

Economy and Enterprise Overview and Scrutiny Committee

26 March 2019



Regeneration and Local Services (Regeneration and Economic Development) – Quarter 3: Forecast of Revenue and Capital Outturn 2018/19

Report of Corporate Directors

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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 3 (31 December 2018).

Executive summary

- 2 This report provides an overview of the updated forecast of outturn, based on the position at quarter 3, 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 £1.277 million, against a revised budget of £57.724 million.
- 4 The revised service capital budget is £42.438 million with expenditure to 31 December of £22.632 million.
- 5 Details of the reasons for under and overspending against relevant budget heads is disclosed in the report.

Recommendation(s)

- 6 Economy and Enterprise Overview and Scrutiny Committee is requested to note the contents of this report.

Background

- 7 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 - £57.724million (original £55.814 million)
- (b) Capital Programme – £42.438 million (original £56.832 million)

- 8 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 +£192,000
- Use of Cash Limits – Economic Devpt. & Housing +£114,000
- Use of Cash Limits – Transport & Contracted Services +£52,000
- 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 +£30,000
- Use of Match Fund Reserve +£254,000
- Use of Economic Employability Reserve +£27,000
- Use of International Relations Reserve +£11,000
- Use of Housing Solutions Reserve +£123,000
- Use of Warm and Healthy Homes Reserve +£51,000
- Use of Welfare Assistance Reserve +£128,000
- Use of Business Durham Programme Reserve +£192,000
- 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
- Use of Business Growth Fund +£12,000
- Transfer to Family Improvement Programme -£22,000
- Transfer to Homelessness Improvement -£460,000

- 9 The summary financial statements contained in the report cover the financial year 2018/19 and show: -
- (a) The approved annual budget;
 - (b) The actual income and expenditure as recorded in the Council's financial management system;
 - (c) The variance between the annual budget and the forecast outturn;
 - (d) 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

- 10 The service is reporting a cash limit underspend of **£1.277 million** against a revised budget of **£57.724 million**.
- 11 The following two tables show the budget analysed by subjective category (type of expense), and then by Head of Service area.

Service 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 QTR3 £'000	MEMO: Cash Limit Variance QTR2 £'000
Employees	29,319	21,792	28,646	(673)	(82)	(755)	(91)
Premises	6,635	4,501	6,771	136	0	136	84
Transport	803	652	831	28	0	28	(50)
Supplies and Services	10,462	6,727	12,056	1,594	(257)	1,337	582
Agency and Contracted	19,458	14,010	20,439	981	37	1,018	824
Central Costs	39,993	826	40,341	348	0	348	574
GROSS EXPENDITURE	106,669	48,508	109,083	2,414	(302)	2,112	1,923
INCOME	(48,945)	(33,491)	(52,281)	(3,336)	(53)	(3,389)	(3,051)
NET EXPENDITURE	57,724	15,017	56,802	(922)	(355)	(1,277)	(1,128)

Service 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 QTR3 £'000	MEMO: Cash Limit Variance QTR2 £'000
Corporate Director	219	181	220	1	0	1	0
Economic Development & Housing	6,441	6,102	6,163	(278)	427	149	(166)
Planning & Assets	4,425	4,511	3,447	(798)	(16)	(814)	(641)
Transport & Contracted	3,065	3,951	3,227	162	(765)	(603)	(307)
Central Managed Costs	43,755	272	43,745	(10)	0	(10)	(14)
NET EXPENDITURE	57,724	15,017	56,802	(922)	(355)	(1,277)	(1,128)

Cash Limit Outturn – Explanation of Over and Under Spending

12 The main reasons accounting for the outturn position are as follows:

- Transport is forecast to be £0.603 million underspent. This is mainly due to underspends on bus and rail contracts (£0.481m) and efficiency savings in Care Connect (£0.174m), which is partially offset by increased costs within Strategic Traffic (£0.038m).
- Planning and Assets is forecast to be £0.814 million underspent, mainly resulting from additional planning fee income of £0.680 million, staffing underspends of £0.271 million due to delays in filling vacant posts and additional income of £0.118 million at Freemans Hydro. This is offset by additional costs relating to; £50,000 on an Archaeology collection relocation from Bowes Museum, £55,000 for corporate property health checks, and £0.150 million for the 'Powered by People' campaign.

- Economic Development and Housing is forecast to be overspent by £149,000. Economic Development is overspent by £156,000 largely on the employment & skills contract, due to DCC receiving lower than expected outcome payments. Physical Development is overspent by £16,000 due to additional project development costs. There are combined net underspends on staff in other service areas of £24,000. In addition, Business Durham is underspent by £117,000 due to a net increase in rental income and reduced costs, but this surplus will be taken to an earmarked reserve to provide additional resources for important business growth projects. Also Housing Solutions is underspent by £0.190 million due to savings on staff, savings on GRT site costs, and additional income in Housing Initiatives but this surplus will be taken to an earmarked reserve to provide additional resources for important initiatives relating to preventing homelessness.

- 13 **Appendix 2** provides a more detailed breakdown of variations across the service area contained within the revenue budget.
- 14 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

- 15 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.
- 16 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 **£42.438 million**.

- 17 Summary financial performance to the end of December is shown below.

Service	Original Annual Budget 2018/19 £000	Revised Annual Budget 2018/19 £000	Actual Spend to 31 December £000	Remaining Budget £000
Economic Dev & Housing	25,676	18,425	13,112	5,313
Planning & Assets	18,001	18,119	6,492	11,627
Transport & Contracted	13,155	5,894	3,028	2,866
Total	56,832	42,438	22,632	19,806

- 18 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first nine months amounts to **£22.632 million**. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the capital programme.
- 19 The key areas of spend to date have been on Durhamgate (£2.762 million), Disabled Facilities Grant payments (£2.923 million) and Structural Capitalised Maintenance (£4.235 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 (13 March 2019) – Forecast of Revenue and Capital Outturn 2018/19 – Period to 31 December 2018.

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: Revenue Budget Variances – Quarter 3 2018-19

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
Economic Development & Housing	Head of Economic Development	Underspend on staff budgets.	(29)	
	Physical Development	There is a net overspend of 16k on professional fees and project development costs offset by additional recharge income and staff savings.	16	
	Visit County Durham	There is an overspend of 5k on employee costs due to unachieved staff turnover savings.	5	
	Business Durham	<p>Business Durham has a net nil budget projected.</p> <p>Business Space is underspent by (21k). There is an underspend of (217k) for NETPark due to additional rent received in respect of the Institute, Incubators, Discovery 2 and other units. Business Space South is overspent by 146k as a result of under recovered income for Salvus House pending the property being fully occupied. The Dales Centre is underspent by (18k) due to staff savings and reduced premises costs. Business Space North is overspent by 132k due to refurbishment works at Derwentside Business Centre and Stella Gill. The Management cost centre is Under budget by (64k) due to Vacancies within the new structure budget.</p> <p>Business Growth, Development and Corporate have a net overspend of 74k as a result of recruitment expenses, hire costs and unallocated savings targets.</p> <p>The net underspend of (117k) on the activities above has been earmarked as a contribution to reserves for developing business growth initiatives.</p>	0	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
	Economic Development	<p>There is an overspend of 248k in Employment & Skills due to delays with the outcome payments for the new service contract, and the issue is currently being reviewed by all parties. The management fee is being received but outcome payments are significantly less than anticipated. There is also a reduction in anticipated income from ESG and Apprentice payments.</p> <p>There is an under spend of (24k) on Employability due to backdated durhamworks monies and vacant substantive post budgets.</p> <p>There are net underspends of (68k) in Community Economic Development, International Relations and Economic Development Management largely due to staff savings and over achieved income.</p>	156	
	Housing Solutions	<p>Housing Solutions has a net nil budget projected.</p> <p>There is a net underspend of (30k) in Housing Solutions Management for core funded staff offset by overspends on transport and supplies.</p> <p>GRT site budgets are underspent by (137k) due to savings on Premises and Supplies & Services costs and additional income generated.</p> <p>Housing Initiatives, Activities and Improvement are underspent by (73k) mainly due to additional income from Darlington HIA and landlord accreditation.</p> <p>There is an overspend on Activities of 50k due mainly to additional spend on bed & breakfast temporary accommodation.</p> <p>The net underspend of (190k) on the activities above has been earmarked as a contribution to reserves to support the Homeless Reduction Support Contract.</p>	0	149
Spatial Policy, Planning Assets &	Head of SPPAE	<p>£150k Inward Investment Brand Development (Powered by People)</p> <p>£55k Corporate Property Health Check</p> <p>£50k one off transfer to Culture & Sport re:</p>	295	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
Environment		Archaeology at Bowes Museum £17k funding of two posts £23k Milburngate Bridge advice		
	Spatial Policy	Minor variances across service	(12)	
	Planning Development	19/20 Savings Achieved (£240k) overachieved income in Planning fees Other (£481k) underspend on Planning Development - over-achieved income (£880k), offset partially by £200k contributions to other services from planning fee increase, £70k supplies (inc dispute settlement at Ouston) and (£111k) staffing underspends (£176k) underspend on Building Control - (£101k) staffing, delays filling vacancies, supplies & services etc (£45k) & over-achieved income (£30k). (£66k) underspend on Business Dev Support - (£41k) staffing and (£24k) supplies £52k overspend on Dangerous Structures re Waldrige Club (charge placed on land) (£20k) underspend on Appeals	(930)	
	Environment & Design	£38k Landscapes - overspend re: under-achieved income of £17k & £20k re: FBRG grants not claimed in 17/18 as well as £13k Lidar & photography, partially offset by various underspends (£12k). (£27k) Sustainability - underspend re: additional grant income for REBUS/LOCARBO (partially offset by £15k GENEE & £12k EV Roadshow -. Plus (£17k) underspend on solar maintenance. £6k overspend elsewhere across the service	17	
	Assets	£70k overspend on staffing due to 14 additional fixed term posts, part offset by vacancies (£42k) underspend at The Tommy Armstrong Centre where lease has now expired (£102k) underspend on Freemans Hydro, (£43k) additional income and (£58k) repairs budget not needed (£14k) additional income at Freemans Reach £86k overspend at Northumbria House, Waterstons moving in but 1 year rent free (£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) (£52k) underspend on Surplus Property, (£22k) utilities and (£30k) additional income £31k overspend elsewhere across the service	(36)	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
	Strategy Policy Partnerships & Support	<p>(£105k) underspend on staffing due to delays in recruiting to two new posts and a vacant post</p> <p>(£24k) underspend on Income re: secondment to NECA to end of July</p> <p>(£15k) underspend on training and supplies</p>	(144)	
	Funding and Programmes	Minor variances across service	(4)	(814)
Transport	Management	14k Minor variance pending a re-allocation of savings	14	
	Strategic Transport	<p>Use of cash limit reserves to cover Tour Series £38k and Earmarked reserve for Relief Road £698k</p> <p>Employees - (£16k) underspend - due to vacant posts, reduced hours and flexible retirement offsetting vacancy savings and MTFP</p> <p>Premises - £2k overspend - £44k overspend on rates, offset by savings on repairs and utilities costs</p> <p>Transport - £35k overspend - due to blacksmiths charges being charged through fleet system, budgets to be realigned for 19/20</p> <p>Supplies and Service - £86k overspend - due mainly to cost for traffic signals, communication devices & computer equipment. Plus costs for Claypath Traffic Management</p> <p>Third Party Payments - £366k overspend - mainly due Scarlet band contract increase £114k and NSL minimum wage £30k. £120k overspend on contract costs at Park & Ride</p> <p>Costs for reimbursements & Operation of sites. £58k overspend on Traffic Signals & Census costs. £26k overspend on Rights of Way Footpath maintenance.</p> <p>Income - (£435k) over-achievement on income - mainly due to (£246k) on and off street parking income (Sands reduction in Q2 added back into forecast). Additional (£87k) income from Park & Ride. Additional (£60k) income from enforcements and additional (£36k) income for Traffic Signals.</p>	38	
	Sustainable Transport	<p>Outside cash limit variances £46k related to Concessionary Fares.</p> <p>Employees - (£87k) underspend - due to vacancies and reduced hours offsetting unallocated MTFP Saving £20k.</p> <p>Transport - (£26k) underspend - due mainly</p>		

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		<p>to vehicles being disposed of and not replacing old vehicle currently in use.</p> <p>Supplies & Services - (£52k) underspend - mainly due to (£35k) reduction in costs for DBS checks and (£13k) underspend on telephone costs.</p> <p>Third Party Payments - (£242k) underspend - mainly due to (£121k) underspend on Local Bus Services, (£75k) temporary services due to road closures and (£37k) underspend on concessionary fares.</p> <p>Income - (£120k) over-achievement - Reduced income £262k from recharge for Adult fleet and £37k for reduced DBS income, covered by (£396k) increased income from Bus and Rail contracts</p>	(481)	
	Care Connect	<p>Use of Earmarked reserve £75k for Home to Hospital contribution.</p> <p>Employees - (£133k) underspend - due mainly to vacant posts not being filled and control of overtime levels in service.</p> <p>Premises - (£8k) underspend - due to electricity saving.</p> <p>Transport - £7k overspend - due to increased dayworks charges on older vehicles prior to replacement.</p> <p>Supplies & Service - £35k overspend - due to £89k purchase/rental of additional equipment required being partly covered by reduced (£60k) underspend in CCTV general costs.</p> <p>Third Party Payments - (£53k) underspend - due to (£48k) decrease in costs in localities and (£5k) decrease in costs for CCTV.</p> <p>Central costs - £20k overspend - due to writing off of bad debts in year.</p> <p>Income - (£42k) over-achievement on income - Additional (£14k) income in CCTV, additional (£10k) in localities for additional Home to Hospital works over the winter period and some general additional income in Localities.</p>	(174)	(603)
Central	Corporate Director and Central Costs	Minor variances	(9)	(9)
TOTAL				(1,277)

Appendix 3: Capital Programme 2018-19

Scheme	Revised Annual Budget 2018/19 £'000	Actual Spend to 31 December £'000	Remaining Budget £'000
ECONOMIC DEVELOPMENT & HOUSING			
Durhamgate	2,871	2,762	109
Industrial Estates	2,856	2,296	560
North Dock Seaham	30	3	27
Office Accommodation	2,416	341	2,075
Town Centres	1,865	1,258	607
Minor Schemes	168	84	84
Disabled Facilities Grant / FAP	4,355	2,923	1,432
Housing Renewal	2,814	2,395	419
Chapter Homes	1,050	1,050	0
TOTAL ECONOMIC DEVELOPMENT & HOUSING	18,425	13,112	5,313
PLANNING & ASSETS			
Renewable Energy Schemes	385	405	(20)
Capitalised Structural Maintenance	5,150	4,235	915
North Pennines - Peatland	3,037	678	2,359
REAL – Beamish Project	3,683	1,016	2,667
REAL – Housing Development	435	132	303
Minor Schemes	50	26	24
Strategy and Programmes Minor Schemes	5,379	0	5,379
TOTAL PLANNING & ASSETS	18,119	6,492	11,627
TRANSPORT & CONTRACTED SERVICES			
Local Transport Plan	2,212	988	1,224
Transport Major Schemes	3,682	2,040	1,642
TOTAL TRANSPORT & CONTRACTED SERVICES	5,894	3,028	2,866
Total	42,438	22,632	19,806

(1) FAP – Financial Assistance Programme