

PERTH AND KINROSS COUNCIL**Strategic Policy and Resources Committee – 11 February 2015****REVENUE BUDGET 2014/15 – MONITORING REPORT NUMBER 3****Report by the Head of Finance****PURPOSE OF REPORT**

This report provides an update on progress with the 2014/15 General Fund Revenue Budget based upon the November 2014 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 Service budgets, as set out in Appendix 1 to this report, is £5,346,000 which represents 1.61% of total net expenditure.

The total net projected under spend on the 2014/15 General Fund Management Budget based upon expenditure to November 2014, updated for known material movements is £6,244,000 (see Appendix 1).

Additionally the projected planned under spend on Devolved School Management Budgets currently stands at £935,000.

1. BACKGROUND / MAIN ISSUES

- 1.1. This is the third report updating the Committee on progress with the 2014/15 Revenue Budget. Appendix 1 to this report summarises the current projected year end (out-turn) position for each Service based upon the November 2014 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 2014/15 on 13 February 2014 (Report No. 14/44 refers). In addition, adjustments that were approved by the Strategic Policy and Resources Committee on 12 February 2014 (Report No. 14/47 refers), 23 April 2014 (Report No. 14/169 refers), 1 October 2014 (Report No. 14/407 refers) and 3 December 2014 (Report No. 14/525 refers); the Executive Sub-Committees of the Strategic Policy and Resources Committee on 26 March 2014 and 18 June 2014 (Report No's 14/135 and 14/285 refer) and the Council on 25 June 2014 (Report No. 14/302) are reflected in Appendix 1 (Column 2).
- 1.3. This report details the latest projected outturns and proposed adjustments to the 2014/15 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 £5,346,000 which represents 1.71% of total net Service expenditure.
- 2.1.2 **Education & Children's Services:** The projected outturn (excluding Devolved School Management (DSM)) is currently anticipated to be £1,702,000 less than budget – a favourable movement of £552,000 from the position last reported to Committee.
- 2.1.3 This favourable movement reflects an increase in the projected level of staff slippage (£182,000); further projected under spends in supplies and services (£295,000) due, in the main, to a rephasing of expenditure on Public Sector Network requirements and Language 1+2 Funding; reduced third party expenditure (£82,000) due primarily to a rephasing of the Early Years Change Fund; a reduced projected over spend on young people with additional support needs (£105,000) due to the ending of a number of placements and additional income (£121,000) due to increased income from recharges to other councils, inter agency fostering charges, secondments and IST recharges. In addition there is a small movement in the projected outturn for transport costs (£5,000).
- 2.1.4 These favourable movements have been partially offset by an increase in the projected over spend on young people with complex behavioural issues due to additional placements (£235,000) and loan charges (£3,000).
- 2.1.5 There is also a projected planned under spend of £935,000 on Devolved School Management budgets (DSM) due to a projected under spend on staff costs (£470,000), property costs (£150,000), supplies and services (£70,000) and the receipt of additional income from secondments (£245,000). It is anticipated that in line with the approved DSM scheme the eventual under spend will be carried forward into 2015/16.
- 2.1.6 The projected carry forward of £935,000 represents 1.17% of the overall DSM budget.
- 2.1.7 **Housing & Community Care:** The projected outturn is currently anticipated to be £1,898,000 less than budget – a favourable movement of £665,000 from the position last reported to Committee.
- 2.1.8 The favourable movement is made up of further projected under spends in Housing (£77,000) due to additional slippage, in Learning Disabilities (£350,000) following an update of deferred discharges from hospital and direct payments and the receipt of additional income, in Other Community Services (£158,000) due to additional slippage and income and a review of care packages, in Strategic Support and Commissioning (£70,000) due to

additional slippage, in Community Safety (£6,000) due to additional slippage and in Older People (£234,000) reflecting a high turnover in the number of clients. In addition the movement in the projected under spend in Finance and Support (£320,000) primarily reflects the proposal later in this report to fund the impact of Welfare Reform – see paragraphs 2.4.1 and 2.4.2.

- 2.1.9 The previous reported position for Housing and Community Care included a projected under spend of £550,000 on Dalweem Residential Care Home. Subject to approval of the proposal at paragraphs 2.3.4 and 2.3.5 below the updated projected under spend (£610,000) has been removed from the Housing and Community Care position for the current year.
- 2.1.10 **The Environment Service:** The projected outturn is currently anticipated to be £1,440,000 less than budget – a favourable movement of £857,000 from the position last reported to Committee.
- 2.1.11 This projected outturn is made up of a number of favourable movements across the Environment Service. In Roads and Street Lighting (£212,000) the projected under spend is primarily due to a rephasing of the gully modernisation programme. There is a projected under spend on landslip repair works which is set out in paragraphs 2.3.8 and 2.3.9.
- 2.1.12 In Planning and Regeneration additional external grant funding in relation to youth employment has been secured (£111,000); the Digital Connectivity project has been rephased (£60,000) and there has been slippage on regeneration activities (£64,000) which is partially offset by a projected shortfall in building warrant income (£100,000) and expenditure in relation to the City Deal project (£25,000).
- 2.1.13 In Operations and Waste Strategy the projected net under spend (£60,000) is due to projected savings on waste disposal contract costs partially offset by reduced scrap metal income.
- 2.1.14 Across the Service it is projected that the budgeted slippage target will be further exceeded (£250,000). There are also small projected savings on Public Transport tendered services (£10,000) and Emergency Planning (£35,000).
- 2.1.15 In Property there has been additional staff slippage (£125,000); the projected under spend on energy has been increased to reflect reductions in consumption (£150,000); it is now anticipated that the replacement Property system will be implemented in 2015/16 (£130,000) and the value of a number of 2013/14 accounting accruals were less than estimated (£200,000). In addition there are further projected under spends on carbon reduction commitments (£10,000), energy performance certificates (£15,000) and non-domestic rates relief (£50,000). It is proposed that a contribution is made to the Capital Fund from projected under spends in the current year to fund expenditure on schools in future years (£500,000).

2.1.16 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 next meeting of the Strategic Policy and Resources Committee in April 2015.

2.1.17 **Chief Executive's Service:** The projected outturn is currently anticipated to be £306,000 less than budget – a favourable movement of £5,000 from the position last reported to Committee.

2.1.18 The primary reason for this favourable movement is the projected delivery of additional slippage (£5,000) in excess of budgeted levels across all Divisions within the Service.

2.2 Movements in Funding

2.2.1 Since Revenue Monitoring Report Number 2 was approved by this Committee (Report No. 14/525 refers) notification has been received of additional resources in the current financial year from a number of sources.

2.2.2 Scottish Government: Revenue Support Grant (£1,670,333)

- Teacher Induction Scheme: £243,333 (Education & Children's Services – ECS)
- Teachers Pay: £53,000 (Corporate Budget in 2014/15)
- Housing Support Grant: £27,000 (Housing & Community Care - HCC)
- Council Tax Reduction Scheme: £1,332,000 (HCC)
- Single Fraud Investigation: £4,000 (HCC)
- Police Transfer: £11,000 (Corporate Budget)

2.2.3 Other Funding Sources (£132,418)

- Scottish Government Climate Challenge Fund - Upcycling Coupar Angus: £63,900 (ECS)
- Access to Education Fund 2014: £29,764 (ECS)
- National Museums Scotland + Art Fund (50% each) – Alison Watt Art Work Purchase 'Orion': £20,000 (ECS)
- Big Lottery Fund, Awards for All Scotland - Family Learning in North Perth: £9,815 (ECS)
- Truth About Youth Action Fund – No 5 Project Davie Park Blairgowrie: £695 (ECS)
- Department of Work & Pensions (DWP) – Migrants Access to Benefits: £5,060 (HCC)
- Department of Work & Pensions (DWP) – Real Time Information Project: £3,184 (HCC)

2.2.4 The Scottish Government has advised that the increase in Revenue Support Grant identified at 2.2.2 of £1,670,333 will be made through a redetermination of the Council's Revenue Support Grant.

- 2.2.5 It is proposed that the funding for the Teacher Induction Scheme is allocated to the Education and Children's Service Budget (£243,333) and the funding for the Housing Support Grant, Council Tax Reduction Scheme and Single Fraud Investigation is applied to Housing and Community Care (£1,363,000).
- 2.2.6 However, the remaining additional Revenue Support Grant (£64,000) was not assumed in setting the 2014/15 Final Revenue Budget. This funding is part of the Council's general revenue grant and as such may be utilised as the Council sees fit.
- 2.2.7 **ACTION:** The Committee is asked to approve an adjustment of £243,333 to the Education & Children's Services budget and £1,363,000 to Housing and Community Care to reflect the additional resources being made available through Revenue Support Grant with the balance of £64,000 being added to Reserves. This adjustment has been reflected in Appendix 1 (Column 3) to this report.
- 2.2.8 The other funding amounting to £132,418 will be paid outside the Revenue Support Grant mechanism as Other Grant income and is therefore cost neutral in terms of the budget summary.
- 2.2.9 **ACTION:** The Committee is also asked to note the receipt of £132,418 of additional resources, with this funding being reflected within Education & Children's Services and Housing and Community Care as additional grant income. The current projected outturn assumes that all of these additional resources will be fully expended in 2014/15.

2.3 Virements

Contribution to 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 12 February 2014 – Report No. 14/48 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 £125,000 due to additional borrowing at historically low rates with a view to generating significant savings in future years together with an increase in income from Interest on Revenue Balances of £25,000.
- 2.3.3 **ACTION:** The Committee is requested to approve the virement of £125,000 to the Capital Financing Costs (Loan Charges) Budget; £25,000 to Interest on Revenue Balances with a net reduction of £100,000 in the projected Contribution to the Capital Fund. These adjustments have been reflected in Appendix 1 (Column 4) to this report.
- 2.3.4 The 2014/15 Final Revenue Budget that was approved on 13 February 2014 (Report No. 14/44 refers) included funding of £650,000 towards the

refurbishment of Dalweem Residential Care Home. A rephrasing of these works mean that £610,000 of this funding is not required in the current financial year. Approval is sought to transfer the final under spend on this project in the current year (currently £610,000) to the Capital Fund to be drawn down as the project progresses.

2.3.5 **ACTION:** The Committee is asked to approve the transfer to the Capital Fund of the final under spend in the current year (currently £610,000) on Dalweem Residential Care Home which will be drawn down as the project progresses. This adjustment is reflected in Appendix 1 (Column 4) to this report.

2.3.6 There is a potential delay in relation to progressing works on the Commercial Property Investment Programme. Specifically there is an unresolved issue with Scottish Water may mean that the Council is unable to spend up to £200,000 in 2014/15 on the Kinross West site and a rephrasing of works on the food and drink park may result in a further under spend in the current year of up to £100,000. In addition there has been a rephrasing of other general works of £130,000. The overall cost of the scheme is not expected to change and therefore approval is sought to transfer up to £430,000 to the Capital Fund to allow the funding to be drawn down in 2015/16 as the projects progress.

2.3.7 **ACTION:** The Committee is asked to approve the transfer to the Capital Fund of the final under spend in the current year (currently £430,000) on the Commercial Property Investment Programme which will be drawn down as the projects progress. This adjustment is reflected in Appendix 1 (Column 4) to this report.

Contribution to Repair and Renewal Fund

2.3.8 There have been delays on the landslips repair programme mainly due to utility diversions being required and complex designs. It is proposed that the eventual under spend in 2014/15 (currently estimated at £555,000) is transferred to the Repair and Renewal Fund to be drawn down as the projects progress.

2.3.9 **ACTION:** The Committee is asked to approve the transfer to the Repair and Renewal Fund of the final under spend in the current year (currently estimated at £555,000) on the landslips repair programme which will be drawn down as the projects progress. This adjustment is reflected in Appendix 1 (Column 4) to this report.

2.3.10 As set out in paragraph 2.1.16 above there are significant projected under spends within Property. It is proposed that £500,000 of this projected under spend is transferred to the Repair and Renewal Fund to meet the expenditure on schools in future financial years.

2.3.11 **ACTION:** The Committee is asked to approve the transfer to the Repair and Renewal Fund of the £500,000 from the Environment Service to fund

expenditure on schools in future years. This adjustment is reflected in Appendix 1 (Column 4) to this report.

Service Virements

2.3.12 In order to ensure that the revenue budget continues to reflect current service needs the following virement between Services / budget headings is required:

- Education and Children's Services to the Environment Service (£5,000) for the annual payment to Perthshire Public Arts Trust.
- The Environment Service and Capital Grant (£49,000) – rephasing of Tactran projects to be utilised in 2015/16.
- Housing and Community Care and Capital Grant (£700,000) – rephasing of Private Sector Housing Grant to be utilised in 2015/16.

In year activity has seen the annual budget allocation spent and this projected under spend reflects the cumulative effect of previous years' carry forward monies. Following a comprehensive review of the current year spend projections, and based on recent activity and likely new activity between now and the end of the financial year, an under spend of £700,000 is now projected.

During 2014/15 a review of the current administrative procedures and processes has been undertaken jointly with the Environment Service and Registered Social Landlords (who both currently have an active role to play in the process). Following this review, changes are being implemented which will significantly improve the processes and target times for carrying out works thus providing a more efficient service for those who need it. It is proposed that these changes will be presented to the Housing & Health Committee in March 2015 for its consideration.

2.3.13 **ACTION:** The Committee is asked to approve the virements set out in section 2.3.12 above. These adjustments have been reflected in Appendix 1 (Column 4) to the report.

2.4 Movements in Reserves

Welfare Reform

2.4.1 The Executive Director (Housing and Community Care) is currently projecting additional expenditure of £175,000 in relation to the Scottish Welfare Fund and £133,000 in relation to Discretionary Housing Payments. Ordinarily this additional expenditure would be contained within Housing and Community Care. During 2013/14 £629,715 was returned to Reserves in relation to welfare reform in closing the 2013/14 Final Accounts, although it is not earmarked for any specific purposes. It is proposed that £308,000 is transferred from Reserves to Housing and Community Care in order to

support the projected level of revenue budget flexibility included in the 2015/16 Revenue Budget that will be considered at the special meeting of the Council on 12 February 2015 (Report No. 15/50 refers).

- 2.4.2 **ACTION:** The Committee is asked to approve the transfer of £308,000 from Reserves to Housing and Community Care to support welfare reform measures in 2014/15. This adjustment has been reflected in Appendix 1 (Column 5) to the report.

Perth Office Programme

- 2.4.3 The Reserves Strategy that was approved by the Council on 13 February 2014 (Report No. 14/46 refers) included £710,000 towards future expenditure on the Perth Office Programme. The report indicated that funding for this project from Reserves would be drawn down as required. It is currently anticipated that up to £100,000 is required in the current financial year.
- 2.4.4 Approval is sought for the transfer of up to £100,000 from Reserves to the Environment Service with the final amount required in 2014/15 being determined in closing the 2014/15 Final Accounts.
- 2.4.5 **ACTION:** The Committee is asked to approve the transfer of up to £100,000 from Reserves to the Environment Service with the final transfer being determined in closing the 2014/15 Final Accounts. This adjustment has been reflected in Appendix 1 (Column 5) to the report.

VAT Refund

- 2.4.6 In 2011 HM Revenue and Customs wrote to Councils advising that local authority commercial waste collection services were now outwith the scope of VAT. Working with VAT advisers the Council has been successful in obtaining a net refund of £120,282 from HM Revenue and Customs in relation to this issue. It is proposed that the net receipt is transferred to Reserves.
- 2.4.7 **ACTION:** The Committee is asked to approve the net transfer of £120,000 from the Chief Executive's Service to Reserves in relation to Trade Waste VAT. This adjustment has been reflected in Appendix 1 (Column 5) to the report.

Investment in Improvement Funds

- 2.4.8 Approval is sought to allocate £50,000 to the approved Investment in Improvement Fund Project for Organisational Development Support due to changes in the phasing of expenditure. This expenditure will now be incurred in the current financial year.
- 2.4.9 **ACTION:** The Committee is asked to approve the transfer of £50,000 to Housing and Community Care from Reserves. This adjustment is reflected in Appendix 1 (Column 5) to the Report.

Revenue Grants

- 2.4.10 Since Revenue Monitoring Report No 1 (Report No. 14/407) Education and Children's Services have received a number of additional grants (including Youth Music, Crockhart Foundation, Creative Learning and Living Communities) which are not required until financial year 2015/16 (in line with the academic year). In accordance with proper accounting practice it is proposed that this funding is earmarked in Reserves and utilised by Education and Children's Services in 2015/16.
- 2.4.11 **ACTION:** The Committee is asked to approve the transfer of grant funding of £71,000 from Education and Children's Services to Reserves to be utilised in financial year 2015/16. This adjustment is reflected in Appendix 1 (Column 5) to this report.

Council Tax 2nd Home and Long term Empty Property Discount – Transfer to Reserves

- 2.4.12 Under the terms of the Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2005, the Council has exercised its discretionary powers to raise additional local tax income through reducing the Council Tax discount on second homes and long term empty properties. In line with guidance from the Scottish Government, these monies are held by the Council in an earmarked reserve for the provision of affordable housing in partnership with approved Registered Social Landlords. It is estimated that £1,300,000 will be collected in the current financial year and transferred to Reserves. Approval is sought to increase the Council Tax Income budget by £1,300,000 with this amount being earmarked in Reserves for the provision of affordable housing.
- 2.4.13 **ACTION:** The Committee is asked to approve the transfer of £1,300,000 to Reserves from the Council Tax Income Budget which will be earmarked for the provision of affordable housing. This adjustment is reflected in Appendix 1 (Column 5) to this report.

Car Parking

- 2.4.14 A number of car park investment projects in Perth City, Kinross and outlying areas have been approved in principle in recent reports to the Environment (Report No. 14/10 refers) and Enterprise & Infrastructure Committees (Report No's 14/248, 14/237 & 13/409 refer). One further report for Charles Street Perth to this SP&R Committee also seeks approval to utilise car parking reserves to extend the existing car park. In order to meet the cost of this investment it is proposed to make a contribution from the car parking reserve, phased between financial years 2014/15 (£180k) and 2015/16 (£450k) based on current estimates.
- 2.4.15 **ACTION:** The Committee is asked to approve the use of the Car Parking Earmarked Reserve to fund the works set out in paragraph 2.4.14 above in financial years 2014/15 and 2015/16.

3. CORPORATE BUDGETS

Contributions to Tayside Valuation Joint Board

- 3.1 The Treasurer of the Tayside Valuation Joint Board is currently projecting a £12,000 over spend (Perth and Kinross Council's share of this projected over spend is £5,000). However this projection includes expenditure in relation to the Referendum and should be recoverable. Therefore at this stage it is assumed that the Council's projected requisition level will be in line with the approved budget.

Council Tax Income

- 3.2 The latest monitoring of Council Tax Income indicates that additional income in excess of budget will be generated in the current year in the order of £750,000. The primary reasons for this additional income are favourable movements in the provision for bad debts for old years and an increase in the Council Tax base in excess of budget assumptions, although this has been partially offset by an increase in Council Tax Discounts.
- 3.3 The projected increase is indicative at this stage and is subject to further changes in a number of variables including further movement in the tax base; movements in the level of provisions; effects of exemption and discount reviews and in year collection levels.

Tay Landscape Project

- 3.4 The Tay Landscape Project is a multi-million pound project involving a number of national and local partners in Perth and Kinross and covering over 250 sq. km and including the Carse of Gowrie, Perth, Kinnoull and Moncrieffe Hills and lower Strathearn, from Forteviot to Newburgh. It is proposed that the Council makes a contribution of £40,000 to Perth and Kinross Countryside Trust from the Contingency Budget in 2015/16 towards this high profile project. This is in addition to the budgeted contribution towards the project from the Environment Service.
- 3.5 **ACTION:** The Committee is asked to approve the contribution of £40,000 to Perth and Kinross Countryside Trust towards the Tay Landscape Project from the Contingency Budget in 2015/16.

4. HOUSING REVENUE ACCOUNT (HRA)

- 4.1 The Executive Director (Housing and Community Care) is currently projecting planned additional expenditure of £107,000 on the Housing Revenue Account (HRA) in order to reduce the balance on the HRA Reserve to £800,000 in accordance with the approved strategy for managing Housing Revenue Account Balances – the same position as last reported to this Committee.
- 4.2 The projected under spend on the Housing Repairs and Improvement Service has increased following an update of professional fees and reduced

expenditure on void repairs (£74,000), in Administration there is an increased projected under spend following a number of non-domestic rates refunds (£22,000), in Neighbourhood Services there is additional slippage (£13,000), the projected under recovery of Income has reduced (£9,000) and additional slippage within Housing Needs (£4,000).

- 4.3 These movements are partially offset by an increase in the projected over spend in Sheltered Housing (£6,000) following an update of staff cost projections.
- 4.4 The net projected movements described above result in a favourable movement in the projected contribution to Capital Financed from Current Revenue (CFCR) (£116,000) to 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 Service budgets, as set out in Appendix 1 to this report, is £5,346,000 which represents 1.61% of total net expenditure.
- 5.2. The total net projected under spend on the 2014/15 General Fund Management Budget based upon expenditure to November 2014, updated for known material movements is £6,244,000 (see Appendix 1). Additionally the projected under spend on Devolved School Management Budgets currently stands at £935,000.
- 5.3. The Executive Director (Housing and Community Care) is currently projecting planned additional expenditure of £107,000 for the Housing Revenue Account for 2014/15.
- 5.4. The Committee is requested to:
 - 5.4.1. Note the contents of the report;
 - 5.4.2. Approve the adjustments to the 2014/15 Management Revenue Budget detailed in Appendix 1 and Sections 2 above;
 - 5.4.3. Approve the adjustment to the 2015/16 Provisional Revenue Budget set out in paragraphs 3.4 to 3.5.
 - 5.4.4. Approve Service virements summarised in Appendices 2 and 3.

Author(s)

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Approved

Name	Designation	Date
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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

1.1. Corporate Plan

1.1.1. The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

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

1.1.2 This report relates to all of these objectives.

2. Resource Implications

2.1. Financial

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

2.2. Workforce

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

2.3. Asset Management (land, property, IT)

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

3. **Assessments**

3.1. Equality Impact Assessment

3.1.1. Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

3.1.2. The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

3.2. Strategic Environmental Assessment

3.2.1. The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

3.2.2. The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

3.3. Sustainability

3.3.1. Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.

3.3.2. The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. **Consultation**

4.1. Internal

4.1.1. The Chief Executive and all Executive Directors have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

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

3. APPENDICES

Appendix 1 – General Fund 2014/15 Projected Outturn - Summary

Appendix 2 – General Fund 2014/15 Projected Outturn – Service Analysis

Appendix 3 – Housing Revenue Account 2014/15 Projected Outturn

PERTH & KINROSS COUNCIL - GENERAL FUND 2014/15 PROJECTED OUTTURN - SUMMARY

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	2014/15 Council Approved Budget	Previously Approved Adjustments (Net)	Movements in Funding	Virements	Movements in Reserves	2014/15 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	166,665	(1,269)	243	(5)	(71)	165,563	163,861	(1,702)	(1.03%)
Housing and Community Care	72,644	2,203	1,363	(1,310)	358	75,258	73,360	(1,898)	(2.52%)
The Environment Service	63,031	1,188		(1,529)	100	62,790	61,350	(1,440)	(2.29%)
Chief Executive's Services	9,935	(235)			(120)	9,580	9,274	(306)	(3.19%)
Sub - Total: Service Budgets	312,275	1,887	1,606	(2,844)	267	313,191	307,845	(5,346)	(1.71%)
Corporate Budgets									
Contribution to Valuation Joint Board	1,155					1,155	1,155	0	0.00%
Capital Financing Costs	12,744	709		125		13,578	13,578	0	0.00%
Interest on Revenue Balances	(86)	(7)		(25)		(118)	(118)	0	0.00%
Contribution to/(from) Capital Fund	3,034	(702)		940		3,272	3,272	0	0.00%
Contribution to/(from) Insurance Fund	200					200	200	0	0.00%
Contribution to/(from) Renewal and Repair Fund	0			1,055		1,055	1,055	0	0.00%
Trading Operations Surplus	(190)					(190)	(190)	0	0.00%
Support Service External Income	(1,888)					(1,888)	(1,888)	0	0.00%
Un-Funded Pension Costs	1,516					1,516	1,516	0	0.00%
Discretionary Relief	150					150	150	0	0.00%
Contribution to Investment in Improvement Fund 4	1,000					1,000	1,000	0	0.00%
Contingency Budget	250	(216)				34	34	0	0.00%
Net Expenditure (General Fund)	330,160	1,671	1,606	(749)	267	332,955	327,609	(5,346)	(1.61%)
Financed By:									
Revenue Support Grant	(189,420)	(2,281)	(1,670)			(193,371)	(193,371)	0	0.00%
Non Domestic Rate Income	(55,718)					(55,718)	(55,866)	(148)	(0.27%)
Council Tax Income	(71,501)				(1,300)	(72,801)	(73,551)	(750)	(1.03%)
Capital Grant	(4,815)	1,926		749		(2,140)	(2,140)	0	0.00%
Total Financing	(321,454)	(355)	(1,670)	749	(1,300)	(324,030)	(324,928)	(898)	(0.28%)
Financed from/(returned to) Reserves including use of Budget Flexibility b/fwd	8,706	1,316	(64)	0	(1,033)	8,925	2,681	(6,244)	

PERTH AND KINROSS COUNCIL - GENERAL FUND 2014/15 PROJECTED OUTTURN - SERVICE ANALYSIS
(Based on Expenditure to 30 November 2014)

SERVICE	Variance £'000	Variance £'000	Summary of Service Variances
<u>Education & Children's Services (ECS)</u>			
Total	(1,702)		
			<u>Devolved School Management (DSM)</u>
		(470)	<u>Staff Costs</u> There is a projected under spend on teachers' salaries of £1,361,000 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 £472,000. These projected under spends exceed the overall slippage target of £1,376,000. In addition the training budget is projected to under spend by £13,000.
		(150)	<u>Property Costs</u> Projected under spend on repairs and maintenance due to slippage on a number of projects.
		(70)	<u>Supplies and Services</u> Projected net under spend on supplies and services across all schools.
		(245)	<u>Income</u> Additional income for secondments and SQA work.
		935	The projected DSM carry forward for 2014/15 is £935,000 which is a reduction of £326,000 on the balance brought forward from 2013/14. This level of carry forward represents approximately 1.17% of the overall DSM budget.
			<u>Other Education & Children's Services Sectors:</u>
		(828)	<u>Staff Costs</u> There is currently a projected under spend on staff costs of £828,000. This is made up of over and under spends in various sectors and cost centres and is after recognising a slippage target of £625,000.
		(445)	<u>Property Costs</u> Projected under spend following the receipt of non domestic rates refunds on a number of ECS properties.
		(580)	<u>Supplies and Services</u> Projected under spends on Early Years Child Care provision - Looked After Children - 2 year olds and 600 hours (£210,000), projected under spends in Cultural Services (£75,000), Portable Appliance Testing (£28,000), rephasing of expenditure on Public Service Network compliance (£119,000), community empowerment (£30,000), Languages 1 + 2 funding (£93,000) and other miscellaneous under spends across the Service (£55,000) offset by projected over spends on postages and photocopying (£22,000).
		(221)	<u>Transport Costs</u> Projected under spend due to reduced requirement in the current year for expenditure on mini buses (£231,000) which is partially offset by projected over spends on car allowances, travel and subsistence payments and client travel.
		180	<u>Pupil Transport</u> There is a projected over spend on School Transport based on the latest estimate from the Public Transport Unit which is influenced by demand for this service.
		(242)	<u>Third Party Payments</u> There is a projected under spend of £242,000 within Cultural & Community Services due to the Council agreeing special financial assistance to Horsecross in 2013/14 which was approved by the Executive Sub Committee of Strategic Policy & Resources Committee (Report No. 14/286 refers). This allows a reduction in the Horsecross grant in 2014/15 which was previously approved by Council in setting the budget and was funded through budget flexibility.
		(245)	There is a projected under spend of £245,000 on a non-recurring basis due to a change in accounting treatment of the payment to the Scottish Qualifications Agency .
		(92)	Projected under spend on Early Years Change Fund.
		(46)	Various other third party payments across the Service.

PERTH AND KINROSS COUNCIL - GENERAL FUND 2014/15 PROJECTED OUTTURN - SERVICE ANALYSIS
(Based on Expenditure to 30 November 2014)

SERVICE	Variance £'000	Variance £'000	Summary of Service Variances
			<p><u>Residential Schools/Foster Care and Kinship Care:</u></p> <p>151 The budget for young people with Additional Support Needs (ASN) who are educated out with the Council's mainstream school provision is projected to over spend in the current financial year due to the demand for this service provision.</p> <p>589 The budget for young people with complex behavioural issues which includes a number of pupils placed within secure schools is also projected to over spend due to further activity in this area. The projected over spend has increased due to a number of additional placements.</p> <p>174 There are projected over spends in Foster Care (£119,000) and Kinship Care (£55,000) due to the increased demand for this service .</p> <p><u>Loan Charges</u></p> <p>98 Projected overspend on prudential borrowing loan charges due to revised projections for land disposals.</p> <p><u>Income</u></p> <p>(195) Projected additional income from Housing Benefits at Wellbank House (£16,000), Kids Clubs (£56,000), school transport charges (£16,000), pupil support assistants (£6,000), inter agency fostering (£22,000), IST recharges (£59,000), secondments (£34,000) and additional music income (£15,000) which are partially offset by a shortfall in income from School Meals (£11,000) and School Lets (£18,000).</p>
<u>Housing and Community Care</u>			
Total	(1,898)		
		(182)	<p><u>Housing</u></p> <p>There is a projected under spend due to improved income recovery (£23,000), the receipt of additional non-recurring income (£26,000), updated staff cost projections (£112,000) and the accelerated realisation of approved savings (£21,000).</p>
		(528)	<p><u>Finance and Support</u></p> <p>The projected under spend is due to the accelerated realisation of approved 2015/16 savings within Finance & Support Services, Housing with Care - Sheltered Housing Review and the Planning & Commissioning Review (£324,000) and projected under spends on staff costs, fleet recharges and supplies and services (£204,000).</p>
		(269)	<p><u>Strategy Support and Commissioning</u></p> <p>The projected under spend is caused by staff vacancies and recruitment delays (£119,000) and a non-recurring under spend on care packages (£167,000). These are partially offset by an overspend on MFD devices at Pullar House (£17,000).</p>
		325	<p><u>Older People</u></p> <p>Residential placements and Care at Home services are projected to over spend due to demand for this service provision and as a consequence of the frailer, ageing population (£1,381,000 less a non-recurring contribution of £370,000 from the Older People Change Fund). These projected over spends are partially offset by projected under spends due to staff vacancies and recruitment delays (£122,000), non-recurring under spends on direct payments (£55,000), the implementation of new staffing models in Day Care (£119,000), uncommitted Self Directed Support budgets (£118,000) as the Service moves into new service delivery models under the recent new legislation, accelerated realisation of approved 2015/16 savings (£133,000) and revised projections for OT equipment purchases, maintenance and adaptations (£139,000).</p>
		(685)	<p><u>Learning Disabilities</u></p> <p>The projected under spend is due to staff vacancies and recruitment delays (£162,000), reduced external day care activity (£20,000), uncommitted supported living budgets as a consequence of the turnover clients as well as revised projections in relation to clients requiring additional intensive support (£235,000), a projected under spend on direct payments (£36,000), additional income from the NHS in relation to a shared care package (£195,000) and the accelerated realisation of approved 2015/16 savings (£37,000).</p>

PERTH AND KINROSS COUNCIL - GENERAL FUND 2014/15 PROJECTED OUTTURN - SERVICE ANALYSIS
(Based on Expenditure to 30 November 2014)

SERVICE	Variance £'000	Variance £'000	Summary of Service Variances
		(486)	<u>Other Community Care Services</u> The projected under spend is due to one-off clawback of SLA/Grant payments from external organisations (£46,000), staff vacancies and recruitment delays (£115,000), non-recurring under spends due to slippage on projects (£97,000), revised projections for mental health care package costs due to client being admitted to hospital (£78,000) and additional income received under the new Contributions Policy following reviews of care packages (£150,000).
		(73)	<u>Community Safety</u> The projected under spend is due to staff vacancies and recruitment delays (£35,000), the accelerated delivery of approved 2015/16 savings (£17,000) and a projected underspend on property costs due to a revised date for occupying new premises by the OWLS project (£21,000).
<u>The Environment Service</u>			
Total	(1,440)		
		(350)	<u>Service-wide Budgets</u> Projected slippage in excess of Service target
		250	<u>Roads & Street Lighting</u> In the revision of the Tayside Contracts minute of agreement the historic basis of charging was retained resulting in the non recovery of the assumed share of depot charges.
		(135)	Projected saving on street lighting power costs based on current price and consumption estimates.
		(150)	Rephasing of gully emptying modernisation programme.
		(17)	Rephasing of community flood programme.
		90	Projected shortfall in recovery of staff costs from capital budget.
		(100)	2013/14 accrual no longer required
		(585)	Virement to Perth Office Programme costs to reflect the classification of revenue and capital expenditure.
		(10)	<u>Public Transport</u> Projected saving on tendered services.
		150	<u>Operations & Waste Strategy</u> Projected shortfall in commercial waste income due to increased competition from private sector contractors.
		(200)	Projected saving on fuel costs based on current price and consumption estimates.
		50	Projected costs associated with leachate disposal at former Dalcrue landfill site pending installation of reed bed system
		(100)	Projected saving on waste disposal contract costs based on year to date tonnage and price.
		40	Projected shortfall in scrap metal income following the drop in market values.
		(134)	<u>Fleet</u> Projected net saving on loan charges based on current vehicle replacement programme and cost of borrowing.
		(90)	Projected saving on contract vehicle hire costs based on current profile of fleet on full contract maintenance agreements
		107	Increase in fleet insurance
		(66)	<u>Planning and Regeneration</u> Projected saving on Hub relocation
		(85)	Slippage on the indoor bowling feasibility study
		(64)	Slippage on regeneration activities.
		(111)	Projected saving on Youth Employment budget following receipt of external grant funding.
		100	Projected shortfall in income from building warrants
		25	Expenditure in relation to City Deal
		(60)	Rephasing of Digital Connectivity project
		(35)	<u>Corporate Health, Safety and Wellbeing</u> Projected saving on emergency planning budget.
		60	<u>Parking</u> Projected reduction in income as a result of implementing the "free from 2" promotion
		180	Provision for car park investment projects in Perth City, Kinross, Pitlochry, Coupar Angus and Ben Vrackie.
		(240)	Contribution from earmarked reserve to meet cost of car park investment.

PERTH AND KINROSS COUNCIL - GENERAL FUND 2014/15 PROJECTED OUTTURN - SERVICE ANALYSIS
(Based on Expenditure to 30 November 2014)

SERVICE	Variance £'000	Variance £'000	Summary of Service Variances
			<p><u>Property</u> (350) Projected saving on energy budget due to reduced prices and volume. (50) Projected saving on Pullar House unitary charge due to lower than anticipated contract inflation. (30) Projected income from Renewable Heat Incentive (RHI) for 2 approved school projects. (60) Projected saving on Carbon Reduction Commitment (CRC) scheme payments due to reduced price and conversion factor. (50) Projected saving on Energy Performance Certificate (EPC) payments. (50) Projected savings on rates from mothballed buildings following the award of non domestic rates relief.</p> <p>(200) 2013/14 accrual no longer required (100) Projected slippage on staff costs in excess of budget and savings on travel / subsistence. (25) Rephasing of expenditure on fixed term data input posts. (130) Rephasing of funding for the replacement Property business system and other systems development.</p> <p>500 Contribution to Capital Fund for future school maintenance. 585 Virement from Structural Maintenance to reflect the classification of revenue and capital expenditure (Perth Office Programme).</p>
Chief Executive's Service			
Total	(306)		<p><u>Legal Services</u> (61) Projected additional income due to the cyclical nature of a number of the income streams (6) Projected under spend on staff costs due to vacancies 43 Projected over spend on other costs across the Division, primarily publications and Sharepoint development</p> <p><u>Finance</u> (241) Projected under spend on staff costs due to accelerated savings and vacancies</p> <p><u>Human Resources</u> (9) Various net projected under spends across staff costs, supplies and services, third party payments and transport costs</p> <p><u>Democratic Services</u> (32) Various net projected under spends across staff costs, supplies and services, third party payments and transport costs</p>
TOTAL	(5,346)		

**PERTH AND KINROSS COUNCIL - HOUSING REVENUE ACCOUNT 2014/15 PROJECTED OUTTURN
(Based on Expenditure to 30 November 2014)**

£'000	Summary of Service Variances
(81)	<p>Housing Repairs & Improvement Service There are projected under spends on staff costs (due to slippage) and property costs. In addition the temporary closure of the Inveralmond depot is delivering under spends. These are partially offset by a projected over spend on void repairs although this is significantly reduced compared to 2013/14.</p>
(33)	<p>Housing Needs The projected under spend is due to vacancies.</p>
57	<p>Sheltered Housing The projected over spend is due to failure to meet slippage targets and slower than anticipated staff turnover following the implementation of the new structure. There is also a projected reduction in income following the reclassification of a number of units.</p>
(46)	<p>Neighbourhood Services The projected under spend is due to vacancies across all teams partially offset by the costs of temporary management arrangements pending implementation of the revised staffing model and projected savings on supplies and services and property costs.</p>
(31)	<p>Administration A projected under spend on loan charges based on the latest projections (£4,000) and the receipt of non-domestic rates refunds on a number of properties (£27,000).</p>
295	<p>Income There is an under recovery of income from housing rents due to the number of rent to buy sales (£120,000), and delays (for a variety of reasons) in bringing into stock some of the new build/converted properties where rental income budgets had been set based on the capital programme planned completion schedule (£169,000), reduced Interest On Revenue Balances due to low interest rates (£46,000) and an increased provision for bad debts (£45,000). These are partially offset by an over-recovery of income for Heating and Lighting from multi-tenure blocks and small over-recoveries of other rents and charges (£85,000).</p>
(54)	<p>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.</p>
107	

