

**Environment and Sustainable
Communities Overview and Scrutiny
Committee**



5 April 2019

**Regeneration and Local Services –
Quarter 3: Forecast of Revenue and
Capital Outturn 2018/19**

Report of Corporate Directors

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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 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 revenue underspend of £0.127 million, against a revised budget of £77.546 million.
- 4 The revised service capital budget is £34.773 million and this is forecast to be fully spent by year-end.
- 5 Details of the reasons for under and overspending against relevant budget heads is disclosed in the report.

Recommendation(s)

- 6 Environment and Sustainable Communities 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 - £77.546million
 - (b) Capital Programme – £33.357 million
- 8 The summary financial statements contained in the report cover the financial year 2018/19 and show: -
- (a) The approved annual budget;
 - (b) The forecast of 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

- 9 The service is reporting a cash limit underspend of **£0.127 million** against a revised budget of **£77.546 million**.
- 10 The following table shows the revenue outturn position analysed by Head of Service area.

Service Budget - Analysis by Head of Service £'000

Head of Service Grouping	2018/19 Budget £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – Transfers to / From Reserves £'000	Cash Limit Variance QTR3 £'000
Central Costs	1,774	1,774	0	0	0
Direct Services	45,476	45,688	211	(214)	(3)
Business Support	2,537	2,320	(217)	(10)	(227)
Culture & Sport	12,203	12,385	182	(60)	122
Technical Services	10,603	10,814	211	(170)	41
Environment, Health & Consumer Protection	4,953	4,920	(33)	(27)	(60)
NET EXPENDITURE	77,546	77,901	354	(481)	(127)

Cash Limit Outturn – Explanation of Over and Under Spending

- 11 The forecast revenue outturn for 2018/19 is under budget against the cash limit by £0.127 million, after taking account of the forecast use of reserves, and items outside the cash limit.
- 12 The main reasons accounting for the outturn position are shown below:
- Direct Services is forecast to be broadly break even, with a small £3,000 underspend forecast. There are overspends due to reduced income of £61,000 at the Joint Stocks landfill site, £22,000 additional business rates at the waste transfer stations and unachieved Fleet MTFP savings of £0.205 million. There are also unachieved Clean & Green MTFP savings of £73,000, a negotiated five year standby settlement with Refuse staff of £0.171 million, and overspends on Waste contracts of £0.316 million relating mainly to the downturn in the materials recycling market. These overspends are however largely offset by additional garden waste income of £0.259 million, that will help towards 2019/20 MTFP savings and £0.592 million additional income in Building Services due to additional construction works being secured.
 - Culture & Sport is forecast to overspend by £0.122 million. There has been additional income relating to a change in the VAT treatment of

Leisure income (£0.530 million), but this has been offset by budgetary pressures (£0.650 million) at the Gala Theatre, primarily linked to theatre and cinema income being below budgeted levels and a compensation to the third party contractor that operates Peterlee Leisure Centre. The compensation is as a result of an income shortfall due to refurbishment works at the facility.

- The Bowes Museum approached the Council for advances of £0.275 million to assist them with their cash flow in the current financial year. Discussions are on-going with the museum in relation to their future financial projections and their anticipated 2018/19 outturn.
- Technical Services is forecast to be £41,000 underspent. There is a net overspend of £0.451 million in Highways Services, which is a combination of an overspend of £1.282 million due to additional policy led expenditure on highways maintenance, mainly in relation to Category 1 and 2 defects and footway maintenance, offset by additional surpluses generated within Highways Services Trading Accounts of £0.831 million. Within Design Services and Project Management there is a net overspend of £41,000 due to reduced income that is partially offset by employee savings. Strategic Highways has a net underspend of £0.457 million due to employee savings of £0.364 million and additional income of £0.244 million that is partially offset by increased spend on professional fees and software costs. There is a net overspend of £7,000 on staff costs in other service areas.
- Business Support is forecast to be £0.227 million underspent due to savings on vacant posts and reduced hours and reduced hours and increased income, which is offsetting additional supplies costs;
- Environment, Health and Consumer Protection is forecast to underspend by £60,000. This is mainly due to a number of vacant posts resulting in an underspend of £66,000, £23,000 over achieved licensing income and a £31,000 underspend on transport. These underspends are partially offset by £60,000 costs relating to the Evenwood fire.

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

Capital Programme

14 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 **£33.357 million**.

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

Service	Original Annual Budget 2018/19 £000	Revised Annual Budget 2018/19 £000	Forecast Outturn 2018/19 £000	Variance 2018/19 £000
Direct Services	5,877	4,395	4,395	0
Culture & Sport	2,867	2,350	2,350	0
Technical Services	25,879	26,576	26,576	0
Environment, Health & Consumer Protection	150	36	36	0
Total	34,773	33,357	33,357	0

- 16 As at 31 March 2018, the capital programme for 2018/19 was £34.773 million. The capital budget has subsequently been adjusted at MOWG meetings during the year as a result of additional funding sources being identified, along with virements in to future years, and this has now resulted in a revised 2018/19 Capital Programme of £33.357 million. It is currently anticipated that the full budget of £33.357 million will be spent in 2018/19.

Background papers

- Cabinet Report (13 March 2019) – Forecast of Revenue and Capital Outturn 2018/19 – Period to 31 December 2018.

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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: Heads Of Service Analysis – Direct Services

	Variance	Explanation
Head of D Services	(15)	(£15k) underspend due to reduced hours for project officer and savings in supplies
Building & Facilities Mgt	(645)	(£396k) underspend on R&M Divisions due to additional small scale construction works (£198k) underspend on Construction divisions due to workload secured £13k overspend on Catering facilities (£24k) underspend on Cleaning due to additional contracts (£34k) underspend on FM vacant posts, currently being filled (£82k) underspend on FM utilities £57k overspend on closed buildings with surplus costs, (Stanhope TH, Claypath, Front St Stanley, Galgate, Cleversferye, Claire House, Croft St, Hopper) £19k overspend on increased security at County Hall
Clean & Green	33	£73k overspend due to under achieving on 18/19 MTFP savings (£14k) underspend on staffing mainly due to vacancies £41k overspend on premises mainly due to an increase in NNDR rates £71k overspend on subcontractors due to hire of tractor flails for adhoc work (£50k) underspend on supplies and transport mainly due to the reduction in the contract hire rate, stores and uniform purchases (£56k) underspend re Hawthorn Coke Works (last year) (£32k) underspend re unbudgeted Commuted Sums from developers
Depots	85	£38k overspend due to 2018/19 MTFP (£30k) saving on security not yet implemented £66k overspend due mainly to additional urgent repairs for Stainton Grove drainage (£58k) underspend on utilities £15k overspend following rent review at Beechburn, Crook £24k overspend on various other premises budgets, i.e. new refuse charge £9k
Fleet	291	£131k overspend due to 2018/19 MTFP restructure saving not yet identified £45k overspend due to 2016/17 MTFP Business Support saving not implemented (£106k) underspend on staffing due to staff turnover £221k under achieved income on day works, of which the £2.8m budget is a high level estimate of non-routine repairs
Neighbourhood Protection	48	£41k overspend on ASB, mainly for honoraria and staff cover arrangements £15k overspend on pest control, mainly due to under-achieved external income and 3% staff turnover costs. (£8k) underspend on other areas
Refuse & Recycling	80	£150k overspend on staffing mainly due to £127k standby payments for 5 years for Catch Up days £29k overspend on transport costs mainly due to increased fuel costs in year (£12k) underspend on general premises, supplies and contracted services (£112k) over-achievement on income, due mainly to additional Trade Waste income £25k overspend on Waster Transfer Stations
Strategic Waste	121	19/20 Savings Achieved (£259k) underspend on Garden Waste, (£71k) on treatment contract and (£181k) over-achieved income Other (£80k) underspend on Garden Waste, (£26k) agency and (£54k) supplies £31k overspend on business rates at Joint Stocks £316k overspend on contracts, (£28k) underspend on residual waste, £147k overspend on haulage, £43k overspend on HWRC, £202k overspend on MRF, (£48k) underspend on Leachate, power generation maintenance and other contracts £50k overspend on Stainton Grove site, opening in Q4 £30k under-achievement on power generation income at Joint Stocks due to issues with gas capacity and efficiency of the machines £31k under achievement on income from commercial trade customers and soil imports Note: Potential penalty of £100k not built into outturn re high contamination levels
TOTAL	(2)	

Appendix 2: Heads Of Service Analysis – Culture & Sport

	Variance	Explanation
Culture & Sport Management	0	
Service Development	691	(15k) underspend on SD Management employees. 428k overspend SD Place & Experience mainly due to Events and Gala cost centres partially offset by minor savings in Community Arts (90k) underspend in SD Wellbeing arising from staff vacancies. (17k) under budget in SD Growing & Learning due to the maternity cover for a museums and collections manager offset by a number of smaller savings across the service. (21k) SD Growing & Learning EFP due to additional income projected on Prison contracts. 371k overspend in SD Improvement & Development mainly due to compensation for income shortfall at Peterlee LC during improvement works.
Locality Delivery- Mgt	(49)	(49k) underspend in Locality Management due to a Service Manager vacancy.
Locality 1	(248)	23k Locality 1 - overspend at Killhope mainly due to under achieved income. (205k) Locality 1 - under budget on L1 Leisure Centres largely due to over-achieved income (VAT) and reduced Premises costs. (66k) Locality 1 - (44) saving on L1 Libraries and Bishop Auckland Town Hall mainly due to lower than expected staff costs.
Locality 2	(181)	(144k) Locality 2 underspend due to over-achieved income (VAT) and reduced Premises costs. (16k) Locality 2 -overspend at Hardwick Park offset by one off income at Wharton Park. (21k) saving on Libraries mainly due to reduced Premises and Supplies costs
Locality 3	(165)	(191k) Locality 2 underspend due to over-achieved income (VAT) and reduced Premises costs. (11k) Locality 3 - minor overspends across a number of Libraries. 15k Locality 3 - overspend on Gala cost centres mainly due to additional Employee costs and reduced income projections offset by minor savings at Durham Town Hall.
Derwentside Culture & Sport	74	£74k overspend on employee costs
TOTAL	122	

Appendix 2: Heads Of Service Analysis – Technical Services

	Variance	Explanation
Head of Technical Services	7	Minor overspend on Employees re turnover savings.
Design - PPM	(91)	Underspend of (107) on Employees and Agency and Transport due to vacancies offset by reduced recharge income of 16.
Design - Building Services	132	Underspend of (162) on Employees and Agency due to vacancies offset by reduced income of 90 and net overspends of 204 on Supplies and other for transport and additional consultant fees and software.
Highways Services Trading	(831)	Additional income of (5,319) generated by trading activities in Highways, Street Lighting and Commercial Group, offset by additional related cost of sales of 4,488 on Employees, Supplies and Agency.
Highways Services Non-Trading	1,282	Overspend of 1,282 on Highways Services Revenue for additional scheduled work on Category 1 and 2 highways repair work, street lighting cable testing and other non-trading service areas. Overspends to be offset by additional surplus on trading activities.
Strategic Highways	(457)	Underspend of (364) on Employees due to vacancies and reduced hours in Road Safety, Traffic, Drainage and Asset Management, offset by additional overtime and agency staff.
		Net overspend of 43 on Premises across all service areas including electricity costs.
		Overspend of 20 on Supplies and Services for 20mph zones Road Safety educational work, DEFRA grant funded drainage work, uniforms, professional fees and ICT costs, offset by savings on printing, equipment and other costs.
		Overspend of 105 on Agency. Additional spend of 27 on Section 38 supervision and rechargeable works in Asset Management. Additional spend of 59 on consultants and rechargeable works in Traffic & Street Works. Additional spend of 25 on contractors in Drainage and saving of (6) in other service areas.
		Underspend of (17) on Transport largely in Traffic & Street Works.
		Additional Income of (244). Drainage additional SUDS and planning fees of (68). Traffic & Street Works additional network charges of (41). Asset Management additional Section 38 income of (100). Road Safety and Structures additional recharges of (21). Street Lighting additional SLA income of (14).
TOTAL	42	

Appendix 2: Heads Of Service Analysis – Other Costs

	Variance	Explanation
Business Support	(227)	Underspend of (216) on Employees and Transport due to current vacancies and reduced hours plus increased income of (66) from recharges and other income offsetting additional Supplies costs of 55.
NS Central Costs	0	Nil net spend on central costs.
RED Central Costs	(10)	Small underspend of (10) on central costs.
TOTAL	(237)	

Appendix 2: Heads Of Service Analysis – EHCP

	Variance	Explanation
Head of EHCP	3	Minor Variance
Consumer Protection	30	(£102k) underspend on staff due to vacant posts and staff not working full time (£9k) underspend on rates and repairs costs in relation to Markets £34k overspend on supplies and services mainly due to legal fees and forensic exam costs £107k under achievement on income, which is a historical issue
Health Protection	(58)	(£8k) underspend on staffing (£12k) underspend on transport costs (£15k) underspend on general supplies and services such as telephones and sampling budgets (£23k) over achieved income on income due to the new animal licencing regime, £8k is offset by the new Community and Animal Health Inspector post
Environmental Protection	(35)	£41k overspend on employees, mainly due to unachieved 3% efficiency savings (£8k) underspend on general transport £39k overspend on supplies, mainly due to Evenwood Fire (£107k) over-achievement on income, due to additional £9k HMO licencing income, £40k secondary HMO licencing income and an additional £40K internal contribution
TOTAL	(60)	