

REPORT TO: POLICY & RESOURCES COMMITTEE – 13 MARCH 2017

REPORT ON: REVENUE MONITORING 2016/2017

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 79-2017

1 PURPOSE OF REPORT

1.1 To provide Elected Members with an analysis of the 2016/2017 projected revenue outturn as at 31 January 2017 monitored against the adjusted 2016/2017 Revenue Budget.

2 RECOMMENDATIONS

2.1 It is recommended that Elected Members:

- a note that the overall General Fund 2016/2017 projected revenue outturn as at 31 January 2017 is an overspend of £1,710,000 against the adjusted 2016/2017 Revenue Budget.
- b note that the Housing Revenue Account as at 31 January 2017 is projecting a breakeven position against the adjusted HRA 2016/2017 Revenue Budget.
- c agree that the Executive Director of Corporate Services will take every reasonable action to ensure that the 2016/2017 Revenue expenditure is below or in line with the adjusted Revenue Budget.
- d instruct the Executive Director of Corporate Services in conjunction with all Chief Officers to continue to monitor the Council's 2016/2017 projected revenue outturn.

3 FINANCIAL IMPLICATIONS (see Appendix A)

3.1 The overall projected 2016/2017 General Fund Revenue outturn position for the City Council is an overspend of £1,710,000 based on the financial information available at 31 January 2017. This variance represents a projected overspend of 0.5% against the adjusted 2016/2017 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2017 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2016/2017 Revenue Budget.

3.2 The Housing Revenue Account outturn position for 2016/2017 is currently projecting a breakeven position based on the financial information available for the period to 31 January 2017. A system of perpetual detailed monitoring will continue to take place up to 31 March 2017 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2016/2017 HRA Revenue Budget.

4 BACKGROUND

4.1 Following approval of the Council's 2016/2017 Revenue Budget by the Special Policy and Resources Committee on 25 February 2016 this report is now submitted in order to monitor the 2016/2017 projected revenue outturn position as at 31 January 2017, against the adjusted 2016/2017 Revenue Budget.

4.2 This report provides a detailed breakdown of service revenue monitoring information along with explanations of material variances against adjusted budgets. Where services are projecting a significant under or overspend against adjusted budget, additional details have been provided. Where service expenditure is on target and no material variances are anticipated, additional information has not been provided.

5 RISK ASSESSMENT

5.1 In preparing the Council's 2016/2017 Revenue Budget, the Executive Director of Corporate Services considered the key strategic, operational and financial risks faced by the Council over this period (Article II of the minute of the meeting of the Special Policy & Resources Committee on 25 February 2016, Report No: 72-2016 refers). In order to alleviate the impact these risks may have should they occur, a number of general risk mitigation factors are utilised by the Council. These include the:

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

5.2 The key risks in 2016/2017 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 JANUARY 2017

6.1 The forecast position as at 31 January 2017 for General Fund services is summarised below:

	<u>Adjusted Budget 2016/17 £000</u>	<u>Forecast 2016/17 £000</u>	<u>Variance £000</u>
Total Expenditure	334,458	337,168	2,710
Total Income	<u>(334,458)</u>	<u>(335,458)</u>	<u>(1,000)</u>
Forecast Position	<u> -</u>	<u> 1,710</u>	<u> 1,710</u>

The forecast position as at 31 January 2017 is shown in more detail in the appendices to this report, as follows:

Appendix A shows the variances between budget and projected outturn for each service of the Council.

Appendix B provides detailed explanations for the variances against budget that are shown in Appendix A.

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

Appendix D lists the key strategic, operational and financial risks being faced by the Council. These risks have been assessed and ranked accordingly both in terms of the probability of whether they will occur and the severity of their impact on the Council should they indeed happen. Any changes to the assessment from the previous reporting period, together with any additional comments included, are highlighted in bold type.

- 6.2 The following paragraphs summarise the main areas of variance by service along with appropriate explanations. It should be emphasised that this report identifies projections based on the first six months of the financial year to 31 January 2017. The figures are therefore indicative at this stage and are used by the Chief Executive, Executive Director of Corporate Services and all other Chief Officers to identify variances against budget and enable corrective action to be taken as appropriate.

Service Commentary

6.3 **Children & Family Services (£3,950,000 overspend)**

The service is anticipating an overspend in relation to residential schools and secure care, fostering and adoption and special transport provision. The increased costs in residential, and foster care costs are associated with ongoing cost pressures on the Childrens Services budget from previous years in addition to the implications of the Children and Young Persons Scotland Act 2014 and the new arrangements for continuing care provision. This has led to more young people choosing to remaining in care than was forecast leading to over demand for in house residential placements.

The Children and Young people (Scotland) Act introduced the concept of Continuing Care which enables young people to remain in their current residence (or equivalent) until they are 21. The numbers of over 16s remaining in care are therefore increasing and work is on-going to increase the capacity of the service by, for example, exploring the provision of satellite supported accommodation and reviewing the current service provision for this important client group.

6.4 **City Development (breakeven)**

The service is projecting an overspend on non-domestic rates relating to vacant commercial properties which is offset by a projected underspend on staff costs.

6.5 **Neighbourhood Services (breakeven)**

Additional tonnage charges for Bottom Ash & Co-Mingled materials offset by underspends on landfill costs and additional income due to an increased demand for the translation and interpretation service.

6.6 **Capital Financing Costs / IORB (£800,000 underspend)**

The above underspend reflects a projected saving due to lower than anticipated interest rates.

6.7 **General Contingencies (£200,000 underspend)**

General contingency not expected to be fully utilised.

6.8 **Miscellaneous Income (£240,000 increase in income)**

This reflects an increase in the share of additional Tayside Contracts surpluses.

6.9 **Council Tax (£1,000,000 increase in income)**

This reflects an increase in the Council Tax base in addition to lower than anticipated spend on Council Tax Reduction Scheme.

7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 JANUARY 2017

7.1 The forecast position as at 31 January 2017 for the HRA is summarised below:

	<u>Adjusted Budget 2016/17 £000</u>	<u>Forecast 2016/17 £000</u>	<u>Variance £000</u>
Total Expenditure	54,054	54,054	-
Total Income	<u>(54,054)</u>	<u>(54,054)</u>	---
Forecast Position	-----	-----	---

7.2 The service is anticipating that expenditure on repairs and relets will exceed budget due to increased demand. This adverse variance is expected to be offset by savings elsewhere due to reduced loss of rental income due to quicker reletting of houses and projected savings on capital financing costs due to lower than anticipated interest rates (please refer to Appendix B for further details).

7.3 The overall impact is a breakeven position against the adjusted HRA 2016/2017 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2017 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2016/2017 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 service.

10 BACKGROUND PAPERS

None.

MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

02 MARCH 2017

DUNDEE CITY COUNCIL										
2016/2017 REVENUE OUTTURN MONITORING										
PERIOD 1 APRIL 2016 - 31 JANUARY 2017										
Statement analysing 2016/2017 Projected Revenue Outturn to Budget (Capital Charges, Central Support, Corporate Business Support, Central Buildings & Corporate Property Recharges have been excluded from Departments as these costs are outwith their control).										
	Approved Budget	Budget Adjustments	Adjusted Budget	Forecast	Worse Than Budget	Better Than Budget	Net Variance	Notes	Previous Months Projected Variance	Movement since Previous Month
	£000	01 Apr to 31 Jan	£000	£000	£000	£000	(see Appx B)		£000	£000
General Fund Departments										
Children & Families	150,252	1,071	151,323	155,273	3,950		3,950	1	2,550	1,400
Dundee Health & Social Care Partnership	75,547	6	75,553	75,553					0	
City Development	15,022	(39)	14,983	14,983				2	250	(250)
Neighbourhood Services	27,443	237	27,680	27,680				3	50	(50)
Chief Executive	12,006	108	12,114	12,114					0	
Corporate Services	28,688	557	29,245	29,245					0	
DCS Construction	(3,161)	7	(3,154)	(3,154)					0	
	305,797	1,947	307,744	311,694	3,950	0	3,950		2,850	1,100
Capital Financing Costs / Interest on Revenue Balances	25,682	43	25,725	24,925		(800)	(800)	4	(800)	
Contingencies:				0						
- General	500	(12)	488	288		(200)	(200)	5	(200)	
- Other	66		66	66					0	
- Unallocated Corporate Savings:				0						
CFTF - Admin / Clerical Review	(367)		(367)	(367)					0	
VER / VR Scheme (Corporate Services)	(117)	47	(70)	(70)						
Structure Review	(210)	54	(156)	(156)						
NS Unallocated	(306)		(306)	(306)						
Other	(802)		(802)	(802)						
Miscellaneous Income	(1,349)		(1,349)	(1,589)		(240)	(240)	6	(240)	
Discretionary NDR Relief	147		147	147						
Supplementary Superannuation Costs	2,389		2,389	2,389						
Tayside Valuation Joint Board	949		949	949						
Total Expenditure	332,379	2,079	334,458	337,168	3,950	(1,240)	2,710		1,610	1,100
Sources of Income										
General Revenue Funding	(214,620)		(214,620)	(214,620)						
Contribution from NNDR Pool	(71,011)		(71,011)	(71,011)						
Council Tax	(46,748)		(46,748)	(47,748)		(1,000)	(1,000)	7	(1,000)	
Use of Balances -										
Committed Balances c/f		(1,883)	(1,883)	(1,883)						
Renewal & Repair Fund		(92)	(92)	(92)						
Change Fund		(104)	(104)	(104)						
(Surplus)/Deficit for the year	0	0	0	1,710	3,950	(2,240)	1,710		610	1,100
Housing Revenue Account	0	0	0	0	0	0	0	8	0	0

REASONS FOR 2016/2017 CONTROLLABLE PROJECTED REVENUE OUTFURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 31 JANUARY 2017

Appendix B

<u>Department</u>	<u>Note</u>	<u>As at</u> <u>31 Jan</u> <u>£000</u>	<u>As at</u> <u>30 Nov</u> <u>£000</u>	<u>Cost Centre</u>	<u>Subjective</u> <u>Analysis</u>	<u>As at</u> <u>31 Jan</u> <u>£000</u>	<u>As at</u> <u>30 Nov</u> <u>£000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Children & Families Services</u>	1	3,950	2,550	Departmental	Transport	50	50	Special Transport projected overspend.
				Children & Families	Third Party Payments	3,200	2,500	Reflects an increase in the number and length of residential care placements currently being made.
				Children & Families	Third Party Payments	700	0	Reflects an increase in expenditure in relation to Fostering and Adoption.
<u>City Development</u>	2	0	250	Property	Income	0	0	
				Property	Property Costs	250	250	Projected overspend on non-domestic rates relating to vacant commercial properties.
				Departmental	Staff Costs	(250)	0	Projected underspend on Staff costs
<u>Neighbourhood Services</u>	3	0	50	Waste Management	Third Party Payments	50	50	Additional tonnage charge for Bottom Ash & Co-Mingled materials offset by underspends on landfill costs.
				Communities	Income	(50)	0	Reflects additional income due to an increase in demand for the translation and interpretation service
<u>Capital Financing Costs</u>	4	(800)	(800)	Corporate	Capital Financing Costs / IORB	(800)	(800)	Reflects projected saving on capital financing costs due to lower than anticipated interest rates.
<u>Miscellaneous Income</u>	5	(240)	(240)	Corporate		(240)	(240)	Share of additional Tayside Contracts Surpluses
<u>Contingencies</u>	6	(200)	(200)	Corporate	General	(200)	(200)	
<u>Council Tax</u>	7	(1,000)	(1,000)	Corporate		(400)	(400)	Increase in Council Tax Base
						(600)	(600)	Lower than anticipated spend on Council Tax Reduction Scheme
<u>Housing Revenue Account</u>	8	0	0	Repairs & Relets		283	283	Reflects higher than anticipated costs for repairs and relet costs due to increased demand.
				Rent of Houses		(127)	(127)	Reflects increase of rental income compared to budget due to quicker reletting of houses.
				Capital Financing Costs		(156)	(156)	Reflects projected saving on capital financing costs due to lower than anticipated interest rates.
		<u>1,710</u>	<u>610</u>			<u>1,710</u>	<u>610</u>	

	<u>2015/16</u>	<u>Alloc</u>	<u>Alloc</u>	<u>T/Fs</u>	<u>Council</u>	<u>Vol Early</u>	
<u>General Fund Departments</u>	<u>Under</u>	<u>from</u>	<u>from</u>	<u>Between</u>	<u>Tax</u>	<u>Retiral/</u>	<u>Dept</u>
	<u>spends</u>	<u>Change</u>	<u>R&R</u>	<u>Services /</u>	<u>Reduction</u>	<u>Scheme</u>	<u>Totals</u>
	<u>b/fwd</u>	<u>Fund</u>	<u>Fund</u>	<u>Conts</u>	<u>Scheme</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>£000</u>
<u>Children & Families</u>							
DSM Balances	1,257						
Developing the Young Workforce - Offsites	5						
Care Commision Funding - Nursery	6						
New National Qualifications	13						
1+2 Languages Funding	192						
ParentPay Budget - Parentpay Ltd	38						
CRB System Review	55						
Making Children's Learning Visible - Nursery	9						
T/F of Staff budgets between CFS to CS				(15)			
T/F of all budgets relating to EMA to CS				25			
T/F of school clothing grant budget to CS				(515)			
Vodafone migration costs replacement of phones		1					1,071
<u>Dundee Health & Social Care Partnership</u>							
Vodafone migration costs replacement of phones		6					6
<u>City Development</u>							
Lochee Regeneration Prudential Borrowing Transfer				(43)			
Vodafone migration costs replacement of phones		4					(39)
<u>Neighbourhood Services</u>							
T/F of budget from CS re G MacKenzie				81			
T/F of Police costs from CS to fund Licensing Standards Officers (2)				88			
T/F of budget to from CS re P Thomson				55			
Vodafone migration costs replacement of phones		13					237
<u>Chief Executive</u>							
Restructure savings from Chief Executive				(54)			
Vodafone migration costs replacement of phones		4					
Leading by Design Support - Open Change Invoice		6					
Channel Shift Business Analysts		48					
Harris Academy Gym Equipment	12						
Funding of new collection management system (LACD)			92				108
<u>Corporate Services</u>							
Elections	42						
Scottish Govt Resilience Fund	2						
DWP Delivery Partnership	30						
Discretionary Housing Payments	151						
Internal Audit	20						
T/F of Staff budgets between CFS and CS				15			
T/F of budget to NS re G MacKenzie				(81)			
T/F of Police costs to fund Licensing Standards Officers				(88)			
Scottish Welfare Fund Carry Forward	63						
T/F of budget to NS re P Thomson				(55)			
T/F of all budgets relating to EMA from CFS				(25)			
T/F of school clothing grant budget to CS				515			
VERs (Various)						(47)	
Vodafone migration costs replacement of phones		15					557
<u>Construction</u>							
Vodafone migration costs replacement of phones		7					7
<u>General Contingency</u>							
Harris Academy Gym Equipment	(12)						(12)
<u>Savings Contingency</u>							
Restructure savings from Chief Executive				54			
VERs (Various)						47	101
<u>Capital Financing Costs / IORB</u>							
Lochee Regeneration Prudential Borrowing Transfer				43			43
	0	1,883	104	92	0	0	2,079

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	
<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.