

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE	Subject: REVENUE MONITORING REPORT 01.04.14 – 27.02.15 (PERIOD 12)
From: HEAD OF FINANCIAL SERVICES	FINANCE AND CUSTOMER SERVICES (INCLUDING MISCELLANEOUS SERVICES)
Date: 17 March 2015	

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 27 February 2015 (period 12). 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 £1.215m which is largely due to a number of one-off savings in areas such as Housing Benefit overpayment recovery (£0.321m); employee cost savings (£0.150m) 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 £0.152m from that previously reported and is mainly due to a continued increase in turnover savings, an increase to the Housing Benefit overpayment recovery plus an identified underspend in bank charges (£0.028m) based on expenditure to date. Due to changes in debit card transaction charges to be implemented 1st March 2015 this budget will still be required going forward. All significant variances are discussed in more detail in paragraph 3.1 below.

2.5. In line with the recommendations included within the report to P&R Committee on 13th March 2014 ("*Design and Property Services Division*") as of the 1st September the Procurement Team transferred from Revenue Services to Design Services to promote more streamlined and integrated working. Following detailed analysis the relevant budgets have now also transferred and are reflected within the figures reported in this budget monitoring report.

2.6. 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 12 the Service is projecting a budget underspend of £1.215m. The main factors contributing to this are as follows:

- 3.1.1. Housing Benefits overpayments recovery totalling £0.721m. Allowing for the provision requirements of the benefits function (£0.400m) this results in a net underspend of £0.321m.
- 3.1.2. As previously reported a revision in the commission due 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. The Council has also received additional monies of £0.078m in relation to VAT recoveries from HMRC following from the proactive review on the VAT treatment of Local Authority commercial waste collection services.
- 3.1.3. The Service operates with an establishment of 501 FTEs and a budgeted turnover requirement of £0.352m (10 FTEs). As at period 12, the Service has the equivalent of 22 FTE vacant posts equating to projected full-year savings of £0.848m. The Service is currently achieving its turnover requirement, with a further £0.496m of vacancy savings contributing towards the overall outturn position.
- 3.1.4. In addition to the turnover savings mentioned, 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.
- 3.1.5. As at period 12 the Service's overtime details for the various sections are projected to exceed the annual budget (£0.121m) mainly due to staff working on addressing the high volume of DHP/Benefit applications received and responding to them within the set timescales. More recently, overtime has also been worked in relation to the annual billing exercise and the processing of benefit upratings. 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 3.1.3.
- 3.2. Payments to other bodies are detailed in appendix 3, which account for £3.470m of the Service's annual budget. As at period 12 an underspend of £0.029m 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 2.6 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 3.1.3.

5. Welfare Reform

- 5.1. The Local Government Finance Circular issued in December 2014 confirmed that total Council funding for CTRS is £24.485m. It is anticipated that this funding will be fully spent, with the total benefit awarded totalling £24.437m as at period 12.
- 5.2. At period 12 committed Discretionary Housing Payments (DHP) totalled £3.309m an increase of £0.089m 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 12 a total of £3.26m grants have been awarded, representing 110% 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.

6. Management Actions

6.1. At this point in the financial year the Service is projecting a budget underspend of £1.215m. 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 - 27 February 2015
Period 12

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	ANALYSIS (10)
	£	£	£						
DIRECTORATE	191,699	189,631	2,068 FAV	289,686	288,948	738 Favourable	0.3%	-	Minimal underspend
FINANCIAL SERVICES	2,007,435	1,894,065	113,370 FAV	2,312,643	2,182,330	130,313 Favourable	5.6%	8,698	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	3,660,915	3,601,702	59,214 FAV	5,018,086	5,017,214	872 Favourable	0.0%	13,533	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 favourable movement this period is due to savings identified within bank charges
COST OF COLLECTION	2,567,735	2,615,374	(47,639) ADV	920,132	700,636	219,496 Favourable	23.9%	6,716	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	24,028,784	23,108,581	920,203 FAV	28,497,679	27,838,641	659,038 Favourable	2.3%	65,407	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	9,396,562	9,343,528	53,033 FAV	11,559,484	11,487,962	71,522 Favourable	0.6%	38,081	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	543,704	494,361	49,343 FAV	624,510	572,645	51,865 Favourable	8.3%	3,925	Achievement of turnover savings plus savings within transport due to reduced mileage claims and ICT expenditure.
SCOTTISH WELFARE FUND	3,338,871	3,404,736	(65,865) ADV	3,383,203	3,453,280	(70,077) Adverse	-2.1%	9,028	The adverse outturn is a result of overtime (£55k) and general running costs within ICT and admin.
MISCELLANEOUS SERVICES	3,336,901	3,028,886	308,015 FAV	14,350,721	14,199,361	151,360 Favourable	1.1%	24,429	Over-recovery of VAT from HMRC (£78k) plus underspends in various expenditure headings including mileage, telephony, conference, subsistence training and the Nursery Voucher Scheme.
NET EXPENDITURE	49,072,605	47,680,864	1,391,741 FAV	66,956,144	65,741,017	1,215,127 Favourable	1.8%	152,421	

Finance and Customer Services
Revenue Budget Monitoring Report - Subjective Analysis
1 April 2014 - 27 February 2015
Period 12

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	£ 14,347,262	£ 13,966,390	£ 380,872 FAV		15,912,727	15,504,775	407,952 Favourable	2.6%	30,694	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	2,237	2,431	(194) ADV		17,237	17,848	(611) Adverse	-3.5%	56	Minimal overspend based on expenditure to date.
SUPPLIES & SERVICES	3,775,327	3,804,421	(29,095) ADV		4,284,539	4,373,918	(89,379) Adverse	-2.1%	12,007	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	49,381	16,843	32,538 FAV		54,390	23,891	30,499 Favourable	56.1%	4,587	Underspend due to continued reduction in mileage claims and the increased use of pool cars
ADMINISTRATION COSTS	866,785	874,720	(7,935) ADV		965,501	1,387,789	(422,288) Adverse	-43.7%	17,894	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 £0.400m.
APPORTIONED EXPENSES	3,245,679	3,245,681	(2) ADV		6,303,097	6,303,097	0 On Target	0.0%	-	Balanced Budget
PAYMENTS TO OTHER BODIES	3,219,349	3,172,236	47,112 FAV		3,252,261	3,228,585	23,676 Favourable	0.7%	1,282	Underspend mainly because of reduced transaction fees to Allpay Ltd. Also small underspend re medical fees.
TRANSFER PAYMENTS	126,739,198	125,208,614	1,530,584 FAV		139,589,248	137,782,552	1,806,696 Favourable	1.3%	154,271	Recovery of Housing Benefit overpayments plus reduction to the projected expenditure re benefits as reflected by the reduced subsidy within income below
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	3,336,901	3,028,886	308,015 FAV		14,350,721	14,199,361	151,360 Favourable	1.1%	24,429	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	156,039,471	153,777,576	2,261,895 FAV		185,330,397	183,422,492	1,907,905 Favourable	1.0%	123,236	
INCOME	106,966,867	106,096,712	(870,156) ADV		118,374,253	117,681,475	(692,778) Adverse	-0.6%	275,657	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	49,072,603	47,680,864	1,391,739 FAV		66,956,144	65,741,017	1,215,127 Favourable	1.8%	152,421	

Finance and Customer Services
Revenue Budget Monitoring Report - PTOB Analysis
1 April 2014 - 27 February 2015
Period 12

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	4,128	85	4,043	4,475	200	4,275	FAV	95.5%	100	No charges expected in current year for IIP
Medical Fees	6,586	2,071	4,515	7,562	4,335	3,227	FAV	42.7%	208	Small underspend based on expenditure incurred to date
Sub Contractor payments	459	0	459	500	0	500	FAV	100.0%	300	Small underspend based on expenditure to date
Agency Fees	160,518	136,050	24,468	187,819	162,145	25,674	FAV	13.7%	5,674	Underspend a result of reduced Post Office transaction fees.
Local Tax Paypoint Commission	45,000	49,111	(4,111)	45,000	55,000	(10,000)	ADV	-22.2%	5,000	Overspend re Paypoint transaction fees
Cash in Transit	46,644	28,979	17,665	50,891	50,891	0	On Target	0.0%	-	Projected on target
Community Care Grants	2,125,263	2,295,437	(170,174)	2,125,263	2,125,263	0	On Target	0.0%	-	Projected on target
Crisis Grants	830,751	660,504	170,247	830,751	830,751	0	On Target	0.0%	-	Projected on target
Sub-Total	3,219,349	3,172,236	47,112	3,252,261	3,228,585	23,676	FAV		1,282	
COSLA Annual Levy	182,886	182,853	33	182,886	182,853	33	FAV	0.0%	-	Small underspend based on expenditure incurred to date
Community Council Grants	32,085	22,023	10,062	35,000	30,000	5,000	FAV	14.3%	2,500	Small underspend based on expenditure incurred to date
TOTAL EXPENDITURE	3,434,320	3,377,112	57,208	3,470,147	3,441,438	28,709	FAV	0.8%	3,782	