

# **PERTH & KINROSS COUNCIL**

## **Strategic Policy & Resources Committee – 6 February 2019**

### **REVENUE BUDGET 2018/19 – MONITORING REPORT NUMBER 3**

#### **Report by the Head of Finance (Report No. 19/36)**

#### **PURPOSE OF REPORT**

This report provides an update on progress with the 2018/19 General Fund Revenue Budget based upon the November 2018 ledger, updated for any subsequent known material movements, and the projected financial position of the Housing Revenue Account.

The total net projected under spend on the 2018/19 General Fund Management Budget is £3,813,000 (see Appendix 1).

#### **1. BACKGROUND / MAIN ISSUES**

- 1.1. This is the third report updating the Committee on progress with the 2018/19 Revenue Budget. Appendix 1 to this report summarises the current projected year end (outturn) position for each Service based upon the November 2018 ledger, updated for any subsequent known material movements.
- 1.2. The budget total reflected in Column 1 of Appendix 1 to this report is that approved by the Council in setting the Final Revenue Budget for 2018/19 on 22 February 2018 (Report No. 18/47 refers). In addition, adjustments that were approved by the Council on 20 June 2018 (Report No 18/213 refers) and the Strategic Policy and Resources Committee on 18 April, 12 September and 28 November 2018 (Report Nos. 18/133, 18/284 and 18/384 refer) are reflected in Appendix 1 (Column 2).
- 1.3. The Council's Financial Regulations allow Executive Directors to vire budgets up to £100,000 within their Service. Any virements between Services or in excess of £100,000 are either included in the body of the revenue monitoring report or in the appendices for approval.
- 1.4. This report details the latest projected outturns and proposed adjustments to the 2018/19 General Fund and Housing Revenue Account budgets.

#### **2. PROPOSALS**

##### **2.1 Service Budgets**

- 2.1.1 Details of variances against Service budgets are shown in Appendix 2 to this report with the most significant variances summarised below. The total net projected under spend on Service budgets, as set out in Appendix 1 to this

report, is £3,820,000 which represents 1.41% of total net Service expenditure. (In the corresponding report in February 2018, the projected under spend was £3,173,000 which represented 1.20% of total net Service expenditure).

2.1.2 The utilisation of these Service under spends is considered throughout the financial year and may also be considered as part of the Revenue Budget strategy for future years. Specific proposals to utilise the net under spends identified in Appendix 2 will be considered by the Council on 20 February 2019 in setting the 2019/20 Final Revenue Budget.

2.1.3 **Education & Children's Services:** The projected outturn (excluding the Devolved School Management (DSM) and Pupil Equity Fund (PEF) budgets) is currently anticipated to be £1,527,000 less than budget – a movement of £933,000 from the position last reported to Committee.

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

- Staff costs (increase in projected under spend of £597,000) due to additional slippage in excess of budgeted levels.
- Property Costs (increase in projected over spend of £69,000) due to minor works.
- Supplies & Services (increase in projected under spend of £362,000) due, to a rephasing of works on the Virtual Campus, Digital Learning Strategy, Safe Starts, Getting It Right For Every Child (GIRFEC), Advocacy, Young Carers, Wider Achievement and the Instrumental Music Service (IMS) Promoting Access scheme which are partially offset by a further projected over spend on the provision of school meals.
- Transport costs (increase in projected under spend of £19,000) due to projected savings on staff travel costs.
- Home to School Transport (reduction in projected over spend of £12,000) based on the latest demand.
- Third Party Payments (reduction in projected under spend of £43,000) due, primarily, to increased uptake for continuing care.
- Residential Schools / Foster Care & Kinship Care (net increase in projected over spend of £2,000) due primarily, to changes in activity (including the number and type of placements) and the number of foster carers.
- Income (reduction in projected shortfall of £57,000) due, primarily, to increased income from Out of School Kids Clubs.

2.1.5 There is a projected under spend of £758,000 on Devolved School Management budgets (DSM) due, mainly, to staff slippage, lower than anticipated expenditure on educational materials and additional income. It is anticipated that, in line with the approved DSM scheme, the eventual over and under spends will be carried forward into 2019/20.

2.1.6 The projected carry forward of £758,000 represents 0.84% of the overall DSM budget.

2.1.7 At this stage of the academic year, expenditure from the Pupil Equity Fund is projected to be £522,000 less than the allocation from the Scottish Government of £1,661,520. In line with the terms of this funding, it is anticipated that this under spend will be carried forward to 2019/20 to meet commitments in the current academic year.

2.1.8 **Housing & Environment:** The projected outturn is currently anticipated to be £1,913,000 less than budget – a movement of £1,859,000 from the position last reported to Committee.

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

- Planning & Development (net increase in projected under spend of £746,000) due to a rephasing of expenditure on projects relating to Tactran and rural broadband and slippage on a number of economic development initiatives including Rural Business Expansion Support, Perthshire & Kinross-shire Routes, Town Centre Management and Small Town Retail Façade scheme. Additional income is projected from planning applications and building warrants and funding towards the Creative Exchange has been received in the current financial year. These projected under spends are partially offset by additional expenditure on property valuations.
- Roads & Transport (net increase in projected under spend of £475,000) due to a rephasing of expenditure on the development and expansion of rural footpaths and cycle networks, the CCTV City Operations project and flood studies.
- Operations, Waste Strategy & Fleet Management (increase in projected under spend of £300,000) due to additional income from recyclates and commercial waste and projected savings on the waste disposal contract.
- Service Wide Budgets (increase in projected over spend of £50,000) due to non-achievement of income target in relation to sponsorship.
- Community Greenspace (increase in projected under spend of £25,000) due to slippage on the Community Environmental Challenge Fund.
- Property (increase in projected under spend of £241,000) due to improved performance on fee earning works and a rephasing of expenditure on the feasibility study for Tulloch Community Centre and Waste Water Recycling Project at Friarton.
- Housing General Fund (increase in projected under spend of £122,000) due to further staff slippage and the accelerated delivery of approved savings.

2.1.10 **Corporate and Democratic Services:** The projected outturn is currently anticipated to be £380,000 less than budget – a movement of £146,000 from the position last reported to Committee.

2.1.11 The movement in the projected under spend is, in the main, due to

- Additional staff slippage across the Service (increase in projected under spend of £76,000).
- Increase in anticipated income across the Service (increase of £70,000)

## 2.2 Movements in Funding

2.2.1 Since Revenue Monitoring Report No. 2 was approved by the Committee in November 2018 (Report No. 18/384 refers), notification has been received of additional resources in the current financial year from a number of sources as set out below and Appendix 3.

### Scottish Government - Revenue Support Grant: £968,000

- Teacher Induction Scheme £867,000 (Education & Children's Services – ECS)
- Whole System Approach to Youth Justice: £25,000 (ECS)
- Rapid Rehousing Transition Plans: £46,000 (Housing & Environment – HE)
- Access to Sanitary Products – Public Bodies: £24,000 (HE)
- Free Child Burials: £6,000 (HE)

2.2.2 **ACTION:** The Committee is asked to approve the adjustments set out at 2.2.1 above. These adjustments are reflected in Appendix 1 (Column 3) to this report.

### Other Grant Funding from the Scottish Government and other sources: (£786,831)

2.2.3 Other funding amounting to £786,831 will be paid outside the Revenue Support Grant mechanism as Other Grant income and is, therefore, cost neutral in terms of the budget summary. Details of this other funding is set out in Appendix 3.

2.2.4 **ACTION:** The Committee is asked to note the receipt of £786,831 of additional resources, with this funding being reflected within Education & Children's Services, Housing & Environment and Corporate & Democratic Services as additional grant income. The current projected outturn assumes that all of these additional resources will be fully expended in 2018/19.

## 2.3 Virements

### Contribution to/from Capital Fund

2.3.1 In line with the strategy for managing the Council's Capital Programme over the medium term (as reported to Council on 20 June 2018 – Report No.

18/213 refers) it is recommended that the eventual over or under spend on Capital Financing Costs and Interest on Revenue Balances be transferred from or to the Capital Fund.

- 2.3.2 The latest monitoring indicates a reduction in the projected outturn for capital financing costs (loan charges) of £54,000 which reflects the latest treasury management activity.
- 2.3.3 There is also a reduction in the projected level of income from Interest on Revenue Balances of £51,000. These projections reflect the financial implications of treasury management activity in the year to date and will be subject to further change.
- 2.3.4 **ACTION:** The Committee is requested to approve the virement of £54,000 from the Capital Financing Costs (Loan Charges) Budget and £51,000 to Interest on Revenue Balances with a net increase of £3,000 in the projected Contribution to the Capital Fund. These adjustments have been reflected in Appendix 1 (Column 4) to this report.

#### Service Virements

- 2.3.5 In order to ensure that the 2018/19 Management Revenue Budget continues to reflect current Service needs and operational requirements, a virement of £202,000 is required from Housing & Environment to Corporate & Democratic Services to reflect the transfer of systems administration costs.
- 2.3.6 **ACTION:** The Committee is asked to approve the adjustment to Service Revenue Budgets listed in 2.3.5 above. This adjustment is reflected in Appendix 1 (Column 4) to this report.

## **2.4 Movements in Reserves**

#### Transformation Programme (including Workforce Management and Organisational Change)

- 2.4.1 Approval is sought to adjust the budgets for a number of approved transformation projects as set out in Appendix 4 to reflect changes in the phasing of expenditure.
- 2.4.2 **ACTION:** The Committee is asked to transfer £429,000 to Reserves from Housing & Environment (£283,000) and Corporate & Democratic Services (£146,000) and £44,000 from Reserves to Education & Children's Services as set out in Appendix 4 to reflect revised expenditure profiles in relation to Transformation. These adjustments are reflected in Appendix 1 (Column 5) to this report and have no overall impact on the budgeted level of uncommitted Reserves.

### Reach Project (Children & Young People)

- 2.4.3 The 2018/19 Revenue Budget includes funding towards the new Reach project which is a transformation project to remodel residential care for young people. These resources are underspent by £200,000 in the current financial year due to staff slippage and supplies and services as the project only became fully operational in January 2019. On that basis approval is sought to transfer £200,000 from Education & Children's Services to the earmarked Reserve for the project to be drawn down as required in future financial years.
- 2.4.4 **ACTION:** The Committee is asked to approve the transfer of £200,000 from Education & Children's Services to the earmarked Reserve for the Reach project. This adjustment is reflected in Appendix 1 (Column 5) to this report and has no overall impact on the budgeted level of uncommitted Reserves.

### Modern Apprenticeship Scheme

- 2.4.5 The latest projected outturn for the Modern Apprenticeship Scheme indicates a projected under spend of £65,000 in the current financial year. As has been the case in previous years, the Committee is asked to approve the transfer of £65,000 to Reserves to be utilised in future financial years with the final adjustment being made on completion of the 2018/19 Annual Accounts.
- 2.4.6 **ACTION:** The Committee is asked to approve the transfer of the final under spend on Modern Apprentices (currently £65,000) to an earmarked Reserve for future activity. This adjustment is reflected in Appendix 1 (Column 5) to this report.

### Perth & Kinross Health & Social Care Partnership

- 2.4.7 Within the Council's Reserves there is £518,000 earmarked for "future social care activity". It is proposed that the full amount is applied to the projected social care over spend in the current financial year. This is reflected within the latest revenue monitoring which is set out in Appendix 5.
- 2.4.8 **ACTION:** The Committee is asked to approve the transfer of £518,000 from earmarked Reserves towards Health and Social Care in 2018/19. This adjustment is reflected in Appendix 1 (Column 5) to this report and has no impact on the level of unearmarked Reserves.
- 2.4.9 On 20 August 2018, the Executive Sub-Committee of the Strategic Policy and Resources Committee considered a report on Charging for Community Care Services (Report No. 18/262 refers). In light of the Executive Sub-Committee decision to defer the implementation of the new charging policy and transfer the estimated cost of this decision (£400,000) from Reserves to Health & Social Care.
- 2.4.10 **ACTION:** The Committee is asked to approve the transfer of £400,000 from unearmarked Reserves towards Health and Social Care in 2018/19. This adjustment is reflected in Appendix 1 (Column 5) to this report.

### Public Sector Network Compliance

- 2.4.11 The 2018/19 Revenue Budget includes funding towards continued Public Sector Network compliance, In order to take advantage of Scottish Government funding in 2019/20, it is proposed to transfer £13,000 to the earmarked Reserve to contribute towards cyber security works in 2019/20.
- 2.4.12 **ACTION:** The Committee is asked to approve the transfer of £13,000 from Corporate & Democratic Services to the Public Sector Network earmarked Reserve which will be drawn down in 2019/20. This adjustment is reflected in Appendix 1 (Column 5) to this report.

### City Centre Projects

- 2.4.13 Within earmarked Reserves there is funding to take forward projects within the City Centre. Approval is sought to transfer £90,000 from this earmarked Reserves as a revenue contribution towards works on Perth City Hall.
- 2.4.14 **ACTION:** The Committee is asked to approve the transfer of £90,000 from the earmarked Reserve for City Centre Projects to Corporate & Democratic Services to fund works on Perth City Hall. This adjustment is reflected in Appendix 1 (Column 5) to this report and has no impact on the level of unearmarked Reserves.

## **3. CORPORATE BUDGETS**

### Health & Social Care - Perth & Kinross Integration Joint Board

- 3.1 The projected outturn for Health & Social Care is split between that which is delegated to Perth & Kinross Integration Joint Board and that which remains with the Council. Full details of the projected outturn for Health & Social Care are set out in Appendix 5.
- 3.2 The meeting of Perth & Kinross Integration Joint Board of 15 February 2019 will consider a financial update as at 31 December 2018 from the Board's Chief Finance Officer which will set out a projected net over spend of £615,000 – a net movement of £1,394,000 from the position last reported to Committee.
- 3.3 The movement in the projected net over spend is made up as follows –
- Older People (reduction in projected over spend of £416,000) due, primarily, to the impact of the Financial Recovery Plan, a reduced projected over spend in Care at Home, an increase in the projected underspend on Carers Activities and an increased projected underspend on other areas. These are partially offset by an increased projection for spend on external placements.
  - Adult Support & Wellbeing (reduction in projected over spend of £273,000) due to the impact of the Financial Recovery Plan partially

offset by revised projections in relation to learning disability placement and staff costs and updated income projections.

- Management & Commissioned Services (increase in projected under spend of £680,000) which represents the application of earmarked Reserves and slippage in Partnership Funds towards the Financial Recovery Plan partially offset by increased bad debts.
- Other areas of the Service (reduction in projected over spend of £25,000).

3.4 There have been a number of meetings between Perth & Kinross Council, NHS Tayside and Perth & Kinross Integration Joint Board to agree a financial recovery action plan. It is currently anticipated that the agreed measures will deliver savings in the region of £500,000 and this is reflected above and within the latest monitoring set out in Appendix 5.

3.5 Furthermore, as set out at paragraph 2.4.7, it is proposed to apply £518,000 from earmarked Reserves towards the projected over spend in the current financial year. This adjustment is also reflected in Appendix 5.

3.6 There are a number of functions that are not devolved to Perth & Kinross Integration Joint Board and, therefore, remain with the Council. In respect of these non-devolved functions there is a projected under spend of £32,000 – an increase of £16,000 from the position last reported to Committee.

3.7 The main reason for this movement in the projected net under spend is due to the updated staff cost projections. In addition £400,000 has been applied from Reserves to Health & Social Care – see 2.4.9 above which reduces the projected over spend further.

3.8 The total projected over spend on Health & Social Care is £583,000 (a movement of £1,410,000 from the position last reported to Committee) which is set out in Appendix 5.

#### Contribution to Tayside Valuation Joint Board

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

#### Unfunded Pension Costs

3.10 The latest projected outturn, based on current recharges from the Tayside Pension Fund, indicates an under spend of £35,000 which is reflected in Appendix 1. This is £15,000 less than previous reports and reflects the decision of Council on 19 December 2018 to pay the Real Living Wage to Council staff from 5 November 2018.



### Apprenticeship Levy

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

### Council Tax Reduction Scheme

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

### Discretionary Non-Domestic Rates Relief Scheme

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

### Council Tax Income

- 3.15 The monitoring of Council Tax Income as at 30 September 2018 indicates that additional income in excess of budget in the order of £300,000 will be generated in the current year. The primary reasons for this additional income are anticipated favourable movements in the provisions for bad debts and a net increase in the Council Tax base in excess of budget assumptions.
- 3.16 These projections are indicative at this stage and are subject to further review. This additional income is reflected in Appendix 1.

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

- 4.1 The Executive Director (Housing & Environment) is currently projecting a break even position on the Housing Revenue Account. Within this projection there are a number of variances which are set out below.
- Repairs and Improvement (reduction in projected under spend of £206,000) due, primarily, to an increase in expenditure on void properties.
  - Letham, North & South (increase in projected under spend of £68,000) due primarily to savings on the garden maintenance contract.
  - Perth City and Specialist (reduction in projected over spend of £31,000) due to the non achievement of slippage targets at this time.
  - Housing Management (reduction in projected under spend of £3,000) due to updated projections.

- Administration (increase in projected under spend of £56,000) due to reduced recharges as a result of staff slippage.
  - Income (projected over achievement of £332,000) due to a reduction in the projected level of bad debts partially offset by increased void rent loss
- 4.2 The net projected under spends described above result in an increase in the projected contribution to Capital Financed from Current Revenue (CFCR) (£284,000) available for the HRA Capital Programme.
- 4.3 Full details of the movement against the HRA Revenue Budget are set out in Appendix 6.

## **5. CONCLUSION AND RECOMMENDATIONS**

- 5.1. The total net projected under spend on the 2018/19 General Fund, as set out in Appendix 1 to this report, is £3,813,000.
- 5.2. Additionally, the projected under spend on the Devolved School Management Budget currently stands at £758,000 and £522,000 on the Pupil Equity Fund.
- 5.3. There is a projected net over spend on Health & Social Care of £583,000.
- 5.4. The Executive Director (Housing & Environment) is currently projecting a break even position on the Housing Revenue Account in 2018/19.
- 5.5. The Committee is requested to:
- Note the contents of the report;
  - Approve the adjustments to the 2018/19 Management Revenue Budget detailed in Appendices 1 to 6 and Section 2, 3 & 4 above;
  - Approve 2018/19 Service virements summarised in Appendices 2, 5 and 6;
  - Note the Health & Social Care projected outturn summarised in Paragraphs 3.1 to 3.8 and Appendix 5;
  - Note the Housing Revenue Account projected outturn summarised in Section 4 above and Appendix 6.

### **Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
Scott Walker	Chief Accountant	<a href="mailto:chxfinance@pkc.gov.uk">chxfinance@pkc.gov.uk</a>

**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Stewart Mackenzie	Head of Finance	24 January 2019
Jim Valentine	Depute Chief Executive and Chief Operating Officer	25 January 2019

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### 1.1. Corporate Plan

1.1.1. The Council's Corporate Plan 2018 – 2023 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.1.2 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 Executive Officer Team 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 2018/19 Revenue Budget - Summary
Appendix 2 –	General Fund 2018/19 Projected Outturn – Service Analysis
Appendix 3 –	Other 2018/19 Funding
Appendix 4 –	Corporate Transformation Funding 2018/19
Appendix 5 –	Health & Social Care 2018/19 Projected Outturn
Appendix 6 –	Housing Revenue Account 2018/19 Projected Outturn