

PERTH & KINROSS COUNCIL

Strategic Policy & Resources Committee

28 November 2018

REVENUE BUDGET 2018/19 – MONITORING REPORT NUMBER 2

Report by Head of Finance (Report No. 18/384)

PURPOSE OF REPORT

This report provides an update on progress with the 2018/19 General Fund Revenue Budget based upon the August 2018 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 2018/19 General Fund Management Budget is £929,000 (see Appendix 1).

1. BACKGROUND / MAIN ISSUES

- 1.1. This is the second report updating the Committee on progress with the 2018/19 Revenue Budget. Appendix 1 to this report summarises the current projected year end (outturn) position for each Service based upon the August 2018 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 2018/19 on 22 February 2018 (Report No. 18/47 refers). In addition, adjustments that were approved by the Council on 20 June 2018 (Report No 18/213 refers) and the Strategic Policy and Resources Committee on 18 April and 12 September 2018 (Report Nos. 18/133 and 18/284 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 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 2018/19 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 £882,000 which represents 0.33% of total net Service expenditure. (In the corresponding report in November 2017, the projected under spend was £1,785,000 which represented 0.67% of total net Service expenditure).

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

2.1.3 **Education & Children's Services:** The projected outturn (excluding the Devolved School Management (DSM) and Pupil Equity Fund (PEF) budgets) is currently anticipated to be £594,000 less than budget – a movement of £284,000 from the position last reported to Committee.

2.1.4 The movement in the projected net under spend is made up as follows -

- Staff costs (increase in projected under spend of £255,000) due to additional slippage in excess of budgeted levels.
- Property Costs (increase in projected over spend of £11,000) due to minor works.
- Supplies & Services (increase in projected under spend of £29,000) due, to a reduction in the projected uptake of school meals.
- Transport costs (reduction in projected under spend of £44,000) due, primarily, to increased client travel costs within Services to Children, Young People and Families.
- Home to School Transport (increase in projected over spend of £351,000) due to contract variations, partial omission of taxi contract values from the anticipated pressure and increased demand for additional support needs and looked after children provision.
- Third Party Payments (increase in projected under spend of £8,000) due, in the main, to a lower than anticipated uptake for continuing care.
- Residential Schools / Foster Care & Kinship Care (net reduction in projected under spend of £253,000) due primarily, to changes in activity (including the number and type of placements) and the number of foster carers.
- Loan Charges (increase in projected under spend of £222,000) due to reductions in the Prudential Borrowing costs following changes to the debt repayment periods.
- Income (increase in projected over spend of £76,000) due, primarily, to a reduction in the level of funding for Unaccompanied Asylum Seeking Children.
- Criminal Justice Services (increase in projected over spend of £63,000) due to property works at St Martin's House, Westbank and West Mill Street partially offset by additional income.
- Due to delays to the developers programme for the delivery of the permanent utilities at Bertha Park High School, the Council is currently incurring unforeseen temporary costs in order to ensure the completion date is achieved (up to £500,000) . At this time is anticipated that these costs will be recovered from the developer.

- 2.1.5 There is a projected under spend of £758,000 on Devolved School Management budgets (DSM) due, mainly, to staff slippage, educational materials and additional income. It is anticipated that, in line with the approved DSM scheme, the eventual over and under spends will be carried forward into 2019/20.
- 2.1.6 The projected carry forward of £758,000 represents 0.84% of the overall DSM budget.
- 2.1.7 At this stage of the academic year, expenditure from the Pupil Equity Fund is projected to be £522,000 less than the allocation from the Scottish Government of £1,661,520. In line with the terms of this funding, it is anticipated that this under spend will be carried forward to 2019/20 to meet commitments in the current academic year.
- 2.1.8 **Housing & Environment:** The projected outturn is currently anticipated to be £54,000 less than budget – a movement of £6,000 from the position last reported to Committee.
- 2.1.9 The movement in the projected net under spend is made up as follows –
- Service Wide Budgets (increase in projected over spend of £300,000) due to non-achievement of slippage target at this time.
 - Planning & Development (net increase in projected under spend of £30,000) due to reduced activity on employability initiatives following a reduction in demand partially offset by anticipated costs in relation to the examination stage of the Local Development Plan.
 - Roads & Transport (increase in projected under spend of £525,000) due to slippage on the delivery of new 20mph limits and zones, the expansion of rural footpaths and cycle networks and unadopted roads. These are partially offset by projected also savings on the contract costs of the reinstatement works on the River Erich and street lighting energy due to the impact of the LED programme.
 - Operations, Waste Strategy & Fleet Management (reduction in projected over spend of £50,000) due to additional income from recyclates.
 - Safer Communities (increase in projected under spend of £4,000) due to additional staff slippage.
 - Property (increase in projected over spend of £350,000) due to a projected short fall in professional fee income and demolition costs associated with Fairfield Community Neighbourhood Centre. In addition there is a projected over spend of £600,000 due to unforeseen, emergency ground works at Kinnoull Primary School. It is proposed that this is funded by projected savings from within property maintenance (£200,000) and transfers from earmarked and unearmarked Reserves (£200,000 from each).
 - Business & Resources (increase in projected under spend of £47,000) due to additional staff slippage and the accelerated delivery of approved savings.

2.1.10 **Corporate and Democratic Services:** The projected outturn is currently anticipated to be £234,000 less than budget – a movement of £172,000 from the position last reported to Committee.

2.1.11 The movement in the projected under spend is made up as follows –

- Housing Benefits Subsidy (increase in projected under spend of £179,000) due to improved performance in the administration of Housing Benefits.
- Other net over spends across all Divisions (reduction in projected under spend of £7,000).

2.2 Movements in Funding

2.2.1 Since Revenue Monitoring Report No. 1 was approved by the Strategic Policy & Resources Committee on 12 September 2018 (Report No. 18/284 refers), notification has been received of additional funding of £625,708 in the current financial year. This funding 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.

2.2.2 **ACTION:** The Committee is asked to note the receipt of £625,708 of additional resources, with this funding being reflected within Education & Children's Services and Housing & Environment as additional grant income. The current projected outturn assumes that all of these additional resources will be fully expended in 2018/19.

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 20 June 2018 – Report No. 18/213 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 £72,000 which reflects the latest treasury management activity.

2.3.3 There is also an increase in the projected level of income from Interest on Revenue Balances of £189,000 which is due, in part, to a higher interest rate being earned on Balances. These projections reflect the financial implications of treasury management activity in the year to date and will be subject to further change.

2.3.4 **ACTION:** The Committee is requested to approve the virement of £72,000 to the Capital Financing Costs (Loan Charges) Budget and £189,000 from Interest on Revenue Balances with a net increase of £117,000 in the

projected Contribution to the Capital Fund. These adjustments have been reflected in Appendix 1 (Column 3) to this report.

Service Virements

- 2.3.5 In order to ensure that the 2018/19 Management Revenue Budget continues to reflect current Service needs and operational requirements, a virement of £149,000 is required from Housing & Environment to Corporate & Democratic Service to further reflect Building Ambition – a blueprint for a 21st Century Council (considered by the SP&R Committee on 7 February 2018 (Report No. 18/44 refers)).
- 2.3.6 **ACTION:** The Committee is asked to approve the adjustment to Service Revenue Budgets listed in 2.3.5 above. This adjustment is reflected in Appendix 1 (Column 4) to this 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 a number of approved transformation projects as set out in Appendix 4 to reflect changes in the phasing of expenditure.
- 2.4.2 **ACTION:** The Committee is asked to transfer £284,000 to Reserves from Corporate & Democratic Services (£210,000) and Health & Social Care (£74,000) and £40,000 from Reserves to Housing & Environment as set out in Appendix 4 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.

Culture Programme

- 2.4.3 The 2018/19 Revenue Budget includes funding towards the development of the cultural offering across Perth and Kinross (including the redevelopment of the City Hall) and is attributable to staff, marketing, conservation and business planning costs. These resources require to be rephased in line with the actual works. On that basis approval is sought to transfer £225,000 from Corporate & Democratic Services to an earmarked Reserve to be drawn down as required.
- 2.4.4 **ACTION:** The Committee is asked to approve the transfer of £225,000 from Corporate & Democratic Services to an earmarked Reserve for future expenditure on cultural activities. This adjustment is reflected in Appendix 1 (Column 5) to this report and has no overall impact on the budgeted level of uncommitted Reserves.

Kinnoull Primary

- 2.4.5 The Executive Director (Housing & Environment) is currently managing an issue in relation to unforeseen emergency ground works at Kinnoull Primary School. The anticipated cost of these works is around £600,000. The Service has identified £200,000 from existing budgets to contribute towards these unavoidable costs. Approval is therefore sought to direct Reserves towards meeting the balance of the cost of these works. It is proposed that the earmarked Reserve of £200,000 for Energy and Water Management and £200,000 from unearmarked Reserves are applied to provide the additional funding. There is no impact on future service delivery following the application of the earmarked Reserves referred to above.
- 2.4.6 **ACTION:** The Committee is asked to approve the transfer of £400,000 from Reserves to Housing & Environment (£200,000 from the energy and water earmarked Reserve and £200,000 from unearmarked Reserves) towards ground works at Kinnoull Primary School. These adjustment are reflected in Appendix 1 (Column 5) to this report

Provision of Affordable Housing - Council Tax 2nd Home and Long Term Empty Property Discount

- 2.4.7 As a result of the continued success of the Empty Homes Initiative there is further demand from landlords to bring empty properties back into use. As a result of this, the Committee is asked to approve an additional contribution of £50,000 in 2018/19 from the earmarked Reserve for Affordable Housing towards Vacant Property Grants.
- 2.4.8 **ACTION:** The Committee is asked to approve the transfer from Reserves of £50,000 to Housing & Environment for further expenditure on the Empty Homes Initiative (Vacant Property Grants). This adjustment is reflected in Appendix 1 (Column 5) to this report and has no overall impact on the budgeted level of uncommitted Reserves.

3. CORPORATE BUDGETS

Health & Social Care - Perth & Kinross Integration Joint Board

- 3.1 The projected outturn for Health & Social Care is split between that which is delegated to Perth & Kinross Integration Joint Board and that which remains with the Council. Full details of the projected outturn for Health & Social Care are set out in Appendix 5.
- 3.2 The meeting of Perth & Kinross Integration Joint Board of 30 November 2018 will consider a financial update as at 30 September 2018 from the Board's Chief Finance Officer which will set out a projected net over spend of £2,009,000. – a net movement of £596,000 from the position last reported to Committee.

- 3.3 The movement in the projected net over spend is made up as follows:-
- Within Adult Support & Wellbeing the forecast cost of learning disabilities and mental health placements and community support packages have increased by £425,000 due to increased demand. This has been offset by a £274,000 increase in forecast non-recurring income from a review of contracts.
 - Within Older People the forecast cost of care homes placements and physical disability packages has increased by £251,000 due to increased demand. In addition, there has been a £156,000 increase in expenditure for local authority residential care homes due to the alarm system being upgraded and an increase in supplies costs. These increased costs have been offset by £45,000 increased vacancy level forecast within the Home Access Response Team.
 - Other miscellaneous over spends across the Service contribute a further £83,000 towards the projected outturn.
- 3.4 The Strategic Policy and Resources Committee of 12 September 2018 were advised of the process set out in the approved Integration Scheme that should be undertaken following the identification of a projected over spend on social care in Revenue Monitoring Report No.1 (Report No. 18/284 refers).
- 3.5 In response to the current projected over spend, the Chief Executives of the Council and NHS Tayside have jointly written to Perth & Kinross Integration Joint Board seeking a formal recovery plan by 19 November 2018. At the time of this report being issued the formal response had not been received. A verbal update will be provided to the Committee at the meeting.
- 3.6 There are a number of functions that are not devolved to Perth & Kinross Integration Joint Board and, therefore, remain with the Council. In respect of these non-devolved functions there is a projected under spend of £7,000 – a movement of £18,000 from the position last reported to Committee.
- 3.7 The main reason for this movement in the projected net under spend is due to the non-achievement of slippage targets at this time.
- 3.8 The total projected over spend on Health & Social Care is £2,402,000 (a movement of £614,000 from the position last reported to Committee) which is set out in Appendix 5.

Contribution to Tayside Valuation Joint Board

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

Unfunded Pension Costs

- 3.10 The latest projected outturn, based on current recharges from the Tayside Pension Fund, indicates an under spend of £50,000 which is reflected in Appendix 1.

Apprenticeship Levy

- 3.11 The latest projected outturn, based on current levels of remittance to HM Revenue & Customs, indicates an under spend of £4,000 which is reflected in Appendix 1.

Council Tax Reduction Scheme

- 3.12 The latest monitoring indicates a projected under spend of £299,000 on the Council Tax Reduction Scheme. This is based on the latest activity in this area and will be subject to review as the financial year progresses.

Discretionary Non-Domestic Rates Relief Scheme

- 3.13 On 13 September 2017 the Strategic Policy & Resources Committee approved a package of “Assistance to Business Occupation of Key Vacant Property in Perth & Kinross through Non-Domestic Rates Relief” (Report No. 17/281 refers). The maximum cost of this non-recurring proposal was estimated at £100,000 and this amount was earmarked in Reserves.
- 3.14 To date, financial support from this discretionary scheme has been awarded at a cost of £62,000 which is reflected in Appendix 1 to the report.

Council Tax Income

- 3.15 The monitoring of Council Tax Income as at 30 September 2018 indicates that additional income in excess of budget in the order of £300,000 will 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.
- 3.16 These projections are indicative at this stage and are subject to further review. This additional income is reflected in Appendix 1.

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 a number of variances which are set out below.
- Improvements and South (increase in projected under spend of £22,000) due to further staff slippage.
 - Perth City and Specialist (reduction in projected over spend of £3,000) due to the non achievement of slippage targets at this time.
 - Administration (reduction in projected over spend of £258,000) due to savings on loan charges following changes to repayment periods for historic debt.
 - Income (projected under spend of £4,000) due to increased rent collection.

- 4.2 The net projected under spends described above result in an increase in the projected contribution to Capital Financed from Current Revenue (CFCR) (£287,000) available for the HRA Capital Programme.
- 4.3 Full details of the movement against the HRA Revenue Budget are set out in Appendix 6.

5. CONCLUSION AND RECOMMENDATIONS

- 5.1. The total net projected over spend on the 2018/19 General Fund, as set out in Appendix 1 to this report, is £929,000.
- 5.2. Additionally, the projected under spend on the Devolved School Management Budget currently stands at £758,000 and £522,000 on the Pupil Equity Fund.
- 5.3. There is a projected over spend on Health & Social Care of £2,402,000.
- 5.4. The Executive Director (Housing & Environment) is currently projecting a break even position on the Housing Revenue Account in 2018/19.
- 5.5. The Committee is requested to:
- Note the contents of the report;
 - Approve the adjustments to the 2018/19 Management Revenue Budget detailed in Appendices 1 to 6 and Section 2, 3 & 4 above;
 - Approve 2018/19 Service virements summarised in Appendices 2, 5 and 6;
 - Note the Health & Social Care projected outturn summarised in Paragraphs 3.1 to 3.8 and Appendix 5;
 - Note the Housing Revenue Account projected outturn summarised in Section 4 above and Appendix 6.

Author(s)

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Approved

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

Corporate Plan

1.1 The Council's Corporate Plan 2018 – 2023 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 of 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 2018/19 Revenue Budget - Summary
Appendix 2 – General Fund 2018/19 Projected Outturn – Service Analysis
Appendix 3 – Other 2018/19 Funding
Appendix 4 – Corporate Transformation Funding 2018/19
Appendix 5 – Health & Social Care 2018/19 Projected Outturn
Appendix 6 – Housing Revenue Account 2018/19 Projected Outturn