

**REPORT TO: POLICY & RESOURCES COMMITTEE – 24 AUGUST 2015**

**REPORT ON: REVENUE MONITORING 2015/2016**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 273-2015**

**1 PURPOSE OF REPORT**

- 1.1 To provide Elected Members with an analysis of the 2015/2016 projected revenue outturn as at 30 June 2015 monitored against the adjusted 2015/2016 Revenue Budget.

**2 RECOMMENDATIONS**

- 2.1 It is recommended that Elected Members:

- a note that the overall General Fund 2015/2016 projected revenue outturn as at 30 June 2015 is projecting a breakeven position against the adjusted 2015/2016 Revenue Budget.
- b note that the Housing Revenue Account as at 30 June 2015 is projecting a breakeven position against the adjusted HRA 2015/2016 Revenue Budget.
- c agree that the Executive Director of Corporate Services will take every reasonable action to ensure that the 2015/2016 Revenue expenditure is below or in line with the adjusted Revenue Budget.
- d instruct the Executive Director of Corporate Services in conjunction with all members of the Council Management Team to continue to monitor the Council's 2015/2016 projected revenue outturn.

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

- 3.1 The overall projected 2015/2016 General Fund Revenue outturn position for the City Council is currently projecting a breakeven position based on the financial information available at 30 June 2015. A system of perpetual detailed monitoring will continue to take place up to 31 March 2016 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2015/2016 Revenue Budget.
- 3.2 The Housing Revenue Account outturn position for 2015/2016 is currently projecting a breakeven position based on the financial information available for the period to 30 June 2015. A system of perpetual detailed monitoring will continue to take place up to 31 March 2016 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2015/2016 HRA Revenue Budget.

**4 BACKGROUND**

- 4.1 Following approval of the Council's 2015/2016 Revenue Budget by the Special Policy and Resources Committee on 12 February 2015 this report is now submitted in order to monitor the 2015/2016 projected revenue outturn position as at 30 June 2015, against the adjusted 2015/2016 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 2015/2016 Revenue Budget, the Executive Director of Corporate Services considered the key strategic, operational and financial risks faced by the Council over this period (Article III of the minute of the meeting of the Special Policy & Resources Committee on 12 February 2015, Report No: 68-2015 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 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 2015/2016 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 JUNE 2015

- 6.1 The forecast position as at 30 June 2015 for General Fund services is summarised below:

	<u>Adjusted Budget 2015/16 £000</u>	<u>Forecast 2015/16 £000</u>	<u>Variance £000</u>
Total Expenditure	343,329	343,329	-
Total Income	<u>(343,329)</u>	<u>(343,329)</u>	<u>-</u>
Forecast Position	<u>-</u>	<u>-</u>	<u>-</u>

The forecast position as at 30 June 2015 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.

**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 three months of the financial year to 30 June 2015. 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.

### **Departmental Commentary**

6.3 **Education (£nil)**

Within Special Schools, the department are projecting an overspend in transport costs due to an increase in the number of children requiring support. It is anticipated that this will be offset within Secondary Schools, where there is projected slippage due to vacant support staff posts which have recently been advertised.

6.4 **Social Work (£nil)**

Within Children and Families, the department are projecting an overspend in third party payments due to an increase in the number of residential and secure care placements that are currently being made although they are anticipating this will be offset within Adult Services, where payments to third sector bodies are expected to be lower than budgeted following delays in implementing various new service developments.

6.5 **City Development (£nil)**

The department forecast a shortfall in external rental income due to the number of commercial properties they anticipate will remain vacant during the year although this is expected to be offset by savings in staff costs due to the level of slippage across the department and additional income from building warrants and planning applications due to the current level of demand for these activities.

## **7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 30 JUNE 2015**

- 7.1 The forecast position as at 30 June 2015 for the HRA is summarised below:

	<b><u>Adjusted Budget 2015/16 £000</u></b>	<b><u>Forecast 2015/16 £000</u></b>	<b><u>Variance £000</u></b>
Total Expenditure	55,117	55,061	(56)
Total Income	<u>(55,117)</u>	<u>(55,061)</u>	<u>56</u>
Forecast Position	_____	_____	_____

- 7.2 The department are anticipating a shortfall in rental income receivable due to an increase in Council house sales. This adverse variance is projected to be offset by savings elsewhere due to a reduction in general administration costs (please refer to Appendix B for further details).

- 7.3 The overall impact is a breakeven position against the adjusted HRA 2015/2016 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2016 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2015/2016 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 members of the Council Management Team 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**  
**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**13 AUGUST 2015**

# DUNDEE CITY COUNCIL

## 2015/2016 REVENUE OUTTURN MONITORING

PERIOD 1 APRIL 2015 - 30 JUNE 2015

Statement analysing 2015/2016 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).

### Appendix A

	Approved Budget £000	Budget Adjustments 01 Apr to 30 June £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
<b>General Fund Departments</b>										
Social Work	98,449	951	99,400	99,400				2		
City Development	21,279	178	21,457	21,457				3		
Environment	16,602	210	16,812	16,812						
Education	119,526	1,582	121,108	121,108				1		
Chief Executive	18,044	29	18,073	18,073						
Corporate Services	22,082	513	22,595	22,595						
Other Housing	2,319		2,319	2,319						
Supporting People	11,634		11,634	11,634						
Scottish Welfare Fund	1,513	191	1,704	1,704						
	311,448	3,654	315,102	315,102	0	0	0		0	0
	(3,186)		(3,186)	(3,186)						
<b>Miscellaneous Income</b>										
Capital Financing Costs /										
Interest on Revenue Balances	26,682		26,682	26,682						
Contingencies:										
- General	650		650	650						
- Energy Costs	200		200	200						
- Other Cost Pressures	428		428	428						
- Unallocated Corporate Savings:										
CTF - Admin / Clerical Review	(438)		(438)	(438)						
VER / VR Scheme (Corporate Services)	(150)		(150)	(150)						
Various New Monies / Adjustments:										
- Self Directed Support	108		108	108						
- Children & Young People Bill	427		427	427						
Discretionary NDR Relief	147		147	147						
Supplementary Superannuation Costs	2,410		2,410	2,410						
Tayside Valuation Joint Board	949		949	949						
	339,675	3,654	343,329	343,329	0	0	0		0	0
<b>Sources of Income</b>										
General Revenue Funding	(231,508)	(619)	(232,127)	(232,127)						
Contribution from NNDR Pool	(62,479)		(62,479)	(62,479)						
Council Tax	(45,688)		(45,688)	(45,688)						
Use of Balances -										
Committed Balances c/f	(3,035)	(3,035)	(3,035)	(3,035)						
Renewal & Repair Fund	0	0	0	0	0	0	0		0	0
<b>(Surplus)/Deficit for the year</b>	0	0	0	0	0	0	0		0	0
<b>Housing Revenue Account</b>	0	0	0	0	0	0	0	4	0	0

## REASONS FOR 2015/2016 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES

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

AT 30 JUNE 2015

<u>Department</u>	<u>Note</u>	<u>As at 30 Jun £000</u>	<u>As at 31 May £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>As at 30 Jun £000</u>	<u>As at 31 May £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Education</u>	1	Nil	n/a	Secondary Schools	Staff	(70)	n/a	Reflects projected slippage due to vacant support staff posts which have recently been advertised.
				Special Schools	Transport	70	n/a	Projected overspend due to an increase in the number of children requiring support.
<u>Social Work</u>	2	Nil	n/a	Children & Families	Third Party Payments	200	n/a	Reflects the increase in number of residential and secure care placements currently being made.
				Adults	Third Party Payments	(200)	n/a	Reflects projected delays in fully implementing various new service developments for which budgetary provision has been made.
<u>City Development</u>	3	Nil	n/a	Departmental	Staff	(150)	n/a	Reflects the overall level of net staff slippage projected due to a number of unfilled posts across the department (excluding figures for Architects and Engineers that are stated separately below).
				Property	Income	300	n/a	Reflects projected shortfall in external rental income due to the number of properties that are currently vacant.
				Planning	Income	(125)	n/a	Reflects projected increase in chargeable income from building warrants and planning applications due to the current demand for these activities.
<u>Housing Revenue Account</u>	4	Nil	n/a	Administration		(56)	n/a	Reflects reduction in projected spend due to lower staffing costs and a general reduction in discretionary expenditure.
				Rent of Houses		56	n/a	Reflects reduced rental income compared to budget due to an increase in Council house sales.

**Appendix C**

	<u>Alloc</u>	<u>2014/15</u>		<u>Alloc</u>	<u>Alloc</u>	<u>T/Fs</u>	
	<u>From</u>	<u>Under</u>	<u>Funding</u>	<u>from</u>	<u>from</u>	<u>Between</u>	<u>Dept</u>
	<u>Conts</u>	<u>b/fwd</u>	<u>T/Fs</u>	<u>R&amp;R</u>	<u>Other</u>	<u>Depts</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>
<b><u>General Fund Departments</u></b>							
<b><u>Education</u></b>							
1. DSM Balances		967					
2. 1 + 2 Language Policy		155	85				
3. Early Years Change Fund		4					
4. Additional Support for National Qualifications			25				
5. T/F Staff Costs for Admin staff in Secondary Schools						346	
							1,582
<b><u>Social Work</u></b>							
1. Community Equipment Service		49					
2. Family Support Service		74					
3. Older People's Change Fund		640					
4. Early Years Change Fund		120					
5. Choose Life		49					
6. Dundee Women's Aid		14					
7. Looked After Children		5					
							951
<b><u>City Development</u></b>							
1. Youth Employment Strategy		178					
							178
<b><u>Environment</u></b>							
1. Residual Waste Project		210					
							210
<b><u>Chief Executive</u></b>							
1. Hands up for Trad (Scottish Traditional Music)		5					
2. Community Asset Transfer post		24					
							29
<b><u>Corporate Services</u></b>							
1. External Audit		20					
2. Elections full canvas		40					
3. Corporate Debt / Welfare Reform (staff costs)		85					
4. Discretionary Housing Payments		182					
5. Welfare Reform		23					
6. Discretionary Housing Payments			509				
7. T/F Staff Costs for Admin staff in Secondary Schools						(346)	
							513
<b><u>Other Housing</u></b>							
							0
<b><u>Scottish Welfare Fund</u></b>							
1. Admin Grant		99					
2. Crisis and Community Care Grants		92					
							191
<b><u>General Contingency</u></b>							
							0
<b><u>Capital Financing Costs / IORB</u></b>							
							0
<b>Total Adjustments (General Fund)</b>	0	3,035	619	0	0	0	3,654

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.