

**PERTH AND KINROSS COUNCIL****Strategic Policy and Resources Committee – 23 September 2015****REVENUE BUDGET 2015/16 – MONITORING REPORT NUMBER 1****Report by the Head of Finance****PURPOSE OF REPORT**

This report provides an update on progress with the 2015/16 General Fund Revenue Budget based upon the June 2015 ledger, updated for any subsequent known material movements. The report also provides an update on the projected financial position of the Housing Revenue Account.

The total net projected under spend on the 2015/16 General Fund Management Budget based upon expenditure to June 2015, updated for known material movements is £2,202,000 (see Appendix 1) which represents 0.71% of net expenditure.

The report also provides an update to the Medium Term Financial Plan based on the most up to date information available.

**1. BACKGROUND / MAIN ISSUES**

- 1.1. This is the first report updating the Committee on progress with the 2015/16 Revenue Budget. Appendix 1 to this report summarises the current projected year end (out-turn) position for each Service based upon the June 2015 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 2015/16 on 11 February 2015 (Report No. 15/34 refers). In addition, adjustments that were approved by the Strategic Policy and Resources Committee on 22 April 2015 (Report No. 15/167 refers) are reflected in Appendix 1 (Column 2).
- 1.3. This report details the latest projected outturns and proposed adjustments to the 2015/16 General Fund and Housing Revenue Account budgets.
- 1.4. The report also provides an update to the Medium Term Financial Plan based on the most up to date information available and proposes adjustments to Corporate Savings Targets.

**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 £2,202,000 which represents 0.71% of total net Service expenditure.

- 2.1.2 **Education & Children's Services:** The projected outturn (excluding Devolved School Management (DSM)) is currently anticipated to be £1,366,000 less than budget.
- 2.1.3 This projected under spend is made up of staff slippage in excess of budgeted levels (£1,038,000), net savings on supplies and services specifically in relation to early learning and childcare activities to reflect an implementation date of the start of the academic year whereas funding was received for the full financial year (£238,000) and projected savings on property costs due to a lower actual inflation rate for unitary charges (£104,000). In addition there are projected under spends on pupil transport to reflect the latest projections on uptake (£228,000) and transport costs (£27,000) and increased income (£26,000).
- 2.1.4 These projected under spends are partially offset by a net projected over spend on residential schools / foster care / kinship care due to increased demand for this service (£248,000), third party payments (£29,000) and loan charges (£18,000).
- 2.1.5 There is also a projected planned under spend of £984,000 on Devolved School Management budgets (DSM) due to projected under spends on staff costs, property costs, supplies and services and the receipt of additional income. It is anticipated that in line with the approved DSM scheme the eventual under spend will be carried forward into 2016/17.
- 2.1.6 The projected carry forward of £984,000 represents 1.20% of the overall DSM budget.
- 2.1.7 **Housing & Community Care:** The projected outturn is currently anticipated to be £274,000 less than budget.
- 2.1.8 This is made up of a projected net under spend in Older People (£141,000). This projected under spend includes staff slippage in excess of budget, savings identified from uncommitted budgets in preparation for the 2016/17 Revenue Budget and additional income from Council residential homes. In addition the use of budget flexibility carried forward from 2014/15 is supporting significant recurring increases in demand for both residential and home care which is not sustainable into the future.
- 2.1.9 There are further projected under spends in Other Community Care Services (£255,000) due to additional income from the approved Contributions Policy and refunds from external organisations partially offset by additional temporary staff costs, in Finance and Support (£56,000) due to the accelerated delivery of savings, in Learning Disabilities (£52,000) due to additional staff slippage and in Strategic Support and Commissioning (£52,000) due to reduced payments to housing support providers.

- 2.1.10 This projected under spend is partially offset by reduced income in Housing (General Fund) (£282,000) due to increased voids and reduced income.
- 2.1.11 **The Environment Service:** The projected outturn is currently anticipated to be £390,000 less than budget.
- 2.1.12 The projected under spend is made up of a net under spend in Operations and Waste Strategy (£275,000) due to reduced fuel costs, waste disposal costs and non-domestic rates partially offset by loan charges, projected additional income from the commercial property investment programme (£100,000) and building warrants & planning applications (£100,000) and a projected under spend on Roads and Street Lighting due to reduced power costs based on current consumption and price levels (£25,000).
- 2.1.13 This projected under spend is partially offset by a projected net over spend on Fleet due to loan charges partially offset by savings on hire costs (£110,000).
- 2.1.14 In response to the flooding event that took place in Alyth at the end of July 2015 the Council activated the Scottish Government's Bellwin Scheme. The costs of responding to the event are currently being collated and the impact on the revenue budget, capital budget and insurance fund are being evaluated and will be reported to future meetings of this Committee. Discussions are ongoing with the Scottish Government.
- 2.1.15 **Chief Executive's Service:** The projected outturn is currently anticipated to be £172,000 less than budget.
- 2.1.16 This is made up of a projected under spend on staff costs (£180,000) due to slippage in excess of budgeted levels across all Divisions and additional income (£17,000) including recharges. This is partially offset by projected over spends on other costs including system upgrades and other supplies & services costs (£25,000).

## **2.2 Issues Arising from the Completion of the Council's 2014/15 Annual Accounts**

- 2.2.1 In completing the 2014/15 Annual Accounts a number of issues have been identified which require adjustments to be made to the 2015/16 Management Budget.

### Devolved School Management (DSM) Scheme

- 2.2.2 In setting the 2015/16 Final Revenue Budget on 11 February 2015 (Report No. 15/34 refers) the Council approved a DSM carry forward of £935,000. However, the final under spend on the DSM scheme was £1,284,000 due to the generation of further slippage.
- 2.2.3 **ACTION:** The Committee is requested to reallocate the additional under spend of £349,000 to Education and Children's Services Revenue Budget to reflect the additional Devolved School Management scheme balances brought

forward from 2014/15. This adjustment is reflected in Appendix 1 (Column 3) to this report and has no overall impact on the budgeted level of Reserves.

#### Revenue Grants

- 2.2.4 Accounting arrangements under International Accounting Standards require that, subject to certain conditions, revenue grants received by the Council in 2014/15 but not utilised by 31 March 2015 should be accounted for in Reserves at the end of the financial year. These funds, including Self Directed Support, the Equally Well project, Developing the Young Workforce and Additional Support for National Qualifications, totalling £1,096,000 will now be utilised in 2015/16 and therefore approval is sought to increase the revenue budgets of Education and Children's Services by £442,000, Housing and Community Care by £486,000 and the Environment Service by £168,000.
- 2.2.5 **ACTION:** The Committee is asked to approve the adjustments totalling £1,096,000, funded from Reserves, to the above Service budgets to reflect revenue grants received in 2014/15 in respect of expenditure which will not be incurred until 2015/16. These additional adjustments are reflected in Appendix 1 (Column 3) to this report and have no overall impact on the budgeted level of Reserves.

#### Investment in Improvement Funds

- 2.2.6 Approval is sought to allocate budgets to a number of Investment in Improvement Fund Projects due to changes in the phasing of expenditure which was reflected in the 2014/15 Annual Accounts –
- Redesign of Services- Learning Disabilities - £126,000
  - Homelessness Grants - £92,000
  - Adult Support and Wellbeing - £13,000
  - Business Systems - £12,000
  - Care Home Review & Further Redesign of Homecare Services - £75,000
  - Community Resilience - £19,000
  - Innovation and Organisational Development Support - £89,000
  - Financial Systems & Compliance - £57,000
- 2.2.7 **ACTION:** The Committee is asked to approve the transfer of £426,000 to Housing and Community Care and £57,000 to the Chief Executive's Service from Reserves for the Investment in Improvement Fund projects listed above. This adjustment is reflected in Appendix 1 (Column 3) to the Report.

#### Revenue Budget Flexibility

- 2.2.8 In setting the 2015/16 Final Revenue Budget (Report No. 15/34 refers) the Council approved total budget flexibility of £5,273,000. The carry forward of these resources is dependent upon Services achieving approved individual

levels of underspends. On completion of the 2014/15 Audited Annual Accounts, Housing and Community Care did not achieve their projected level of under spend by £138,000.

- 2.2.9 **ACTION:** The Committee is asked to approve the reduction in the Housing and Community Care budget to reflect the revised revenue budget flexibility position for 2014/15. This adjustment is reflected in Appendix 1 (Column 3) to this report.

#### Establishment of a New Secondary School in Perth

- 2.2.10 The special meeting of the Lifelong Learning Committee on 25 June 2014 approved the establishment of a new secondary school at Bertha Park Perth (Report No. 14/298 refers). With this being the first completely new secondary school in Scotland for over twenty years rather than a replacement there is no equipment / furniture / fittings / library books etc. to equip the school. It is proposed that the additional under spend delivered in 2014/15 (in excess of approved revenue budget flexibility) by Education and Children's Services (£649,000) be earmarked to start building up resources to equip the new school. It is anticipated that, where possible, the Executive Director (Education and Children's Services) will augment this earmarked reserve with future years' revenue budget flexibility.

- 2.2.11 **ACTION:** The Committee is asked to approve the earmarking of £649,000 of General Fund Reserves towards equipping the new secondary school in Perth.

### **2.3 Movements in Funding**

- 2.3.1 Since the 2015/16 Final Revenue Budget was updated by the Strategic Policy Resources Committee on 22 April 2015 (Report No. 15/167 refers) notification has been received of additional resources in the current financial year from a number of sources.

#### 2.3.2 Scottish Government: Revenue Support and Ring Fenced Grant (£371,240)

- 1+2 Languages Policy: £190,000 (Education & Children's Services – ECS)
- Teacher Induction Scheme: £148,240 (ECS)
- Gaelic Education: £33,000 (ECS)

- 2.3.3 The Scottish Government has advised that the increase in Revenue Support Grant funding and Ring Fenced Grant identified at 2.3.2 of £371,240 will be made through a redetermination of the Council's Revenue Support Grant. It is therefore necessary to adjust the net budget for Education and Children's Services and Revenue Support Grant.

- 2.3.4 **ACTION:** The Committee is asked to approve an adjustment of £371,240 to the budget for Revenue Support Grant, Ring Fenced Grant and Education and Children's Services to reflect the additional resources being made

available by the Scottish Government. This adjustment has been reflected in Appendix 1 (Column 4) to this report.

#### 2.3.5 Other Funding (£646,363)

- Scottish Government – Opportunities for All: £120,444 (ECS)
- Education Scotland – Food for Thought: £12,736 (ECS)
- Education Scotland – Numeracy Hub Champions: £5,600 (ECS)
- Scottish Library & Information Council – Reminiscence Groups in Libraries: £4,450 (ECS)
- Scottish Library & Information Council – Every Child a Member: £3,200 (ECS)
- Education Scotland – Core Physical Education (Crieff Primary School) £2,688 (ECS)
- Museums Galleries Scotland – Stories from the City £938 (ECS)
- Scottish Government – To Address Low Pay in Care Homes £317,000 Housing & Community Care (HCC)
- United Kingdom Government - Support under the Syrian Vulnerable Persons Relocation Scheme - £170,483 (HCC)
- Department of Work and Pensions (DWP) – Real Time Information £4,820 (HCC)
- DWP – Single Fraud Investigation Service £3,116 (HCC)
- DWP – Migrants Access to Benefits £888 (HCC)

2.3.6 The other funding amounting to £646,363 will be paid outside the Revenue Support Grant mechanism as Other Grant income and is therefore cost neutral in terms of the budget summary.

2.3.7 **ACTION:** The Committee is asked to note the receipt of £646,363 of additional resources, with this funding being reflected within Education & Children's Services and Housing and Community Care as additional grant income. The current projected outturn assumes that all of these additional resources will be fully expended in 2015/16 or carried forward where permitted.

## 2.4 **Virements**

### Contribution to/from Capital Fund

2.4.1 In line with the strategy for managing the Council's Capital Programme over the medium term (as reported to Council on 11 February 2015 – Report No. 15/37 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.

2.4.2 The latest monitoring indicates a reduction in the projected outturn for capital financing costs (loan charges) of £45,000 primarily due to a projected rephasing of the composite capital programme. There is also a small increase in the projected income from Interest on Revenue Balances of £22,000.

- 2.4.3 **ACTION:** The Committee is requested to approve the virement of £45,000 from the Capital Financing Costs (Loan Charges) Budget; £22,000 to Interest on Revenue Balances with a net increase of £67,000 in the projected Contribution to the Capital Fund. These adjustments have been reflected in Appendix 1 (Column 5) to this report.
- 2.4.4 The 2015/16 Revenue Budget includes a contribution towards the redevelopment of Perth Theatre. Following a rephasing of the projected expenditure it is necessary to adjust the Revenue Budget to align it with anticipated activity. To that end it is proposed to transfer £2,057,000 to the Capital Fund in 2015/16 which will be utilised in 2016/17.
- 2.4.5 **ACTION:** The Committee is asked to approve the virement of £2,057,000 from Education and Children's Services to the Capital Fund to be drawn down in 2016/17 for the Perth Theatre Redevelopment Project. This adjustment is reflected in Appendix 1 (Column 5) to the report.
- 2.4.6 The 2015/16 Revenue Budget also includes £1,200,000 within the Environment Service towards developments in the city centre. This funding is not anticipated to be required in the current financial year. It is proposed that the funding is transferred to the Capital Fund and be drawn down as the project progresses.
- 2.4.7 **ACTION:** The Committee is asked to approve the virement of £1,200,000 from the Environment Service to the Capital Fund to be drawn down as the projects in the city centre progress. This adjustment is reflected in Appendix 1 (Column 5) to the report.

#### PH20 Project

- 2.4.8 The 2015/16 Revenue Budget includes an allocation of capital grant of £4,725,000 towards Live Active Leisure's PH20 project. It is unlikely that this contribution will be required in the current year and is therefore proposed that the budgeted contribution is utilised for other purposes in 2015/16 and reinstated as the project progresses in future years.
- 2.4.9 **ACTION:** The Committee is asked to approve the virement of £4,725,000 between capital grant and Education and Children's Services in relation to the PH20 project. This adjustment has been reflected in Appendix 1 (Column 5) to the report.

#### Contribution from the Renewal and Repair Fund

- 2.4.10 The 2015/16 Revenue Budget includes a £500,000 contribution from the Renewal and Repair Fund to resource works on the school estate. A rephasing of this expenditure means that £450,000 of this funding is not anticipated to be required until 2016/17. It is proposed that the budgeted Contribution from the Renewal and Repair Fund is reduced by £450,000 in the current year.

2.4.11 **ACTION:** The Committee is asked to approve the virement of £450,000 between the Contribution from the Renewal and Repair Fund and the Environment Service to reflect activity on the school estate. This adjustment has been reflected in Appendix 1 (Column 5) to the report.

## 2.5 Movements in Reserves

### 2015/16 Pay Award

2.5.1 At the COSLA Leaders meeting on 28 August 2015 Leaders received an update on pay negotiations for 2015/16 where they agreed to make a formal offer to all trade unions of 1.5% for 2015/16 and 1% for 2016/17. It is understood that the trade unions will be advocating that the offer is accepted. The 2015/16 Revenue Budget currently includes a provision of 2% for pay award for all staff groups.

2.5.2 It is proposed that the excess of 0.5% which amounts to £842,000 is removed from Service Revenue Budgets in the current year as follows –

- Education and Children's Services - £521,000
- Housing and Community Care - £156,000
- The Environment Service - £127,000
- Chief Executive's Service - £38,000

2.5.3 Subject to formal acceptance by the trade unions this funding will be transferred to Reserves in the current year which will be available for non-recurring expenditure proposals and also augment the amount of available revenue budget headroom available from 2016/17.

2.5.4 **ACTION:** Subject to formal acceptance by the trade unions the Committee is asked to approve the transfers set out in 2.5.2 from Services to Reserves to reflect the 2015/16 pay award being less than budget. Furthermore the Committee is asked to note that this funding is available on a non-recurring basis in the current year and augments revenue budget headroom from 2016/17. In line with the approved Reserves Strategy it is proposed that the 2015/16 allocation be applied to the earmarked Reserve for the Transformation Programme (including Workforce Management) (Report No 15/38 refers). These adjustments have been reflected in Appendix 1 (Column 6) to the report.

### Transformation Programme 2015 – 2020: Phase 1

2.5.5 Also on the agenda for this meeting of the Strategic Policy and Resources Committee is a report on Phase 1 of the Transformation Programme 2015-2020 (Report No. 15/397). This report provides an update to progress on the Council's Transformation Programme and specifically proposes that funding of £666,000 be allocated from the Earmarked Reserve for Transformation to



Services in 2015/16. The projects that this funding will support are set out in the separate report on the Transformation Programme.

- 2.5.6 **ACTION:** The Committee is asked to approve the allocation of £666,000 from the Earmarked Reserve for Transformation for expenditure in 2015/16. This adjustment is reflected in Appendix 1 (Column 6) to the report.

Provision of Affordable Housing - Council Tax 2<sup>nd</sup> Home and Long Term Empty Property – Proposed Expenditure

- 2.5.6 The Housing and Health Committees of 14 August 2013, 29 October 2014 and 27 May 2015 (Report Nos. 13/377, 14/454 and 15/223 respectively) has previously approved affordable housing projects at the following locations and the expenditure is now anticipated to take place in 2015/16:

- Balbeggie - £320,000
- Old Mill Road, Rattray - £140,000
- Castlemain, Auchterader - £200,000
- Glenearn Road, Perth - £160,000

- 2.5.7 **ACTION:** The Committee is requested to approve the transfer of £820,000 from the ear-marked reserve for Council Tax Income on Second Homes to Housing and Community Care to progress the above affordable housing projects. This adjustment is reflected in Appendix 1 (Column 6) to the Report.

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

- 2.5.8 Under the terms of the Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2005, the Council has exercised its discretionary powers to raise additional local tax income through reducing the Council Tax discount on second homes and long term empty properties. In line with guidance from the Scottish Government, these monies are held by the Council in an earmarked reserve for the provision of affordable housing in partnership with approved Registered Social Landlords. It is estimated that £1,300,000 will be collected in the current financial year and transferred to Reserves. Approval is sought to increase the Council Tax Income budget by £1,300,000 with this amount being earmarked in Reserves for the provision of affordable housing.

- 2.5.9 **ACTION:** The Committee is asked to approve the transfer of £1,300,000 to Reserves from the Council Tax Income Budget which will be earmarked for the provision of affordable housing. This adjustment is reflected in Appendix 1 (Column 6) to this report.

### **3. CORPORATE BUDGETS**

#### Contributions to Tayside Valuation Joint Board

- 3.1 The Treasurer of the Tayside Valuation Joint Board has advised that the Council's projected requisition level is currently in line with the approved budget.

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

- 4.1 The Executive Director (Housing and Community Care) is currently projecting a break even position on the Housing Revenue Account (HRA).
- 4.2 There is a projected under recovery of income (£140,000) due to projected reductions in interest on revenue balances and an increased bad debt provision. In addition there are projected over spends in Housing Needs (£22,000) due to property costs at York Place, on Sheltered Housing (£7,000) and the Housing Repairs & Improvement Service (£5,000).
- 4.3 These movements are partially offset by projected under spends on Administration (£94,000) due, in the main to, projected savings on loan charges.
- 4.4 The net projected movements described above result in a reduction in the projected contribution to Capital Financed from Current Revenue (CFCR) (£80,000) available for the HRA Capital Programme.
- 4.5 Full details of the movement against the HRA Revenue Budget are set out in Appendix 3.

### **5. MEDIUM TERM FINANCIAL PLAN**

- 5.1 Since the Medium Term Financial Plan (MTFP) was approved by Council on 1 July 2015 (Report No. 15/276 refers) there have been a number of significant developments as follows.
- 5.2 Firstly, in the Budget on 8 July 2015 the Chancellor of the Exchequer announced that public sector pay awards from 2016/17 through to 2019/20 would be restricted to 1%. Although this announcement does not apply directly to Scottish Local Government this assumption has also been adopted in the update of the Strategic Finance Review Group model on the extent of budget cuts across Scottish local public sector. Pay awards at these levels would be significantly less than the Office of Budget Responsibility projections originally used in the MTFP approved in July, particularly in later years.

- 5.3 It is proposed however, that for the purposes of Revenue Budget planning, pay award assumptions are made as follows –

| 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---------|---------|---------|---------|---------|---------|
| 1.5%    | 1%      | 1.5%    | 1.5%    | 1.5%    | 1.5%    |

- 5.4 The assumptions in 2015/16 and 2016/17 reflect the information set out in 2.5.1 above. From 2017/18 it is proposed that a pay award of 1.5% increase is assumed to provide capacity for other staff related pressures including the Living Wage and incremental drift.
- 5.5 Secondly the Executive Sub-Committee of this Committee that met on 30 July 2015 (Report No. 15/312 refers) approved a rephasing of the new secondary school at Bertha Park, Perth. This rephasing has a positive impact on both the MTFP and the corporate savings target.
- 5.6 The impact of the two issues described above on the mid-range scenario that the Council adopted in July 2015 are set out in the following table –

|                | 16/17 | 17/18   | 18/19   | 19/20   | 20/21   | Total    |
|----------------|-------|---------|---------|---------|---------|----------|
|                | £'000 | £'000   | £'000   | £'000   | £'000   | £'000    |
| July 2015      | 7,269 | 10,802  | 13,943  | 10,086  | 10,860  | 52,960   |
| September 2015 | 7,269 | 7,371   | 7,751   | 7,597   | 6,271   | 36,259   |
| Movement       | -     | (3,431) | (6,192) | (2,489) | (4,589) | (16,701) |

- 5.7 This reduction in the mid-range scenario would also have an impact on the Corporate Savings Target that was approved by the Council on 1 July 2015 (Report No. 15/276 refers). The target reduces by £7,642,000 for 2016/17, 2017/18 and 2018/19 and the impact on Services is as follows –
- Education and Children's Services – reduction of £4,257,000
  - Housing and Community Care – reduction of £1,667,000
  - The Environment Service – reduction of £1,481,000
  - Chief Executive's Service – reduction of £237,000
- 5.8 **ACTION:** The Committee is asked to approve the revisions set out above in relation to the Medium Term Financial Plan and endorse the impact on corporate savings targets set out in paragraph 5.7.

## 6. CONCLUSION AND RECOMMENDATIONS

- 6.1. The total net projected under spend on Service budgets, as set out in Appendix 1 to this report, is £2,202,000 which represents 0.71% of total net Service expenditure.
- 6.2. The projected contribution from Reserves is £2,202,000 less than budget.
- 6.3. Additionally the projected planned under spend on Devolved School Management Budgets currently stands at £984,000.
- 6.4. The Executive Director (Housing and Community Care) is currently projecting a break even position for the Housing Revenue Account for 2015/16.
- 6.5. There have been developments in the assumptions underpinning the Medium Term Financial Plan which has reduced the total projected pressures facing the Council to 2020/21 and the Corporate Savings Targets to 2018/19 (see section 5 above).
- 6.6. The Committee is requested to:
- 6.6.1. Note the contents of the report;
- 6.6.2. Approve the adjustments to the 2015/16 Management Revenue Budget detailed in Appendix 1 and Section 2 above;
- 6.6.3. Approve Service virements summarised in Appendices 2 and 3.
- 6.6.4. Approve the amendments to the Medium Term Financial Plan and Corporate Savings Targets set out in section 5.

### Author(s)

| Name         | Designation      | Contact Details  |
|--------------|------------------|--|
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### Approved

| Name       | Designation     | Date              |
|------------|-----------------|-------------------|
| John Symon | Head of Finance | 10 September 2015 |

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Council Text Phone Number 01738 442573

## 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 and all Executive 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 2015/16 Projected Outturn - Summary

Appendix 2 – General Fund 2015/16 Projected Outturn – Service Analysis

Appendix 3 – Housing Revenue Account 2015/16 Projected Outturn





**PERTH & KINROSS COUNCIL - GENERAL FUND 2015/16 PROJECTED OUTTURN - SUMMARY**

|   | (1)  | (2)  | (3)  | (4)                        | (5)            | (6)                         | (7)                                 | (8)                  | (9)  | (10)                                       |
|---|--|--|--|----------------------------|----------------|-----------------------------|-------------------------------------|----------------------|--|--|
|   | 2015/16<br>Council<br>Approved<br>Budget<br>Feb-15 | Previously<br>Approved<br>Adjustments<br>(Net) | Issues<br>Arising<br>from the<br>2014/15<br>Accounts | Movements<br>in<br>Funding | Virements      | Movements<br>in<br>Reserves | 2015/16<br>Revised<br>Mgt<br>Budget | Projected<br>Outturn | Variance<br>to<br>Revised<br>Mgt<br>Budget | Variance<br>to<br>Revised<br>Mgt<br>Budget |
| <i>Reference: Section in Report</i>   |  |  |  |                            |                |                             |                                     |                      |  |  |
| <b>SERVICE</b>  | £'000  | £'000  | £'000  | £'000                      | £'000          | £'000                       | £'000                               | £'000                | £'000                                      | %  |
| <b>Education &amp; Children's Services</b>  | 176,586  | 71   | 791  | 371                        | (6,782)        | (436)                       | 170,601                             | 169,235              | (1,366)                                    | (0.80%)                                    |
| <b>Housing and Community Care</b>   | 69,160   | 197  | 774  |                            |                | 1,152                       | 71,283                              | 71,009               | (274)                                      | (0.38%)                                    |
| <b>The Environment Service</b>  | 61,428   | 40   | 168  |                            | (1,650)        | (34)                        | 59,952                              | 59,562               | (390)                                      | (0.65%)                                    |
| <b>Chief Executive's Services</b>   | 9,849  | 186  | 57   |                            |                | (38)                        | 10,054                              | 9,882                | (172)                                      | (1.71%)                                    |
| <b>Sub - Total: Service Budgets</b>   | <b>317,023</b>                                     | <b>494</b>                                     | <b>1,790</b>   | <b>371</b>                 | <b>(8,432)</b> | <b>644</b>                  | <b>311,890</b>                      | <b>309,688</b>       | <b>(2,202)</b>                             | <b>(0.71%)</b>                             |
| <b>Corporate Budgets</b>  |  |  |  |                            |                |                             |                                     |                      |  |  |
| Contribution to Valuation Joint Board   | 1,166  |  |  |                            |                |                             | 1,166                               | 1,166                | 0  | 0.00%                                      |
| Capital Financing Costs   | 14,200   |  |  |                            | (45)           |                             | 14,155                              | 14,155               | 0  | 0.00%                                      |
| Interest on Revenue Balances  | (70)   |  |  |                            | (22)           |                             | (92)                                | (92)                 | 0  | 0.00%                                      |
| Net Contribution to/(from) Capital Fund   | 1,552  |  |  |                            | 3,324          |                             | 4,876                               | 4,876                | 0  | 0.00%                                      |
| Contribution to/(from) Insurance Fund   | 200  |  |  |                            |                |                             | 200                                 | 200                  | 0  | 0.00%                                      |
| Contribution to/(from) Renewal and Repair Fund  | (1,050)  |  |  |                            | 450            |                             | (600)                               | (600)                | 0  | 0.00%                                      |
| Trading Operations Surplus  | (190)  |  |  |                            |                |                             | (190)                               | (190)                | 0  | 0.00%                                      |
| Support Service External Income   | (1,888)  |  |  |                            |                |                             | (1,888)                             | (1,888)              | 0  | 0.00%                                      |
| Un-Funded Pension Costs   | 1,516  |  |  |                            |                |                             | 1,516                               | 1,516                | 0  | 0.00%                                      |
| Discretionary Relief  | 150  |  |  |                            |                |                             | 150                                 | 150                  | 0  | 0.00%                                      |
| Contingency Budget  | 210  | (36)   |  |                            |                |                             | 174                                 | 174                  | 0  | 0.00%                                      |
| <b>Net Expenditure (General Fund)</b>   | <b>332,819</b>                                     | <b>458</b>                                     | <b>1,790</b>   | <b>371</b>                 | <b>(4,725)</b> | <b>644</b>                  | <b>331,357</b>                      | <b>329,155</b>       | <b>(2,202)</b>                             | <b>(0.66%)</b>                             |
| <b>Financed By:</b>   |  |  |  |                            |                |                             |                                     |                      |  |  |
| Revenue Support Grant   | (182,069)  | (6,732)  |  | (338)                      |                |                             | (189,139)                           | (189,139)            | 0  | 0.00%                                      |
| Ring Fenced Grant   | (80)   |  |  | (33)                       |                |                             | (113)                               | (113)                | 0  | 0.00%                                      |
| Non Domestic Rate Income  | (61,348)   |  |  |                            |                |                             | (61,348)                            | (61,348)             | 0  | 0.00%                                      |
| Council Tax Income  | (72,251)   | (60)   |  |                            |                | (1,300)                     | (73,611)                            | (73,611)             | 0  | 0.00%                                      |
| Council Tax Reduction Scheme  | 0  | 6,628  |  |                            |                |                             | 6,628                               | 6,628                | 0  | 0.00%                                      |
| Capital Grant   | (7,240)  |  |  |                            | 4,725          |                             | (2,515)                             | (2,515)              | 0  | 0.00%                                      |
| <b>Total Financing</b>  | <b>(322,988)</b>                                   | <b>(164)</b>                                   | <b>0</b>   | <b>(371)</b>               | <b>4,725</b>   | <b>(1,300)</b>              | <b>(320,098)</b>                    | <b>(320,098)</b>     | <b>0</b>                                   | <b>0.00%</b>                               |
| <b>Financed from/(returned to) Reserves including use of Budget Flexibility b/fwd</b> | <b>9,831</b>                                       | <b>294</b>                                     | <b>1,790</b>   | <b>0</b>                   | <b>0</b>       | <b>(656)</b>                | <b>11,259</b>                       | <b>9,057</b>         | <b>(2,202)</b>                             |  |

APPENDIX 1

43



**PERTH AND KINROSS COUNCIL - GENERAL FUND 2015/16 PROJECTED OUTTURN - SERVICE ANALYSIS**  
**(Based on Expenditure to 30 June 2015)**

| SERVICE   | Variance<br>£'000 | Variance<br>£'000 | Summary of Service Variances   |
|---|-------------------|-------------------|--|
| <b><u>Education &amp; Children's Services (ECS)</u></b> |                   |                   |  |
| Total   | (1,366)           |                   |  |
|   |                   |                   | <b><u>Devolved School Management (DSM)</u></b>   |
|   |                   | (434)             | <b><u>Staff Costs</u></b><br>There is a projected under spend on teachers' salaries of £1,572,000 as a result of proactive workforce planning measures which ensure that teacher numbers are maintained. The budget for Single Status staff groups is projected to under spend by £353,000. These projected under spends exceed the overall slippage target of £1,491,000. |
|   |                   | (150)             | <b><u>Property Costs</u></b><br>Projected under spend on repairs and maintenance due to slippage on a number of projects.  |
|   |                   | (150)             | <b><u>Supplies and Services</u></b><br>Projected net under spend on supplies and services across all schools.  |
|   |                   | (250)             | <b><u>Income</u></b><br>Additional income for secondments and SQA work.  |
|   |                   | 984               | The projected DSM carry forward for 2015/16 is £984,000 which is a reduction of £300,000 on the balance brought forward from 2014/15. This level of carry forward represents approximately 1.20% of the overall DSM budget.  |
|   |                   |                   | <b><u>Other Education &amp; Children's Services Sectors:</u></b>   |
|   |                   | (1,038)           | <b><u>Staff Costs</u></b><br>There is currently a projected under spend on staff costs of £1,038,000. This is made up of over and under spends in various sectors and cost centres and is after recognising a slippage target of £755,000.   |
|   |                   | (104)             | <b><u>Property Costs</u></b><br>Projected under spend of £104,000 due to the actual Retail Price Index inflation rate being lower than the estimate used in setting the IIL Unitary Charge budget.   |
|   |                   | (238)             | <b><u>Supplies and Services</u></b><br>Main projected under spend is in the provision of early learning and childcare provision (£264,000) which is partially offset by over spends on postages and photocopying (£26,000).  |
|   |                   | (27)              | <b><u>Transport Costs</u></b><br>Projected under spend of £27,000 on car allowances, travel and subsistence payments.  |
|   |                   | (228)             | <b><u>Pupil Transport</u></b><br>There is a projected under spend on School Transport based on the latest estimate from the Public Transport Unit which is influenced by demand for this service.  |
|   |                   | 29                | <b><u>Third Party Payments</u></b><br>There are projected over spends on copyright licences (£16,000) and Direct Payments within the Child Health Team (£13,000).  |
|   |                   | (147)             | <b><u>Residential Schools/Foster Care and Kinship Care:</u></b><br>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.              |
|   |                   | 513               | The budget for young people with complex behavioural issues which includes a number of pupils placed within secure schools is projected to over spend due to additional placements.  |
|   |                   | (118)             | There are projected under spends on Kinship Care (£138,000) which are partially offset by a projected over spend on Foster Care (£20,000). These variances are due to levels of activity differing from the assumptions made in setting the revenue budget.  |
|   |                   | 18                | <b><u>Loan Charges</u></b><br>Projected overspend on prudential borrowing loan charges due to revised projections for land disposals.  |

**PERTH AND KINROSS COUNCIL - GENERAL FUND 2015/16 PROJECTED OUTTURN - SERVICE ANALYSIS**  
**(Based on Expenditure to 30 June 2015)**

| SERVICE                           | Variance<br>£'000 | Variance<br>£'000 | Summary of Service Variances   |
|-----------------------------------|-------------------|-------------------|--|
|                                   |                   | (26)              | <u>Income</u><br>Projected additional income from recharges to other Councils for pupil support assistants (£40,000), secondments within learning support (£20,000), music income (£40,000) and a contribution towards a residential placement (£36,000). This is partially offset by a shortfall in income from libraries (£48,000), outdoor centres (£8,000) and a delay in receipt of the Renewable Heat Incentive grant (£54,000).   |
| <b>Housing and Community Care</b> |                   |                   |  |
| Total                             | (274)             | 282               | <u>Housing</u><br>There is a projected increase in the number of voids and reduced recovery of income.   |
|                                   |                   | (56)              | <u>Finance and Support</u><br>Accelerated delivery of savings partially offset by small projected over spends on staff costs and procurement subscriptions.  |
|                                   |                   | (52)              | <u>Strategic Support and Commissioning</u><br>Projected under spend on payments to housing support providers   |
|                                   |                   | (141)             | <u>Older People</u><br>There is a net projected under spend across Older People Services. However, within this projection there are projected over spends on residential placements due to increased demand (£343,000) and on homecare services due to increased additional demand and as a consequence of the frailer ageing population (£804,000). In the current year these projected over spends are partially offset by the budget flexibility funding that was carried forward from 2014/15 on a non-recurring basis (£553,000). In addition there are further projected under spends on staff slippage (£240,000), additional income from the Councils residential homes (£137,000), a projected under spend on occupational therapy maintenance costs (£76,000) and accelerated savings from uncommitted budgets that will contribute to the 2016/17 Provisional Revenue Budget submission (£282,000).   |
|                                   |                   | (52)              | <u>Learning Disabilities</u><br>Projected under spend due to additional staff slippage   |
|                                   |                   | (255)             | <u>Other Community Care Services</u><br>This projected under spend is made up additional income from the Contributions Policy (£200,000) and one-off clawbacks from external organisations (£139,000). This is partially offset by additional temporary staff costs (£84,000).   |
|                                   |                   | 1,071             | <u>Housing Benefits</u><br>As anticipated, Housing Benefit expenditure has continued to reduce as a result of the Government's Welfare Reform Agenda. Although the Housing Benefit caseload has reduced by approximately 300 cases during the period August 2014 until present, the introduction of Government initiatives have added additional layers of complexity to the overall administration of the scheme.<br><br>In October 2014, the Department for Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC) implemented the Real Time Information (RTI) project. Between the period October 2014 – July 2015, PKC received 480 referrals from HMRC reporting changes to customer's earnings and private pensions during the previous two financial years. This initiative has contributed to a significant rise in the level of HB overpayments which has now resulted in many customers receiving the correct level of financial support.<br><br>In February 2015, PKC opted into the Fraud and Error Reduction Incentive Scheme (FERIS), a DWP initiative leading to the review of customer's entitlement to Housing Benefit. Between the period February 2015 – July 2015, 408 reviews of customer's entitlement were carried out under this scheme. 225 of these cases have resulted in a reduction to weekly HB. The average weekly reduction is £13.00. PKC is also participating in the Housing Benefit Matching Service (HBMS). Between the period March 2015 – July 2015, 91 reviews of customer's entitlement were carried out under HBMS. 31 of the cases have resulted in a reduction to weekly HB. The average weekly reduction is £44.00. |
|                                   |                   | (1,071)           | The actions listed above will result in reduced Government grant in relation to this activity  |

**PERTH AND KINROSS COUNCIL - GENERAL FUND 2015/16 PROJECTED OUTTURN - SERVICE ANALYSIS**  
**(Based on Expenditure to 30 June 2015)**

| SERVICE                                 | Variance<br>£'000 | Variance<br>£'000 | Summary of Service Variances  |
|---|-------------------|-------------------|---|
| <b><u>The Environment Service</u></b>   |                   |                   |   |
| Total                                   | (390)             |                   |   |
|   |                   | (25)              | <b><u>Roads &amp; Street Lighting</u></b><br>Projected saving on street lighting power costs based on current price and consumption estimates.          |
|   |                   | (150)             | <b><u>Operations &amp; Waste Strategy</u></b><br>Projected saving on fuel costs based on current price and consumption estimates.                       |
|   |                   | (300)             | Projected saving on waste disposal contract costs based on year to date tonnage and price.  |
|   |                   | (25)              | Projected saving on depot rates charges.  |
|   |                   | 200               | Short term unbudgeted loan charges for historical waste services capital expenditure.   |
|   |                   | 200               | <b><u>Fleet</u></b><br>Projected increase in loan charges based on current vehicle replacement programme and cost of borrowing.                         |
|   |                   | (90)              | Projected saving on contract vehicle hire costs based on current profile of fleet on full contract maintenance agreements                               |
|   |                   | (100)             | <b><u>Planning and Regeneration</u></b><br>Projected additional income from building warrants and planning applications                                 |
|   |                   | (100)             | Projected additional rental income from commercial property investment programme  |
|   |                   | 700               | <b><u>Parking</u></b><br>Provision for car park investment projects in Perth City and Ben Vrackie.  |
|   |                   | (700)             | Drawdown from car parking reserve to meet cost of car park investment.  |
|   |                   | (255)             | <b><u>Property</u></b><br>Planned Maintenance - virement to Property Compliance   |
|   |                   | 255               | Property Compliance - virement from Planned Maintenance   |
|   |                   | 516               | Reactive Maintenance - virements from , Service Contracts, Heritage and Cyclical Maintenance  |
|   |                   | (251)             | Service Contracts - virement to Reactive Maintenance  |
|   |                   | (80)              | Heritage - virement to Reactive Maintenance   |
|   |                   | (185)             | Cyclical Maintenance - virement to Reactive Maintenance   |
|   |                   |                   | The virements listed under Property above reflect the planned operational activity in the Service in the current year.                                  |
| <b><u>Chief Executive's Service</u></b> |                   |                   |   |
| Total                                   | (172)             |                   |   |
|   |                   | (6)               | <b><u>Core Costs</u></b><br>Projected net under spend on staff costs due to slippage.   |
|   |                   | (11)              | <b><u>Legal Services</u></b><br>Projected additional income due to the cyclical nature of a number of the income streams.                               |
|   |                   | (17)              | Projected under spend on staff costs due to vacancies.  |
|   |                   | 12                | Projected over spend on other costs across the Division, primarily publications and photocopying.   |
|   |                   | (73)              | <b><u>Finance</u></b><br>Projected net under spend on staff costs due, in the main, to slippage in excess of budgeted levels.                           |
|   |                   | (22)              | <b><u>Human Resources</u></b><br>Various net projected under spends across staff costs, supplies and services, third party payments and transport costs |
|   |                   | (21)              | <b><u>Democratic Services</u></b><br>Projected under spend on staff costs due to slippage in excess of budgeted levels.                                 |
|   |                   | (12)              | Additional income from elections and outside bodies.  |
|   |                   | (22)              | Projected under spends across the Division, including courier recharges and communications.   |
| <b>TOTAL</b>                            | <b>(2,202)</b>    |                   |   |



**PERTH AND KINROSS COUNCIL - HOUSING REVENUE ACCOUNT 2015/16 PROJECTED OUTTURN**  
**(Based on Expenditure to 30 June 2015)**

| £'000 | Summary of Service Variances  |
|-------|---|
| 5     | <b>Housing Repairs &amp; Improvement Service</b><br>This projected over spend has arisen due to payments to external contractors.   |
| 22    | <b>Housing Needs</b><br>This projected over spend is made up of rates, service charges and cleaning costs for York Place.   |
| 7     | <b>Sheltered Housing</b><br>There is a projected over spend on rental costs partially offset by savings in supplies & services and transport costs.   |
| (94)  | <b>Administration</b><br>A projected under spend on loan charges based on the latest projections which is partially offset by projected over spends on agency and IT consultancy fees.                          |
| 140   | <b>Income</b><br>There is projected under recovery of income from reduced Interest On Revenue Balances due to low interest rates (£45,000), rents (£30,000) and an increased provision for bad debts (£65,000). |
| (80)  | <b>Capital Financed from Current Revenue</b><br>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.           |
| 0     |   |

