

PERTH AND KINROSS COUNCIL**Strategic Policy and Resources Committee –10 February 2016****REVENUE BUDGET 2015/16 – MONITORING REPORT NUMBER 3****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 November 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 is £8,270,000 (see Appendix 1).

1. BACKGROUND / MAIN ISSUES

- 1.1. This is the third report updating the Committee on progress with the 2015/16 Revenue Budget. Appendix 1 to this report summarises the current projected year end (outturn) position for each Service based upon the November 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, 23 September and 2 December 2015 (Report Nos. 15/167, 15/395 and 15/551 refer) 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.

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 £6,995,000 which represents 2.23% of total net Service expenditure.
- 2.1.2 Service under spends detailed below and in Appendix 2 will be considered as part of the 2016/17 to 2018/19 Revenue Budget strategy and any proposals to utilise budget flexibility will be reported to the Council on 11 February 2016.

- 2.1.3 **Education & Children's Services:** The projected outturn (excluding Devolved School Management (DSM)) is currently anticipated to be £2,620,000 less than budget – a favourable movement of £1,295,000 from the position last reported to Committee.
- 2.1.4 This favourable movement is made up of a projected increase in slippage across the Service (£274,000), an increase in the projected under spend on property costs (£246,000) due to actual non-domestic rates bills being less than budgeted and an increase in the projected under spend on the Investment in Learning project unitary charge. Furthermore there is a net projected under spend on supplies and services mainly due to a rephasing of expenditure on the Evidence to Success project (£340,000). In addition there is a small increase in the projected under spend on third party payments (£11,000). There is also a reduction in the projected net over spend on transport costs (£36,000) based on the latest estimates for pupil transport.
- 2.1.5 Education and Children Services are also projecting a significant increase in income for the current year. This additional income is in relation to additional secondments to Education Scotland (£53,000), insurance rebates for Investment in Learning (IIL) schools (£117,000), kids clubs (£20,000), Duke of Edinburgh Scheme (£17,000), music activities (£33,000) and funding towards Developing Scotland's Young Workforce (£290,000). This additional income is partially offset by further delays in receiving income from the Renewable Heating Incentive programme (£27,000).
- 2.1.6 The favourable movements described above are partially offset by an increase in the net projected over spend on residential schools, foster care and kinship care (£103,000) due to further increases in the demand for these services and an increase in the projected over spend on loan charges (£12,000).
- 2.1.7 There is also a projected under spend of £985,000 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.
- 2.1.8 The projected carry forward of £985,000 represents 1.20% of the overall DSM budget.
- 2.1.9 **Housing & Community Care:** The projected outturn is currently anticipated to be £1,845,000 less than budget – a favourable movement of £491,000 from the position last reported to Committee.
- 2.1.10 This favourable movement is made up of increases in the projected under spends on Learning Disabilities (£325,000) based on the latest analysis of respite and direct payments activity, Finance and Support (£180,000) due to further improvements in Housing Benefits performance in relation to the recovery of overpayments and additional staff slippage and Strategic Support and Commissioning (£97,000) due to a reduction in payments to housing

support providers and additional staff slippage. There is also an increased projected under spend in Other Community Care Services (£76,000) due primarily to the receipt of additional income from the approved contributions policy and a reduced projected over spend in Housing (£10,000) following an update of expenditure projections on void properties.

2.1.11 The favourable movements are partially offset by a reduction in the projected under spend on Older People's Services (£192,000) due to further demand for these services partially offset by additional income in relation to the quality of care and an increase in the projected over spend on Community Safety (£5,000).

2.1.12 **The Environment Service:** The projected outturn is currently anticipated to be £2,280,000 less than budget – a favourable movement of £1,325,000 from the position last reported to Committee.

2.1.13 Within Roads, Structures and Street Lighting there is a projected under spend on the bridge refurbishment and landslips programme due to the adverse weather conditions (£580,000) and on the gully emptying project which has been delivered on schedule and under budget (£250,000).

2.1.14 Within Planning and Development there is a projected increase in the level of building warrant and planning fee income (£100,000), it is also anticipated that expenditure on the Broadband initiative will be rephased in line with LEADER funding (£230,000) and expenditure on the Perth and Kinross Employment Recruitment initiative will be matched against external match funding (£205,000). In addition there is a projected under spend on support for the Visit Scotland tourist information centre in Perth (£100,000) due to the project costing less than budget and a projected under spend on the indoor bowling project due to external funding issues (£85,000).

2.1.15 In Operations there is a projected shortfall on income from recyclates (£100,000) due to market conditions partially offset by an increase in the projected under spend on fuel costs (£50,000). In Corporate Asset Management there is a projected under spend on the implementation of the Property Business System (£25,000) and in Regulation there is a projected over spend on local authority funded burials (£40,000) partially offset by a planned under spend on the Crieff Air Quality Action plan (£20,000). In Community Greenspace there is a projected contribution to the Blairgowrie Cuttleburn project (£50,000).

2.1.16 The previous revenue monitoring for the Environment Service also included projected costs in relation to the flooding event in Alyth (£375,000). It is now assumed that this over spend will be funded from additional funding from the Scottish Government (see paragraph 2.2.5). In addition it is now proposed to transfer the previously reported under spend on 2 High Street (£360,000) to the Repairs and Renewal Fund to support expenditure on the project in future years (see paragraph 2.3.6).

- 2.1.17 Within Property there is a projected over spend on external consultants involved in supporting the Council's planned and reactive maintenance programme (£200,000) which is partially offset by projected under spends on the property compliance budget (£55,000).
- 2.1.18 The Council originally activated the Bellwin Scheme following the flooding event in Alyth in July 2015. Revenue Monitoring Report No. 2 to this Committee on 2 December 2015 advised that the Council was unlikely to reach the threshold for accessing this funding. However the Council has recently formally advised the Scottish Government of the further weather events that took place in December 2015 and January 2016 (including Storms "Desmond" and "Frank" that affected Perth and Kinross). Expenditure incurred in responding to these events, which may be eligible for Bellwin funding is currently being calculated. Progress on this issue will be reported to future meetings of this Committee.
- 2.1.19 Expenditure on winter maintenance is currently projected to be in line with the approved budget although there is inevitably uncertainty at this stage of the financial year. A further update will be provided to the Strategic Policy and Resources Committee in April 2016.
- 2.1.20 **Corporate and Democratic Services:** The projected outturn is currently anticipated to be £250,000 less than budget – a favourable movement of £69,000 from the position last reported to Committee.
- 2.1.21 This net movement is primarily made up of a further projected under spend on staff costs due to slippage in excess of budgeted levels across all Divisions, savings on supplies and services and the receipt of income in relation to recent democratic processes.
- 2.1.22 It was intended that, in line with the Corporate Charging Policy, Corporate and Democratic Services would update this Committee on future levels of charges however, the Registrar General is yet to confirm a new schedule of charges for statutory registration activities. Therefore, until the anticipated increase is advised there is no proposed change to registration charges at this time.
- 2.1.23 In addition a report was submitted to the Licensing Committee on the 7 January 2016 (Report No. 15/597 refers) with proposed increases in Civic charges. The Licensing Committee did not approve the proposed charges and requested further information prior to any approval. It is planned to provide a revised report to the Licensing Committee on 18 February 2016. Once the information is received from the Registrar General and any changes to the civic charges are approved by the Licensing Committee a further report will be submitted to the meeting of this Committee on 20 April 2016 providing details of all charges in place within Corporate and Democratic Services.

2.2 Movements in Funding

- 2.2.1 Since Revenue Monitoring Report Number 2 was approved by this Committee (Report No. 15/551 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 2.2.8.

2.2.2 Scottish Government: Revenue Support Grant (£2,426,798)

- Teacher Numbers: £429,000 (Education & Children's Services – ECS)
- Teacher Induction Scheme – Residual Amount: £209,979 (ECS)
- Children & Young People Adjustment: £111,000 (ECS)
- Teacher Induction Scheme – Student Placement: £26,819 (ECS)
- Impact of Flooding Events - £1,650,000 (The Environment Service)

2.2.3 The Scottish Government has advised that the increase in Revenue Support Grant identified at 2.2.2 of £2,426,798 will be made through a redetermination of the Council's Revenue Support Grant.

2.2.4 In terms of the funding identified in 2.2.2 for Education and Children's Services £335,000 is not required as the Council is already complying with Scottish Government requirements and as such it is proposed that this amount be transferred to Reserves.

2.2.5 In terms of the additional funding of £1,650,000 identified in 2.2.2 above it is currently anticipated that this should be sufficient to provide grants of £1,500 to households and businesses directly affected by flooding; to reimburse the Insurance Fund (£400,000) for the estimated cost of repairs to Council houses, the play park and the museum in Alyth and that the balance will be used to fund the costs of the response by the Environment Service to weather events since July 2015. Should there be any funding remaining, proposals for utilising it will be reported to a future meeting of this Committee. The scheme to provide grants to affected households and businesses was the subject of a report approved by the Executive Sub Committee of this Committee on 20 January 2016 (Report No. 16/15 refers). Any under spend on funding will be carried forward to 2016/17 in Reserves.

2.2.6 It is therefore necessary to adjust the net budget for Education & Children's Services, the Environment Service, the Insurance Fund and Revenue Support Grant.

2.2.7 **ACTION:** The Committee is asked to approve an adjustment of £442,000 to Education & Children's Services, £1,250,000 to the Environment Service, and £400,000 to the Insurance Fund with these additional resources being made available through Revenue Support Grant. These adjustments are reflected in Appendix 1 (Column 3) to this report.

2.2.8 Other Funding (£460,542)

- Sportscotland – Community Sports Hubs: £25,420 (ECS)
- Scottish Funding Council – English for Speakers of Other Languages: £24,666 (ECS)
- Scotland's National Centre for Languages – Chinese: £10,000 (ECS)
- Education Scotland – Access to Education: £10,000 (ECS)

- British Council – Erasmus (Invergowrie Primary School): £8,500 (ECS)
- Education Scotland – Creative Learning Network: £8,455 (ECS)
- Scottish Government – Gaelic Language in Primary Schools: £1,500 (ECS)
- National Museums Scotland – Various Acquisitions: £1,018 (ECS)
- Scottish Government (via NHS) – Funding to Improve Quality of Care: £73,364 (Housing and Community Care)
- Zero Waste Scotland – Household Waste Recycling Centre Reuse Shop: £150,000 (TES)
- The Scottish Government – Private Water Supplies: £92,899 (TES)
- Sustrans Scotland – Perth Cycling Signage: £20,000 (TES)
- Cycling Scotland – Bikeability Scotland: £14,220 (TES)
- Zero Waste Scotland – 140L (Bins) Lead Officer: £11,407 (TES)
- Sustrans Scotland – Cycle Parking Projects: £9,093 (TES)

2.2.9 The other funding amounting to £460,542 will be paid outside the Revenue Support Grant mechanism as Other Grant income and is therefore cost neutral in terms of the budget summary.

2.2.10 **ACTION:** the Committee is also asked to note the receipt of £460,542 of additional resources, with this funding being reflected within Education & Children's Services, Housing & Community Care and the Environment Service as additional grant income. The current projected outturn assumes that all of these additional resources will be fully expended in 2015/16.

Grant Funding Towards "Perth and Kinross Employability Pipeline" and "Positive Futures! To Address Poverty"

2.2.11 The Council will manage European Structural grant funding of almost £5,623,750 to support employability and social inclusion activities across Perth and Kinross. The programmes commence in April 2016 and will be managed by the Council on behalf of the Perth and Kinross Community Planning Partnership. Further updates will be included in future revenue monitoring reports.

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 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.

2.3.2 The latest monitoring indicates an increase in the projected outturn for capital financing costs (loan charges) of £27,000 primarily due to additional principal repayments partially offset by savings on interest. There is also an increase in the projected income from Interest on Revenue Balances of £24,000.

- 2.3.3 **ACTION:** The Committee is requested to approve the virement of £27,000 to the Capital Financing Costs (Loan Charges) Budget; £24,000 to Interest on Revenue Balances with a net reduction of £3,000 in the projected Contribution to the Capital Fund. These adjustments have been reflected in Appendix 1 (Column 4) to this report.

Private Sector Housing Grants

- 2.3.4 Due to the volume of applications received it is unlikely that the Council will make its full budgeted revenue contribution to private sector housing grants in the current financial year. However, the grant will be used to meet other planned capital expenditure in 2015/16. The latest projection is an under spend of £454,000 in the current financial year therefore approval is sought to reduce the revenue budget for 2015/16 in line with the capital budget.
- 2.3.5 **ACTION:** The Committee is asked to approve a reduction in the Housing and Community Care Revenue Budget of £454,000 in 2015/16 with a corresponding reduction in the Capital Grant Budget. This adjustment is reflected in Appendix 1 (Column 4) to the report. It is proposed that the revenue budget for Housing and Community Care in 2016/17 will be increased by the final underspend in the current year (currently projected as £454,000) to fund the delayed expenditure on Private Sector Housing Grants.

Contribution to Renewal and Repair Fund

- 2.3.6 With 2 High Street currently vacant the Council is generating a projected under spend of £360,000 on the facilities management costs of operating the building (predominantly non-domestic rates and energy). It is proposed to transfer this funding to the Renewal and Repairs Fund to support expenditure on the Perth Office Project in future years.
- 2.3.7 **ACTION:** The Committee is asked to approve the virement of £360,000 from the Environment Service to the Renewals and Repair Fund to support expenditure on the Perth Office Project in future years. This adjustment is reflected in Appendix 1 (Column 4) to the report.

Perth Theatre Redevelopment

- 2.3.8 A rephasing of the expenditure on the Perth Theatre Redevelopment Project will result in £62,000 of funding not being required by Education and Children's Services in 2015/16. It is proposed that this funding is returned to the Capital Fund and drawn down when required for the project in future years.
- 2.3.9 **ACTION:** The Committee is asked to approve the virement of £62,000 from Education and Children's Services to the Contribution to the Capital Fund to support expenditure on the Perth Theatre Redevelopment Project in future years. This adjustment is reflected in Appendix 1 (Column 4) to the report.

2.4 Movements in Reserves

Investment in Improvement Fund

2.4.1 The following adjustments to Service budgets are proposed to recognise the latest projected outturns on projects funded from Investment in Improvement Fund 4.

- Empty Homes Project – a rephasing of £92,000 in relation to the Empty Homes project to reflect anticipated expenditure (Housing and Community Care) (HCC).
- Corporate Organisational Development slippage of £18,000 (HCC)

2.4.2 **ACTION:** The Committee is requested to approve adjustments to Service Budgets listed at 2.4.1. These adjustments have been reflected in Appendix 1 (Column 5) to this report. These resources will be carried forward to 2016/17 in Reserves.

Transformation Funding

2.4.3 The following adjustments to Service budgets are proposed to recognise the latest projected outturns on transformation projects.

- Smart Perth and Kinross (Education and Children's Services (ECS)) – reduction of £16,000
- Online Services & MyAccount (ECS) – reduction of £18,000
- Mobile Working Review (ECS) – reduction of £26,000
- Review of Facilities Management (ECS) – reduction of £25,000
- Homefirst (Housing and Community Care (HCC)) – reduction of £13,000
- Communities First (HCC) – reduction of £65,000
- Procurement (HCC) – reduction of £16,000
- Community Care Packages (HCC) – reduction of £43,000
- Review of Roads Activities – reduction of £10,000 (The Environment Service)

2.4.4 **ACTION:** The Committee is requested to approve adjustments to Service budgets listed at 2.4.3. These adjustments have been reflected in Appendix 1 (Column 5) to this report. These resources will be carried forward to 2016/17 in Reserves.

Back Dated Holiday Pay

2.4.5 Recent case law has re-defined the holiday pay entitlement of employees who undertake non-contractual duties. Traditionally these ad hoc duties, such as overtime, standby and callouts were not eligible for holiday pay. Recent case law requires employers to include these payments when calculating holiday pay. Locally, through a negotiated settlement with Trade Unions, the Council has agreed a definition of what pay elements are to be included for holiday

pay purposes. Following those negotiations the arrears of holiday pay from 1 January 2014 were paid to all employees in November 2015. The total estimated cost of this additional payment for 2015/16 is £75,000.

- 2.4.6 **ACTION:** The Committee is asked to approve the transfer of £29,000 to Education and Children's Services, £32,000 to Housing and Community Care, £13,000 to the Environment Service and £1,000 to Corporate and Democratic Services which is funded from Reserves. These adjustments have been reflected in Appendix 1 (Column 5) to this report.

Public Sector Network Compliance

- 2.4.7 The 2015/16 Revenue Budget includes £390,000 towards the cost of Public Sector Network compliance. This budget will not be fully required in the current financial year and therefore approval is sought to transfer the projected under spend (£355,000) to Reserves to be drawn down in future years.
- 2.4.8 **ACTION:** The Committee asked to approve the transfer of £355,000 from Education and Children's Services to Reserves to fund expenditure on Public Sector Network compliance in future financial years. This adjustment has been reflected in Appendix 1 (Column 5) to this report.

Contribution to Perth Theatre Redevelopment Project

- 2.4.9 There is currently £354,000 earmarked within the Council's Reserves for the Perth Theatre Redevelopment Project. In order to consolidate the Council's contribution to the Project it is proposed to transfer this amount from General Fund Reserves to the Capital Fund where the majority of the funding lies. On the basis that both this adjustment and the proposed adjustment at 2.3.9 are approved the Capital Fund will hold £2,586,000 in relation to the Perth Theatre Redevelopment Project.
- 2.4.10 **ACTION:** The Committee is asked to approve the transfer of £354,000 from Earmarked Reserves to the Capital Fund to consolidate the Council's funding to the Perth Theatre Redevelopment Project. 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 £93,000 primarily due to reduced staff costs. Perth and Kinross Council's share of this projected under spend is approximately £35,000 and this has been reflected in Appendix 1.

Unfunded Pension Costs

- 3.2 There is a projected under spend on the unfunded pension budget of £65,000 reflecting the actual charges from Dundee City Council. This has been reflected in Appendix 1.

Council Tax Income

- 3.3 The projected under spend on the Council Tax Reduction Scheme has been updated based on the latest activity in this area. This results in an increase in the projected under spend of £130,000. The Council continues to raise awareness of this scheme and this has been reflected within this projection.

4. HOUSING REVENUE ACCOUNT (HRA)

- 4.1 The Director (Housing and Community Care) is currently projecting a break even position on the Housing Revenue Account (HRA).
- 4.2 There is an increase in the projected over spend on the Housing Repairs and Improvement Service (£419,000) which reflects revised projections for responsive and voids repairs. In addition there is a further reduction in projected income levels (£209,000) due to additional provision being made for potential bad debts a consequence of increasing rent arrears.
- 4.3 The projected under spend in Administration has increased (£126,000) primarily following a reduction in the insurance recharge and Council Tax charges in relation to empty properties. The projected under spend in Neighbourhood Services has increased (£114,000) due to projected savings on supplies and services and the capitalisation of costs related to Glenearn Road. Revisions to the projected over spend in Housing Needs (£11,000 due to an update of property costs) and Sheltered Housing (£36,000 due to further staff slippage) has also delivered further favourable movements.
- 4.4 The net projected movements described above result in a further reduction in the projected contribution to Capital Financed from Current Revenue (CFCR) (£341,000) 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. CONCLUSION AND RECOMMENDATIONS

- 5.1. The total net projected under spend on the General Fund net expenditure, as set out in Appendix 1 to this report, is £8,270,000.
- 5.2. Additionally the projected planned under spend on Devolved School Management Budgets currently stands at £985,000.
- 5.3. The Director (Housing and Community Care) is currently projecting a break even position for the Housing Revenue Account for 2015/16.

5.4. The Committee is requested to:

- Note the contents of the report;
- Approve the adjustments to the 2015/16 Management Revenue Budget detailed in Appendix 1 and Section 2 above;
- Approve Service virements summarised in Appendices 2 and 3.

Author(s)

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Approved

| Name | Designation | Date |
|-------------|--------------------|-----------------|
| John Symon | Head of Finance | 28 January 2016 |

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ANNEX

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 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) |
|---|--|--|----------------------------|--------------|-----------------------------|-------------------------------------|----------------------|--|--|
| | 2015/16 Council Approved Budget Feb-15 | Previously Approved Adjustments (Net) | Movements in Funding | Virements | Movements in Reserves | 2015/16 Revised Mgt Budget | Projected Outturn | Variance to Revised Mgt Budget | Variance to Revised Mgt Budget |
| <i>Reference: Section in Report</i> | | 1.2 | 2.2 | 2.3 | 2.4 | | | | |
| SERVICE | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | % |
| Education & Children's Services | 176,586 | (5,576) | 442 | (62) | (411) | 170,979 | 168,359 | (2,620) | (1.53%) |
| Housing and Community Care | 69,160 | 2,338 | | (454) | (215) | 70,829 | 68,984 | (1,845) | (2.60%) |
| The Environment Service | 61,428 | (246) | 1,250 | (360) | 3 | 62,075 | 59,795 | (2,280) | (3.67%) |
| Corporate and Democratic Services | 9,849 | 205 | | | 1 | 10,055 | 9,805 | (250) | (2.49%) |
| Sub - Total: Service Budgets | 317,023 | (3,279) | 1,692 | (876) | (622) | 313,938 | 306,943 | (6,995) | (2.23%) |
| Corporate Budgets | | | | | | | | | |
| Contribution to Valuation Joint Board | 1,166 | | | | | 1,166 | 1,131 | (35) | (3.00%) |
| Capital Financing Costs | 14,200 | (84) | | 27 | | 14,143 | 14,143 | 0 | 0.00% |
| Interest on Revenue Balances | (70) | (20) | | (24) | | (114) | (114) | 0 | 0.00% |
| Net Contribution to/(from) Capital Fund | 1,552 | 2,161 | | 59 | 354 | 4,126 | 4,126 | 0 | 0.00% |
| Contribution to/(from) Insurance Fund | 200 | | 400 | | | 600 | 600 | 0 | 0.00% |
| Contribution to/(from) Renewal and Repair Fund | (1,050) | 450 | | 360 | | (240) | (240) | 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 | 1,451 | (65) | (4.29%) |
| Discretionary Relief | 150 | | | | | 150 | 150 | 0 | 0.00% |
| Contingency Budget | 210 | (36) | | | | 174 | 174 | 0 | 0.00% |
| Net Expenditure (General Fund) | 332,819 | (808) | 2,092 | (454) | (268) | 333,381 | 326,286 | (7,095) | (2.13%) |
| Financed By: | | | | | | | | | |
| Revenue Support Grant | (182,069) | (7,683) | (2,427) | | | (192,179) | (192,179) | 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) | (1,360) | | | | (73,611) | (74,486) | (875) | (1.19%) |
| Council Tax Reduction Scheme | 0 | 6,628 | | | | 6,628 | 6,328 | (300) | (4.53%) |
| Capital Grant | (7,240) | 4,725 | | 454 | | (2,061) | (2,061) | 0 | 0.00% |
| Total Financing | (322,988) | 2,277 | (2,427) | 454 | 0 | (322,684) | (323,859) | (1,175) | (0.36%) |
| Financed from/(returned to) Reserves including use of Budget Flexibility b/fwd | 9,831 | 1,469 | (335) | 0 | (268) | 10,697 | 2,427 | (8,270) | |

APPENDIX 1

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

| SERVICE | Variance £'000 | Variance £'000 | Summary of Service Variances |
|--|-------------------|-------------------|--|
| Education & Children's Services (ECS) | | | |
| Total | (2,620) | | |
| | | | <u>Devolved School Management (DSM)</u> |
| | | (435) | <u>Staff Costs</u> There is a projected under spend on teachers' salaries of £1,347,000 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 £559,000. These projected under spends exceed the overall slippage target of £1,471,000. |
| | | (150) | <u>Property Costs</u> Projected under spend on repairs and maintenance due to slippage on a number of projects. |
| | | (150) | <u>Supplies and Services</u> Projected net under spend on supplies and services across all schools. |
| | | (250) | <u>Income</u> Additional income for secondments and SQA work. |
| | | 985 | The projected DSM carry forward for 2015/16 is £985,000 which is a reduction of £299,000 on the balance brought forward from 2014/15. This level of carry forward represents approximately 1.20% of the overall DSM budget. |
| | | | <u>Other Education & Children's Services Sectors:</u> |
| | | (1,680) | <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 £755,000. |
| | | (350) | <u>Property Costs</u> Projected under spend due to the actual Retail Price Index inflation rate being lower than the estimate used in setting the IIL Unitary Charge budget (£210,000) and lower than anticipated non-domestic rates bills for new schools (£140,000). |
| | | (415) | <u>Supplies and Services</u> Projected under spends on the provision of early learning and childcare provision (£125,000), Evidence 2 Success (£280,000), Closing the Gap (£150,000) and portable appliance testing (£19,000). These projected under spends are partially offset by projected over spends on postages and photocopying (£26,000) IT (£42,000) and Cultural and Community Services (£91,000). |
| | | (30) | <u>Transport Costs</u> Projected under spend on car allowances, travel and subsistence payments. |
| | | 90 | <u>Pupil Transport</u> Based on the latest estimate from the Public Transport Unit there is a projected over spend on School Transport following a recent retendering exercise that took place over the summer. |
| | | (50) | <u>Third Party Payments</u> There are projected under spends on partner provider payments (£103,000) based on the latest forecasts on uptake partially offset by over spends on copyright licences (£16,000), Direct Payments within the Child Health Team (£8,000) and Supporting Young People (£29,000). |
| | | (280) | <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. |
| | | 745 | 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 and extended placements. |
| | | (130) | There are projected under spends on Kinship Care (£199,000) which are partially offset by a projected over spend on Foster Care (£69,000). |
| | | 40 | <u>Loan Charges</u> 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 November 2015)

| SERVICE | Variance £'000 | Variance £'000 | Summary of Service Variances |
|-----------------------------------|-------------------|-------------------|--|
| | | (560) | <u>Income</u> Projected additional income from recharges to other Councils for pupil support assistants (£40,000), secondments within Learning Support (£21,000) and Education Scotland (£53,000), kids clubs (£50,000), evidence to success (£35,000), a contribution towards a residential placement (£36,000), Duke of Edinburgh (£15,000) and music activities (£33,000). In addition the Council has received an insurance rebate in relation to the IIL contract (£117,000) and funding towards Developing Scotland's Young Workforce (£290,000). This is partially offset by a shortfall in income from libraries (£14,000), outdoor centres (£8,000) and a delay in approval of the Renewable Heat Incentive grant (£108,000). |
| Housing and Community Care | | | |
| Total | (1,845) | | |
| | | 240 | <u>Housing</u> There is a projected increase in the number of voids and reduced recovery of income. |
| | | (560) | <u>Finance and Support</u> Accelerated delivery of savings, increased staff slippage and increased recovery of Housing Benefit overpayments. |
| | | (190) | <u>Strategic Support and Commissioning</u> Projected under spend on payments to housing support providers, the receipt of additional non-recurring income and additional staff slippage. |
| | | (260) | <u>Older People</u> 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 (£501,000), on homecare services due to increased additional demand and as a consequence of the frailer ageing population (£533,000) and reduced staff turnover in Home Care (£226,000). 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 (£525,000). In addition there are further projected under spends on staff slippage (£238,000), additional income from the Councils residential homes (£274,000), further non-recurring income (£65,000), a projected under spend on occupational therapy maintenance costs (£42,000), income from the Scottish Government in relation to quality of care (£73,000) and savings from uncommitted budgets that will contribute to the 2016/17 Provisional Revenue Budget submission (£303,000). |
| | | (465) | <u>Learning Disabilities</u> Projected under spend due to accelerated savings, staff slippage, clawback of surplus from the Respite Bureau and revised projections for respite commitments. |
| | | (665) | <u>Other Community Care Services</u> This projected under spend is made up additional income from the Contributions Policy (£505,000), the delivery of accelerated savings (£200,000), recharge income (£45,000) and one-off clawbacks from external organisations (£112,000). This is partially offset by additional temporary staff costs (£90,000), increased bad debts (£54,000) and integration costs (£53,000). |
| | | 55 | <u>Community Safety</u> Projected overspend due to not meeting staff slippage targets and additional property costs at the OWLS project and St Martins House. |

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

| SERVICE | Variance £'000 | Variance £'000 | Summary of Service Variances |
|---|-------------------|-------------------|--|
| <u>The Environment Service</u> | | | |
| Total | (2,280) | | |
| | | (25) | <u>Roads & Street Lighting</u> Projected saving on street lighting power costs based on current price and consumption estimates. |
| | | (580) | Slippage on delivery of bridge refurbishment and landslip/retaining wall works due to adverse weather conditions. |
| | | (250) | Saving on gully emptying project. Project being delivered on time and under budget, complete by early 2016/17. |
| | | | <u>Operations & Waste Strategy</u> |
| | | (250) | 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. |
| | | 100 | Projected shortfall in income for sale of recyclates and commercial waste due to market forces. |
| | | (25) | Projected saving on depot rates charges. |
| | | 200 | Short term unbudgeted loan charges for historical waste services capital expenditure. |
| | | | <u>Fleet</u> |
| | | 200 | Projected increase in loan charges based on current vehicle replacement programme and cost of borrowing. |
| | | (60) | Projected saving on contract vehicle hire costs based on current profile of fleet on full contract maintenance agreements. |
| | | | <u>Planning and Regeneration</u> |
| | | (300) | Projected additional income from building warrants and planning applications |
| | | (100) | Projected additional rental income from commercial property investment programme |
| | | (230) | Planned underspend on Broadband initiative to contribute towards LEADER programme. |
| | | (205) | Planned underspend on P&K Employment Recruitment Initiative to contribute towards ESF programme for match funding. |
| | | (85) | Projected saving on Indoor Bowling project contribution due to project funding issues. |
| | | (100) | Projected saving on support for Visit Scotland tourist information centre in Perth. |
| | | | <u>Parking</u> |
| | | 400 | Provision for car park investment projects in Perth City and Ben Vrackie. |
| | | 150 | Projected shortfall in parking income. |
| | | (550) | Drawdown from car parking reserve to meet cost of car park investment. |
| | | | <u>Corporate Asset Management</u> |
| | | (25) | Planned underspend on Property Business System implementation to meet future costs in 2016/17. |
| | | | <u>Regulation</u> |
| | | (20) | Planned underspend on Crieff Air Quality Action plan to meet future costs in 2016/17. |
| | | 40 | Increased number of local authority funded burials. |
| | | | <u>Community Greenspace</u> |
| | | 50 | Projected contribution towards Blairgowrie Cuttleburn culvert project |
| | | | <u>Property</u> |
| | | (300) | Projected saving on energy costs due to lower than anticipated price increases. |
| | | (70) | Projected saving on water costs. |
| | | (20) | Projected saving on Carbon Reduction Commitment (CRC) scheme payments due to reduced price and conversion factor. |
| | | (30) | Projected income from Renewable Heat Incentive (RHI) for 2 approved school projects. |
| | | (70) | Projected saving from Pullar House facilities management contract renewal. |
| | | 30 | Unbudgeted rates associated with mothballed buildings. |
| | | (55) | Planned underspend on property compliance maintenance budget to meet future costs of temporary Compliance Officers. |
| | | 200 | Projected increase in external consultants costs arising from planned and reactive maintenance programmes. |
| <u>Corporate and Democratic Services</u> | | | |
| Total | (250) | | |
| | | (5) | <u>Core Costs</u> Projected net under spend on staff costs due to slippage. |
| | | | <u>Legal Services</u> |

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

| SERVICE | Variance £'000 | Variance £'000 | Summary of Service Variances |
|--------------|-------------------|-------------------|--|
| | | (30) | Projected additional income due to the cyclical nature of a number of the income streams. |
| | | (55) | Projected under spend on staff costs due to vacancies. |
| | | 55 | Projected over spend on other costs across the Division, primarily publications and photocopying. |
| | | | <u>Finance</u> |
| | | (120) | Projected under spend on staff costs due to slippage in excess of budgeted levels. |
| | | (10) | Miscellaneous under spends across the Finance Division |
| | | | <u>Human Resources</u> |
| | | (35) | Various net projected under spends across staff costs, supplies and services, third party payments and transport costs |
| | | | <u>Democratic Services</u> |
| | | (35) | Projected under spend on staff costs due to slippage in excess of budgeted levels. |
| | | (65) | Additional income from elections and outside bodies. |
| | | 20 | Projected over spends across the Division, including courier recharges and communications. |
| | | | <u>Information Technology</u> |
| | | 30 | Various net projected over spends across staff costs, supplies and services, third party payments and transport costs |
| TOTAL | (6,995) | | |

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

| £'000 | Summary of Service Variances |
|-------|--|
| 493 | Housing Repairs & Improvement Service There are overspends on responsive repairs (£82k), void repairs (£432k), and Building Services costs (£123k). These are partially offset by projected under spends on property costs (following closure of Inveralmond Depot (£16k)), supplies & services (£26k), transport fleet costs (£35k), and Lock Ups & Garages sites (£67k). |
| 5 | Housing Needs This projected over spend is made up property costs for York Place. |
| (35) | Sheltered Housing The projected under spend is made up of staff slippage. |
| (114) | Neighbourhood Services There are projected under spends on property costs (following the relocation of the Kinross office to the Community Campus (£7k)), supplies & services (£54k), and the capitalisation of costs associated with the Glenearn Road project now that it is going ahead (£70k). This is partially offset by expenditure on recent flood related events (£17k). |
| (183) | Administration The projected under spend is due to reduced capital financing costs (£101k), a reduced recharge for insurance costs (£85k) and reduced projections for void Council Tax (£40k). These are partially offset by backdated rates for HRA properties (£11k), IT consultancy costs (£8k), Housing Stock Valuation costs (£8k), and other smaller overspends on Supplies & Services (£16k). |
| 327 | Income There is projected under recovery of income from reduced Interest On Revenue Balances due to low interest rates (£45,000), rents (£12,000) and an increased provision for bad debts (£270,000). |
| (493) | 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. |
| 0 | |

