ITEM No …5………..

REPORT TO: **POLICY & RESOURCES COMMITTEE – 30 OCTOBER 2017**

REPORT ON: **REVENUE MONITORING 2017/2018**

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

REPORT NO: **342-2017**

1 PURPOSE OF REPORT

1.1 To provide Elected Members with an analysis of the 2017/2018 projected revenue outturn as at 31 August 2017 monitored against the adjusted 2017/2018 Revenue Budget.

2 RECOMMENDATIONS

2.1 It is recommended that Elected Members:

a note that the overall General Fund 2017/2018 projected revenue outturn as at 31 August 2017 is an overspend of £1,982,000 against the adjusted 2017/2018 Revenue Budget compared with an overspend of £4.1m at July 2017.

b note that the Housing Revenue Account as at 31 August 2017 is projecting a breakeven position against the adjusted HRA 2017/2018 Revenue Budget.

c agree that the Council Management Team will take every reasonable action to ensure that the 2017/2018 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 2017/2018 projected revenue outturn.

3 FINANCIAL IMPLICATIONS (see Appendix A)

3.1 The overall projected 2017/2018 General Fund Revenue outturn position for the City Council is an overspend of £1,982,000 based on the financial information available at 31 August 2017. This variance represents a projected overspend of 0.6% against the adjusted 2017/2018 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2018 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2017/2018 Revenue Budget.

3.2 The Housing Revenue Account outturn position for 2017/2018 is currently projecting a breakeven position based on the financial information available for the period to 31 August 2017. A system of perpetual detailed monitoring will continue to take place up to 31 March 2018 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2017/2018 HRA Revenue Budget.

4 BACKGROUND

4.1 Following approval of the Council's 2017/2018 Revenue Budget by the Special Policy and Resources Committee on 23 February 2017 this report is now submitted in order to monitor the 2017/2018 projected revenue outturn position as at 31 August 2017, against the adjusted 2017/2018 Revenue Budget.

The total Revenue Budget per page 7 of the 2017/2018 Final Revenue Budget Volume is £342.509m. For Revenue Monitoring purposes, the Council Tax Reduction Scheme budget of £12.135m is moved from expenditure to income and netted off against Council Tax income. This results in total budgeted expenditure of £330.374m 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 2017/2018 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 23 February 2017, Report No: 58-2017 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 2017/2018 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 AUGUST 2017

6.1 The forecast position as at 31 August 2017 for General Fund services is summarised below:

	Adjusted Budget 2017/18 £000	Forecast 2017/18 £000	Variance £000
Total Expenditure	330,374	332,956	2,582
Total Income	(330,374)	(330,974)	(600)
Forecast Position	-	1,982	1,982

The forecast position as at 31 August 2017 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 four months of the financial year to 31 August 2017. 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 I, Committee Report No 58-2017, Policy and Resources Committee of 23 February 2017 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 (£3,500,000 overspend)

The service is anticipating an over spend in relation to residential schools and secure care, fostering and adoption and special transport provision. The increased costs in residential and foster care costs are associated with ongoing cost pressures on the Children's Services budget from previous years, national requirements for parity of payments to kinship carers and foster carers and the implications of the Children and Young Persons Scotland Act 2014 in respect of Continuing Care. In terms of Continuing Care, more young people are choosing to remain in care than was forecast leading to over demand for in house residential placements and a higher number subsequently placed in external residential care.

The Children and Young people (Scotland) Act introduced the concept of Continuing Care which enables young people to remain in their current residence (or equivalent) until they are 21. The numbers of over 16s in care has therefore increased and work is on-going to increase the capacity of the service by, for example, exploring the provision of satellite supported flats as transitional support for some young people in care who are able to live more independently with some ongoing support; returning some young people in external residential placements to suitable local placements; working with Third Sector partners to enhance overall support for this important client group; and building new accommodation.

Item 6, Committee Report No 230-2017 Children and Families Committee 26th June 2017 noted a 2016/17 overspend of £5.5m and contained an Action Plan to address this going forward. This Action Plan is being closely monitored and an update report is being provided to the Children and Families Committee on 30th October 2017.

6.5 City Development (£1,000,000 overspend)

The service is projecting an overspend on non-domestic rates, R & M and Health and Safety work relating to vacant commercial properties which is partly offset by a projected underspend on staff costs. The service is also anticipating lower income on properties that are currently vacant. 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.

6.6 Neighbourhood Services (breakeven)

Within Waste Management, expenditure on third party payments is expected to be greater than budgeted following an unanticipated increase in the cost of disposing of cyclone and filter ash. In addition, the level of chargeable income is not expected to achieve budget due to the current demand for various services. These adverse variances are projected to be offset elsewhere, mainly from savings in staff costs due to the current level of slippage and other additional income from demand led activities.

6.7 Chief Executive (£18,000 underspend)
The service is projecting underspends in staff costs.

6.8 Corporate Services (£600,000 overspend)
The above overspend relates mainly to supplies & services and lower than anticipated income. Overspends in postages, photocopying and costs relating to the local elections. Lower than anticipated income being received on recharges to pension fund. Reduction in income for Police and Fire, Procurement, Print Unit and Scientific Services.

6.9 Capital Financing Costs / IORB (£1,100,000 underspend)
The above underspend reflects a projected saving due to lower than anticipated interest rates. This has been augmented by a further £200,000 arising from a recent debt rescheduling exercise.

6.10 Miscellaneous Income (£1,300,000 over income)
The increase in income mainly reflects return of funds relating to expenditure charged in earlier years and Budget adjustments agreed with the HSCP.

6.11 General Revenue Funding (£600,000 over income)
This increase in income relates to additional Scottish Government Grant not originally reflected in the 2017/18 Revenue Budget.

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 improve the outcome.

7.2 In addition further Council-wide initiatives will be considered to help manage existing and emerging cost pressures. These will include reviewing the requirements for overtime working, a focus on absence rates and increased vacancy control over the remainder of the financial year. There will also be a review of discretionary spend and other opportunities for efficiencies and budget savings.

7.3 There is also close working with HSPC and LACD on revenue requirements for current and future funding.

8 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 August 2017

8.1 The forecast position as at 31 August 2017 for the HRA is summarised below:

	Adjusted Budget 2017/18 £000	Forecast 2017/18 £000	Variance £000
Total Expenditure	53,683	53,683	-
Total Income	53,683	53,683	-
Forecast Position	-	-	-

8.2 The service is anticipating that expenditure on repairs and relets will exceed budget due to increased demand. This adverse variance is expected to be offset by savings elsewhere due to reduced loss of rental income due to quicker re-letting of houses and projected savings on capital financing costs due to lower than anticipated interest rates (please refer to Appendix B for further details).

8.3 The overall impact is a breakeven position against the adjusted HRA 2017/2018 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2017 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2017/2018 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 **19 OCTOBER 2017**

DUNDEE CITY COUNCIL
2017/2018 REVENUE OUTTURN MONITORING
PERIOD 1 APRIL 2017 - 31 AUGUST 2017

Statement analysing 2017/2018 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).

	Approved Revenue Budget 2017/18 £000	Total Budget Adjustments £000	Revised Revenue Budget 2017/18 £000	Projected Outturn 2017/18 £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
General Fund Services										
Children & Families	150,643		150,643	154,143	3,500		**3,500**	1	**3,500**	
Dundee Health & Social Care Partnership	73,486		73,486	73,486						
City Development	11,862		11,862	12,862	1,000		**1,000**	2	**1,000**	
Neighbourhood Services	25,934		25,934	25,934				3		
Chief Executive	11,901		11,901	11,883		(18)	**(18)**	4	**(18)**	
Corporate Services	28,080		28,080	28,680	600		**600**	5	**600**	
DCS Construction	(3,084)		(3,084)	(3,184)		(100)	**(100)**	6		**(100)**
	298,822	0	298,822	303,804	5,100	(118)	4,982		**5,082**	**(100)**
Capital Financing Costs / Interest on Revenue Balances	26,249		26,249	25,149		(1,100)	**(1,100)**	7	**(900)**	**(200)**
Contingencies:				0						
- General	500		500	500						
- Other	3,573		3,573	3,573						
- Unallocated Corporate Savings:										
Channel Shift / Digital Council	(358)		(358)	(358)						
Other	(397)		(397)	(397)						
Miscellaneous Income	(1,596)		(1,596)	(2,896)		(1,300)	**(1,300)**	8		**(1,300)**
Discretionary NDR Relief	247		247	247						
Supplementary Superannuation Costs	2,431		2,431	2,431						
Voluntary Early Retirement / Redundancy (VER/VR Schemes)	0		0							
Tayside Valuation Joint Board	903		903	903						
Total Expenditure	**330,374**	**0**	**330,374**	**332,956**	**5,100**	**(2,518)**	**2,582**		**4,182**	**(1,600)**
Sources of Income										
General Revenue Funding	(214,936)		(214,936)	(215,536)		(600)	**(600)**	9		**(600)**
Contribution from NNDR Pool	(65,199)		(65,199)	(65,199)						
Council Tax	(50,239)		(50,239)	(50,239)						
Use of Balances -										
Committed Balances c/f			0	0						
Renewal & Repair Fund			0	0						
VER/VR Scheme	0		0	0						
Equal Pay Costs			0	0						
Change Fund			0	0						
(Surplus)/Deficit for the year	**0**	**0**	**0**	**1,982**	**5,100**	**(3,118)**	**1,982**		**4,182**	**(2,200)**
Housing Revenue Account	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**	**0**

Appendix B

REASONS FOR 2017/2018 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 31 AUGUST 2017

Service	Note	As at 31 Aug £000	As at 31 Jul £000	Cost Centre	Subjective Analysis	As at 31 Aug £000	As at 31 Jul £000	Reason / Basis of Over/(Under)spend
Children & Families Services	1	**3,500**	3,500	Service	Staff Costs	**200**	300	LGE overspend mainly in the special sector and Childrens Services.
					Transport	**200**	300	Special Pupil transport - demand led
					Third Party Payments	**3,000**	2,800	Residential Schools
						100	100	Fostering & Adoption
City Development	2	**1,000**	1,000	Service	Staff Costs	**(379)**	(379)	Mainly due to staff vacancies
					Property Costs	**689**	689	Rates on vacant properties, R & M and H & S works.
					Supplies & Services	**(11)**	(11)	
					Transport	**(75)**	(75)	
					Third Party Payments	**52**	52	
					Income	**724**	724	Reflects lower income on vacant properties.

REASONS FOR 2017/2018 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 31 AUGUST 2017

Service	Note	As at 31 Aug £000	As at 31 Jul £000	Cost Centre	Subjective Analysis	As at 31 Aug £000	As at 31 Jul £000	Reason / Basis of Over/(Under)spend
Neighbourhood Services	3	**0**	0	**Housing & Communities:**				
				Communities	Staff	**(55)**	(55)	Reflects net anticipated slippage due to current level of unfilled posts.
					Income	**(55)**	(55)	Reflects additional income due to an increase in the level of demand for the translation and interpretation service.
				Comm Safety & Protection:				
				Regulatory Services	Staff Costs	**(82)**	(82)	Reflects net anticipated slippage due to current level of unfilled posts and lower than budgeted overtime.
					Income	**30**	30	Overall level of chargeable income for pest control services is anticipated to be less than budgeted.
				Environment				
				Waste Management	Third Party Payments	**72**	72	Reflects 'one-off' cost pressure due to an increase in contracted price for the disposal costs for cyclone and filter ash that was not anticipated when the budget was approved.
					Income	**90**	90	Mainly reflects that income from skip uplifts and rentals and from special collections are lower than budgeted.

REASONS FOR 2017/2018 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 31 AUGUST 2017

Service	Note	As at 31 Aug £000	As at 31 Jul £000	Cost Centre	Subjective Analysis	As at 31 Aug £000	As at 31 Jul £000	Reason / Basis of Over/(Under)spend
Chief Executive	4	**(18)**	(18)	Service	Staff Costs	**35**	35	Slippage not achieved
						(46)	(46)	DCC contribution to NEC not used
					Supplies	**15**	15	Hire of Equipment for LACD facilities
						(16)	(16)	One off release of bequest monies
					Income	**(3)**	(3)	2nd year of 3 for Tay Road Bridge PR work
						(3)	(3)	One off release of bequest monies
Corporate Services	5	**600**	600		Staff Costs	**(112)**	(112)	Apprenticeship Levy
						(144)	(144)	Vacancies
						(53)	(53)	Overtime
						7	7	Various
					Supplies & Services	**185**	185	Postages
						100	100	Additional Microsoft costs as result of new charging regime
						175	175	Local elections
						36	36	Photocopying
					Transport Costs	**(36)**	(36)	Reduction in number of leased cars
					Income	**167**	167	Fees for Pension Fund reduce in line with expenditure
						80	80	Reduction in income for external bodies
						20	20	Reduced funding of Food Sampling from Food Standards Scotland
						30	30	Credit card surcharge income not being fully achieved
						11	11	Procurement rebates budget
						36	36	Room hire income not being fully achieved
						98	98	Print unit not being fully utilised

Appendix B

REASONS FOR 2017/2018 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 31 AUGUST 2017

Service	Note	As at 31 Aug £000	As at 31 Jul £000	Cost Centre	Subjective Analysis	As at 31 Aug £000	As at 31 Jul £000	Reason / Basis of Over/(Under)spend
DCS Construction	6	**(100)**	0		n/a	**(100)**	0	Additional surplus generated
Capital Financing Costs / IORB	7	**(1,100)**	(900)		Capital Financing Costs / IORB	**(900)**	(900)	Projected saving due to lower than anticipated interest rates
					Capital Financing Costs / IORB	**(200)**	0	Saving from rescheduling of existing debt
Miscellaneous Income	8	**(1,300)**	0		Income	**(1,300)**	0	Mainly reflects return of funds relating to expenditure charged in earlier years
General Revenue Funding	9	**(600)**	0		Income	**(600)**	0	Additional grant received from Scottish Government
		1,982	4,182			**1,982**	4,182	

Appendix C

General Fund Services	Alloc From Conts £000	2016/17 Under spends b/fwd £000	Funding T/Fs £000	Alloc from R&R Fund £000	Alloc from Other Bals £000	T/Fs Between Depts / Conts £000	Council Tax Reduction Scheme £000	Vol Early Retiral/ Redund Scheme £000	Dept Totals £000
Education									0
Social Work									0
City Development									0
Environment									0
Chief Executive									0
Corporate Services									0
Other Housing									0
Supporting People									0
Scottish Welfare Fund									0
General Contingency									0
Unallocated Savings Contingency: CFTF - Admin / Clerical Review									0
Capital Financing Costs / IORB									0
Miscellaneous Income									0
Unallocated Savings Contingency: VER/VR Scheme									0
Capital Financing Costs / IORB									0
Miscellaneous Income									0
Council Tax Income									0
Other General Fund Balances									0
Total Adjustments (General Fund)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Risks - Revenue	Assessment		Risk Management / Comment
	Original	Revised	
General Inflation 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.
Equal Pay Claims A provision may be required for the cost of equal pay claims.	Low	Low	Relatively few cases being taken through the Employment Tribunal process.
Capital Financing Costs Level of interest rates paid will be greater than anticipated.	Low/ Med	Low/ Med	Treasury Mgmt Strategy. Limited exposure to variable rate funding.
Savings 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.
Emerging Cost Pressures 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.
Chargeable income 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.
Council Tax Collection 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.
Welfare Reform 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.