

Economy and Enterprise Overview and Scrutiny Committee

24 September 2019



Regeneration and Local Services (Regeneration and Economic Development) – Quarter 4: 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 outturn position for this service area highlighting major variances in comparison with the budget as at 31 March 2019.

Executive summary

- 2 This report provides an overview of the final outturn position as at 31 March 2019. It provides an analysis of the budgets and 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 an underspend of £1.481 million, against a revised budget of £58.079 million.
- 4 The revised service capital budget is £42.438 million with expenditure of £31.930 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 - £58.079 million (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 +£276,000
- Use of Cash Limits – Economic Devpt. & Housing +£114,000
- Use of Cash Limits – Transport & Contracted Services +£90,000
- Use of Cash Limits – Planning & Assets +£245,000
- Use of Selective Licensing Reserve +£59,000
- Use of Planning Reserve +£40,000
- Use of Funding & Programmes Reserve +£30,000
- Use of Match Fund Reserve +£215,000
- Use of Economic Employability Reserve +£9,000
- Transfer to International Relations Reserve -£9,000
- Transfer to Housing Solutions Reserve -£43,000
- Use of Warm and Healthy Homes Reserve +£51,000
- Use of Welfare Assistance Reserve +£125,000
- Use of Business Durham Programme Reserve +£5,000
- 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 +£900,000
- 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

- Use of Care Connect Reserve +£75,000
- Reduction in Concessionary Fares -£45,000

9 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.

Revenue Outturn 2018/19

10 The service is reporting a cash limit underspend of **£1.481 million** against a revised budget of **£58.079 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	Actual £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – Transfers to / From Reserves £'000	Cash Limit Variance QTR4 £'000	MEMO: Cash Limit Variance QTR3 £'000
Employees	29,401	29,141	(260)	(502)	(762)	(755)
Premises	6,635	5,552	(1,083)	1,062	(21)	136
Transport	803	891	88	(1)	87	28
Supplies and Services	10,719	11,100	381	1,526	1,337	1,907
Agency and Contracted	19,421	20,242	821	97	918	1,018
Central Costs	39,993	31,414	(8,579)	8,984	405	348
GROSS EXPENDITURE	106,972	98,341	(8,631)	11,166	2,535	2,112
INCOME	(48,893)	(60,258)	(11,365)	7,350	(4,015)	(3,389)
NET EXPENDITURE	58,079	38,083	(19,996)	(18,515)	(1,481)	(1,277)

Service Budget - Analysis by Head of Service £'000

Head of Service Grouping	2018/19 Budget £'000	YTD Actual £'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	245	26	2	28	1
Economic Development & Housing	6,014	18,791	12,777	(12,604)	173	149
Planning & Assets	4,261	6,127	1,866	(2,783)	(917)	(814)
Transport & Contracted	3,829	3,967	138	(926)	(788)	(603)
Central Managed Costs	43,755	8,953	(34,802)	34,826	24	(10)
NET EXPENDITURE	58,079	38,083	(19,996)	(18,515)	(1,481)	(1,277)

Cash Limit Outturn – Explanation of Over and Under Spending

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

- (a) Transport was £0.788 million underspent. This is mainly due to underspends in Sustainable Transport (£0.659 million) which include MTFP savings of £0.247 million in 2019/20 made early, efficiency savings and increased income in Care Connect (£43,000), and increased parking income within Strategic Traffic (£0.126 million).
- (b) Planning and Assets was £0.917 million underspent, mainly resulting from additional planning fee income of £737,000, staffing underspends of £181,000 due to delays in filling vacant posts, additional income of £92,000 at Freemans Hydro and £124,000 further income received within Assets. 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 £112,000 for the 'Powered by People' campaign.

(c) Economic Development and Housing was overspent by £0.173 million. Within this overall position, Business Durham was underspent by £0.229 million in the year due to a net increase in rental income and reduced costs; this surplus will be taken to an earmarked reserve to provide additional resources for business growth projects, leaving a net nil balance. Economic Development was overspent by £0.192 million, largely on the employment & skills contract, due to less than expected outcome payments. Housing Solutions was underspent by £0.197 million in the year, due to savings on staff, savings on GRT site costs, and additional income in Housing Initiatives; this surplus will be taken to an earmarked reserve to provide additional resources for important initiatives relating to preventing homelessness, leaving a net nil balance. Physical Development is overspent by £15,000 due to additional project development costs. There are combined net underspends on staff in other service areas of £34,000.

- 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 is shown below.

Service	Original Annual Budget 2018/19 £000	Revised Annual Budget 2018/19 £000	Actual Spend to 31 March £000	Remaining Budget £000
Economic Dev & Housing	25,676	18,425	16,282	2,143
Planning & Assets	18,001	18,119	9,401	8,718
Transport & Contracted	13,155	5,894	6,247	(353)
Total	56,832	42,438	31,930	10,508

18 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the year amounts to **£31.930 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 Structural Capitalised Maintenance (£5.477 million), Major Transport Schemes (£4.332 million) and Disabled Facilities Grant payments (£3.990 million).
Background papers

- Cabinet Report (10 July 2019) –Revenue and Capital Outturn 2018/19 – Period to 31 March 2019.

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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: Revenue Budget Variances – Outturn 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.	(19)	
	Physical Development	There is a net overspend of 15k on professional fees and project development costs offset by additional recharge income and staff savings.	15	
	Visit County Durham	(15k) VCD - Miscellaneous underspends on Supplies for marketing, development and delivery.	(15)	
	Business Durham	<p>Business Durham has a net nil budget projected.</p> <p>(39k) Business Space Mgmt & Admin - Underspend on Staff re vacancies</p> <p>121k Business Space South - Underspend on industrial sites of (128k) due to underspend on Premises (108k) Income (33k) and bad debts (4k) offset by overspend on Supplies 17.</p> <p>Overspend on Salvus House of 249k due to under recovered income.</p> <p>(16k) Business Space Dales - Overspend on Staff 13k and Supplies 4k offset by underspend on Transport (3k) and over recovered Income for sales and rentals (30k).</p> <p>55k Business Space North - Overspend on Premises 182k due to refurbishment works at Derwentside Business Centre and Stella Gill offset by reduced debt written-off (12k) and over recovered income of (115k).</p> <p>(280k) Business Space NETPark - Underspend on Premises (7k) and Supplies (142k) due to surplus budget allocated here and over recovered rental income (131k) at Institute, Explorer 1 & 2 and Plexus 1 & 2.</p> <p>(50k) Business Growth - Underspend on Staff due to restructure and vacant posts and reduced marketing spend.</p> <p>(106k) Business Development - Underspend on Staff due to restructure and vacant posts and reduced Supplies spend.</p> <p>86k Business Durham Corporate - Overspend on Supplies 52k and unallocated MTFP savings 34k.</p> <p>229k Business Durham net underspend at Q3 and Q4 taken to reserve..</p>	0	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
	Economic Development	<p>220k Durham Employment & Skills (DES) - Under recovered income of 267k on Work & Health Programme REED Contract caused by contract implementation delays and reduced outcome payments. Under recovered income of 182k on Organisational Training & Development due to loss of Apprenticeship Levy income. Under recovered income in SSU, Work Programme Consett and other areas of 113k. Offset by net underspend of (34k) on miscellaneous variances offset by Staff vacancy savings of (205k) and Employability Reserve applied of (103k).</p> <p>(26k) Employability - Underspend due to vacant substantive post and additional Durhamworks income.</p> <p>32k Economic Development Management - Overspend on Groundwork match funding for Environment Taskforce.</p> <p>(37k) Community Economic Development - Underspend due to vacant post.</p> <p>3k International Relations - minor variance.</p>	192	
	Housing Solutions	<p>Housing Solutions has a net nil budget position.</p> <p>149k Management & Admin - Staff vacancy savings (77k) offset by overspends on Transport 23k and Supplies 44k. Also Q3 transfer to reserve of 159k.</p> <p>(140k) GRT Sites - Underspends on Premises (57k) and Supplies (40k) and over recovered income (43k).</p> <p>(41k) Improvement - Underspend of (41k) due to increased income from Darlington HIA and Landlord Accreditaion service.</p> <p>(60k) Initiatives - Underspend of (60k) on Prevention Grant offsets expenditure on core staff plus underspends on HTASS and Homeless Support Grant.</p> <p>92k Activities - Overspend largely on Bed & Breakfast accommodation.</p>	0	173

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
Spatial Policy, Planning Assets & Environment	Head of SPPAE	£112k Inward Investment Brand Development (Powered by People) £55k Corporate Property Health Check £50k one off transfer to Culture & Sport re: Archaeology at Bowes Museum £16k funding of two posts £23k Milburngate Bridge advice	256	
	Spatial Policy	Minor variances across service	(2)	
	Planning Development	19/20 Savings Achieved (£240k) overachieved income in Planning fees Other (£410k) further underspend on Planning Development - over-achieved income (£737k), less £240k savings above, offset partially by £200k contributions to other services from planning fee increase, £10k supplies (inc dispute settlement at Ouston) and (£124k) staffing underspends (£209k) underspend on Building Control - (£92k) staffing, delays filling vacancies, supplies & services etc (£42k) & over-achieved income (£75k). (£42k) underspend on Business Dev Support, mainly staffing £57k overspend on Dangerous Structures re Waldrige Club (charge placed on land) (£21k) underspend on Appeals	(865)	
	Environment & Design	£35k Landscapes - overspend re: under-achieved income of £15k & £20k re: FBRG grants not claimed in 17/18 (from cash limits - agreed by Head of Service). (£36k) Design & Conservation - underspends on supplies & services and delay in filling vacant post. £0k Sustainability - underspends re: additional grant income for REBUS/LOCARBO added to reserve for future match-funding purposes. (£7k) Ecology - over-achieved survey income. £14k Heritage Coast - overspend relates to ineligible items for grant claims (may be recovered in 19/20).	6	
	Assets	£58k overspend on staffing due to 14 additional fixed term posts, part offset by vacancies (£80k) additional income in Asset Management, £40k from CDHG but not forecast (£35k) underspend at The Tommy Armstrong Centre where lease has now expired (£53k) underspend North Road Durham, no response if to be repaid to MHCLG (£92k) underspend on Freemans Hydro, (£35k) additional income and (£58k) repairs		

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		<p>budget not needed (£14k) additional income at Freemans Reach £82k overspend at Northumbria House, Waterstones moving in but 1 year rent free (£23k) underspend at Priory House. Tenant had rent free period but will be start paying from 08/02/2019 (full year income will be £94k) (£97k) underspend on Surplus Property, (£40k) utilities and (£57k) additional unknown income £40k overspend Property Surveys, inc £34k Tech Serv design fees on £70k spend £36k overspend on Reclamation sites, £15k repairs and £18k compensation £20k overspend elsewhere across the service</p>	(158)	
	Strategy Policy Partnerships & Support	<p>(£105k) underspend on staffing due to delays in recruiting to two new posts and a vacant post (£23k) underspend on Income re: secondment to NECA to end of July (£26k) underspend on training and supplies</p>	(154)	
	Funding and Programmes	No variance	0	(917)
Transport	Management	16k Minor variance pending a re-allocation of savings	16	
	Strategic Transport	<p>Creation of Earmarked Reserve for Rights of Way (£140k), Employees - (£12k) underspend - due to vacant posts, reduced hours and flexible retirement offsetting vacancy savings and MTFP Premises - (£56k) underspend - £44k overspend on rates, offset by savings on repairs (£29k), (£8k) underspend on Electricity and (£54k) underspend on Water charges. (£9k) underspends on other utilities, cleaning and rents Transport - £49k overspend - due to fleet system charges, budgets to be realigned for 19/20 Supplies and Service - £249k overspend - due mainly to cost for traffic signals, communication devices & computer equipment. Plus costs for Claypath TM and Bus Shelters. Third Party Payments - £311k overspend - mainly due Scarlet band contract increase £89k and NSL minimum wage £30k. £66k overspend on contract costs at Park & Ride Costs for reimbursements & Operation of sites.</p>	38	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		<p>£64k overspend on Parking Shop for Reimbursements. £25k overspend on Rights of Way Footpath maintenance. £14k overspend on Bus Shelters. £6k overspend on computer costs in Traffic Highways Development.</p> <p>Central Support - (£25k) underspend - Related to recharge for winter maintenance for on-off street Parking</p> <p>Income - (£564k) over-achievement on income - mainly due to (£222k) on and off street parking income. Additional (£32k) income from Park & Ride. Additional (£156k) income from enforcements. (£13k) additional income on Bus Shelters and Bus Stations. Additional (£70k) for income in relation to Traffic Signals. Additional (£50k) income in Traffic mainly from Recharges. Plus additional (£19k) from various income across the service.</p>		
	Sustainable Transport	<p>Employees - (£87k) underspend - due to vacancies and reduced hours offsetting unallocated MTFP Saving £20k.</p> <p>Transport - (£37k) underspend - due mainly to vehicles being disposed of and not replacing old vehicle currently in use.</p> <p>Supplies & Services - (£72k) underspend - mainly due to (£39k) reduction in costs for DBS checks, (£10k) underspend on Information to the Public and (£14k) underspend on telephone costs and other general underspends (£9k) across the service.</p> <p>Third Party Payments - (£135k) underspend - mainly due to (£139k) underspend on Local Bus Services.</p> <p>Central Service - £132K overspend - Related to recharge around Adult/RED Fleet to Bus & Rail Services</p> <p>Income - (£352k) over-achievement - Reduced income £136k from recharge for Adult fleet and £31k for reduced DBS income, covered by (£290k) increased income from Bus and Rail contracts. (£212k) additional income from recharge for Concessionary Fares. And some general over-recoveries (£27k) across the service.</p>	(481)	
	Care Connect	<p>Use of Earmarked reserve £67k for Home to Hospital Additional, Raizers, Falls Pilot and OT. Repayment (£75k) to reverse drawdown in Q3 and Additional (£65k) reserve created for Equipment replacement.</p> <p>Employees - (£139k) underspend - due mainly to vacant posts not being filled and control of overtime levels in service.</p> <p>Transport - £51k overspend - increased</p>	(174)	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		<p>dayworks charges on older vehicles prior to replacement & spot hire charges.</p> <p>Supplies & Service - £207k overspend - due to £214k purchase/rental of additional equipment, £7k overspend on advertising, £31k overspend on mobile devices and line rental costs and general overspends (£13k) across the service. Offset by (£57k) underspend on telephone related costs in CCTV.</p> <p>Third Party Payments - (£76k) underspend - £50k decrease in costs in localities and (£26k) underspend for CCTV.</p> <p>Income - (£13k) over-achievement on income - Additional (£14k) income in CCTV, & £1k under-recovery across localities.</p>		(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 March £'000	Remaining Budget £'000
ECONOMIC DEVELOPMENT & HOUSING			
Industrial Estates	2,871	2,871	0
Durhamgate	2,856	3,023	(167)
North Dock Seaham	30	30	0
Office Accommodation	2,416	505	1,911
Town Centres	1,865	1,857	8
Minor Schemes	168	168	0
Disabled Facilities Grant / FAP	4,355	3,990	365
Housing Renewal	2,814	2,788	26
Chapter Homes	1,050	1,050	0
TOTAL ECONOMIC DEVELOPMENT & HOUSING	18,425	16,282	2,143
PLANNING & ASSETS			
Renewable Energy Schemes	385	466	(81)
Capitalised Structural Maintenance	5,150	5,477	(327)
North Pennines - Peatland	3,037	1,407	1,630
REAL – Beamish Project	3,683	1,392	2,291
REAL – Housing Development	435	500	(65)
Minor Schemes	50	109	(59)
WCTC	0	50	(50)
Strategy and Programmes Minor Schemes	5,379	0	5,379
TOTAL PLANNING & ASSETS	18,119	9,401	8,718
TRANSPORT & CONTRACTED SERVICES			
Local Transport Plan	2,212	1,917	295
Transport Major Schemes	3,682	4,332	(650)
CCTV	0	(2)	2
Minor Schemes	6	0	6
TOTAL TRANSPORT & CONTRACTED SERVICES	5,894	6,247	(353)
Total	42,438	31,930	10,508

(1) FAP – Financial Assistance Programme