

REPORT TO: POLICY AND RESOURCES COMMITTEE – 23 AUGUST 2021

REPORT ON: REVENUE MONITORING 2021/2022

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 224-2021

1 PURPOSE OF REPORT

1.1 To provide Elected Members with an analysis of the 2021/2022 projected revenue outturn as at 30 June 2021 monitored against the adjusted 2021/2022 Revenue Budget.

2 RECOMMENDATIONS

2.1 It is recommended that Elected Members:

- a note that the overall General Fund as at 30 June 2021 is projecting an underspend of £2,397,000 against the adjusted 2021/2022 Revenue Budget.
- b note the position on Covid-related expenditure (projected to be £8.3m) and Covid funding, as set out in paragraph 3.1.
- c note that the Housing Revenue Account as at 30 June 2021 is projecting an underspend of £1,418,000 against the adjusted HRA 2021/2022 Revenue Budget.
- d agree that the Council Management Team will take every reasonable action to ensure that the 2021/2022 revenue expenditure is below or in line with the adjusted Revenue Budget.
- e instruct the Executive Director of Corporate Services in conjunction with the Council Management Team to continue to monitor the Council's 2021/2022 projected revenue outturn to assist with the cost pressures resulting from Covid-19.
- f agree that costs associated with the VER/VR schemes, up to a maximum amount of £3.5m in 2021/22, will be met from the remaining balance of capital receipts set-aside.
- g note that total VER / VR costs met from capital receipts set aside in 2020/2021 was £0.723m, resulting in full year salary savings totalling £1.330m which are reflected in budgets going forward.

3 FINANCIAL IMPLICATIONS (see Appendix A)

3.1 The overall General Fund as at 30 June 2021 is projecting an underspend of £2,397,000 against the adjusted 2021/22 Revenue Budget. This underspend excludes Covid-19 related expenditure and loss of income. The Council is continuing to incur significant additional expenditure and income shortfalls from its response to the Covid-19 pandemic. Whilst some additional funding has been made available by the Scottish Government in 2021/22, there are areas of significant additional expenditure / income shortfalls for which no specific funding currently exists. The main areas are:

	£m
Personal Protective Equipment	1.0
Leisure and Culture Dundee (deficit due to income shortfalls)	3.0
Additional Bad Debt Provisions	0.8
Car Parking Income Shortfalls	2.1
Additional Property Costs	0.6
Building Control / Property Rentals - Income Shortfall	0.3
Trade Waste, Lets etc - Income Shortfall	0.5
	8.3

The above cost pressures would in the first instance be met from the £7.2m allocation of non-specific 2021/22 Covid funding from the Scottish Government and, thereafter, from the amounts set aside within General Fund for general Covid costs pressures. These projections are based on latest information available although should be considered as being subject to change as further information becomes available. A fuller picture on Covid-related expenditure and funding will be included in future revenue monitoring reports. This will include the use of specific Scottish Government 2021/22 funding allocations (eg for Family and Low Income Pandemic Payments, Education Catch-Up etc) and funding carried forward from 2020/21 (eg for Additional Teachers / Support Staff, Covid Supports per report 155-2021 etc). We are currently reviewing the impact on all fee recovery in light of Covid-19 and will provide further details in due course.

- 3.2 The Housing Revenue Account projected outturn position for 2021/2022 is an underspend of £1,418,000 based on the financial information available at 30 June 2021.
- 3.3 The final position at 31 March 2022 for the General Fund and Housing Revenue Account will be confirmed in draft unaudited accounts prepared by 30 June 2022.

4 **BACKGROUND**

- 4.1 Following approval of the Council's 2021/2022 Revenue Budget by the Special Policy and Resources Committee on 4 March 2021, this report is now submitted in order to monitor the 2021/2022 projected revenue outturn position as at 30 June 2021, against the adjusted 2021/2022 Revenue Budget.

The total 2021/2022 Revenue Budget is £372.852m. For Revenue Monitoring purposes, the Council Tax Reduction Scheme budget of £13.019m is moved from expenditure to income and netted off against Council Tax income. This results in total budgeted expenditure of £359.833m for Revenue Monitoring purposes, as per Appendix A.

- 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 2021/2022 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 (a) of the minute of the meeting of the Special Policy and Resources Committee on 4 March 2021, Report No: 108-2021 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 2021/2022 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. This includes the high risk of new cost pressures or responsibilities emerging during the financial year in areas such as financial pressures as a result of the Covid-19 emergency and costs associated with Brexit.

6 GENERAL FUND SERVICES - MONITORING POSITION AS AT 30 JUNE 2021

6.1 The forecast position as at 30 June 2021 for General Fund services is summarised below:

	<u>Adjusted Budget 2021/2022 £000</u>	<u>Forecast 2021/2022 £000</u>	<u>Variance £000</u>
Total Expenditure	359,833	357,436	(2,397)
Total Income	<u>(359,833)</u>	<u>(359,833)</u>	-
Forecast Position	-	<u>(2,397)</u>	<u>(2,397)</u>

The forecast position as at 30 June 2021 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 three months of the financial year to 30 June 2021. The figures are therefore indicative at this stage and are used by the Chief Executive, Executive Director of Corporate Services and members of the Council Management Team to identify variances against budget and enable corrective action to be taken as appropriate.

Service Commentary

6.3 General

Committee Report No 62-2021, Policy and Resources Committee of 22 February 2021 notes “services will be expected to operate within the limits of their overall revenue budget allocation. Cost pressures which emerge in-year should, where possible, be accommodated within the relevant service revenue budgets.” Accordingly, there will be overs and unders within each service. The main areas are summarised below.

6.4 Children & Families Services (Breakeven)

The service is currently projecting breakeven. The position will continue to be monitored closely in the coming months.

6.5 Dundee Health & Social Care Partnership – (Breakeven)

The financial monitoring position for the Dundee Health and Social Care Partnership (DHSCP) based on the 2021/22 financial year as at 30 June 2021 shows a forecast net break-even position.

DHSCP are continuing to respond to changes in demand and in particular the increasing scale of demand for care at home which is balancing more complex needs in community settings, and responding to changes in need as a result of demographic change and the impact of the pandemic on health and wellbeing.

6.6 City Development (Breakeven)

The service is currently projecting breakeven. The position will continue to be monitored closely in the coming months.

6.7 Neighbourhood Services (£657,000 underspend)

The service is projecting an underspend in relation to anticipated staff slippage due to the level of unfilled posts and projected underspend on contracts, equipment, hires and maintenance, plant hire, skip hire and events. Details of further projected variances are included in Appendix B.

6.8 Chief Executive (Breakeven)

The service is currently projecting breakeven. The position will continue to be monitored closely in the coming months.

6.9 Corporate Services (Breakeven)

The service is currently projecting breakeven. The position will continue to be monitored closely in the coming months.

6.10 Capital Finance Costs (£1,672 000 underspend)

This underspend reflects a projected saving in capital financing costs due to lower than anticipated interest rates and slippage in the capital programme.

6.11 Supplementary Superannuation (underspend £68,000)

Projected underspend in Supplementary Superannuation costs.

Capital Receipts – Flexibility Scheme

In March 2019, the Scottish Government issued details of enhanced financial flexibility arrangements that allow local authorities to vary proper accounting practice and use capital receipts to fund qualifying expenditure on a transformation project. Qualifying expenditure is deemed to be non-recurring expenditure on a transformation / service redesign project where incurring upfront costs will generate on-going savings.

Elected members will be aware that, for a number of years now, the Council has used Voluntary Early Retirement and Voluntary Redundancy (VER / VR) schemes as part of its workforce strategy, to assist in service redesign and transformation projects. As well as helping to modernise services, the VER / VR schemes have also generated significant budget savings to help address the financial challenges facing the Council. There are upfront, non-recurring costs associated with the VER / VR schemes, in the form of

redundancy payments and pension strain-on-fund costs, however these costs are more than offset by the subsequent savings in staffing budgets.

In financial years 2018/2019 to 2020/2021 a total of £4.675m of capital receipts from asset sales were set-aside to fund qualifying expenditure on future transformation projects, in terms of the flexibility arrangements. As at 31 March 2021, £1.146m had been used to fund severance costs, leaving a balance of £3.529m at 31 March 2021.

Total VER / VR costs met from capital receipts set aside in 2020/2021 was £0.723m, resulting in full year salary savings totalling £1.330m which are reflected in budgets going forward.

In financial year 2021/2022 it is likely that further costs will accrue as further VERs / VRs are approved. It is considered that these costs meet the definition of “qualifying expenditure” in terms of the Scottish Government’s flexibility arrangements. It is therefore proposed that costs associated with the VER/VR schemes, up to a maximum amount of £3.5m will be met from the remaining balance of capital receipts set-aside. The monitoring statement at Appendix A has been prepared on this assumption.

7 ONGOING ACTIONS

- 7.1 Each service is working closely with Corporate Finance staff, firstly to ensure that these projections are met and then to identify scope to improve the outcome.
- 7.2 In addition, further Council-wide initiatives are underway to help manage existing and emerging cost pressures particularly resulting from Covid-19. These include reviewing the requirements for overtime working, a focus on absence rates and increased vacancy control over the remainder of the financial year. There is an ongoing review of discretionary spend and other opportunities for efficiencies and budget savings.
- 7.3 There is also close working with Dundee HSCP and LACD on revenue requirements for current and future funding.
- 7.4 The 2021/2022 budget savings agreed at the meeting of the Special Policy and Resources Committee on 4 March 2021 are monitored on a monthly basis. The Revenue Monitoring position reported reflects the position with regard to achieving these savings.

8 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 30 JUNE 2021

- 8.1 The forecast position as at 30 June 2021 for the HRA is summarised below:

	<u>Adjusted Budget 2021/2022 £000</u>	<u>Forecast 2021/2022 £000</u>	<u>Variance £000</u>
Total Expenditure	55,762	54,344	(1,418)
Total Income	<u>(55,762)</u>	<u>(55,762)</u>	-
Forecast Position	_____ -	<u>(1,418)</u>	<u>(1,418)</u>

- 8.2 The service is projecting an underspend in loan charges mainly due to lower than anticipated interest rates and slippage in the capital programme.

A system of perpetual detailed monitoring will continue to take place up to 31 March 2022 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2021/2022 HRA Revenue Budget.

9 POLICY IMPLICATIONS

This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues. Details of the risk assessment are included in Appendix D to this report.

10 CONSULTATIONS

The Council Management Team were consulted in the preparation of this report.

11 BACKGROUND PAPERS

None

**ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

12 AUGUST 2021

DUNDEE CITY COUNCIL										
2021/2022 REVENUE OUTTURN MONITORING										
PERIOD 1 APRIL 2021 - 28 FEBRUARY 2022										
	Approved		Adjusted						Previous	Movement
	Revenue	Total	Revenue	Projected	Worse	Better	Net		Months	since
	Budget	Budget	Budget	Outturn	Than	Than	Variance		Projected	Previous
	2021/22	Adjustments	2021/22	2021/22	Budget	Budget	(see Appx B)	Note	Variance	Month
	£000	£000	£000	£000	£000	£000	£000		£000	£000
General Fund Services										
Children & Families	170,555		170,555	170,555			0		0	
Dundee Health & Social Care Partnership	82,671		82,671	82,671			0		0	
City Development	13,002		13,002	13,002			0		0	
Neighbourhood Services	28,867		28,867	28,210		(657)	(657)	1	0	(657)
Chief Executive	12,957		12,957	12,957			0		0	
Corporate Services	32,171		32,171	32,171			0		0	
DCS Construction	(1,457)		(1,457)	(1,457)			0		0	
	338,766	0	338,766	338,109	0	(657)	(657)		0	(657)
Capital Financing Costs / Interest on Revenue Balances	21,201		21,201	19,529		(1,672)	(1,672)	2	0	(1,672)
Contingencies:										
- General	500		500	500			0		0	
- Cost Pressures	491		491	491			0		0	
- Unallocated Corporate Savings	(2,885)		(2,885)	(2,885)			0		0	
Miscellaneous Items	(2,161)		(2,161)	(2,161)			0		0	
Bad Debt Provision	0		0	0			0		0	
Discretionary NDR Relief	392		392	392			0		0	
Supplementary Superannuation Costs	2,566		2,566	2,498		(68)	(68)	3	0	(68)
Tayside Valuation Joint Board	963		963	963			0		0	
Total Expenditure	359,833	0	359,833	357,436	0	(2,397)	(2,397)		0	(2,397)
Sources of Income										
General Revenue Funding	(269,419)		(269,419)	(269,419)			0		0	
Contribution from NNDR Pool	(33,763)		(33,763)	(33,763)			0		0	
Council Tax	(56,651)		(56,651)	(56,651)			0		0	
Use of Balances -										
Committed Balances c/f			0	0			0		0	
Capital Grants & Receipts Unapplied			0	0			0		0	
Change Fund			0	0			0		0	
(Surplus)/Deficit for the year	0	0	0	(2,397)	0	(2,397)	(2,397)		0	(2,397)
(Surplus)/Deficit for Housing Revenue Acct	0	0	0	(1,418)	0	(1,418)	(1,418)	4	0	(1,418)

REASONS FOR 2021/2022 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 30 JUNE 2021

<u>Service</u>	<u>Note</u>	<u>As at</u> <u>30 Jun</u> <u>£000</u>	<u>As at</u> <u>N/a</u> <u>£000</u>	<u>Cost Centre</u>	<u>Subjective</u> <u>Analysis</u>	<u>As at</u> <u>30 Jun</u> <u>£000</u>	<u>As at</u> <u>N/a</u> <u>£000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Neighbourhood Services</u>	1	(657)	0		Staff Costs	(414)	0	Mainly reflects net anticipated slippage due to current level of unfilled posts.
					Supplies & Services	(504)	0	Mainly reflects projected underspend on contracts, hire and maintenance, skip hire, plant hire, other materials and consumables and events expenditure.
					Transportation	103	0	Relates mainly to fleet charges partly offset by reduced travel costs.
					Third Party Payments	(10)	0	Underspend in grants.
					Various	25	0	Reflects projected expenditure on Corporate Resilience Costs.
					Income	143	0	Mainly reflects loss of income from various chargeable activities partly offset by net additional income on temporary accommodation.
<u>Capital Finance Costs</u>	2	(1,672)	0			(1,672)	0	Due to lower than expected borrowing / budgeted interest rates.
<u>Supplementary Superannuation costs</u>	3	(68)	0			(68)	0	Projected underspend in Supplementary Superannuation costs.
<u>TOTAL GENERAL FUND</u>		<u>(2,397)</u>	<u>0</u>			<u>(2,397)</u>	<u>0</u>	
<u>Housing Revenue Account</u>	4	(1,418)	0		Capital Financing Costs	(1,418)	0	Due to lower than expected borrowing / budgeted interest rates.
<u>TOTAL HOUSING REVENUE ACCOUNT</u>		<u>(1,418)</u>	<u>0</u>			<u>(1,418)</u>	<u>0</u>	

Dundee City Council
Revenue Monitoring to 31st March 2022 - Budget Adjustments to date

	<u>2020/21</u>		<u>Funding</u>	<u>NNDR</u>	<u>Alloc</u>	<u>Alloc</u>	<u>T/Fs</u>	<u>Dept</u>
	<u>Alloc</u>	<u>Under</u>			<u>from</u>	<u>from</u>	<u>Between</u>	
	<u>To/From</u>	<u>spends</u>			<u>Change</u>	<u>R&R</u>	<u>Depts /</u>	
	<u>Conds</u>	<u>b/fwd</u>	<u>T/Fs</u>	<u>Adj</u>	<u>Fund</u>	<u>Fund</u>	<u>Conds</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>£000</u>
<u>General Fund Services</u>								
<u>Children & Families</u>								0
<u>Dundee Health & Social Care Partnership</u>								0
<u>City Development</u>								0
<u>Neighbourhood Services</u>								0
<u>Chief Executive</u>								0
<u>Corporate Services</u>								0
<u>Construction</u>								0
<u>Miscellaneous Items</u>								0
<u>General Contingency</u>								0
<u>General Revenue Funding</u>								0
Total Adjustments (General Fund)	0	0	0	0	0	0	0	0

Risks - Revenue	Assessment	Risk Management / Comment
<u>General Inflation</u> General price inflation may be greater than anticipated.	Medium	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.	Medium	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/ Medium	Treasury Mgmt Strategy. Limited exposure to variable rate funding.
<u>Savings</u> Failure to achieve agreed level of savings & efficiencies particularly in light of the Covid-19 emergency.	High	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> Significant cost pressures due to Covid-19 emergency in addition to the possibility of new cost pressures or responsibilities emerging during the course of the financial year, including potential additional costs associated with Brexit.	High	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. Covid-19 Financial Recovery Plan.
<u>Chargeable income</u> The uncertainty that the level of chargeable income budgeted will be received particularly in light of the Covid-19 emergency	High	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. Covid-19 Financial Recovery Plan.
<u>Council Tax Collection</u> Provision for non-collection of Council Tax (3.2%) may not be adequate particularly in light of the Covid-19 emergency.	High	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.	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. Budget also introduced for discretionary housing payments to assist those affected by these changes.

