

Strategic Policy and Resources Committee**19 April 2017****REVENUE BUDGET 2016/17 – MONITORING REPORT NUMBER 4****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 January 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 2016/17 General Fund Management Budget is £3,578,000 (see Appendix 1).

The report also proposes a number of adjustments to the 2017/18 Final Revenue Budget (see Appendix 5).

1. BACKGROUND / MAIN ISSUES

- 1.1 This is the fourth 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 January 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 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 2016, 21 September 2016, 30 November 2016 and 8 February 2017 (Report Nos. 16/179, 16/400, 16/527 and 17/59 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 £2,789,000 which represents 0.89% of total net Service expenditure. (In the corresponding report for financial year 2015/16 the projected under spend was £7,490,000 or 2.37%).

2.1.2 The utilisation of these Service under spends is considered throughout the financial year and more recently was approved as part of the Revenue Budget strategy for future years. Specific proposals to utilise the projected under spends identified in Appendix 2 were approved by the Council on 22 February 2017 (Report No. 17/47 refers).

2.1.3 **Education & Children's Services:** The projected outturn (excluding Devolved School Management (DSM)) is currently anticipated to be £1,106,000 less than budget – an increase of £80,000 from the projected under spend last reported to Committee.

2.1.4 This movement in the projected under spend is made up of increased projected under spends or reduced projected over spends as follows:

- Additional staff slippage (£222,000) in excess of budgeted levels.
- Property costs (£43,000) due to reduced non-domestic rate charges and a number of rebates in relation to Investment in Learning schools.
- Supplies and Services (£125,000) due to further projected under spends on the Evidence to Success project, early learning and childcare provision and school meals.
- Third Party Payments (£169,000) due to an increase in the projected under spend in early learning and childcare and reductions in the projected over spends on supporting young people, direct payments and personal home care.
- Additional Support Needs (£8,000) due to movements in placements.
- Other miscellaneous movements across the Service (£7,000).

2.1.5 These movements are partially offset as follows:

- Anti-Social Behaviour / Support in the Community (£246,000) due to a number of new placements and extensions to existing placements.
- Foster Care (£122,000) due to the continued high demand for external foster carers.
- Home to School Transport (£102,000) due to a reduction in the projected under spend following the latest analysis of demand.
- Income (£24,000) due, primarily, to revised school meal projections.

- 2.1.6 There is also a projected under spend of £670,000 on Devolved School Management budgets (DSM) due, mainly, to staff costs being below budget 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 £670,000 represents 0.79% of the overall DSM budget.
- 2.1.8 **Health & Social Care:** The projected outturn is currently anticipated to be in line with budget which is consistent with the position last reported to the Strategic Policy and Resources Committee.
- 2.1.9 This latest revenue monitoring position reflects reductions in projected under spends as follows:
- Older People (£224,000) due to additional external supply becoming available.
 - Other Community Care Services (£38,000) due to revised staff cost projections and an increased bad debt provision.
- 2.1.10 These movements are partially offset by an increased projected under spend in Learning Disabilities (£14,000) due to additional staff slippage.
- 2.1.11 The net impact of these movements is that there is potentially £248,000 less available to be carried forward in the Council's Reserves to 2017/18 for future health and social care related transformation activity. This position will be kept under review to reflect the final outturn.
- 2.1.12 In addition the Council has previously approved that £1,386,000 of the projected under spend would be carried forward in the Reserves of the Integrated Joint Board for agreed projects (Report No. 17/47 refers).
- 2.1.13 **Housing & Community Safety:** The projected outturn is currently anticipated to be £472,000 less than budget – an increase of £183,000 from the projected under spend reported to the last Committee.
- 2.1.14 This movement is made up of an increased projected under spend in Finance and Support (£227,000) due, primarily, to further staff slippage.
- 2.1.15 These movements are partially offset by:
- Housing: (£37,000) due, in the main, to further reductions in income at Greyfriars and Rio.
 - Strategic Support and Commissioning: (£7,000) due to updated staff cost projections.

2.1.16 **The Environment Service:** The projected outturn is currently anticipated to be £820,000 less than budget – a reduction of £659,000 from the projected under spend last reported to Committee.

2.1.17 This latest revenue monitoring position reflects movements as follows:

- Projected shortfall in planning and building warrant income based on the latest level of applications (£200,000).
- A reduction in the projected under spend on street lighting energy costs (£75,000).
- A projected over spend on reactive property maintenance based on latest activity levels (£200,000).
- The repayment of UK Department of Culture Media and Sport grant funding (£184,000) in relation to a city centre broadband voucher scheme due to limited uptake because of strict parameters that affected eligibility.

2.1.18 **Corporate and Democratic Services:** The projected outturn is currently anticipated to be £391,000 less than budget – an increased projected under spend of £41,000 from the position last reported to Committee.

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

- Further staff slippage in excess of budgeted levels across the Service (£45,000).
- Other projected net over spends across the Service (£4,000).

2.2 Movements in Funding

2.2.1 Since Revenue Monitoring Report No. 3 was approved by this Committee (Report No. 17/59 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

- Teacher Induction Scheme: reduction of £2,000 (Education & Children's Services (ECS))
- Council Tax Reduction Scheme Admin: increase of £39,000 (Housing & Community Care)
- "Minor Adjustments": reduction of £7,000 (Reserves)

2.2.3 The Scottish Government has advised that the net increase in Revenue Support Grant identified at 2.2.2 of £30,000 will be made through a redetermination of the Council's Revenue Support Grant. It is therefore necessary to adjust the budget for Education & Children's Services, Housing and Community Safety and Revenue Support Grant with the balance being funded from Reserves.

- 2.2.4 **ACTION:** The Committee is asked to approve the adjustments set out at 2.2.2. These adjustments are reflected in Appendix 1 (Column 3) to this report.

Other Funding (£151,338)

- 2.2.5 Other funding amounting to £151,338 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 are set out in Appendix 3.
- 2.2.6 **ACTION:** The Committee is asked to note the receipt of £151,338 of additional resources, with this funding being reflected within Education & Children's Services, Housing and Community Safety 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 or will be carried forward in the Annual Accounts under proper accounting practice.

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 an increase in the projected outturn for capital financing costs (loan charges) of £66,000 and an increase in the level of projected income from Interest on Revenue Balances of £8,000. The variances reflect the latest treasury activity undertaken by the Council including the acceleration of borrowing to take advantage of low interest rates to generate savings over the longer term.
- 2.3.3 **ACTION:** The Committee is requested to approve the virement of £66,000 to the Capital Financing Costs (Loan Charges) Budget and £8,000 to Interest on Revenue Balances with a net reduction of £58,000 in the projected Contribution from the Capital Fund. These adjustments have been reflected in Appendix 1 (Column 4) to this report.

Private Sector Housing Grant

- 2.3.4 The Executive Director (Housing and Community Safety) is currently projecting a further under spend of £222,000 on Private Sector Housing Grants in the current financial year based on existing levels of demand. 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 Safety Revenue Budget of £222,000 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.

CIPFA Code of Practice

- 2.3.6 The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, under which the Council's Annual Accounts are prepared, has introduced new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and Movements in Reserves Statement, and the introduction of a new Expenditure and Funding Analysis.
- 2.3.7 The Code now requires that the service analysis within the Accounts is based on the organisational structure under which the authority operates. The adjustments proposed below and summarised in Appendix 1 reflect the management structure of the Council and will ensure that the Annual Accounts are consistent with this. The proposed adjustments are summarised in the following table.

	£'000	£'000
Education and Children's Services	(10,489)	
Culture Services		10,489
Housing and Community Care	(65,083)	
Housing and Community Safety		15,647
Health and Social Care		49,436

- 2.3.8 **ACTION:** The Committee is asked to approve the adjustments to reflect the CIPFA Code of Practice summarised in the table at 2.3.7. These adjustments are reflected in Appendix 1 (Column 4) to this report.

2.4 Movements in Reserves

Youth Employability

- 2.4.1 The projected outturn for Youth Employability (Modern Apprenticeships and Professional Trainees) has been updated to show an under spend of £45,000 in the current financial year. In line with previous practice it is proposed that the final under spend in this area (currently projected at £45,000) be carried forward in Reserves to meet commitments in future years.

- 2.4.2 **ACTION:** The Committee is asked to approve the transfer of the final under spend on Youth Employability (currently projected at £45,000) from Corporate and Democratic Services to Reserves to support initiatives in future years. This adjustment has been reflected in Appendix 1 (Column 5) to the report.

Voluntary Severance Scheme

- 2.4.3 On 22 February the Council approved the 2017/18 Final Revenue Budget (Report No. 17/47 refers). This included the financial implications of the latest Voluntary Severance Scheme that was promoted in late 2016.
- 2.4.4 The Voluntary Severance Scheme was introduced to avoid compulsory redundancies as far as possible, and to facilitate significant levels of recurring savings to the Council. The 39 applications referred to in the 2017/18 Revenue Budget report and two further applications result in upfront costs of £1,282,000 to generate recurring full year savings of £1,148,000 which represents a payback period of 13.4 months.
- 2.4.5 Approval is now sought to transfer from Reserves to Services the funding required to meet the cost of the scheme, which will be accounted for in 2016/17. This comprises redundancy, strain on the fund and added year lump sums.
- 2.4.6 The costs for the General Fund are as follows –
- Education & Children's Services - £449,000
 - Housing & Community Safety - £424,000
 - The Environment Service - £175,000
 - Corporate and Democratic Services - £234,000
- 2.4.7 **ACTION:** The Committee is asked to approve the transfer of funding to Education & Children's Services (£449,000); Housing & Community Safety (£424,000); the Environment Service (£175,000) and Corporate and Democratic Services (£234,000) from Reserves to fund the Voluntary Severance Scheme. This adjustment is reflected in Appendix 1 (Column 5) to this report.

Corporate Transformation Programme Projects

- 2.4.8 Approval is sought to rephase budgets for a number of Corporate Transformation Programme projects leading to adjustments to budgets in 2016/17 as set out below.
- Communities First – increase of £121,000 (Health and Social Care) (H&SC)
 - Review of Older People's Services – reduction of £53,000 (H&SC)
 - Review of Community Care Packages for Adults – reduction of £3,000 (H&SC)
 - Review of Homeless Service – reduction of £32,000 (Housing and Community Safety)

- Collaborative Working – reduction of £150,000 (Corporate and Democratic Services) (CDS)
- Finance Transformation Review – reduction of £20,000 (CDS)

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

Winter Maintenance

2.4.10 The Director (Environment) is currently projecting an under spend of around £450,000 on winter maintenance following the mild winter. The Revenue Budget Flexibility Scheme (Report No. 01/306 refers) specifically excludes under spends on winter maintenance from the scheme as over spends may be funded from Reserves. On that basis approval is sought to transfer the final under spend from the Environment Service to Reserves.

2.4.11 **ACTION:** The Committee is asked to approve the transfer of the final under spend on winter maintenance, currently estimated at £450,000, from the Environment Service to Reserves. This adjustment is reflected in Appendix 1 (Column 5) to the 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 £23,000 primarily due to reduced staff costs. Perth and Kinross Council's share of this projected under spend is approximately £9,000. 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.

Council Tax Income

3.3 The latest monitoring of Council Tax Income indicates that additional income in excess of budget will be generated in the current year in the order of £680,000. The primary reasons for this additional income are anticipated favourable movements in the provisions for bad debts (£400,000) and a net increase in the Council Tax base in excess of budget assumptions (£100,000).

3.4 In addition there is a projected under spend on the Council Tax Reduction Scheme (£180,000) due to lower than budgeted activity in this area.

- 3.5 These projections are indicative at this stage and are subject to further changes in a number of variables including further movement in the tax base; movements in the level of provisions; effects of exemption and discount reviews and in year collection levels. This additional income is reflected in Appendix 1.
- 3.6 The Prescription (Scotland) Bill is currently at the consultation stage. This draft Bill includes a proposal that Council Tax and Non-Domestic Rates debt would be prescribed (i.e. may no longer be pursued for collection if no action has been taken) after five years. Under the current legislation debt that has proceeded to Summary Warrant stage is exempt from this. A report will be brought to a future Committee meeting once the full impact is assessed. In the meantime it may be necessary to consider the potential of this draft Bill in determining provisions for local taxes debt.

4. HOUSING REVENUE ACCOUNT (HRA)

- 4.1 The Executive Director (Housing and Community Safety) 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 also reflects movements to projected over spends in:
- Letham and North (£296,000) following receipt of the final costs of the response to the flooding in Alyth that took place in July 2015.
 - Income (£85,000) due to a further projected reduction in rents, primarily from Council houses.
- 4.3 This latest revenue monitoring position reflects movements to projected under spends in:
- Further increases in staff cost slippage in Improvements & South (£17,000), Perth City & Specialist (£27,000) and Housing Management (£4,000).
 - Administration (£26,000) as a result of a reduced contribution to the Insurance Fund.
- 4.4 The net projected movements described above result in a reduction in the projected contribution to Capital Financed from Current Revenue (CFCR) (£307,000) available for the HRA Capital Programme.
- 4.5 Full details of the movement against the HRA Revenue Budget are set out in Appendix 4.

5. 2017/18 REVENUE BUDGET

- 5.1 Since the 2017/18 Final Revenue Budget was set on 22 February 2017 (Report No. 17/47 refers) there have been a number of adjustments identified which are explained below and included in Appendix 5.

Movements in Funding

- 5.2 Scottish Government: Revenue Support Grant (£613,000)

- 1+2 Languages Support: £79,000 (Education & Children's Services)
- Discretionary Housing Payment: £534,000 (Housing & Community Safety)

- 5.3 The Scottish Government has advised that the increase in Revenue Support Grant for 2017/18 identified at paragraph 5.2 of £613,000 will be made through a redetermination of the Council's Revenue Support Grant. It is therefore necessary to adjust the net Revenue Budgets for Education & Children's Services, Housing & Community Safety and Revenue Support Grant.

- 5.4 **ACTION:** The Committee is asked to approve the following adjustments to the Education & Children's Services (£79,000) and Housing & Community Safety (£534,000) budgets to reflect the revised allocation of resources for 2017/18 being made through Revenue Support Grant. These adjustments are reflected in Appendix 5 (Column 2) to this report.

- 5.5 Other funding amounting to £506,470 will also be received from the Department of Work and Pensions (DWP) as other grant income in 2017/18 and is therefore cost neutral in terms of the budget summary. Details of this other funding are set out in the following table.

Housing Benefit Admin Subsidy (Housing & Community Safety H&CS)	£487,058
Universal Credit & New Burdens (H&CS)	£19,412
TOTAL	£506,470

- 5.6 **ACTION:** The Committee is asked to note the receipt of £506,470 of additional resources for 2017/18 with this funding being reflected within Housing & Community Safety as additional grant income. It is assumed that all of these additional resources will be fully expended in 2017/18.

- 5.7 The Council has also received notification of additional funding of £621,000 in 2017/18 towards Early Learning and Childcare. This funding will support workforce development and expansion towards 1,140 hours of childcare. Funding will be made available outwith the Local Government Settlement therefore approval is sought to adjust the budgets for Education and Children's Services and Ring Fenced Grant in 2017/18.

- 5.8 **ACTION:** The Committee is asked to approve the adjustment of £621,000 to the Education & Children's Services and Ring Fenced Grant in 2017/18. These adjustments are reflected in Appendix 5 (Column 2) to this report.

Flood Studies

- 5.9 Capital Grant funding of £205,000 has been received to take forward a number of flood studies. Approval is sought to adjust the budgets for the Environment Service and Capital Grant to allow these works to progress.
- 5.10 **ACTION:** The Committee is asked to approve the virement of £205,000 between the Environment Service and Capital Grant to progress a number of flood studies. This adjustment is reflected in Appendix 5 (Column 3) of this report.

Corporate Transformation Programme

- 5.11 The Council meeting on 1 July 2015 (Report No. 15/292) and Strategic Policy and Resources Committee on 10 February 2016 (Report No's 16/45 and 16/50) approved a number of transformation projects. The funding required for these projects in 2017/18 is set out in Appendix 6.
- 5.12 **ACTION:** The Committee is asked to approve the transfer of £296,000 to Education and Children's Services, £806,000 to Health and Social Care, £109,000 to Housing and Community Safety, £264,000 to the Environment Service and £1,235,000 to Corporate and Democratic Services from the earmarked Reserve for Transformation (including Workforce Management and Organisational Change) in 2017/18. These adjustments are reflected in Appendix 5 (Column 4) to this report.

Perth High School Feasibility Study

- 5.13 The Reserves Strategy approved by Council on 22 February 2017 (Report No. 17/48 refers) included £100,000 in an earmarked Reserve for Corporate Feasibility Studies.
- 5.14 It is proposed that the £100,000 is transferred from Reserves to the Environment Service in 2017/18 to fund a feasibility study into the replacement of Perth High School. Specifically this will fund the engagement of design consultants as well as surveys and physical investigations of the ground/utilities on the site.
- 5.15 **ACTION:** The Committee is asked to approve the transfer of £100,000 from Reserves to the Environment Service to fund a feasibility study into the replacement of Perth High School. This adjustment is reflected in Appendix 5 (Column 4) to this report.

Care at Home Project

- 5.16 The Strategic Policy and Resources Committee of 8 February 2017 approved the earmarking of £598,000 in the Council Reserves to support future health and social care transformation (Report No. 17/59 refers). This was also included in the Reserves Strategy approved by Council on 22 February 2017 (Report No 17/48 refers). Approval is sought to allocate £350,000 of this funding towards a review of Care at Home. This non-recurring funding will create additional capacity, primarily for staff on a fixed term basis, to take forward the review and maintain the existing service.
- 5.17 **ACTION:** The Committee is asked to approve the transfer of £350,000 from the earmarked Reserve for future health and social care transformation to Health and Social Care to fund the review of the Care at Home project. This adjustment is reflected in Appendix 5 (Column 4) of this report.

Bridge Feasibility Studies

- 5.18 The Reserves Strategy that was approved by Council on 22 February 2017 (Report No. 17/48 refers) included an earmarked Reserve for testing and assessment of the Queens Bridge, Perth and Old Perth Bridge. Approval is sought for the transfer of £122,000 in 2017/18 to commence these works.
- 5.19 **ACTION:** The Committee is asked to approve the transfer of £122,000 from Reserves to the Environment Service to commence testing and assessment works on the Queens Bridge, Perth and Old Perth Bridge. This adjustment is reflected in Appendix 5 (Column 4) of this report.

Corporate Digital Platform

- 5.20 The 2017/18 Revenue Budget for the Environment Service includes £230,000 for the Corporate Digital Platform which is the subject of a separate report to this Committee (Report No. 17/156 refers). Approval is sought to transfer this funding to the earmarked Reserve for Transformation (including Workforce Management and Organisational Development) to be released as the project progresses.
- 5.21 **ACTION:** The Committee is asked to approve the transfer of £230,000 from the Environment Service to the earmarked Reserve for Transformation (including Workforce Management and Organisational Development). This adjustment is reflected in Appendix 5 (Column 4) to this report.

National Care Home Contract

- 5.22 Negotiations have concluded on the national care home contract rate following discussions between COSLA and the Care Home Providers. The new rate of 2.8% is in excess of the level budgeted and may result in a cost pressure of c£178,000 in 2017/18. This potential over spend will be included in the revenue monitoring submissions that will be reported to future meetings of the Strategic Policy and Resources Committee.

Perth and Kinross Integration Joint Board

- 5.23 At its meeting on 24 March 2017 Perth and Kinross Integrated Joint Board considered a report on the 2017/18 Budget (Report No. G/17/50 refers). The report concluded that the level of social care pressures has been prudently estimated in development of the budget proposition and that the social care savings planned for 2017/18 are deliverable and do not conflict with the delivery of Strategic Plan objectives. Furthermore a number of the savings proposals significantly support the Strategic Plan intentions.
- 5.24 The Chief Finance Officer was therefore able to recommend that the Integrated Joint Board approve the budget proposition as the basis for the budget requisition to be made to Perth & Kinross Council for 2017/18 by way of a Direction to be issued by 31 March 2017. The Chief Officer was also able to recommend approval of the savings plans set out to deliver a balanced financial position in 2017/18.
- 5.25 **ACTION:** The Committee is asked to note that the Perth and Kinross Integrated Joint Board has approved a budget requisition consistent with the 2017/18 Revenue Budget proposition from Perth and Kinross Council.

6. CONCLUSION AND RECOMMENDATIONS

- 6.1 The total net projected under spend on the General Fund net expenditure, as set out in Appendix 1 to this report, is £3,578,000.
- 6.2 Additionally the projected planned under spend on Devolved School Management Budgets currently stands at £670,000.
- 6.3 The Executive Director (Housing and Community Safety) 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.
- 6.4 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 2016/17 Service virements summarised in Appendices 2 and 4;
 - § Approve the adjustments to the 2017/18 Council Approved Budget detailed in Section 5 and Appendix 5 above;
 - § Note that the Perth and Kinross Integrated Joint Board has approved a budget requisition consistent with the 2017/18 Revenue Budget proposition from Perth and Kinross Council.

Author(s)

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Approved

Name	Designation	Date
John Symon	Head of Finance	28 March 2017

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

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 2016/17 Funding

Appendix 4 – Housing Revenue Account 2016/17 Projected Outturn

Appendix 5 – General Fund 2017/18 Revenue Budget – Summary

Appendix 6 – Transformation Funding – 2017/18

PERTH & KINROSS COUNCIL GENERAL FUND 2016/17 REVENUE BUDGET - SUMMARY

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	2016/17 Council Approved Budget Feb-16	Previously Approved Adjustments (Net)	Movements in Funding	Virements	Movements in Reserves	2016/17 Revised Mgt Budget	Projected Outturn	Variance to Revised Mgt Budget	Variance to Revised Mgt Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
<i>Reference: Section in Report</i>									
SERVICE									
Education & Children's Services	171,854	(3,049)	(2)	(10,489)	449	158,763	157,657	(1,106)	(0.70%)
Housing & Community Care	65,466	(422)	39	(65,083)	65	0	0	0	0.00%
Health & Social Care	0			49,436	392	49,501	49,501	0	0.00%
Housing & Community Safety	0			15,425	(275)	15,817	15,345	(472)	(2.98%)
The Environment Service	57,969	5,085			19	62,779	61,959	(820)	(1.31%)
Corporate & Democratic Services	14,399	50				14,468	14,077	(391)	(2.70%)
Culture Services	0			10,489		10,489	10,489	0	0.00%
Sub - Total: Service Budgets	309,688	1,664	37	(222)	650	311,817	309,028	(2,789)	(0.89%)
Corporate Budgets									
Contribution to Valuation Joint Board	1,166					1,166	1,157	(9)	(0.77%)
Capital Financing Costs	16,352	(1,503)		66		14,915	14,915	0	0.00%
Interest on Revenue Balances	(200)	58		(8)		(150)	(150)	0	0.00%
Net Contribution to/(from) Capital Fund	(586)	539		(58)		(105)	(105)	0	0.00%
Contribution to/(from) Renewal and Repair Fund	0	(822)				(822)	(822)	0	0.00%
Trading Operations Surplus	(250)					(250)	(250)	0	0.00%
Support Service External Income	(1,888)					(1,888)	(1,888)	0	0.00%
Un-Funded Pension Costs	1,551					1,551	1,451	(100)	(6.45%)
Discretionary Relief	150					150	150	0	0.00%
Net Expenditure (General Fund)	325,983	(64)	37	(222)	650	326,384	323,486	(2,898)	(0.89%)
Financed By:									
Revenue Support Grant	(184,101)	(2,969)	(30)			(187,100)	(187,100)	0	0.00%
Ring Fenced Grant	(113)					(113)	(113)	0	0.00%
Non Domestic Rate Income	(57,555)					(57,555)	(57,555)	0	0.00%
Council Tax Income	(73,664)	(1,300)				(74,964)	(75,464)	(500)	(0.67%)
Council Tax Reduction Scheme	6,249					6,249	6,069	(180)	(2.88%)
Capital Grant	(6,944)	4,670		222		(2,052)	(2,052)	0	0.00%
Total Financing	(316,128)	401	(30)	222	0	(315,535)	(316,215)	(680)	(0.22%)
Financed from/(returned to) Reserves including use of Budget Flexibility b/fwd	9,855	337	7	0	650	10,849	7,271	(3,578)	

PERTH AND KINROSS COUNCIL - GENERAL FUND 2016/17 PROJECTED OUTTURN - SERVICE ANALYSIS
(Based on Expenditure to 31 January 2017)

SERVICE	Variance £'000	Variance £'000	Summary of Service Variances
Education & Children's Services (ECS)			
Total	(1,106)		
			<u>Devolved School Management (DSM)</u>
		(470)	<u>Staff Costs</u> Teachers salaries projected under spend of £1,649,000 due to staff turnover. Single Status staff are projected to under spend by £527,000 also due to staff turnover. This is offset by a slippage target for 2016/2017 of £1,706,000.
		(200)	<u>Income</u> Projected additional income of £200,000 offsets additional expenditure on staff costs included above for secondments and SQA work.
		670	The projected DSM carry forward for 2016/17 is £670,000 which is a reduction of £588,000 on the balance brought forward from 2015/16. This level of carry forward represents approximately 0.79% of the overall DSM budget.
			<u>Other Education & Children's Services Sectors:</u>
		(1,397)	<u>Staff Costs</u> This projected under spend is made up of movements across all sectors and cost centres and is after recognising a slippage target of £841,000.
		(11)	<u>Property Costs</u> Projected under spend in relation to Non-Domestic Rates for 2016/17 following a number of refunds.
		(688)	<u>Supplies and Services</u> Projected under spend in Early Learning and Childcare provision (£68,000), school meals (£85,000), portable appliance testing (£20,000) and Evidence 2 Success (£515,000) due to the phasing of expenditure.
		(32)	<u>Transport Costs</u> Projected under spend on car allowances, travel and subsistence payments.
		(156)	<u>Home to School Transport</u> Projected under spend based on the latest analysis of activity and demand.
		(134)	<u>Third Party Payments</u> There is a projected under spend in Early Learning and Childcare (£261,000) offset by a projected over spend in Children, Young People and Families for supporting young people (£89,000) and Direct Payments & Personal Home Care (£38,000).
		(427)	<u>Residential Schools/Foster Care and Kinship Care:</u> The budget for young people with Additional Support Needs (ASN) who are educated out with the Council's mainstream school provision is projected to under spend in the current financial year due to a lower level of placements than that assumed in setting the original revenue budget.
		857	The budget for young people with complex behavioural issues which includes a number of pupils placed within secure schools is projected to over spend based on current activity levels.
		217	Support in the Community is projected to over spend based on the existing number of placements.
		869	The Foster care budget is projected to over spend (£861,000) due to high demand for external foster carers to date partially offset by a projected under spend on Kinship care (£19,000).
		(48)	<u>Loan Charges</u> Projected under spend on prudential borrowing loan charges due to revised projections for land disposals.
		(25)	<u>Income</u> Projected additional income of £25,000. The main areas are Out of School Kids Clubs (£45,000); recharging other authorities for Pupil Support Assistants and Learning Support (£19,000); Police Scotland (£6,000) for Child Protection Inter Agency work; Duke of Edinburgh Awards (£11,000), school lets (£21,000), Strathearn Community Wing (£3,000), Internal Recharges (£10,000), Instrumental Music Service (£4,000) and Rattray Community Connect (£1,000). These are partially offset by reduced Renewable Heat Initiative income (£80,000) due to delays in changes to plant and equipment and reduced rental income at Wellbank House (£15,000).
		(131)	Income in relation to community empowerment.

PERTH AND KINROSS COUNCIL - GENERAL FUND 2016/17 PROJECTED OUTTURN - SERVICE ANALYSIS
(Based on Expenditure to 31 January 2017)

SERVICE	Variance £'000	Variance £'000	Summary of Service Variances
Health and Social Care Partnership			
Total	0		
	(1,201)		Older People There is a projected under spend on Care At Home (£43,000) due to recruitment delays and a shortage of external supply; Care Teams (£252,000) as the Service moves to locality team models; Occupational Therapy (£55,000) staff slippage and equipment purchases; LA Residential Homes (£270,000) due to increased income and staff slippage and Day Care (£161,000) due to staff slippage and the accelerated delivery of savings and external residential placements (£152,000) due to a higher turnover of clients compared to budget. The accelerated delivery of further approved savings (£170,000) and the recovery of unutilised Direct Payments (£98k) has further contributed to this projected under spend.
	(474)		Learning Disabilities There is a projected under spend due to staff slippage in day care (£84,000), the accelerated delivery of approved savings (£296,000), savings following the move to a locality structure (£74,000), a reduction in purchased services (£62,000), Direct Payments (£86,000) and the receipt of non-recurring income (£9,000). This is partially offset by projected over spends on external residential placements (£93,000) and supported living projects (£44,000).
	(61)		Other Community Care Services The accelerated delivery of approved savings will deliver additional savings in the current year (£239,000). Addition Services are projecting an under spend due to additional staff slippage (£65,000). Management cost centres are projected to over spend due to the non-achievement of slippage targets (£136,000) and an increased provision for bad debts (£151,000) partially offset by additional income from the approved Contributions Policy (£44,000).
	1,386		Transfer to Perth and Kinross Health and Social Care Partnership for approved projects
	598		Approved transfer to earmarked Reserves on 22 February 2017 (Report No. 17/59 refers)
	(248)		Potential reduction in contribution to Reserves based on latest projections.
Housing and Community Safety			
Total	(472)		
	461		Housing There is a projected over spend on Temporary Accommodation (£269,000) as the Homefirst service delivery model is rolled out on a phased basis and reduced income at Greyfriars and Rio (£202,000) due to occupancy levels being lower than that budgeted. This is partially offset by additional net slippage on staff costs (£10,000).
	(717)		Finance and Support Projected under spend due to additional income from statutory additions (£58,000), accelerated delivery of approved savings (£190,000), additional non-recurring income (£196,000), additional staff slippage (£156,000) and other miscellaneous under spends (£117,000).
	(117)		Strategic Support and Commissioning Accelerated delivery of approved savings (£155,000) and additional non-recurring income (£5,000) partially offset by projected over spends on staff costs (£43,000).
	(99)		Community Safety There is a projected under spend due to additional staff slippage and reduced third party payments (£86,000) and the accelerated delivery of approved savings (£13,000).

PERTH AND KINROSS COUNCIL - GENERAL FUND 2016/17 PROJECTED OUTTURN - SERVICE ANALYSIS
(Based on Expenditure to 31 January 2017)

SERVICE	Variance £'000	Variance £'000	Summary of Service Variances
The Environment Service			
Total	(820)		
		(250)	<u>Service Wide Staffing Budgets</u> Projected slippage in excess of target across the Service
		40	<u>Community Greenspace</u> Contribution to Tayside Landscape Partnership
		60	<u>Planning and Regeneration</u> Provision of free public Wi-Fi network in Perth City Centre
		65	Investment in marketing and promotion across Perth and Kinross
		(140)	Projected additional income from commercial lets
		(215)	Projected rephasing of expenditure in relation to European Social Fund to deliver approved projects
		(32)	Rephasing of funding to support Perth Visitor Information Centre
		(25)	Rephasing of funding for vacant property initiative
		(219)	Rephasing of rural broadband funding to match Leader funding
		184	Repayment of grant funding to Scottish Government in relation to a broadband voucher scheme
		(28)	Rephasing of Perth and Kinross Recruitment Initiatives funding to meet existing commitments
		(50)	Rephasing of City Development funding for environmental improvements
		200	Projected shortfall in Planning and Building Warrant income
		(150)	<u>Operations & Waste Strategy</u> Projected saving on fuel costs based on current price and consumption estimates.
		(100)	Projected non-recurring saving on loan charges based on existing vehicle replacement programme
		(220)	<u>Roads & Transport</u> Depot recharge to Tayside Contracts
		120	Share of depot recharge costs for PKC roads maintenance activities
		100	Share of South Inch pumping station repair costs and additional reactive roads maintenance costs
		(80)	Projected additional income from Statutory Site notices
		(155)	Projected under spend on street lighting energy costs and carbon reduction commitment payments due to lower than anticipated price increases and impact of LED installation programme
		230	Additional bridge inspection costs
		(130)	Rephasing of landslip construction project
		150	Replacement footbridge in Alyth
		(40)	Rephasing of bridge maintenance expenditure to match works
		(65)	Rephasing of flood studies budget to match commitments
		1,200	<u>Car Parking</u> Investment in Canal Street and Mill Street car parks
		100	Investment in new infrastructure
		(1,300)	Contribution from Car Park Reserves.
		(30)	<u>Corporate Functions</u> Rephasing of asset management business systems budget to meet ongoing development requirements
		(10)	Projected under spend on Procurement staffing
		(650)	<u>Property</u> Projected saving on energy costs due to lower than anticipated price increases.
		(140)	Projected saving on water costs.
		260	Projected additional expenditure on the school estate including Auchterarder High School
		300	Projected shortfall in professional fees and additional design and technical costs arising from planned and reactive maintenance programmes
		200	Projected additional expenditure on reactive maintenance

PERTH AND KINROSS COUNCIL - GENERAL FUND 2016/17 PROJECTED OUTTURN - SERVICE ANALYSIS
(Based on Expenditure to 31 January 2017)

SERVICE	Variance £'000	Variance £'000	Summary of Service Variances
Corporate and Democratic Services			
Total	(391)		
			<u>Core Costs</u>
	(17)		Projected net under spend on staff costs due to slippage.
			<u>Legal Services</u>
	(54)		Projected under spend on staff costs due to vacancies.
	26		Projected over spend on other costs across the Division, primarily publications and photocopying.
	(10)		Projected additional income due to the cyclical nature of a number of the income streams.
			<u>Finance</u>
	(161)		Projected under spend on staff costs due to slippage in excess of budgeted levels.
	(1)		Miscellaneous under spends across the Finance Division
			<u>Democratic Services</u>
	(5)		Miscellaneous under spends in staff costs, supplies and services and third party payments across Democratic Services.
			<u>Human Resources</u>
	(52)		Various net projected under spends across staff costs, supplies and services, third party payments and transport costs
			<u>IT</u>
	(67)		Projected under spend on staff costs due to slippage in excess of budgeted levels.
	(50)		Projected under spend on hardware maintenance, software licenses and network costs.
TOTAL	(2,789)		

Other 2016/17 Funding

Scottish Government – Community Choices Fund (Education & Children’s Services – ECS)	£55,000
British Council - Erasmus Plus: Perth High, Atlantic Salmon Conservation (ECS)	£26,759
NHS Tayside – Health Promotion (ECS)	£7,712
Education Scotland – Numeracy Hub Champions (ECS)	£6,000
PKAVS – Rattray Community Garden (ECS)	£1,703
NHS Tayside – Community Food & Health: Active Cook It (ECS)	£1,170
Cycling Scotland – Bikeability Scotland: Support Plus (Housing & Community Care)	£17,175
Zero Waste Scotland – Household Recycling Charter (The Environment Service – TES)	£30,419
Cycling Scotland – Practical Cycle Awareness Training (TES)	£5,400
TOTAL	£151,338

PERTH AND KINROSS COUNCIL - HOUSING REVENUE ACCOUNT 2016/17 PROJECTED OUTTURN
(Based on Expenditure to 31 January 2017)

£'000	Summary of Service Variances
(59)	Housing Improvements and South Projected staff slippage in excess of budget
326	Letham and North Projected over spend due to non-achievement of staff slippage target, revised projections for sheriff officer costs and receipt of final invoices for works in Alyth following the flooding in Summer 2015.
(29)	Perth City and Specialist Net projected under spends across the team primarily from additional staff slippage.
(39)	Housing Management Projected under spend on the HRA Innovation Fund and additional staff slippage.
(136)	Administration The projected under spend is due to anticipated reduced capital financing costs and a lower than anticipated Insurance Fund contribution.
375	Income There is a projected under recovery of income from reduced Interest on Revenue Balances (£41,000) due to low interest rates, from rental income due to the delayed completion of new builds and increased right to buy applications (£246,000) and a reduction in income from lock up and garages due to stock movements and the capital investment programme (£88,000).
(456)	Capital Financed from Current Revenue As a result of the projected net over spends highlighted above, this is the reduction in the amount available to invest in the HRA capital programme.
(18)	

PERTH & KINROSS COUNCIL GENERAL FUND

2017/18 REVENUE BUDGET - SUMMARY

	(1)	(2)	(3)	(4)	(5)
	2017/18 Council Approved Budget Feb-17	Movements in Funding	Virements	Movements in Reserves	2017/18 Revised Mgt Budget
	£'000	£'000	£'000	£'000	£'000
<i>Reference: Section in Report</i>					
SERVICE		5		5	
Education & Children's Services	157,553	700		296	158,549
Health and Social Care	50,505			1,156	51,661
Housing and Community Safety	14,697	534		109	15,340
The Environment Service	58,793		205	256	59,254
Corporate and Democratic Services	16,924			1,235	18,159
Culture Services	9,814				9,814
Sub - Total: Service Budgets	308,286	1,234	205	3,052	312,777
Corporate Budgets					
Contribution to Valuation Joint Board	1,145				1,145
Capital Financing Costs	16,348				16,348
Interest on Revenue Balances	(200)				(200)
Net Contribution to/(from) Capital Fund	1,626				1,626
Contribution to/(from) Insurance Fund	200				200
Contribution to/(from) Renewal and Repair Fund	(258)				(258)
Trading Operations Surplus	(350)				(350)
Support Service External Income	(1,888)				(1,888)
Un-Funded Pension Costs	1,508				1,508
Apprenticeship Levy	680				680
Council Tax Reduction Scheme	6,499				6,499
Discretionary Relief	150				150
Net Expenditure (General Fund)	333,746	1,234	205	3,052	338,237
Financed By:					
Revenue Support Grant	(187,802)	(613)			(188,415)
Ring Fenced Grant	(3,350)	(621)			(3,971)
Non Domestic Rate Income	(50,864)				(50,864)
Council Tax Income	(80,940)				(80,940)
Council Tax Income - 2nd Home Discount	(1,300)				(1,300)
Capital Grant	(1,500)		(205)		(1,705)
Total Financing	(325,756)	(1,234)	(205)	0	(327,195)
Financed from/(returned to) Reserves including use of Budget Flexibility b/fwd	7,990	0	0	3,052	11,042

Transformation Funding – 2017/18

Procurement Reform Review (Corporate & Democratic Services (CDS))	£285,000
Smart Perth and Kinross (The Environment Service (TES))	£75,000
Online Services and MyAccount (CDS)	£50,000
Mobile Working Review (CDS)	£50,000
Communities First (Health & Social Care (H&SC))	£456,000
Review of Adult Day Services (H&SC)	£98,000
Review of Community Capacity and Empowerment (CDS)	£35,000
Review of Homeless Service (Housing & Community Safety (HCC))	£109,000
Review of Catering Services (Education & Children's Services (ECS))	£16,000
Residential Care Services (Children & Young People) (ECS)	£87,000
Electronic Document Management (CDS)	£410,000
Review of Community Care Packages (Adult) (H&SC)	£252,000
Review the Delivery of Class Contact Time (ECS)	£32,000
Expansion of Family Based Day Care (ECS)	£110,000
Council Vehicle Fleet Utilisation and Optimisation Review (TES)	£134,000
Review of Council Assets for Commercial Sponsorship (CDS)	£15,000
Review of Roads Activities (TES)	£40,000
Community Greenspace Review (TES)	£15,000
Modernising Licenses, Permissions and Approvals (CDS)	£20,000
Review of Administration Support Activities (CDS)	£72,000
Review of Finance (CDS)	£21,000
Transformation Enabling (CDS)	£127,000

Transformation Support (ECS)	£51,000
Collaboration Funding (CDS)	£150,000
TOTAL	£2,710,000