

**REPORT TO: POLICY & RESOURCES COMMITTEE - 12 SEPTEMBER 2011**

**REPORT ON: REVENUE MONITORING 2011/2012**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO: 408-2011**

## **1 PURPOSE OF REPORT**

- 1.1 To provide Elected Members with an analysis of the 2011/2012 Projected Revenue Outturn as at 31 July 2011 monitored against the adjusted 2011/2012 Revenue Budget.

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that Elected Members:
- a note that the overall General Fund 2011/2012 Projected Revenue Outturn as at 31 July 2011 shows an underspend of £24,000 against the adjusted 2011/2012 Revenue Budget.
  - b note that the Housing Revenue Account as at 31 July 2011 is projecting a breakeven position against the adjusted HRA 2011/2012 Revenue Budget.
  - c agree that the Director of Finance will take every reasonable action to ensure that the 2011/2012 Revenue expenditure is below or in line with the adjusted Revenue Budget.
  - d instruct the Director of Finance in conjunction with all Chief Officers of the Council to continue to monitor the Council's 2011/2012 Projected Revenue Outturn.

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

- 3.1 The overall projected 2011/2012 General Fund Revenue outturn position for the City Council shows an underspend of £24,000 based on the financial information available at 31 July 2011. A system of perpetual detailed monitoring will continue to take place up to 31 March 2012 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2011/2012 Revenue Budget.
- 3.2 The Housing Revenue Account outturn position for 2011/2012 is currently projecting a breakeven position based on the financial information available for the period to 31 July 2011. A system of perpetual detailed monitoring will continue to take place up to 31 March 2012 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2011/2012 HRA Revenue Budget.

## **4 BACKGROUND**

- 4.1 Following approval of the Council's 2011/2012 Revenue Budget by the Special Policy and Resources Committee on 10 February 2011 this report is now submitted in order to monitor the 2011/2012 Projected Revenue Outturn position as at 31 July 2011, against the adjusted 2011/2012 Revenue Budget.
- 4.2 This report provides a detailed breakdown of departmental revenue monitoring information along with explanations of material variances against adjusted budgets. Where departments are projecting a significant under or overspend against adjusted budget, additional details have been provided. Where departmental 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 2011/2012 Revenue Budget, the Director of Finance considered the key strategic, operational and financial risks faced by the Council over this period (please refer to report 73-2011, approved by Special Policy & Resources Committee on 10 February 2011, for further details). 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 departments
  - 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 2011/2012 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 31 JULY 2011

- 6.1 The forecast position as at 31 July 2011 for General Fund services is summarised below:

	<u>Adjusted</u> <u>Budget</u> <u>2011/12</u> <u>£000</u>	<u>Forecast</u> <u>2011/12</u> <u>£000</u>	<u>Variance</u> <u>£000</u>
Total Expenditure	357,584	357,560	(24)
Total Income	<u>(357,584)</u>	<u>(357,584)</u>	<u>-</u>
Forecast Underspend	<u>-</u>	<u>(24)</u>	<u>(24)</u>

The forecast position as at 31 July 2011 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 department/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. These adjustments include funding transfers and the transfer of budgets between budget headings within the Revenue Budget, allocations from Contingencies and also unspent budgets that have been carried forward from the previous financial year.

**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 department along with appropriate explanations. It should be emphasised that this report identifies projections based on the first four months of the financial year to 31 July 2011. The figures are therefore indicative at this stage and are used by the Chief Executive, Director of Finance and Chief Officers to identify variances against budget and enable corrective action to be taken as appropriate.

### **Departmental Commentary**

6.3 Social Work (£571,000 overspend)

The majority of this overspend reflects continued significant cost pressures surrounding Adult Care. In addition, the department are projecting increased expenditure within Children Services, where family placements are expected to be greater than budgeted due to the increased number of children requiring permanent substitute care away from their birth parents. These variances will be partly offset by savings that are anticipated due to slippage in staff costs across the department.

6.4 City Development (£300,000 overspend)

In Building Quality, income for building warrant fees, planning applications and property enquiries continues to be significantly lower than budgeted, reflecting a reduction in these activities due to the ongoing economic climate. In Off Street Car Parks, the level of car parking income is also projected to be lower than budgeted reflecting current usage of the Council's off street car parking facilities. These variances are partly offset by projected savings in staff costs due to unfilled vacancies across the department together with lower than anticipated supplies and services expenditure on various budget heads.

6.5 Finance General (£100,000 underspend)

The above variance reflects savings in staff costs that are anticipated due to a number of unfilled vacancies within the department. This will be partly offset by a projected overspend in supplies and services expenditure together with an estimated shortfall in various income streams received by the department.

6.6 Chief Executive: National Entitlement Card Project (£145,000 underspend)

This variance reflects grant income received from Improvement Service not previously assumed in the agreed budget.

6.7 Finance Revenues (£250,000 underspend)

This variance reflects projected savings in staff costs mainly due to staff slippage together with various additional income anticipated by the department.

6.8 Capital Financing Costs / IORB (£400,000 underspend)

The above reflects a projected saving due to lower than anticipated interest rates together with a reduction in required level of borrowing due to slippage on expenditure in 2011/12 capital programme.

## 7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 JULY 2011

7.1 The forecast position as at 31 July 2011 for the HRA is summarised below:

	<u>Adjusted Budget 2011/12 £000</u>	<u>Forecast 2011/12 £000</u>	<u>Variance £000</u>
Total Expenditure	51,859	52,172	313
Total Income	<u>(51,859)</u>	<u>(52,172)</u>	<u>(313)</u>
Forecast Position	—	—	—

7.2 Expenditure on repairs and relets is projected to be greater than budgeted due to increased level of responsive repairs that are currently being carried out on properties together with a projected overspend on lost rents and bad debts following a rise in the number of void properties. These variances are projected to be offset by additional rental income that is anticipated to be received. The overall impact is a breakeven position against the adjusted HRA 2011/2012 Revenue Budget.

## 8 CONCLUSION

As in previous years, the Director of Finance will work with all Chief Officers of the Council to monitor the Council's 2011/2012 Revenue Budget and, through prudent budget management, take every reasonable action to achieve an outturn position below or in line with the approved 2011/2012 Revenue Budget.

## 9 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. Details of the risk assessment are included in Appendix D to this report.

There are no major issues.

## 10 CONSULTATIONS

The Chief Executive, Depute Chief Executive (Support Services) and all other Chief Officers have been consulted in the calculation of projected outturns included in this report, insofar as they apply to their own individual department.

## 11 BACKGROUND PAPERS

None.

**MARJORY M STEWART**  
**DIRECTOR OF FINANCE**

**01 SEPTEMBER 2011**

**DUNDEE CITY COUNCIL**
**2011/2012 REVENUE OUTTURN MONITORING**
**Appendix A**
**PERIOD 1 APRIL 2011 - 31 JULY 2011**

Statement analysing 2011/2012 Projected Revenue Outturn to Budget (Capital Charges, Central Support & Central Buildings Recharges have been excluded from Departments as these costs are outwith their control).

	Approved Budget £000	Budget Adjustments £000	Adjusted Budget £000	Forecast £000	Worse Than Budget £000	Better Than Budget £000	Net Variance £000	Notes	Previous Months Projected Variance £000
<b>General Fund Departments</b>									
Social Work	86,224	85	86,309	86,880	571		<b>571</b>	1	<b>571</b>
City Development	12,722	(216)	12,506	12,806	300		<b>300</b>	2	
Education	121,519	210	121,729	121,729					
Leisure & Communities	21,532	12	21,544	21,544					
Waste Management	15,065	275	15,340	15,340					
Environmental Health & Trading Stds	2,884		2,884	2,884					
Central Support Services:									
Chief Executive	1,497	22	1,519	1,519					
Personnel	1,141		1,141	1,141					
Information Technology	4,919	578	5,497	5,497					
Support Services - Admin/Legal	3,228	(43)	3,185	3,185					
- Architects	(628)		(628)	(628)					
Finance General	3,353	(7)	3,346	3,246		( 100)	<b>( 100)</b>	3	
Miscellaneous Services:									
Chief Executive	7,162		7,162	7,017		( 145)	<b>( 145)</b>	4	
Support Services	68		68	68					
Finance Revenues	3,396	(134)	3,262	3,012		( 250)	<b>( 250)</b>	5	<b>(250)</b>
Dundee CAB	111		111	111					
Contribution to Employment Unit	85		85	85					
Other Housing	3,348		3,348	3,348					
DCS - Land Services Client	1,951		1,951	1,951					
Supporting People	12,279		12,279	12,279					
	-----	-----	-----	-----	-----	-----	-----		-----
	301,856	782	302,638	303,014	<b>871</b>	<b>(495)</b>	<b>376</b>		<b>321</b>
Miscellaneous Income	(2,567)		(2,567)	(2,567)					
DCS - Contracting Activities and Land Services	(388)		(388)	(388)					
Capital Financing Costs / Interest on Revenue Balances	24,805		24,805	24,405		( 400)	<b>( 400)</b>	6	<b>(300)</b>
<b>Contingencies</b>									
General	650	(22)	628	628					
Other	42		42	42					
Electricity Contract	594		594	594					
Discretionary NDR Relief	147		147	147					
Supplementary Superannuation Costs	1,918		1,918	1,918					
	-----	-----	-----	-----	-----	-----	-----		-----
	327,057	760	327,817	327,793	<b>871</b>	<b>(895)</b>	<b>(24)</b>		<b>21</b>
<b>Joint Boards</b>									
Tayside Joint Police Board	16,223		16,223	16,223					
Tayside Fire & Rescue Board	12,553		12,553	12,553					
Tayside Valuation Joint Board	991		991	991					
	-----	-----	-----	-----	-----	-----	-----		-----
<b>Total Expenditure</b>	356,824	760	357,584	357,560	<b>871</b>	<b>(895)</b>	<b>(24)</b>		<b>21</b>
<b>Sources of Income</b>									
General Revenue Funding / Contribution from NNDR Pool	(300,302)		(300,302)	(300,302)					
Council Tax	(56,522)		(56,522)	(56,522)					
Use of Balances -									
Committed Balances c/f	0	(760)	(760)	(760)					
Renewal & Repair Fund	0		0	0					
	-----	-----	-----	-----	-----	-----	-----		-----
<b>(Surplus)/Deficit for the year</b>	0	0	0	(24)	<b>871</b>	<b>(895)</b>	<b>(24)</b>		<b>21</b>
	=====	=====	=====	=====	=====	=====	=====		=====
<b>Housing Revenue Account</b>	0	0	0	0			<b>0</b>	7	<b>0</b>
	=====	=====	=====	=====	===	===	===		===

**REASONS FOR 2011/2012 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES**  
**(Excludes Capital Charges, Central Support Services & Office Recharges)**

**Appendix B**

**AT 31 JULY 2011**

<u>Department</u>	<u>Note</u>	<u>Total Variance £000</u>	<u>Previous Months Total Variance £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>Breakdown of Projected Variance £000</u>	<u>Breakdown of Previous Months Projected Variance £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Social Work</u>	1	571	571	Departmental	Staff	(250)	(250)	Reflects projected savings mainly due to staff slippage.
					Third Party Payments	449	449	Reflects continuous cost pressures around Adult Care.
					Third Party Payments	372	372	Increase in number of children requiring permanent substitute care away from their birth parents.
<u>City Development</u>	2	300	Nil	Transportation	Staff	(20)	0	Staff costs are projected to be underspent due to various unfilled vacancies.
				Property	Staff	(40)	0	Staff costs are projected to be underspent due to various unfilled vacancies.
				Building Quality	Staff	(40)	0	Staff costs are projected to be underspent due to various unfilled vacancies.
					Income	300	0	Income for building warrants, planning applications and property enquiries is lower than budgeted, reflecting a reduction in these activities due to the current economic climate.
				Mainstream: Economic Development	Supplies & Services	(100)	0	Reflects lower than anticipated expenditure on various budget heads.
				Off Street Car Parks	Income	200	0	Reflects shortfall in level of budgeted income for car parking charges.
<u>Finance General</u>	3	(100)	Nil	General	Staff	(138)	0	Mainly reflects projected savings due to staff slippage.
					Supplies & Services	27	0	Reflects projected overspend mainly due to legal fees and other miscellaneous supplies and services being greater than anticipated.
					Income	17	0	Income from property enquiries is lower than budgeted, reflecting a reduction in these activities due to the current economic climate.
<u>Chief Executive: National Entitlement Card Project</u>	4	(145)	Nil	NEC Project	Income	(145)	0	Reflects grant income received from Improvement Service.
<u>Finance Revenues</u>	5	(250)	(250)	Revenues	Staff	(214)	(210)	Projected underspend mainly due to unfilled vacancies and maternity leave.
					Income	(27)	(47)	Reflects additional administration grant from Department of Works & Pensions and commission income received from Scottish Water.
<u>Capital Financing Costs/ORB</u>	6	(400)	(300)	Corporate	Capital Financing Costs/ORB	(400)	(300)	Reflects projected saving on capital financing costs due to lower than anticipated interest rates together with slippage on expenditure in 2011/12 capital programme.

**REASONS FOR 2011/2012 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES**

**Appendix B**

**(Excludes Capital Charges, Central Support Services & Office Recharges)**

**AT 31 JULY 2011**

<b><u>Department</u></b>	<b><u>Note</u></b>	<b><u>Total Variance £000</u></b>	<b><u>Previous Months Total Variance £000</u></b>	<b><u>Cost Centre</u></b>	<b><u>Subjective Analysis</u></b>	<b><u>Breakdown of Projected Variance £000</u></b>	<b><u>Breakdown of Previous Months Projected Variance £000</u></b>	<b><u>Reason / Basis of Over/(Under)spend</u></b>
<b><u>Housing Revenue Account</u></b>	7	Nil	Nil	Repairs & Relets		128	91	Reflects the level of responsive repairs that are currently being required.
				Lost Rents and Bad Debts		68	37	Mainly this relates to an increase in lost rents as a result of a greater number of void properties and a fall in the level of council sales.
				Stair Lighting		20	25	Mainly reflects increased price of electricity charges.
				Homelessness		58	38	Mainly this is due to an anticipated increase in repairs and maintenance expenditure.
				Rent of Houses		(313)	(237)	Increased rental income mainly due to a higher level of housing stock than budgeted.
				Capital Financing Costs		39	46	Overspend reflects higher than budgeted loan repayments.

**Appendix C**

	<u>Alloc</u> <u>From</u> <u>Conts</u> <u>£000</u>	<u>2010/11</u> <u>Under</u> <u>spends</u> <u>b/fwd</u> <u>£000</u>	<u>Funding</u> <u>T/Fs</u> <u>£000</u>	<u>Alloc</u> <u>from</u> <u>R&amp;R</u> <u>Fund</u> <u>£000</u>	<u>Alloc</u> <u>from</u> <u>Other</u> <u>Bals</u> <u>£000</u>	<u>T/Fs</u> <u>Between</u> <u>Depts</u> <u>£000</u>	<u>Vol Early</u> <u>Retiral/</u> <u>Redund</u> <u>Scheme</u> <u>£000</u>	<u>Other</u> <u>T/Fs</u> <u>£000</u>	<u>Dept</u> <u>Totals</u> <u>£000</u>
<b><u>General Fund Departments</u></b>									
<u>Education</u>									
1. DSM Balances		308							
2. T/f Staff Costs to Information Technology						(98)			210
<u>Social Work</u>									85
1. Community Equipment Service		85							
<u>City Development</u>									(216)
1. Flood Risk Management		57							
2. T/f Staff Costs to Information Technology						(273)			
<u>Leisure &amp; Communities</u>									12
1. T/f Staff Costs from Finance General						12			
<u>Waste Management</u>									275
1. Various commitments c/fwd		275							
<u>CSS - Chief Executive</u>									22
1. Contribution to V&A Project	22								
<u>CSS - Information Technology</u>									578
1. T/f Operations Team from Finance Revenues						145			
2. T/f Staff Costs from City Development						273			
3. T/f Staff Costs from Education						98			
4. T/f Staff Costs from Admin & Legal						62			
<u>CSS - Admin &amp; Legal</u>									(43)
1. T/f Staff Costs from Finance Revenues						19			
2. T/f Staff Costs to Information Technology						(62)			
<u>CSS - Finance General</u>									(7)
1. Computer Audit		5							
2. T/f Staff Costs to Leisure & Communities						(12)			
<u>MS - Finance Revenues</u>									(134)
1. T/f Staff Costs to CSS - Admin & Legal						(19)			
2. T/f Operations Team to Information Technology						(145)			
3. Single Persons Discount Review		30							
<u>General Contingency</u>									(22)
1. T/f to Chief Executive (re V&A Cont)	(22)								
<b>Total Adjustments (General Fund)</b>	0	760	0	0	0	0	0	0	760



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>Single Status</u> The provision for the costs associated with implementing Single Status may be insufficient.	Low	Low	Departmental budgets increased to cover incremental progression through the new grades.
<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>Interest on Revenue Balances</u> Level of interest rates will be lower than anticipated.	Med/ High	Med/ High	Treasury Mgmt Strategy. Reduction in income will be offset by lower temporary borrowing costs.
<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.	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.