

REPORT TO: CITY GOVERNANCE COMMITTEE – 27 OCTOBER 2025
REPORT ON: REVENUE MONITORING 2025/2026
REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES
REPORT NO: 292-2025

1 PURPOSE OF REPORT

- 1.1 To provide Elected Members with an analysis of the 2025/2026 projected revenue outturn as at 31 July 2025 and the impact on the Council's overall revenue budget position.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Committee:

- (a) note that as at 31 July 2025 the General Fund is projecting an overall overspend for the year of £6.695m against the adjusted 2025/2026 Revenue Budget, the impact this has on the Council's General Fund Balances and the actions being taken to address the forecast budget shortfall;
- (b) note the budget adjustments totalling £3.018m and detailed in the second column of Appendix A and (summarised in Appendix B) as adjustments to the previously approved Revenue Budget;
- (c) note that as at 31 July 2025 the Housing Revenue Account (HRA) is projecting an overspend of £2.250m against the adjusted HRA 2025/2026 Revenue Budget and the impact this has on the projected Renewal & Repair Fund balance earmarked to HRA;
- (d) note the information included in paragraph 3.6 in relation to financial recovery and authorise the Executive Director of Corporate Services to continue to take actions to address forecast overspends with the objective of achieving a balanced budget;
- (e) note that as outlined in paragraph 3.3, this report does not reflect projections and costs associated with the Voluntary Severance and Early Retirement (VSER) scheme and these will be reflected in future monitoring reports.

3 FINANCIAL IMPLICATIONS

- 3.1 The unallocated portion of the General Fund as at 31 July 2025 is projecting an overspend of £6.695m against the adjusted 2025/2026 Revenue Budget. The impact this would have on the Council's General Fund Balances is outlined below:

General Fund	Opening Balance 1 April 2025 £000	(Surplus) / Deficit for the Year £000	Transfers (In) / Out	Projected Balance 31 March 2026 £000
Earmarked Carry-forwards *	1,509	38		1,471
Children Services pressures	1,033	394		639
Organisational Change Fund	2,169			2,169
Covid cost related pressures *	1,550			1,550

General Fund	Opening Balance 1 April 2025 £000	(Surplus) / Deficit for the Year £000	Transfers (In) / Out	Projected Balance 31 March 2026 £000
Service change initiatives	5,000			5,000
Roof Remedial Works	1,875	1,559		316
Other earmarked Funds	5,948	405		5,543
Service concessions flexibility	39,773			39,773
Total earmarked funds	58,857	2,396	0	56,461
Unallocated Balance	8,174	6,695		1,479
Total General Fund	67,031	9,091	0	57,940

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

3.2 The projected unallocated general fund balance of £1.479m may fail to provide sufficient in year buffer against potential additional pressures. Additional financial pressures could arise in year from:

- Dundee Health & Social Care Partnership (DHSCP) losses as outlined in paragraph 6.2.
- The Housing Revenue Account (HRA) reserve balance at year end is projected to be £0.943m as outlined in paragraph 8.3. A significant risk would arise should the HRA reserve balance be fully drawn down. Any spend over and above the reserve balance would be required to be absorbed by the General Fund.
- Anticipated funding from Scottish Government in relation to the 2025/2026 LGE pay award being lower than the estimate of £1.5m. Refer paragraph 3.4 below.
- Any unplanned and unavoidable expenditure arising over the remainder of the financial year that cannot be contained within the remaining general contingency amount.

3.3 The projections in this report exclude forecast outcomes from the Voluntary Severance and Early Retirement (VSER) scheme. VSER outcomes including any upfront costs of agreeing these settlements will be incorporated in future revenue monitoring reports, once any agreements have been approved and legal arrangements are concluded.

3.4 The approved budget included an allowance of 3% for the 2025/2026 pay awards for both LGE and teachers. It should be noted the pay deal for LGE of 4% increase for the current financial year has been agreed although funding to support the additional 1% is yet to be confirmed. Our estimate is that the additional 1% will cost £1.5m and our assumption is that the Scottish Government will fund this in full. The LGE pay award was made in August, back-dated to April and the effect of this will be reported in the August revenue monitor report. Negotiations regarding the teachers pay award remain ongoing and the outcome of this and any impact will be reflected in future reports.

3.5 Based on the financial information available as at 31 July 2025 the HRA outturn position for 2025/2026 is projecting an overspend of £2.250m. Further details are provided in section 8 of this report.

3.6 Financial Recovery Plan

As agreed previously (Report 240-2025 to City Governance Committee 22 September 2025 refers) given the adverse forecasts on both General Fund and HRA budgets, the following specific actions continue to be taken forward to mitigate current pressures:

- a) services will limit recruitment of vacancies to posts that are considered essential or where not filling these posts would place the Council at significant risk. All recruitment requests will be monitored through the Establishment Control Board.
- b) non-contractual overtime will be restricted to essential areas only and will only be approved where considered essential or where not undertaking overtime would place the Council at significant risk. All requests for overtime will not be granted without approval from Heads of Service.
- c) the Head of Corporate Finance is undertaking a review of earmarked balances to ascertain whether these can be utilised to offset in year pressures.
- d) the Head of Design and Property has established a working group to review all property expenditure and ensure only essential works are undertaken.
- e) the Head of Corporate Finance is undertaking a review of all property contracts to ensure that value for money is being achieved across all property, maintenance and inspection contracts.
- f) the Head of Design and Property is undertaking a review of energy costs to ensure energy usage is reduced and consider any spend to save projects that can be undertaken. This review will include the raising of awareness to promote more efficient energy usage in all council buildings.
- g) the Head of Housing, Construction and Communities is also conducting a thorough review of expenditure and income within the Housing Revenue Account to ensure expenditure is prioritised on essential spend.

The above actions will continue to be monitored closely by the Council Leadership Team through regular meetings and elected members will be kept updated on progress through regular budget monitoring reports.

4 BACKGROUND

- 4.1 Following approval of the Council's 2025/2026 Revenue Budget by the City Governance Committee on 27 February 2025, this report provides the projected revenue outturn position as at 31 July 2025, against the adjusted 2025/2026 Revenue Budget.
- 4.2 The total 2025/2026 Revenue Budget is £496.111m. For revenue monitoring purposes, the Council Tax Reduction Scheme budget of £14.741m is moved from expenditure to income and netted off against Council Tax income. This results in total budgeted expenditure of £481.370m 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.

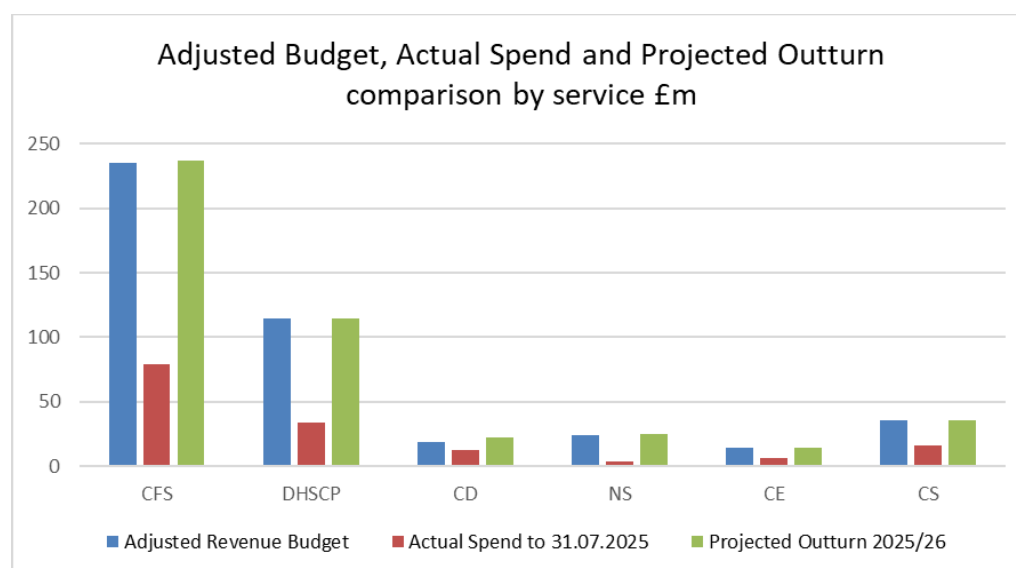
Appendix B lists the budget adjustments undertaken to date.

5 GENERAL FUND SERVICES - MONITORING POSITION AS AT 31 JULY 2025

5.1 The forecast position as at 31 July 2025 for General Fund services is summarised below.

	(Under)/Over Spend as at 31 July £m	(Under)/Over Spend as at 30 June £m	Movement (from previous month) £m
Net Expenditure	6.648	6.883	(0.235)
Sources of Income	0.047	(0.083)	0.130
Net projected reduction uncommitted balances	6.695	6.800	(0.105)

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



6 DETAILED ANALYSIS

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

6.1 Children & Families Services: £2.191m overspend

Whilst this area carries a significant proportion of the overall pressure, there has been a reduction in the overall forecast overspend since June 25. The key elements of the overspend relate to staffing costs in Children's Services, which have increased due to service demand in this area £1.014m. There is also an overspend in third party payments for early years childcare, reflecting increased demand and the rising cost of providing care in private nurseries £1.018m. A review is currently underway in this area.

6.2 Dundee Health & Social Care Partnership (DHSCP)

The latest financial monitoring report presented to Dundee IJB projects an overspend of £4.946m for 2025/26 (utilising actual info to end June), with this information presented to Dundee IJB at its meeting on 20th August 2025. The projected overspend reflects the challenging financial position being experienced by Dundee IJB and while it reflects progress

towards achieving savings targets totalling £17.5m for 2025/26, there remains a shortfall in the overall position.

At present, the IJB holds £644k in General Reserves to offset a shortfall and, as a result, the IJB remains in Financial Recovery with an updated Financial Recovery Plan to be presented to the IJB's October 2025 meeting.

DHSCP is continuing to respond to significant operational challenges in demand and demographics (notably in Care at Home provision to help support discharge without delay from hospital, minimise 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) and increasing complexity of needs in both in-patient / residential and community settings. Operational managers and the finance team continue work to explore ways of mitigating the overspend through efficiencies, cost reduction, whole system working, transformation and savings opportunities against current year and recurring budgets with any impact of these being reported to the IJB.

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, however any shortfall (after utilising reserves and implementing the Financial Recovery Plans) would be shared proportionately between the Partner Bodies. Officers continue to liaise with Council (and NHST) colleagues to monitor the financial implications.

The potential impact to the Council should the overspend not be fully contained is £1.444m. Senior officers from the Council and NHS Tayside are engaged in discussion to take the necessary actions to reduce this overspend with an objective of achieving a balanced budget.

6.3 City Development: £3.367m overspend

Whilst this area carries a significant proportion of the overall forecast pressure, there has been a reduction in the overall forecast overspend since June 25. The projected overspend is mainly within Corporate Property £2.967m, primarily due to costs associated with property maintenance, inspection contracts, and remedial repairs arising from inspections.

The forecast overspend within Corporate Property has reduced by £0.633m following identification of potential underspends elsewhere within the budget and subsequent budget realignment. There is a further £0.288m forecast overspend in Roads and Transportation, which is predominantly as a result of a projected overspend through third party payments for road maintenance. There is also a projected shortfall in income of £0.250m relating to additional commercial rental income that was assumed in the budget but has not materialised so far.

As part of the financial recovery plan, an analysis of current and historical property costs has been issued across services to identify cost savings and opportunities for property rationalisation. A working group is reviewing the overall position regarding property cost pressures, and the outcome will be reflected in future revenue monitoring reports. Further reductions in energy costs are also being explored together with recruitment to vacant posts in this team.

Ongoing discussions within the service are focused on identifying savings from vacant posts, service redesign opportunities, and other income generation.

In line with previous years there is a medium-term risk of £0.700m under recovery in off-street car parking income against budgeted levels for the current financial year. This reflects parking activity failing to recover fully since the pandemic. There is an amount of £1.550m in contingency reserves remaining to cover this forecasted shortfall although this remains a risk for future years.

6.4 Neighbourhood Services: £0.938m overspend

The projected overspend is within waste management third party payments, predominantly relating to increased gate fee for the waste to energy plant, increased tonnage and reduced electricity income expected to be gained from the excess revenue share for the waste to energy contract £0.383m. There is also a forecast reduction in income from the waste plant due to operational issues within the plant. These relate to the age and reliability of the plant leading to a series of unplanned stoppages with associated loss of revenue. The Council is in regular dialogue with the contractor in relation to the impacts of the plant's performance and the long-term viability of the lifetime extension agreement (LEA). The forecast pressures within this service area are partially offset by a projected underspend of (£0.671m), resulting from the holding of vacant posts.

6.5 Corporate Fleet: £0.829m overspend

Reflects the projected net overspend associated with the corporate fleet. The cost of the Council's fleet remains a budget pressure mainly 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. The fleet review is ongoing 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.

6.6 Corporate Services: £0.555m overspend

The service is currently projecting an overspend of £0.500m in transfer payments, primarily due to increased use of hotels for housing homeless individuals. These costs do not receive full housing benefit subsidy from the Department of Work and Pensions and are outside the control of the Benefit Delivery Team. Additionally, a forecast overspend of £0.225m in supplies and services is being reported, driven by increased costs for IT licence fees, audit fees, software expenses, additional voluntary pension contribution commission, and external fees for professional services. A projected shortfall in income of £0.374m is mainly attributed to under-recovery in Scientific Services and reduced income from the underground garage. A projected underspend of £0.406m in staff costs is anticipated resulting from the holding of vacant posts.

6.7 Supplementary Superannuation: (£0.313m) underspend

Projected underspend in Supplementary Superannuation costs.

6.8 Miscellaneous Items: £0.325m overspend

Reduction in grant income reflecting lower than expected allocation from Extended Producer Responsibilities.

6.9 Capital Financing Costs: (£1.504m) underspend

The total projected underspend in Capital Financing Costs includes estimated savings of £0.905m relating to a restructuring exercise to replace current loan agreements with short-term local authority borrowing until longer-dated interest rates fall, when appropriate replacement borrowing would be undertaken. The remaining £0.599m underspend is mainly due to greater than expected interest on revenue balances.

6.10 Empty Property Relief: £0.241m overspend

Reflected expected level of reliefs granted for non-domestic rates on vacant properties.

7 EXTERNAL ORGANISATIONS

- 7.1 The budget includes the assumption that Tayside Contracts will return a surplus in 2025/2026, our share of which will be £0.232m. Any expected variances against this will be reflected as known. Please note we have set aside an allowance for Tayside Contracts pay awards within our pay contingency that will be allocated to service budgets in due course.

8 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 JULY 2025

- 8.1 The forecast position as at 31 July 2025 for the HRA is summarised below:

	(Under)/Over Spend as at 31 July £m	(Under)/Over Spend as at 30 June £m	Movement (from previous month) £m
Net Expenditure	2.169	2.602	(0.433)
Sources of Income	0.081	0.035	0.046
Net over/ (underspend)	2.250	2.637	(0.387)

- 8.2 The key variances contributing to the above projection include an increased recharge from Construction Services for repairs, reflecting a higher number of employees working on repairs and a pay award that was greater than expected £0.891m. In addition, property-related costs for non-construction repairs and maintenance, such as fire damage, tenant allowances, and decant payments, are expected to exceed the budget by £0.934m. The anticipated cost of relets is also higher than budgeted, due to an increase in the number of relet properties assumed within the budget £0.926m. These adverse variances are partially offset by projected underspends on environmental improvements, resulting from delays in the commencement of these projects (£350k).

The above projection also includes estimated savings of £0.300m relating to a restructuring exercise to exit current loan agreements and replace with short-term local authority borrowing until longer-dated interest rates fall, when appropriate replacement borrowing would be undertaken.

- 8.3 A system of ongoing monitoring will continue to take place up to 31 March 2026 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2025/2026 HRA Revenue Budget.

Any variance will be adjusted against the Renewal & Repair Fund, the housing element of which amounted to £3.193m as at 31 March 2025:

HRA Renewal and Repair Fund	July £m
Opening Balance as at 1 April 2025	3.193
<u>Less</u> Projected Overspend to 31 March 2026	(2.250)
Projected Balance as at 31 March 2026	0.943

9 POLICY IMPLICATIONS

- 9.1 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.

10 CONSULTATIONS

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

11 BACKGROUND PAPERS

- 11.1 None.

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

15 OCTOBER 2025

DUNDEE CITY COUNCIL							
2025/2026 REVENUE OUTTURN MONITORING							
PERIOD 1 APRIL 2025 - 31 JULY 2025							
	Approved	Total	Adjusted		Projected	Previous	Movement
	Revenue	Budget	Revenue	Projected	Variance	Months	Since
	Budget	Adjustments	Budget	Outturn	Over/(under)	Projected	Previous
	2025/26	(see Appx B)	2025/26	2025/26	spend	Variance	Month
	£m	£m	£m	£m	£m	£000	£000
General Fund Services							
Children & Families	233.620	1.395	235.015	237.206	2.191	2.372	(0.181)
Dundee Health & Social Care Partnership	114.842		114.842	114.842	0.000	0.000	
City Development	18.250	0.507	18.757	22.124	3.367	3.453	(0.086)
Neighbourhood Services	23.603	0.319	23.922	24.860	0.938	0.864	0.074
Chief Executive	14.320	0.072	14.392	14.361	(0.031)	(0.030)	(0.001)
Corporate Services	35.318	0.121	35.439	35.994	0.555	0.096	0.459
Construction Services	0.000	1.559	1.559	1.495	(0.064)	0.009	(0.074)
	439.953	3.973	443.926	450.880	6.955	6.765	0.190
Capital Financing Costs / Interest on Revenue Balances	30.863		30.863	29.359	(1.504)	(0.599)	(0.905)
Contingencies:							
- General	0.500	(0.127)	0.373	0.373	0.000	0.000	
- Budget growth/Pay Pressures	8.324		8.324	8.324	0.000	0.000	
- Unallocated Corporate Savings	(0.944)	(0.395)	(1.339)	(1.339)	0.000	0.000	
- New monies	0.922	(0.467)	0.455	0.455	0.000	0.000	
Tayside Contracts surplus	(0.232)		(0.232)	(0.232)	0.000	0.000	
Corporate Fleet	3.982	0.034	4.016	4.845	0.829	0.348	0.481
Miscellaneous Items	(7.628)		(7.628)	(7.303)	0.325	0.325	
Discretionary Non Domestic Rates (NDR) Relief	0.392		0.392	0.507	0.115	0.112	0.003
Supplementary Superannuation Costs	3.041		3.041	2.728	(0.313)	(0.313)	
Tayside Valuation Joint Board	1.149		1.149	1.149	0.000	0.000	
Empty Property Relief Devolution	1.048		1.048	1.289	0.241	0.245	(0.005)
Total Expenditure	481.370	3.018	484.388	491.036	6.648	6.883	(0.235)
Sources of Income							
General Revenue Funding	(335.339)	(0.534)	(335.873)	(335.873)			
Contribution from National Non Domestic Rates (NNDR) Pool	(71.406)		(71.406)	(71.406)			
Council Tax	(70.249)		(70.249)	(70.202)	0.047	(0.083)	0.130
Use of Balances -							
Committed Balances c/f	0.000		0.000	0.000			
Earmarked funds	0.000	(2.396)	(2.396)	(2.396)			
Service concessions	(4.376)		(4.376)	(4.376)			
Change Fund	0.000	(0.008)	(0.008)	(0.008)			
R&R Fund	0.000	(0.080)	(0.080)	(0.080)			
(Surplus)/Deficit for the year	0.000	0.000	0.000	6.695	6.695	6.800	(0.105)
(Surplus)/Deficit for Housing Revenue Acct	0.000	0.000	0.000	2.250	2.250	2.637	(0.387)

Dundee City Council								
Revenue Monitoring to 31st March 2026 - Budget Adjustments to date								
	Alloc To/From General Conts £000	Alloc To/From Conts: New Monies £000	Alloc To/From Conts: Savings £000	Funding Transfers £000	Alloc from Earmarked Funds £000	Alloc from Change Fund £000	Alloc from R&R Fund £000	Dept Totals £000
General Fund Services								
Children & Families								1,395
Social Care Uplift 2024-25 and 2025-26		467		230				
Revenue Support Grant to Children & Families - Early Learning Care uplift 2025/26				273				
Revenue Support Grant to Children & Families - Holiday playschemes and activities				31				
Earmarked Reserves to Children & Families service re Children Services TPP pressures					394			
City Development								541
Contingencies to City Development - transfer of budget for post			34					
Contingencies to City Development - Bus Shelters/Street Lighting	100							
Earmarked Reserves to City Development - Eden Project					405			
Contingencies to City Development - recruitment approval for post			2					
Neighbourhood Services								319
Renewal & Repair fund to Neighbourhood Services - Kirkton overspend £80k							80	
Contingencies to Neighbourhood Services - Communities Staff Budget			212					
Contingencies to Neighbourhood Services - Maintenance Budget for Caird Park	27							
Chief Executive								72
2024/25 Carry Forwards - Protecting People					38			
Contingencies to Chief Executive - budget for post			26					
Change Fund to Chief Executive - EKOS project						8		
Corporate Services								121
Contingencies to Corporate Services - transfer of budget for various posts			121					
Construction								1,559
Earmarked Reserves to Construction service re Roofs					1,559			
General Contingency								(127)
Contingencies to City Development - Bus Shelters/Street Lighting	(100)							
Contingencies to Neighbourhood Services - Maintenance Budget for Caird Park	(27)							
Contingency: New monies								(467)
Social Care Uplift 2024-25 and 2025-26		(467)						
Contingency: Unallocated Savings								(395)
Contingencies to City Development - budget for driver post (permanent)			(34)					
Contingencies to Neighbourhood Services - Communities Staff Budget			(212)					
Contingencies to City Development - recruitment approval for post			(2)					
Contingencies to Chief Executive - budget for post			(26)					
Contingencies to Corporate Services - transfer of budget for various posts			(121)					
Total Adjustments (General Fund)	0	0	0	534	2,396	8	80	3,018