

REPORT TO: CITY GOVERNANCE COMMITTEE – 21 AUGUST 2023**REPORT ON: REVENUE MONITORING 2023/2024****REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES****REPORT NO: 211-2023****1 PURPOSE OF REPORT**

1.1 To provide Elected Members with an analysis of the 2023/24 projected revenue outturn as at 31 May 2023 and the impact on the Council’s overall balances position.

2 RECOMMENDATIONS

2.1 It is recommended that the Committee:

- (a) note that as at 31 May 2023 the General Fund is projecting an overall overspend of £1.822m against the adjusted 2023/2024 Revenue Budget and the impact this has on the projected Council’s General Fund Balances;
- (b) note the budget adjustments totalling £0.050m and detailed in second column of Appendix A as virements to the previously approved Revenue Budget;
- (c) note that as at 31 May 2023 the Housing Revenue Account (HRA) is projecting breakeven against the adjusted HRA 2023/24 Revenue Budget and the impact this has on the element of the projected Renewal & Repair Fund balance earmarked to HRA;
- (d) note the position on ring-fenced grants expenditure outlined in Appendix B;
- (e) note that the Chief Executive, in consultation with the Executive Directors, will continue to take appropriate steps to manage current and recurring revenue expenditure, including reviewing vacancies and any new recurring commitments;
- (f) note the key strategic, operational and financial risks being faced by the Council outlined in Appendix C; and
- (g) notes the current position on Leisure and Culture Dundee (LACD), as set out in paragraph 7.3 and agrees to extend the financial support, approved in October 2022, until 31 March 2024.

3 FINANCIAL IMPLICATIONS

3.1 The unallocated portion of the General Fund as at 31 May 2023 is projecting an overspend of £1.822m against the adjusted 2023/24 Revenue Budget. The impact this would have on the Council’s General Fund Balances is outlined below:

General Fund	Opening Balance 1 April 2023 £000	(Surplus) / Deficit for the Year £000	Projected Balance 31 March 2024 £000
Earmarked Carry-forwards*	5,962		5,962
Children Services pressures	4,300	4,300	0
Organisational Change Fund	2,532		2,532
Covid cost related pressures*	14,647		14,647
Covid recovery measures	1,280	1,280	0
Service change initiatives	5,000		5,000
Roof Remedial Works	3,707	1,438	2,269
Inflationary Pressures*	3,800		3,800
Contribution to 2023/24 budget	1,750	1,750	0

Other earmarked Funds	4,443	500	3,943
Total earmarked funds	47,421	9,268	38,153
Unallocated Balance	9,226	1,822	7,404
Total General Fund	56,647	11,090	45,557

* These balances will be drawn down as required during the year. It is expected that the funds for inflationary pressures and the earmarked carry forwards will be utilised by the end of the year.

- 3.2 The above projections will continue to be monitored by officers throughout the remainder of the year and reported to Members. It should be noted that the Scottish Government Medium-Term Financial Strategy (Article V of the agenda of the meeting of the Policy & Resources Committee on 26 June 2023, Report No:175-2023 refers) will represent a significant challenge in terms of setting a balanced revenue budget. Subject to financial sustainability considerations, the use of balances may be considered as part of the Council's budget strategy to address funding challenges arising from the Medium-Term Financial Strategy.
- 3.3 Based on the financial information available as at 31 May 2023 the HRA outturn position for 2023/24 is projecting breakeven. Further details are provided in section 8 of this report.

4 BACKGROUND

- 4.1 Following approval of the Council's 2023/24 Revenue Budget by the Policy and Resources Committee on 23 February 2023, this report provides the projected revenue outturn position as at 31 May 2023, against the adjusted 2023/24 Revenue Budget.
- 4.2 The total 2023/24 Revenue Budget is £423.963m. For revenue monitoring purposes, the Council Tax Reduction Scheme budget of £14.072m is moved from expenditure to income and netted off against Council Tax income. This results in total budgeted expenditure of £409.891m for revenue monitoring purposes, as set out in Appendix A.
- 4.3 This report provides a detailed breakdown of service revenue monitoring information along with explanations of material variances against adjusted budgets. Where services are projecting a significant (underspend) or overspend against adjusted budget, additional details have been provided. Where service expenditure is on target and no material variances are anticipated, additional information has not been provided.
- 4.4 The forecast position is shown in more detail in the appendices to this report, as follows:

Appendix A shows the variances between budget and projected outturn for each service of the Council.

Appendix B shows the financial performance against ring-fenced funding to date.

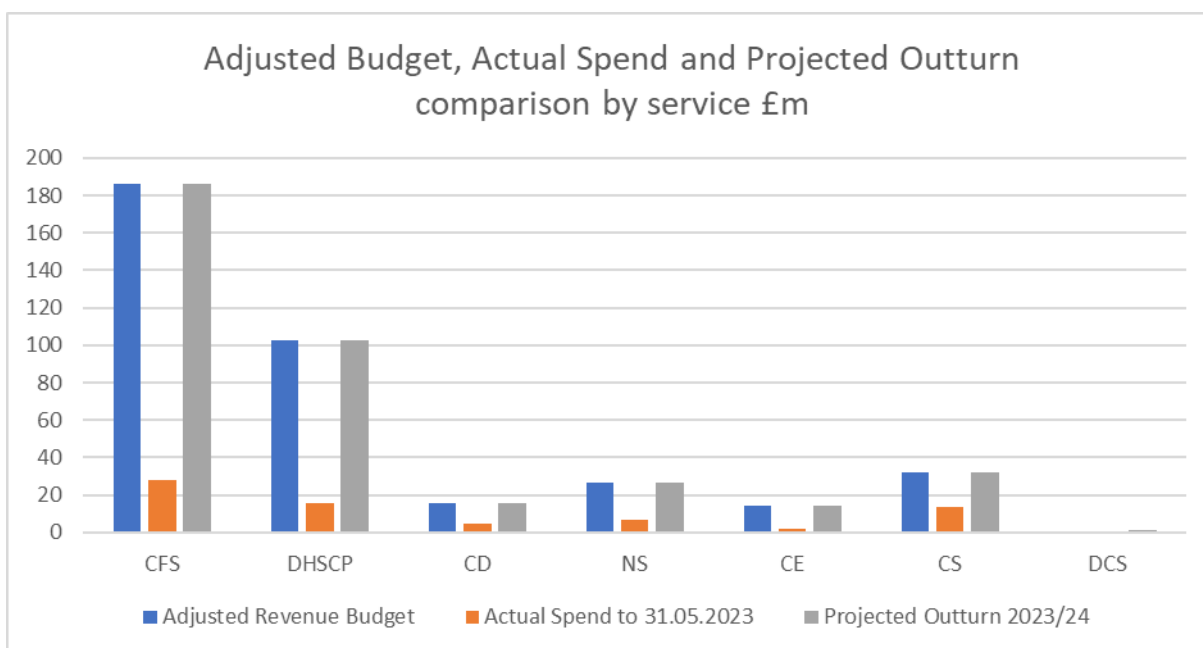
Appendix C lists the key strategic, operational and financial risks being faced by the Council.

5 GENERAL FUND SERVICES - MONITORING POSITION AS AT 31 MAY 2023

- 5.1 The forecast position as at 31 May 2023 for General Fund services is summarised below.

	(Under)/ Over Spend as at 31 May £m
Net Expenditure	2.154
Sources of Income	(0.332)
Net projected reduction uncommitted balances	1.822

The graph below details the comparison between each service's actual spend and projected outturn.



5.2 Not incorporated within these estimates are the £0.074m of costs that the Council has incurred to date in relation to the Ukrainian refugee scheme which will be funded by the Scottish Government.

6 DETAILED ANALYSIS

The following paragraphs summarise the main areas of variance by service along with appropriate explanations. These figures reflect movements for the full year to date.

6.1 Children & Families Services: £1.980m overspend

	£m
Children's Services third party payments due to a higher than anticipated number of children who have been placed into secure care	2.100
PPP unitary charges (reflecting greater RPI than provided for in the budget)	0.450
Additional income mainly in relation to funding for unaccompanied asylum-seeking children (£0.5m) and Early Years Childcare fees	(0.747)

As reflected in previous monitoring reports third party payments for Children Services remains a cost pressure. The overall projected overspend is currently £6.4m although this has been offset by a provision of £4.3m set aside in reserves. This area is under ongoing review and appropriate steps are being taken to endeavour to bring overall spend in line with the approved budget level before the end of the financial year.

6.2 Dundee Health & Social Care Partnership: Breakeven

Under the risk sharing arrangement reflected in the Integration Scheme, the Integration Joint Board (IJB) retains any underspend within its reserve balances for investment in integrated health and social care services in future years. For Dundee City Council there is no additional contribution requirement forecast in 2023/24. DHSCP is continuing to respond to changes in demand and demographics, and in particular staffing challenges, complexity of needs in community settings, and the wider impact of deferred treatments on health and wellbeing following the pandemic period.

6.3 Neighbourhood Services: £0.406m overspend

	£m
Anticipated staff cost underspend due to vacancies	(0.205)
Streetscene & Land Management: income mainly from fewer projects, interment fees and ground maintenance activities which are forecasted to be lower than budgeted	0.668

6.4 Construction Services: £0.932m overspend

	£m
Projected shortfall in recovery of fixed and indirect overheads due to impact of industrial action earlier in year and absence levels being greater than anticipated thereby reducing the level of productive hours and in turn income recharged	1.329
Anticipated staff cost underspend due to vacancies and related recruitment challenges	(0.323)

6.5 Capital Financing Costs: (£1.164m) underspend

	£m
Savings due to slippage in 2022/23 capital programme resulting in lower loan repayments in 2023/24 and deferral of any new long-term borrowing until later in the financial year	(1.164)

6.6 Council Tax: (£0.332m) underspend

	£m
There is a projected underspend on Council Tax Reduction if uptake continues at current levels. There has been a gradual reduction in caseload since April 2023. A take up campaign for pensioners is planned for September and performance will continue to be reviewed.	(0.332)

7 ONGOING ACTIONS

- 7.1 This report identifies projections based on the first 2 months of the financial year. The figures are therefore indicative at this stage and are used by the Council Leadership Team to identify variances against budget and enable corrective action to be taken as appropriate. Each service is working closely with Corporate Finance staff, firstly to ensure that these projections are met and then to identify scope to improve the outcome.
- 7.2 In addition, further Council-wide initiatives are underway to help manage existing and emerging cost pressures. These include reviewing the requirements for overtime working, a focus on absence rates and increased vacancy control over the remainder of the financial year. There is an ongoing review of discretionary spend and other opportunities for efficiencies and budget savings.
- 7.3 In October 2022 the Council agreed to authorise the Chief Executive to issue a letter of comfort to Leisure and Culture Dundee confirming the Council's continuing financial support in financial year 2022/23 and for a period of at least 12 months beyond the date of the signing of Leisure and Culture Dundee's 2021/22 accounts whilst setting out an expectation that from 2023/24 Leisure and Culture Dundee will operate with a balanced budget (Article III of the minute of Policy and Resources Committee on 31 October 2022 refers). Leisure and Culture Dundee have been provided with additional financial support of £2.914m over the past two years to mitigate the impact of Covid 19 with the expectation that this support will cease this year. To provide certainty, stability and time for Leisure and Culture Dundee to develop a balanced budget from 2024/25 onwards it is recommended that this financial support be extended to 31 March 2024.

8 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 MAY 2023

8.1 The forecast position as at 31 May 2023 for the HRA is summarised below:

(Under)/ Over Spend as at 31 May £m	
Net Expenditure	0.405
Sources of Income	(0.405)
Net over/ (underspend)	0

8.2 The key variances that make up the May position are shown in the table below. These figures reflect movements for the full year to date.

	£m
The demand for additional expenditure on relets to work through the backlog of properties and void losses is greater than budgeted will absorb the underspend on loan charges.	0.405
Savings due to slippage in the 2022/23 capital plan resulting in lower loan repayments in 2023/24 and deferral of new long-term borrowing until later in the year	(0.405)

8.3 Any final underspend will be added to the Renewal & Repair Fund and any final overspend will be offset against the Renewal & Repair Fund, the housing element of which amounted to £11.392m as at 31 March 2023. A system of ongoing monitoring will continue to take place up to 31 March 2024 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2023/24 HRA Revenue Budget.

9 RISK ASSESSMENT

9.1 In preparing the Council's 2023/24 Revenue Budget, the key strategic, operational and financial risks faced by the Council over this period were considered. To alleviate the impact these risks may have if they occur, a number of general risk mitigation factors are utilised by the Council.

9.2 The key risks in 2023/24 have been assessed both in terms of the probability of whether they will occur and the severity of their impact on the Council should they indeed happen. These risks have been ranked as either zero, low, medium or high. Details of this risk assessment are included in Appendix C to this report.

9.3 These risks have been assessed and ranked accordingly both in terms of the probability of whether they will occur and the severity of their impact on the Council should they indeed happen. Any changes to the assessment from the previous reporting period, together with any additional comments included, are highlighted in bold type.

10 POLICY IMPLICATIONS

10.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

11 CONSULTATIONS

11.1 The Council Leadership Team were consulted in the preparation of this report.

12 BACKGROUND PAPERS

12.1 None

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DUNDEE CITY COUNCIL							
2023/2024 REVENUE OUTTURN MONITORING							
PERIOD 1 APRIL 2023 - 31 MAY 2023							
	Approved		Adjusted			Projected	Actual
	Revenue	Total	Revenue	Actual	Projected	Variance	31.05.2023
	Budget	Budget	Budget	Spend to	Outturn	Over/(under)	as a % of
	2023/24	Adjustments	2023/24	31.05.2023	2023/24	spend	Adjusted
	£m	£m	£m	£m	£m	£m	Budget
General Fund Services							
Children & Families	185.991		185.991	28.221	187.971	1.980	15%
Dundee Health & Social Care Partnership	102.437		102.437	15.561	102.437	0.000	15%
City Development	15.449		15.449	4.598	15.449	0.000	30%
Neighbourhood Services	26.251		26.251	6.382	26.657	0.406	24%
Chief Executive	14.015	(0.020)	13.995	2.121	13.995	0.000	15%
Corporate Services	31.964	0.070	32.034	13.330	32.034	0.000	42%
Construction Services	0.000		0.000	0.194	0.932	0.932	
	376.107	0.050	376.157	70.407	379.475	3.318	19%
Capital Financing Costs / Interest on Revenue Balances	19.796		19.796	0.000	18.632	(1.164)	
Contingencies:							
- General	0.500		0.500		0.500		
- Budget growth/Cost Pressures	12.051	(0.050)	12.001		12.001		
- New monies	0.428		0.428		0.428		
- Pay award funding through capital	(3.444)		(3.444)		(3.444)		
Miscellaneous Items	(2.322)		(2.322)	(0.387)	(2.322)		17%
Bad Debt Provision	0.000		0.000		0.000		
Discretionary Non Domestic Rates (NDR) Relief	0.392		0.392	0.458	0.392	0.000	117%
Supplementary Superannuation Costs	2.708		2.708	0.437	2.708	0.000	16%
Tayside Valuation Joint Board	0.878		0.878	0.131	0.878		15%
Empty Property Relief Devolution	2.798		2.798	0.466	2.798		17%
Total Expenditure	409.891	0.000	409.891	71.512	412.046	2.154	17%
Sources of Income							
General Revenue Funding	(269.139)		(269.139)	(74.038)	(269.139)		28%
Contribution from National Non Domestic Rates (NNDR) Pool	(73.704)		(73.704)	(12.284)	(73.704)		17%
Council Tax	(61.698)		(61.698)	(13.740)	(62.030)	(0.332)	22%
Use of Capital Grant to fund pay award			0.000		0.000		
Use of Balances -							
Balance on Covid Recovery Fund	(1.750)		(1.750)		(1.750)		0%
Committed Balances c/f	0.000		0.000		0.000		
Service concessions	(3.600)		(3.600)		(3.600)		0%
Change Fund	0.000		0.000		0.000		
(Surplus)/Deficit for the year	0.000	0.000	0.000	(28.549)	1.822	1.822	
(Surplus)/Deficit for Housing Revenue Acct	0.000	0.000	0.000	0.000	0.000	0.000	

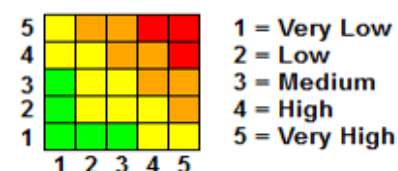
DUNDEE CITY COUNCIL
2023/2024 RING FENCED GRANTS
PERIOD 1 APRIL 2023 - 31 May 2023

Ring-fenced grants	Income Carry Forward from 22/23	Budget		Actuals		Projected Outturn for year		Projected Income Carry Forward into 24/25
		Expenditure	Income	Expenditure	Income	Expenditure	Income	
	£000	£000	£000	£000	£000	£000	£000	£000
Early Learning and Childcare Expansion (ELC)	(1,767)	14,351	(14,351)	2,086	(1,767)	16,118	(16,118)	0
Pupil Equity Fund (PEF)	(1,986)	5,107	(5,107)	1,314	(1,986)	7,093	(7,093)	0
Scottish Attainment Challenge (SAC)	(205)	3,764	(3,764)	806	(205)	3,969	(3,969)	0
Criminal Justice Social Work (Incl covid) (CJS)	0	5,412	(5,350)	713	(384)	5,412	(5,350)	62
Overall Total	(3,958)	28,634	(28,572)	4,919	(4,342)	32,592	(32,530)	62

Budget for CJS includes the mainstream budget provision of £62k.

Risks - Revenue Assessment

Corporate Risk Matrix



Risk Title	Causes	Impact	Inherent Risk	Controls	Residual Risk (Previous Month)	Residual Risk (Current Month)
1. General price inflation may be greater than anticipated.	<ul style="list-style-type: none"> Government policies and regulations Poor economic conditions Impact of rising price rises e.g. energy 	<ul style="list-style-type: none"> Increased financial cost / rising prices Potential budget overspends Potential for interest rate rises through intervention measures 		<ul style="list-style-type: none"> Corporate Procurement strategy in place, including access to nationally tendered contracts for goods and services Fixed price contracts agreed for major commodities i.e. gas and electricity. Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible, for example by utilising budget virements. 	n/a	
2. Capital Financing Costs - level of interest rates paid will be greater than anticipated.	<ul style="list-style-type: none"> Substantial decline of global financial market Economic factors impacting on interest rates 	<ul style="list-style-type: none"> Increased borrowing costs Greater return on investments / cash balances 		<ul style="list-style-type: none"> Treasury Management Strategy. Limited exposure to variable rate funding. Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible. 	n/a	
3. Unforeseen new cost pressures arising during the course of the financial year.	<ul style="list-style-type: none"> Financial constraints Demand pressures Cost of Living 	<ul style="list-style-type: none"> Potential overspends 		<ul style="list-style-type: none"> Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible, for example by utilising budget virements. 	n/a	
4. Chargeable income budget not achieved.	<ul style="list-style-type: none"> Reduced demand for chargeable services, for example due to cost of living crisis Market competition 	<ul style="list-style-type: none"> Loss of income Revision of budgeted income collection levels required 		<ul style="list-style-type: none"> Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible, for example by utilising budget virements. 	n/a	

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