

REPORT TO: CITY GOVERNANCE COMMITTEE – 23 SEPTEMBER 2024
REPORT ON: REVENUE MONITORING 2024/2025

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 223-2024

1 PURPOSE OF REPORT

1.1 To provide Elected Members with an analysis of the 2024/25 projected revenue outturn as at 30 June 2024 and the impact on the Council's overall balances position.

2 RECOMMENDATIONS

2.1 It is recommended that the Committee:

- (a) note that as at 30 June 2024 the General Fund is projecting an overall overspend of £4.773m against the adjusted 2024/2025 Revenue Budget and the impact this has on the projected Council's General Fund Balances;
- (b) note the budget adjustments totalling £3.049m and detailed in second column of Appendix A as virements to the previously approved Revenue Budget;
- (c) note that as at 30 June 2024 the Housing Revenue Account (HRA) is projecting an overspend of £0.400m against the adjusted HRA 2024/25 Revenue Budget and the impact this has on the element of the projected Renewal & Repair Fund balance earmarked to HRA;
- (d) note the key strategic, operational and financial risks being faced by the Council outlined in Appendix B;
- (e) note that the Chief Executive and Executive Directors are developing financial recovery plans to bring expenditure within budget in the current financial year and these will be reported back to the Committee. In addition, officers will continue to take appropriate steps to manage current and recurring revenue expenditure, including reviewing vacancies and any new recurring commitments, reducing expenditure and reviewing service provision; and
- (f) notes the current position on Leisure and Culture Dundee (LACD), as set out in paragraph 7.1.

3 FINANCIAL IMPLICATIONS

3.1 The unallocated portion of the General Fund as at 30 June 2024 is projecting an overspend of £4.773m against the adjusted 2024/25 Revenue Budget. The impact this would have on the Council's General Fund Balances is outlined below:

| General Fund | Opening Balance 1 April 2024 £000 | (Surplus) / Deficit for the Year £000 | Projected Balance 31 March 2025 £000 |
|-------------------------------|--|--|---|
| Earmarked Carry-forwards* | 4,124 | | 4,124 |
| Organisational Change Fund | 2,388 | | 2,388 |
| Covid cost related pressures* | 2,750 | 700 | 2,050 |
| Covid recovery measures | 405 | | 405 |
| Service change initiatives | 5,000 | | 5,000 |
| Roof Remedial Works | 2,702 | 1,906 | 796 |
| Cost of Living Pressures | 200 | | 200 |

| | | | |
|---------------------------------|---------------|---------------|---------------|
| Contribution to 2024/25 budget | 6,640 | 6,640 | 0 |
| Other Earmarked Funds | 3,934 | | 3,934 |
| Service concessions flexibility | 39,773 | | 39,773 |
| Total earmarked funds | 67,916 | 9,246 | 58,670 |
| Unallocated Balance | 9,815 | 4,773 | 5,042 |
| Total General Fund | 77,731 | 14,019 | 63,712 |

* These balances will be drawn down as required during the year.

- 3.2 The approved budget included an allowance of 3% for the 2024/25 pay awards for both LGE and teachers. Provision for this is included within contingencies and has not yet been allocated to service budgets. It should be noted that CoSLA's latest pay offer is either 3.6 % or an uplift of £0.67 per hour where this would be higher. It should be noted that in overall terms, the pay offer has been estimated to be an average increase of 4.27%. Also to be noted is the receipt from Scottish Government of an additional £0.601m relating to last year's pay awards that have already been paid. This funding has been included in this report, with the assumption that this will cover any pay award in excess of 3%. Officers will reflect in future reports the actual increase once pay negotiations are concluded.
- 3.3 Based on the financial information available as at 30 June 2024 the HRA outturn position for 2024/25 is projecting an overspend of £0.400m. Further details are provided in section 8 of this report.

4 BACKGROUND

- 4.1 Following approval of the Council's 2024/25 Revenue Budget by the City Governance Committee on 29 February 2024, this report provides the projected revenue outturn position as at 30 June 2024, against the adjusted 2024/25 Revenue Budget.
- 4.2 The total 2024/25 Revenue Budget is £468.789m. For revenue monitoring purposes, the Council Tax Reduction Scheme budget of £13.772m is moved from expenditure to income and netted off against Council Tax income. This results in total budgeted expenditure of £455.017m for revenue monitoring purposes, as set out in Appendix A.
- 4.3 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 (underspend) 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.
- 4.4 The forecast position 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.

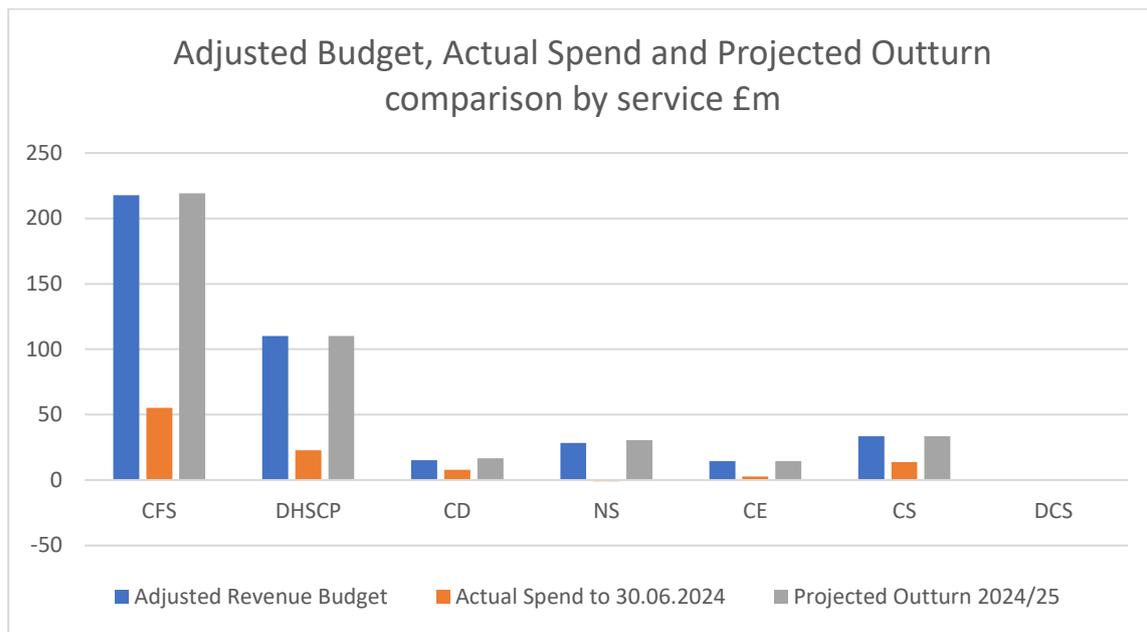
Appendix B lists the key strategic, operational and financial risks being faced by the Council.

5 GENERAL FUND SERVICES - MONITORING POSITION AS AT 30 JUNE 2024

- 5.1 The forecast position as at 30 June 2024 for General Fund services is summarised below.

| | (Under)/Over Spend as at 30 June £m | (Under)/Over Spend as at 31 May £m | Movement (from previous month) £m |
|---|--|---|--|
| Net Expenditure | 4.923 | 5.227 | (0.304) |
| Sources of Income | (0.150) | (0.143) | (0.007) |
| Net projected reduction uncommitted balances | 4.773 | 5.084 | (0.311) |

The graph below details the comparison between each service's actual spend and projected outturn.



5.2 The table below details the key factors which contributed to the movement from previous month.

| | £m |
|---|-----------|
| Reduction in expected income from old waste plant within Neighbourhood Services due to operational issues and lower than expected electricity revenues due to ongoing market conditions | 0.750 |
| Additional income within Children and Families relating to funding for unaccompanied asylum-seeking children | (0.618) |
| Projected savings in staff costs within City Development due to vacancies | (0.136) |
| Additional income from rental of Floor 3 in Dundee House | (0.144) |
| Estimated fleet savings | (0.090) |

6 DETAILED ANALYSIS

The following paragraphs summarise the main areas of variance by service along with appropriate explanations. These figures reflect movements for the full year to date.

6.1 Children & Families Services: £1.550m overspend

| | £m |
|---|-----------|
| Projected overspend in LGE mainly as result of demand for Additional Support Needs staff | 1.360 |
| Projected increase in Non-Domestic Rates payable due to the increase in poundage rate for properties with Intermediate and Higher rateable values | 0.544 |
| Additional income relating to funding for unaccompanied asylum-seeking children | (0.618) |

Please note that a detailed review of teacher numbers and costs is currently underway, the results of which will be reflected in a future Revenue Monitoring report. In the meantime, the working assumption contained within this report is the teacher’s budget will break even.

6.2 Dundee Health & Social Care Partnership (DHSCP)

The latest Financial monitoring report presented to Dundee IJB projects an overspend of £6.197m for 2024/25 (utilising actual info for first 3 months to end June), with this information presented to Dundee IJB at its meeting on 21st August 2024. This projected overspend exceeds 2024/25 IJB Financial Plan where up to £4m has been identified and set aside in IJB Reserves to cover the planned in-year shortfall. While sufficient general Reserves are held to fund this additional overspend if required, a Financial Recovery Plan is being progressed to minimise the unplanned overspend and also return the IJB to a sustainable annual financial position.

DHSCP is continuing to respond to significant operational challenges in demand and demographics (notably the growth in Care at Home provision as a result of shift in care to help mitigate against hospital delayed discharges, unnecessary hospital admissions, reduce social care unmet need and reduce Care Home beds), and in particular staffing challenges (both recruitment and retention, sickness absence and premium cost of back-fill cover), complexity of needs in community settings, and the wider impact of deferred treatments on health and wellbeing following the pandemic period, all of which continue to impact on the projected financial position. Operational managers and finance team continue work to explore ways of mitigating the overspend through efficiencies, cost reduction, transformation and savings opportunities and any impact of these actions will be reported in due course.

Under the risk sharing arrangement reflected in the Integration Scheme, the Integration Joint Board (IJB) retains any underspend within its reserve balances for investment in integrated health and social care services in future years. Sufficient Reserves are held by Dundee IJB to cover the projected 2024/25 shortfall therefore there is no anticipated additional contribution requirement or financial risk forecast in 2024/25 for Dundee City Council.

6.3 City Development: £1.417m overspend

| | £m |
|--|-----------|
| Projected overspend in property mainly due to costs of unplanned and health and safety related repairs | 1.370 |
| Forecasted reduction in income relating to the decrease in off-street parking income | 0.700 |
| Funded by earmarked Covid reserve to meet associated loss of income | (0.700) |
| Reflects projected increased provision for bad debts mainly as a result of commercial rents | 0.327 |
| Projected underspend in staff costs due to vacancies | (0.136) |
| Additional rental income from Floor 3 within Dundee House | (0.144) |

The Executive Director of City Development is reviewing whether further staff slippage may offset some of the additional costs by the end of the year.

Dundee’s Low Emissions Zone (LEZ) scheme was launched on 31 May 2024. It is noted that the Transport (Scotland) Act 2019 states that all income from the Low Emission Zone must be first used to facilitate the scheme. It is forecast that income from the LEZ will decline over time and revenue received in the first year will be set aside to contribute to future years costs of operating and maintaining the LEZ infrastructure. The total value of fines issued up to 25 August 2024 was £454,320, relating to 5,599 contraventions. However, the value of payments received to the same date was £95,550. This compares with an estimated cost of £230k for operating the LEZ in 2024/25.

Fines are issued at values ranging from £60 for first offence rising to £960 for fifth offence. There is a 50% reduction in the value if the fine is paid within 14 days. The gross value of £454,320 does not include write-offs for exemptions or reductions due to early payment, or provisions for unrecoverable fines.

Following a government review in 2022 the level of planning fees has been increased. Officers are considering the impact of this and will report this in future reports. It is also noted the above position excludes any variance relating to Winter Maintenance which may occur if weather conditions are similar to previous years.

6.4 Neighbourhood Services: £2.028m overspend

| | £m |
|---|-----------|
| Projected underspend in staff costs due to vacancies | (0.446) |
| Projected overspend in waste management third party payments, mainly relating to increased MEB Gates Fees, increased tonnage and forecasted lower electricity income expected to be gained from the excess revenue share for the waste to energy contract | 0.953 |
| Projected shortfall in income generated from trade waste and recyclables | 0.246 |
| Streetscene & Land Management: income mainly from projects, interment fees and ground maintenance activities are forecasted to be lower than budgeted | 0.516 |
| Reduction in expected income from old waste plant due operational issues and lower than expected electricity revenues due to ongoing market conditions | 0.750 |

6.5 Council Tax: (£0.150m) underspend

| | £m |
|--|-----------|
| There is a projected underspend on Council Tax Reduction if uptake continues at current levels. There has been a gradual reduction in caseload since April 2024. | (0.150) |

6.6 New Monies: (£1.790m) underspend

Reflects the share of additional £62.7m monies announced by Scottish Government after the budget was agreed that will now be used to replenish any balances used. In addition, the Council will receive a share of an additional £21.0m (£0.601m) which will go towards pay awards in excess of what has been budgeted.

6.7 Corporate Fleet: £1.910m overspend

Reflects the projected net overspend associated with the corporate fleet. The cost of the Council's fleet remains a budget pressure due to rising expenditure in relation to the external hire of vehicles used by services together with the cost of parts and materials for vehicle repairs. A review is underway to ensure the overall fleet utilised by services is in line with the budget provision available and that the true cost of fleet managed on behalf of external bodies is recovered accordingly. The review is ongoing and the outcome will be reported to members as part of future monitoring reports.

7 EXTERNAL ORGANISATIONS

- 7.1 Leisure and Culture Dundee (LACD) suffered considerable income shortfalls during the Covid-19 pandemic, due to the effects of lockdowns and operating restrictions once facilities re-opened. It is recognised that, whilst facilities are now fully operational, income levels will take some time to be restored to pre-pandemic levels. To provide certainty, stability and time for Leisure and Culture Dundee to develop a balanced budget from 2024/25 onwards Dundee City Council confirmed its continuing financial support to cover the deficit position for a period until 31 March 2024. In December 2023, it was further agreed that the Chief Executive be authorised to extend the support to Leisure and Culture Dundee to 30 June 2024 should this be necessary. The Council will also continue to undertake cash flow management support to LACD to allow it to remain in credit at all times, and therefore have sufficient cash to continue to operate, thus allowing it to proceed as a going concern and meet its everyday cash liabilities. Any additional financial support provided will be met from reserves.
- 7.2 Our budget includes the assumption that Tayside Contracts will return a surplus in 2024/25, our share of which will be £0.343m. It is too early in the year to assess the likelihood or otherwise of this particular assumption and we will update likely outturns when we can. Please note we have set aside an allowance for Tayside Contracts pay awards within our pay contingency and will track the cost of Tayside Contracts services against service and central budgets.

8 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 30 JUNE 2024

- 8.1 The forecast position as at 30 June 2024 for the HRA is summarised below:

| | (Under)/ Over Spend as at 30 June £m |
|-------------------------------|---|
| Net Expenditure | 0.500 |
| Sources of Income | (0.100) |
| Net over/ (underspend) | 0.400 |

Please note that the forecast position is compared to the HRA budget as recast in report 139-2024 submitted to and approved by the Neighbourhood Regeneration, Housing and Estate Management Committee on 13 May 2024.

- 8.2 The key variances that make up the June position are shown in the table below. These figures reflect movements for the full year to date.

| | £m |
|--|-----------|
| Additional void costs due to empty properties being let for longer than budgeted | 0.500 |
| Additional rental income | (0.100) |

In terms of voids when the HRA Budget was agreed in October 2023 this was over 500 properties and it was assumed the level would reduce to an average 310 properties during this year. Whilst good progress has been made this reduction has not fully materialised as expected yet and this will continue to be monitored and the impact on the budget reflected in future monitoring reports.

- 8.3 Any final variance will be adjusted against the Renewal & Repair Fund and any final overspend will be offset against the Renewal & Repair Fund, the housing element of which amounted to £7.317m as at 31 March 2024. A system of ongoing monitoring will continue to take place up to 31 March 2025 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2024/25 HRA Revenue Budget.

9 RISK ASSESSMENT

- 9.1 In preparing the Council's 2024/25 Revenue Budget, the key strategic, operational and financial risks faced by the Council over this period were considered. To alleviate the impact these risks may have if they occur, a number of general risk mitigation factors are utilised by the Council.
- 9.2 The key risks in 2024/25 have 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 are included in Appendix B to this report. Any changes to the assessment from the previous reporting period, together with any additional comments included, are highlighted in bold type.

10 POLICY IMPLICATIONS

- 10.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

11 CONSULTATIONS

- 11.1 The Council Leadership Team were consulted in the preparation of this report.

12 BACKGROUND PAPERS

- 12.1 None

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EXECUTIVE DIRECTOR OF CORPORATE SERVICES

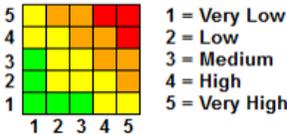
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| DUNDEE CITY COUNCIL | | | | | | | | | |
|--|----------------|--------------|----------------|-----------------|----------------|--------------|--------------|----------------|------------|
| 2024/2025 REVENUE OUTFURN MONITORING | | | | | | | | | |
| PERIOD 1 APRIL 2024 - 30 JUNE 2024 | | | | | | | | | |
| | Approved | | Adjusted | | | Projected | Previous | Movement | Actual |
| | Revenue | Total | Revenue | Actual | Projected | Variance | Months | since | 30.06.2024 |
| | Budget | Budget | Budget | Spend to | Outturn | Over/(under) | Projected | Previous | as a % of |
| | 2024/25 | Adjustments | 2024/25 | 30.06.2024 | 2024/25 | spend | Variance | Month | Adjusted |
| | £m | £m | £m | £m | £m | £m | £000 | £000 | Budget |
| General Fund Services | | | | | | | | | |
| Children & Families | 213.996 | 3.658 | 217.654 | 55.318 | 219.204 | 1.550 | 2.039 | (0.490) | 25% |
| Dundee Health & Social Care Partnership | 110.180 | | 110.180 | 22.838 | 110.180 | 0.000 | 0.000 | | 21% |
| City Development | 15.258 | | 15.258 | 7.789 | 16.675 | 1.417 | 1.697 | (0.280) | 51% |
| Neighbourhood Services | 28.439 | | 28.439 | (0.830) | 30.467 | 2.028 | 1.302 | 0.726 | -3% |
| Chief Executive | 13.835 | 0.620 | 14.455 | 2.858 | 14.455 | 0.000 | 0.000 | | 20% |
| Corporate Services | 33.568 | | 33.568 | 13.757 | 33.568 | 0.000 | 0.169 | (0.169) | 41% |
| Construction Services | 0.000 | | 0.000 | 0.377 | 0.000 | 0.000 | 0.000 | | |
| | 415.276 | 4.278 | 419.554 | 102.107 | 424.549 | 4.995 | 5.207 | (0.214) | 24% |
| Capital Financing Costs / Interest on Revenue Balances | 22.429 | | 22.429 | 0.000 | 22.429 | 0.000 | | | |
| Contingencies: | | | | | | | | | |
| - General | 0.500 | | 0.500 | | 0.500 | | | | |
| - Budget growth/Cost Pressures | 13.278 | (3.019) | 10.259 | | 10.259 | | | | |
| - New monies | 0.599 | 1.790 | 2.389 | | 0.599 | (1.790) | (1.790) | | |
| Tayside Contracts surplus | (0.343) | | (0.343) | | (0.343) | | | | |
| Corporate Fleet | 0.000 | | 0.000 | | 1.910 | 1.910 | 2.000 | (0.090) | |
| Miscellaneous Items | (2.044) | | (2.044) | (0.511) | (2.044) | | | | 25% |
| Discretionary Non Domestic Rates (NDR) Relief | 0.392 | | 0.392 | 0.484 | 0.392 | 0.000 | 0.000 | | 123% |
| Supplementary Superannuation Costs | 2.938 | | 2.938 | 0.676 | 2.746 | (0.192) | (0.192) | | 23% |
| Tayside Valuation Joint Board | 0.945 | | 0.945 | 0.233 | 0.945 | | | | 25% |
| Empty Property Relief Devolution | 1.048 | | 1.048 | 0.262 | 1.048 | | | | 25% |
| Total Expenditure | 455.017 | 3.049 | 458.066 | 103.251 | 462.990 | 4.923 | 5.227 | (0.304) | 23% |
| Sources of Income | | | | | | | | | |
| General Revenue Funding | (304.241) | (3.049) | (307.290) | (130.843) | (307.290) | | | | 43% |
| Contribution from National Non Domestic Rates (NDR) Pool | (73.695) | | (73.695) | (18.424) | (73.695) | | | | 25% |
| Council Tax | (63.906) | | (63.906) | (13.622) | (64.056) | (0.150) | (0.143) | (0.007) | 21% |
| Assumed SPPA Teachers Superannuation Contrib | (2.280) | | (2.280) | (0.570) | (2.280) | 0.000 | 0.000 | | 25% |
| Use of Capital Grant to fund pay award | | | 0.000 | | 0.000 | | | | |
| Use of Balances - | | | | | | | | | |
| Balance on Covid Recovery Fund | (6.640) | | (6.640) | | (6.640) | | | | 0% |
| Committed Balances c/f | 0.000 | | 0.000 | | 0.000 | | | | |
| Service concessions | (4.255) | | (4.255) | | (4.255) | | | | 0% |
| Change Fund | 0.000 | | 0.000 | | 0.000 | | | | |
| (Surplus)/Deficit for the year | 0.000 | 0.000 | 0.000 | (60.207) | 4.773 | 4.773 | 5.084 | (0.311) | |
| (Surplus)/Deficit for Housing Revenue Acct | 0.000 | 0.000 | 0.000 | (2.967) | 0.400 | 0.400 | 0.400 | 0.000 | |

Risks - Revenue Assessment

Corporate Risk Matrix



| Risk Title | Causes | Impact | Inherent Risk | Controls | Residual Risk (Previous Month) | Residual Risk (Current Month) |
|---|---|--|---------------|---|--------------------------------|-------------------------------|
| 1. General price inflation may be greater than anticipated. | <ul style="list-style-type: none"> Government policies and regulations Poor economic conditions Impact of rising price rises e.g. energy | <ul style="list-style-type: none"> Increased financial cost / rising prices Potential budget overspends Potential for interest rate rises through intervention measures | | <ul style="list-style-type: none"> Corporate Procurement strategy in place, including access to nationally tendered contracts for goods and services Fixed price contracts agreed for major commodities i.e. gas and electricity. Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible, for example by utilising budget virements. | n/a | |
| 2. Capital Financing Costs - level of interest rates paid will be greater than anticipated. | <ul style="list-style-type: none"> Substantial decline of global financial market Economic factors impacting on interest rates | <ul style="list-style-type: none"> Increased borrowing costs Greater return on investments / cash balances | | <ul style="list-style-type: none"> Treasury Management Strategy. Limited exposure to variable rate funding. Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible. | n/a | |
| 3. Unforeseen new cost pressures arising during the course of the financial year. | <ul style="list-style-type: none"> Financial constraints Demand pressures Cost of Living | <ul style="list-style-type: none"> Potential overspends | | <ul style="list-style-type: none"> Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible, for example by utilising budget virements. | n/a | |
| 4. Chargeable income budget not achieved. | <ul style="list-style-type: none"> Reduced demand for chargeable services, for example due to cost of living crisis Market competition | <ul style="list-style-type: none"> Loss of income Revision of budgeted income collection levels required | | <ul style="list-style-type: none"> Budgetary controls are in place, to identify potential overspends and take remedial action as required or possible, for example by utilising budget virements. | n/a | |