

REPORT TO: POLICY & RESOURCES COMMITTEE – 11 NOVEMBER 2013

REPORT ON: REVENUE MONITORING 2013/2014

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 466-2013

1 PURPOSE OF REPORT

- 1.1 To provide Elected Members with an analysis of the 2013/2014 Projected Revenue Outturn as at 30 September 2013 monitored against the adjusted 2013/2014 Revenue Budget.

2 RECOMMENDATIONS

- 2.1 It is recommended that Elected Members:
- a note that the overall General Fund 2013/2014 Projected Revenue Outturn as at 30 September 2013 is projecting a breakeven position against the adjusted 2013/2014 Revenue Budget.
 - b note that the Housing Revenue Account as at 30 September 2013 is projecting a breakeven position against the adjusted HRA 2013/2014 Revenue Budget
 - c agree that the Director of Corporate Services will take every reasonable action to ensure that the 2013/2014 Revenue expenditure is below or in line with the adjusted Revenue Budget.
 - d instruct the Director of Corporate Services in conjunction with all Chief Officers of the Council to continue to monitor the Council's 2013/2014 Projected Revenue Outturn.

3 FINANCIAL IMPLICATIONS (see Appendix A)

- 3.1 The overall projected 2013/2014 General Fund Revenue outturn position for the City Council is projecting a breakeven position based on the financial information available at 30 September 2013. A system of perpetual detailed monitoring will continue to take place up to 31 March 2014 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2013/2014 Revenue Budget.
- 3.2 The Housing Revenue Account outturn position for 2013/2014 is currently projecting a breakeven position based on the financial information available for the period to 30 September 2013. A system of perpetual detailed monitoring will continue to take place up to 31 March 2014 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2013/2014 HRA Revenue Budget.

4 BACKGROUND

- 4.1 Following approval of the Council's 2013/2014 Revenue Budget by the Special Policy and Resources Committee on 14 February 2013 this report is now submitted in order to monitor the 2013/2014 Projected Revenue Outturn position as at 30 September 2013, against the adjusted 2013/2014 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 2013/2014 Revenue Budget, the Director of Corporate Services considered the key strategic, operational and financial risks faced by the Council over this period (please refer to report 77-2013, approved by Special Policy & Resources Committee on 14 February 2013, 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 2013/2014 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 SEPTEMBER 2013

6.1 The forecast position as at 30 September 2013 for General Fund services is summarised below:

	<u>Adjusted Budget 2013/14 £000</u>	<u>Forecast 2013/14 £000</u>	<u>Variance £000</u>
Total Expenditure	333,992	333,992	-
Total Income	<u>(333,992)</u>	<u>(333,992)</u>	-
Forecast Position	-	-	-

The forecast position as at 30 September 2013 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. The main budget adjustments that have been made so far, relate to the carry forward of various unspent budgets from last year (£2.219m) and new monies allocated from the Scottish Government for the Council Tax Reduction Scheme (£9.469m). For further details please refer to Appendix C.

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 six months of the financial year to 30 September 2013. The figures are therefore indicative at this stage and are used by the Chief Executive, Director of Corporate Services and Chief Officers to identify variances against budget and enable corrective action to be taken as appropriate.

Departmental Commentary

- 6.3 Whilst a number of departments below are projecting a breakeven position as at 30 September 2013, a number of cost pressures are emerging relating to various services. These overspends are anticipated to be offset by various underspends and additional income streams although these departments will continue to monitor this position closely.

6.4 City Development (£200,000 overspend)

The department are projecting a significant shortfall in external rental income due to the number of commercial properties that are currently vacant. In addition, income from car parking charges is expected to be less than budgeted level reflecting the current usage of off street car parking facilities. These adverse variances are partly offset by projected savings in third party payments mainly due to changes to contracts for registered bus services and savings in staff costs due to the current level of slippage within the department.

6.5 Education (£nil)

The department are projecting overspends in cleaning and catering contracts due to the impact of the implementation of the living wage. Other property costs including non-domestic rates are also expected to be greater than budgeted although these adverse variances will be offset by additional non-recurring income.

6.6 Social Work (£nil)

Within Children's Services, payments for family placements have risen due to the increased number of children requiring to be looked after and accommodated by the service. In addition, third party payments have increased reflecting the current demand for respite care for Older People. These variances are expected to be offset by various additional income streams projected to be received by the department.

6.7 Environment (£nil)

The department are projecting a shortfall in the level of chargeable income received from trade refuse and refuse collection activities due to a reduction in the level of demand for these services. This variance will be offset by anticipated underspends on landfill and ash contracts during the temporary closure of the DERL facility. The department are also projecting additional transport costs following the recent review of recycling centre operations although these will be offset by funding from the Council's General Contingency.

6.8 Capital Financing Costs (£200,000 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 the 2013/14 capital programme.

7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 30 SEPTEMBER 2013

7.1 The forecast position as at 30 September 2013 for the HRA is summarised below:

	<u>Adjusted</u> <u>Budget</u> <u>2013/14</u> <u>£000</u>	<u>Forecast</u> <u>2013/14</u> <u>£000</u>	<u>Variance</u> <u>£000</u>
Total Expenditure	54,250	54,020	(230)
Total Income	<u>(54,250)</u>	<u>(54,020)</u>	<u>230</u>
Forecast Position	— -	— -	— -

7.2 Expenditure on relets and repairs is projected to be greater than budgeted due to increased level of work being carried out. In addition, a shortfall in rental income is anticipated due to a slight increase in void properties together with an increase in bad debt provision reflecting the increase in arrears caused by the non-payment of under occupancy rule charges. These adverse variances are projected to be offset by lower than anticipated capital financing costs (please refer to Appendix B for further details).

7.3 The overall impact is a breakeven position against the adjusted HRA 2013/2014 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2014 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2013/2014 HRA Revenue Budget.

8 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.

9 CONSULTATIONS

The Chief Executive, Head of Democratic and Legal 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.

10 BACKGROUND PAPERS

None.

MARJORY M STEWART
DIRECTOR OF CORPORATE SERVICES

01 NOVEMBER 2013

DUNDEE CITY COUNCIL
2013/2014 REVENUE OUTTURN MONITORING
PERIOD 1 APRIL 2013 - 30 SEPTEMBER 2013

Appendix A

Statement analysing 2013/2014 Projected Revenue Outturn to Budget (Capital Charges, Central Support, Central Buildings & Corporate Property Recharges have been excluded from Departments as these costs are outwith their control).

	Approved Budget £000	Budget Adjustments 01 April to 31 Aug £000	Budget Adjustments 01 Sep to 30 Sep £000	Total Budget Adjustments (see Appx C) £000	Adjusted Budget £000	Forecast £000	Worse Than Budget £000	Better Than Budget £000	Net Variance (see Appx B) £000	Notes	Previous Months Projected Variance £000	Movement since Previous Month £000
General Fund Departments												
City Development	22,367	421	50	471	22,838	23,038	200		200	1		200
Education	117,567	1,355	(88)	1,267	118,834	118,834				2		
Social Work	93,085	407		407	93,492	93,492				3		
Environment	18,903	(155)	100	(55)	18,848	18,848				4		
Corporate Services	17,015	171	(100)	71	17,086	17,086						
Other Housing	2,933				2,933	2,933						
Supporting People	11,844				11,844	11,844						
Welfare Fund	1,512				1,512	1,512						
Chief Executive	20,997	(13)		(13)	20,984	20,984						
	306,223	2,186	(38)	2,148	308,371	308,571	200	0	200		0	200
Miscellaneous Income	(2,709)		100	100	(2,609)	(2,609)						
Capital Financing Costs / Interest on Revenue Balances	24,987	285		285	25,272	25,072		(200)	(200)	5		(200)
Contingencies:												
- General	628	(80)		(80)	548	548						
- Energy Costs	231		(130)	(130)	101	101						
- Other	1,264	(1,264)		(1,264)	0	0						
- Unallocated Corporate Savings:												
Prudential Borrowing (Electric Vehicles)	(37)				(37)	(37)						
CFTF - Admin / Clerical Review	(400)				(400)	(400)						
VER / VR Schemes	(290)	(125)	88	(37)	(327)	(327)						
CFTF - Procurement	(250)				(250)	(250)						
CFTF - Review of Transportation	(100)				(100)	(100)						
Discretionary NDR Relief	147				147	147						
Supplementary Superannuation Costs	2,323				2,323	2,323						
Tayside Valuation Joint Board	953				953	953						
	332,970	1,002	20	1,022	333,992	333,992	200	(200)	0		0	0
Sources of Income												
General Revenue Funding	(221,185)	(9,469)		(9,469)	(230,654)	(230,654)						
Contribution from NNDR Pool	(53,951)				(53,951)	(53,951)						
Council Tax	(57,834)	10,733		10,733	(47,101)	(47,101)						
Use of Balances -												
Committed Balances c/f		(2,219)		(2,219)	(2,219)	(2,219)						
Renewal & Repair Fund		(47)	(20)	(67)	(67)	(67)						
VER/VR Scheme 3					0	0						
	0	0	0	0	0	0	200	(200)	0		0	0
(Surplus)/Deficit for the year	0	0	0	0	0	0	200	(200)	0		0	0
Housing Revenue Account	0				0	0			0	6	0	

REASONS FOR 2013/2014 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 30 SEPTEMBER 2013

<u>Department</u>	<u>Note</u>	<u>Total</u> <u>Variance</u> <u>£000</u>	<u>Previous</u> <u>Months</u> <u>Total</u> <u>Variance</u> <u>£000</u>	<u>Cost Centre</u>	<u>Subjective</u> <u>Analysis</u>	<u>Breakdown</u> <u>of Projected</u> <u>Variance</u> <u>£000</u>	<u>Breakdown</u> <u>of Previous</u> <u>Months</u> <u>Projected</u> <u>Variance</u> <u>£000</u>	<u>Reason / Basis of Over/(Under)spend</u>	
<u>City Development</u>	1	200	Nil	Transportation	Staff Costs	(150)	0	Reflects current level of unfilled vacancies.	
					Third Party Payments	(278)	0	Reflects lower than anticipated expenditure following changes to contracts for registered bus and other services.	
					Off Street Car Parks	Income	356	0	Reflects shortfall in level of budgeted income for car parking charges.
					Mainstream	Third Party Payments	(169)	0	Reflects lower than anticipated expenditure to various external organisations.
					Property Valuation	Income	478	0	Reflects projected shortfall in external rental income due to the number of properties that are currently vacant.
<u>Education</u>	2	Nil	Nil	Departmental	Property	270	270	Reflects projected overspend on non-domestic rates across all sectors.	
						236	236	Reflects increased costs for cleaning contracts across all sectors following implementation of living wage.	
					Supplies & Services	164	164	Reflects increased costs for catering contracts across all sectors following implementation of living wage.	
					Income	(270)	(270)	Anticipated refund from non-domestic rates revaluation appeals.	
<u>Social Work</u>	3	Nil	Nil	Departmental	Income	(225)	(220)	Reflects repayment of underspends on externally purchased services from social care providers.	
					Children & Families	Third Party Payments	(361)	0	Reflects the reduction in number of residential and secure care placements currently being made.
						Third Party Payments	147	75	Increase in number of children requiring to be looked after and accommodated by family placement service.
					Older People	Third Party Payments	258	0	Mainly due to increased costs and demand of Older People and Free Personal Care placements.
						Third Party Payments	128	120	Reflects increased demand for respite care for older people.
					Adults	Third Party Payments	53	25	Reflects increased demand for respite care for adults.

REASONS FOR 2013/2014 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 30 SEPTEMBER 2013

<u>Department</u>	<u>Note</u>	<u>Total</u> <u>Variance</u> <u>£000</u>	<u>Previous</u> <u>Months</u> <u>Total</u> <u>Variance</u> <u>£000</u>	<u>Cost Centre</u>	<u>Subjective</u> <u>Analysis</u>	<u>Breakdown</u> <u>of Projected</u> <u>Variance</u> <u>£000</u>	<u>Breakdown</u> <u>of Previous</u> <u>Months</u> <u>Projected</u> <u>Variance</u> <u>£000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Environment</u>	4	Nil	Nil	Environmental Protection	Supplies & Services	(167)	(167)	Reflects lower than anticipated expenditure on various budget heads including equipment, materials and other supplies and services.
					Third Party Payments	(502)	(446)	Reflects net anticipated underspend on ash landfill contract during temporary closure of DERL facility. This variance is partly offset by increased expenditure on gate fees due to a higher than budgeted inflation uplift in the contract.
					Income	635	590	Mainly reflects shortfall in chargeable income from trade refuse and refuse collection due to a reduction in the level of demand for these services. In addition, income from sales of scrap metals, glass, paper and other recyclable materials is expected to be lower than budgeted level.
<u>Capital Financing Costs</u>	5	(200)	Nil	Corporate	Capital Financing Costs/IORB	(200)	0	Reflects projected saving on capital financing costs due to lower than anticipated interest rates together with slippage on expenditure in 2013/14 capital programme.
<u>Housing Revenue Account</u>	6	Nil	Nil	Repairs & Relets		458	333	Mainly reflects the level of responsive repairs that are currently being required.
				Administration		(219)	(137)	Reflects various savings projected from staff costs, telephones and training.
				Rent of Houses		230	272	Shortfall in rental income anticipated to be received due to slight increase in void properties, along with an increase in the bad debt provision reflecting the increase in arrears due to non-payment of Under Occupancy Charge.
				Capital Financing Costs		(469)	(468)	Reflects projected savings on capital financing costs due to actual level of borrowing required being less than expected.

Appendix C

General Fund Departments	<u>Alloc</u> <u>From</u> <u>Conts</u> <u>£000</u>	<u>2012/13</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&R</u> <u>Fund</u> <u>£000</u>	<u>T/Fs</u> <u>Between</u> <u>Depts</u> <u>£000</u>	<u>Council</u> <u>Tax</u> <u>Reduction</u> <u>Scheme</u> <u>£000</u>	<u>Vol Early</u> <u>Retiral/</u> <u>Redund</u> <u>Schemes</u> <u>£000</u>	<u>Dept</u> <u>Totals</u> <u>£000</u>
<u>Education</u>								
1. DSM Balances		1,258						
2. Net t/fs Staff costs from General Fund							9	1,267
<u>Social Work</u>								
1. Scottish Welfare Fund set up costs		59						
2. Community Equipment Service		47						
3. Dundee Violence Against Women Partnership		54						
4. Integrated Children's Services		13						
5. Older People Change Fund		225						
6. Implementation of Self-Directed Support		9						407
<u>City Development</u>								
1. Flood Coastal Protection		99						
2. Architects Fees		325						
3. T/F of Property Factoring costs for Dundee Ice Arena					28			
4. Dundee Ice Arena Health & Safety Costs				40				
5. Various repairs & improvements				7				
6. T/f of Capital Financing Costs to General Fund					(78)			
7. T/F of Property Repairs & Maintenance					(100)			
8. CCTV / Security Consultant				20				
9. Electricity costs - City Square Complex	130							471
<u>Environment</u>								
1. T/f of Capital Financing Costs to General Fund					(207)			
2. Review of Recycling Centre Operations	52							
3. T/F of Property Repairs & Maintenance					100			(55)
<u>Chief Executive</u>								
1. UK City of Culture Bid		15						
2. T/F of Property Factoring costs for Dundee Ice Arena					(28)			(13)
<u>Corporate Services</u>								
1. T/f Staff costs from General Fund							28	
2. Scientific Services - temporary posts	28							
3. Discretionary Housing Payments		70						
4. Welfare Reform		45						
5. T/f share of additional funding for Police & Fire	(100)							71
<u>Energy Costs Contingency</u>								
1. T/f to City Development	(130)							(130)
<u>General Contingency</u>								
1. T/f to Corporate Services (Scientific Services)	(28)							
2. T/f to Environment	(52)							(80)
<u>Other Contingency</u>								
1. Council Tax Reduction Scheme	(1,264)							(1,264)
<u>Capital Financing Costs / IORB</u>								
1. T/f of Capital Financing Costs from various departments					285			285
<u>Miscellaneous Income</u>								
1. T/f share of additional funding for Police & Fire	100							100
<u>Corporate Savings Contingency: VER / VR Scheme</u>								
1. Net t/fs to various departments							(37)	(37)
<u>Council Tax Income</u>								
1. Council Tax Reduction Scheme	1,264		9,469			(10,733)		0
Total Adjustments (General Fund)	0	2,219	9,469	67	0	(10,733)	0	1,022

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.	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.