

REPORT TO: POLICY & RESOURCES COMMITTEE - 10 JANUARY 2011

REPORT ON: REVENUE MONITORING 2010/2011

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 9-2011

1 PURPOSE OF REPORT

- 1.1 To provide Elected Members with an analysis of the 2010/2011 Projected Revenue Outturn as at 30 November 2010 monitored against the adjusted 2010/2011 Revenue Budget.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Elected Members:
 - a note that the overall General Fund 2010/2011 Projected Revenue Outturn as at 30 November 2010 shows an overspend of £709,000 against the adjusted 2010/2011 Revenue Budget.
 - b note that the Housing Revenue Account as at 30 November 2010 is projecting a breakeven position against the adjusted HRA 2010/2011 Revenue Budget.
 - c agree that the Director of Finance will take every reasonable action to ensure that the 2010/2011 Revenue expenditure is below or in line with the adjusted Revenue Budget.
 - d instruct the Director of Finance in conjunction with all Chief Officers of the Council to continue to monitor the Council's 2010/2011 Projected Revenue Outturn.

3 FINANCIAL IMPLICATIONS (see Appendix A)

- 3.1 The overall projected 2010/2011 General Fund Revenue outturn position for the City Council shows an overspend of £709,000 based on the financial information available at 30 November 2010. A system of perpetual detailed monitoring will continue to take place up to 31 March 2011 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2010/2011 Revenue Budget.
- 3.2 The Housing Revenue Account outturn position for 2010/2011 is currently projecting a breakeven position based on the financial information available for the period to 30 November 2010. A system of perpetual detailed monitoring will continue to take place up to 31 March 2011 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2010/2011 HRA Revenue Budget.

4 BACKGROUND

- 4.1 Following approval of the Council's 2010/2011 Revenue Budget by the Special Policy and Resources Committee on 11 February 2010 this report is now submitted in order to monitor the 2010/2011 Projected Revenue Outturn position as at 30 November 2010, against the adjusted 2010/2011 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 2010/2011 Revenue Budget, the Director of Finance considered the key strategic, operational and financial risks faced by the Council over this period (please refer to report 82-2010, approved by Special Policy & Resources Committee on 11 February 2010, 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 2010/2011 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 NOVEMBER 2010

6.1 The forecast position as at 30 November 2010 for General Fund services is summarised below:

	<u>Adjusted</u> <u>Budget</u> <u>2010/11</u> <u>£000</u>	<u>Forecast</u> <u>2010/11</u> <u>£000</u>	<u>Variance</u> <u>£000</u>
Total Expenditure	361,281	361,990	709
Total Income	<u>(361,281)</u>	<u>(361,281)</u>	-
Forecast Overspend	<u>-</u>	<u>709</u>	<u>709</u>

The forecast position as at 30 November 2010 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 eight months of the financial year to 30 November 2010. The figures are therefore indicative at this stage and are used by the Chief Executive, Director of Finance and Chief Officers to identify variances against budget and enable corrective action to be taken as appropriate.

Departmental Commentary

6.3 Social Work (£1,564,000 overspend)

The majority of this overspend reflects continued significant cost pressures surrounding Adult Care. In addition, the department are projecting increased expenditure within Children Services, where family placements are expected to be greater than budgeted due to the increased number of children requiring permanent substitute care away from their birth parents. These variances will be partly offset by savings that are projected mainly due to slippage in staff costs across the department and various additional income projected to be received by the department.

6.4 City Development (£756,000 overspend)

The department are projecting that expenditure on winter maintenance will be significantly greater than budgeted due the level of activity undertaken during the recent adverse weather conditions. In addition, property costs for City Square complex are expected to be greater than budgeted reflecting the current level of responsive repairs and maintenance and health and safety works that are being required to be undertaken. In Building Quality, income for planning applications and property enquiries continues to be significantly lower than budgeted, reflecting a reduction in these activities due to the current economic climate. These variances are partly offset by projected saving in street lighting costs following the introduction of more efficient billing procedures for electricity costs.

6.5 Education (£267,000 overspend)

This reflects an anticipated overspend in third party payments where the department are projecting an overspend for their share of the residential and secure placements budget.

6.6 Environmental Health & Trading Standards (£114,000 underspend)

These projected savings mainly relate to staff costs due the current level of unfilled vacancies within the department.

6.7 Finance General (£131,000 underspend)

The above variance reflects savings in staff costs that are anticipated due to a number of unfilled vacancies within the department. This underspend will be partly offset by an estimated shortfall in various income streams received by the department.

6.8 Finance Revenues (£149,000 underspend)

This mainly reflects additional grant income anticipated by the department together with projected underspends in staff costs and various supplies and services expenditure.

6.9 Waste Management (£197,000 underspend)

This reflects savings in transport costs due to lower than anticipated leasing costs.

6.10 Capital Financing Costs / IORB (£1,000,000 underspend)

This reflects projected saving due to lower than anticipated interest rates together with a reduction in required level of borrowing due to slippage on expenditure in 2010/11 capital programme.

6.11 Other Contingency (£369,000 underspend)

The above amount reflects an estimated underspend in staff costs due to variations between the actual agreed pay awards for 2010/2011 and the level of budgeted pay inflation assumed. The overall impact of these variations is a net projected underspend of £369,000,

6.12 Voluntary Early Retirement / Redundancy Schemes

The revenue monitoring statement includes the impact of voluntary early retirements and voluntary redundancies that have been approved in the period covered by the statement. The gross costs of the associated severance packages are projected to be £2,884,000 and these are shown as being met from a central contingency. Gross salary savings for the part-year are projected to be £1,431,000 and these savings have been removed from departmental budgets and transferred to a central contingency. The net balance of costs in 2010/11 of £1,453,000 is shown as being transferred from General Fund balances. It should be noted that the gross costs of £2,884,000 in 2010/11 are entirely of a "one-off" nature.

The full-year effect of the net salary savings associated with the voluntary retirements and voluntary redundancies approved to date are estimated as £4,095,000 and these will therefore accrue to the Council each year in 2011/12 and beyond.

7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AS AT 30 NOVEMBER 2010

7.1 The forecast position as at 30 November 2010 for the HRA is summarised below:

	<u>Adjusted Budget 2010/11 £000</u>	<u>Forecast 2010/11 £000</u>	<u>Variance £000</u>
Total Expenditure	50,417	50,534	117
Total Income	<u>(50,417)</u>	<u>(50,534)</u>	<u>(117)</u>
Forecast Position	_____	_____	_____

7.2 Expenditure on relets is projected to be greater than budgeted due to increased level of work being carried out on properties together with increased lost rents and bad debts following a rise in the number of void properties. In addition, the department are also projecting greater than budgeted expenditure in stair lighting costs reflecting increases in the price of electricity. These variances will be offset by projected underspend in capital financing costs together with various other underspends and additional income that are projected by the department. The overall impact is a breakeven position against the adjusted HRA 2010/2011 Revenue Budget.

8 CONCLUSION

As in previous years, the Director of Finance will work with all Chief Officers of the Council to monitor the Council's 2010/2011 Revenue Budget and, through prudent budget management, take every reasonable action to achieve an outturn position below or in line with the approved 2010/2011 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, Depute Chief Executive (Support 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 FINANCE**

20 DECEMBER 2010

REASONS FOR 2010/2011 CONTROLLABLE PROJECTED REVENUE OVERTURN VARIANCES

Appendix B

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

AT 30 NOVEMBER 2010

<u>Department</u>	<u>Note</u>	<u>Total Variance £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>Breakdown of Variance £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Social Work</u>	1	1,564	Departmental	Staff	(575)	Reflects projected savings mainly due to staff slippage.
				Third Party Payments	1,170	Reflects continuous cost pressures around Adult Care.
			Children	Third Party Payments	1,119	Increased number of children requiring permanent substitute care away from their birth parents.
			Older People	Third Party Payments	(250)	Reflects clients non-recurring contributions towards residential accommodation in local authority homes.
			Adults	Third Party Payments	100	Reflects current demand for respite care for adults.
<u>City Development</u>	2	756	City Square	Property	272	Mainly reflects projected overspend on responsive repairs and maintenance and health and safety costs.
				Income	(29)	Reflects increased rental income received.
			Building Quality	Income	108	Income for planning applications and property enquiries is lower than budgeted, reflecting a reduction in these activities due to the current economic climate.
			Street Lighting	Supplies & Services	(103)	Reflects projected savings following change of billing procedures for street lighting.
			Winter Maintenance	Third Party Payments	500	Reflects increased activities due to recent weather conditions.
<u>Education</u>	3	267	Education other than School	Third Party Payments	267	Education Department share of projected overspend on residential and secure placements budget.
<u>Other Housing</u>	4	49	Travelling People	Supplies & Services	19	Reflects increase in lost rents as a result of a greater number of unoccupied properties than budgeted.
			Miscellaneous	Income	31	Mainly reflects reduction in the number of property enquiries being received due to current economic climate.
<u>Leisure & Communities</u>	5	33	Library, Information & Cultural Services	Staff	161	Staff costs are projected to be greater than budgeted reflecting the non-achievement of slippage targets for this service area.
				Property	52	Mainly reflects projected overspends for Claverhouse storage facility together with increased non-domestic rates for McManus Galleries following revaluation. These overspends are partly offset by lower than anticipated expenditure on utilities.
			Community Learning & Development	Staff	(50)	Staff costs are projected to be underspent mainly due to various unfilled vacancies.
				Income	(106)	Reflects additional grant income together with increased income recovered for translation service.

REASONS FOR 2010/2011 CONTROLLABLE PROJECTED REVENUE OVERTURN VARIANCES

Appendix B

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

AT 30 NOVEMBER 2010

<u>Department</u>	<u>Note</u>	<u>Total Variance £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>Breakdown of Variance £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Leisure & Communities</u> (cont'd)	5		Parks, Sport & Leisure	Staff	(93)	Staff costs are projected to be underspent mainly due to various unfilled vacancies.
				Supplies & Services	107	Mainly relates to projected overspend on maintenance of equipment together with additional legal fees incurred for cemetery extension project.
				Transport	71	Reflects anticipated overspend in fuel costs.
				Income	(93)	Reflects additional grant received together with increased income from fees and charges. This is partly offset a reduction in other miscellaneous income.
<u>Finance General</u>	6	(131)	General	Staff	(205)	Staff costs are projected to be underspent due to various unfilled vacancies.
				Income	64	Reflects shortfall in income for property enquiries, payroll recharges, income from other bodies and from Joint Boards for internal audit services.
<u>Env Health & Trading Standards</u>	7	(111)	Regulation	Staff	(132)	Staff costs are projected to be underspent mainly due to various unfilled vacancies.
				Income	(23)	Mainly reflects income generated from introduction of smoking prevention enforcement service at Ninewells Hospital.
			Pest & Animal Control	Income	40	Reflects shortfall in chargeable income from pest control activities.
<u>Finance Revenues</u>	8	(149)	Revenues	Staff	(46)	Projected underspend due to unfilled vacancies and maternity leave.
				Supplies & Services	(19)	Reflects projected underspend mainly due to computer maintenance costs, bank charges and expenditure on telephones being less than anticipated.
				Income	(79)	Mainly reflects additional administration grant from Department of Works & Pensions.
<u>Waste Management</u>	9	(197)	Cleansing Operational Services	Transport	(197)	Mainly reflects projected savings in leasing payments for vehicles.
<u>Capital Financing Costs/IORB</u>	10	(1,000)	Capital Financing Costs/IORB		(1,000)	Reflects projected saving on capital financing costs due to lower than anticipated interest rates together with slippage on expenditure in 2010/11 capital programme.
<u>Other Contingency</u>	11	(369)	Corporate	Staff Costs	(369)	Reflects projected underspend in staff costs for General Fund departments due to variations between the actual agreed pay awards for 2010/2011 and the level of budgeted pay inflation assumed.
<u>Housing Revenue Account</u>	12	Nil	Repairs & Relets		272	Mainly reflects projected overspend due to increased standard of relets that is currently required to be carried out through the DCS/Housing Partnership.
			Lost Rents and Bad Debts		264	Mainly this relates to an increase in lost rents as a result of a greater number of void properties than budgeted.
			Stair Lighting		45	Mainly reflects increased price of electricity charges.
			Homelessness		(76)	Mainly this is due to an anticipated reduction in repairs and furnishings expenditure.
			Rent of Houses		(117)	Increased rental income due to a higher level of housing stock than budgeted.
			Capital Financing Costs		(388)	Reflects projected saving on capital financing costs due to lower than anticipated interest rates.

<u>General Fund Departments</u>	<u>Alloc</u>	<u>2009/10</u>	<u>Alloc</u>	<u>Vol Early</u>	<u>Appendix C</u>	
	<u>From</u>	<u>Under</u>	<u>from</u>	<u>T/Fs</u>	<u>Retiral/</u>	<u>Other</u>
	<u>Conts</u>	<u>spends</u>	<u>Funding</u>	<u>Between</u>	<u>Redund</u>	<u>T/Fs</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>Depts</u>	<u>Scheme</u>	<u>£000</u>
		<u>b/fwd</u>	<u>T/Fs</u>	<u>£000</u>	<u>£000</u>	<u>Dept</u>
			<u>£000</u>			<u>Totals</u>
						<u>£000</u>
<u>Education</u>						
1. Share of 100 Extra Teachers (Scotland)			30			
2. DSM Balances		185				
3. T/f from Electricity Contract Contingency	600					
4. Quality Assurance and Moderation			86			
5. T/f Staff costs to General Fund					(187)	
6. T/f from Non-Domestic Rates Contingency	536					
7. Net adjustment due to variations in assumed pay award inflation						(62)
8. PPP Unitary Charge inflation	106					
						1,294
<u>Social Work</u>						
1. Child Trust Fund Top Up	21	7				
2. Community Equipment Service		111				
3. Youth Justice Monies		25				
4. T/f from Non-Domestic Rates Contingency	19					
5. Net adjustment due to variations in assumed pay award inflation						(147)
6. Out of Hours Service	62					
7. Adult Support & Protection Implementation Framework			438			
8. T/f Staff costs to General Fund					(18)	
						518
<u>City Development</u>						
1. Lochee Regeneration (FEGS)		22				
2. T/f Staff costs to General Fund					(360)	
3. Net adjustment due to variations in assumed pay award inflation						(27)
						(365)
<u>Leisure & Communities</u>						
1. T/f various expenditure from Waste Management				86		
2. T/f Staff costs to CSS - Chief Executive				(34)		
3. Prudential Borrowing Costs (McManus Galleries)						(70)
4. T/f Staff costs to General Fund					(317)	
5. T/f from Non-Domestic Rates Contingency	167					
6. Net adjustment due to variations in assumed pay award inflation						(55)
						(223)
<u>Waste Management</u>						
1. T/f various expenditure to Leisure & Communities				(86)		
2. Zero Waste Fund		140				
3. Other commitments c/fwd		56				
4. T/f Staff costs to General Fund					(67)	
5. Net adjustment due to variations in assumed pay award inflation						(30)
						13
<u>Env Health & Trading Standards</u>						
1. T/f Staff costs to General Fund					(73)	
2. Net adjustment due to variations in assumed pay award inflation						(9)
						(82)
<u>CSS - Chief Executive</u>						
1. T/f Staff costs from Leisure & Communities				34		
2. Establishment of Corporate Improvement Team				309		
3. Integrated Children Services		15				
4. T/f Staff costs to General Fund					(56)	
5. Net adjustment due to variations in assumed pay award inflation						5
						307
<u>CSS - Personnel</u>						
1. Net adjustment due to variations in assumed pay award inflation						(2)
2. Establishment of Corporate Improvement Team				(166)		
						(168)
<u>CSS - Information Technology</u>						
1. Non-Domestic Rates (Downfield House)		15				
2. T/f Staff costs to General Fund					(125)	
3. Net adjustment due to variations in assumed pay award inflation						(8)
						(118)
<u>CSS - Admin & Legal</u>						
1. Correction of budget saving allocation				5		
2. Armed Forces Day		5				
3. Establishment of Corporate Improvement Team				(42)		
4. T/f Staff costs to General Fund					(47)	
5. Net adjustment due to variations in assumed pay award inflation						(3)
						(82)

<u>General Fund Departments</u>	<u>Alloc</u>	<u>2009/10</u>	<u>Funding</u>	<u>Alloc</u>	<u>T/Fs</u>	<u>Vol Early</u>	<u>Appendix C</u>	
	<u>From</u>	<u>Under</u>	<u>T/Fs</u>	<u>from</u>	<u>Between</u>	<u>Retiral/</u>	<u>Other</u>	<u>Dept</u>
	<u>Conts</u>	<u>spends</u>	<u>T/Fs</u>	<u>R&R</u>	<u>Depts</u>	<u>Redund</u>	<u>T/Fs</u>	<u>Totals</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>CSS - Architectural Services</u>								
1. Correction of budget saving allocation					(5)			(5)
<u>CSS - Finance General</u>								
1. Establishment of Corporate Improvement Team					(50)			
2. T/f Staff costs to General Fund						(52)		
3. Net adjustment due to variations in assumed pay award inflation							(5)	(107)
<u>MS - Chief Executive</u>								
1. T/f Staff costs to General Fund (NEC Project)						(19)		
2. Net adjustment due to variations in assumed pay award inflation (Various)							(4)	(23)
<u>MS - Support Services</u>								
1. T/f Staff costs to General Fund (Registrar)						(25)		
2. Net adjustment due to variations in assumed pay award inflation (Registrar)							(1)	(26)
<u>MS - Finance Revenues</u>								
1. Various commitments c/fwd		60						
2. Establishment of Corporate Improvement Team					(51)			
3. T/f Staff costs to General Fund						(85)		
4. Net adjustment due to variations in assumed pay award inflation							(20)	(96)
<u>Supporting People</u>								
1. Net adjustment due to variations in assumed pay award inflation							(1)	(1)
<u>Capital Financing Costs / IORB</u>								
1. T/f Prudential Borrowing costs from L&C (McManus Galleries)							70	70
<u>General Contingency</u>								
1. T/f to Education (re PPP Unitary Charge)	(106)							
2. T/f to Social Work (Out of Hours Service)	(62)							
3. T/f to Social Work (CTF Top Up)	(21)							(189)
<u>Other Contingency</u>								
1. Net adjustment due to variations in assumed pay award inflation (Various)							369	369
<u>Electricity Contract Contingency</u>								
1. T/f allocation to Education	(600)							(600)
<u>Non-Domestic Rates Contingency</u>								
1. T/f allocation to various departments	(722)							(722)
<u>Voluntary Early Retirement / Redundancy Schemes</u>								
1. T/f Staff costs from Departments						1,431		
2. T/f from Other Balances						1,453		
								2,884
Total Adjustments (General Fund)	0	641	554	0	0	1,453	0	2,648

Risks - Revenue	Assessment		Risk Management / Comment
	Original	Revised	
<u>General Inflation</u> General price inflation may be greater than anticipated.	Low	Low	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.
<u>New Accounting Standards</u> The impact of adopting International Financial Reporting Standards (IFRS).	Low	Low	Any significant financial impacts are likely to be mitigated by government legislation.