

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE		Subject: REVENUE MONITORING REPORT 01.04.14 – 10.10.14 (PERIOD 7) FINANCE AND CUSTOMER SERVICES (INCLUDING MISCELLANEOUS SERVICES)
From: HEAD OF FINANCIAL SERVICES		
Date: 28 October 2014	Ref: AC/PH/KH	

1. Purpose of Report

- 1.1. This report provides a summary of Finance and Customer Services' financial performance for the period 1 April 2014 to 10 October 2014 (period 7). The report illustrates the projected outturn as at 31st March 2015, with major outturn variances highlighted and explained per the Council's approved Financial Regulations.

2. Summary of Financial Position

- 2.1. The Council approved its General Fund Revenue Budget on 14 February 2014, of which £184.185m (17.12%) represents the approved Gross Revenue Budget for Finance and Customer Services.
- 2.2. The Service is currently projecting a budget underspend of £0.888m which is largely due to a number of one-off savings in areas such as Housing Benefit overpayment recovery (£0.256m); turnover savings and the retention of grant income related to the transfer of Benefits staff to the DWP on 1st October 2014 (£0.258m) and the additional proactive VAT recovery work (£0.078m).
- 2.3. In addition the statutory revision to the calculation of income from Scottish Water is estimated to benefit the Council by £0.275m over an extended period.
- 2.4. The projected outturn represents a favourable movement of £0.659m from that previously reported and is mainly a result of the retention of grant income, the proactive VAT work and the additional income from Scottish Water mentioned above. All significant variances are discussed in more detail in paragraph 3.1 below.
- 2.5. The Service's 2014-15 budget incorporates £0.215m of savings in line with the Council's approved three-year savings package. The Service monitors progress monthly and is presently projecting £0.175m (81%) of approved savings are achievable by the financial year end. Paragraph 4 below outlines how Finance and Customer Services will deliver 100% of the savings required.

3. Analysis of Significant Variations

- 3.1. As at the end of Period 7 the Service is projecting a budget underspend of £0.888m. The main factors contributing to this are as follows:
- 3.1.1. Housing Benefits overpayments recovery totalling £0.356m. This surplus also recognises any provision requirements for the benefits function (£0.100m) resulting in a net underspend of £0.256m.
- 3.1.2. A revision in the formula used to calculate the commission due to local authorities for the collection of water rates on behalf of Scottish Water has been advantageous for the Council with an over-recovery of income anticipated £0.275m.
- 3.1.3. As at period 7 additional monies have also been received in relation to VAT recoveries from HMRC. This follows the review on the VAT treatment of Local

Authority commercial waste collection services. Previous practice was to regard this service as taxable at the standard rate however the conclusion of this review was that these services are out with the scope of VAT.

3.1.4. The Service operates with an establishment of 501 FTEs and a budgeted turnover requirement of £0.359m (10 FTEs). As at period 7, the Service has the equivalent of 24 FTE vacant posts equating to projected full-year savings of £0.678m. The Service is currently achieving its turnover requirement, with a further £0.321m of vacancy savings contributing towards the overall outturn position.

3.1.5. In addition to the turnover savings, as mentioned above, notification has just been received that the grant income associated with the staff transferred to the DWP as part of the Single Fraud Investigation Service project will not be withdrawn from the Council this financial year resulting in an increase to the savings within employee costs.

3.1.6. As at period 7 the Service's overtime details for the various sections exceed the annual budget (£0.153m) mainly due to staff working on addressing the high volume of DHP/Benefit applications received and responding to them within the set timescales. The NDR section and the Scottish Welfare Team are also experiencing an increase in workload which is currently being reviewed to determine how this will be managed. The overtime to date has however been partially offset as appropriate by monies received from DWP to address Welfare Reform pressures with the remainder met from turnover savings detailed above in paragraph 3.1.4.

3.1.7. The employee cost projection also incorporates additional costs associated with the Customer Contact Centre Operating Model which is fully funded via income.

3.2. Payments to other bodies are detailed in appendix 3, which account for £3.562m of the Service's annual budget. As at period 7 a minimal underspend of £0.005m is projected based on expenditure incurred to date in relation to medical fees and Community Council Grants.

4. 2014-15 Budget Savings

4.1. As outlined in paragraph 2.5 above, Finance and Customer Services have made good progress in delivering its approved 2014/15 efficiency saving of £0.215m. However, there has been a delay in the implementation of the electronic billing for Council Tax which is expected to result in £0.020m of approved savings not being achieved in the current year. This shortfall will be offset by additional cash flow savings resulting from the advancement of the council tax payment date.

4.2. In addition to this, the current demand trend in Blue Badge applications indicates a potential shortfall in the savings target of £0.020m however this will be offset by the additional vacancy savings outlined in paragraph 3.1.4. This is a new Service and the outturn will be closely monitored during the remainder of the financial year.

5. Welfare Reform

5.1. The Council Tax Reduction Scheme (CTRS) budgeted funding for 2014/15 is £24.524m, which includes an estimated budget provision of £4.905m as the Council's anticipated share of the remaining 20% of CTRS funding, receivable in the latter part of the financial year. The latest projections calculate the total benefit awarded at £24.901m for the current financial year indicating that the Council will have to contribute £0.377m to the scheme from the additional monies previously approved towards the costs arising from the UK Government's welfare reform programme.

5.2. As at period 7 committed Discretionary Housing Payments (DHP) totalled £2.858m. Currently the Council have confirmed funding of £1.732m of which £1.039m is from the Scottish Govt and £0.693m is from the DWP. The present over-commitment of funds takes

cognisance of the Deputy First Minister's statement to the Scottish Parliament in May 2014 which stated that local authorities should plan on the basis that all losses of housing benefit that are incurred by social tenants because of the bedroom tax can be fully mitigated, with further Scottish Government funding of £15m still to be distributed. The Scottish Government has subsequently written to local authorities confirming that Council's are able to incur expenditure above the current DHP cash limit ahead of the legislation completing all its Parliamentary stages.

- 5.3. The 2014/15 budget allocation for the Scottish Welfare Fund is £3.43m, including a £0.474m carry forward from 2013/14. This position will be closely monitored throughout the remainder of the financial year.

6. Management Actions

- 6.1. At this point in the financial year the Service is projecting a budget underspend of £0.888m. This position will be kept under constant review, particularly in relation to overtime based on the current level of expenditure, and where necessary, management action will be implemented.

7. Risks and Uncertainty

- 7.1. The Council's Risk Management Strategy, approved in September 2012 recognises that all activities are subject to risk, with the current economic climate in particular having potential to impact upon the Council's ability to provide quality services within its existing budgetary provision.
- 7.2. Risks are a combination of probability and impact of particular events, which Finance and Customer Services manage as part of their overall corporate and service planning processes. Reflecting the risk analysis matrix included within the Council's approved Risk Management Strategy, there are no activities which present a high risk to the Council's financial outturn at present.

8. Recommendations

- 8.1 It is recommended that the contents of this report be noted.



HEAD OF FINANCIAL SERVICES

Finance and Customer Services
Revenue Budget Monitoring Report - Objective Analysis
1 April 2014 - 10 October 2014
Period 7

DIVISION OF SERVICE (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	PERIOD MOVEMENT (9)	ANALYSIS (10)
DIRECTORATE	£ 114,167	£ 115,285	£ (1,118) ADV	279,014	278,177	837 Favourable	0.3%	837	Minimal underspend
FINANCIAL SERVICES	1,304,000	1,197,378	106,622 FAV	2,332,071	2,247,695	84,376 Favourable	3.6%	27,913	Projected underspend is a result of the Division exceeding its turnover savings. There are also small underspends within ICT and admin.
REVENUE SERVICES	2,407,137	2,306,562	100,574 FAV	5,324,016	5,319,707	4,309 Favourable	0.1%	25,121	The Division has exceeded its turnover saving target. This has been partly offset however by additional costs associated with the current payroll system. Overtime incurred has been offset by funding received from the DWP.
COST OF COLLECTION	1,425,231	1,466,339	(41,108) ADV	920,132	723,651	196,481 Favourable	21.4%	242,434	Commission for the collection of water income is expected to increase resulting in an over-recovery of income (£275k). This has been partly offset by additional ICT costs, an overspend within postages and overtime incurred by the NDR section resulting from an increase in workload.
HOUSING BENEFITS	13,284,982	12,932,327	352,656 FAV	27,370,154	26,829,123	541,031 Favourable	2.0%	329,011	The current underspend is a combination of turnover savings with posts held as mgt action pending the transfer of Fraud Section to DWP and Housing Benefit overpayment recovers.
E-GOVERNMENT & DEVELOPMENT	6,525,889	6,662,531	(136,641) ADV	11,441,484	11,468,650	(27,166) Adverse	-0.2%	27,166	The projected outturn includes additional turnover savings along with underspends within travel. These have however been more than offset by overspends within overtime and a shortfall in the savings target.
INTERNAL AUDIT	314,124	288,058	26,066 FAV	624,510	594,212	30,298 Favourable	4.9%	14,964	Achievement of turnover savings plus savings within transport due to reduced mileage claims and ICT expenditure.
SCOTTISH WELFARE FUND	1,810,767	1,823,816	(13,049) ADV	3,383,203	3,442,291	(59,088) Adverse	-1.7%	15,184	Employee cost savings have been more than offset by overtime (£37k) and general running costs.
MISCELLANEOUS SERVICES	2,063,487	2,016,694	46,793 FAV	14,745,011	14,627,611	117,400 Favourable	0.8%	97,553	Over-recovery of VAT from HMRC (£78k) plus small underspends in various expenditure headings including mileage, telephony and the Nursery Voucher Scheme.
NET EXPENDITURE	29,249,785	28,808,989	440,795 FAV	66,419,595	65,531,117	888,478 Favourable	1.3%	695,483	

Finance and Customer Services
Revenue Budget Monitoring Report - Subjective Analysis
1 April 2014 - 10 October 2014
Period 7

CATEGORY (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	PERIOD MOVEMENT (9)	ANALYSIS (10)
EMPLOYEE COSTS	£ 8,269,933	£ 8,191,882	£ 78,050 FAV	15,961,580	15,737,628	223,952 Favourable	1.4%	195,822	Underspend is the result of the periodic review of the Service's budget provision, turnover requirement, current vacancy levels and projected overtime. Turnover savings have been partly offset by the costs associated with the Customer Contact Centre Operating Model (£0.101m) and overtime. The overtime has however been partly offset by DWP funding.
PROPERTY COSTS	0	139	(139) ADV	15,000	15,555	(555) Adverse	-3.7%	-	Minimal overspend based on expenditure to date.
SUPPLIES & SERVICES	3,014,630	3,033,898	(19,268) ADV	4,316,066	4,401,786	(85,720) Adverse	-2.0%	31,100	Current overspend is the result of general running costs within SWF team and required one-off expenditure within Cost of Collection and Housing Benefits to allow system improvements re Welfare Reform changes.
TRANSPORT & PLANT	30,090	11,042	19,048 FAV	54,503	34,554	19,949 Favourable	36.6%	16,544	Underspend due to continued reduction in mileage claims and the increased use of pool cars.
ADMINISTRATION COSTS	701,916	693,341	8,575 FAV	970,318	1,090,442	(120,124) Adverse	-12.4%	124,883	Underspends within various expenditure headings based on expenditure to date have been more than offset by the projected overspend within postages £0.068m and the bad debt provision £0.100m.
APPORTIONED EXPENSES	1,977,012	1,977,014	(2) ADV	6,307,435	6,307,435	0 On Target	0.0%	-	Balanced Budget
PAYMENTS TO OTHER BODIES	1,780,798	1,697,723	83,076 FAV	3,345,080	3,342,361	2,719 Favourable	0.1%	2,719	Small underspend relating to medical fees based on expenditure to date.
TRANSFER PAYMENTS	73,496,460	72,911,980	584,480 FAV	138,461,723	137,500,105	961,618 Favourable	0.7%	861,618	Recovery of Housing Benefit overpayments plus reduction to the projected expenditure re benefits.
CAPITAL FINANCING COSTS	464,446	464,446	(0) ADV	600,676	600,676	0 On Target	0.0%	-	Balanced Budget
OTHER EXPENDITURE	0	0	0 On Target	0	0	0 On Target	0.0%	-	
MISCELLANEOUS SERVICES	2,063,487	2,016,694	46,793 FAV	14,745,011	14,627,611	117,400 Favourable	0.8%	97,553	Over-recovery of VAT from HMRC (£78k) plus small underspends in various expenditure headings including mileage, telephony and the Nursery Voucher Scheme.
TOTAL EXPENDITURE	91,798,773	90,998,160	800,613 FAV	184,777,392	183,658,153	1,119,239 Favourable	0.6%	1,018,273	
INCOME	62,548,990	62,189,170	(359,820) ADV	118,357,797	118,127,036	(230,761) Adverse	-0.2%	322,790	Additional income received re collection of water rates (£275k) and the Customer Contact Centre Operating Model (£101k) has been offset by the reduction in Housing Benefit subsidy as a result of a reduction to the anticipated expenditure as seen above. DWP funding has also been received to offset overtime.
NET EXPENDITURE	29,249,783	28,808,989	440,793 FAV	66,419,595	65,531,117	888,478 Favourable	1.3%	695,483	

Finance and Customer Services
Revenue Budget Monitoring Report - PTOB Analysis
1 April 2014 - 10 October 2014
Period 7

Appendix 3

DESCRIPTION (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCES (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	PERIOD MOVEMENT (9)	TYPICAL AREAS OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)	
	£	£	£	£	£	£				
Payments Other Bodies - General	2,408	85	2,323	4,475	4,475	0	On Target	0.0%	-	Projected on target
Medical Fees	4,032	448	3,584	7,562	4,843	2,719	FAV	36.0%	2,719	Small underspend based on expenditure incurred to date
Sub Contractor payments	269	0	269	500	500	0	On Target	0.0%	-	Projected on target
Agency Fees	132,599	110,262	22,337	280,638	280,638	0	On Target	0.0%	-	Projected on target
Local Tax Paypoint Commission	24,235	30,013	(5,778)	45,000	45,000	0	On Target	0.0%	-	Projected on target
Cash in Transit	25,439	16,570	8,869	50,891	50,891	0	On Target	0.0%	-	Projected on target
Community Care Grants	1,144,455	968,746	175,709	2,125,263	2,125,263	0	On Target	0.0%	-	Projected on target
Crisis Grants	447,361	571,599	(124,238)	830,751	830,751	0	On Target	0.0%	-	Projected on target
Sub-Total	1,780,798	1,697,723	83,076	3,345,080	3,342,361	2,719	FAV		2,719	
COSLA Annual Levy	182,853	182,853	0	182,886	182,853	33	FAV	0.0%	33	Small underspend based on expenditure incurred to date
Community Council Grants	17,499	15,993	1,506	35,000	32,500	2,500	FAV	7.1%	2,500	Small underspend based on expenditure incurred to date
TOTAL EXPENDITURE	1,981,150	1,896,569	84,582	3,562,966	3,557,714	5,252	FAV	0.1%	5,252	