

REPORT TO: POLICY & RESOURCES COMMITTEE - 10 SEPTEMBER 2012

REPORT ON: REVENUE MONITORING 2012/2013

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 332-2012

1 PURPOSE OF REPORT

- 1.1 To provide Elected Members with an analysis of the 2012/2013 Projected Revenue Outturn as at 31 July 2012 monitored against the adjusted 2012/2013 Revenue Budget.

2 RECOMMENDATIONS

- 2.1 It is recommended that Elected Members:
- a note that the overall General Fund 2012/2013 Projected Revenue Outturn as at 31 July 2012 shows an overspend of £636,000 against the adjusted 2012/2013 Revenue Budget.
 - b note that the Housing Revenue Account as at 31 July 2012 is projecting a breakeven position against the adjusted HRA 2012/2013 Revenue Budget.
 - c agree that the Director of Corporate Services will take every reasonable action to ensure that the 2012/2013 Revenue expenditure is below or in line with the adjusted Revenue Budget.
 - d instruct the Director of Corporate Services in conjunction with all Chief Officers of the Council to continue to monitor the Council's 2012/2013 Projected Revenue Outturn.

3 FINANCIAL IMPLICATIONS (see Appendix A)

- 3.1 The overall projected 2012/2013 General Fund Revenue outturn position for the City Council shows an overspend of £636,000 based on the financial information available at 31 July 2012. A system of perpetual detailed monitoring will continue to take place up to 31 March 2013 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2012/2013 Revenue Budget.
- 3.2 The Housing Revenue Account outturn position for 2012/2013 is currently projecting a breakeven position based on the financial information available for the period to 31 July 2012. A system of perpetual detailed monitoring will continue to take place up to 31 March 2013 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2012/2013 HRA Revenue Budget.

4 BACKGROUND

- 4.1 Following approval of the Council's 2012/2013 Revenue Budget by the Special Policy and Resources Committee on 9 February 2012 this report is now submitted in order to monitor the 2012/2013 Projected Revenue Outturn position as at 31 July 2012, against the adjusted 2012/2013 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 2012/2013 Revenue Budget, the Director of Corporate Services considered the key strategic, operational and financial risks faced by the Council over this period (please refer to report 68-2012, approved by Special Policy & Resources Committee on 9 February 2012, 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 2012/2013 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 JULY 2012

- 6.1 The forecast position as at 31 July 2012 for General Fund services is summarised below:

	<u>Adjusted</u> <u>Budget</u> <u>2012/13</u> <u>£000</u>	<u>Forecast</u> <u>2012/13</u> <u>£000</u>	<u>Variance</u> <u>£000</u>
Total Expenditure	359,753	360,389	636
Total Income	<u>(359,753)</u>	<u>(359,753)</u>	<u>-</u>
Forecast Overspend	<u>-</u>	<u>636</u>	<u>636</u>

The forecast position as at 31 July 2012 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 four months of the financial year to 31 July 2012. The figures are therefore indicative at this stage and are used by the Chief Executive, Director of Corporate Services and Chief Officers to identify variances against budget and enable corrective action to be taken as appropriate.

Departmental Commentary

6.3 **Social Work (£636,000 overspend)**

The majority of this overspend reflects cost pressures surrounding Children Services, where payments for family placements are expected to be significantly greater than budgeted due to the increased number of children requiring to be looked after and accommodated by the service together with an increase in the number of residential and secure placements being made. In addition, the department are projecting increased expenditure on third party payments for Adult Care due to further continued cost pressures in this area. These variances will be partly offset by additional income projected to be received by the department.

7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 JULY 2012

- 7.1 The forecast position as at 31 July 2012 for the HRA is summarised below:

	<u>Adjusted Budget 2012/13 £000</u>	<u>Forecast 2012/13 £000</u>	<u>Variance £000</u>
Total Expenditure	53,043	53,043	-
Total Income	<u>(53,043)</u>	<u>(53,043)</u>	<u>-</u>
Forecast Position	<u>-</u>	<u>-</u>	<u>-</u>

- 7.2 The Housing Revenue Account outturn position for 2012/2013 is currently projecting a breakeven position based on the financial information available for the period to 30 June 2012. A system of perpetual detailed monitoring will continue to take place up to 31 March 2013 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2012/2013 HRA Revenue Budget.

8 CONCLUSION

As in previous years, the Director of Corporate Services will work with all Chief Officers of the Council to monitor the Council's 2012/2013 Revenue Budget and, through prudent budget management, take every reasonable action to achieve an outturn position below or in line with the approved 2012/2013 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. Details of the risk assessment are included in Appendix D to this report.

There are no major issues.

10 **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 department.

11 **BACKGROUND PAPERS**

None.

MARJORY M STEWART
DIRECTOR OF CORPORATE SERVICES

29 AUGUST 2012

DUNDEE CITY COUNCIL
2012/2013 REVENUE OUTTURN MONITORING
PERIOD 1 APRIL 2012 - 31 JULY 2012

Appendix A

Statement analysing 2012/2013 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	91,162	226	91,388	92,024	636		636	1
Education	120,724	261	120,985	120,985				
City Development	12,142	112	12,254	12,254				
Environment	22,319	290	22,609	22,609				
Chief Executive	25,536	(10)	25,526	25,526				
Corporate Services	17,016	(206)	16,810	16,810				
Other Housing	3,189	373	3,562	3,562				
Supporting People	12,161		12,161	12,161				
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	304,249	1,046	305,295	305,931	636	0	636	
Miscellaneous Income	(2,758)		(2,758)	(2,758)				
Capital Financing Costs /								
Interest on Revenue Balances	24,172	260	24,432	24,432				
Contingencies								
- General	520		520	520				
- Energy Costs	603		603	603				
- Corporate Savings: VER / VR Scheme	(458)	577	119	119				
Discretionary NDR Relief	147		147	147				
Supplementary Superannuation Costs	1,947	10	1,957	1,957				
Tayside Joint Police Board	16,223		16,223	16,223				
Tayside Fire & Rescue Board	12,264		12,264	12,264				
Tayside Valuation Joint Board	951		951	951				
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Total Expenditure	357,860	1,893	359,753	360,389	636	0	636	
Sources of Income								
General Revenue Funding /								
Contribution from NNDR Pool	(299,395)		(299,395)	(299,395)				
Council Tax	(57,522)		(57,522)	(57,522)				
Use of Balances -								
Committed Balances c/f	(943)	(1,893)	(2,836)	(2,836)				
	-----	-----	-----	-----	-----	-----	-----	
(Surplus)/Deficit for the year	0	0	0	636	636	0	636	
	=====	=====	=====	=====	=====	=====	=====	
Housing Revenue Account	0		0	0			0	
	=====	=====	=====	=====	=====	=====	=====	

REASONS FOR 2012/2013 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)

Appendix B

AT 31 JULY 2012

<u>Department</u>	<u>Note</u>	<u>Total Variance £000</u>	<u>Previous Months Total Variance £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>Breakdown of Projected Variance £000</u>	<u>Breakdown of Previous Months Projected Variance £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Social Work</u>	1	636	821	Departmental	Income	(147)	(147)	Reflects repayment of underspend from contracted services with external providers funded by Social Work Department.
				Adults	Third Party Payments	245	245	Reflects net additional costs due to the provisioning of care and support arrangements for the residents of Rosebank Care Home.
				Children	Third Party Payments	253	486	Reflects an increased number of residential and secure care placements being made.
					Third Party Payments	285	237	Increase in number of children requiring to be looked after and accommodated by family placement service.

Appendix C

	<u>Alloc</u> <u>From</u> <u>Confs</u> <u>£000</u>	<u>2011/12</u> <u>Under</u> <u>spends</u> <u>b/fwd</u> <u>£000</u>	<u>Alloc</u> <u>from</u> <u>R&R</u> <u>Fund</u> <u>£000</u>	<u>Alloc</u> <u>from</u> <u>Other</u> <u>Bals</u> <u>£000</u>	<u>T/Fs</u> <u>Between</u> <u>Depts</u> <u>£000</u>	<u>Vol Early</u> <u>Retiral/</u> <u>Redund</u> <u>Scheme</u> <u>£000</u>	<u>Dept</u> <u>Totals</u> <u>£000</u>
<u>General Fund Departments</u>							
<u>Education</u>							
1. DSM Balances		521					
2. Prudential Borrowing Costs (Ballumbie PS)					(260)		
							261
<u>Social Work</u>							
1. Community Equipment Service		86					
2. Violence Against Women Team		91					
3. Choose Life Project		12					
4. Integrated Children Services		86					
5. Self Directed Support Scheme		35					
6. T/f Staff costs to General Fund						(84)	
							226
<u>City Development</u>							
1. Flood Risk Management		143					
2. T/f Staff costs to General Fund						(31)	
							112
<u>Environment</u>							
1. DERL / Waste Strategy		472					
2. Various other commitments c/fwd		64					
3. T/f Staff costs to General Fund						(246)	
							290
<u>Chief Executive</u>							
1. T/f Staff costs to General Fund						(10)	
							(10)
<u>Corporate Services</u>							
1. Computer Audit Software (Finance General)		10					
2. T/f Staff costs to General Fund						(216)	
							(206)
<u>Other Housing</u>							
1. Private Sector Housing Grant		373					
							373
<u>Capital Financing Costs / IORB</u>							
1. T/f Prudential Borrowing costs from Education (Ballumbie PS)					260		
							260
<u>Supplementary Superannuation</u>							
1. T/f Supplementary Supn Costs from various departments						10	
							10
<u>Corporate Savings Contingency: VER / VR Scheme</u>							
1. T/f from various departments						577	
							577
Total Adjustments (General Fund)	0	1,893	0	0	0	0	1,893

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>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.