

Economy and Enterprise Overview and Scrutiny Committee

24 September 2019



Regeneration and Local Services (Regeneration and Economic Development) – Quarter 1: Forecast of Revenue and Capital Outturn 2019/20

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 1 (30 June 2019).

Executive summary

- 2 This report provides an overview of the updated forecast of outturn, based on the position at quarter 1, 2019/20. 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 £0.820 million, against a revised budget of £59.407 million.
- 4 The revised service capital budget is £67.092 million with expenditure to 30 June of £5.671 million.
- 5 Details of the reasons for under and overspending against relevant budget heads are 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 2019/20 at its meeting on 20 February 2019. 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 - £59.407 million (original £61.069 million)
 - (b) Capital Programme – £67.092 million (original £65.238 million)
- 8 The original service budgets have been revised in year to incorporate a number of budget adjustments as follows:
- Transfer of Business Support -£1,856,000
 - Auto Enrolment into the LGPS +£194,000
- 9 The summary financial statements contained in the report cover the financial year 2019/20 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 2019/20

- 10 The service is reporting a cash limit underspend of **£0.820 million** against a revised budget of **£59.407 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

	2019/20 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 QTR1 £'000
Employees	39,584	9,779	39,324	(260)	(236)	(496)
Premises	12,824	4,463	12,562	(261)	0	(261)
Transport	1,409	329	1,434	24	0	24
Supplies and Services	11,385	2,566	14,071	2,686	(369)	2,317
Agency and Contracted	26,857	7,221	29,076	2,218	(91)	2,127
Central Costs	45,198	74	45,337	139	0	139
GROSS EXPENDITURE	137,257	24,432	141,804	4,547	(697)	3,849
INCOME	(77,851)	(18,370)	(81,860)	(4,009)	(660)	(3,389)
NET EXPENDITURE	59,407	6,062	59,944	537	(1,357)	(820)

Service Budget - Analysis by Head of Service £'000

Head of Service Grouping	2019/20 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 QTR1 £'000
Corporate Director	192	56	195	3	0	3
Development & Housing	6,249	1,837	7,583	1,334	(1,238)	96
Business Durham	55	1,154	(69)	(124)	(120)	(244)
Corporate Property and Land	619	842	52	(567)	0	(567)
Transport & Contracted	2,320	2,066	2,222	(98)	0	(98)
Central Managed Costs	49,972	107	49,961	(11)	0	(11)
NET EXPENDITURE	59,407	6,062	59,944	537	(1,357)	(820)

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 £0.098 million underspent This is mainly due to underspends in Sustainable Transport (£0.118 million) due reduced costs on local bus routes and the replacement of less economic buses and efficiency savings in Care Connect (£0.184) million, offset by anticipated traffic management costs and reduced parking income (£0.225m).
- Corporate Property and Land is forecast to be £0.567 million underspent. This is mainly due to savings from vacant posts (£0.257m), an underspend on utilities of £0.231 million and additional workloads in Building Services producing an extra £0.194 million income. This is offset by an £80,000 overspend on the Catering service and £35,000 unachieved MTFP savings. The staffing structure within this newly created service is currently being reviewed by the recently appointed Head of Service.
- Development and Housing is forecast to be overspent by £0.096m. This is mainly due to Durham Employment & Skills (DES) forecasting an overspend of £0.411m due to under recovered contract income. This is partially offset by additional planning fee income of £0.157m, and an underspend in Housing Solutions of £0.195m.
- Business Durham is forecast to be £0.244m underspent. There is increased contract income of £0.027m in Operations and minor miscellaneous savings of £0.006m in Corporate and Innovation & Marketing. Business Space has an underspend of £0.211m due to increased income across industrial estates and other trading areas.

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 2019/20 which amount to £0.487 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 2018/19. This increased the 2019/20 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 **£67.092 million**.
- 17 Summary financial performance to the end of June is shown below.

Service	Original Annual Budget 2019/20 £000	Revised Annual Budget 2019/20 £000	Actual Spend to 30 June £000	Remaining Budget £000
Development and Housing	22,363	23,006	2,754	20,252
Business Durham	13,597	13,991	373	13,618
Corporate Property and Land	8,678	8,500	1,926	6,574
Transport & Contracted Services	20,600	21,595	618	20,977
Total	65,238	67,092	5,671	61,421

- 18 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 3 months amounts to **£5.671 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 Disabled Facilities Grant payments (£1.030 million) and Structural Capitalised Maintenance (£1.152 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 (11 September 2019) – Forecast of Revenue and Capital Outturn 2019/20 – Period to 30 June 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 – Quarter 1 2019-20

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
Development & Housing	Head of Development & Housing	<p>£45k Funding Local Plan x2 temp posts G4 & G8</p> <p>£30k BDS - Temp post re: land registry project (18 months); Local Plan - estimate of 2019/20 expenditure - TBC; Planning - Legal Advice re state aid - (affordable housing S106) - TBC; SPD - Supplies budget (provisionally agreed at £50k per year) - TBC.</p> <p>£24k Funding for NPP apprentices and subscriptions in supplies.</p> <p>£8k Overspend on staff re efficiency saving.</p>	107	
	Planning Development	<p>(£97k) underspend on Planning Development - over-achieved income (£157k); partially offset by £37k overspend on staff (note - historic saving lost re transfer of vacancies to Business Support); saving of (£2k) on car allowances; overspend of £25k on supplies and agency largely relating to professional fees.</p> <p>(£52k) underspend on Planning Appeals due to savings in supplies on legal and professional fees.</p> <p>(£53k) underspend on Building Control - (£59k) staffing, delays filling vacancies; (£8k) saving on car allowances; (£24k) saving on supplies and agency; £37k loss on under recovered income re latest projection.</p> <p>£58k overspend on Dangerous Structures re miscellaneous repairs.</p>	(144)	
	Spatial Policy	Small staff saving re pension budget.	(5)	
	Economic Development	<p>£411k Durham Employment & Skills over budget due to £173k overspend on Work & Health programme contract due to under recovered income; also £247k overspend on SSU and Work Programme due to under recovered income. Staff saving 9k due to pension budget.</p> <p>(£12k) Employability under budget due to staff saving on vacancy.</p> <p>(£11k) Community Econ Dev under budget due to staff saving on secondments.</p> <p>(£11k) International Relations under budget due to staff saving.</p>	377	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
	Physical Development	Small saving re pension budget.	(6)	96
	Housing Solutions	<p>(£66k) Core Funded under budget (£91k) staff saving re vacancies offset by £25k overspend on transport and supplies.</p> <p>(£84k) GRT Sites underspend largely on premises costs.</p> <p>(£49k) Housing Improvement staff saving and over achieved income from Darlington HIA contract.</p> <p>£39k Activities overspend mainly due to bed & breakfast costs and Out of Hours contract costs.</p> <p>(£35k) Housing Initiatives saving on staff, supplies and additional fee income.</p>	(195)	
	Strategy & Project Development	<p>(£32k) underspend on staffing due to delays in recruiting to vacant post;</p> <p>£3k overspend on pool cars;</p> <p>£26k overspend on supplies on legal and other professional fees;</p> <p>(£35k) over achieved income.</p>	(38)	
	Funding and Programmes	No variance	0	
	Business Durham	Operations	(27k) Operation - Underspend is additional income from DIT KAM contract.	
	Corporate Costs	(4k) Corporate - Overspend on Cricket Box to be met from Real cash limit and minor variance on supplies.	(4)	
	Innovation and Marketing	(2k) Innovation & Marketing - minor variance.	(2)	
	Business Space	<p>25k Business Space Mgmt & Admin - Overspend of 26k on Staff re apprentice post and efficiency saving not met and overspend of 19k on supplies, offset by (20k) additional pension budget.</p> <p>(16k) Business Space South - Underspend on industrial sites of (123k) due to underspend on Premises (84k) and additional Income (39k). Offset by overspend on Salvus House of 107k due to under recovered income.</p> <p>(24k) Business Space Dales - over recovered Income for sales and rentals.</p>		

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		<p>(94k) Business Space North - Overspend on Premises 80k due to refurbishment works at Derwentside and Tanfield Business Centres offset by over achieved income of (174k).</p> <p>(102k) Business Space NETPark - Overspend on Premises 50k and Supplies 14k offset by over recovered rental income of (166k) across all sites.</p>	(211)	(244)
Corporate Property & Land	Head of CPAL	(£43k) underspend on staffing due to postholder starting mid year	(43)	
	Assets	<p>(£26k) underspend on Staffing - 7 vacancies, There are 11 unbudgeted temporary staff, offset by 6 vacant posts and a number of posts where staff are working reduced hours</p> <p>(£20k) underspend re rent of land North Bondgate as lease has been surrendered</p> <p>(£50k) underspend for unbudgeted rental income in Assets General</p> <p>£41k overspend on Surveyor Fees income based on 19/20 disposal programme</p> <p>£116k overspend at North Road Durham due to previous years' rental income to be paid to HCA</p> <p>(£24k) underspend at Millennium Square for unbudgeted rent received from tenant</p> <p>£25k overspend on Property Surveys which have also overspent in previous years</p> <p>(£60k) underspend on Freemans Hydro scheme repairs</p> <p>£28k overspend at Northumbria House where tenant receiving rent free period until Sept 19</p> <p>(£96k) underspend at Priory House, receiving income which is not budgeted for</p> <p>(£29k) underspend on Reclamation Sites where income was previously coded to Surplus Property</p> <p>£15k overspend on various other premises/ supplies and services</p>	(80)	
	Buildings & Facilities Management	<p>(£22k) underspend on R&M</p> <p>(£126k) underspend on Construction</p> <p>Financial results are encouraging however more work is required to justify the divisional outputs in both Construction & R&M service. In Construction the main issue is the lack of a works programme for each division for the second half of the year. In R&M the income levels require analysis to ensure that the labour resources are working to their assessed capacity.</p> <p>£35k overspend on unachieved MTFP savings</p> <p>(£14k) underspend in Business Development re maternity leave</p>		

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		<p>(£32k) underspend in Compliance due to a general saving of £14k on supplies budgets; a £52k overachievement of income for SLAs; a £35k overspend on staffing re Apprentices</p> <p>(£17k) staffing underspend due to vacant posts mid year, partially offset by agency</p> <p>£46k overspend on closed buildings (Stanhope Town Hall, Claypath, Front St Stanley, Clevesferye, Croft St, Hopper House)</p> <p>(£10k) underspend at Cuthbert resource centre, lease ended but retained budget</p> <p>(£231k) underspend on utilities</p> <p>(£25k) underspend re additional income for 02 mast at County Hall</p> <p>(£11k) underspend on other areas FM</p> <p>£80k overspend in Catering confirms the need to revise the model to operate as the County Hall shop does currently.</p> <p>£25k overspend in Cleaning due to unachievable staff turnover savings.</p>	(302)	
	Building Design	<p>(£180k) underspend forecast on staffing this is due to vacant posts.</p> <p>£38k overspend on Supplies which is not forecast to generate additional income</p>	(142)	(567)
Transport	Management	(17k) Minor variance across the area.	(17)	
	Strategic Transport	<p>Employees - 55k overspend - Predominantly staff turnover savings requirement £52k, some other minor overspends across the service</p> <p>Premises - (£43k) underspend - £44k overspend on rates, offset by savings on repairs (£7k), (£22k) underspend on Electricity and (£52k) underspend on Water charges. Plus some minor underspends across the service</p> <p>Transport - £23k overspend - due to overspend on repairs to bus shelters</p> <p>Supplies and Service - £172k overspend - Additional £150k spend on providing parking & traffic control anticipated, £10k overspend on events security, £18k overspend communication devices and computer software. Plus some minor underspends across the service.</p> <p>Third Party Payments - (£63k) underspend - (£20k) underspend on Park & Ride sites. (£32k) underspend on On & Off Street parking. Plus some additional small underspends on Bus Stations.</p> <p>Central costs - £3k overspend - due to recharges for CCTV.</p> <p>Income - £74k under-achievement - mainly due £138k reduced income in On & Off Street</p>	221	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		parking, £75k related to closure of Sands Car Park in quarter 4. Offset by additional (£68k) income from Traffic Signals, plus some minor variances across the service		
	Sustainable Transport	<p>Employees - (£95k) underspend - due to vacancies in Adult Fleet and reduced hours across service.</p> <p>Transport - (£62k) underspend - due mainly to vehicles being disposed of and not replacing old vehicle currently in use.</p> <p>Supplies & Services - (£63k) underspend - mainly due to (£9k) reduction in costs for DBS checks, (£19k) underspend on Printing and (£24k) underspend on telephone costs and other general underspends across the service.</p> <p>Third Party Payments - (£98k) underspend - mainly due to (£107k) underspend on Local Bus Services and some general overspends across the service.</p> <p>Income - £200k under-achievement - Reduced income £167k from recharge for Adult fleet (because of underspends on employees and other budgets) and £38k less income from DfT for Rural Bus Services, and some general over-recoveries across the service.</p>	(118)	
	Care Connect	<p>Employees - (£122k) underspend - due mainly to vacant posts not being filled and control of overtime levels in service.</p> <p>Premises - (£12k) underspend - due to electricity saving.</p> <p>Transport - £32k overspend - due to increased dayworks charges on older vehicles prior to replacement and spot hire charges.</p> <p>Supplies & Service - (£67k) underspend - due mainly to (£60k) underspend on mobile devices and line rental costs and general overspends underspends in the service.</p> <p>Third Party Payments - (£32k) underspend - due to (£12k) decrease in costs in localities and (£20k) underspend in costs for CCTV.</p> <p>Central costs - £7k overspend - due to writing off of bad debts in year.</p> <p>Income - £10k under-achievement on income - Additional (£5k) income in CCTV offsetting reduced £15k income across localities.</p>	(184)	(98)
Central	Corporate Director and Central Costs	Minor variances	(8)	(8)
TOTAL				(820)

Appendix 3: Capital Programme 2019-20

Scheme	Revised Annual Budget 2019/20 £'000	Actual Spend to 30 June £'000	Remaining Budget £'000
DEVELOPMENT & HOUSING			
North Dock Seaham	50	0	50
Office Accommodation	2,955	324	2,631
Town Centres	3,919	671	3,248
Minor Schemes	168	0	168
Disabled Facilities Grant / FAP	4,621	1,030	3,591
Housing Renewal	1,403	419	984
Housing Development	3,435	110	3,325
Chapter Homes	6,355	200	6,155
Strategy and Programmes Minor Schemes	100	0	100
TOTAL DEVELOPMENT & HOUSING	23,006	2,754	20,252
BUSINESS DURHAM			
Industrial Estates	13,991	373	13,618
TOTAL BUSINESS DURHAM	13,991	373	13,618
CORPORATE PLANNING AND LAND			
Structural Capitalised Maintenance	5,450	1,152	4,298
Minor Schemes	50	50	0
REAL – Beamish Project	3,000	724	2,276
TOTAL CORPORATE PLANNING AND LAND	8,500	1,926	6,574
TRANSPORT & CONTRACTED SERVICES			
Local Transport Plan	2,289	273	2,016
Transport Major Schemes	19,306	345	18,961
TOTAL TRANSPORT & CONTRACTED SERVICES	21,595	618	20,977
Total	67,092	5,671	61,421

(1) FAP – Financial Assistance Programme