

PERTH & KINROSS COUNCIL

Strategic Policy & Resources Committee

29 January 2020

REVENUE BUDGET 2019/20 – MONITORING REPORT NUMBER 3

Report by Head of Finance (Report No. 20/22)

PURPOSE OF REPORT

This report provides an update on progress with the 2019/20 General Fund Revenue Budget based upon the October 2019 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 2019/20 General Fund Management Budget is £295,000 (see Appendix 1).

1. BACKGROUND / MAIN ISSUES

- 1.1. This is the third report updating the Committee on progress with the 2019/20 Revenue Budget. Appendix 1 to this report summarises the current projected year end (outturn) position for each Service based upon the October 2019 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 2019/20 Final Revenue Budget on 20 February 2019 (Report No. 19/46 refers). In addition, adjustments approved by the Strategic Policy & Resources Committee on 17 April, 11 September and 27 November 2019 (Report Nos. 19/110, 19/246 and 19/340 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 more than £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 2019/20 General Fund and Housing Revenue Account budgets.

2. PROPOSALS

2.1 Service Budgets

- 2.1.1 Details of variances against Service budgets are shown in Appendix 2 to this report with the most significant variances summarised below. The total net projected under spend on Service budgets, as set out in Appendix 1 to this report, is £2,152,000 which represents 0.75% of total net Service expenditure.

(In the corresponding report in February 2019, the projected under spend was £3,820,000 which represented 1.41% of total net Service expenditure).

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

2.1.3 **Education & Children's Services:** The projected outturn (excluding the Devolved School Management (DSM) and Pupil Equity Fund (PEF) budgets) is currently anticipated to be £994,000 less than budget – a movement of £994,000 from the position last reported to Committee.

2.1.4 Within this position are several projected over and under spends as follows -

- Staff costs (increase in projected under spend of £748,000) due to additional slippage across the Service.
- Property costs (increase in under spend of £290,000) due to a non-recurring reduction in Non-Domestic Rates for Bertha Park High School as it qualifies for relief in its first year of operation under the Business Growth Accelerator for new built premises.
- Residential Schools / Foster Care & Kinship Care (increase in net projected over spend of £43,000) due primarily, to changes in activity for this specialist care provision.
- Other net movements (Supplies & Services, Third Party Payments and Income) (increase in projected over spend of £1,000).

2.1.5 There is a projected under spend of £670,000 on Devolved School Management budgets (DSM) due, mainly, to staff slippage, educational materials and additional income. This includes the planned carry forwards that individual schools identify on an annual basis. It is anticipated that, in line with the approved DSM scheme, the eventual over and under spends will be carried forward into 2020/21. The budgets for the Devolved School Management scheme are allocated by financial year, whereas expenditure is incurred by academic year.

2.1.6 The projected carry forward of £670,000 represents 0.67% 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 £556,000 less than the allocation from the Scottish Government of £1,667,400. In line with the terms of this funding, the final under spend will be carried forward to 2020/21 to meet future commitments. The budgets for the Pupil Equity Fund scheme are allocated by financial year, whereas expenditure is incurred by academic year.

2.1.8 In 2019/20, the Scottish Government accelerated the payment of ring-fenced funding to support Early Learning and Childcare. This meant that the Council received an additional £2,139,000 in the current financial year. In addition to the accelerated funding there is a small projected under spend of £57,000 due to slippage on the project.

2.1.9 In line with the conditions of this grant, the final under spend (currently projected at £2,196,000) will be carried forward in Reserves as part of the 2019/20 Annual Accounts for utilisation in future financial years.

2.1.10 **Housing & Environment:** The projected outturn is currently anticipated to be £1,041,000 less than budget, a movement of £1,097,000 from the position last reported to Committee.

2.1.11 This movement in the projected net over spend is made up as follows –

- Planning & Development (increase in projected under spend of £375,000) due to additional income from planning & building warrant income and slippage on the Community & Business Placemaking Fund, Micro Business Fund and Market Development Grants.
- Roads & Transport (net increase in projected under spend of £205,000) due to the rephasing of expenditure on the CCTV City Operations Centre (in line with ERDF funding) and traffic & network (in line with Sustrans funding), further savings on the flooding revenue budget, additional income and community transport. There is also a projected underspend on the flood reservoir remedial works. This is partially offset by a shortfall in income from fees charged to capital projects.
- Regulatory Services (increase in projected under spend of £160,000) due to savings from the Public Analyst Service, supplies & services and transport costs.
- Community Greenspace (increase in projected under spend of £45,000) due to a rephasing of public realm environmental enhancement works.
- Waste Strategy (increase in projected under spend of £50,000) due to slippage on the Eating Well, Living Well social enterprise project and under spends on supplies and services.
- Property (increase in projected under spend of £275,000) due, primarily, to further projected savings on energy and water costs.
- Service Wide Budgets, Housing, Business & Resources and Planning Commissioning (net increase in projected over spend of £13,000).

2.1.12 **Corporate and Democratic Services:** The projected outturn is currently anticipated to be £117,000 less than budget, a movement of £90,000 from the position last reported to Committee.

2.1.13 This movement in the projected over spend is made up as follows –

- Staff costs (increase in projected under spend of £80,000) due to increased staff turnover.
- Other net under spends across all Divisions (increase in projected net under spend of £10,000).

2.2 Movements in Funding

2.2.1 Since the 2019/20 Management Budget was updated by the Strategic Policy & Resources Committee on 27 November 2019 (Report No. 19/340 refers),

notification has been received of additional resources in the current financial year.

Scottish Government: Revenue Support Grant (£609,048)

- Teacher Induction Scheme 2019/20 £198,048 (Education & Children's Services - ECS)
- Additional Support for Learning £391,000 (ECS)
- Implementation of Barclay Review Recommendations £20,000 (Corporate & Democratic Services – CADS)

2.2.2 The Scottish Government has advised that the increase in funding of £609,048 will be made through a redetermination of the Council's Revenue Support Grant. It is, therefore, necessary to adjust the budgets for Education & Children's Services, Corporate & Democratic Services and Revenue Support Grant.

2.2.3 **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 Funding (£1,030,813)

2.2.4 Other funding amounting to £1,030,813 will be paid outside the Revenue Support Grant mechanism as Other Grant income and is therefore cost neutral in terms of the budget summary. The detail of this other funding is set out in Appendix 3.

2.2.5 **ACTION:** The Committee is asked to note the receipt of £1,030,813 of additional resources, with this funding being reflected within Education & Children's Services as additional grant income. The current projected outturn assumes that all of these additional resources will be fully expended in 2019/20.

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 February 2019 (Report No. 19/47 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 £44,000 and a projected increase in interest earned on balances of £60,000. Both of these updated projections reflect the most recent treasury management activity.

2.3.3 **ACTION:** The Committee is requested to approve the virement of £44,000 to the Capital Financing Costs (Loan Charges) Budget and £60,000 from Interest on Revenue Balances with a subsequent net increase of £16,000 in

the projected Contribution to the Capital Fund. These adjustments have been 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 several approved transformation projects as set out in Appendix 4 to reflect changes in the profile of expenditure.
- 2.4.2 **ACTION:** The Committee is asked to approve the transfer of £413,000 to Reserves from the Services listed 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.

Perth & Kinross Offer

- 2.4.3 The 2019/20 Revenue Budget included an investment of £350,000 to take forward the Perth & Kinross Offer. The full amount will not be required in the current year. Approval is sought to transfer the projected under spend of £262,000 to an earmarked Reserve to be utilised in future financial years.
- 2.4.4 **ACTION:** The Committee is asked to transfer the transfer of £262,000 to an Earmarked Reserve for the Perth & Kinross Offer from Corporate & Democratic Services. This adjustment is reflected in Appendix 1 (Column 5) to this report and has no overall impact on the budgeted level of uncommitted Reserves.

PH20

- 2.4.5 The 2019/20 Revenue Budget included £500,000 to work in partnership with Live Active Leisure to develop a stage one design and business operating model. The work on the design and operating model is progressing well but an element of the funding will now not be required until 2020/21. A full market appraisal to support the development of a business case/outline operating model for the proposed PH20 project has been completed in line with the Council's required deadlines, commissioned via HubCo South East. Outline designs for the project have also been developed. Work continues to complete the business case and develop the outline design to a stage enabling the Council to consider potential capital funding when setting the future capital programme later in 2020. An update briefing for all Councillors took place on 27 January 2020. On that basis, approval is sought to transfer £350,000 to an earmarked Reserve to be drawn down in 2020/21.
- 2.4.6 **ACTION:** The Committee is asked to approve the transfer of £350,000 to an Earmarked Reserves for the stage one design work and business operating model for PH20 from Corporate & Democratic Services. This adjustment is

reflected in Appendix 1 (Column 5) to this report and has no overall impact on the budgeted level of uncommitted Reserves.

Culture

- 2.4.7 There is a projected under spend on the budget for developing the cultural offer across Perth and Kinross of £35,000 in the current financial year. Approval is sought to transfer this under spend to the earmarked Reserve for Culture which will be utilised in future financial years.
- 2.4.8 **ACTION:** The Committee is asked to approve the transfer of £35,000 to the Earmarked Reserve for Culture from Corporate & Democratic Services. This adjustment is reflected in Appendix 1 (Column 5) to this report and has no overall impact on the budgeted level of uncommitted Reserves.

Local Action Partnerships

- 2.4.9 The projected outturns for Area Action Partnerships have been updated to show a projected under spend of £90,000 in the current financial year. This projected under spend is a consequence of a rephrasing of Area Action Partnership initiatives to support community engagement and will be required in future financial years.
- 2.4.10 **ACTION:** The Committee is asked to approve the transfer of £90,000 from Corporate & Democratic Services to the earmarked Reserve to support future expenditure on Community Action Partnerships. This adjustment is reflected in Appendix 1 (Column 5) to the report and has no overall impact on the budgeted level of uncommitted Reserves.

Community Investment Fund

- 2.4.11 At its meeting on 27 November 2019, the Strategic Policy & Resources Committee considered a number of funding applications from the Community Investment Fund (Report No. 19/342 refers). The Committee agreed to provide funding of £329,189 across 11 of the Council's 12 wards based on recommendations from individual ward panels which were established through Local Action Partnerships.
- 2.4.12 **ACTION:** As funds have now been paid to approved projects, the Committee is asked to note the transfer of £329,189 to Corporate & Democratic Services from the earmarked Reserve for the Community Investment Fund. This adjustment is reflected in Appendix 1 (Column 5) to this report and has no overall impact on the budgeted level of uncommitted Reserves.

Works Maintenance

- 2.4.13 The Strategic Policy & Resources Committee of 17 April 2019 approved a contribution of £1,250,000 towards remedial works at the North Muirton Flood Storage Reservoir (Report No. 19/110 refers). Based on current projections it is anticipated that the final costs will be less than the initial projection. It is

therefore proposed that £400,000 is returned to earmarked Reserves for future works.

- 2.4.14 **ACTION:** The Committee is asked to approve the transfer of £400,000 from Housing & Environment to the Earmarked Reserve for Works Maintenance to be utilised in future financial years. This adjustment is reflected in Appendix 1 (Column 5) to this report and has no overall impact on the budgeted level of uncommitted Reserves.

3. CORPORATE BUDGETS

Health & Social Care - Perth & Kinross Integration Joint Board

- 3.1 The projected outturn for Health & Social Care is split between that which is delegated to Perth & Kinross Integration Joint Board (IJB) 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 most up to date revenue monitoring position for the IJB from the Chief Financial Officer sets out a gross projected over spend of £3,600,000 as at 30 November 2019. This reflects significant demand pressures across several areas and includes assumptions on the delivery of the recovery plan measures. The update by the Chief Financial Officer includes commentary on the reasons for the projected over spend as set out at Appendix 5. The forecast position for Social Care Services is now in line with the Financial Recovery Plan.
- 3.3 Under the terms of the approved Integration Scheme, Perth & Kinross Council is liable for £2,100,000 of the total projected over spend (£3,600,000) less the projected under spend on non-devolved adult care functions (£87,000). The net projected over spend of £2,013,000 on Health & Social Care is reflected in Appendix 1.

Contributions to Tayside Valuation Joint Board

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

Unfunded Pension Costs

- 3.5 The latest projected outturn, based on current recharges from the Tayside Pension Fund, indicates an under spend of £11,000 which is reflected in Appendix 1. This is £26,000 less than previous reports and reflects the decision of Council on 18 December 2019 to pay the Real Living Wage to Council staff from November 2019.

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 the main variances are set out below.
- Administration (reduction in projected over spend of £182,000) due, primarily, to reduced loan charges and recharges from the General Fund.
 - Income (reduction in projected over recovery of income of £70,000) due, primarily, to updated projections.
- 4.2 The net projected over spends described above result in an increase in the estimated contribution to Capital Financed from Current Revenue (CFCR) (£112,000) 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 2019/20 General Fund, as set out in Appendix 1 to this report, is £295,000.
- 5.2. Included within the overall position is a net projected over spend on health & social care of £2,013,000.
- 5.3. The Executive Director (Housing & Environment) is currently projecting a break-even position on the Housing Revenue Account in 2019/20.
- 5.4. The Committee is requested to:
- Note the contents of the report;
 - Approve the adjustments to the 2019/20 Management Revenue Budget detailed in Appendices 1 to 4 and Section 2 & 3 above;
 - Approve 2019/20 Service virements summarised in Appendices 2 and 6;
 - Note the Health & Social Care projected outturn summarised in Paragraphs 3.1 to 3.4 and Appendix 5;
 - Note the Housing Revenue Account projected outturn summarised in Section 4 above and Appendix 6.

Author(s)

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Approved

| Name | Designation | Date |
|-------------------|---|-----------------|
| Stewart Mackenzie | Head of Finance | 17 January 2020 |
| Jim Valentine | Depute Chief Executive (Chief Operating Officer) | 17 January 2020 |

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

Corporate Plan

- 1.1 The Council's Corporate Plan 2018 – 2022 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;
- (v) Creating a safe and sustainable place for future generations.

- 1.2 This report relates to all these objectives.

2. Resource Implications

Financial

- 2.1 There are no direct financial implications arising from this report other than those reported within the body of the main report.

Workforce

- 2.2 There are no direct workforce implications arising from this report other than those reported within the body of the main report.

Asset Management (land, property, IT)

- 2.3 There are no direct asset management implications arising from this report other than those reported within the body of the main report.

3 Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

Internal

- 4.1 The Executive Officer Team have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

Appendix 1 – General Fund 2019/20 Revenue Budget - Summary
Appendix 2 – General Fund 2019/20 Projected Outturn – Service Analysis
Appendix 3 – Other Funding 2019/20
Appendix 4 – Corporate Transformation Funding 2019/20
Appendix 5 – Health & Social Care 2019/20 Projected Outturn
Appendix 6 – Housing Revenue Account 2019/20 Projected Outturn