

**REPORT TO: POLICY & RESOURCES COMMITTEE - 26 OCTOBER 2009**

**REPORT ON: REVENUE MONITORING 2009/2010**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO: 484-2009**

## **1 PURPOSE OF REPORT**

- 1.1 To provide Elected Members with an analysis of the 2009/2010 Projected Revenue Outturn as at 31 August 2009 monitored against the adjusted 2009/2010 Revenue Budget.

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Elected Members:

- a note that the overall General Fund 2009/2010 Projected Revenue Outturn as at 31 August 2009 shows an overspend of £27,000 against the adjusted 2009/2010 Revenue Budget.
- b note that the Housing Revenue Account as at 31 August 2009 is projecting a breakeven position against the adjusted HRA 2009/2010 Revenue Budget.
- c agree that the Director of Finance will take every reasonable action to ensure that the 2009/2010 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 2009/2010 Projected Revenue Outturn.

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

- 3.1 The overall projected 2009/2010 General Fund Revenue outturn position for the City Council shows an overspend of £27,000 based on the financial information available at 31 August 2009. A system of perpetual detailed monitoring will continue to take place up to 31 March 2010 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2009/2010 Revenue Budget.
- 3.2 The Housing Revenue Account outturn position for 2009/2010 is currently projecting a breakeven position based on the financial information available for the period to 31 August 2009. A system of perpetual detailed monitoring will continue to take place up to 31 March 2010 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2009/2010 HRA Revenue Budget.

## **4 BACKGROUND**

- 4.1 Following approval of the Council's 2009/2010 Revenue Budget by the Special Policy and Resources Committee on 12 February 2009 this report is now submitted in order to monitor the 2009/2010 Projected Revenue Outturn position as at 31 August 2009, against the adjusted 2009/2010 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 2009/2010 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 104-2009, approved by Special Policy & Resources Committee on 12 February 2009, 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 2009/2010 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 AUGUST 2009

- 6.1 The forecast position as at 31 August 2009 for General Fund services is summarised below:

	<u>Adjusted</u> <u>Budget</u> <u>2009/10</u> <u>£000</u>	<u>Forecast</u> <u>2009/10</u> <u>£000</u>	<u>Variance</u> <u>£000</u>
Total Expenditure	347,473	347,590	117
Total Income	<u>(347,473)</u>	<u>(347,563)</u>	<u>(90)</u>
Forecast Overspend	<u>          -</u>	<u>          27</u>	<u>          27</u>

The forecast position as at 31 August 2009 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 five months of the financial year to 31 August 2009. 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 (£753,000 overspend)

The majority of this overspend reflects a number of cost pressures within Children Services. These include the department's share of the residential schools placement budget, together with an anticipated overspend for family placements. The department are also projecting that payments to external bodies for Adult respite care services will be greater than budgeted reflecting the current level of demand for this service. These overspends will be partly offset by projected savings in staff costs following a management restructuring exercise and various other additional income that is anticipated to be received this year.

6.4 City Development:

Planning & Transportation (£324,000 overspend)

In Building Quality, income for building warrants, planning applications and property enquiries is significantly lower than budgeted, reflecting a reduction in these activities due to the current economic climate. This shortfall in income is partly offset by various projected underspends including reduced subsidies being provided to bus operators.

Economic Development (£95,000 overspend)

In Property Management, rental income is lower than budgeted, reflecting the current economic climate. This shortfall in income is partly offset by anticipated underspends on various budget heads.

6.5 Environmental Health & Trading Standards (£141,000 underspend)

These projected savings relate to staff costs, mainly due to a number of unfilled vacancies.

6.6 Finance Revenues (£290,000 underspend)

This mainly reflects additional grant income anticipated by the department together with a projected underspend in staff costs due mainly to unfilled vacancies. This is partly offset by increased expenditure on legal fees incurred in relation to the collection of unpaid accounts.

6.7 Capital Financing Costs/Interest on Revenue Balances (£600,000 underspend)

Expenditure on capital financing costs is anticipated to be lower than budgeted following the restructuring of loan debt.

6.8 General Revenue Funding (£240,000 additional income)

Reflects an anticipated increase in General Revenue Funding received from Scottish Government following recent changes to previously notified amounts.

6.9 Other Balances (£150,000 overspend)

Reflects use of balances to fund additional staffing resources for Social Work Child Protection Team and Access Team to address the issues raised in the recent Child Protection Report.

7 **HOUSING REVENUE ACCOUNT - MONITORING POSITION AS AT 31 AUGUST 2009**

7.1 The forecast position as at 31 August 2009 for the HRA is summarised below:

	<u>Adjusted Budget 2009/10 £000</u>	<u>Forecast 2009/10 £000</u>	<u>Variance £000</u>
Total Expenditure	49,756	49,709	(47)
Total Income	<u>(49,756)</u>	<u>(49,709)</u>	<u>47</u>
Forecast Overspend	----- -	----- -	----- -

7.2 On expenditure, the department are projecting a significant underspend in the planned maintenance programme, this is due to some of this work being funded by the department's capital programme together with slippage in a number of projects. This will be partly offset by an increase in repairs and relets expenditure and greater than budgeted lost rents and bad debts due to an increase in the number of voids. In terms of income, a shortfall in interest on revenue balances is projected due to lower than anticipated interest rates being received on cash balances held. In addition, the level of contribution assumed from the Renewal and Repair Fund when agreeing the HRA budget exceeds the actual amount available as at 31 March 2009 resulting in a shortfall in budgeted income. These shortfalls in income will be partly offset by increased rents received following a reduction in the number of council house sales anticipated. The department are projecting that overall these variances will breakeven, all the final outturn position will be in line with the adjusted HRA 2009/2010 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 2009/2010 Revenue Budget and, through prudent budget management, take every reasonable action to achieve an outturn position below or in line with the approved 2009/2010 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.

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**

**15 OCTOBER 2009**



**REASONS FOR 2009/2010 CONTROLLABLE PROJECTED REVENUE OVERTURN VARIANCES**  
**(Excludes Capital Charges, Central Support Services & Office Recharges)**

**AT 31 AUGUST 2009**

<u>Department</u>	<u>Note</u>	<u>Total Variance £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>Breakdown of Variance £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
Social Work	1	753	Departmental	Staff Costs	(160)	Reflects projected savings following management restructuring exercise.
				Income	(33)	Non-recurring additional income generated through repayment of cash reserves and balances from Social Work funded voluntary bodies.
			Children	Third Party Payments	331	Continued pressure of increase in numbers of placements made to avoid inappropriate care settings for children and also due to effect of fee increases being greater than budgeted
					566	Increased number of looked after children and also increase in the numbers of children requiring permanent substitute care away from their birth parents.
				Transfer Payments	59	Reflects increased direct assistance payments made to families to alleviate family financial problems in turn reducing pressure within family placement and residential schools resources.
					(50)	Reduction payments for external residential placements as demand is being met internally through Craigie House residential home.
			Adults	Third Party Payments	190	Greater demand for respite care.
				Income	(150)	This is mainly due to increased charges for day care services partly offset by withdrawal of service/contribution from Perth & Kinross Council at Whitetop and from Angus Council at Mackinnon Centre.
					443	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. This is partly offset additional income recharged for public safety.
					(66)	Reflects reduction in bus route development grants being paid to bus operators.
Planning & Transportation	2	324	Building Quality	Income	(92)	Increased recharge for winter maintenance activities to On Street Car Parking.
					107	Mainly reflects increased electricity charges.
				Third Party Payments	(45)	Projected saving due to maintenance painting of street lighting columns being deferred.
				Property Costs	(21)	Reflects reduction in level of cleaning works undertaken on multi-storey car parks.
Economic Development	3	95	Property Management	Supplies & Services	(35)	Reflects projected underspend following review of security cover arrangements for multi-storey car parks.
				Various	(24)	Reflects various planned efficiencies to offset loss of income projected below.
				Staff Costs	(103)	Staff costs are projected to be underspent mainly due to various unfilled vacancies.
				Income	225	Rental income is lower than budgeted due to current economic climate.

City Development:

**REASONS FOR 2009/2010 CONTROLLABLE PROJECTED REVENUE OVERTURN VARIANCES**  
**(Excludes Capital Charges, Central Support Services & Office Recharges)**

**AT 31 AUGUST 2009**

<u>Department</u>	<u>Note</u>	<u>Total Variance £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>Breakdown of Variance £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Waste Management</u>	4	(39)	Departmental	Various	(39)	Reflects various net underspends projected by the department.
<u>Env Health &amp; Trading Standards</u>	5	(141)	Regulation	Staff	(132)	Staff costs are projected to be underspent mainly due to various unfilled vacancies.
<u>Finance Revenues</u>	6	(290)	Revenues	Staff	(62)	Projected underspend due to unfilled vacancies, long-term sick leave and maternity leave, partly offset by increased overtime.
				Supplies & Services	48	Reflects increased expenditure on diligence fees paid in relation to the collection of unpaid accounts.
				Income	(278)	Mainly reflects additional administration grant from Department of Works & Pensions together with various other additional income including recharge of diligence and legal fees relating to collection of unpaid accounts. This is partly offset by shortfall in miscellaneous income.
<u>Capital Financing Costs/ORB</u>	7	(600)	Capital Financing Costs/ORB		(600)	Reflects lower than anticipated expenditure on capital financing costs following restructuring of loan debt.
<u>Tayside Valuation Joint Board</u>	8	15	Requisition	Staff	15	Mainly reflects DCC's share of TVJB projected overspend in staff costs.
<u>General Revenue Funding</u>	9	(240)	General Revenue Funding		(240)	Reflects anticipated increase in GRF following recent changes to previously notified amounts.
<u>Other Balances</u>	10	150	Other Balances		150	Reflects use of other balances to fund additional staffing resources for Social Work Child Protection Team and Access Team to address the issues raised in the recent Child Protection Report.

**REASONS FOR 2009/2010 CONTROLLABLE PROJECTED REVENUE OVERTURN VARIANCES**  
**(Excludes Capital Charges, Central Support Services & Office Recharges)**

AT 31 AUGUST 2009

<u>Department</u>	<u>Note</u>	<u>Total Variance £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>Breakdown of Variance £000</u>	<u>Reason / Basis of Over/(Under) spend</u>
<u>Housing Revenue Account</u>	11	0	Repairs & Relets		680	Reflects increase in the level of repairs and maintenance that are currently required to be carried out through the DCS/Housing Partnership.
			Planned Maintenance		(1,073)	Anticipated saving in planned maintenance costs following slippage in certain projects and some works being transferred to capital programme.
			Lost Rents and Bad Debts		205	Mainly increase in the lost rents due to greater than anticipated number of void properties (e.g. properties awaiting repairs prior to being relet).
			Rent of Houses		(292)	Additional income collected from rents due to a lower number of council house sales than was anticipated.
			Land Rents		(24)	Increased income due to rent reviews.
			Open Space Maintenance		(85)	Expenditure on open space maintenance is less than anticipated due to a reduction in the number of one off orders.
			Caretaking Services		73	Mainly this is due to holiday pay arrears payments.
			Loan Charges		69	Overspend reflects higher than budgeted loan repayments.
			IORB		240	Shortfall in income due to the actual level of interest received on balances being lower than the level assumed in the agreed HRA budget.
			Stair lighting		63	Mainly reflects increased price of electricity charges.
			Housing Administration		39	Increased expenditure expected on energy costs, car allowances, training, etc.
			Grants to Housing Organisations		(18)	Projected savings on grants/contributions to Women's Aid and Energy Advice Team.
			Net Overspend/(Underspend)		(123)	
			Shortfall in budgeted R&R Fund Balances		123	NB: The HRA budget agreed in January 2009 included a contribution of £0.625m from the Renewal & Repair Fund, however, as at 31 March 2009 the level of funds earmarked within the Renewal & Repair Fund for HRA only totalled £0.502m.
			Total Projected Overspend/(Underspend)		0	

<u>General Fund Departments</u>	<u>Alloc From Conts</u> £000	<u>2008/09</u>	<u>Funding T/Fs</u> £000	<u>Alloc from R&amp;R Fund</u> £000	<u>Transfers Between Depts</u> £000	<u>Appendix C</u>	
		<u>Under spends b/fwd</u> £000				<u>Other Transfers</u> £000	<u>Dept Totals</u> £000
<u>Education</u>							
1. DSM Balances		364					364
<u>Social Work</u>							
1. Child Trust Fund Top Up		7					
2. Child Protection Team and Access Team						150	
3. Nethergare Centre Dilapidation Works				103			
4. Adult Support & Protection Implementation Framework			438				698
<u>City Development: Economic Development</u>							
1. Ordnance survey fee					(43)		(43)
<u>Waste Management</u>							
1. Zero Waste Fund		462					462
<u>CSS - Chief Executive</u>							
1. Community Planning Partnership		21					21
<u>CSS - Information Technology</u>							
1. Ordnance survey fee					43		43
<u>CSS - Finance General</u>							
1. Computer Audit		4					4
<u>MS - Chief Executive</u>							
1. Ext Funded Projects (Integrated Child Services)		89					
2. Employment Unit		86					175
<b>Total Adjustments (General Fund)</b>	<b>0</b>	<b>1,033</b>	<b>438</b>	<b>103</b>	<b>0</b>	<b>150</b>	<b>1,724</b>

Risks - Revenue	Assessment		Risk Management / Comment
	Original	Revised	
<u>General Inflation</u> General price inflation may be greater than anticipated.	Low	Low	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>Pay Awards</u> Pay awards settlements may be greater than anticipated.	Zero	Zero	Existing LG Employees pay award agreed to 31 March 2010 (Teachers to 31 March 2011) therefore not considered as risk for the current financial year.
<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.
<u>New Accounting Standards</u> The impact of adopting International Financial Reporting Standards (IFRS) is unclear.	Zero	Zero	The implementation of IFRS has been largely deferred to 2010/11. Any significant financial impacts are likely to be mitigated by government legislation.