

REPORT TO: POLICY & RESOURCES COMMITTEE - 25 OCTOBER 2010

REPORT ON: REVENUE MONITORING 2010/2011

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 603-2010

1 PURPOSE OF REPORT

- 1.1 To provide Elected Members with an analysis of the 2010/2011 Projected Revenue Outturn as at 31 August 2010 monitored against the adjusted 2010/2011 Revenue Budget.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Elected Members:
- a note that the overall General Fund 2010/2011 Projected Revenue Outturn as at 31 August 2010 shows an overspend of £468,000 against the adjusted 2010/2011 Revenue Budget.
 - b note that the Housing Revenue Account as at 31 August 2010 is projecting a breakeven position against the adjusted HRA 2010/2011 Revenue Budget.
 - c agree that the Director of Finance will take every reasonable action to ensure that the 2010/2011 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 2010/2011 Projected Revenue Outturn.

3 FINANCIAL IMPLICATIONS (see Appendix A)

- 3.1 The overall projected 2010/2011 General Fund Revenue outturn position for the City Council shows an overspend of £468,000 based on the financial information available at 31 August 2010. A system of perpetual detailed monitoring will continue to take place up to 31 March 2011 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2010/2011 Revenue Budget.
- 3.2 The Housing Revenue Account outturn position for 2010/2011 is currently projecting a breakeven position based on the financial information available for the period to 31 August 2010. A system of perpetual detailed monitoring will continue to take place up to 31 March 2011 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2010/2011 HRA Revenue Budget.

4 BACKGROUND

- 4.1 Following approval of the Council's 2010/2011 Revenue Budget by the Special Policy and Resources Committee on 11 February 2010 this report is now submitted in order to monitor the 2010/2011 Projected Revenue Outturn position as at 31 August 2010, against the adjusted 2010/2011 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 2010/2011 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 82-2010, approved by Special Policy & Resources Committee on 11 February 2010, 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 2010/2011 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 2010

6.1 The forecast position as at 31 August 2010 for General Fund services is summarised below:

	<u>Adjusted Budget 2010/11 £000</u>	<u>Forecast 2010/11 £000</u>	<u>Variance £000</u>
Total Expenditure	359,885	360,353	468
Total Income	<u>(359,885)</u>	<u>(359,885)</u>	-
Forecast Overspend	<u>-</u>	<u>468</u>	<u>468</u>

The forecast position as at 31 August 2010 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 2010. 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 (£1,215,000 overspend)

The majority of this overspend reflects continued significant cost pressures surrounding Adult Care and Free Personal 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 projected mainly due to slippage in staff costs across the department and various additional income projected to be received by the department.

6.4 Education (£242,000 overspend)

This reflects an anticipated overspend in third party payments where the department are projecting an overspend for their share of the residential and secure placements budget.

6.5 City Development (£175,000)

The majority of this overspend relates mainly to property costs for City Square complex reflecting the current level of responsive repairs and maintenance and health and safety works that are being undertaken. In Building Quality, income for planning applications and property enquiries continues to be significantly lower than budgeted, reflecting a reduction in these activities due to the current economic climate. These variances are partly offset by various miscellaneous underspends projected by the department.

6.6 Finance General (£50,000 underspend)

The above variance reflects savings in staff costs that are anticipated mainly due to delays in filling staff vacancies. This underspend will be partly offset by an estimated shortfall in various income streams received by the department.

6.7 Environmental Health & Trading Standards (£101,000 underspend)

These projected savings mainly relate to staff costs due the current level of unfilled vacancies within the department.

6.8 Finance Revenues (£165,000 underspend)

This mainly reflects additional grant income anticipated by the department together with projected underspends in staff costs and various supplies and services expenditure.

6.9 Waste Management (£197,000 underspend)

This reflects savings in transport costs due to lower than anticipated leasing costs.

6.10 Capital Financing Costs / IORB (£700,000 underspend)

This reflects projected saving due to lower than anticipated interest rates together a reduction in required level of borrowing due to slippage on expenditure in 2010/11 capital programme.

6.11 Voluntary Early Retirement / Redundancy Schemes

The revenue monitoring statement now includes, for the first time, the impact of voluntary early retirements and voluntary redundancies that have been approved in the period covered by the statement. The gross costs of the associated severance packages are projected to be £1,686,000 and these are shown as being met from a central contingency. Gross salary savings for the part-year are projected to be £1,191,000 and these savings have been removed from departmental budgets and transferred to a central contingency. The net balance of costs in 2010/11 of £495,000 is shown as being transferred from General Fund balances. It should be noted that the gross costs of £1.686m in 2010/11 are entirely of a "one-off" nature. The full-year effect of the gross salary savings will therefore accrue to the Council in 2011/12 and beyond.

7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AS AT 31 AUGUST 2010

7.1 The forecast position as at 31 August 2010 for the HRA is summarised below:

	<u>Adjusted Budget 2010/11 £000</u>	<u>Forecast 2010/11 £000</u>	<u>Variance £000</u>
Total Expenditure	50,417	50,508	91
Total Income	<u>(50,417)</u>	<u>(50,508)</u>	<u>(91)</u>
Forecast Position	_____ -	_____ -	_____ -

7.2 Expenditure on relets is projected to be greater than budgeted due to increased level of work being carried out on properties together with increased lost rents and bad debts following a rise in the number of void properties. In addition, the department are also projecting greater than budgeted expenditure in stair lighting costs reflecting increases in the price of electricity. These variances will be offset by projected underspend in capital financing costs together with various other underspends and additional income that are projected by the department. The overall impact is a breakeven position against 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 2010/2011 Revenue Budget and, through prudent budget management, take every reasonable action to achieve an outturn position below or in line with the approved 2010/2011 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**

14 OCTOBER 2010

DUNDEE CITY COUNCIL

2010/2011 REVENUE OUTFURN MONITORING

PERIOD 1 APRIL 2010 - 31 AUGUST 2010

Appendix A

Statement analysing 2010/2011 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
General Fund Departments								
Social Work	84,368	143	84,511	85,726	1,215		1,215	1
Education	123,396	731	124,127	124,369	242		242	2
City Development	12,776	(322)	12,454	12,629	175		175	3
Other Housing	1,998		1,998	2,047	49		49	4
Leisure & Communities	22,810	(34)	22,776	22,776				5
Supporting People	12,319		12,319	12,319				
DCS - Land Services Client	2,053		2,053	2,053				
Central Support Services:								
Chief Executive	1,189	121	1,310	1,310				
Personnel	1,402		1,402	1,402				
Information Technology	5,310	(110)	5,200	5,200				
Support Services - Admin/Legal	3,384	(79)	3,305	3,305				
- Architects	(659)	(221)	(880)	(880)				
Finance General	3,484	(70)	3,414	3,364		(50)	(50)	6
Environmental Health & Trading Stds	3,084	(73)	3,011	2,910		(101)	(101)	7
Miscellaneous Services:								
Chief Executive	7,209		7,209	7,209				
Support Services	103	(25)	78	78				
Finance Revenues	3,879	(8)	3,871	3,706		(165)	(165)	8
Dundee CAB	110		110	110				
Contribution to Employment Unit	90		90	90				
Waste Management	15,919	43	15,962	15,765		(197)	(197)	9
	304,224	96	304,320	305,488	1,681	(513)	1,168	
Miscellaneous Income	(2,507)		(2,507)	(2,507)				
DCS - Contracting Activities and Land Services	(475)		(475)	(475)				
Capital Financing Costs / Interest on Revenue Balances	23,744	70	23,814	23,114		(700)	(700)	10
Contingencies								
General	200		200	200				
Electricity Contract	759	(600)	159	159				
Non-Domestic Rates	722		722	722				
Discretionary NDR Relief	147		147	147				
Supplementary Superannuation Costs	1,732		1,732	1,732				
Voluntary Early Retirement / Redundancy Schemes		1,686	1,686	1,686				
	328,546	1,252	329,798	330,266	1,681	(1,213)	468	
Joint Boards								
Tayside Joint Police Board	16,152		16,152	16,152				
Tayside Fire & Rescue Board	12,887		12,887	12,887				
Tayside Valuation Joint Board	1,048		1,048	1,048				
	358,633	1,252	359,885	360,353	1,681	(1,213)	468	
Total Expenditure								
Sources of Income								
General Revenue Funding / Contribution from NNDR Pool	(301,354)	(116)	(301,470)	(301,470)				
Council Tax	(56,522)		(56,522)	(56,522)				
Use of Balances -								
Committed Balances c/f	(757)	(641)	(1,398)	(1,398)				
Renewal & Repair Fund			0	0				
Other Balances		(495)	(495)	(495)				
	0	0	0	468	1,681	(1,213)	468	
(Surplus)/Deficit for the year								
Housing Revenue Account								
	0	0	0	0			0	11

REASONS FOR 2010/2011 CONTROLLABLE PROJECTED REVENUE OUTFURN VARIANCES

Appendix B

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

AT 31 AUGUST 2010

<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>Social Work</u>	1	1,215	Departmental	Staff	(450)	Reflects projected savings mainly due to staff slippage.	
				Third Party Payments		1,200	Reflects continuous cost pressures around Adult Care & Free Personal care.
			Children	Third Party Payments		705	Increased number of children requiring permanent substitute care away from their birth parents.
			Older People	Third Party Payments		(40)	Mainly due to residential respite care placements demand being met through Craigie House Residential Home.
				Income		(200)	Reflects clients non-recurring contributions towards residential accommodation in local authority homes.
<u>Education</u>	2	242	Education other than School	Third Party Payments	242	Education Department share of projected overspend on residential and secure placements budget.	
<u>City Development</u>	3	175	City Square	Property	273	Mainly reflects projected overspend on responsive repairs and maintenance, health and safety and electricity charges.	
			Tayside House	Various	(64)	Reflects various cost overheads projected to be lower than budgeted.	
			Building Quality	Income	108	Income for planning applications and property enquiries is lower than budgeted, reflecting a reduction in these activities due to the current economic climate.	
			Sustainable Transport	Staff	(40)	Staff costs are projected to be underspent due to unfilled vacancies.	
			Traffic	Staff	(29)	Staff costs are projected to be underspent due to unfilled vacancies.	
			Street Lighting	Supplies & Services	(60)	Reflects projected savings following change of billing procedures for street lighting.	
<u>Other Housing</u>	4	49	Travelling People	Supplies & Services	19	Reflects increase in lost rents as a result of a greater number of unoccupied properties than budgeted.	
			Miscellaneous	Income	31	Mainly reflects reduction in the number of property enquiries being received due to current economic climate.	
<u>Leisure & Communities</u>	5	Nil	Library, Information & Cultural Services	Staff	131	Staff costs are projected to be greater than budgeted reflecting the non-achievement of slippage targets for this service area.	
				Property	104	Mainly reflects projected overspends for Claverhouse storage facility.	
			Community Learning & Development	Staff	(185)	Staff costs are projected to be underspent mainly due to various unfilled vacancies.	
				Transport	16	Reflects anticipated overspend on fuel, travel and leasing costs.	
			Parks, Sport & Leisure	Staff	(177)	Staff costs are projected to be underspent mainly due to various unfilled vacancies.	
				Property	30	Reflects anticipated overspend on service contracts for sports centres, utilities, cleaning costs and rental payments.	
	Transport	43	Reflects anticipated overspend in fuel costs.				

REASONS FOR 2010/2011 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES

Appendix B

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

AT 31 AUGUST 2010

<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>Leisure & Communities (cont'd)</u>	5		Business Development & Support Services	Staff	34	Reflects saving that was assumed in approved budget that has not materialised.
<u>Finance General</u>	6	(50)	General	Staff	(127)	Staff costs are projected to be underspent mainly due to various unfilled vacancies.
				Income	70	Reflects shortfall in income for property enquiries, payroll recharges, income from other bodies and from Joint Boards for internal audit services.
<u>Env Health & Trading Standards</u>	7	(101)	Regulation	Staff	(137)	Staff costs are projected to be underspent mainly due to various unfilled vacancies.
				Income	(12)	Income generated from introduction of smoking prevention enforcement service at Ninewells Hospital.
			Pest & Animal Control	Income	45	Reflects shortfall in chargeable income from pest control activities.
<u>Finance Revenues</u>	8	(165)	Revenues	Staff	(43)	Projected underspend due to unfilled vacancies and maternity leave.
				Supplies & Services	(29)	Reflects projected underspend due to computer maintenance costs, bank charges and expenditure on telephones being less than anticipated.
				Income	(93)	Mainly reflects additional administration grant from Department of Works & Pensions.
<u>Waste Management</u>	9	(197)	Cleansing Operational Services	Transport	(197)	Mainly reflects projected savings in leasing payments for vehicles.
<u>Capital Financing Costs/IORB</u>	10	(700)	Capital Financing Costs/IORB		(700)	Reflects projected saving on capital financing costs due to lower than anticipated interest rates together with slippage on expenditure in 2010/11 capital programme.
<u>Housing Revenue Account</u>	11	Nil	Repairs & Relets		333	Mainly reflects projected overspend due to increased standard of relets that is currently required to be carried out through the DCS/Housing Partnership.
			Lost Rents and Bad Debts		174	Mainly this relates to an increase in lost rents as a result of a greater number of void properties than budgeted. Work is being carried out to improve this situation.
			Stair Lighting		52	Mainly reflects increased price of electricity charges.
			Homelessness		(80)	Mainly this is due to an anticipated reduction in repairs and furnishings expenditure.
			Rent of Houses		(91)	Increased rental income due to a higher level of housing stock than budgeted.
			Capital Financing Costs		(388)	Reflects projected saving on capital financing costs due to lower than anticipated interest rates.

<u>General Fund Departments</u>	<u>Alloc</u>	<u>2009/10</u>	<u>Alloc</u>	<u>Vol Early</u>	<u>Appendix C</u>	
	<u>From</u>	<u>Under</u>	<u>from</u>	<u>T/Fs</u>	<u>Retiral/</u>	<u>Other</u>
	<u>Conts</u>	<u>spends</u>	<u>R&R</u>	<u>Between</u>	<u>Redund</u>	<u>T/Fs</u>
<u>£000</u>	<u>b/fwd</u>	<u>Funding</u>	<u>Fund</u>	<u>Depts</u>	<u>Scheme</u>	<u>Totals</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>Education</u>						
1. Share of 100 Extra Teachers (Scotland)			30			
2. DSM Balances	185					
3. T/f from Electricity Contract Contingency						600
4. Quality Assurance and Moderation			86			
5. T/f Staff costs to General Fund					(170)	
						731
<u>Social Work</u>						
1. Child Trust Fund Top Up	7					
2. Community Equipment Service	111					
3. Youth Justice Monies	25					
						143
<u>City Development</u>						
1. Lochee Regeneration (FEGS)	22					
2. T/f Staff costs to General Fund					(344)	
						(322)
<u>Leisure & Communities</u>						
1. T/f various expenditure from Waste Management				86		
2. T/f staff costs to CSS - Chief Executive				(34)		
3. Prudential Borrowing Costs (McManus Galleries)						(70)
4. T/f Staff costs to General Fund					(16)	
						(34)
<u>Waste Management</u>						
1. T/f various expenditure to Leisure & Communities				(86)		
2. Zero Waste Fund	140					
3. Other commitments c/fwd	56					
4. T/f Staff costs to General Fund					(67)	
						43
<u>Env Health & Trading Standards</u>						
1. T/f Staff costs to General Fund					(73)	
						(73)
<u>CSS - Chief Executive</u>						
1. T/f staff costs from Leisure & Communities				34		
2. Establishment of Corporate Improvement Team				129		
3. Integrated Children Services	15					
4. T/f Staff costs to General Fund					(57)	
						121
<u>CSS - Information Technology</u>						
1. Non-Domestic Rates (Downfield House)	15					
2. T/f Staff costs to General Fund					(125)	
						(110)
<u>CSS - Admin & Legal</u>						
1. Correction of budget saving allocation				5		
2. Armed Forces Day	5					
3. Establishment of Corporate Improvement Team				(42)		
4. T/f Staff costs to General Fund					(47)	
						(79)
<u>CSS - Architectural Services</u>						
1. Correction of budget saving allocation				(5)		
2. T/f Staff costs to General Fund					(216)	
						(221)
<u>CSS - Finance General</u>						
1. Establishment of Corporate Improvement Team				(36)		
2. T/f Staff costs to General Fund					(34)	
						(70)
<u>MS - Support Services</u>						
1. T/f Staff costs to General Fund					(25)	
						(25)

	<u>Alloc</u>	<u>2009/10</u>	<u>Alloc</u>	<u>Vol Early</u>	<u>Appendix C</u>			
<u>General Fund Departments</u>	<u>From</u>	<u>Under</u>	<u>from</u>	<u>T/Fs</u>	<u>Retiral/</u>	<u>Other</u>	<u>Dept</u>	
	<u>Conts</u>	<u>spends</u>	<u>Funding</u>	<u>Between</u>	<u>Redund</u>	<u>T/Fs</u>	<u>Totals</u>	
	<u>£000</u>	<u>b/fwd</u>	<u>T/Fs</u>	<u>Depts</u>	<u>Scheme</u>	<u>£000</u>	<u>£000</u>	
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>		<u>£000</u>	
<u>MS - Finance Revenues</u>								
1. Various commitments c/fwd		60						
2. Establishment of Corporate Improvement Team				(51)				
3. T/f Staff costs to General Fund					(17)			
							(8)	
<u>Capital Financing Costs / IORB</u>								
1. T/f Prudential Borrowing costs from L&C (McManus Galleries)						70		
							70	
<u>Electricity Contract Contingency</u>								
1. T/f allocation to Education						(600)		
							(600)	
<u>Voluntary Early Retirement / Redundancy Schemes</u>								
1. T/f Staff costs from Departments					1,191			
2. T/f from Other Balances					495			
							1,686	
Total Adjustments (General Fund)	0	641	116	0	0	495	0	1,252

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>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).	Low	Low	Any significant financial impacts are likely to be mitigated by government legislation.