

Economy and Enterprise Overview and Scrutiny Committee

10 January 2019



Regeneration and Local Services (Regeneration and Economic Development) – Quarter 2: Forecast of Revenue and Capital Outturn 2018/19

Report of Corporate Directors

John Hewitt, Corporate Director of Resources

Ian Thompson, Corporate Director Regeneration and Local Services

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide details of the forecast outturn budget for this service area highlighting major variances in comparison with the budget, based on the position to the end of quarter 2 (30 September 2018).

Executive summary

- 2 This report provides an overview of the updated forecast of outturn, based on the position at quarter two, 2018/19. It provides an analysis of the budgets and forecast outturn for the service areas falling under the remit of this Overview and Scrutiny Committee and complements the reports considered and agreed by Cabinet on a quarterly basis.
- 3 The updated position is that there is a forecast underspend of £1.128 million, against a revised budget of £58.437 million.
- 4 The revised service capital budget is £44.790 million with expenditure to 30 September of £11.106 million.
- 5 Details of the reasons for under and overspending against relevant budget heads is disclosed in the report.
- 6 The style and format of the report has been amended to reflect comments received at the previous meeting. The budgets have been split into controllable "cash limit" budgets and those outside of the cash limit. Members' views on these changes are welcomed.

Recommendation(s)

- 7 Economy and Enterprise Overview and Scrutiny Committee is requested to note the contents of this report and provide any views on the revised presentation style and format of the report.

Background

- 8 County Council approved the Revenue and Capital budgets for 2018/19 at its meeting on 21 February 2018. These budgets have subsequently been revised to account for changes in grant (additions/reductions), budget transfers between service groupings and budget re-profiling between years (in terms of capital). This report covers the financial position for the following budgets of the services within the scope of this committee;

- (a) Revenue Budget - £58.437 million (original £55.814 million)
- (b) Capital Programme – £44.790 million (original £56.832 million)

- 9 The original service budgets have been revised in year to incorporate a number of budget adjustments as follows:

- Use of strategic reserves for redundancies for MTFP savings +£112,000
- Use of Cash Limits – Economic Development & Housing +£100,000
- Use of Cash Limits – Transport & Contracted Services +£10,000
- Use of Cash Limits – Planning & Assets +£245,000
- Use of Selective Licensing Reserve +£59,000
- Use of Planning Reserve +£100,000
- Use of Funding & Programmes Reserve +£23,000
- Use of Match Fund Reserve +£141,000
- Use of Economic Employability Reserve +£55,000
- Use of International Relations Reserve +£5,000
- Use of Housing Solutions Reserve +£286,000
- Use of Warm and Healthy Homes Reserve +£51,000
- Use of Welfare Assistance Reserve +£208,000
- Use of Business Durham Programme Reserve +£428,000
- Use of Business Growth Fund +£148,000
- Use of Inspire Programme Reserve +£125,000
- Use of Homelessness Reduction Reserve £189,000
- Use of FIP Reserve +£98,000
- Use of Transport Infrastructure Reserve +£202,000
- Use of Community Transport Reserve +£38,000

- 10 The summary financial statements contained in the report cover the financial year 2018/19 and show:
- The approved annual budget;
 - The actual income and expenditure as recorded in the Council's financial management system;
 - The variance between the annual budget and the forecast outturn;
 - For the revenue budget, adjustments for items outside of the cash limit (outside of the Service's control) to take into account such items as redundancies met from the strategic reserve, capital charges and use of / or contributions to earmarked reserves.

Forecast Revenue Outturn 2018/19

- 11 The service is reporting a cash limit underspend of **£1.128 million** against a revised budget of **£58.437 million** split between controllable budget of £12.688 million and £45.749 million outside the cash limit.
- 12 The following two tables show controllable budget analysed by subjective category (type of expense), and then Head of Service area.

Controllable Budget – Subjective Analysis £'000

	2018/19 Budget £'000	YTD Actual £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – Transfers to / From Reserves £'000	Cash Limit Variance QTR2 £'000	MEMO: Cash Limit Variance QTR1 £'000
Employees	26,990	13,187	26,716	(274)	183	(91)	144
Premises	4,505	2,945	4,601	96	(12)	84	(44)
Transport	805	434	755	(50)	0	(50)	(24)
Supplies and Services	7,796	4,478	7,923	127	455	582	(8)
Agency and Contracted	19,431	8,281	20,255	824	0	824	768
Central Costs	1,745	791	2,319	574	0	574	279
GROSS EXPENDITURE	61,272	30,116	62,569	1,296	627	1,923	1,115
INCOME	(48,584)	(24,762)	(51,756)	(3,171)	120	(3,051)	(1,510)
NET EXPENDITURE	12,688	5,354	10,813	(1,875)	747	(1,128)	(395)

Controllable Budget - Analysis by Head of Service £'000

Head of Service Grouping	2018/19 Budget £'000	YTD Actual £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – Transfers to / From Reserves £'000	Cash Limit Variance QTR2 £'000	MEMO: Cash Limit Variance QTR1 £'000
Corporate Director	225	113	225	0	0	0	0
Economic Development & Housing	6,706	3,264	5,743	(963)	797	(166)	(257)
Planning & Assets	3,306	1,908	2,672	(634)	(7)	(641)	(122)
Transport & Contracted	2,429	61	2,165	(264)	(43)	(307)	(2)
Central Managed Costs	22	8	8	(14)	0	(14)	(14)
NET EXPENDITURE	12,688	5,354	10,813	(1,875)	747	(1,128)	(395)

13 The following two tables show those sums outside the cash limit (outside of Service control) analysed by subjective category (type of expense), and then by Head of Service area.

Sums Outside the Cash Limit – Subjective Analysis £'000

	2018/19 Budget £'000	YTD Actual £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – Transfers to / From Reserves £'000	Cash Limit Variance QTR2 £'000	MEMO: Cash Limit Variance QTR1 £'000
Employees	2,297	1,323	2,297	0	0	0	0
Premises	2,153	400	2,153	0	0	0	0
Transport	0	0	0	0	0	0	0
Supplies and Services	3,172	0	3,172	0	0	0	0
Agency and Contracted	0	0	0	0	0	0	0
Central Costs	38,202	0	38,202	0	0	0	0
GROSS EXPENDITURE	45,824	1,723	45,824	0	0	0	0
INCOME	(75)	(0)	(75)	0	0	0	0
NET EXPENDITURE	45,749	1,723	45,749	0	0	0	0

Sums Outside the Cash Limit - Analysis by Head of Service £'000

Head of Service Grouping	2018/19 Budget £'000	YTD Actual £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – Transfers to / From Reserves £'000	Cash Limit Variance QTR2 £'000	MEMO: Cash Limit Variance QTR1 £'000
Corporate Director	(6)	8	(6)	0	0	0	0
Economic Development & Housing	518	667	518	0	0	0	0
Planning & Assets	920	522	920	0	0	0	0
Transport & Contracted	583	360	583	0	0	0	0
Central Managed Costs	43,734	166	43,734	0	0	0	0
NET EXPENDITURE	45,749	1,723	45,749	0	0	0	0

- 14 The main components of the sums outside the cash limit are Capital Charges (£24.865 million) and Central Support Costs (£12.137 million). Appendix 2 shows all items classed as outside the cash limit, and details which service within the County Council is responsible for them. During the first 3 quarters of the financial year, forecasts for these items are shown as per budget, and then the actuals are shown at year-end.

Cash Limit Outturn – Explanation of Over and Under Spending

- 15 The main reasons accounting for the outturn position are as follows:
- Transport is forecast to be £0.307 million underspent. This is mainly due to underspends on bus and rail contracts (£0.293m) and efficiency savings in Care Connect (£0.140m), which is partially offset by increased costs within Strategic Traffic (£0.086m).
 - Planning and Assets is £0.641 million underspent, mainly resulting from additional planning fee income of £0.650 million and additional asset management income of £0.221 million offset by £50,000 spend on an Archaeology relocation from Bowes Museum, £55,000 spend on a corporate property health check and £0.125 million spend on the design and development of Inward Investment brand.

- Economic Development and Housing is forecast to be underspent by £0.166 million. Within this overall position, Business Durham is underspent by £35,000 due to a net increase in rental income, while Economic Development is overspent by £22,000 on the employment & skills contract. Housing Solutions is underspent by £0.120 million due to savings in the GRT sites budgets and additional income in Housing Initiatives. Physical Development is underspent by £41,000 due to staff savings and additional income. There are combined net overspends on staff in other service areas of £8,000.

16 **Appendix 3** provides a more detailed breakdown of variations across the service area contained within the revenue budget.

17 In summary, the service grouping has successfully maintained spending within its cash limit. It should also be noted that the estimated outturn position incorporates the MTFP savings required in 2018/19 which amount to £0.880 million.

Capital Programme

18 The capital programme makes a significant contribution to the regeneration ambitions of County Durham. The programme is relatively large and diverse and is managed by project delivery officers throughout the service.

19 The capital programme was revised in May for budget re-phased from 2017/18. This increased the 2018/19 original budget. Further reports to the MOWG detailed further revisions, for grant additions/reductions, budget transfers and budget re-profiling into later years. The revised budget now stands at **£44.790 million**.

20 Summary financial performance to the end of September is shown below.

Service	Original Annual Budget 2018/19 £000	Revised Annual Budget 2018/19 £000	Actual Spend to 30 September £000	Remaining Budget £000
Economic Dev & Housing	25,676	21,640	6,819	21,957
Planning & Assets	18,001	14,962	3,227	15,771
Transport & Contracted	13,155	8,188	1,060	12,792
Total	56,832	44,790	11,106	33,684

- 21 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first six months amounts to **£11.106 million**. **Appendix 4** provides a more detailed breakdown of spend across the major projects contained within the capital programme.
- 22 The key areas of spend to date have been on Durhamgate (£1.848 million), Structural Capitalised Maintenance (£1.845 million). Other areas of the programme are profiled to be implemented during the remainder of the year and at year end the actual outturn performance will be compared against the revised budgets and service and project managers will need to account for any budget variance.

Background papers

- Cabinet Report (14 November 2018) – Forecast of Revenue and Capital Outturn 2018/19 – Period to 30 September 2018.

Contact: Philip Curran

Tel: 03000 261967

Appendix 1: Implications

Legal Implications

Not applicable.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital projected outturn position.

Consultation

Not applicable.

Equality and Diversity / Public Sector Equality Duty

Not applicable.

Human Rights

Not applicable.

Crime and Disorder

Not applicable.

Staffing

Not applicable.

Accommodation

Not applicable.

Risk

The consideration of regular budgetary control reports is a key component of the Council's Corporate and Financial Governance arrangements.

Procurement

Not applicable.

Appendix 2: Sums Outside the Cash Limit

Sums Outside the Cash Limit (£'000)

Item	Annual Budget		Responsible Service
Employees			
Local Government Pension Deficit	1,715	A charge to services to improve the funding level of the Pension Fund.	Corporate
Unfunded Pensions	479	The cost of early access to pension costs by (mainly) former district employees.	Corporate
Apprenticeship Levy	103	Government levy to increase the numbers of apprenticeships across the country.	Corporate
	2,297		
Premises			
Repairs & Maintenance	0	All centrally controlled repairs and maintenance.	Direct Services
Design Service Recharge	119	Recharge for the costs of the Design Team in Technical Services.	Technical Services
Carbon Reduction Costs	564	Cost of allowances to ensure the Council's carbon footprint does not increase.	Corporate
Depot Recharges	58	Recharge for the use of central depots.	Direct Services
Office Accommodation	1,412	Central recharge for administrative buildings.	Direct Services
	2,153		
Supplies & Services			
Insurance Premiums	3,172	Costs of insuring council property/goods	Corporate
	3,172		
Central Costs			
Capital Charges	24,865	Depreciation etc.	Corporate
Central Support	12,137	Central department support eg Legal, HR	Resources
Customer Services Recharge	1,200	Recharge of the costs of the Customer Services Team based on enquiry numbers.	Resources
	38,202		
Income			
Recharge to Corporate Mgt.	(75)	Reimbursement to services for time spent by senior officers on corporate issues.	Corporate
	(75)		
TOTAL	45,749		

Appendix 3: Revenue Budget Variances – Quarter 2 2018-19

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
Economic Development & Housing	Head of Economic Development	Minor variance	2	
	Physical Development	There is a net overspend in Management on professional fees and project development costs of 50k offset by additional recharge income & staff savings of (91k).	(41)	
	Visit County Durham	There is an overspend of £7k on employee costs due to unachieved staff turnover savings.	7	
	Business Durham	<p>Business Durham has an overall underspend of (£35k).</p> <p>Business Space is over budget by £25k. There is an underspend of (£145k) for NETPark due to additional rent received in respect of the Institute, Incubators, Discovery 2 and other units. Business Space South is over budget by £100k as a result of under recovered income for Salvus House pending the property being fully occupied. The Dales Centre is over budget by £8k due to staffing costs net off by additional income on business units. Business Space North is over budget by £82k due to refurbishment works at Derwentside BC. The Management cost centre is Under budget by (£20k) due to Vacancies within the new structure budget.</p> <p>Business Growth, Development and Corporate have a net under spend of (£61k) as a result of vacant posts due to a recent restructure.</p>	(35)	
	Economic Development	There is an overspend of £90k in Employment & Skills due to delays with the outcome payments for the		

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		<p>new service contract, the issue is currently being investigated by the DWP. The delivery fee is being received but referrals are less than anticipated.</p> <p>There is an under spend of (£22k) on Employability due to backdated Durham Works monies and vacant substantive post budgets.</p> <p>These are offset by underspends of (£46k) in Community Economic Development, International Relations and ED Management largely due to miscellaneous savings and over achieved income.</p>	22	
	Housing Solutions	<p>There is an over spend of £53k in Housing Solutions Management for staff costs offset by other savings.</p> <p>GRT site budgets are underspent by (£99k) due to savings on Premises and Supplies & Services costs and additional income generated, which will be offset by future spend on small scale site improvements.</p> <p>Housing Initiatives, Activities and Improvement are underspent by (£73k) due to underspends on Supplies & Services and additional income from Darlington HIA and landlord accreditation.</p>	(120)	(166)
Spatial Policy, Planning Assets & Environment	Head of SPPAE	<p>£125k Inward Investment Brand Development</p> <p>£53k Corporate Property Health Check</p> <p>£50k one off transfer to Culture & Sport re: Archaeology at Bowes Museum</p> <p>£14k Other minor variances</p>	242	
	Spatial Policy	£17k overspend unachieved staff turnover savings	17	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
	Planning Development	<p>19/20 Savings Achieved (£240k) overachieved income in Planning fees</p> <p>Other (£299k) underspend on Planning Development - over-achieved income (£610k), offset partially by £200k contributions to other services from planning fee increase & £111k supplies (inc dispute settlement - Evergreen Caravan Site & Ouston).</p> <p>(£157k) underspend on Building Control - (£106k) staffing, delays filling vacancies, supplies & services etc (£40k) & over-achieved income (£10k).</p> <p>(£42k) underspend on Business Dev Support - (£28k) staffing and (£14k) supplies</p> <p>£44k overspend on Dangerous Structures re Waldrige Club (charge placed on land)</p> <p>£10k overspend on Appeals</p>	(684)	
	Environment & Design	<p>£7k overspend Design & Conservation, including £30k re works at Locomotion</p> <p>(£39k) underspend Sustainability - (£27k) additional grant income re REBUS/LOCARBO & (£15k) underspend on solar maintenance</p> <p>£52k overspend Landscapes - overspend inc £20k re: Field Boundary Restoration Grants not spent in 17/18, £18k underachieved income (re: bad budget) & £14k Lidar and photography</p> <p>£28k overspend Archaeology including events/publications at Binchester</p> <p>£19k overspend Ecology including £20k re Living Walls feasibility study</p>	67	
	Asset Management	<p>£63k overspend on staffing due to 9 additional fixed term posts, part offset by vacancies</p>		

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		<p>(£133k) additional income in Asset Management, (£58k) on asset disposal programme and £75k additional rent and SLA income not budgeted</p> <p>£25k underachieved income on High Street Spennymoor and Millenium Square due to unoccupied office space</p> <p>(£42k) underspend at The Tommy Armstrong Centre where lease has now expired</p> <p>(£111k) underspend on Freemans Hydro, (£43k) additional income and (£68k) repairs budget not needed</p> <p>(£14k) additional income at Freemans Reach</p> <p>£86k overspend at Northumbria House, Waterstons moving in but 1 year rent free</p> <p>(£13k) underspend at Priory House. Tenant had rent free period but will be start paying from 08/02/2019 (full year income will be £94k)</p> <p>(£70k) underspend on Surplus Property, (£40k) utilities and (£30k) additional income</p> <p>£4k overspend elsewhere across the service</p>	(205)	
	Strategy Policy Partnerships & Support	<p>(£53k) underspend on staffing due to delays in recruiting to two new posts</p> <p>(£24k) underspend on Income re: secondment to NECA to end of July</p>	(77)	
	Funding and Programmes	No Variance	0	(641)
Transport	Management	18k Minor variance pending a re-allocation of savings	18	
	Strategic Transport	<p>(27k) Under budget due to vacancy savings</p> <p>52k Over budget due to an increase in business rates for car parks and bus</p>		

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		stations and contract cleaning 39k Over budget on supplies and services mainly due to traffic management costs 187k Over budget mainly due to a scheduled Park and Ride contract increase and minimum wage increases to contractors (165k) Over achieved on car parking income arising from works in Durham City	86	
	Sustainable Transport	(84k) Under budget due to staff vacancies (28k) Under Budget due to vehicle disposal (28k) Under budget due to reduced DBS costs 161k under achieved income mainly due to a reduced charge for the adult fleet. (293k) Under budget on bus and rail contacts	(272)	
	Care Connect	(45k) Under budget on employee costs due to staff vacancies and projected overtime. (38k) Under budget on other costs mainly due to service efficiencies on CCTV and community alarms communication equipment offset by the costs of bad debts (57k) over budget on SLAs for CCTV and income in localities	(140)	(307)
Central	Central Costs	Minor variances	(14)	(14)
TOTAL				(1,128)

Appendix 4: Capital Programme 2018-19

Scheme	Revised Annual Budget 2018/19 £'000	Actual Spend to 30 September £'000	Remaining Budget £'000
ECONOMIC DEVELOPMENT & HOUSING			
Durhamgate	2,871	1,848	1,023
Industrial Estates	5,725	1,252	4,473
North Dock Seaham	30	0	30
Office Accommodation	3,244	208	3,036
Town Centres	2,077	741	1,336
Minor Schemes	168	84	84
Disabled Facilities Grant / FAP	3,799	1,524	2,275
Housing Renewal	2,676	1,042	1,634
Chapter Homes	1,050	120	930
TOTAL ECONOMIC DEVELOPMENT & HOUSING	21,640	6,819	14,821
PLANNING & ASSETS			
Renewable Energy Schemes	485	187	298
Structural Capitalised Maintenance	5,708	1,845	3,863
North Pennines - Peatland	3,037	151	2,886
REAL – Beamish Project	5,086	1,016	4,070
REAL – Housing Development	435	10	425
Minor Schemes	76	18	58
Strategy and Programmes Minor Schemes	135	0	135
TOTAL PLANNING & ASSETS	14,962	3,227	11,735
TRANSPORT & CONTRACTED SERVICES			
Local Transport Plan	2,665	513	2,152
Transport Major Schemes	5,523	547	4,976
TOTAL TRANSPORT & CONTRACTED SERVICES	8,188	1,060	7,128
Total	44,790	11,106	33,684

(1) FAP – Financial Assistance Programme