

PERTH AND KINROSS COUNCIL

18 December 2013

**REVENUE BUDGET 2014/15 & 2015/16
REPORT NO. 1****Report by the Head of Finance****PURPOSE OF REPORT**

This report provides an update in relation to the Revenue Budget for 2014/15 and 2015/16 in light of the information contained in Finance Circular No. 6/2013 – the Local Government Finance Settlement 2014/15 for Perth and Kinross Council.

1. BACKGROUND / MAIN ISSUES

- 1.1. The Medium Term Financial Plan was most recently approved by Council on 2 October 2013 (Report No. 13/475 refers). This report set out the latest assumptions and projections in relation to future years' funding levels and details of the Scottish Government announcement on 11 September 2013.
- 1.2. The report also set out the latest assumptions in relation to potential levels of revenue budget headroom.

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2014/15 AND 2015/16 – PERTH AND KINROSS COUNCIL

- 2.1 The Council received Finance Circular No. 6/2013 on 11 December 2013 which included information on the Local Government Finance Settlement for 2014/15.
- 2.2 The provisional total funding allocations contained within Finance Circular No. 6/2013 form the basis for the annual consultation between the Scottish Government and COSLA ahead of the Local Government Finance (Scotland) Order 2014 which will be presented to the Scottish Parliament in February 2014.
- 2.3 The Medium Term Financial Plan approved by Council on 2 October 2013 (Report No. 13/475 refers) advised that the Finance Circular referred to at 2.1 above would include individual Council allocations for both financial years 2014/15 and 2015/16.
- 2.4 Finance Circular 6/2013 does not include any individual Council information for financial year 2015/16. A recent COSLA Leaders meeting proposed a change in the methodology for allocating local government funding in financial year 2015/16. The Scottish Government has not agreed to this proposal and as such has delayed the announcement of detailed funding levels for 2015/16. It is hoped that this will be resolved prior to the Council meeting on 13 February 2014 when it is anticipated that the Council will set the Final Revenue Budget for 2014/15 and Provisional Revenue Budget for 2015/16.

2.5 The provisional outcome for Perth & Kinross Council for financial year 2014/15 is summarised in the table below:

<u>Perth & Kinross Council</u>		
<u>Scottish Government Grant Funding</u>		
<u>Source: Finance Circular 6/2013</u>	<u>2013/14</u>	<u>2014/15</u>
	<u>£'000</u>	<u>£'000</u>
General Revenue Funding	184,902	183,084
Ring-Fenced Revenue Grants	415	415
Non Domestic Rate Income	50,928	55,718
Total Revenue Funding	236,245	239,217

2.6 The provisional figures for financial year 2014/15 include additional funding over and above the original 2014/15 funding allocations announced in December 2012.

2.7 The most significant adjustments for 2014/15 funding relate to:

- Children and Young People Bill - £1,491,000
- Teachers' Induction Scheme - £270,000
- National Care Home Contract - £79,000

2.8 Individual Council allocations for the Council Tax Reduction Scheme, Funding for Second Languages, Discretionary Housing Payments and Sensory Impairment have still to be confirmed.

2.9 Excluding the adjustments identified at 2.7 and 2.8 above, funding for the Council increased by £1,089,000 between financial years 2013/14 and 2014/15. This represents a cash increase of almost 0.5% but a real terms reduction of 2% (after inflation of 2.5% is factored in).

2.10 In terms of Non Domestic Rates for 2014/15 the Circular confirmed that the increase in the non-domestic rates poundage will be restricted to 2%.

2.11 The Circular also advised that the Business Rates Incentivisation Scheme Targets for individual Councils had still to be agreed / set; that the upper threshold for the Small Business Bonus Scheme would be increased from £25,000 to £35,000 and that the Fresh Start Scheme that provided rates relief to businesses who take on long term empty properties would be expanded.

3. REVENUE BUDGET HEADROOM

3.1 The Medium Term Financial Plan approved by Council on 2 October 2013 (Report No. 13/475 refers) provided an update on the anticipated levels of Revenue Budget "headroom".

- 3.2 Revenue budget “headroom” is generated when the Council sets a revenue budget where income exceeds expenditure.
- 3.3 In recent years the Council has been extremely prudent in preparing for the financial challenges ahead. This theme has continued in the 2014/15 Provisional Revenue Budget where the Council has maintained recurring revenue budget headroom of £4.237million which is available from 2015/16 onwards.
- 3.4 The protection of recurring headroom does allow the Council to invest, on a non-recurring basis, in priority areas. In recent years significant non-recurring expenditure has been committed to amongst other areas, economic development and employability. Revenue Budget headroom can also be used by the Council to reinstate Service savings proposals.
- 3.5 For 2014/15 the following table summarises the updated projected headroom position.

		£'000	£'000
Recurring:	Pay Award (2% to 1%)	1,700	
	Council Tax Collection	1,200	
	Contribution to the Insurance Fund	(200)	
	Modern Apprentices	(148)	
	Workforce Management	(60)	
			2,492
Non Recurring	Council Tax Reduction Scheme	450	
	Service Savings in Excess of Pressures	1,119	
			1,569
TOTAL AVAILABLE HEADROOM IN 2014/15			4,061

- Pay award assumptions for 2014/15 of 2% for all staff groups have been revised to 1% based on the latest negotiations. The pay award for single status staff groups has been agreed and discussions are still taking place in relation to teachers.
- The 2014/15 Provisional Revenue Budget included £1,200,000 for a potential reduction in Council Tax collection levels as Welfare Reform was implemented. At the current time collection levels are holding up, therefore it is proposed that this funding be applied to Revenue Budget headroom.
- The Council has made non-recurring contributions to the Insurance Fund in the last three years. A recurring contribution of £200,000 to the Insurance Fund is proposed from 2014/15 onward.

- This is the full year effect of the decision to increase the salaries for Modern Apprentices that was agreed by the Strategic Policy and Resources Committee on 27 November 2013 (Report No. 13/557 refers).
- There will be recurring workforce management costs incurred as a result of Voluntary Severance Scheme applications that are currently being assessed. At this stage an estimate of £60,000 has been allowed.
- The 2014/15 Provisional Revenue Budget contained an assumption that Scottish Government support for the Council Tax Reduction Scheme in 213/14 would not be received in 2013/14. However, the Scottish Government have confirmed that this funding will be in place for 2014/15. There is no information beyond 2014/15 therefore, at this stage, it is assumed that this is non-recurring.
- Services have been developing their Revenue Budget submissions for 2014/15 and 2015/16. In line with previous years Services aim to deliver savings in advance of need. This augments the Revenue Budget headroom on a non-recurring basis.

3.6 For 2015/16 the following table summarises the updated projected headroom position.

		<u>£'000</u>	<u>£'000</u>
Potential 2015/16 Revenue Budget Headroom (per Medium Term Financial Plan – 2 October 2013)			7,137
Recurring:	Recurring Headroom from 2014/15		2,492
	Estimated Increase in Grant		750
	Projected Council Tax Growth		250
	Loan Charges		(250)
TOTAL AVAILABLE HEADROOM IN 2015/16			10,379

- The Potential 2015/16 Revenue Budget Headroom was included in the Medium Term Financial Plan approved by Council on 2 October 2013
- The Recurring Headroom from 2014/15 is the amount brought from financial year 2014/15. This amount will be influenced by any further savings proposals rejected in the 2014/15 Revenue Budget submissions.
- The Estimated Increase in Grant is the predicted rise in the level of Scottish Government grant funding to reflect changing demographics. This will require to be updated following receipt of the Local Government Finance Circular from the Scottish Government.

- The Projected Council Tax growth is the estimated increase in the number of Band D equivalent properties.
- It is proposed to augment the Loan Charges budget by £250,000 to partly reflect the significant additional investment in infrastructure that the Council has recently approved.

3.7 The position on revenue budget headroom is summarised in the following table.

	£'000
2014/15 Potential Headroom	4,061
2015/16 Potential Headroom	10,379
Total Potential Headroom in 14/15 and 15/16 (non-recurring)	14,440
Total Potential Headroom in 16/17 (recurring)	10,379

3.8 The final levels of revenue budget headroom are influenced by the level of savings rejected and the extent to which additional expenditure proposals are non-recurring.

3.9 The level of revenue budget headroom set out in the tables above is consistent with the information reported to the Council in the Medium Term Financial Plan in October 2013 (Report No. 13/475 refers).

3.10 Given the significant levels of projected revenue budget headroom, it is proposed that the Executive Officer Team develop options for consideration by Elected Members to utilise any headroom remaining after the reinstatement of savings on a non-recurring basis in order to support the delivery of Council priorities.

3.11 **ACTION:** The Council is asked to instruct the Executive Officer Team to develop options for consideration by Elected Members to utilise any remaining headroom on a non-recurring basis.

4. VOLUNTARY SEVERANCE SCHEME

4.1 On 17 July 2013 the Executive Sub-Committee of the Strategic Policy and Resources Committee approved proposals in relation to Workforce Management (Report No. 13/359 refers). The Sub-Committee specifically approved the launch of a Voluntary Severance Scheme.

4.2 As at 21 November 2013 the Council had received 191 formal applications for staff to access the Voluntary Severance Scheme.

4.3 The Executive Officer Team will make recommendations to Members in February 2014 for approval of applications where appropriate, in advance of advising employees that their requests for voluntary severance have been granted. Member scrutiny is consistent with the good practice outlined in the

recent Accounts Commission report Managing Early Departures from the Scottish Public Sector. Members will also receive information on the Voluntary Severance Scheme via the annual reports on Savings Arising from Early Retirement Decisions and Securing the Future through Our People.

5. CONCLUSION AND RECOMMENDATIONS

- 5.1. The Scottish Government issued Finance Circular 6/2013 on 11 December 2013. The Circular only included information in relation to financial year 2014/15.
- 5.2. The Circular advised that the Council would receive additional funding for a number of areas including the Children and Young People Bill.
- 5.3. The latest projections on revenue budget headroom indicate that the Council is likely to generate significant headroom in both 2014/15 and 2015/16.
- 5.4. It is recommended that the Council:
 - 5.4.1. Note the contents of this report.
 - 5.4.2. Instruct the Executive Officer Team to develop options for consideration by Elected Members to utilise any headroom remaining after the reinstatement of savings on a non-recurring basis in order to support the delivery of Council priorities – see 3.10 above.

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ANNEX

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

1.1. Corporate Plan

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

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

1.1.2 This report relates to all of these objectives.

2. Resource Implications

2.1. Financial

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

2.2. Workforce

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

2.3. Asset Management (land, property, IT)

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

3. Assessments

3.1. Equality Impact Assessment

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

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

3.2. Strategic Environmental Assessment

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

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

3.3. Sustainability

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

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

4. Consultation

4.1 Internal

4.1.1 The Chief Executive 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.

