

**REPORT TO: POLICY & RESOURCES COMMITTEE – 19 AUGUST 2019**

**REPORT ON: REVENUE MONITORING 2019/2020**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 262-2019**

**1 PURPOSE OF REPORT**

1.1 To provide Elected Members with an analysis of the 2019/2020 projected revenue outturn as at 30 June 2019 monitored against the adjusted 2019/2020 Revenue Budget.

**2 RECOMMENDATIONS**

2.1 It is recommended that Elected Members:

- a note that the overall General Fund 2019/2020 projected revenue outturn as at 30 June 2019 is projecting an overspend of £4,796,000 against the adjusted 2019/2020 Revenue Budget.
- b note that the Housing Revenue Account as at 30 June 2019 is projecting a breakeven position against the adjusted HRA 2019/2020 Revenue Budget.
- c agree that the Council Management Team will take every reasonable action to ensure that the 2019/2020 revenue expenditure is below or in line with the adjusted Revenue Budget.
- d instruct the Executive Director of Corporate Services in conjunction with the Council Management Team to continue to monitor the Council's 2019/2020 projected revenue outturn and to implement a recovery plan to reduce the projected overspend.

**3 FINANCIAL IMPLICATIONS (see Appendix A)**

- 3.1 The overall projected 2019/2020 General Fund Revenue outturn position for the City Council is a projected overspend of £4,796,000 based on the financial information available at 30 June 2019.
- 3.2 The Housing Revenue Account outturn position for 2019/2020 is a projected breakeven position based on the financial information available for the period to 30 June 2019.
- 3.3 The final position at 31 March 2020 for the General Fund and Housing Revenue Account will be confirmed in draft unaudited accounts prepared by 30 June 2020.

**4 BACKGROUND**

4.1 Following approval of the Council's 2019/2020 Revenue Budget by the Special Policy and Resources Committee on 21 February 2019, this report is now submitted in order to monitor the 2019/2020 projected revenue outturn position as at 30 June 2019, against the adjusted 2019/2020 Revenue Budget.

The total Revenue Budget per page 6 of the 2019/2020 Final Revenue Budget Volume is £353.705m. For Revenue Monitoring purposes, the Council Tax Reduction Scheme budget of £12.265m is moved from expenditure to income and netted off against Council Tax

income. This results in total budgeted expenditure of £341.440m for Revenue Monitoring purposes, as per Appendix A.

- 4.2 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 under 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.

## 5 RISK ASSESSMENT

- 5.1 In preparing the Council's 2019/2020 Revenue Budget, the Executive Director of Corporate Services considered the key strategic, operational and financial risks faced by the Council over this period (Article II of the minute of the meeting of the Special Policy & Resources Committee on 21 February 2019, Report No: 72-2019 refers). In order to alleviate the impact these risks may have should they occur, a number of general risk mitigation factors are utilised by the Council. These include the:

- system of perpetual detailed monthly budget monitoring carried out by service
- general contingency provision set aside to meet any unforeseen expenditure
- level of general fund balances available to meet any unforeseen expenditure
- level of other cash backed reserves available to meet any unforeseen expenditure
- possibility of identifying further budget savings and efficiencies during the year, if required.

- 5.2 The key risks in 2019/2020 have now 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, together with other relevant information including any proposed actions taken by the Council to mitigate these risks, are included in Appendix D to this report.

## 6 GENERAL FUND SERVICES - MONITORING POSITION AS AT 30 JUNE 2019

- 6.1 The forecast position as at 30 June 2019 for General Fund services is summarised below:

	<u>Adjusted Budget 2019/20 £000</u>	<u>Forecast 2019/20 £000</u>	<u>Variance £000</u>
Total Expenditure	341,440	346,236	4,796
Total Income	<u>(341,440)</u>	<u>(341,440)</u>	-
Forecast Position	-	<u>4,796</u>	<u>4,796</u>

The forecast position as at 30 June 2019 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** provides detailed explanations for the variances against budget that are shown in Appendix A.

**Appendix C** lists the budget adjustments that have been undertaken to date.

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

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.

- 6.2 The following paragraphs summarise the main areas of variance by service along with appropriate explanations. It should be emphasised that this report identifies projections based on the first three months of the financial year to 30 June 2019. The figures are therefore indicative at this stage and are used by the Chief Executive, Executive Director of Corporate Services and members of the Council Management Team to identify variances against budget and enable corrective action to be taken as appropriate.

### **Service Commentary**

6.3 General

Article XIII, Committee Report No 18-2019, Policy and Resources Committee of 7 January 2019 notes “services will be expected to operate within the limits of their overall revenue budget allocation. Cost pressures which emerge in-year should, where possible, be accommodated within the relevant service revenue budgets.” Accordingly there will be overs and unders within each service. The main areas are summarised below.

6.4 Children & Families Services (breakeven)

The service is currently projecting breakeven. The position will continue to be monitored closely in the coming months.

6.5 Dundee Health & Social Care Partnership (£775,000 overspend)

The financial monitoring position for the Dundee Health and Social Care Partnership (DHSCP) based on the 2019/2020 financial year as at 30 June 2019 shows a net overspend position of £2.316m.

The projected financial position is primarily due to an overspend of £1.857m which relates to services delegated from Dundee City Council.

A significant financial challenge facing the IJB’s delegated budget continues to be the provision of home and community based social care at a sufficient level to meet increasing demographic demand and reduce delayed discharges in hospital while balancing financial resources. At this stage of the financial year, the activity in this area is at such a level that a significant overspend is projected across a range of services. An overspend of approximately £600k is anticipated within externally purchased care at home services while expenditure on private and voluntary sector care homes is significantly higher than projected with an increased number of placements compared to the previous year’s position and anticipated trajectory resulting in a further overspend of around £450k.

Expenditure on respite care is higher than budget by around £145k mainly due to high levels of demand. Furthermore, expenditure on the Assessment at Home Service, an essential part of the multi-disciplinary Enhanced Community Support Service was originally planned to be funded through reserves as part of transitional arrangements leading to a further overspend of £824k, however current reserve balances set aside for this purpose are no longer sufficient to support this level of spend.

The financial projection for services delegated from NHS Tayside to the IJB indicates a projected overspend of around £459k by the end of the financial year. Community based health services managed directly by Dundee Health and Social Care Partnership are projected to be underspent by approximately (£373k), while GP prescribing is projected to be overspent by £364k. A further overspend of £249k relates to General Medical /Family Health services and an overspend of £219k as a result of the net effect of hosted services risk sharing.

Given the level of overspend projected and continued increasing demand for services officers from the Health and Social Care Partnership have commenced assessing a number of actions required to reduce expenditure.

The potential impact to the Council should the overspend not be fully contained is £775k.

## 6.6 City Development (£3,564,000 overspend)

### Corporate Properties

The principal overspends arise where planned rationalisation of property has not been fully implemented. This is due to changes in circumstances relating to building availability and service requirements.

Additionally an increase in service charge for Central Library based in Wellgate Centre and cleaning costs for corporate buildings have also contributed to the overspend.

The cost of keeping Council properties in good condition and fit for purpose has risen in recent years. This increased reactive repairs and maintenance is mainly due to assessments/inspections such as Health & Safety, Fire Risk, Asbestos and essential remedial works required arising from these assessments.

Monitoring of these costs is being undertaken jointly by City Development and Corporate Finance staff with mitigating actions being taken where appropriate.

### Other Properties

Reactive repairs & maintenance of buildings and utility costs for multi storey car parks also contributed to the property budget overspend.

Monitoring of the expenditure being incurred on property repairs and maintenance is undertaken jointly by City Development and Corporate Finance staff, with actions being taken to reduce expenditure where possible.

### Energy

An anticipated change in tariff billing for street lighting has not materialised. Lower savings from LED replacement programme also contribute to the deficit identified in Street Light budget. The LED programme will continue to deliver cash savings, however these will be less than originally anticipated leading to an ongoing costs pressure within City Development's budget.

### Staffing

The service is projecting an overspend in staff costs attributed to savings which are partially realised due to lower than anticipated staff turnover. All vacancies are being reviewed and opportunities for voluntary early retirement are being considered.

### Income

The service is anticipating a shortfall in external rental income including investment properties. The ground-lease on the Wellgate Centre is generating significantly less income than expected. The property portfolio is being managed proactively to maximise income from commercial lets, although this is challenging for various reasons such as location, design, specification and condition of the properties.

- 6.7 Neighbourhood Services (breakeven)  
Whilst the monthly payments to MVV are currently greater than had been originally expected we anticipate these payments will be offset following rebate adjustments that are expected during the annual year end reconciliation process. We will continue to monitor the impact of this budget closely and report any further variances in due course.
- 6.8 Chief Executive (£65,000 underspend)  
The service is projecting an underspend in staff costs due to vacant posts.
- 6.9 Corporate Services (£522,000 overspend)  
This overspend reflects Perth and Kinross Council's decision to source Scientific Services from alternative providers and a reduction in Angus Council and Fife Council's budgets for Scientific Services, offset by a modest increase in income from other customers and a saving in staff costs as a result of VER. Officers continue to look at opportunities to raise additional income to reduce the shortfall.

## 7 ONGOING ACTIONS

- 7.1 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 There is also close working with Dundee HSCP and LACD on revenue requirements for current and future funding.
- 7.4 The 2019/20 budget savings agreed at the meeting of the Special Policy & Resources Committee on 21 February are monitored on a monthly basis. The Revenue Monitoring position reported reflects the position with regard to achieving these savings.

## 8 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 30 JUNE 2019

- 8.1 The forecast position as at 30 June 2019 for the HRA is summarised below:

	<u>Adjusted Budget 2019/20 £000</u>	<u>Forecast 2019/20 £000</u>	<u>Variance £000</u>
Total Expenditure	54,219	54,219	-
Total Income	<u>54,219</u>	<u>54,219</u>	-
Forecast Position	-	-	-

- 8.2 The service is projecting a breakeven position against the adjusted HRA 2019/2020 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2020 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2019/2020 HRA Revenue Budget.

**9 POLICY IMPLICATIONS**

This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues. Details of the risk assessment are included in Appendix D to this report.

**10 CONSULTATIONS**

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

**11 BACKGROUND PAPERS**

None.

**GREGORY COLGAN  
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**09 AUGUST 2019**

<b>DUNDEE CITY COUNCIL</b>										
<b>2019/2020 REVENUE OUTTURN MONITORING</b>										
<b>PERIOD 1 APRIL 2019 - 30 JUNE 2019</b>										
	<b>Approved</b>		<b>Revised</b>						<b>Previous</b>	<b>Movement</b>
	<b>Revenue</b>	<b>Total</b>	<b>Revenue</b>	<b>Projected</b>	<b>Worse</b>	<b>Better</b>	<b>Net</b>		<b>Months</b>	<b>since</b>
	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Outturn</b>	<b>Than</b>	<b>Than</b>	<b>Variance</b>		<b>Projected</b>	<b>Previous</b>
	<b>2019/20</b>	<b>Adjustments</b>	<b>2019/20</b>	<b>2019/20</b>	<b>Budget</b>	<b>Budget</b>	<b>(see Appx B)</b>	<b>Note</b>	<b>Variance</b>	<b>Month</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>General Fund Services</b>										
Children & Families	162,190		162,190	162,190					0	
Dundee Health & Social Care Partnership	76,198		76,198	76,973	775		775	1	0	775
City Development	10,407		10,407	13,971	3,564		3,564	2	0	3,564
Neighbourhood Services	28,968		28,968	28,968					0	
Chief Executive	11,657		11,657	11,592		(65)	(65)	3	0	(65)
Corporate Services	31,169		31,169	31,691	522		522	4	0	522
DCS Construction	(2,585)		(2,585)	(2,585)					0	
	318,004	0	318,004	322,800	4,861	(65)	4,796		0	4,796
Capital Financing Costs / Interest on Revenue Balances	22,747		22,747	22,747					0	
Contingencies:									0	
- General	500		500	500					0	
- Cost Pressures	422		422	422					0	
- Unallocated Corporate Savings	(1,866)		(1,866)	(1,866)					0	
Miscellaneous Items	(2,055)		(2,055)	(2,055)					0	
Discretionary NDR Relief	308		308	308					0	
Supplementary Superannuation Costs	2,516		2,516	2,516					0	
Tayside Valuation Joint Board	864		864	864					0	
<b>Total Expenditure</b>	<b>341,440</b>	<b>0</b>	<b>341,440</b>	<b>346,236</b>	<b>4,861</b>	<b>(65)</b>	<b>4,796</b>		<b>0</b>	<b>4,796</b>
<b>Sources of Income</b>										
General Revenue Funding	(223,217)		(223,217)	(223,217)					0	
Contribution from NNDR Pool	(64,307)		(64,307)	(64,307)					0	
Council Tax	(53,916)		(53,916)	(53,916)					0	
Use of Balances -			0	0					0	
Committed Balances c/f			0	0					0	
Change Fund			0	0					0	
<b>(Surplus)/Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,796</b>	<b>4,861</b>	<b>(65)</b>	<b>4,796</b>		<b>0</b>	<b>4,796</b>
<b>Housing Revenue Account</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>



**REASONS FOR 2019/2020 CONTROLLABLE PROJECTED REVENUE OVERTURN VARIANCES**  
**(Excludes Capital Charges, Central Support Services & Office Recharges)**  
**AT 30 JUNE 2019**

<u>Service</u>	<u>Note</u>	<u>As at 30 Jun £000</u>	<u>N/a £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>As at 30 Jun £000</u>	<u>N/a £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Dundee Health &amp; Social Care Partnership</u>	1	775	0	<u>Departmental</u>		775	0	<p>The financial monitoring position for the Dundee Health and Social Care Partnership (DHSCP) based on the financial year as at 30th June 2019 shows a net overspend position of £2.316m. A significant financial challenge facing the IJB's delegated budget continues to be the provision of home and community based social care at a sufficient level to meet increasing demographic demand and reduce delayed discharges in hospital while balancing financial resources.</p> <p>The potential impact to the Council should the overspend not be contained is approximately £775,000.</p>
<u>City Development</u>	2	3,564	0	<u>Departmental</u>	Staff Costs	495	0	Staff savings are partially realised due to lower than anticipated staff turnover. However all vacancies are being reviewed and opportunities for voluntary early retirement are being considered.
					Supplies & Services	920	0	Achievement of Street Lighting savings on electricity tariffs for unmetered supplies no longer possible +£180k, lower savings +£620k from LED replacement programme and also higher costs of securing +£120k various car parks buildings which can be reduced by CCTV installations.
					Third Party Payments	(325)	0	Underperformance of employability provision for the first six months of the year.
					Property	1,441	0	<p>The net overspend on property costs are due to rent &amp; rates £520k; repairs &amp; maintenance £773k and cleaning costs £148k.</p> <p><b>Rent and Non Domestic Rates</b> - overspend mainly due to not fully implementing the property rationalisation programme which includes buildings such as Claverhouse Social Work office £97k, Dudhope Castle £60k, 353 Clepington Road £97k, Rockwell Buildings £66k, Laboratory Gemini Crescent £59k, Music Centre Bell Street £18k ; also rent service charge for Central Library £77k.</p>

**REASONS FOR 2019/2020 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES**  
**(Excludes Capital Charges, Central Support Services & Office Recharges)**  
**AT 30 JUNE 2019**

<u>Service</u>	<u>Note</u>	<u>As at</u> <u>30 Jun</u> <u>£000</u>	<u>N/a</u> <u>£000</u>	<u>Cost Centre</u>	<u>Subjective</u> <u>Analysis</u>	<u>As at</u> <u>30 Jun</u> <u>£000</u>	<u>N/a</u> <u>£000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>City Development (cont)</u>								<p><b>Repairs &amp; Maintenance</b> : cost of keeping council properties in good conditions and fit for purpose have risen in recent years. This includes various legislative requirements i.e. Health &amp; Safety at work, Fire Risk and Asbestos. The consequences of complying with these standards come with both additional work and costs to the council.</p> <p><b>Cleaning costs</b> - partly due to not fully to implementing the property rationalisation programme which includes Dudhope Castle £35k, Rockwell £22k, Claverhouse Social Work office £27k, Music Centre Bell Street £10k; also higher cleaning costs at Central Library £14k and DCA £12k.</p>
					Income	<b>1,033</b>	0	Reflects lower than budgeted income in the following areas: Economic Development £368k, Employability Programme £146k, Property rental income £136k, Investment properties £297k & Architect fees £86k.
<u>Chief Executive</u>	<b>3</b>	<b>(65)</b>	<b>0</b>		Staff Costs	<b>(65)</b>	0	Projected underspend in staff costs due to vacant posts
<u>Corporate Services</u>	<b>4</b>	<b>522</b>	<b>0</b>		Income	<b>522</b>	0	Relates to Scientific Services - reduced income from Angus, Perth & Kinross and Fife
<b><u>TOTAL GENERAL FUND</u></b>		<b><u>4,796</u></b>	<b><u>0</u></b>			<b><u>4,796</u></b>	<b><u>0</u></b>	

Dundee City Council  
Revenue Monitoring to 31st March 2020 - Budget Adjustments to date

	<u>Alloc</u>	<u>2018/19</u> <u>Under</u>	<u>Funding</u>	<u>Alloc</u> <u>from</u>	<u>Alloc</u> <u>from</u>	<u>T/Fs</u> <u>Between</u>	<u>Dept</u> <u>Totals</u>
<u>General Fund Services</u>	<u>To/From</u>	<u>spends</u>	<u>T/Fs</u>	<u>Change</u>	<u>R&amp;R</u>	<u>Depts /</u>	<u>Dept</u>
	<u>Conts</u>	<u>b/fwd</u>	<u>£000</u>	<u>Fund</u>	<u>Fund</u>	<u>Conts</u>	<u>Totals</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>Children &amp; Families</u>							0
<u>Dundee Health &amp; Social Care Partnership</u>							0
<u>City Development</u>							0
<u>Neighbourhood Services</u>							0
<u>Chief Executive</u>							0
<u>Corporate Services</u>							0
<u>Construction</u>							0
<u>Capital Finance Costs / IORB</u>							0
<u>Miscellaneous Income</u>							0
<u>General Contingency</u>							0
<u>Savings &amp; Other Contingencies</u>							0
<u>Supplementary Superannuation</u>							0
<b>Total Adjustments (General Fund)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



Risks - Revenue	Assessment		Risk Management / Comment
	Original	Revised	
<u>General Inflation</u> General price inflation may be greater than anticipated.	Med	Med	Corporate Procurement strategy in place, including access to nationally tendered contracts for goods and services. In addition, fixed price contracts agreed for major commodities i.e. gas and electricity.
<u>Equal Pay Claims</u> A provision may be required for the cost of equal pay claims.	Low	Low	Relatively few cases being taken through the Employment Tribunal process.
<u>Capital Financing Costs</u> Level of interest rates paid will be greater than anticipated.	Low/ Med	Low/ Med	Treasury Mgmt Strategy. Limited exposure to variable rate funding.
<u>Savings</u> Failure to achieve agreed level of savings & efficiencies.	Low/ Med	Low/ Med	General risk mitigation factors (ref para 5.1), in particular, regular monitoring by departments to ensure savings targets are met.
<u>Emerging Cost Pressures</u> The possibility of new cost pressures or responsibilities emerging during the course of the financial year, including potential additional costs associated with Brexit (especially in the event that the UK leaves the EU without a deal).	Low/ Med	Low/ Med	General risk mitigation factors (ref para 5.1), in particular, regular monitoring by departments to ensure cost pressures are identified early and corrective action can be taken as necessary.
<u>Chargeable income</u> The uncertainty that the level of chargeable income budgeted will be received.	Med/ High	Med/ High	General risk mitigation factors (ref para 5.1), in particular, regular monitoring by departments to ensure any shortfalls are identified as early as possible and corrective action can be taken as necessary.
<u>Council Tax Collection</u> Provision for non-collection of Council Tax (3.2%) may not be adequate.	Low	Low	Provision set takes cognisance of amounts collected for previous financial years. Non-payers subject to established income recovery procedures.
<u>Welfare Reform</u> The changes introduced as part of the welfare reform exercise may increase the risk that budgeted income collection levels are not achieved and that current non-collection provision levels are inadequate.	Low/ Med	Low/ Med	General risk mitigation factors (ref para 5.1), in particular, regular monitoring by departments to ensure any shortfalls are identified as early as possible and corrective action can be taken as necessary. Budget also introduced for discretionary housing payments to assist those affected by these changes.

