

REPORT TO: CITY GOVERNANCE COMMITTEE – 23 OCTOBER 2023

REPORT ON: REVENUE MONITORING 2023/2024

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 278-2023

1 PURPOSE OF REPORT

1.1 To provide Elected Members with an analysis of the 2023/24 projected revenue outturn as at 31 July 2023 and the impact on the Council’s overall balances position.

2 RECOMMENDATIONS

2.1 It is recommended that the Committee:

- (a) note that as at 31 July 2023 the General Fund is projecting an overall overspend of £3.632m against the adjusted 2023/2024 Revenue Budget and the impact this has on the projected Council’s General Fund Balances;
- (b) note the budget adjustments totalling £1.633m and detailed in second column of Appendix A as virements to the previously approved Revenue Budget;
- (c) note that as at 31 July 2023 the Housing Revenue Account (HRA) is projecting an overspend of £0.600m against the adjusted HRA 2023/24 Revenue Budget and the impact this has on the element of the projected Renewal & Repair Fund balance earmarked to HRA;
- (d) note the position on ring-fenced grants expenditure outlined in Appendix B;
- (e) note that the Chief Executive, in consultation with Executive Directors, will take appropriate steps to manage current and recurring revenue expenditure, including reviewing all vacancies within the Council, reduce discretionary expenditure where possible and limit any new recurring commitments. Executive Directors will work with Corporate Finance to develop recovery plans to identify options to reduce the projected in year overspend;
- (f) note the key strategic, operational and financial risks being faced by the Council outlined in Appendix C;
- (g) notes the current position on Leisure and Culture Dundee (LACD), as set out in paragraph 7.3; and
- (h) approve an allocation of £500k from the earmarked inflation reserve towards Cost-of-Living pressures and authorise the Chief Executive to make arrangements to use this continue to support partnership work across the city in relation to food support, advice (including FuelWell), Open Doors and other appropriate programmes.

3 FINANCIAL IMPLICATIONS

3.1 The unallocated portion of the General Fund as at 31 July 2023 is projecting an overspend of £3.632m against the adjusted 2023/24 Revenue Budget. The impact this would have on the Council’s General Fund Balances is outlined below:

General Fund	Opening Balance 1 April 2023 £000	(Surplus) / Deficit for the Year £000	Projected Balance 31 March 2024 £000
Earmarked Carry-forwards*	5,962	899	5,063
Children Services pressures	4,300	4,300	0

Organisational Change Fund	2,532		2,532
Covid cost related pressures*	14,647		14,647
Covid recovery measures	1,280	875	405
Service change initiatives	5,000		5,000
Roof Remedial Works	3,707	1,438	2,269
Inflationary Pressures**	3,800	1,321	2,479
Contribution to 2023/24 budget	1,750	1,750	0
Other earmarked Funds	4,443	788	3,655
Total earmarked funds	47,421	11,371	36,050
Unallocated Balance	9,226	3,632	5,594
Total General Fund	56,647	15,003	41,644

* These balances will be drawn down as required.

** The above provision was anticipated to cover any unbudgeted costs arising from inflated energy prices. The Council's Energy Management Team are currently undertaking a detailed review in light of any pricing and consumption changes to assess whether the balance of the provision will be fully required this financial year.

- 3.2 The approved budget included an allowance of 4% for the 2023/24 LGE (non-teachers) pay award. Since then, the Scottish Government have also provided additional monies to support the current pay offer of 5.5% and sufficient resources are therefore included in the overall budget to meet this offer. It should be noted that the LGE pay offer is however not yet agreed and officers will continue to monitor this and any impact of the overall budget.
- 3.3 Above projections will continue to be monitored by officers throughout the remainder of the year and reported to Members. It should be noted that the Council agreed a Budget Strategy 2024/25 (Article IV of the agenda of the meeting of the City Governance Committee on 4 September 2023, Report No:230-2023 refers) that highlighted a potential budget shortfall of £19.5m for 2024/25. The report sets out six strands to deliver a balanced budget for 2024/25.
- 3.4 Based on the financial information available as at 31 July 2023 the HRA outturn position for 2023/24 is projecting an overspend of £0.600m. Further details are provided in section 8 of this report.

4 BACKGROUND

- 4.1 Following approval of the Council's 2023/24 Revenue Budget by the Policy and Resources Committee on 23 February 2023, this report provides the projected revenue outturn position as at 31 July 2023, against the adjusted 2023/24 Revenue Budget.
- 4.2 The total 2023/24 Revenue Budget is £423.963m. For revenue monitoring purposes, the Council Tax Reduction Scheme budget of £14.072m is moved from expenditure to income and netted off against Council Tax income. This results in total budgeted expenditure of £409.891m for revenue monitoring purposes, as set out in Appendix A.
- 4.3 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 (underspend) 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.
- 4.4 The forecast position 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 shows the financial performance against ring-fenced funding to date.

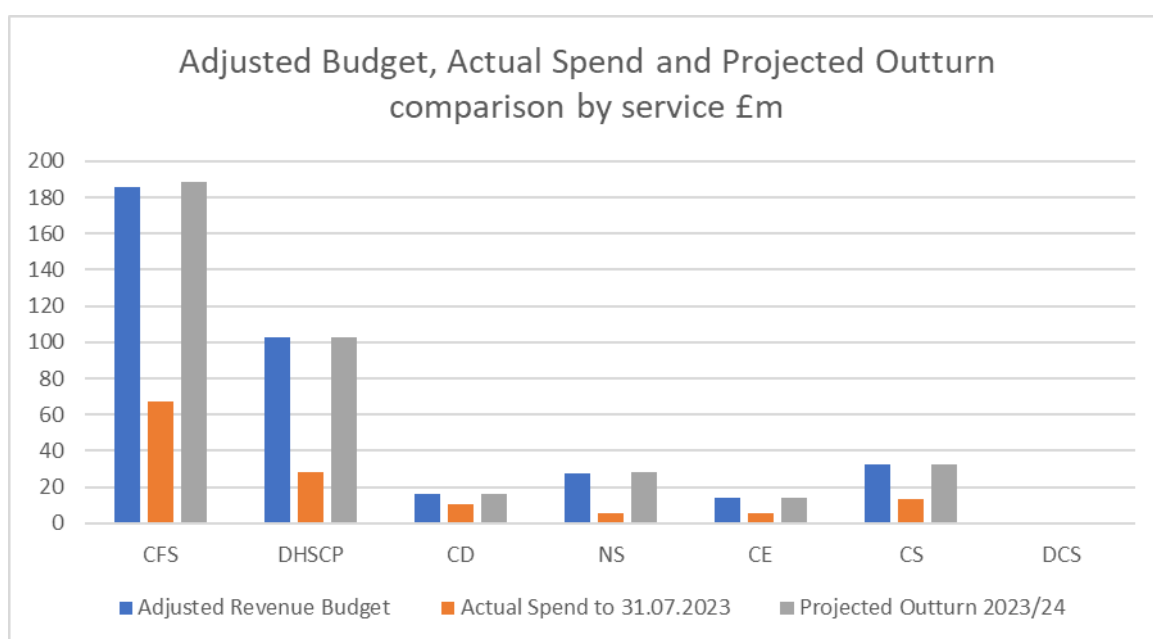
Appendix C lists the key strategic, operational and financial risks being faced by the Council.

5 GENERAL FUND SERVICES - MONITORING POSITION AS AT 31 JULY 2023

5.1 The forecast position as at 31 July 2023 for General Fund services is summarised below.

	(Under)/ Over Spend as at 31 July £m	(Under)/ Over Spend as at 30 June £m	Movement (from previous month) £m
Net Expenditure	4.630	4.636	(0.006)
Sources of Income	(1.000)	(0.384)	(0.616)
Net over/ (underspend) on unallocated portion of General Fund	3.632	4.252	(0.620)

The graph below details the comparison between each service's actual spend and projected outturn.



5.2 The table below details the key factors which contributed to the movement from previous month.

	£m
Projected decrease in the previously reported overspend on property costs due to health and safety repairs on council properties.	(0.291)
Increase in projected staff costs underspend within Neighbourhood Services	(0.101)
Increase in projected overspend on Education Third Party Payments due to a projected shortfall in payments to Early Years private providers	0.126
Projected increase in additional income within Children and Families Services	(0.200)
Projected increase in level of Council Tax collected	(0.616)
Projected overspend within Ring Fenced Funding relating to the Scottish Attainment Challenge (SAC)	0.300

6 DETAILED ANALYSIS

The following paragraphs summarise the main areas of variance by service along with appropriate explanations. These figures reflect movements for the full year to date.

6.1 Children & Families Services: £2.848m overspend

	£m
Children's Services third party payments due to a higher than anticipated number of children who have been placed into secure care	2.649
PPP unitary charges (reflecting greater RPI than budgeted)	0.450
Projected shortfall in payments to Early Years private providers	0.126
Projected overspend in property costs due to increases in non-domestic rates valuations	0.177
Additional grant funding for unaccompanied asylum-seeking children	(0.606)
Additional income from SEN, departmental recharges, early years childcare fees	(0.340)
Projected overspend within Ring Fenced Funding relating to the Scottish Attainment Challenge (SAC)	0.300

Third party payments for placements within Children Services remain a significant cost pressure although the service is implementing a plan to reduce these costs. Since April, the number of children and young people placed in external residential and secure accommodation has reduced from 43 to 32. In addition, there continues to be a reduction in the number of internal foster placements available, which means that children and young people returning to the city are either placed in Young Person's Houses, with kinship carers or their own parents. Finally, shift changes have also been implemented within Young Person's Houses to increase the room capacity available and reduce reliance on expensive external placements outwith the city.

Current forecast overspend after applying reserves of £4.3m is £3.8m. Further planned movements in external placements are expected before the end of the year that will reduce this by £0.9m. In addition, the service will implement a reduction of continuing care rates from 1 October 2023 that will save a further £0.3m this financial year. The adjusted net overspend of £2.6m is reflected within this report.

This area is under ongoing review to ensure that appropriate steps are taken to bring overall spend in line with the approved budget level before the end of the financial year.

An updated forecast of the projected teachers staff costs is being undertaken and the outcome of this will be reflected in future reports. This review will assess the assumptions around staff costs now that the school year has started.

6.2 Dundee Health & Social Care Partnership: Breakeven

The latest Financial monitoring report presented to Dundee IJB projects an overspend of £2.85m for 2023/24. This overspend is in line with 2023/24 IJB Financial Plan where up to £3m has been identified and set aside in IJB Reserves to cover the current year position. Under the risk sharing arrangement reflected in the Integration Scheme, the Integration Joint Board (IJB) retains any underspend within its reserve balances for investment in integrated health and social care services in future years. For Dundee City Council there is no additional contribution requirement forecast in 2023/24. DHSCP is continuing to respond to changes in demand and demographics, and in particular staffing challenges, complexity of needs in community settings, and the wider impact of deferred treatments on health and wellbeing following the pandemic period. Members should note that IJB's updated financial position will be presented to Dundee IJB on the 25th October. The updated position will be reflected in the council's next revenue monitoring report.

6.3 City Development: £0.443m overspend

	£m
Additional security staff at Dundee House	0.114
Anticipated health and safety repair costs within Dundee House and City Square properties	0.340

The service continues to review this area to ensure any non-essential repairs can be deferred to enable them to contain this budget pressure. In addition, the service is reviewing all other discretionary spend in particular vacant posts and identifying areas that could bring additional income, for example from projects or commercial activities to assist in offsetting the projected overspend.

6.4 Neighbourhood Services: £1.172m overspend

	£m
Saving target higher than the estimated additional income from projected excess revenue share (ERS) arising from the operations of the new waste to energy plant (the projected ERS income is lower than target mainly due to reduction in energy prices sales) and forecasted higher than budget MEB gate fees due to increased volumes being processed at the plant	1.519
Less: Planned transfers from earmarked reserves to meet energy and inflationary pressures associated with waste to energy plant.	(1.321)
Fleet hire charges forecast to be higher than budget. The fleet overspend is mainly attributable to increased, unbudgeted fleet charges.	0.445
Streetscene & Land Management: income mainly from projects, interment fees and ground maintenance activities are forecasted to be lower than budgeted	0.619
Anticipated staff cost underspend due to vacancies	(0.118)

A technical review has been organised on fleet budgets and recharges to ensure adequate provision is allocated to managing this resource in future fleet management budgets related to waste and environmental operations.

6.5 Construction Services: £0.881m overspend

	£m
Projected shortfall in recovery of fixed and indirect overheads due to impact of industrial action earlier in year and absence levels being greater than anticipated thereby reducing the level of productive hours and in turn income recharged	0.757
Anticipated staff cost underspend due to vacancies/ recruitment challenges	(0.316)
Projected overspend in Supplies and Services mainly due increase in both volume and costs of additional Housing repairs	0.360

6.6 Capital Financing Costs: (£1.164m) underspend

	£m
Savings due to slippage in 2022/23 capital programme resulting in lower loan repayments in 2023/24 and deferral of any new long-term borrowing until later in the financial year	(1.164)

The concurrent capital monitoring report for the period to date identifies further slippage and a forecasted reduction in planned expenditure. The position will continue to be monitored closely in the coming months and officers will report any movement to the above projection as a consequence of this.

6.7 Council Tax: (£1.000m) underspend

	£m
Reflects projected underspend on Council Tax	(1.000)

Following a review of the council tax income, exemptions and discounts awarded the anticipated level of council tax collected is projected to be greater than anticipated. The position will continue to be monitored closely in the coming months.

6.8 Bad Debt Provision: £0.116m overspend

	£m
Reflects projected increase in bad debts in the year	0.116

A detailed review of the bad debt provision calculation is underway and this position will continue to be monitored closely in the coming months.

6.9 Miscellaneous Items (reduced income £0.265m)

	£m
Reflects that Tayside Contacts have reported that our budgeted share of distributable surplus will be reduced.	0.265

7 ONGOING ACTIONS

7.1 This report identifies projections based on the first 4 months of the financial year. The figures are therefore indicative at this stage and are used by the Council Leadership Team to identify variances against budget and enable corrective action to be taken as appropriate. 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. 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 In October 2022 the Council agreed to authorise the Chief Executive to issue a letter of comfort to Leisure and Culture Dundee confirming the Council's continuing financial support in financial year 2022/23 and for a period of at least 12 months beyond the date of the signing of Leisure and Culture Dundee's 2021/22 accounts whilst setting out an expectation that from 2023/24 Leisure and Culture Dundee will operate with a balanced budget (Article III of the minute of Policy and Resources Committee on 31 October 2022 refers). Leisure and Culture Dundee have been provided with additional financial support of £2.914m over the past two years to mitigate the impact of Covid 19 with the expectation that this support will cease this year. To provide certainty, stability and time for Leisure and Culture Dundee to develop a balanced budget from 2024/25 onwards it has been agreed this financial support be extended to 31 March 2024.

8 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 JULY 2023

8.1 The forecast position as at 31 July 2023 for the HRA is summarised below:

	(Under)/ Over Spend as at 31 July £m	(Under)/ Over Spend as at 30 June £m	Movement (from previous month) £000
Net Expenditure	1.005	1.005	0.00
Sources of Income	(0.405)	(0.405)	0.00
Net over/ (underspend)	0.600	0.600	0.00

- 8.2 The key variances that make up the June position are shown in the table below. These figures reflect movements for the full year to date.

	£m
The demand for additional expenditure on relets to work through the backlog of properties and void losses is greater than budgeted will absorb the underspend on loan charges.	1.005
Savings due to slippage in the 2022/23 capital plan resulting in lower loan repayments in 2023/24 and deferral of new long-term borrowing until later in the year	(0.405)

- 8.3 Any final variance will be adjusted against Renewal & Repair Fund, the housing element of which amounted to £11.392m as at 31 March 2023. This adjustment would be in addition to the £0.500m that was agreed as part of the 2023/24 HRA Revenue Budget that would be taken from the Renewal & Repair Fund to fund a one-off increase in the Hardship Fund (Report No: 33-2023 to Policy & Resources Committee on 23 January 2023, refers). A system of perpetual detailed monitoring will continue to take place up to 31 March 2024 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2023/24 HRA Revenue Budget.

9 RISK ASSESSMENT

- 9.1 In preparing the Council's 2023/24 Revenue Budget, the key strategic, operational and financial risks faced by the Council over this period were considered. To alleviate the impact these risks may have if they occur, a number of general risk mitigation factors are utilised by the Council.
- 9.2 The key risks in 2023/24 have 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 are included in Appendix C to this report.
- 9.3 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.

10 POLICY IMPLICATIONS

- 10.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

11 CONSULTATIONS

- 11.1 The Council Leadership Team were consulted in the preparation of this report.

12 BACKGROUND PAPERS

- 12.1 None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

12 OCTOBER 2023

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DUNDEE CITY COUNCIL										
2023/2024 REVENUE OUTTURN MONITORING										
PERIOD 1 APRIL 2023 - 31 JULY 2023										
	Approved		Adjusted		Projected		Previous	Movement	Actual	Actual
	Revenue	Total	Revenue	Actual	Projected	Variance	Month	since	Spend to	Spend to
	Budget	Budget	Budget	Spend to	Outturn	Over/(under)	Projected	Previous	as a % of	a % of
	2023/24	Adjustments	2023/24	31.07.2023	2023/24	spend	Variance	Month	Adjusted	Adjusted
	£m	£m	£m	£m	£m	£m	£m	£m	Budget	Budget
General Fund Services										
Children & Families	185.991		185.991	66.991	188.839	2.848	2.532	0.316	36%	33%
Dundee Health & Social Care Partnership	102.437		102.437	28.322	102.437	0.000	0.000		28%	31%
City Development	15.449	0.470	15.919	10.197	16.362	0.443	0.745	(0.302)	64%	35%
Neighbourhood Services	26.251	1.136	27.387	5.580	28.559	1.172	1.154	0.018	20%	14%
Chief Executive	14.015	0.019	14.034	5.700	14.034	0.000	0.000		41%	34%
Corporate Services	31.964	0.563	32.527	13.239	32.527	0.000	0.000		41%	58%
Construction Services	0.000		0.000	0.734	0.881	0.881	0.922	(0.041)		106%
	376.107	2.188	378.295	130.763	383.639	5.344	5.353	(0.009)	35%	34%
Capital Financing Costs / Interest on Revenue Balances	19.796		19.796	0.000	18.632	(1.164)	(1.164)			
Contingencies:										
- General	0.500		0.500		0.500					
- Budget growth/Cost Pressures	12.051	(0.555)	11.496		11.496					
- New monies	0.428		0.428		0.428					
- Pay award funding through capital	(3.444)		(3.444)		(3.444)					
Miscellaneous Items	(2.322)		(2.322)	(0.581)	(2.057)	0.265	0.265		25%	33%
Bad Debt Provision	0.000		0.000		0.116	0.116	0.116			
Discretionary Non Domestic Rates (NDR) Relief	0.392		0.392	0.462	0.462	0.070	0.066	0.004	118%	103%
Supplementary Superannuation Costs	2.708		2.708	0.221	2.708	0.000	0.000		8%	25%
Tayside Valuation Joint Board	0.878		0.878	0.263	0.878				30%	30%
Empty Property Relief Devolution	2.798		2.798	0.933	2.798				33%	0%
Total Expenditure	409.891	1.633	411.524	132.061	416.155	4.630	4.636	(0.005)	32%	32%
Sources of Income										
General Revenue Funding	(269.139)	(0.354)	(269.493)	(127.054)	(269.493)				47%	37%
Contribution from National Non Domestic Rates (NNDR) Pool	(73.704)		(73.704)	(24.568)	(73.704)				33%	33%
Council Tax	(61.698)		(61.698)	(13.722)	(62.698)	(1.000)	(0.384)	(0.616)	22%	23%
Use of Capital Grant to fund pay award			0.000		0.000					
Use of Balances -										
Balance on Covid Recovery Fund	(1.750)		(1.750)		(1.750)				0%	
Committed Balances c/f	0.000	(0.899)	(0.899)		(0.899)					
Earmarked funds	0.000	(0.288)	(0.288)		(0.288)					
Service concessions	(3.600)		(3.600)		(3.600)				0%	
Change Fund	0.000	(0.092)	(0.092)		(0.092)					
(Surplus)/Deficit for the year	0.000	0.000	0.000	(33.283)	3.632	3.632	4.252	(0.621)		
(Surplus)/Deficit for Housing Revenue Acct	0.000	0.000	0.000	(7.229)	0.600	0.600	0.600	0.000		

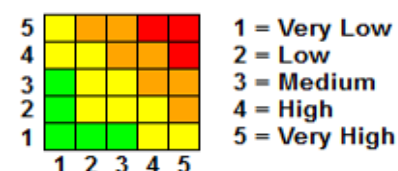
DUNDEE CITY COUNCIL
2023/2024 RING FENCED GRANTS
PERIOD 1 APRIL 2023 - 31 July 2023

Ring-fenced grants	Income Carry Forward from 22/23	Budget		Actuals		Projected Outturn for year		Projected Deficit
		Expenditure	Income	Expenditure	Income	Expenditure	Income	
	£000	£000	£000	£000	£000	£000	£000	£000
Early Learning and Childcare Expansion (ELC)	(1,767)	14,351	(14,351)	4,333	(1,767)	16,118	(16,118)	0
Pupil Equity Fund (PEF)	(1,986)	5,107	(5,107)	2,441	(1,986)	7,093	(7,093)	0
Scottish Attainment Challenge (SAC)	(205)	3,764	(3,764)	1,653	(314)	4,269	(3,969)	300
Criminal Justice Social Work (Incl covid) (CJS)	0	5,412	(5,350)	1,551	(1,206)	5,350	(5,350)	0
Overall Total	(3,958)	28,634	(28,572)	9,978	(5,273)	32,830	(32,530)	300

Budget for CJS includes the mainstream budget provision of £62k.

Risks - Revenue Assessment

Corporate Risk Matrix



Risk Title	Causes	Impact	Inherent Risk	Controls	Residual Risk (Previous Month)	Residual Risk (Current Month)
1. General price inflation may be greater than anticipated.	<ul style="list-style-type: none"> Government policies and regulations Poor economic conditions Impact of rising price rises e.g. energy 	<ul style="list-style-type: none"> Increased financial cost / rising prices Potential budget overspends Potential for interest rate rises through intervention measures 		<ul style="list-style-type: none"> Corporate Procurement strategy in place, including access to nationally tendered contracts for goods and services Fixed price contracts agreed for major commodities i.e. gas and electricity. Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible, for example by utilising budget virements. 		
2. Capital Financing Costs - level of interest rates paid will be greater than anticipated.	<ul style="list-style-type: none"> Substantial decline of global financial market Economic factors impacting on interest rates 	<ul style="list-style-type: none"> Increased borrowing costs Greater return on investments / cash balances 		<ul style="list-style-type: none"> Treasury Management Strategy. Limited exposure to variable rate funding. Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible. 		
3. Unforeseen new cost pressures arising during the course of the financial year.	<ul style="list-style-type: none"> Financial constraints Demand pressures Cost of Living 	<ul style="list-style-type: none"> Potential overspends 		<ul style="list-style-type: none"> Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible, for example by utilising budget virements. 		
4. Chargeable income budget not achieved.	<ul style="list-style-type: none"> Reduced demand for chargeable services, for example due to cost of living crisis Market competition 	<ul style="list-style-type: none"> Loss of income Revision of budgeted income collection levels required 		<ul style="list-style-type: none"> Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible, for example by utilising budget virements. 		

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