

REPORT TO: POLICY & RESOURCES COMMITTEE – 19 NOVEMBER 2018

REPORT ON: REVENUE MONITORING 2018/2019

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 337-2018

1 PURPOSE OF REPORT

1.1 To provide Elected Members with an analysis of the 2018/2019 projected revenue outturn as at 30 September 2018 monitored against the adjusted 2018/2019 Revenue Budget.

2 RECOMMENDATIONS

2.1 It is recommended that Elected Members:

- a note that the overall General Fund 2018/2019 projected revenue outturn as at 30 September 2018 is projecting a breakeven position against the adjusted 2018/19 Revenue Budget. The projection is unchanged from the position reported at 31 July 2018.
- b note that the Housing Revenue Account as at 30 September 2018 is projecting a breakeven position against the adjusted HRA 2018/2019 Revenue Budget. The projection is unchanged from the position reported at 31 July 2018.
- c agree that the Council Management Team will take every reasonable action to ensure that the 2018/2019 revenue expenditure is below or in line with the adjusted Revenue Budget.
- d instruct the Executive Director of Corporate Services in conjunction with the Council Management Team to continue to monitor the Council's 2018/2019 projected revenue outturn.

3 FINANCIAL IMPLICATIONS (see Appendix A)

3.1 The overall projected 2018/2019 General Fund Revenue outturn position for the City Council is a projected breakeven based on the financial information available at 30 September 2018. A system of perpetual detailed monitoring will continue to take place up to 31 March 2019 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2018/2019 Revenue Budget.

3.2 The Housing Revenue Account outturn position for 2018/2019 is a projected breakeven position based on the financial information available for the period to 30 September 2018. A system of perpetual detailed monitoring will continue to take place up to 31 March 2019 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2018/2019 HRA Revenue Budget.

4 BACKGROUND

4.1 Following approval of the Council's 2018/2019 Revenue Budget by the Special Policy and Resources Committee on 22 February 2018, this report is now submitted in order to monitor the 2018/2019 projected revenue outturn position as at 30 September 2018, against the adjusted 2018/2019 Revenue Budget.

The total Revenue Budget per page 6 of the 2018/2019 Final Revenue Budget Volume is £351.085m. For Revenue Monitoring purposes, the Council Tax Reduction Scheme budget of £12.295m is moved from expenditure to income and netted off against Council Tax income. This results in total budgeted expenditure of £338.790m 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 2018/2019 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 22 February 2018, Report No: 51-2018 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 2018/2019 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 SEPTEMBER 2018

- 6.1 The forecast position as at 30 September 2018 for General Fund services is summarised below:

	<u>Adjusted Budget 2018/19 £000</u>	<u>Forecast 2018/19 £000</u>	<u>Variance £000</u>
Total Expenditure	339,878	339,878	-
Total Income	<u>(339,878)</u>	<u>(339,878)</u>	-
Forecast Position	-	-	-

The forecast position as at 30 September 2018 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 30 September 2018. 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

Article V, Committee Report No 9-2018, Policy and Resources Committee of 8 January 2018 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 & Family Services (Breakeven)

Within staff costs, the service is anticipating an overspend on learning & care assistants which will be offset by underspends to be achieved on teachers in addition to anticipated underspends across all LGE staffing budgets across the other sectors.

6.5 Dundee Health & Social Care Partnership (Breakeven)

The financial monitoring position for the Dundee Health and Social Care Partnership based on 18/19 financial year end as at 31 August 2018 shows a net overspend position of £1.4m. The projected financial position is primarily as a result of overspend in GP Prescribing of £1m and the net impact of hosted services of £631k. The financial position for services delegated from Dundee City Councils shows a balanced financial position.

Discussions are on-going with NHS Tayside around the ring-fencing of the 18/19 budget, the potential impact to the Council should the overspends not be contained or met by NHS Tayside is approximately £480k.

6.6 City Development (£1,990,000 overspend)

The service is projecting an overspend in staff costs. Overspends in relation to property costs are also anticipated and relate to the following areas:

- non-domestic rates - due to properties being vacant and also delay in disposal of asset caused by commercial market condition;
- cleaning costs – mainly due to higher than budgeted costs associated with maintaining our corporate buildings;
- repairs & maintenance - mainly due to assessments/inspections such as Health & Safety, CCTV and also remedial works required arising from assessments
 - Service needs have driven the asset management strategy with effective arrangements being in place for managing the performance of Council assets. The cost of keeping Council properties in good condition and fit for purpose has risen in recent years. There are also external forces such as various legislative requirements ie Health and Safety at work which the Council has a duty to ensure that buildings under their control comply with.
- other property costs - due to loss of income on vacant units.

These property overspends are partially offset by projected underspend on energy costs. Initiative such as Non Domestic Energy Efficiency framework invested under capital programme in installing energy conservation measures and improving lighting which will mitigate the risk of continually increasing energy cost and also continue to deliver revenue savings.

Extensive work is underway on reviewing and discussing property budgets with partners looking at ways to work collaboratively on maintenance requests. A detailed review of Council empty properties with appropriate action and strategies being implemented.

Monitoring of the expenditure being incurred on property repairs and maintenance is being undertaken by City Development and Corporate Finance staff, with actions being taken to reduce expenditure where appropriate.

The service is also projecting a shortfall in external rental income in addition to lower than anticipated income from investment properties. Planning application and building warrant fees are also projected to be lower than anticipated. Additional property rental income deficit due to a number of units such as retail, café and office space within the Railway Station are still to be let and unlikely to generate any income this year. These reductions in income are expected to be partially offset by higher car parking fees and other income being more than anticipated.

6.7 Neighbourhood Services (Breakeven)

Within Communities, the service is projecting an income shortfall as a result in the non-achievement of budgeted income targets from interpretation and translation unit and grant income payable for the S Word café. This adverse variance is anticipated to be offset by savings in staff costs due to the current level of slippage across Neighbourhood Services.

6.8 Chief Executive (£14,000 overspend)

The service is projecting an overspend on hire of gym equipment for LACD facilities.

6.9 Corporate Services (£53,000 underspend)

The service is anticipating an underspend due to staff cost savings re Apprenticeship Levy and additional grants, partly offset by reduction in contribution from Perth & Kinross Council for Tayside Scientific Services. The Dundee Money Advice Programme continues to be kept under review in light of revised targets.

6.10 Capital Financing Costs / IORB (£660,000 underspend)

The above underspend reflects a projected saving in capital financing costs.

6.11 Contingencies – Other (£209,000 overspend)

The above projected overspend relates to the potential pay award being higher than anticipated when budget was set.

6.12 Miscellaneous Income (£1,500,000 additional income)

Relates to a one-off gain re Dundee City Developments.

6.13 Fire at Braeview Academy

Expenditure to be incurred by the Council in terms of the excesses on the Insurance policy is £1.1m which will be met from the Insurance Fund. Costs relating to the fire are being gathered with ongoing dialogue taking place with the loss adjustor.

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. 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.

8 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 30 SEPTEMBER 2018

- 8.1 The forecast position as at 30 September 2018 for the HRA is summarised below:

	<u>Adjusted Budget 2018/19 £000</u>	<u>Forecast 2018/19 £000</u>	<u>Variance £000</u>
Total Expenditure	52,759	52,759	-
Total Income	<u>52,759</u>	<u>52,759</u>	---
Forecast Position	---	---	---

- 8.2 The service is anticipating that expenditure on repairs, relets and health and safety contracts will exceed budget due to the current level of demand and will continue to closely monitor this demand together with the associated expenditure levels. This adverse variance is projected to be offset by savings elsewhere within the HRA budget.
- 8.3 The overall impact is a breakeven position against the adjusted HRA 2018/2019 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2019 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2018/2019 HRA 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 Council Management Team were consulted in the preparation of this report.

11 BACKGROUND PAPERS

None.

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

08 NOVEMBER 2018

DUNDEE CITY COUNCIL										
2018/2019 REVENUE OUTTURN MONITORING										
PERIOD 1 APRIL 2018 - 30 SEPTEMBER 2018										
Statement analysing 2018/2019 Projected Revenue Outturn to Budget (Capital Charges, Central Support, Corporate Business Support, Central Buildings & Corporate Property Recharges have been excluded from Services as these costs are outwith their control).										
	Approved Revenue Budget 2018/19	Total Budget Adjustments	Revised Revenue Budget 2018/19	Projected Outturn 2018/19	Worse Than Budget	Better Than Budget	Net Variance (see Appx B)	Notes	Previous Months Projected Variance	Movement since Previous Month
	£000	£000	£000	£000	£000	£000	£000		£000	£000
General Fund Services										
Children & Families	158,290	(183)	158,107	158,107				1		
Dundee Health & Social Care Partnership	73,638	56	73,694	73,694						
City Development	12,207	300	12,507	14,497	1,990		1,990	2	1,747	243
Neighbourhood Services	28,359	225	28,584	28,584				3		
Chief Executive	11,383	201	11,584	11,598	14		14	4	14	
Corporate Services	29,536	1,981	31,517	31,464		(53)	(53)	5	148	(201)
DCS Construction	(2,812)	(39)	(2,851)	(2,851)						
	310,601	2,541	313,142	315,093	2,004	(53)	1,951		1,909	42
Capital Financing Costs / Interest on Revenue Balances	25,099		25,099	24,439		(660)	(660)	6	(409)	(251)
Contingencies:										
- General	500	(293)	207	207						
- Other	2,670	(1,020)	1,650	1,859	209		209	7		209
- Unallocated Corporate Savings:										
Channel Shift / Digital Council	(729)		(729)	(729)						
Other	(1,362)		(1,362)	(1,362)						
Miscellaneous Items	(1,632)	(147)	(1,779)	(3,279)		(1,500)	(1,500)	8	(1,500)	
Discretionary NDR Relief	247		247	247						
Supplementary Superannuation Costs	2,482	7	2,489	2,489						
Tayside Valuation Joint Board	914		914	914						
Total Expenditure	338,790	1,088	339,878	339,878	2,213	(2,213)	0		0	0
Sources of Income										
General Revenue Funding	(231,298)	961	(230,337)	(230,337)						
Contribution from NNDR Pool	(55,553)		(55,553)	(55,553)						
Council Tax	(51,939)		(51,939)	(51,939)						
Use of Balances -			0	0						
Committed Balances c/f		(2,008)	(2,008)	(2,008)						
Change Fund		(41)	(41)	(41)						
(Surplus)/Deficit for the year	0	0	0	0	2,213	(2,213)	0		0	0
Housing Revenue Account	0	0	0	0	0	0	0	9	0	0

REASONS FOR 2018/2019 CONTROLLABLE PROJECTED REVENUE OVERTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 30 SEPTEMBER 2018

<u>Service</u>	<u>Note</u>	<u>As at</u> <u>30 Sept</u> <u>£000</u>	<u>As at</u> <u>31 Jul</u> <u>£000</u>	<u>Cost Centre</u>	<u>Subjective</u> <u>Analysis</u>	<u>As at</u> <u>30 Sept</u> <u>£000</u>	<u>As at</u> <u>31 Jul</u> <u>£000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Children & Families Services</u>	1	0	0	<u>Departmental</u>	Staff Costs	500	1,000	Special LGE - Overspend on learning & care assistants
						(200)	(800)	Teachers - estimated slippage due to staff changes (Leavers and Starters)
					(300)	(200)	LGE Staffing - underspend anticipated across other sectors	
<u>City Development</u>	2	1,990	1,747	<u>Departmental</u>	Staff Costs	544	440	Lower than anticipated slippage
					Supplies & Services	250	132	Electricity charges street lighting and cyclic cost effect in production and submission of Local Development Plan.
					Transport	24	(40)	Mainly car allowances and travel costs across all services
					Third Party Payments	(334)	(239)	Mainly lower spend on the Employability Project
					Property	759	829	The net overspend on property is due to non domestic rates (£92k), repairs and maintenance (£734k), cleaning (£53k), various other costs (£90k). These overspends are partially offset by projected underspend on energy costs (£210k).
					Income	747	625	Reflects projected shortfall in external rental income, lower than anticipated income on Investment Properties and planning fees offset by higher car parking charges and other income.

REASONS FOR 2018/2019 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 30 SEPTEMBER 2018

<u>Service</u>	<u>Note</u>	<u>As at</u> <u>30 Sept</u> <u>£000</u>	<u>As at</u> <u>31 Jul</u> <u>£000</u>	<u>Cost Centre</u>	<u>Subjective</u> <u>Analysis</u>	<u>As at</u> <u>30 Sept</u> <u>£000</u>	<u>As at</u> <u>31 Jul</u> <u>£000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Neighbourhood Services</u>	3	0	0	<u>Communities:</u>	Income	107	107	Lower than budgeted income from Translation Service and S Word Café
				<u>Departmental</u>	Staff	(107)	(107)	Mainly reflects savings in staff costs due to the current level of slippage across Neighbourhood Services.
<u>Chief Executive</u>	4	14	14		Supplies & Services	14	14	Gym equipment overspend
<u>Corporate Services</u>	5	(53)	148		Staff Costs	(122)	(43)	Savings re Apprenticeship Levy
					Income	69	191	Reduced income re Scientific Services partly offset by additional grant funding.
<u>Capital Financing Costs / IORB</u>	6	(660)	(409)		Capital Financing Costs / IORB	(660)	(409)	Anticipated saving in relation to Capital Financing Costs
<u>Contingencies - Other</u>	7	209	0		Contingencies	209	0	Additional Pay Award pressures
<u>Miscellaneous Income</u>	8	(1,500)	(1,500)		Income	(1,500)	(1,500)	Gain from Dundee City Developments Ltd
<u>TOTAL GENERAL FUND</u>		0	0			0	0	
<u>Housing Revenue Account</u>	9	0	0		Staff Costs	(226)	0	Mainly reflects net anticipated slippage due to current level of unfilled posts.
					Property Costs	470	0	Reflects higher than anticipated costs for repairs, relets and health & safety contracts due to current level of demand for these services.
					Capital Financing Costs	(244)	0	Reflects projected saving on capital financing costs due to lower than anticipated interest rates.
<u>TOTAL HOUSING REVENUE ACCOUNT</u>		0	0			0	0	

Dundee City Council
Revenue Monitoring to 31st March 2019 - Budget Adjustments to date

Appendix C

	<u>Alloc</u> <u>To/From</u> <u>Conts</u> <u>£000</u>	<u>2017/18</u> <u>Under</u> <u>spends</u> <u>b/fwd</u> <u>£000</u>	<u>Funding</u> <u>T/Fs</u> <u>£000</u>	<u>Alloc</u> <u>from</u> <u>Change</u> <u>Fund</u> <u>£000</u>	<u>Alloc</u> <u>from</u> <u>R&R</u> <u>Fund</u> <u>£000</u>	<u>T/Fs</u> <u>Between</u> <u>Depts /</u> <u>Conts</u> <u>£000</u>	<u>Dept</u> <u>Totals</u> <u>£000</u>
General Fund Services							
Children & Families							
Parent Pay - Transfer of budget to Client Services						(52)	
Permanent tfr of Opportunities for All budget						(45)	
Permanent tfr of budget for Discovery Work Team						(105)	
Transfer of staff budget from Corporate Services						26	
Transfer of on-going pension costs for 17-18 (FYE)						(7)	
							(183)
Dundee Health & Social Care Partnership							
ECN - Protecting People posts	37						
British Sign Language						(11)	
Tfr of Dundee Partnership Grants						30	
							56
City Development							
Transfer of staff budget to Corporate Services						(52)	
2017/2018 Carry Forwards		352					
							300
Neighbourhood Services							
Transfer of staff budget from Corporate Services						46	
Transfer of staff budget to Corporate Services						(27)	
Tfr of Dundee Partnership Grants						156	
Transfer of staff budget from Corporate Services						(24)	
2017/2018 Carry Forwards		74					
							225
Chief Executive							
British Sign Language						11	
Transfer of staff budget from Chief Executive						21	
Tfr of Dundee Partnership Grants						(186)	
2017/2018 Carry Forwards		58					
Contingencies re Rep, Science Ctr, LACD	256						
Business Analysts from Change Fund				41			
							201
Corporate Services							
Parent Pay - Transfer of budget to Client Services						52	
Permanent tfr of Opportunities for All budget						45	
Permanent tfr of budget for Discovery Work Team						105	
Transfer of staff budget to Children & Families						(26)	
Transfer of staff budget to Neighbourhood Serv						(46)	
Transfer of staff budget from Neighbourhood Serv						27	
Transfer of staff budget to Chief Executive						(21)	
Transfer of staff budget from City Development						52	
2017/2018 Carry Forwards		563					
Transfer of staff budget from Construction						39	
Transfer of staff budgets from Housing						147	
Transfer of staff budget from Neighbourhood Serv						24	
Transfer of Apprenticeship Levy	1,020						
							1,981
Construction							
Transfer of staff budget to Corporate Services						(39)	
							(39)
Capital Finance Costs / IORB							
							0
Miscellaneous Income							
Transfer of staff budgets to Corporate Services						(147)	
							(147)
General Contingency							
ECN - Protecting People posts (DHSCP)	(37)						
Contingencies re Rep, Science Ctr, LACD	(256)						
							(293)
Savings & Other Contingencies							
Transfer of Apprenticeship Levy	(1,020)						
							(1,020)
Supplementary Superannuation							
Transfer of on-going pension costs for 17-18 (FYE)						7	
							7
General Revenue Funding							
Funding re Stage 1 of SG Budget Bill paid in 2017/18		961					
							961
Total Adjustments (General Fund)	0	2,008	0	41	0	0	2,049

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.

