

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE	Subject: REVENUE MONITORING REPORT 01.04.14 – 02.01.15 (PERIOD 10)
From: HEAD OF FINANCIAL SERVICES	FINANCE AND CUSTOMER SERVICES (INCLUDING MISCELLANEOUS SERVICES)
Date: 26 January 2015	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 2 January 2015 (period 10). 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 £1.063m which is largely due to a number of one-off savings in areas such as Housing Benefit overpayment recovery (£0.310m); employee cost savings (£0.120m) plus 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 £0.174m from that previously reported and is due to a continued increase in the value of turnover savings achieved, an increase to overpayment recoveries within Housing Benefits and savings within transactions fees to the Post Office. This has been partly offset by an increase to the required bad debt provision and an overspend within postages based on charges to date. 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 10 the Service is projecting a budget underspend of £1.063m. The main factors contributing to this are as follows:
- 3.1.1. Housing Benefits overpayments recovery totalling £0.660m. Allowing for the provision requirements of the benefits function (£0.350m) this results in a net underspend of £0.310m.
- 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 previously advised the Council has also received additional monies of £0.078m in relation to VAT recoveries from HMRC. This follows from the proactive 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 10, the Service has the equivalent of 20 FTE vacant posts equating to projected full-year savings of £0.832m. The Service is currently achieving its turnover requirement, with a further £0.473m of vacancy savings contributing towards the overall outturn position.

3.1.5. In addition to the turnover savings, as mentioned above, notification was received that the grant income (£0.204m) 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 10 the Service's overtime details for the various sections are projected to exceed the annual budget (£0.108m) mainly due to staff working on addressing the high volume of DHP/Benefit applications received and responding to them within the set timescales. Overtime within the NDR section following an increase in workload has now ceased. The Scottish Welfare Fund revised staffing structure was also approved at P&R Finance Sub-Committee which will address the need for overtime due to service demand once implemented. 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.

3.2. Payments to other bodies are detailed in appendix 3, which account for £3.562m of the Service's annual budget. As at period 10 an underspend of £0.025m is projected and is mainly a result of reduced Post Office transaction fees based on usage demand.

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 was initially £24.524m, which included an estimated budget provision of £4.905m as the Council's anticipated share of the remaining 20% of CTRS funding. The Local Government Finance Circular issued in December 2014 provided confirmation that the Council's share of the remaining 20% is £4.866m which is £0.039m less than anticipated resulting in a total CTRS budget of £24.485m. The total benefit awarded as at period 10 is £24.662m, a decrease of £0.239m since the previous period, indicating that the Council

will have to contribute £0.177m 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 10 committed Discretionary Housing Payments (DHP) totalled £3.098m an increase of £0.240m since previously reported. The Scottish Government have now distributed £12m of the £15m additional monies allocated to financial year 2014/15 with the Council receiving £1.127m. As such the Council now has confirmed funding of £2.859m of which £2.166m 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. The remaining £3m additional monies will be made available following the publication of DHP statistics.

5.3. The 2014/15 total budget for the Scottish Welfare Fund is £3.43m, including a £0.474m carry forward from 2013/14. As at period 10 a total of £3.01m grants have been awarded, representing 102% of the available funding on an annualised basis. As advised to the P&R Finance Sub-Committee from November 3 the priority setting has been changed with Community Care Grants now set at 'High – Most Compelling' and with Crisis Grants remaining at 'High' priority. The position of the fund will be closely monitored over 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 £1.063m. 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 - 2 January 2015
Period 10

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	162,330	157,567	4,763 FAV	289,686	288,948	738 Favourable	0.3%	- 99	Minimal underspend
FINANCIAL SERVICES	1,693,375	1,558,512	134,863 FAV	2,332,071	2,193,060	139,011 Favourable	6.0%	54,635	Projected underspend is a result of the Division exceeding its turnover savings. There are also underspends within ICT, transport and various admin expenditure headings.
REVENUE SERVICES	3,456,674	3,398,382	58,291 FAV	5,329,634	5,342,295	(12,661) Adverse	-0.2%	16,970	The Division has exceeded its turnover savings. The overtime incurred to date has been offset by funding received from DWP to address Welfare Reform pressures. The overspend is due to increased admin costs, in particular postages.
COST OF COLLECTION	2,135,905	2,127,120	8,786 FAV	920,132	707,352	212,780 Favourable	23.1%	16,299	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	19,815,050	19,367,978	447,072 FAV	28,497,679	27,904,048	593,631 Favourable	2.1%	52,600	The current underspend is a combination of Housing Benefit overpayment recoveries and savings associated with the transfer of staff to the DWP. The surplus in overpayment recoveries recognises provision requirements.
E-GOVERNMENT & DEVELOPMENT	8,648,669	8,606,865	41,805 FAV	11,559,484	11,526,043	33,441 Favourable	0.3%	60,607	The Division has continued to contribute to turnover savings and achieved underspends in transport. These have been partly offset however by overtime and the anticipated under-recovery in Blue Badge income.
INTERNAL AUDIT	449,646	409,467	40,179 FAV	624,510	576,570	47,940 Favourable	7.7%	17,642	Achievement of turnover savings plus savings within transport due to reduced mileage claims and ICT expenditure.
SCOTTISH WELFARE FUND	2,834,863	2,875,785	(40,922) ADV	3,383,203	3,462,308	(79,105) Adverse	-2.3%	20,017	The adverse outturn is a result of overtime (£55k) and general running costs within ICT and admin.
MISCELLANEOUS SERVICES	2,899,038	2,753,634	145,404 FAV	14,350,721	14,223,790	126,931 Favourable	0.9%	9,531	Over-recovery of VAT from HMRC (£78k) plus small underspends in various expenditure headings including mileage, telephony, training and the Nursery Voucher Scheme.
NET EXPENDITURE	42,095,550	41,255,311	840,239 FAV	67,287,120	66,224,414	1,062,706 Favourable	1.6%	174,228	

Finance and Customer Services
Revenue Budget Monitoring Report - Subjective Analysis
1 April 2014 - 2 January 2015
Period 10

Appendix 2

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	£ 12,018,247	£ 11,760,696	£ 257,551 FAV	16,095,870	15,718,612	377,258 Favourable	2.3%	153,306	Includes employee cost savings associated with the transfer of staff to DWP following notification that the associated grant funding will not be withdrawn. Further turnover savings have however been partly offset by the costs of the Customer Contact Centre Operating Model and overtime. The Operating Model and part of the overtime is funded via income noted below.
PROPERTY COSTS	0	139	(139) ADV	15,000	15,555	(555) Adverse	-3.7%	-	Minimal overspend based on expenditure to date.
SUPPLIES & SERVICES	3,831,967	3,861,091	(29,124) ADV	4,316,066	4,393,438	(77,372) Adverse	-1.8%	8,348	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	41,716	14,369	27,347 FAV	54,503	28,591	25,912 Favourable	47.5%	5,963	Underspend due to continued reduction in mileage claims and the increased use of pool cars
ADMINISTRATION COSTS	766,592	725,927	40,666 FAV	970,318	1,374,712	(404,394) Adverse	-41.7%	284,270	Underspends within various expenditure headings based on expenditure to date have been more than offset by the projected overspend within postages and the bad debt provision £0.350m.
APPORTIONED EXPENSES	2,932,534	2,932,536	(3) ADV	6,307,435	6,307,435	0 On Target	0.0%	-	Balanced Budget
PAYMENTS TO OTHER BODIES	2,790,843	2,729,108	61,736 FAV	3,345,080	3,322,686	22,394 Favourable	0.7%	19,675	Underspend mainly because of reduced transaction fees to Allpay Ltd. Also small underspend re medical fees.
TRANSFER PAYMENTS	104,368,639	103,239,079	1,129,560 FAV	139,589,248	137,628,281	1,960,967 Favourable	1.4%	999,349	Recovery of Housing Benefit overpayments plus reduction to the projected expenditure re benefits.
CAPITAL FINANCING COSTS	457,352	457,351	1 FAV	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%	-	Balanced Budget
MISCELLANEOUS SERVICES	2,899,038	2,753,634	145,404 FAV	14,350,721	14,223,790	126,931 Favourable	0.9%	9,531	Over-recovery of VAT from HMRC (£78k) plus small underspends in various expenditure headings including mileage, telephony, training and the Nursery Voucher Scheme.
TOTAL EXPENDITURE	130,106,928	128,473,930	1,632,998 FAV	185,644,917	183,613,776	2,031,141 Favourable	1.1%	911,902	
INCOME	88,011,380	87,218,619	(792,761) ADV	118,357,797	117,389,362	(968,435) Adverse	-0.8%	737,674	Additional income received re collection of water rates (£275k) and the Customer Contact Centre Operating Model 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	42,095,548	41,255,311	840,237 FAV	67,287,120	66,224,414	1,062,706 Favourable	1.6%	174,228	

Finance and Customer Services
Revenue Budget Monitoring Report - PTOB Analysis
1 April 2014 - 2 January 2015
Period 10

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)	%	PERIOD MOVEMENT (9)	TYPICAL AREAS OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)		
	£	£	£	£	£	£					
Payments Other Bodies - General	3,440	85	3,355	FAV	4,475	300	4,175	FAV	93.3%	4,175	No charges expected in current year for IIP
Medical Fees	5,523	(0)	5,523	FAV	7,562	4,543	3,019	FAV	39.9%	300	Small underspend based on expenditure incurred to date
Sub Contractor payments	384	(0)	385	FAV	500	300	200	FAV	40.0%	200	Small underspend based on expenditure to date
Agency Fees	191,099	167,798	23,301	FAV	280,638	260,638	20,000	FAV	7.1%	20,000	Underspend a result of reduced Post Office transaction fees.
Local Tax Paypoint Commission	34,622	38,367	(3,745)	ADV	45,000	50,000	(5,000)	ADV	-11.1%	5,000	Overspend re Paypoint transaction fees
Cash in Transit	38,161	24,714	13,448	FAV	50,891	50,891	0	On Target	0.0%	-	Projected on target
Community Care Grants	1,777,729	1,777,707	22	FAV	2,125,263	2,125,263	0	On Target	0.0%	-	Projected on target
Crisis Grants	739,885	720,437	19,448	FAV	830,751	830,751	0	On Target	0.0%	-	Projected on target
Sub-Total	2,790,843	2,729,108	61,736	FAV	3,345,080	3,322,686	22,394	FAV		19,675	
COSLA Annual Levy	182,853	182,853	0	On Target	182,886	182,853	33	FAV	0.0%	-	Small underspend based on expenditure incurred to date
Community Council Grants	17,499	15,993	1,506	FAV	35,000	32,500	2,500	FAV	7.1%	-	Small underspend based on expenditure incurred to date
TOTAL EXPENDITURE	2,991,195	2,927,954	63,242	FAV	3,562,966	3,538,039	24,927	FAV	0.7%	19,675	