

**REPORT TO: POLICY & RESOURCES COMMITTEE – 11 MARCH 2013**

**REPORT ON: REVENUE MONITORING 2012/2013**

**REPORT BY: DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 110-2013**

## **1 PURPOSE OF REPORT**

- 1.1 To provide Elected Members with an analysis of the 2012/2013 Projected Revenue Outturn as at 31 January 2013 monitored against the adjusted 2012/2013 Revenue Budget.

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that Elected Members:
- a note that the overall General Fund 2012/2013 Projected Revenue Outturn as at 31 January 2013 shows an overspend of £1,076,000 against the adjusted 2012/2013 Revenue Budget.
  - b note that the Housing Revenue Account as at 31 January 2013 is projecting a breakeven position against the adjusted HRA 2012/2013 Revenue Budget.
  - c agree that the Director of Corporate Services will take every reasonable action to ensure that the 2012/2013 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 2012/2013 Projected Revenue Outturn.

## **3 FINANCIAL IMPLICATIONS (see Appendix A)**

- 3.1 The overall projected 2012/2013 General Fund Revenue outturn position for the City Council shows an overspend of £1,076,000 based on the financial information available at 31 January 2013. A system of perpetual detailed monitoring will continue to take place up to 31 March 2013 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2012/2013 Revenue Budget.
- 3.2 The Housing Revenue Account outturn position for 2012/2013 is currently projecting a breakeven position based on the financial information available for the period to 31 January 2013. A system of perpetual detailed monitoring will continue to take place up to 31 March 2013 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2012/2013 HRA Revenue Budget.

## **4 BACKGROUND**

- 4.1 Following approval of the Council's 2012/2013 Revenue Budget by the Special Policy and Resources Committee on 9 February 2012 this report is now submitted in order to monitor the 2012/2013 Projected Revenue Outturn position as at 31 January 2013, against the adjusted 2012/2013 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 2012/2013 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 68-2012, approved by Special Policy & Resources Committee on 9 February 2012, 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 2012/2013 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 JANUARY 2013

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

	<u>Adjusted Budget 2012/13 £000</u>	<u>Forecast 2012/13 £000</u>	<u>Variance £000</u>
Total Expenditure	360,877	361,953	1,076
Total Income	<u>(360,877)</u>	<u>(360,877)</u>	—
Forecast Overspend	—	<u>1,076</u>	<u>1,076</u>

The forecast position as at 31 January 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 centralisation of property costs budgets within City Development (£12.862m) and carry forward of various unspent budgets from last year (£1.893m). 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 ten months of the financial year to 31 January 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 Social Work (£2,088,000 overspend)

The majority of this overspend reflects cost pressures surrounding Adults Services, where payments for care placements continue to be significantly greater than budgeted. In addition, within Children Services, payments for family placements have risen due to the increased number of children requiring to be looked after and accommodated by the service together with an increase in the number of residential and secure placements being made. These variances will be partly offset by savings that are anticipated due to slippage in staff costs across the department and various additional income projected to be received by the department.

6.4 City Development (£593,000 overspend)

The department are projecting that expenditure on winter maintenance will be greater than budgeted due recent adverse weather conditions. In addition, health and safety contracts are also expected to be greater than budgeted reflecting the current level of works being carried out on Council properties. These variances are partly offset by projected saving in third party payments due to changes to contracts for registered bus services.

6.5 Corporate Services (£150,000 underspend)

The above variance mainly reflects savings in staff costs that are anticipated due to a number of unfilled vacancies within the department.

6.6 Education (£305,000 underspend)

This mainly reflects an anticipated underspend in property costs due to lower than expected energy costs and a reduction in non-domestic rates following the outcome of valuation appeals process.

6.7 Environment (£400,000 underspend)

This reflects the anticipated underspends on landfill and ash contracts following the temporary closure of the DERL facility. These underspends are partly offset by increased expenditure on gate fees due to a higher than budgeted inflation uplift in this contract. In addition, the latest projections for trading activities indicate additional surpluses will be returned to General Fund.

6.8 Capital Financing Costs / IORB (£450,000 underspend)

The above reflects a projected saving due to lower than anticipated interest rates together with a reduction in required level of borrowing due to slippage on expenditure in 2012/13 capital programme.

6.9 Contingency: Energy Costs (£300,000 underspend)

This reflects projected underspend due to actual level of increase in energy contracts being less than was anticipated.

## 7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 JANUARY 2013

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

	<u>Adjusted</u> <u>Budget</u> <u>2012/13</u> <u>£000</u>	<u>Forecast</u> <u>2012/13</u> <u>£000</u>	<u>Variance</u> <u>£000</u>
Total Expenditure	53,043	52,992	(51)
Total Income	<u>(53,043)</u>	<u>(52,992)</u>	<u>51</u>
Forecast Position	— -	— -	— -

7.2 Whilst expenditure on relets and repairs is projected to be greater than budgeted due to increased level of work being carried out, this is 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 2012/2013 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2013 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2012/2013 HRA Revenue Budget.

## 8 CONCLUSION

As in previous years, the Director of Corporate Services will work with all Chief Officers of the Council to monitor the Council's 2012/2013 Revenue Budget and, through prudent budget management, take every reasonable action to achieve an outturn position below or in line with the approved 2012/2013 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, 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.

## 11 BACKGROUND PAPERS

None.

**MARJORY M STEWART**  
**DIRECTOR OF CORPORATE SERVICES**

**01 MARCH 2013**

**DUNDEE CITY COUNCIL**

**2012/2013 REVENUE OUTTURN MONITORING  
PERIOD 1 APRIL 2012 - 31 JANUARY 2013**

**Appendix A**

Statement analysing 2012/2013 Projected Revenue Outturn to Budget (Capital Charges, Central Support & Central Buildings Recharges have been excluded from Departments as these costs are outwith their control).

	Approved Budget £000	Budget Adjustments £000	Adjusted Budget £000	Forecast £000	Worse Than Budget £000	Better Than Budget £000	Net Variance £000	Notes	Previous Months Projected Variance £000
<b>General Fund Departments</b>									
Social Work	91,162	(2,633)	88,529	90,617	2,088		2,088	1	1,983
City Development	12,142	13,219	25,361	25,954	593		593	2	
Chief Executive	25,536	(3,434)	22,102	22,102					
Other Housing	3,189	373	3,562	3,562					
Supporting People	12,161		12,161	12,161					
Corporate Services	17,016	(2,002)	15,014	14,864		(150)	(150)	3	(150)
Education	120,724	(1,621)	119,103	118,798		(305)	(305)	4	
Environment	22,209	(1,656)	20,553	20,153		(400)	(400)	5	(250)
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	304,139	2,246	306,385	308,211	2,681	(855)	1,826		1,583
Miscellaneous Income	(2,648)		(2,648)	(2,648)					
Capital Financing Costs / Interest on Revenue Balances	24,172	291	24,463	24,013		(450)	(450)	6	(300)
Contingencies									
- General	520	(224)	296	296					
- Energy Costs	603		603	303		(300)	(300)	7	
- Corporate Savings: VER / VR Scheme	(458)	545	87	87					
Discretionary NDR Relief	147		147	147					
Supplementary Superannuation Costs	1,947	159	2,106	2,106					
Tayside Joint Police Board	16,223		16,223	16,223					
Tayside Fire & Rescue Board	12,264		12,264	12,264					
Tayside Valuation Joint Board	951		951	951					
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<b>Total Expenditure</b>	357,860	3,017	360,877	361,953	2,681	(1,605)	1,076		1,283
<b>Sources of Income</b>									
General Revenue Funding / Contribution from NNDR Pool	(299,395)	(1,059)	(300,454)	(300,454)					
Council Tax	(57,522)		(57,522)	(57,522)					
Use of Balances -									
Committed Balances c/f Renewal & Repair Fund	(943)	(1,893)	(2,836)	(2,836)					
		(65)	(65)	(65)					
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<b>(Surplus)/Deficit for the year</b>	0	0	0	1,076	2,681	(1,605)	1,076		1,283
	=====	=====	=====	=====	=====	=====	=====		=====
<b>Housing Revenue Account</b>	0		0	0	==	==	0	8	0
	=====	=====	=====	=====	=====	=====	=====		=====

**REASONS FOR 2012/2013 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES**  
**(Excludes Capital Charges, Central Support Services & Office Recharges)**  
**AT 31 JANUARY 2013**

<u>Department</u>	<u>Note</u>	<u>Total</u> <u>Variance</u> <u>£000</u>	<u>Previous</u> <u>Months</u> <u>Total</u> <u>Variance</u> <u>£000</u>	<u>Cost Centre</u>	<u>Subjective</u> <u>Analysis</u>	<u>Breakdown</u> <u>of Projected</u> <u>Variance</u> <u>£000</u>	<u>Breakdown</u> <u>of Previous</u> <u>Months</u> <u>Projected</u> <u>Variance</u> <u>£000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Social Work</u>	1	2,088	1,983	Departmental	Staff Costs	(613)	(525)	Reflects projected savings due to delays in filling staff vacancies.
					Income	(771)	(661)	Reflects repayment of underspends on externally purchased services from social care providers.
				Older People	Third Party Payments	464	464	Mainly due to increased costs and demand of Free Personal Care placements.
					Third Party Payments	100	0	Reflects increased demand for respite care for older people.
				Adults	Third Party Payments	2,340	2,187	Reflects continuous cost pressures surrounding Adult Care, including net additional costs due to the provisioning of care and support arrangements for the residents of Rosebank Care Home.
					Third Party Payments	50	0	Reflects increased demand for respite care for adults.
				Children	Third Party Payments	120	120	Reflects an increased number of residential and secure care placements being made.
					Third Party Payments	398	398	Increase in number of children requiring to be looked after and accommodated by family placement service.
<u>City Development</u>	2	593	Nil	Winter Maintenance	Third Party Payments	550	0	Reflects increased activities due to recent adverse weather conditions.
				Operational Properties	Property Costs	450	0	Reflects projected overspend on health and safety contracts.
				Sustainable Transport	Property Costs	(32)	0	Reflects lower than anticipated expenditure on various budget heads.
					Supplies & Services	(75)	0	Reflects lower than anticipated expenditure on various budget heads.
				Third Party Payments	(300)	0	Reflects lower than anticipated expenditure following changes to contracts for registered bus services.	
<u>Corporate Services</u>	3	(150)	(150)	Information Technology	Staff Costs	(56)	(56)	Reflects projected savings mainly due to staff slippage.
				Corporate Finance	Staff Costs	(133)	(133)	Reflects the current level of unfilled vacancies within the department.
					Income	34	34	Reflects lower than anticipated income from various sources.
<u>Education</u>	4	(305)	Nil	Departmental	Property	(73)	0	Reflects projected underspend on non-domestic rates following outcome of valuation appeals.
					Property	(172)	0	Reflects projected underspend in energy costs across the department.
					Supplies & Services	(83)	0	Reflects lower than anticipated expenditure on various budget heads within other schools and support services.

**REASONS FOR 2012/2013 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES**  
**(Excludes Capital Charges, Central Support Services & Office Recharges)**  
**AT 31 JANUARY 2013**

<u>Department</u>	<u>Note</u>	<u>Total</u> <u>Variance</u> <u>£000</u>	<u>Previous</u> <u>Months</u> <u>Total</u> <u>Variance</u> <u>£000</u>	<u>Cost Centre</u>	<u>Subjective</u> <u>Analysis</u>	<u>Breakdown</u> <u>of Projected</u> <u>Variance</u> <u>£000</u>	<u>Breakdown</u> <u>of Previous</u> <u>Months</u> <u>Projected</u> <u>Variance</u> <u>£000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Environment</u>	5	(400)	(250)	Environment Protection	Third Party Payments	(250)	(250)	Reflects net anticipated underspends on landfill and ash contracts following temporary closure of DERL facility. These variances are partly offset by increased expenditure on gate fees due to a higher than budgeted inflation uplift in the contract.
				Construction	Income	(150)	0	Latest projection for Construction Activities indicates they will exceed their budgeted contribution to the General Fund.
<u>Capital Financing</u> <u>Costs/IORB</u>	6	(450)	(300)	Corporate	Capital Financing Costs/IORB	(450)	(300)	Reflects projected saving on capital financing costs due to lower than anticipated interest rates together with slippage on expenditure in 2012/13 capital programme.
<u>Contingency: Energy</u> <u>Costs</u>	7	(300)	Nil	Corporate	Contingency	(300)	0	Reflects projected underspend due to level of actual increase in energy costs being less than was anticipated.
<u>Housing</u>	8	Nil	Nil	Repairs & Relets		590	581	Mainly reflects the level of responsive repairs that are currently being required.
				Income		64	64	Reflects reduction in hostel grant received from Scottish Government.
				Rent of Houses		(13)	(15)	Increased rental income mainly due to a higher level of housing stock than budgeted.
				Capital Financing Costs		(641)	(630)	Reflects projected savings on capital financing costs due to a combination of lower than anticipated interest rates and actual level of borrowing being less than expected.

**Appendix C**

<b>General Fund Departments</b>	<b>Alloc From Conts £000</b>	<b>2011/12 Under spends b/fwd £000</b>	<b>Funding T/Fs £000</b>	<b>Alloc from R&amp;R Fund £000</b>	<b>T/Fs Between Depts £000</b>	<b>Property Costs T/Fs £000</b>	<b>Vol Early Retiral/ Redund Scheme £000</b>	<b>Dept Totals £000</b>
<b>Education</b>								
1. DSM Balances		521						
2. Prudential Borrowing costs (Ballumbie PS)					(260)			
3. T/f net Staff costs to/from Corporate Services					(3)			
4. T/f of Property costs to City Development						(2,758)		
5. Prudential Borrowing costs (West End PS)					(31)			
6. T/f Supplementary Supn Costs to General Fund					(149)			
7. Teachers Induction Monies			955					
8. Curriculum for Excellence			104					(1,621)
<b>Social Work</b>								
1. Community Equipment Service		86						
2. Violence Against Women Team		91						
3. Choose Life Project		12						
4. Integrated Children Services		86						
5. Self Directed Support Scheme		35						
6. T/f Staff costs to General Fund							(77)	
7. Contribution towards MARS Hub Funding	4							
8. Contribution towards Welfare Rights Team	53							
9. T/f of Property costs to City Development						(2,900)		
10. T/f of various costs to Chief Executive (Douglas Community Centre)					(2)			
11. T/f Staff costs to Corporate Services					(21)			(2,633)
<b>City Development</b>								
1. Flood Risk Management		143						
2. T/f Staff costs to General Fund							(31)	
3. Contribution towards City Jet Flight	56							
4. T/f of Property costs from various departments						12,961		
5. T/f Staff costs from Chief Executive					25			
6. Dundee Ice Arena Maintenance Contract				25				
7. Dundee Ice Arena Health & Safety Contracts				40				13,219
<b>Environment</b>								
1. DERL / Waste Strategy		472						
2. Various other commitments c/fwd		64						
3. T/f Staff costs to General Fund							(253)	
4. T/f of Property costs to City Development						(1,969)		
5. Olympic Torch Relay Celebration	30							(1,656)
<b>Chief Executive</b>								
1. T/f Staff costs to General Fund							(17)	
2. T/f Staff costs to Corporate Services					(111)			
3. T/f of Property costs to City Development						(3,308)		
4. T/f Staff costs to City Development					(25)			
5. Dudhope Arts Centre (Development Officer)	15							
6. National Performance Centre (Consultancy Fees)	30							
7. T/f of various costs from Social Work (Douglas Community Centre)					2			
8. Leadership Programme					(20)			(3,434)
<b>Corporate Services</b>								
1. Computer Audit Software (Finance General)		10						
2. T/f Staff costs to General Fund							(177)	
3. T/f net Staff costs to/from Education					3			
4. T/f Staff costs from Chief Executive					111			
5. T/f of Property costs to City Development						(2,026)		
6. Leadership Programme					20			
7. T/f Staff costs from Social Work					21			
8. Scientific Services - temporary posts	36							(2,002)
<b>Other Housing</b>								
1. Private Sector Housing Grant		373						373
<b>Capital Financing Costs / IORB</b>								
1. T/f Prudential Borrowing costs from Education (Ballumbie PS)					260			
2. T/f Prudential Borrowing costs from Education (West End PS)					31			291



**Appendix C**

	<u>Alloc</u>	<u>2011/12</u>	<u>Alloc</u>	<u>T/Fs</u>	<u>Property</u>	<u>Vol Early</u>	<u>Dept</u>	
<u>General Fund Departments</u>	<u>From</u>	<u>Under</u>	<u>from</u>	<u>Between</u>	<u>Costs</u>	<u>Retiral/</u>	<u>Totals</u>	
	<u>Conts</u>	<u>b/fwd</u>	<u>R&amp;R</u>	<u>Depts</u>	<u>T/Fs</u>	<u>Redund</u>	<u>Scheme</u>	
	<u>£000</u>	<u>£000</u>	<u>Fund</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	
<u>General Contingency</u>								
1. T/f to City Development (City Jet Flight)	(56)							
2. T/f to Social Work (MARS Hub Funding)	(4)							
3. T/f to Social Work (Welfare Rights Team)	(53)							
4. T/f to Chief Exec (Dudhope Arts Centre)	(15)							
5. T/f to Chief Exec (National Performance Centre)	(30)							
6. T/f to Environment (Olympic Torch Relay)	(30)							
7. T/f to Corporate Services (Scientific Services)	(36)							
							(224)	
<u>Supplementary Superannuation</u>								
1. T/f Supplementary Supn Costs from various departments						10		
2. T/f Supplementary Supn Costs from Education				149				
							159	
<u>Corporate Savings Contingency: VER / VR Scheme</u>								
1. T/f from various departments						545		
							545	
<b>Total Adjustments (General Fund)</b>	0	1,893	1,059	65	0	0	0	3,017

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>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.