

FINANCE ADVISORY GROUP – 13 JUNE 2012

PROVISIONAL OUTTURN 2011/12 AND CARRY FORWARD REQUESTS

Report of the: Deputy Chief Executive and Director of Corporate Resources

Also considered by: Cabinet 14 June 2012

Status: For Decision

Executive Summary: This report sets out the provisional outturn for 2011/12 and requests to carry forward budgets into 2012/13.

Since the February forecast, the Council has successfully obtained a VAT refund of £552,000 which has significantly improved the position for the year.

Compared to the revised budget (i.e. including supplementary estimates), the overall result was a favourable variance of £560,000 after allowing for carry-forward requests.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Ramsay

Service Manager Group Manager – Financial Services – Adrian Rowbotham

Recommendation: It be RESOLVED that:

- (a) The Revenue ‘carry forward’ requests totalling £72,010 as set out in paragraph 13 of the report be approved, subject to any amendments suggested by the Finance Advisory Group; and
- (b) The capital carry forward requests totalling £490,107 as set out in paragraph 15 of the report also be approved.

Introduction

1. Provisional Financial Outturn figures for 2011/12 are attached at Appendix A. These results will be scrutinised by the Finance Advisory Group at its meeting on 13 June 2012.
2. The report also sets out the requests to carry forward unspent budgets into 2012/13 for Revenue and Asset Maintenance items. In practice any items agreed for carry forward will be set aside in an Earmarked Reserve to be used to finance those costs in 2012/13.

Overall Financial Position

3. 2011/12 was the first year of a four-year savings plan, which set out to achieve savings of £4 million over that period. It is pleasing to report to Members that a provisional favourable variance of £632,000 has been achieved. Revenue carry forwards of £72,000 have been requested; if these are approved the favourable variance will reduce to £560,000.
4. At the end of February the forecast outturn (which took account of likely carry forward requests) was a favourable variance of £50,000. Since then a VAT refund of £552,000 has been received making an amended February forecast favourable variance of £602,000. Therefore the provisional outturn position is £30,000 better than the February forecast.
5. The figures above all take into account the supplementary budget of £14,000 approved during the year for Christmas car parking.
6. It was approved by Cabinet on 8 December 2011 that any favourable variance achieved on the 2011/12 budget be put to the Budget Stabilisation Reserve.

High Level Analysis of Results

7. **VAT refund (£552,000 income):** The council received a refund in respect of overpaid VAT relating to the period prior to 1996 for Trade Refuse. The refund includes statutory interest which is payable in cases of official error.
8. **Pay costs (£257,000 underspent):** Almost all services are showing an underspend; in some cases these are offset by agency costs (particularly Direct Services).
9. **Income from fees and charges (£555,000 favourable):** Part of this variance relates to the VAT refund explained above. In total, income received from fees and charges is close to budget, but on the main income sources; Development Control, Building Control and Legal income, the position was difficult during 2011/12 and these remain risk areas for 2012/13.
10. **Direct Service Trading Accounts** show a deficit of £21,000 at the year end, which is £95,000 lower than the budgeted surplus due to increased fuel and disposal costs.
11. **Interest and Investment Income** was £122,000 better than budget. This was due to the Council holding higher balances than budgeted, which has increased investment income.
12. The latest information from CIPFA regarding the £1m Landsbanki investment is that authorities should now account for a 100% return although this will continue to be reviewed.

Revenue Carry Forward Items

13. There are four Revenue carry forward requests. Further details including the implications of not carrying forward these budgets are set out at the end of this report.

No.	ITEM	HEAD OF SERVICE/SERVICE MANAGER	£
A1	Corporate Health and Safety	Env. & Ops	3,995
A2	Street Cleansing – counsel appeal	Env. & Ops	7,000
A3	IT Training	Human Resources	7,000
A4	Asset Maintenance items	Finance and Env & Ops	54,015
	Total		72,010

14. Asset Maintenance budgets were underspent by £54,015. During 2011/12 some projects could not be completed before the end of the financial year and there were also some positive variances on budgets for that year. In previous years, any unspent budgets for Asset maintenance would have been returned to the Asset maintenance fund. From 2011/12 onwards there is no longer a separate fund, but it is requested that the unspent balance be approved for carry forward to 2012/13. Dependant on the needs for asset maintenance in 2012/13, it is possible that carried forward funds may be required to be spent on different projects from those underspent in 2011/12.

Capital Programme

15. The following capital schemes were underspent at the year end. These relate to partially completed previously approved projects.

No.	SCHEME	AMOUNT £
C1	Vehicle replacement programme	343,779
C2	Disabled facilities grants	146,328
	Total	490,107

Key Implications

Financial

16. All financial implications are covered elsewhere in the report.

Community Impact and Outcomes

17. None

Legal, Human Rights etc.

18. None

Value For Money and Asset Management

19. Asset management implications are covered elsewhere in the report.

Conclusions

20. Both Members and Officers were fully aware that 2011/12 would be an extremely challenging year. However, in light of the financial pressures arising during the year it is pleasing to report to Members a positive year end position.
21. The outturn position could not have been achieved without the commitment and hard work of both Members and Officers, in particular the Heads of service and the Finance Advisory Group, who have played an essential challenge, advisory and scrutiny role reviewing not only the budget but also the corrective action planning.
22. The 2012/13 budget includes savings totalling £0.8m. Achieving this ambitious level of savings whilst managing the financial risks will require continued close and proactive financial management during 2012/13.

Risk Assessment Statement

23. The approval of these carry forward requests should reduce the risk of the Council exceeding its planned expenditure in 2012/13.
24. These results are provisional and may change due to issues arising from the closure of the Council's accounts, which will be completed by 30 June.

Sources of Information: Provisional Outturn results 31 March 2012
Carry Forward Requests

Contact Officer(s): Adrian Rowbotham Ext. 7153
Helen Martin Ext. 7483

Dr. Pav Ramewal
Deputy Chief Executive and Director of Corporate Resources

Budget Carry Forward Request 2011/12

A1

Head of Service :	Richard Wilson
Budget description :	Corporate Health and Safety
Type of expenditure:	Revenue
Cost Centre code :	XBBB
Budget unspent at 31/3/12:	£3,995
Amount requested for carry forward:	£3,995

Reason for request, including the benefits of this expenditure, why the budget was not spent in 2011/12 and timescales for expenditure in 2012/13 :

The total budget for corporate health and safety for 2012/13 [excluding salary charges] is £6,235. This budget needs to cover any expenditure on corporate H&S matters, training, literature, equipment, adaptations etc.

Due to work pressures and the setting up of the Environmental Health Partnership, it was not possible to carry out all the planned initiatives.

Implications of not carrying forward this budget (e.g. impact on achievement of performance targets, etc):

Allowing this budget to be carried forward allows greater spending power and allows proposed activities to take place as part of the Councils duties as an employer.

Budget Carry Forward Request 2011/12

A2

Head of Service :	Richard Wilson
Budget description :	Direct Services Training
Type of expenditure:	Revenue
Cost Centre code :	XAXU
Budget unspent at 31/3/12:	£9,908
Amount requested for carry forward:	£7,000

Reason for request, including the benefits of this expenditure, why the budget was not spent in 2011/12 and timescales for expenditure in 2012/13:

Comprehensive training, either to refresh safe working methods or to develop employee skills, underpins the ongoing delivery of safe and efficient services that are generally highly regarded by residents. The Council has a duty under the Health and Safety at Work Act 1974 and subsequent legislation to ensure necessary training is delivered to all its employees.

The Council is also legally obliged to provide a minimum of 35 hours Continuing Professional Competence (CPC) training over a five year period for every vocational (HGV) driver it employs.

Eleven Direct Services posts became vacant during 2011/12 either due to retirement, relocation or dismissal of employees. These posts have only recently been advertised and the new entrants will require additional training to ensure they have necessary skills to work safely and efficiently and achieve similar levels of competence to established employees.

Three years ago the Council achieved a Gold Award under the Choices accreditation scheme operated by Investors In People. The Council will be re-assessed in November this year and evidence of a well supported established training programme is likely to be one of the criteria under review.

The training budget allocation for 2011/12 was £20,167. Actual spend in 2011/12 amounts to £10,259. Primary reasons for the difference in spend are: Deferment of planned new vehicle technology maintenance courses from 11/12 to 12/13 to manage release of workshop personnel while ensuring continuity of vehicle maintenance operations; Deferment of training identified for vacated posts and long term sickness absentees; Deferment of non-essential but corporately beneficial employee development training due to operational demands.

Implications of not carrying forward this budget (e.g. impact on achievement of

performance targets, etc):

Sevenoaks District Council is legally obliged to ensure the Health and Safety of all its employees and must be able to demonstrate that necessary training has been provided. Failure to do so can result in intervention measures by the Health and Safety Executive.

Without this carry forward, payment for training deferred from 11/12, as well as additional training requirements for newly appointed employees, will have to be met from the current year budget allocation, which could be insufficient to meet final 12/13 training needs.

Budget Carry Forward Request 2011/12

A3

Head of Service :	Syreeta Gill
Budget description :	Training
Type of expenditure:	Revenue
Cost Centre code :	XBXP
Budget unspent at 31/3/12:	£30,601
Amount requested for carry forward:	£7,000

Reason for request, including the benefits of this expenditure, why the budget was not spent in 2011/12 and timescales for expenditure in 2012/13:

£7,000 is IT budget for training that the team were unable to arrange due to work pressures, including support to partnership working and roll out of Windows 2010 software across the council. Therefore, this budget needs to be carried forward to enable the training to take place this year.

Implications of not carrying forward this budget (e.g. impact on achievement of performance targets, etc):

Staff not up date with latest technology, and unable to fulfil duties efficiently.

Budget Carry Forward Request 2011/12

A4

Head of Service :	Various
Budget description :	Asset Maintenance
Type of expenditure:	Revenue
Cost Centre code :	YM*
Budget unspent at 31/3/12:	£54,015
Amount requested for carry forward:	£54,015

Reason for request, including the benefits of this expenditure, why the budget was not spent in 2011/12 and timescales for expenditure in 2012/13:

During 2011/12 some projects could not be completed before the end of the financial year and there were also some positive variances on budgets for that year. In previous years, any unspent budgets for Asset maintenance would have been returned to the Asset maintenance fund. From 2011/12 onwards there is no longer a separate fund, but it is requested that the unspent balance be approved for carry forward to 2012/13. Two of the larger items requested for carry forward are repairs to the flat roof areas of the Argyle Road building (£34,000) which is best carried out during summer months; and Car Park re-surfacing (£8,300) where the successful contractor was not able to complete the required works during 2011/12. Dependant on the needs for asset maintenance in 2012/13, it is possible that carried forward funds may be required to be spent on different projects from those underspent in 2011/12.

Implications of not carrying forward this budget (e.g. impact on achievement of performance targets, etc):

Implications of not carrying forward this budget (e.g. impact on achievement of performance targets, etc):

Inability to maintain assets to appropriate standards with potential for increased expenditure on maintenance.

Budget Carry Forward Request 2010/11

C1

Head of Service :	Richard Wilson
Budget description :	Vehicle Replacement Fund
Type of expenditure:	Capital
Cost Centre code :	YLLP
Budget unspent at 31/3/12:	£343,779
Amount requested for carry forward:	£343,779

Reason for request, including the benefits of this expenditure, why the budget was not spent in 2011/12 and timescales for expenditure in 2012/13 :

The annual vehicle replacement programme is supported by a rolling, self-renewing capital fund. Expenditure on vehicles is repaid through depreciation payments made to the Vehicle Replacement Fund (VRF) over the life of each vehicle. Slippage in expenditure in any one year keeps the balance in the VRF higher, which should remain available for expenditure in the following year.

The agreed vehicle replacement programme for 2011/12 required estimated expenditure of £722,000. Actual spend total in 2011/12 after vehicle disposal credits amounts to £669,045. The slippage results primarily from the deferment of purchases from 11/12 to 12/13 and a saving realised on a small used freighter purchase against budgeted value. The purchases deferred are a used Loader/backhoe, as a vehicle with sufficient residual life and to the required specification could not be sourced, and vehicle tracking equipment, which is pending further investigation of the most suitable system with cost effective installation and operating costs.

Implications of not carrying forward this budget (e.g. impact on achievement of performance targets, etc):

The annual vehicle replacement programme underpins the ongoing delivery of efficient services that are generally highly regarded by residents. These services have challenging performance targets and the rolling vehicle replacement is crucial to continuous improvement of each service.

The Council also has an obligation to reduce carbon emissions including those from its commercial vehicle fleet. The Vehicle Replacement Fund allows for purchase of cleaner, fuel-efficient vehicles, manufactured to meet ever higher European

emissions standards, so reducing fuel costs and vehicle emissions as well as ensuring the commercial fleet remains operationally effective.

Budget Carry Forward Request 2011/12

C2

Head of Service:	Pat Smith, Head of Housing Services
Budget Description:	Disabled Facility Grants 2011/12
Type of expenditure:	Capital
Cost Centre code:	YLTB (HIA) and YLPT (WKHA)
Budget unspent at 31/03/2012:	£146,328.40
Amount requested for carry forward:	£146,328.40

Reason for request, including the benefits of this expenditure, why the budget was not spent in 2011/12 and timescales for expenditure on 2012/13.

In accordance with guidance issued by Department for Communities and Local Government (DCLG), such funding commitments are able to be carried forward.

All DFG must be completed within 12 months of approval.

There have been two main issues why there is a significant under spend which is unusual. These are;

- The Kent wide scheme of the Home Improvement agency (In Touch) has under performed and KCC (Lead Authority) is currently tendering for a more efficient and effective service. This has contributed to the under spend.
- The KCC Occupational Therapist (OT) service has seen staffing difficulties resulting in delays for scheme appraisals and there have been complex cases where the OT service has not liaised with the Local Authority leading to disagreements over recommendations. This has also contributed to the under spend.

Of the unspent budget, Sevenoaks received almost £43,000 extra grant at the end of the year which was unexpected.

Implications of not carrying forward this budget (e.g. impact on achievement of performance targets, etc):

If £65,239.63 is not carried forward, the under spend for 2011/12 would need to be repaid to DCLG and the commitment would need to be funded from the DFG allocation for 2012/13. It is possible that this would have a negative impact upon:-

- the Council's ability to fund adaptations for the benefit of disabled persons during 2012/13;
- the Council's performance in meeting its target in relation to the number of DFGs completed; and
- the outcome of future funding bids if previous allocations have not been fully utilised.
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This carry forward is needed to fund several expensive DFGs and DFG applications for children (please see below).It is a statutory duty to provide DFGs where needed.

£30,000 – 1 St Martins Meadow, Brasted refers to 1 Disabled Facilities Grant (DFG) case which was formally approved late during Quarter 1 2011/12. Due to the planning permission problems no progress has currently been made. Works must be completed before 28th June 2012 (HIA).

£3074.08 – Silver Birches , Highlands Hill Swanley BR8 7NB refers to a Facilities Grant (DFG) that was formally approved during Quarter 3 2011/12. No payments have been released and it is anticipated that the works will be completed and the payment released during Quarter 1 2012/2013 (HIA).

£5736.54 - 75 Farm Avenue, Swanley BR8 7HZ refers to a Disabled Facilities Grant (DFG) that was formally approved during Quarter 4 2011/12. No payments have been released and it is anticipated that the works will be completed and the payment released during Quarter 1 2012/2013 (WKHA).

£15,305.08 – 5 Magpie Green, Edenbridge, TN8 6BP – refers to a Disabled Facility Grant that was formally approved in Quarter 4 2011/12. A request for payment was received during March 2011, however due to problems identified during our final inspection payment has been delayed. Remedial works are to be carried out during April 2012 with payment being made during Quarter 1 2012/2013.

£8484.00 - 4 Sandstone Cottages, Marsh Green TN8 5PX – refers to a Disabled Facility Grant that was formally approved during quarter 4 2011/12. Materials required for the works have been ordered and it is anticipated that works will be completed and final payment released during Quarter 1 2012/2013.

£2,639.93 - 29 Chapel Wood, New Ash Green DA3 8RA – refers to a Disabled Facility Grant that was formally approved during Quarter 4 2011/12. No payments have been released and final payment will be made during Quarter 1 2012/2013.

The additional under spend of £81,088.77 , if carried forward, will help towards the high cost of 9 potential DFG claims in 12/2013 (for children) which are in excess of £220,000. In addition, there are 2 complex and expensive grants for 2 adults in the pipeline and these will cost £30,000 each, If the carry forward is not agreed , these claims will use the majority of the funding for 12/2013.

Children Cases.

Grant assistance can be provided to adapt a property for both adults and children. The vast majority of adult cases are for grants usually around £5,000, however due to the complexity surrounding children cases grants for this small but growing group of applicants are mostly for £30,000. One important consideration is that unlike adult applications, children are exempt from a means test so all costs are borne by the DFG.

Currently we are working on the following cases.

Multon Road West Kingsdown

This case was received in Quarter 3 2011/12 and after undertaking a feasibility it has been decided that a substantial extension is required costing around £70,000 of which the maximum mandatory grant of £30,000 will be applicable.

New Street Road, Meopham

This case was received in Quarter 2 2011/12 and involves extensive internal remodelling and extending existing dwelling. Estimates have been obtained and the grant is ready for approval for a sum of £30,000.

Farley Lane, Westerham

This case was received in Quarter 4 2011/2012 and involves provision of a Hi/Low Bath and making alterations both internally and externally to ensure Wheelchair Access is available for the child. Estimates have not been received but we expect the costs to be around £20-25,000.

Grassy Lane, Sevenoaks

This case was received in Quarter 4 2011/12 and involves major adaptations to enable the disabled child access into and around the dwelling. Bathing adaptations are also required. Although no estimates have been received we expect the costs to be the maximum mandatory grant of £30,000.

Squirrels Close, Swanley

This case was received during the last few days of Quarter 4 2010/2011 and involves provision of a stairlift and alterations to the existing bathing facilities. The delay in approving this grant is due to continuing discussions with an Occupational Therapist. Although no estimates have been obtained we expect costs to be no more than £20,000.