

REPORT TO: POLICY & RESOURCES COMMITTEE – 14 MARCH 2016

REPORT ON: REVENUE MONITORING 2015/2016

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 85-2016

1 PURPOSE OF REPORT

- 1.1 To provide Elected Members with an analysis of the 2015/2016 projected revenue outturn as at 31 January 2016 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 31 January 2016 is an underspend of £3,030,000 against the adjusted 2015/2016 Revenue Budget.
 - b note that the Housing Revenue Account as at 31 January 2016 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 Chief Officers 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 an underspend of £3,030,000 based on the financial information available at 31 January 2016. This variance represents an underspend of 0.9% against the adjusted 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 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 breakeven based on the financial information available for the period to 31 January 2016. 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 31 January 2016, 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 31 JANUARY 2016

- 6.1 The Executive Director of Corporate Services submitted a report to the Policy & Resources Committee earlier this year outlining the 'Financial Outlook' for the Council over the period 2016 to 2018 (Article IX of the minute of the meeting of the Policy & Resources Committee on 26 October 2015, Report No: 372-2015 refers). Based on the assumptions at that time of budgetary requirements and available grant funding it was anticipated that savings and efficiencies of almost £16m would require to be identified in 2016/17 in order to achieve a balanced budget for that year. The Council's share of the Local Government Financial Settlement for 2016/17 has recently been announced and the level of savings that will require to be identified for next financial year are now projected to be significantly higher.
- 6.2 In anticipation of these challenging financial circumstances, the Chief Executive and Executive Director of Corporate Services requested all Chief Officers to review all areas of their current revenue budget to identify any areas where expenditure could be reduced. The outcome of this review, that forecasts an underspend of £3,030,000 is detailed in the following paragraphs.
- 6.3 The forecast position as at 31 January 2016 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	345,267	342,237	(3,030)
Total Income	<u>(345,267)</u>	<u>(345,267)</u>	—
Forecast Position	—	<u>(3,030)</u>	<u>(3,030)</u>

The forecast position as at 31 January 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 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.

- 6.4 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 eight months of the financial year to 31 January 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.

Departmental Commentary

- 6.5 Education (£750,000 underspend)
The department are anticipating an underspend in the teachers staffing budget, resulting from a number of unfilled vacancies mainly within the primary sector. In addition, there will also be savings from projected slippage on vacant support staff posts in secondary schools.
- 6.6 Social Work (£500,000 underspend)
Within Adults Services, the department are anticipating that payments to third sector bodies will be lower than budgeted following delays in fully implementing various new services for service users. This will be partly offset within Children and Families, where an overspend in third party payments is expected due to an increase in the number of residential and secure care placements that are currently being made.
- 6.7 City Development (£300,000 overspend)
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 partly 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.
- 6.8 Environment (£nil)
The department are projecting that the surplus from construction activities will exceed the budgeted level. This favourable variance is expected to be offset by 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.
- 6.9 Chief Executive (£120,000 underspend)
The above underspend mainly reflects the current level of staff vacancies within the department.
- 6.10 Supporting People (£110,000 underspend)
The above underspend reflects a reduction in the level of payments to external providers.

6.11 Capital Financing Costs / IORB (£1,500,000 underspend)

The above reflects a projected saving due to lower than anticipated interest rates together with a reduction in required level of borrowing due to slippage on expenditure in the 2015/16 capital programme.

6.12 Contingency – General (£150,000 underspend)

Based on commitments to date it is anticipated that the total amount set aside to meet unforeseen items of expenditure will not be fully utilised this financial year.

6.13 Contingency – Energy Costs (£200,000 underspend)

Based on the level of expenditure incurred to date it is anticipated that the contingency set aside to meet additional energy costs will not be required this financial year.

7 HOUSING REVENUE ACCOUNT - MONITORING POSITION AT 31 JANUARY 2016

7.1 The forecast position as at 31 January 2016 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	55,070	(47)
Total Income	<u>(55,117)</u>	<u>(55,070)</u>	<u>47</u>
Forecast Position	_____ -	_____ -	_____ -

7.2 The department are anticipating that expenditure on repairs and relets will exceed budget due to the current level of demand. In addition, a shortfall in rental income is expected due to a reduction in the level of housing stock following an increase in Council house sales. These adverse variances are projected to be offset by savings elsewhere due to a reduction in general administration costs and lower than anticipated capital financing 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 Chief Officers 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

03 MARCH 2016

DUNDEE CITY COUNCIL
2015/2016 REVENUE OUTTURN MONITORING
PERIOD 1 APRIL 2015 - 31 JANUARY 2016

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 Nov £000	Budget Adjustments 01 Dec to 31 Jan £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	1,740		1,740	121,266	120,516		(750)	(750)	1	(750)	
Social Work	98,449	517	72	589	99,038	98,538		(500)	(500)	2	(1,150)	650
City Development	21,279	178	1,705	1,883	23,162	23,462	300		300	3		300
Environment	16,602	144	(64)	80	16,682	16,682				4		
Chief Executive	18,044	1	(30)	(29)	18,015	17,895		(120)	(120)	5	(120)	
Corporate Services	22,082	1,056	(45)	1,011	23,093	23,093						
Other Housing	2,319				2,319	2,319						
Supporting People	11,634				11,634	11,524		(110)	(110)	6	(110)	
Scottish Welfare Fund	1,513	191		191	1,704	1,704						
	311,448	3,827	1,638	5,465	316,913	315,733	300	(1,480)	(1,180)		(2,130)	950
Capital Financing Costs /												
Interest on Revenue Balances	26,682				26,682	25,182		(1,500)	(1,500)	7	(1,500)	
Contingencies:												
- General	650	(3)	(36)	(39)	611	461		(150)	(150)	8	(150)	
- Energy Costs	200				200	0		(200)	(200)	9	(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)		148	148	(2)	(2)						
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	3,842	1,750	5,592	345,267	342,237	300	(3,330)	(3,030)		(3,980)	950
Sources of Income												
General Revenue Funding	(231,508)	(798)	(50)	(848)	(232,356)	(232,356)						
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			(1,700)	(1,700)	(1,700)	(1,700)						
Other Balances		(9)		(9)	(9)	(9)						
	0	0	0	0	0	(3,030)	300	(3,330)	(3,030)		(3,980)	950
(Surplus)/Deficit for the year	0	0	0	0	0	(3,030)	300	(3,330)	(3,030)		(3,980)	950
Housing Revenue Account	0				0	0			0	10	0	

REASONS FOR 2015/2016 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 31 JANUARY 2016

Appendix B

<u>Department</u>	<u>Note</u>	<u>As at 31 Jan £000</u>	<u>As at 30 Nov £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>As at 31 Jan £000</u>	<u>As at 30 Nov £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Education</u>	1	(750)	(750)	Departmental	Staff	(600)	(600)	Reflects projected underspend in overall teachers staffing budget, which is mainly within primary sector.
				Secondary Schools	Staff	(120)	(120)	Reflects projected slippage within support staff posts.
<u>Social Work</u>	2	(500)	(1,150)	Departmental	Income	(310)	(310)	Reflects repayment of underspends on externally purchased services from social care providers and additional grant income.
				Children & Families	Third Party Payments	1,000	500	Reflects the increase in number of residential and secure care placements currently being made.
					Third Party Payments	260	110	Reflects increase in the number of children required to be looked after and accommodated by the family placement service.
				Older People	Income	(200)	(200)	Mainly due to clients contribution towards residential accommodation in local authority homes being greater than previously anticipated.
				Adults	Third Party Payments	(1,250)	(1,250)	Reflects anticipated delays in fully implementing various new services for service users for which budgetary provision has been made.
<u>City Development</u>	3	300	Nil	Departmental	Staff	(250)	(250)	Reflects the overall level of net staff slippage projected due to a number of unfilled posts across the department.
				Property	Income	850	400	Reflects projected shortfall in external rental income due to the number of properties that are currently vacant.
				Planning	Income	(315)	(165)	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	Construction	Various	(500)	(500)	Based on latest position surplus expected to exceed budgeted level.
				Environmental Protection	Income	400	400	Largely due to a lower than budgeted income due to the volatility in national and global commodity prices for the sale of recycle materials such as glass, metals and paper.
				Environmental Management	Supplies & Services	(100)	(100)	Reflects reduced expenditure on materials and equipment arising from an ongoing service review.
					Income	200	200	Reflects shortfall in various chargeable income for services provided.
				Support Services	Staff	(70)	(70)	Reflects projected slippage within support staff posts.

REASONS FOR 2015/2016 CONTROLLABLE PROJECTED REVENUE OUTTURN VARIANCES
(Excludes Capital Charges, Central Support Services & Office Recharges)
AT 31 JANUARY 2016

Appendix B

<u>Department</u>	<u>Note</u>	<u>As at 31 Jan £000</u>	<u>As at 30 Nov £000</u>	<u>Cost Centre</u>	<u>Subjective Analysis</u>	<u>As at 31 Jan £000</u>	<u>As at 30 Nov £000</u>	<u>Reason / Basis of Over/(Under)spend</u>
<u>Chief Executive</u>	5	(120)	(120)	Corporate Division	Staff	(38)	(38)	Mainly reflects current level of staff slippage.
				Communities Division	Staff	(78)	(78)	Mainly reflects current level of staff slippage, maternity leave and projected savings in employers superannuation contributions due to the number of employees not being members of the pension scheme.
<u>Supporting People</u>	6	(110)	(110)	Supporting People	Third Party Payments	(110)	(110)	Reflects lower than budgeted payments to external providers.
<u>Capital Financing Costs</u>	7	(1,500)	(1,500)	Corporate	Capital Financing Costs / IORB	(1,500)	(1,500)	Reflects projected saving on capital financing costs due to lower than anticipated interest rates together with slippage on expenditure in 2015/16 capital programme.
<u>Contingency - General</u>	8	(150)	(150)	Contingencies	Various	(150)	(150)	Based on commitments to date it is anticipated that the total amount set aside to meet unforeseen items of expenditure will not be fully utilised this financial year.
<u>Contingency - Energy Costs</u>	9	(200)	(200)	Contingencies	Property Costs	(200)	(200)	Based on the level of expenditure incurred to date it is anticipated that the contingency set aside to meet additional energy costs will not be required this financial year.
<u>Housing Revenue Account</u>	10	Nil	Nil	Repairs & Relets		405	396	Reflects higher than anticipated costs for repairs and relets costs due to increased demand.
				Administration		(208)	(208)	Reflects reduction in projected spend due to lower staffing costs and a general reduction in discretionary expenditure.
				Rent of Houses		47	51	Reflects reduced rental income compared to budget due to an increase in Council house sales.
				Capital Financing Costs		(244)	(244)	Reflects projected saving on capital financing costs due to lower than anticipated interest rates.

	<u>Alloc</u> <u>From</u> <u>Conts</u> <u>£000</u>	<u>2014/15</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>R&R</u> <u>Fund</u> <u>£000</u>	<u>Alloc</u> <u>from</u> <u>Other</u> <u>Bals</u> <u>£000</u>	<u>T/Fs</u> <u>Between</u> <u>Depts /</u> <u>Conts</u> <u>£000</u>	<u>Vol Early</u> <u>Retiral/</u> <u>Redund</u> <u>Scheme</u> <u>£000</u>	<u>Dept</u> <u>Totals</u> <u>£000</u>
<u>General Fund Departments</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					
12. Reallocation of Fleet Recharge						22		
13. Community Justice Transitional Funding			50					
								589
<u>City Development</u>								
1. Youth Employment Strategy		178						
2. Reallocation of Fleet Recharge						5		
3. Various property repairs, health & safety contracts				1,700				
								1,883
<u>Environment</u>								
1. Residual Waste Project		210						
2. Creation of Learning & Workforce Development Team						(75)		
3. Easter Fun Day					9			
4. Reallocation of Fleet Recharges						(64)		
								80
<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							
5. Reallocation of Fleet Recharge						37		
6. Transfer of Secretaries from CEX						(67)		
								(29)
<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		
9. V&A Consultancy Costs	36							
10. T/f Staff costs to General Fund							(148)	
11. Transfer of Secretarial Staff to Chief Executive						67		
								1,011
<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. V&A Consultancy Costs	(36)							
								(39)
<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)
<u>Unallocated Savings Contingency: VER/VR Scheme</u>								
10. T/f Staff costs to General Fund							148	
								148
Total Adjustments (General Fund)								
	0	3,035	848	1,700	9	0	0	5,592

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.