

**REPORT TO: POLICY & RESOURCES COMMITTEE – 12 SEPTEMBER 2016**

**REPORT ON: REVENUE MONITORING 2016/2017**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 275-2016**

**1 PURPOSE OF REPORT**

1.1 To provide Elected Members with an analysis of the 2016/2017 projected revenue outturn as at 31 July 2016 monitored against the adjusted 2016/2017 Revenue Budget.

**2 RECOMMENDATIONS**

2.1 It is recommended that Elected Members:

- a note that the overall General Fund 2016/2017 projected revenue outturn as at 31 July 2016 is a breakeven position against the adjusted 2016/2017 Revenue Budget.
- b note that the Housing Revenue Account as at 31 July 2016 is projecting a breakeven position against the adjusted HRA 2016/2017 Revenue Budget.
- c agree that the Executive Director of Corporate Services will take every reasonable action to ensure that the 2016/2017 Revenue expenditure is below or in line with the adjusted Revenue Budget.
- d instruct the Executive Director of Corporate Services in conjunction with all Chief Officers to continue to monitor the Council's 2016/2017 projected revenue outturn.

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

3.1 The overall projected 2016/2017 General Fund Revenue outturn position for the City Council is currently projecting a breakeven position based on the financial information available at 31 July 2016. A system of perpetual detailed monitoring will continue to take place up to 31 March 2017 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2016/2017 Revenue Budget.

3.2 The Housing Revenue Account outturn position for 2016/2017 is currently projecting a breakeven position based on the financial information available for the period to 31 July 2016. A system of perpetual detailed monitoring will continue to take place up to 31 March 2017 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2016/2017 HRA Revenue Budget.

**4 BACKGROUND**

4.1 Following approval of the Council's 2016/2017 Revenue Budget by the Special Policy and Resources Committee on 25 February 2016 this report is now submitted in order to monitor the 2016/2017 projected revenue outturn position as at 31 July 2016, against the adjusted 2016/2017 Revenue Budget.

- 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 2016/2017 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 25 February 2016, Report No: 72-2016 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 2016/2017 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 2016

- 6.1 The forecast position as at 31 July 2016 for General Fund services is summarised below:

	<u>Adjusted Budget 2016/17 £000</u>	<u>Forecast 2016/17 £000</u>	<u>Variance £000</u>
Total Expenditure	332,379	332,379	-
Total Income	(332,379)	(332,379)	-
Forecast Position	-	-	-

The forecast position as at 31 July 2016 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 2016. The figures are therefore indicative at this stage and are used by the Chief Executive, Executive Director of Corporate Services and all other Chief Officers to identify variances against budget and enable corrective action to be taken as appropriate.

**Service Commentary**

6.3 Education (£50,000 overspend)

The service is anticipating an overspend in relation to special transport provision.

6.4 Social Work (£300,000 overspend)

Within Children and Families, the service is projecting an overspend in relation to residential and secure care placements.

6.5 City Development (£50,000 overspend)

The service is projecting a shortfall in external rental income due to the number of commercial properties they anticipate will remain vacant during the year.

6.6 Chief Executive (breakeven)

An underspend in relation to the current level of staff vacancies within the service is offset by an anticipated under recovery of lets income along with reduced income relating to advertising on Council digital media.

6.7 Capital Financing Costs / IORB (£400,000 underspend)

The above underspend reflects a projected saving due to lower than anticipated interest rates.

**7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 JULY 2016**

7.1 The forecast position as at 31 July 2016 for the HRA is summarised below:

	<b><u>Adjusted Budget 2016/17 £000</u></b>	<b><u>Forecast 2016/17 £000</u></b>	<b><u>Variance £000</u></b>
Total Expenditure	54,054	54,054	-
Total Income	<u>(54,054)</u>	<u>(54,054)</u>	-
Forecast Position	-	-	-

7.2 The service is anticipating that expenditure on repairs and relets will exceed budget due to increased demand. This adverse variance is expected to be offset by savings elsewhere due to reduced loss of rental income due to quicker reletting of houses and projected savings on capital financing costs due to lower than anticipated interest rates (please refer to Appendix B for further details).

7.3 The overall impact is a breakeven position against the adjusted HRA 2016/2017 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2017 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2016/2017 HRA Revenue Budget.

**8 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.

**9 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 service.

**10 BACKGROUND PAPERS**

None.

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

**01 SEPTEMBER 2016**

<b>DUNDEE CITY COUNCIL</b>											
<b>2016/2017 REVENUE OUTTURN MONITORING</b>											
<b>PERIOD 1 APRIL 2016 - 31 JULY 2016</b>											
Statement analysing 2016/2017 Projected Revenue Outturn to Budget (Capital Charges, Central Support, Corporate Business Support, Central Buildings & Corporate Property Recharges have been excluded from Departments as these costs are outwith their control).											
		<b>Budget</b>	<b>Total</b>			<b>Worse</b>	<b>Better</b>	<b>Net</b>		<b>Previous</b>	<b>Movement</b>
	<b>Approved</b>	<b>Adjustments</b>	<b>Budget</b>	<b>Adjusted</b>	<b>Forecast</b>	<b>Than</b>	<b>Than</b>	<b>Variance</b>	<b>Notes</b>	<b>Months</b>	<b>since</b>
	<b>Budget</b>	<b>to 31 Jul</b>	<b>Adjustments</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>(see Appx B)</b>		<b>Projected</b>	<b>Previous</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>Month</b>
<b>General Fund Departments</b>											
Education	121,608			121,608	121,658	50		50	1	0	50
Social Work	97,307			97,307	97,607	300		300	2	0	300
City Development	16,452			16,452	16,502	50		50	3	0	50
Environment	14,834			14,834	14,834					0	
Chief Executive	17,785			17,785	17,785				4	0	
Corporate Services	22,967			22,967	22,967					0	
Other Housing	1,853			1,853	1,853					0	
Supporting People	11,604			11,604	11,604					0	
Scottish Welfare Fund	1,586			1,586	1,586					0	
	305,996	0	0	305,996	306,396	400	0	400		0	400
Capital Financing Costs / Interest on Revenue Balances	25,682			25,682	25,282	( 400)		( 400)	5	0	( 400)
Contingencies:					0						
- General	500			500	500					0	
- Other Cost Pressures	(736)			(736)	(736)					0	
- Unallocated Corporate Savings:					0						
CFTF - Admin / Clerical Review	(367)			(367)	(367)					0	
VER / VR Scheme (Corporate Services)	(117)			(117)	(117)						
Structure Review	(210)			(210)	(210)						
NS Unallocated	(516)			(516)	(516)						
Miscellaneous Income	(1,338)			(1,338)	(1,338)						
Discretionary NDR Relief	147			147	147						
Supplementary Superannuation Costs	2,389			2,389	2,389						
Voluntary Early Retirement / Redundancy (VER/VR) Schemes				0	0						
Tayside Valuation Joint Board	949			949	949						
<b>Total Expenditure</b>	<b>332,379</b>	<b>0</b>	<b>0</b>	<b>332,379</b>	<b>332,379</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>
<b>Sources of Income</b>											
General Revenue Funding	(214,620)			(214,620)	(214,620)						
Contribution from NNDR Pool	(71,011)			(71,011)	(71,011)						
Council Tax	(46,748)			(46,748)	(46,748)						
Use of Balances -											
Committed Balances c/f				0	0						
Renewal & Repair Fund				0	0						
VER/VR Scheme				0	0						
Equal Pay Costs				0	0						
Other Balances				0	0						
<b>(Surplus)/Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>
<b>Housing Revenue Account</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	

**REASONS FOR 2016/2017 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES**  
**(Excludes Capital Charges, Central Support Services & Office Recharges)**  
**AT 31 JULY 2016**

<u>Department</u>	<u>Note</u>	<u>As at 31 Jul £000</u>	<u>As at 30 Jun £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>As at 31 Jul £000</u>	<u>As at 30 Jun £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Education</u>	1	50	n/a	Departmental	Transport	50	n/a	Special Transport overspend in line with last year
<u>Social Work</u>	2	300	n/a	Children & Families	Third Party Payments	300	n/a	Reflects an increase in the number of residential and secure care placements currently being made.
<u>City Development</u>	3	50	n/a	Property	Income	50	n/a	Reflects projected shortfall in external rental income due to the number of properties that are currently vacant.
<u>Chief Executive</u>	4	0	n/a	Corporate Division	Staff	(29)	n/a	Mainly due to excess Budget allocation for staff costs as Improvement Service are now to fund those costs offset by shortfall in budget for Members Services Secretariat transferred back from CBSS along with various regradings and increments.
					Income	29	n/a	£30k budget for advertising on Council digital media - slow progress of the Council procurement process resulting in less councils participating in the scheme in 2015/16. The contract with CAN Digital Solutions has now been cancelled.
<u>Capital Financing Costs</u>	5	(400)	n/a	Corporate	Capital Financing Costs / IORB	(400)	n/a	Reflects projected saving on capital financing costs due to lower than anticipated interest rates.
<u>Housing Revenue Account</u>	6	0	n/a	Repairs & Relets		283	n/a	Reflects higher than anticipated costs for repairs and relet costs due to increased demand
				Rent of Houses		(127)	n/a	Reflects reduced loss of rental income compared to budget due to quicker reletting of houses
				Capital Financing Costs		(156)	n/a	Reflects projected saving on capital financing costs due to lower than anticipated interest rates
<u>Total Overspend</u>		<u>0</u>						

	<u>Alloc</u>	<u>2015/16</u>	<u>Funding</u>	<u>Alloc</u>	<u>Alloc</u>	<u>T/Fs</u>	<u>Council</u>	<u>Vol Early</u>	<u>Dept</u>
	<u>From</u>	<u>Under</u>	<u>T/Fs</u>	<u>from</u>	<u>from</u>	<u>Between</u>	<u>Tax</u>	<u>Retiral/</u>	<u>Totals</u>
	<u>Conts</u>	<u>spends</u>	<u>Fund</u>	<u>R&amp;R</u>	<u>Other</u>	<u>Depts /</u>	<u>Reduction</u>	<u>Redund</u>	<u>£000</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>Fund</u>	<u>Bals</u>	<u>Conts</u>	<u>Scheme</u>	<u>Scheme</u>	<u>£000</u>
<b><u>General Fund Departments</u></b>									
<u>Education</u>									0
<u>Social Work</u>									0
<u>City Development</u>									0
<u>Environment</u>									0
<u>Chief Executive</u>									0
<u>Corporate Services</u>									0
<u>Other Housing</u>									0
<u>Supporting People</u>									0
<u>Scottish Welfare Fund</u>									0
<u>General Contingency</u>									0
<u>Unallocated Savings Contingency: CFTF - Admin / Clerical Review</u>									0
<u>Capital Financing Costs / IORB</u>									0
<u>Miscellaneous Income</u>									0
<u>Unallocated Savings Contingency: VER/VR Scheme</u>									0
<u>Capital Financing Costs / IORB</u>									0
<u>Miscellaneous Income</u>									0
<u>Council Tax Income</u>									0
<u>Other General Fund Balances</u>									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.