

REPORT TO: POLICY & RESOURCES COMMITTEE – 9 NOVEMBER 2015

REPORT ON: REVENUE MONITORING 2015/2016

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 408-2015

1 PURPOSE OF REPORT

1.1 To provide Elected Members with an analysis of the 2015/2016 projected revenue outturn as at 30 September 2015 monitored against the adjusted 2015/2016 Revenue Budget.

2 RECOMMENDATIONS

2.1 It is recommended that Elected Members:

- a note that the overall General Fund 2015/2016 projected revenue outturn as at 30 September 2015 is projecting a breakeven position against the adjusted 2015/2016 Revenue Budget.
- b note that the Housing Revenue Account as at 30 September 2015 is projecting a breakeven position against the adjusted HRA 2015/2016 Revenue Budget.
- c agree that the Executive Director of Corporate Services will take every reasonable action to ensure that the 2015/2016 Revenue expenditure is below or in line with the adjusted Revenue Budget.
- d instruct the Executive Director of Corporate Services in conjunction with all members of the Council Management Team to continue to monitor the Council's 2015/2016 projected revenue outturn.

3 FINANCIAL IMPLICATIONS (see Appendix A)

3.1 The overall projected 2015/2016 General Fund Revenue outturn position for the City Council is currently projecting a breakeven position based on the financial information available at 30 September 2015. A system of perpetual detailed monitoring will continue to take place up to 31 March 2016 with the objective of the Council achieving a final outturn which is below or in line with the adjusted 2015/2016 Revenue Budget.

3.2 The Housing Revenue Account outturn position for 2015/2016 is currently projecting a breakeven position based on the financial information available for the period to 30 September 2015. A system of perpetual detailed monitoring will continue to take place up to 31 March 2016 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2015/2016 HRA Revenue Budget.

4 BACKGROUND

4.1 Following approval of the Council's 2015/2016 Revenue Budget by the Special Policy and Resources Committee on 12 February 2015 this report is now submitted in order to monitor the 2015/2016 projected revenue outturn position as at 30 September 2015, against the adjusted 2015/2016 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 2015/2016 Revenue Budget, the Executive Director of Corporate Services considered the key strategic, operational and financial risks faced by the Council over this period (Article III of the minute of the meeting of the Special Policy & Resources Committee on 12 February 2015, Report No: 68-2015 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 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 2015/2016 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 30 SEPTEMBER 2015

- 6.1 The forecast position as at 30 September 2015 for General Fund services is summarised below:

	<u>Adjusted Budget 2015/16 £000</u>	<u>Forecast 2015/16 £000</u>	<u>Variance £000</u>
Total Expenditure	343,508	343,508	-
Total Income	<u>(343,508)</u>	<u>(343,508)</u>	<u>-</u>
Forecast Position	_____ -	_____ -	_____ -

The forecast position as at 30 September 2015 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.

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 six months of the financial year to 30 September 2015. 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.

Departmental Commentary

6.3 **Education (£nil)**

Within Special Schools, the department are projecting an overspend in transport costs due to an increase in the number of children requiring support. It is anticipated that this will be offset within Secondary Schools, where there is projected slippage from vacant support staff posts.

6.4 **Social Work (£nil)**

Within Children and Families, the department are projecting an overspend in third party payments due to an increase in the number of residential and secure care placements that are currently being made although they are anticipating this will be offset within Adult Services, where payments to third sector bodies are expected to be lower than budgeted following delays in implementing various new service developments.

6.5 **City Development (£nil)**

The department forecast a shortfall in external rental income due to the number of commercial properties they anticipate will remain vacant during the year although this is expected to be offset by savings in staff costs due to the level of slippage across the department and additional income from building warrants and planning applications due to the current level of demand for these activities.

6.6 **Environment (£nil)**

The department project a shortfall in the level of chargeable income budgeted mainly due to the volatility in national and global commodity prices for the sale of recycle materials such as glass, metals and paper. This adverse variance is expected to be contained by savings in staff costs from vacant support posts and a reduction in expenditure on supplies and services arising from an ongoing service review within the Environmental Management division.

7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 30 SEPTEMBER 2015

- 7.1 The forecast position as at 30 September 2015 for the HRA is summarised below:

	<u>Adjusted Budget 2015/16 £000</u>	<u>Forecast 2015/16 £000</u>	<u>Variance £000</u>
Total Expenditure	55,117	55,056	(61)
Total Income	<u>(55,117)</u>	<u>(55,056)</u>	<u>61</u>
Forecast Position	_____ -	_____ -	_____ -

- 7.2 The department are anticipating a shortfall in rental income receivable due to an increase in Council house sales. Also, repairs and relets costs are anticipated to be higher than budget due to increased demand. These adverse variances are projected to be offset by savings elsewhere due to a reduction in general administration costs (please refer to Appendix B for further details).
- 7.3 The overall impact is a breakeven position against the adjusted HRA 2015/2016 Revenue Budget. A system of perpetual detailed monitoring will continue to take place up to 31 March 2016 with the objective of the HRA achieving a final outturn which is below or in line with the adjusted 2015/2016 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 members of the Council Management Team have been consulted in the calculation of projected outturns included in this report, insofar as they apply to their own individual department.

10 BACKGROUND PAPERS

None.

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

30 OCTOBER 2015

DUNDEE CITY COUNCIL

2015/2016 REVENUE OUTTURN MONITORING

PERIOD 1 APRIL 2015 - 30 SEPTEMBER 2015

Appendix A

Statement analysing 2015/2016 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).

	Approved Budget £000	Budget Adjustments 01 April to 30 June £000	Budget Adjustments 01 July to 30 Sep £000	Total Budget Adjustments (see Appx C) £000	Adjusted Budget £000	Forecast £000	Worse Than Budget £000	Better Than Budget £000	Net Variance (see Appx B) £000	Notes	Previous Months Projected Variance £000	Movement since Previous Month £000
General Fund Departments												
Education	119,526	1,582	158	1,740	121,266	121,266				1		
Social Work	98,449	951	(434)	517	98,966	98,966				2		
City Development	21,279	178		178	21,457	21,457				3		
Environment	16,602	210	(75)	135	16,737	16,737				4		
Chief Executive	18,044	29	(28)	1	18,045	18,045						
Corporate Services	22,082	513	543	1,056	23,138	23,138						
Other Housing	2,319				2,319	2,319						
Supporting People	11,634				11,634	11,634						
Scottish Welfare Fund	1,513	191		191	1,704	1,704						
	311,448	3,654	164	3,818	315,266	315,266	0	0	0		0	0
Capital Financing Costs /												
Interest on Revenue Balances	26,682				26,682	26,682						
Contingencies:												
- General	650		(3)	(3)	647	647						
- Energy Costs	200				200	200						
- Other Cost Pressures	428				428	428						
- Unallocated Corporate Savings:												
CFTF - Admin / Clerical Review	(438)		42	42	(396)	(396)						
VER / VR Scheme (Corporate Services)	(150)				(150)	(150)						
Various New Monies / Adjustments:												
- Self Directed Support	108				108	108						
- Children & Young People Bill	427				427	427						
Miscellaneous Income	(3,186)		(24)	(24)	(3,210)	(3,210)						
Discretionary NDR Relief	147				147	147						
Supplementary Superannuation Costs	2,410				2,410	2,410						
Tayside Valuation Joint Board	949				949	949						
	339,675	3,654	179	3,833	343,508	343,508	0	0	0		0	0
Sources of Income												
General Revenue Funding	(231,508)	(619)	(179)	(798)	(232,306)	(232,306)						
Contribution from NNDR Pool	(62,479)				(62,479)	(62,479)						
Council Tax	(45,688)				(45,688)	(45,688)						
Use of Balances -												
Committed Balances c/f		(3,035)		(3,035)	(3,035)	(3,035)						
Renewal & Repair Fund					0	0						
	0	0	0	0	0	0	0	0	0		0	0
(Surplus)/Deficit for the year												
	0	0	0	0	0	0	0	0	0		0	0
Housing Revenue Account												
	0				0	0			0	5	0	

REASONS FOR 2015/2016 CONTROLLABLE PROJECTED REVENUE OUTFURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 30 SEPTEMBER 2015

Appendix B

<u>Department</u>	<u>Note</u>	<u>As at 30 Sep £000</u>	<u>As at 30 Jun £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>As at 30 Sep £000</u>	<u>As at 30 Jun £000</u>	<u>Reason / Basis of Over/(Under)spend</u>	
<u>Education</u>	1	Nil	Nil	Secondary Schools	Staff	(120)	(70)	Reflects projected slippage within support staff posts.	
				Special Schools	Transport	100	70	Projected overspend due to an increase in the number of children requiring support.	
<u>Social Work</u>	2	Nil	Nil	Children & Families	Third Party Payments	500	200	Reflects the increase in number of residential and secure care placements currently being made.	
					Third Party Payments	110	0	Reflects increase in the number of children required to be looked after and accommodated by the family placement service.	
					Adults	Third Party Payments	(625)	(200)	Reflects projected delays in fully implementing various new service developments for which budgetary provision has been made.
<u>City Development</u>	3	Nil	Nil	Departmental	Staff	(200)	(150)	Reflects the overall level of net staff slippage projected due to a number of unfilled posts across the department.	
					Property	Income	340	300	Reflects projected shortfall in external rental income due to the number of properties that are currently vacant.
					Planning	Income	(145)	(125)	Reflects projected increase in chargeable income from building warrants and planning applications due to the current demand for these activities.
<u>Environment</u>	4	Nil	Nil	Environmental Protection	Income	160	0	Largely due to a lower than budgeted income due to the volatility in national and global commodity prices for the sale of recyclate materials such as glass, metals and paper.	
					Environmental Management	Supplies & Services	(75)	0	Reflects reduced expenditure on materials and equipment arising from an ongoing service review.
					Support Services	Staff	(70)	0	Reflects projected slippage within support staff posts.
<u>Housing Revenue Account</u>	5	Nil	Nil	Repairs & Relets		68	68	Reflects higher than anticipated costs for repairs and relets costs due to increased demand.	
					Administration	(129)	(129)	Reflects reduction in projected spend due to lower staffing costs and a general reduction in discretionary expenditure.	
					Rent of Houses	61	61	Reflects reduced rental income compared to budget due to an increase in Council house sales.	

<u>General Fund Departments</u>	<u>2014/15</u>			<u>Alloc</u>	<u>Alloc</u>	<u>T/Fs</u>	<u>Vol Early</u>	<u>Dept</u>
	<u>From</u>	<u>Under</u>	<u>Funding</u>	<u>from</u>	<u>from</u>	<u>Between</u>	<u>Retiral/</u>	
	<u>Conts</u>	<u>b/fwd</u>	<u>T/Fs</u>	<u>R&R</u>	<u>Other</u>	<u>Depts /</u>	<u>Redund</u>	<u>Totals</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>Education</u>								
1. DSM Balances		967						
2. 1 + 2 Language Policy		155	85					
3. Early Years Change Fund		4						
4. Additional Support for National Qualifications			25					
5. T/F Staff Costs for Admin staff in Secondary Schools						346		
6. Review of Support Staff in Secondary Schools						(42)		
7. Early Years Change Fund (School & Family Development Workers)						200		
								1,740
<u>Social Work</u>								
1. Community Equipment Service		49						
2. Family Support Service		74						
3. Older People's Change Fund		640						
4. Early Years Change Fund		120						
5. Choose Life		49						
6. Dundee Women's Aid		14						
7. Looked After Children		5						
8. Early Years Change Fund (School & Family Development Workers)						(200)		
9. Creation of Learning & Workforce Development Team						(403)		
10. T/F Staff Costs savings to General Fund								(10)
11. Kinship Care Allowances			179					
								517
<u>City Development</u>								
1. Youth Employment Strategy		178						
								178
<u>Environment</u>								
1. Residual Waste Project		210						
2. Creation of Learning & Workforce Development Team						(75)		
								135
<u>Chief Executive</u>								
1. Hands up for Trad (Scottish Traditional Music)		5						
2. Community Asset Transfer post		24						
3. Creation of Learning & Workforce Development Team						(41)		
4. Dundee Cultural Strategy, City of Design and Place Partnership	13							
								1
<u>Corporate Services</u>								
1. External Audit		20						
2. Elections full canvas		40						
3. Corporate Debt / Welfare Reform (Staff Costs)		85						
4. Discretionary Housing Payments		182						
5. Welfare Reform		23						
6. Discretionary Housing Payments			509					
7. T/F Staff Costs for Admin staff in Secondary Schools						(346)		
8. Creation of Learning & Workforce Development Team						543		
								1,056
<u>Scottish Welfare Fund</u>								
1. Admin Grant		99						
2. Crisis and Community Care Grants		92						
								191
<u>General Contingency</u>								
1. Dundee Cultural Strategy, City of Design and Place Partnership	(13)							
2. T/F Staff Costs savings from Social Work								10
								(3)
<u>Unallocated Savings Contingency: CFTF - Admin / Clerical Review</u>								
1. Review of Support Staff in Secondary Schools						42		
								42
<u>Miscellaneous Income</u>								
1. Creation of Learning & Workforce Development Team (Increased HRA recharge)						(24)		
								(24)
Total Adjustments (General Fund)	0	3,035	798	0	0	0	0	3,833

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.