

**REPORT TO:** POLICY & RESOURCES COMMITTEE - 13 SEPTEMBER 2010

**REPORT ON:** REVENUE MONITORING 2010/2011

**REPORT BY:** DIRECTOR OF FINANCE

**REPORT NO:** 564-2010

**1 PURPOSE OF REPORT**

- 1.1 To provide Elected Members with an analysis of the 2010/2011 Projected Revenue Outturn as at 31 July 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 31 July 2010 shows an overspend of £778,000 against the adjusted 2010/2011 Revenue Budget.
  - b note that the Housing Revenue Account as at 31 July 2010 is projecting an overspend of £263,000 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 £778,000 based on the financial information available at 31 July 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 an overspend of £263,000 based on the financial information available for the period to 31 July 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 31 July 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 31 JULY 2010

- 6.1 The forecast position as at 31 July 2010 for General Fund services is summarised below:

	<u>Adjusted Budget 2010/11 £000</u>	<u>Forecast 2010/11 £000</u>	<u>Variance £000</u>
Total Expenditure	359,375	360,153	778
Total Income	<u>(359,375)</u>	<u>(359,375)</u>	<u>-</u>
Forecast Overspend	<u>-</u>	<u>778</u>	<u>778</u>

The forecast position as at 31 July 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 four months of the financial year to 31 July 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 (£455,000 overspend)**

The majority of this overspend is 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. This variance will be partly offset by savings that are projected mainly due to slippage in staff costs across the department

#### **6.4 Education (£272,000 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.

#### **6.5 City Development (£229,000)**

The majority of this overspend relates mainly to property costs for City Square complex reflecting the current level of responsive repairs and maintenance and health and safety works that are being 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 various miscellaneous underspends projected by the department.

#### **6.6 Leisure & Communities (£165,000)**

The variance mainly relates to projected overspend on property costs for storage facility at Claverhouse together with various other minor overspends anticipated by the department.

#### **6.7 Finance General (£50,000 underspend)**

The above variance reflects savings in staff costs that are anticipated mainly due to delays in filling staff vacancies. This underspend will be partly offset by an estimated shortfall in various income streams received by the department.

#### **6.6 Environmental Health & Trading Standards (£123,000 underspend)**

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

#### **6.7 Finance Revenues (£170,000 underspend)**

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

## 7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AS AT 31 JULY 2010

7.1 The forecast position as at 31 July 2010 for the HRA 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	50,417	50,786	369
Total Income	(50,417)	(50,523)	(106)
Forecast Overspend	— -	263	263

7.2 Expenditure on repairs and relets is projected to be greater than budgeted due to the level of work that has been required 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 partly offset by various underspends and additional income that are projected by the department. The overall impact is a net overspend of £263,000 against the adjusted HRA 2009/2010 Revenue Budget. The department will continue to monitor these areas with the objective of achieving a final outturn which is in line with the 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.

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**

**02 SEPTEMBER 2010**



**REASONS FOR 2010/2011 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES**

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

**AT 31 JULY 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	455	Departmental	Staff	(250)	Reflects projected savings mainly due to staff slippage
			Children	Third Party Payments	705	Increased number of children requiring permanent substitute care away from their birth parents.
<u>Education</u>	2	272	Education other than School	Third Party Payments	272	Education Department share of projected overspend on residential and secure placements budget.
<u>City Development</u>	3	229	City Square	Property	273	Mainly reflects projected overspend on responsive repairs and maintenance, health and safety and electricity charges.
			Tayside House	Various	(64)	Reflects various cost overheads projected to be lower than budgeted
			Building Quality	Income	84	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	(60)	Reflects projected savings following change of billing procedures for street lighting.
<u>Leisure &amp; Communities</u>	4	165	Library, Information & Cultural Services	Property	107	Mainly reflects projected overspends for Claverhouse storage facility
			Community Learning & Development	Transport	11	Reflects anticipated overspend on fuel and leasing costs
			Parks, Sport & Leisure	Property	6	Reflects increased rental payments.
				Transport	41	Reflects anticipated overspend in fuel costs.
<u>Finance General</u>	5	(50)	General	Staff	(111)	Staff costs are projected to be underspent mainly due to various unfilled vacancies
				Income	54	Reflects shortfall in income for property enquiries, payroll recharges to other bodies and from Joint Boards for internal audit services.
<u>Env Health &amp; Trading Standards</u>	6	(123)	Regulation	Staff	(125)	Staff costs are projected to be underspent mainly due to various unfilled vacancies
				Income	(12)	Income generated from introduction of smoking prevention enforcement service at Ninewells Hospital.
			Pest & Animal Control	Staff	(36)	Reflects projected savings following non-filling of posts vacated due to early retirements.
				Income	45	Reflects shortfall in chargeable income from pest control activities.

**REASONS FOR 2010/2011 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES**  
**(Excludes Capital Charges, Central Support Services & Office Recharges)**  
**AT 31 JULY 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>Finance Revenues</u>	7	(170)	Revenues	Staff	(34)	Projected underspend due to unfilled vacancies and maternity leave.
				Supplies & Services	(37)	Reflects projected underspend due to computer maintenance costs, bank charges and expenditure on telephones being less than anticipated.
				Income	(94)	Mainly reflects additional administration grant from Department of Works & Pensions.
<u>Housing Revenue Account</u>	8	263	Repairs & Relets		255	Reflects increase in the level of relets that is currently required to be carried out through the DCS/Housing Partnership. Within this area gas maintenance and security screen expenditure is also causing particular concern.
			Lost Rents and Bad Debts		139	Mainly this relates to an increase in lost rents as a result of a greater number of void properties than budgeted. Work is being carried out to improve this situation.
			Stair Lighting		48	Mainly reflects increased price of electricity charges.
			Homelessness		(73)	Mainly this is due to an anticipated reduction in repairs and furnishings expenditure.
			Rent of Houses		(106)	Increased rental income due to a higher level of housing stock than budgeted.

<u>General Fund Departments</u>	<u>Alloc</u>	<u>2009/10</u>	<u>Funding</u>	<u>Alloc</u>	<u>T/Fs</u>	<u>Appendix C</u>	
	<u>From</u>	<u>Under</u>	<u>T/Fs</u>	<u>from</u>	<u>Between</u>	<u>Other</u>	<u>Dept</u>
	<u>Conts</u>	<u>spends</u>		<u>R&amp;R</u>	<u>Depts</u>	<u>T/Fs</u>	<u>Totals</u>
	<u>£000</u>	<u>b/fwd</u>	<u>£000</u>	<u>Fund</u>	<u>£000</u>	<u>£000</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				
							901
<u>Social Work</u>							
1. Child Trust Fund Top Up		7					
2. Community Equipment Service		111					
3. Youth Justice Monies		25					
							143
<u>City Development</u>							
1. Lochee Regeneration (FEGS)		22					
							22
<u>Leisure &amp; Communities</u>							
1. T/f various expenditure from Waste Management					86		
2. T/f staff costs to CSS - Chief Executive					(34)		
							52
<u>Waste Management</u>							
1. T/f various expenditure to Leisure & Communities					(86)		
2. Zero Waste Fund		140					
3. Other commitments c/fwd		56					
							110
<u>CSS - Chief Executive</u>							
1. T/f staff costs from Leisure & Communities					34		
2. Establishment of Corporate Improvement Team					129		
							163
<u>CSS - Information Technology</u>							
1. Non-Domestic Rates (Downfield House)		15					
							15
<u>CSS - Admin &amp; Legal</u>							
1. Correction of budget saving allocation					5		
2. Armed Forces Day		5					
3. Establishment of Corporate Improvement Team					(42)		
							(32)
<u>CSS - Architectural Services</u>							
1. Correction of budget saving allocation					(5)		
							(5)
<u>CSS - Finance General</u>							
1. Establishment of Corporate Improvement Team					(36)		
							(36)
<u>MS - Finance Revenues</u>							
1. Various commitments c/fwd		60					
2. Establishment of Corporate Improvement Team					(51)		
							9
<u>Electricity Contract Contingency</u>							
1. T/f allocation to Education						(600)	
							(600)
<b>Total Adjustments (General Fund)</b>	0	626	116	0	0	0	742



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.