

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



**4 October 2019**

**Regeneration and Local Services –  
Final Revenue and Capital Outturn  
2018/19**

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**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 final outturn for this service area highlighting major variances in comparison with the budget, based on the position to the end of March 2019.

**Executive summary**

- 2 This report provides an overview of the final outturn for 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 final position is that there is a revenue overspend of £0.353 million, against a revised budget of £78.276 million.
- 4 The revised service capital budget is £34.773 million and this was overspent by £4.088 million 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 - £78.276million
  - (b) Capital Programme – £33.356 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 overspend of **£0.353 million** against a revised budget of **£78.276 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	Final outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – Transfers to / From Reserves £'000	Cash Limit Variance £'000
Central Costs	1,774	8,791	7,017	(6,988)	<b>28</b>
Direct Services	45,697	49,135	3,438	(2,805)	<b>634</b>
Business Support	2,503	1,484	(1,019)	846	<b>(173)</b>
Culture & Sport	12,544	22,436	9,892	(9,935)	<b>(43)</b>
Technical Services	10,778	3,118	(7,660)	7,640	<b>(20)</b>
Environment, Health & Consumer Protection	4,980	4,344	(636)	563	<b>(74)</b>
<b>NET EXPENDITURE</b>	<b>78,276</b>	<b>89,308</b>	<b>11,032</b>	<b>(10,679)</b>	<b>353</b>

### Cash Limit Outturn – Explanation of Over and Under Spending

- 11 The final revenue outturn for 2018/19 is over budget against the cash limit by £0.353 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 was £0.634 million overspent. This was mainly due to overspends on waste disposal contracts of £0.470 million, relating to the downturn in the materials recycling market and waste contamination, along with unachieved MTFP savings in Fleet of £0.170 million, that were dependent on a review of craft worker terms and conditions.
  - Culture and Sport was £43,000 underspent. Additional income of £0.600 million relating to a change in the VAT treatment of Leisure income was achieved in year, but this was offset by overspends of £0.338 million at the Gala Theatre, and a £0.303 million compensation payment to the third party contractor that operates Peterlee Leisure Centre. The compensation payment

related to reimbursement of income shortfalls due to refurbishment works at the facility. The revised VAT treatment has been factored into the 2019/20 budgets as a MTFP saving.

- Technical Services was £20,000 underspent. Included in the outturn is an overspend of £1.310 million within Highway Services, due to additional policy led expenditure on essential highways maintenance, mainly in relation to Category 1 and 2 defects. This overspend was partially offset by additional surpluses in Highways Services trading areas of £0.288 million, together with underspends in Design Services and Project and Programme Management of £0.266 million, due to employee vacancy savings and additional income. Strategic Highways and other service areas also had a net underspend of £0.780 million mainly due to employee savings and additional income.
- Business Support was £0.173 million underspent due to managed savings on vacant posts and reductions in hours, in advance of the Business Support Review, where MTFP savings are factored into MTFP9 across 2020/21 and 2021/22.
- Environment, Health and Consumer Protection was underspent by £74,000, with employee costs being £50,000 lower than budget due to vacant posts, and an over achievement of licensing income of £30,000, offset by small overspends elsewhere in the budgets.

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 **£33.356 million**.

15 Summary financial performance to the end of March 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	4,394	4,176	(218)
Culture & Sport	2,867	2,350	1,683	(666)
Technical Services	26,029	31,955	31,554	(401)
Environment, Health & Consumer Protection	150	36	31	(5)
<b>Total</b>	<b>34,773</b>	<b>38,735</b>	<b>37,444</b>	<b>(1,290)</b>

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 resulted in a final revised 2018/19 Capital Programme of £33.356 million. The final outturn was an underspend of £1.290 million.

17 The main reasons for the variance are as follows;

- **Direct Services** – underspend of £0.218 million. There were various schemes within this service area with underspends. The Household Waste Recycling Facility Replacement at Stainton Grove was underspent by £0.090 million.
- **Culture and Sport** – underspend of £0.666 million. The most significant underspend was on the Peterlee Library/ Leisure Centre Co-Location Project. The project has slipped over into 2019/20 and is anticipated to be completed by the end of April 2019.
- **Technical Services** – underspend of £0.401 million. There were various over and underspends across this service. The majority of the underspend relates to unused highways funding received late in the year from The Department for Transport. This will be rolled forward into 2019/20.

Background papers

- Cabinet Report (10 July 2019) – 2018/19 Final Outturn for the General Fund and Collection Fund.

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## **Appendix 1: Implications**

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### **Legal Implications**

Not applicable.

### **Finance**

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital 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
<b>Head of D Services</b>	(13)	<b>(£13k)</b> underspend due to reduced hours for project officer and savings in supplies
<b>Building &amp; Facilities Mgt</b>	(626)	<b>(£228k)</b> underspend on R&M Divisions due to additional small scale construction works <b>(£178k)</b> underspend on Construction divisions due to workload secured <b>(£37k)</b> underspend on Compliance due to additional income secured <b>£4k</b> overspend on Catering facilities <b>(£13k)</b> underspend on Cleaning due to additional contracts <b>(£52k)</b> underspend on FM vacant posts, currently being filled <b>(£175k)</b> underspend on FM utilities <b>£67k</b> overspend on closed buildings with surplus costs, (Stanhope TH, Claypath, Front St Stanley, Galgate, Cleversferye, Claire House, Croft St, Hopper) <b>(£14k)</b> underspend on rechargeable SLA works
<b>Clean &amp; Green</b>	114	<b>£73k</b> overspend due to under achieving on 18/19 MTFP savings <b>£129k</b> overspend on subcontractors and supplies due to adhoc work <b>(£56k)</b> underspend re Hawthorn Coke Works (last year) <b>(£32k)</b> underspend re unbudgeted Commuted Sums from developers
<b>Depots</b>	147	<b>£42k</b> overspend due to 2018/19 MTFP (£30k) saving on security not yet implemented <b>£25k</b> overspend due mainly to additional urgent repairs turned down by capitalised maint <b>£57k</b> overspend on water charges at Morrison Busty <b>£23k</b> overspend following rent review at Beechburn, Crook
<b>Fleet</b>	323	<b>£131k</b> overspend due to 2018/19 MTFP restructure saving not yet identified <b>£45k</b> overspend due to 2016/17 MTFP Business Support saving not implemented <b>£147k</b> under achieved income on dayworks, of which the £2.8m budget is a high level estimate of non-routine repairs
<b>Neighbourhood Protection</b>	236	<b>£143k</b> overspend on Allotment repairs, on top of £100k extra budget from cash limits <b>£15k</b> overspend on bereavement services, mainly due to bungalow refurbishment and a reduction on bungalow rental income. <b>£38k</b> overspend on ASB, due to keeping extra member of staff in place when maternity leave returned <b>£18k</b> overspend on pest control, mainly due to under-achieved external income to cover additional staff <b>£22k</b> overspend on other areas
<b>Refuse &amp; Recycling</b>	231	<b>£281k</b> overspend on staffing mainly due to £127k Standby payments for 5 years for Catch Up days and increased agency cover <b>£83k</b> overspend on transport costs mainly due to increased fuel costs in year <b>(£160k)</b> over-achievement on income, due mainly to additional Trade Waste income <b>£27k</b> overspend on Waste Transfer Stations, mainly increased business rates
<b>Strategic Waste</b>	221	<b>19/20 Savings Achieved</b> <b>(£259k)</b> underspend on Garden Waste, (£71k) on treatment contract and (£181k) over-achieved income <b>Other</b> <b>(£80k)</b> underspend on Garden Waste, (£26k) agency and (£54k) supplies <b>(£36k)</b> underspend on employees due mainly to reduced hours <b>£31k</b> overspend on business rates at Joint Stocks <b>£476k</b> overspend on contracts, £79k overspend on residual waste, £183k overspend on haulage, £17k overspend on HWRC, £284k overspend on MRF which includes £92k provision for contamination penalty, (£87k) underspend on Leachate, power generation maintenance and other contracts <b>£45k</b> under-achievement on power generation income at Joint Stocks due to issues with gas capacity and efficiency of the machines <b>£44k</b> under achievement on income from commercial trade customers and soil imports
<b>TOTAL</b>	<b>633</b>	



## Appendix 2: Heads Of Service Analysis – Culture & Sport

	Variance	Explanation
<b>Culture &amp; Sport Management</b>	281	This is principally the MTFP savings figure for 18/19 while the savings from the management restructure occurred across the services.
<b>Service Development</b>	446	(15k) underspend net saving on Wellbeing Service Manager offset by inability to achieve staff turnover savings 393k overspend mainly due to income shortfalls on Gala Theatre and Cinema (103k) underspend in SD Wellbeing arising from staff vacancies. (76k) 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. (34k) SD Growing & Learning EFP due to additional income projected on Prison contracts. 282k overspend in SD Improvement & Development mainly due to compensation for income shortfall at Peterlee LC during improvement works.
<b>Locality Delivery- Mgt</b>	(60)	(60k) underspend in Locality Management due to a Service Manager vacancy.
<b>Locality 1</b>	(248)	51k Locality 1 - overspend at Killhope mainly due to under achieved income. (203k) Locality 1 - under budget on L1 Leisure Centres largely due to over-achieved income (VAT) and reduced Premises costs. (96k) Locality 1 - (44) saving on L1 Libraries and Bishop Auckland Town Hall mainly due to lower than expected staff costs.
<b>Locality 2</b>	(336)	(201k) Locality 2 underspend due to over-achieved income (VAT) and reduced Premises costs. (76k) Locality 2 -overspend at Hardwick Park offset by one off income at Wharton Park. (59k) saving on Libraries mainly due to reduced Premises and Supplies costs
<b>Locality 3</b>	(287)	(201k) Locality 2 underspend due to over-achieved income (VAT) and reduced Premises costs. (40k) Locality 3 - minor overspends across a number of Libraries. (46k) 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.
<b>Derwentside Culture &amp; Sport</b>	116	£116k overspend on employee costs due to the part year effect of salary harmonisation.
<b>Redundant Cost Centres</b>	45	45k Debt pertaining to Locomotion written off
<b>TOTAL</b>	(43)	

## Appendix 2: Heads Of Service Analysis – Technical Services

	Variance	Explanation
<b>Head of Technical Services</b>	8	Minor overspend on Employees re turnover savings and maintenance challenge fund costs.
<b>Design - PPM</b>	(110)	Underspend of (124) on Employees, Transport and Supplies due to vacancies and other savings, offset by reduced recharge Income of 14.
<b>Design - Building Services</b>	(156)	Underspend of (168) on Employees and Agency due to vacancies and (4) on Premises, plus increased Income of (220). Offset by overspend of 236 on Supplies Agency and Transport due to additional consultant fees and software.
<b>Highways Services Trading</b>	(288)	Additional income of (3,753) generated by trading activities in Highways, Street Lighting and Commercial Group, offset by additional related cost of sales of 3,465 on Employees, Supplies and Agency.
<b>Highways Services Non-Trading</b>	1,402	Overspend of 1,310 on Highways Services Revenue for additional scheduled work on Category 1 and 2 highways repair work, street lighting and cable testing. Underspend of (9) on Training due to increased Income. Overspend of 28 on Stores due to reduced Income and overspend of 73 on Inventory mostly from invoice variations. All overspends to be partially offset by additional surplus on trading activities.
<b>Strategic Highways</b>	(876)	Underspend of (380) 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 6 on Premises across all service areas including rates and electricity costs.
		Overspend of 15 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 72 on Agency. Additional spend of 42 on Section 38 supervision and rechargeable works in Asset Management. Additional spend of 35 on consultants and rechargeable works in Traffic & Street Works. Additional spend of 25 on contractors in Drainage and saving of (20) on column testing in Street Lighting and (10) in other service areas.
		Underspend of (26) on Transport car allowances and fuel largely in Traffic & Street Works and Asset Management.
		Overspend of 23 on Debt Written-Off in Street Lighting.
		Additional Income of (586). Drainage additional SUDS and planning fees and Government grant of (94). Traffic & Street Works additional network charges of (97). Asset Management additional Section 38 and other income of (265). Road Safety reduced grant income offset by increased fees income with net under recovery of 45. Structures additional recharges of (6) and Street Lighting additional SLA income of (13). The 20mph reserve was applied as Income of (156) in Traffic & Street Works to reflect work done on schemes.
<b>TOTAL</b>	<b>(20)</b>	

## Appendix 2: Heads Of Service Analysis – Other Costs

	Variance	Explanation
<b>Business Support</b>	(173)	Underspend of (171) on Employees and Transport due to current vacancies and reduced hours plus increased income of (71) from recharges and other income offsetting additional Supplies costs of 69.
<b>NS Central Costs</b>	28	Recharged union support costs.
<b>RED Central Costs</b>	24	Small variance due to the movement in bad debt provision.
<b>Corporate Director</b>	28	Small variance due to appointment costs of the new Head of Corporate Land and Property Service.
<b>TOTAL</b>	<b>(93)</b>	

## Appendix 2: Heads Of Service Analysis – EHCP

	Variance	Explanation
<b>Head of EHCP</b>	35	<b>£20k</b> overspend on training re Bond Solon, drone training <b>(£17k)</b> underspend on IT where the Civica bill for 18/19 was paid in full in 17/18 <b>£4k</b> overspend on annual Civica maintenance contract <b>£14k</b> overspend on subscription re RH Environment Solutions <b>£11k</b> overspend on conferences i.e. £6k on IQ Management <b>£3k</b> overspend on other areas
<b>Consumer Protection</b>	33	<b>(£98k)</b> underspend on staff due to vacancies, reduced hours and maternity leave <b>(£9k)</b> underspend on rates and repairs costs in relation to Markets <b>£32k</b> overspend on supplies and services mainly due to legal fees and forensic exam costs <b>£108k</b> under achievement on income, which appears to be a historical issue
<b>Health Protection</b>	(80)	<b>(£17k)</b> underspend on staffing <b>(£15k)</b> underspend on transport costs, i.e. car mileage and pool cars <b>(£17k)</b> underspend on general supplies and services such as telephones and sampling budgets <b>(£31k)</b> over achievement on income due to the new animal licencing regime, offset by the new Community and Animal Health Inspector post and loss on Feed income
<b>Environmental Protection</b>	(62)	<b>£44k</b> overspend on staffing mainly due to unachieved staff turnover <b>(£9k)</b> underspend on transport costs, i.e. car mileage <b>£10k</b> overspend on supplies, mainly due to £29k Evenwood Fire <b>(£107k)</b> over-achievement on income, mainly due to additional £51k HMO licencing income and an additional £40K contribution
<b>TOTAL</b>	<b>(74)</b>	

