

REPORT TO: POLICY & RESOURCES COMMITTEE – 24 SEPTEMBER 2018

REPORT ON: REVENUE MONITORING 2018/2019

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 260-2018

1 PURPOSE OF REPORT

- 1.1 To provide Elected Members with an analysis of the 2018/2019 projected revenue outturn as at 31 July 2018 monitored against the adjusted 2018/2019 Revenue Budget.

2 RECOMMENDATIONS

- 2.1 It is recommended that Elected Members:
- a note that the overall General Fund 2018/2019 projected revenue outturn as at 31 July 2018 is projecting a breakeven position against the adjusted 2018/19 Revenue Budget. The projection is unchanged from the position reported at 30 June 2018.
 - b note that the Housing Revenue Account as at 31 July 2018 is projecting a breakeven position against the adjusted HRA 2018/2019 Revenue Budget. The projection is unchanged from the position reported at 30 June 2018.
 - c agree that the Council Management Team will take every reasonable action to ensure that the 2018/2019 revenue expenditure is below or in line with the adjusted Revenue Budget.
 - d instruct the Executive Director of Corporate Services in conjunction with the Council Management Team to continue to monitor the Council's 2018/2019 projected revenue outturn.

3 FINANCIAL IMPLICATIONS (see Appendix A)

- 3.1 The overall projected 2018/2019 General Fund Revenue outturn position for the City Council is a projected breakeven based on the financial information available at 31 July 2018. A system of perpetual detailed monitoring will continue to take place up to 31 March 2019 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2018/2019 Revenue Budget.
- 3.2 The Housing Revenue Account outturn position for 2018/2019 is a projected breakeven position based on the financial information available for the period to 31 July 2018. A system of perpetual detailed monitoring will continue to take place up to 31 March 2019 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2018/2019 HRA Revenue Budget.

4 BACKGROUND

- 4.1 Following approval of the Council's 2018/2019 Revenue Budget by the Special Policy and Resources Committee on 22 February 2018, this report is now submitted in order to monitor the 2018/2019 projected revenue outturn position as at 31 July 2018, against the adjusted 2018/2019 Revenue Budget.

The total Revenue Budget per page 6 of the 2018/2019 Final Revenue Budget Volume is £351.085m. For Revenue Monitoring purposes, the Council Tax Reduction Scheme budget of £12.295m is moved from expenditure to income and netted off against Council Tax income. This results in total budgeted expenditure of £338.790m for Revenue Monitoring purposes, as per Appendix A.

- 4.2 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 under 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.

5 RISK ASSESSMENT

- 5.1 In preparing the Council's 2018/2019 Revenue Budget, the Executive Director of Corporate Services considered the key strategic, operational and financial risks faced by the Council over this period (Article II of the minute of the meeting of the Special Policy & Resources Committee on 22 February 2018, Report No: 51-2018 refers). 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 service
- 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 2018/2019 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 2018

- 6.1 The forecast position as at 31 July 2018 for General Fund services is summarised below:

	<u>Adjusted Budget 2018/19 £000</u>	<u>Forecast 2018/19 £000</u>	<u>Variance £000</u>
Total Expenditure	338,790	338,790	-
Total Income	<u>(338,790)</u>	<u>(338,790)</u>	<u>-</u>
Forecast Position	<u>-</u>	<u>-</u>	<u>-</u>

The forecast position as at 31 July 2018 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 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.

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 service 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 2018. The figures are therefore indicative at this stage and are used by the Chief Executive, Executive Director of Corporate Services and members of the Council Management Team to identify variances against budget and enable corrective action to be taken as appropriate.

Service Commentary

6.3 General

Article V, Committee Report No 9-2018, Policy and Resources Committee of 8 January 2018 notes “services will be expected to operate within the limits of their overall revenue budget allocation. Cost pressures which emerge in-year should, where possible, be accommodated within the relevant service revenue budgets.” Accordingly there will be overs and unders within each service. The main areas are summarised below.

6.4 Children & Family Services (Breakeven)

Within staff costs, the service is anticipating an overspend on learning & care assistants which will be offset by underspends to be achieved on teachers in addition to anticipated underspends across all staffing budgets in Education Management & Support Services.

6.5 Dundee Health & Social Care Partnership (Breakeven)

The financial position for services delegated from Dundee City Council shows a balanced financial position. Discussions are on-going with NHS Tayside around the ring-fencing of budgets for 2018/19.

6.6 City Development (£1,747,000 overspend)

The service is projecting an overspend in staff costs. Overspends in relation to property costs are also anticipated and relate to the following areas:

- non-domestic rates - due to properties being vacant and also delay in disposal of asset caused by commercial market condition;
- cleaning costs – mainly due to higher than budgeted costs associated with maintaining our corporate buildings;
- repairs & maintenance - mainly due to assessments/inspections such as Health & Safety, CCTV and also remedial works required arising from assessments
 - Property assets are important for effective service delivery by way of providing a welcoming, safe and secure environment for delivering of services. Service needs have driven the asset management strategies with effective arrangements for managing the performance of DCC assets , however the cost of keeping council properties in good conditions and fit for purpose have risen over the years much faster pace than budgetary adjustments made. There are also external forces such as various legislative requirements i.e. Health & Safety at work, Asbestos and Procurement framework for which DCC has a duty to ensure that building under their control comply with these statutory, regulatory and corporate standards. The consequences of complying with these standards come with both additional work and costs to the council;
- other property costs - due to loss of income on vacant units.

These property overspends are partially offset by projected underspend on energy costs.

Monitoring of the expenditure being incurred on property repairs and maintenance is being undertaken by City Development and Corporate Finance staff, with actions being taken to reduce expenditure where appropriate.

The service is also projecting a shortfall in external rental income in addition to lower than anticipated income from investment properties. Planning application and building warrant fees are also projected to be lower than anticipated. These reductions in income are expected to be partially offset by higher car parking fees and other income being more than anticipated.

6.7 Neighbourhood Services (Breakeven)

Within Communities, the service is projecting an income shortfall as a result in the non-achievement of budgeted income targets from interpretation and translation unit and grant income payable for the S Word café. This adverse variance is anticipated to be offset by savings in staff costs due to the current level of slippage across Neighbourhood Services.

6.8 Chief Executive (£14,000 overspend)

The service is projecting an overspend on hire of gym equipment for LACD facilities.

6.9 Corporate Services (£148,000 overspend)

The service is anticipating an overspend for Tayside Scientific Services due to lower than anticipated income partly offset by a projected underspend in staff costs.

6.10 Capital Financing Costs / IORB (£409,000 underspend)

The above underspend reflects a projected saving in capital financing costs.

6.11 Miscellaneous Income (£1,500,000 additional income)

Relates to a potential one-off gain re Dundee City Developments.

7 ONGOING ACTIONS

7.1 Each service is working closely with Corporate Finance staff, firstly to ensure that these projections are met and then to identify scope to improve the outcome.

7.2 In addition, further Council-wide initiatives are underway to help manage existing and emerging cost pressures. These include reviewing the requirements for overtime working, a focus on absence rates and increased vacancy control over the remainder of the financial year. There is an ongoing review of discretionary spend and other opportunities for efficiencies and budget savings.

7.3 There is also close working with Dundee HSCP and LACD on revenue requirements for current and future funding.

8 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 JULY 2018

8.1 The forecast position as at 31 July 2018 for the HRA is summarised below:

	<u>Adjusted Budget 2018/19 £000</u>	<u>Forecast 2018/19 £000</u>	<u>Variance £000</u>
Total Expenditure	52,759	52,759	-
Total Income	<u>52,759</u>	<u>52,759</u>	<u>-</u>
Forecast Position	<u>-</u>	<u>-</u>	<u>-</u>

- 8.2 The service is anticipating that expenditure on repairs and relets will exceed budget due to the current level of demand and will continue to closely monitor this demand together with the associated expenditure levels. This adverse variance is projected to be offset by savings elsewhere within the HRA budget.
- 8.3 The overall impact is a breakeven position against the adjusted HRA 2018/2019 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2019 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2018/2019 HRA 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 Council Management Team were consulted in the preparation of this report.

11 **BACKGROUND PAPERS**

None.

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

13 SEPTEMBER 2018

DUNDEE CITY COUNCIL										
2018/2019 REVENUE OUTTURN MONITORING										
PERIOD 1 APRIL 2018 - 31 JULY 2018										
Statement analysing 2018/2019 Projected Revenue Outturn to Budget (Capital Charges, Central Support, Corporate Business Support, Central Buildings & Corporate Property Recharges have been excluded from Services as these costs are outwith their control).										
	Approved Revenue		Revised Revenue						Previous Months	Movement since
	Budget	Total Budget	Budget	Projected Outturn	Worse Than Budget	Better Than Budget	Net Variance		Projected	Previous
	2018/19	Adjustments	2018/19	2018/19	Budget	Budget	(see Appx B)	Notes	Variance	Month
	£000	£000	£000	£000	£000	£000	£000		£000	£000
General Fund Services										
Children & Families	158,290	(176)	158,114	158,114				1		
Dundee Health & Social Care Partnership	73,638		73,638	73,638						
City Development	12,207		12,207	13,954	1,747		1,747	2	1,747	
Neighbourhood Services	28,359		28,359	28,359				3		
Chief Executive	11,383		11,383	11,397	14		14	4	14	
Corporate Services	29,536	176	29,712	29,860	148		148	5	148	
DCS Construction	(2,812)		(2,812)	(2,812)						
	310,601	0	310,601	312,510	1,909	0	1,909		1,909	0
Capital Financing Costs / Interest on Revenue Balances	25,099		25,099	24,690		(409)	(409)	6	(409)	
Contingencies:										
- General	500		500	500						
- Other	2,670		2,670	2,670						
- Unallocated Corporate Savings:										
Channel Shift / Digital Council	(729)		(729)	(729)						
Other	(1,362)		(1,362)	(1,362)						
Miscellaneous Items	(1,632)		(1,632)	(3,132)		(1,500)	(1,500)	7	(1,500)	
Discretionary NDR Relief	247		247	247						
Supplementary Superannuation Costs	2,482		2,482	2,482						
Tayside Valuation Joint Board	914		914	914						
Total Expenditure	338,790	0	338,790	338,790	1,909	(1,909)	0		0	0
Sources of Income										
General Revenue Funding	(231,298)		(231,298)	(231,298)						
Contribution from NNDR Pool	(55,553)		(55,553)	(55,553)						
Council Tax	(51,939)		(51,939)	(51,939)						
Use of Balances -										
Committed Balances c/f			0	0						
Renewal & Repair Fund			0	0						
(Surplus)/Deficit for the year	0	0	0	0	1,909	(1,909)	0		0	0
Housing Revenue Account	0	0	0	0	0	0	0		0	0

REASONS FOR 2018/2019 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 31 JULY 2018

<u>Service</u>	<u>Note</u>	<u>As at</u> <u>30 Jun</u> <u>£000</u>	<u>As at</u> <u>31 May</u> <u>£000</u>	<u>Cost Centre</u>	<u>Subjective</u> <u>Analysis</u>	<u>As at</u> <u>30 Jun</u> <u>£000</u>	<u>As at</u> <u>31 May</u> <u>£000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Children & Families Services</u>	1	0	0	<u>Departmental</u>	Staff Costs	1,000	1,000	Special LGE - Overspend on learning & care assistants
						(800)	(800)	Teachers - underspend to be achieved on teachers
						(200)	(200)	EMSS Staffing - underspend anticipated across all staffing budgets in sector
<u>City Development</u>	2	1,747	1,747	<u>Departmental</u>	Staff Costs	440	440	Lower than anticipated slippage
					Supplies & Services	132	132	Electricity charges street lighting
					Transport	(40)	(40)	Mainly car allowances and travel costs across all services
					Third Party Payments	(239)	(239)	Mainly lower spend on the Employability Project
					Property	829	829	The net overspend on property is due to non domestic rates (£92k), repairs and maintenance (£760k), cleaning (£53k), various other costs (£63k). These overspends are partially offset by projected underspend on energy costs (£139k).
					Income	625	625	Reflects projected shortfall in external rental income, lower than anticipated income on Investment Properties and planning fees offset by higher car parking charges and other income.

REASONS FOR 2018/2019 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES

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

AT 31 JULY 2018

<u>Service</u>	<u>Note</u>	<u>As at 30 Jun £000</u>	<u>As at 31 May £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>As at 30 Jun £000</u>	<u>As at 31 May £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Neighbourhood Services</u>	3	0	0	<u>Communities:</u>	Income	107	107	Lower than budgeted income from Translation Service and S Word Café
				<u>Departmental</u>	Staff	(107)	(107)	Mainly reflects savings in staff costs due to the current level of slippage across Neighbourhood Services.
<u>Chief Executive</u>	4	14	14		Supplies & Services	14	14	Gym equipment overspend
<u>Corporate Services</u>	5	148	148		Staff Costs	(43)	(43)	Scientific Services - Micro-Biologist vacancy
					Income	191	191	Scientific Services - Various
<u>Capital Financing Costs / IORB</u>	6	(409)	(409)		Capital Financing Costs / IORB	(409)	(409)	Anticipated saving in relation to Capital Financing Costs
<u>Miscellaneous Income</u>	7	(1,500)	(1,500)		Income	(1,500)	(1,500)	Gain from Dundee City Developments Ltd
<u>TOTAL GENERAL FUND</u>		0	0			0	0	

Dundee City Council
Revenue Monitoring to 31st March 2019 - Budget Adjustments to date

Appendix C

	<u>Alloc</u> <u>To/From</u> <u>Conts</u> <u>£000</u>	<u>2017/18</u> <u>Under</u> <u>spends</u> <u>b/fwd</u> <u>£000</u>	<u>Funding</u> <u>T/Fs</u> <u>£000</u>	<u>Alloc</u> <u>from</u> <u>Change</u> <u>Fund</u> <u>£000</u>	<u>Alloc</u> <u>from</u> <u>R&R</u> <u>Fund</u> <u>£000</u>	<u>T/Fs</u> <u>Between</u> <u>Depts /</u> <u>Conts</u> <u>£000</u>	<u>Dept</u> <u>Totals</u> <u>£000</u>
<u>General Fund Services</u>							
<u>Children & Families</u>							
Parent Pay - Transfer of budget to Client Services						(52)	
Permanent tfr of Opportunities for All budget						(45)	
Permanent tfr of budget for Discovery Work Team						(105)	
Transfer of staff budget						26	
							(176)
<u>Dundee Health & Social Care Partnership</u>							
							0
<u>City Development</u>							
							0
<u>Neighbourhood Services</u>							
							0
<u>Chief Executive</u>							
							0
<u>Corporate Services</u>							
Parent Pay - Transfer of budget to Client Services						52	
Permanent tfr of Opportunities for All budget						45	
Permanent tfr of budget for Discovery Work Team						105	
Transfer of staff budget						(26)	
							176
<u>Construction</u>							
							0
<u>Capital Finance Costs / IORB</u>							
							0
<u>Miscellaneous Income</u>							
							0
<u>General Contingency</u>							
							0
Total Adjustments (General Fund)	0	0	0	0	0	0	0

Risks - Revenue	Assessment		Risk Management / Comment
	Original	Revised	
<u>General Inflation</u> General price inflation may be greater than anticipated.	Med	Med	Corporate Procurement strategy in place, including access to nationally tendered contracts for goods and services. In addition, fixed price contracts agreed for major commodities i.e. gas and electricity.
<u>Equal Pay Claims</u> A provision may be required for the cost of equal pay claims.	Low	Low	Relatively few cases being taken through the Employment Tribunal process.
<u>Capital Financing Costs</u> Level of interest rates paid will be greater than anticipated.	Low/ Med	Low/ Med	Treasury Mgmt Strategy. Limited exposure to variable rate funding.
<u>Savings</u> Failure to achieve agreed level of savings & efficiencies.	Low/ Med	Low/ Med	General risk mitigation factors (ref para 5.1), in particular, regular monitoring by departments to ensure savings targets are met.
<u>Emerging Cost Pressures</u> The possibility of new cost pressures or responsibilities emerging during the course of the financial year.	Low/ Med	Low/ Med	General risk mitigation factors (ref para 5.1), in particular, regular monitoring by departments to ensure cost pressures are identified early and corrective action can be taken as necessary.
<u>Chargeable income</u> The uncertainty that the level of chargeable income budgeted will be received.	Med/ High	Med/ High	General risk mitigation factors (ref para 5.1), in particular, regular monitoring by departments to ensure any shortfalls are identified as early as possible and corrective action can be taken as necessary.
<u>Council Tax Collection</u> Provision for non-collection of Council Tax (3.2%) may not be adequate.	Low	Low	Provision set takes cognisance of amounts collected for previous financial years. Non-payers subject to established income recovery procedures.
<u>Welfare Reform</u> The changes introduced as part of the welfare reform exercise may increase the risk that budgeted income collection levels are not achieved and that current non-collection provision levels are inadequate.	Low/ Med	Low/ Med	General risk mitigation factors (ref para 5.1), in particular, regular monitoring by departments to ensure any shortfalls are identified as early as possible and corrective action can be taken as necessary. Budget also introduced for discretionary housing payments to assist those affected by these changes.