

REPORT TO: POLICY & RESOURCES COMMITTEE – 9 SEPTEMBER 2013

REPORT ON: REVENUE MONITORING 2013/2014

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 352-2013

ITEM No ...6.....

1 PURPOSE OF REPORT

- 1.1 To provide Elected Members with an analysis of the 2013/2014 Projected Revenue Outturn as at 31 July 2013 monitored against the adjusted 2013/2014 Revenue Budget.

2 RECOMMENDATIONS

- 2.1 It is recommended that Elected Members:
- a note that the overall General Fund 2013/2014 Projected Revenue Outturn as at 31 July 2013 is projecting a breakeven position against the adjusted 2013/2014 Revenue Budget.
 - b note that the Housing Revenue Account as at 31 July 2013 is projecting a breakeven position against the adjusted HRA 2013/2014 Revenue Budget
 - c agree that the Director of Corporate Services will take every reasonable action to ensure that the 2013/2014 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 2013/2014 Projected Revenue Outturn.

3 FINANCIAL IMPLICATIONS (see Appendix A)

- 3.1 The overall projected 2013/2014 General Fund Revenue outturn position for the City Council is projecting a breakeven position based on the financial information available at 31 July 2013. A system of perpetual detailed monitoring will continue to take place up to 31 March 2014 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2013/2014 Revenue Budget.
- 3.2 The Housing Revenue Account outturn position for 2013/2014 is currently projecting a breakeven position based on the financial information available for the period to 31 July 2013. A system of perpetual detailed monitoring will continue to take place up to 31 March 2014 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2013/2014 HRA Revenue Budget.

4 BACKGROUND

- 4.1 Following approval of the Council's 2013/2014 Revenue Budget by the Special Policy and Resources Committee on 14 February 2013 this report is now submitted in order to monitor the 2013/2014 Projected Revenue Outturn position as at 31 July 2013, against the adjusted 2013/2014 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 2013/2014 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 77-2013, approved by Special Policy & Resources Committee on 14 February 2013, 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 2013/2014 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 2013

6.1 The forecast position as at 31 July 2013 for General Fund services is summarised below:

| | <u>Adjusted</u> <u>Budget</u> <u>2013/14</u> <u>£000</u> | <u>Forecast</u> <u>2013/14</u> <u>£000</u> | <u>Variance</u> <u>£000</u> |
|-------------------|---|--|--------------------------------|
| Total Expenditure | 335,189 | 335,189 | - |
| Total Income | <u>(335,189)</u> | <u>(335,189)</u> | <u>-</u> |
| Forecast Position | <u>-</u> | <u>-</u> | <u>-</u> |

The forecast position as at 31 July 2013 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. The main budget adjustments that have been made so far, relate to the carry forward of various unspent budgets from last year (£2.219m). For further details please refer to Appendix C.

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 2013. 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 There are no projected departmental variances anticipated for General Fund services as at 31 July 2013.

7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 JULY 2013

- 7.1 The forecast position as at 31 July 2013 for the HRA is summarised below:

| | <u>Adjusted Budget 2013/14 £000</u> | <u>Forecast 2013/14 £000</u> | <u>Variance £000</u> |
|-------------------|--|---|---------------------------------|
| Total Expenditure | 54,250 | 53,949 | (301) |
| Total Income | <u>(54,250)</u> | <u>(53,949)</u> | <u>301</u> |
| Forecast Position | _____ - | _____ - | _____ - |

- 7.2 Expenditure on relets and repairs is projected to be greater than budgeted due to increased level of work being carried out. In addition, a shortfall in rental income is anticipated due to a slight increase in void properties together with an increase in bad debt provision reflecting the increase in arrears caused by the non-payment of under occupancy rule charges. These adverse variances are projected to be offset by lower than anticipated capital financing costs (please refer to Appendix B for further details). The overall impact is a breakeven position against the adjusted HRA 2013/2014 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2014 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2013/2014 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 Chief Officers 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
DIRECTOR OF CORPORATE SERVICES

29 AUGUST 2013

DUNDEE CITY COUNCIL
2013/2014 REVENUE OUTTURN MONITORING
PERIOD 1 APRIL 2013 - 31 JULY 2013
Appendix A

Statement analysing 2013/2014 Projected Revenue Outturn to Budget (Capital Charges, Central Support, Central Buildings & Corporate Property Recharges have been excluded from Departments as these costs are outwith their control).

| | Approved Budget £000 | Total Budget Adjustments (see Appx C) £000 | Adjusted Budget £000 | Forecast £000 | Worse Than Budget £000 | Better Than Budget £000 | Net Variance (see Appx B) £000 | Notes |
|--|----------------------------|--|----------------------------|------------------|---------------------------------|----------------------------------|---|-------|
| General Fund Departments | | | | | | | | |
| Education | 117,567 | 1,355 | 118,922 | 118,922 | | | | |
| Social Work | 93,085 | 407 | 93,492 | 93,492 | | | | |
| City Development | 22,367 | 424 | 22,791 | 22,791 | | | | |
| Environment | 18,903 | | 18,903 | 18,903 | | | | |
| Chief Executive | 20,997 | 15 | 21,012 | 21,012 | | | | |
| Corporate Services | 17,015 | 171 | 17,186 | 17,186 | | | | |
| Other Housing | 2,933 | | 2,933 | 2,933 | | | | |
| Supporting People | 11,844 | | 11,844 | 11,844 | | | | |
| Welfare Fund | 1,512 | | 1,512 | 1,512 | | | | |
| | 306,223 | 2,372 | 308,595 | 308,595 | 0 | 0 | 0 | |
| Miscellaneous Income | (2,709) | | (2,709) | (2,709) | | | | |
| Capital Financing Costs / | | | | | | | | |
| Interest on Revenue Balances | 24,987 | | 24,987 | 24,987 | | | | |
| Contingencies: | | | | | | | | |
| - General | 628 | (28) | 600 | 600 | | | | |
| - Energy Costs | 231 | | 231 | 231 | | | | |
| - Other | 1,264 | | 1,264 | 1,264 | | | | |
| - Unallocated Corporate Savings: | | | | | | | | |
| Prudential Borrowing (Electric Vehicles) | (37) | | (37) | (37) | | | | |
| CFTF - Admin / Clerical Review | (400) | | (400) | (400) | | | | |
| VER / VR Schemes | (290) | (125) | (415) | (415) | | | | |
| CFTF - Procurement | (250) | | (250) | (250) | | | | |
| CFTF - Review of Transportation | (100) | | (100) | (100) | | | | |
| Discretionary NDR Relief | 147 | | 147 | 147 | | | | |
| Supplementary Superannuation Costs | 2,323 | | 2,323 | 2,323 | | | | |
| Tayside Valuation Joint Board | 953 | | 953 | 953 | | | | |
| Total Expenditure | 332,970 | 2,219 | 335,189 | 335,189 | 0 | 0 | 0 | |
| Sources of Income | | | | | | | | |
| General Revenue Funding | (221,185) | | (221,185) | (221,185) | | | | |
| Contribution from NNDR Pool | (53,951) | | (53,951) | (53,951) | | | | |
| Council Tax | (57,834) | | (57,834) | (57,834) | | | | |
| Use of Balances - | | | | | | | | |
| Committed Balances c/f | | (2,219) | (2,219) | (2,219) | | | | |
| (Surplus)/Deficit for the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Housing Revenue Account | 0 | | 0 | 0 | | | 0 | 1 |

REASONS FOR 2013/2014 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES

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

AT 31 JULY 2013

| <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>Housing Revenue Account</u> | 1 | Nil | n/a | Repairs & Relets | | 336 | n/a | Mainly reflects the level of responsive repairs that are currently being required. |
| | | | | Administration | | (73) | n/a | Reflects various savings projected from staff costs, telephones and training. |
| | | | | Rent of Houses | | 301 | n/a | Shortfall in rental income anticipated to be received due to slight increase in void properties, along with an increase in the bad debt provision reflecting the increase in arrears due to non-payment of Under Occupancy Charge. |
| | | | | Capital Financing Costs | | (564) | n/a | Reflects projected savings on capital financing costs due to actual level of borrowing required being less than expected. |

Appendix C

| | <u>Alloc</u> | <u>2012/13</u> | | <u>Alloc</u> | | <u>Vol Early</u> | |
|---|--------------|----------------|----------------|--------------|----------------|------------------|---------------|
| | <u>From</u> | <u>Under</u> | <u>Funding</u> | <u>from</u> | <u>T/Fs</u> | <u>Retiral/</u> | <u>Dept</u> |
| | <u>Conts</u> | <u>b/fwd</u> | <u>T/Fs</u> | <u>Fund</u> | <u>Between</u> | <u>Redund</u> | <u>Totals</u> |
| <u>General Fund Departments</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| <u>Education</u> | | | | | | | |
| 1. DSM Balances | | 1,258 | | | | | |
| 2. Net t/fs Staff costs from General Fund | | | | | | 97 | |
| | | | | | | | 1,355 |
| <u>Social Work</u> | | | | | | | |
| 1. Scottish Welfare Fund set up costs | | 59 | | | | | |
| 2. Community Equipment Service | | 47 | | | | | |
| 3. Dundee Violence Against Women Partnership | | 54 | | | | | |
| 4. Integrated Children's Services | | 13 | | | | | |
| 5. Older People Change Fund | | 225 | | | | | |
| 6. Implementation of Self-Directed Support | | 9 | | | | | |
| | | | | | | | 407 |
| <u>City Development</u> | | | | | | | |
| 1. Flood Coastal Protection | | 99 | | | | | |
| 2. Architects Fees | | 325 | | | | | |
| | | | | | | | 424 |
| <u>Environment</u> | | | | | | | |
| | | | | | | | 0 |
| <u>Chief Executive</u> | | | | | | | |
| 1. UK City of Culture Bid | | 15 | | | | | |
| | | | | | | | 15 |
| <u>Corporate Services</u> | | | | | | | |
| 1. T/f Staff costs from General Fund | | | | | | 28 | |
| 2. Scientific Services - temporary posts | 28 | | | | | | |
| 3. Discretionary Housing Payments | | 70 | | | | | |
| 4. Welfare Reform | | 45 | | | | | |
| | | | | | | | 171 |
| <u>Other Housing</u> | | | | | | | |
| | | | | | | | 0 |
| <u>Capital Financing Costs / IORB</u> | | | | | | | |
| | | | | | | | 0 |
| <u>General Contingency</u> | | | | | | | |
| 1. T/f to Corporate Services (Scientific Services) | (28) | | | | | | |
| | | | | | | | (28) |
| <u>Corporate Savings Contingency: VER / VR Scheme</u> | | | | | | | |
| 1. Net t/fs to various departments | | | | | | (125) | |
| | | | | | | | (125) |
| Total Adjustments (General Fund) | 0 | 2,219 | 0 | 0 | 0 | 0 | 2,219 |

| 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. |