and consideration of future levels of funding as part of the Revenue Budget process.
- 2.3.5 **ACTION:** The Committee is asked to approve a reduction in the Housing and Community Care Revenue Budget of £500,000 in 2016/17 with a corresponding reduction in the Capital Grant Budget. This adjustment is reflected in Appendix 1 (column 4) to this report. The Revenue Budget for Housing and Community Care will be increased in future years subject to confirmation of demand for this funding.

## Service Virements

2.3.6 In order to ensure that the 2016/17 Management Revenue Budget continues to reflect current Service needs the following virements between budgets are required:

- Executive Support – Housing and Community Care (£33,000) and the Environment Service (£33,000) to Corporate and Democratic Services.
- Renewal and Repair Fund to Corporate and Democratic Services (£12,000) to purchase an additional module for the Council's ledger system that will automate elements of the authorisation process.

2.3.7 **ACTION:** The Committee is requested to approve the adjustments to Service and Corporate Budgets listed in 2.3.6 above. These adjustments have been reflected in Appendix 1 (column 4) to this report.

## **2.4 Movements in Reserves**

### Provision of Affordable Housing - Council Tax 2<sup>nd</sup> Home and Long Term Empty Property Discount – Transfer from Reserves

2.4.1 The Empty Homes Pilot Project has returned 312 empty properties back to use across the Council area. Building on this success it is proposed to use £24,000 on a recurring basis from the Earmarked Reserve for the Provision of Affordable Housing - Council Tax 2<sup>nd</sup> Home and Long Term Empty Property Discount to provide permanent administrative support to this project.

2.4.2 **ACTION:** The Committee is asked to approve the transfer of £24,000 from the Earmarked Reserve for the Provision of Affordable Housing - Council Tax 2<sup>nd</sup> Home and Long Term Empty Property Discount to the Environment Service to support the successful Empty Homes Project. This adjustment is reflected in Appendix 1 (column 5) to this report.

### Contaminated Land Earmarked Reserve

2.4.3 The Council is undertaking works at the former landfill site at Welton Road, Blairgowrie where there has been an escape of waste to the River Ercht. It is proposed to utilise £20,000 from the Contaminated Land Earmarked Reserve to undertake ground investigation works to ascertain what method of civil engineering is required to cap and contain the waste and to find out if there is any further risks to the environment through the composition of the waste.

2.4.4 **ACTION:** The Committee is asked to approve the transfer of £20,000 from Reserves to the Environment Service for ground investigation works at Welton Road, Blairgowrie. This adjustment is reflected in Appendix 1 (column 5) to this report.

### Investment in Improvement / Corporate Transformation Programme

- 2.4.5 Approval is sought to amend budgets for a number of Investment in Improvement and Corporate Transformation Programme projects due to changes in the phasing of expenditure as set out in Appendix 4.
- 2.4.6 **ACTION:** The Committee is asked to approve the adjustments listed in Appendix 4 in relation to Investment in Improvement and Corporate Transformation Programme projects. This adjustment is reflected in Appendix 1 (column 5) to the report.

### Environmental Improvements

- 2.4.7 The Reserves Strategy approved by the Council on 11 February 2016 (Report No. 16/52 refers) included an earmarked Reserve for future environmental initiatives. Approval is now sought to transfer £175,000 of this funding to progress these projects in the current financial year.
- 2.4.8 **ACTION:** The Committee is asked to approve the transfer of £175,000 from the earmarked Reserve for environmental initiatives to the Environment Service. This adjustment is reflected in Appendix 1 (column 5) to this report.

## **3. CORPORATE BUDGETS**

### Contributions to Tayside Valuation Joint Board

- 3.1 The Treasurer of the Tayside Valuation Joint Board is currently projecting an under spend of £20,000 primarily due to reduced staff costs. Perth and Kinross Council's share of this projected under spend is approximately £8,000. This under spend is reflected in Appendix 1.

### Un-Funded Pensions Costs

- 3.2 Based on the latest invoices from Dundee City Council, who administer Tayside Pension Fund, there is a projected under spend of £100,000. This under spend has arisen due to the phasing of staff departures under the Voluntary Severance Scheme approved in February 2016. This under spend is reflected in Appendix 1.

### Provision of Non Domestic Rates Relief under the Community Empowerment Act 2015

- 3.3 On 15 June 2016 the Strategic Policy and Resources Committee approved the use of the Community Empowerment Act 2015 to expand the provisions of the Small Business Bonus and Fresh Start Schemes (Report No. 16/266 refers). The report set out potential immediate actions available to the Council in respect of potential rates relief following requests for assistance by the business community up to a maximum cost to the Council of £650,000.

- 3.4 As at 1 November the Council has processed 81 applications to access these schemes. The cost to the Council to date is approximately £119,000. Further updates will be provided to the Committee in due course.

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

- 4.1 The Director (Housing and Social Work) is currently projecting a planned reduction in expenditure of £18,000 on the Housing Revenue Account (HRA) in order to increase the balance on the HRA Reserve to £800,000 in accordance with the approved strategy for managing Housing Revenue Account Balances.
- 4.2 This latest revenue monitoring position reflects movements to projected over spends in:
- Council House rent (£63,000) due to a projected reduction in income based on the latest information.
  - Letham and North area (£30,000), primarily due to increased property costs.
  - Other projected over spends (£28,000) based on the latest revenue monitoring across the Housing Revenue Account.
- 4.3 This latest revenue monitoring position also reflects movements to projected under spends in:
- Housing Management (£8,000) due to revised projections for the HRA Innovation Fund for 2016/17.
- 4.4 The net projected movements described above result in a further reduction in the projected contribution to Capital Financed from Current Revenue (CFCR) (£113,000) available for the HRA Capital Programme.
- 4.5 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 under spend on the General Fund net expenditure, as set out in Appendix 1 to this report, is £2,953,000.
- 5.2 Additionally the projected planned under spend on Devolved School Management Budgets currently stands at £299,000.
- 5.3 The Director (Housing and Social Work) is currently projecting a planned under spend of £18,000 in order increase the balance on the HRA Reserve to £800,000 in accordance with the approved strategy for managing Housing Revenue Account Balances.



5.4 The Committee is requested to:

- Note the contents of the report;
- Approve the adjustments to the 2016/17 Management Revenue Budget detailed in Appendix 1 and Section 2 above;
- Approve Service virements summarised in Appendices 2 and 5.

**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>
John Symon	Head of Finance	17 November 2016

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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

#### 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.

## 2.2 Workforce

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

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

- 2.3.1 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 2016/17 Revenue Budget - Summary

Appendix 2 – General Fund 2016/17 Projected Outturn – Service Analysis

Appendix 3 – Other Funding

Appendix 4 – Adjustments to Projects funded from the Corporate Transformation and Investment in Improvement Funds

Appendix 5 – Housing Revenue Account 2016/17 Projected Outturn