

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



4 October 2019

**Regeneration and Local Services –
Quarter 1: Forecast of Revenue and
Capital Outturn 2019/20**

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 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 revenue overspend of £1.158 million, against a revised budget of £73.921 million.
- 4 The revised service capital budget is £50.661 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 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 - £73.921million
 - (b) Capital Programme – £50.661 million
- 8 The summary financial statements contained in the report cover the financial year 2019/20 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 2019/20

- 9 The service is reporting a cash limit overspend of **£1.158 million** against a revised budget of **£73.921 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	2019/20 Budget £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – Transfers to / From Reserves £'000	Cash Limit Variance QTR1 £'000
Central Costs	354	354	0	0	0
Environmental Services	46,269	47,693	1,424	(142)	1,282
Culture & Sport	11,488	12,465	976	(369)	607
Technical Services	11,102	10,931	(170)	0	(170)
Environment, Health & Consumer Protection	4,090	4,107	17	(11)	6
Corporate Property & land	618	51	(567)	0	(567)
NET EXPENDITURE	73,921	75,601	1,680	(522)	1,158

Cash Limit Outturn – Explanation of Over and Under Spending

- 11 The forecast revenue outturn for 2019/20 is over budget against the cash limit by £1.158 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:
 - Environmental Services is forecast to be £1.282 million overspent. This is mainly as a result of forecast overspends on waste contracts of £0.720 million, relating to increased tonnages, a £66,000 overspend following a business rates revaluation at the Joint Stocks landfill site, a £98,000 overspend in Neighbourhood Protection following a group regrading and a £0.121 million overspend at Meadowfield depot following receipt of a trade effluent water bill which was backdated to April 2016. There are also unachieved MTFP savings within Fleet Services of £0.204 million and within Clean and Green Services of £73,000;
 - Culture and Sport is forecast to be overspent by £0.607 million. This is mainly the result of an overspend of £0.257 million at the Gala Theatre and a £0.159 million overspend relating to former

Derwentside Culture and Sport. In addition, there are £0.209 million of unachieved MTFP savings pending a service restructure;

- Technical Services is forecast to be £0.170 million underspent. There is a forecast overspend of £0.592 million attributable to additional policy led expenditure on highways maintenance, mainly in relation to Category 1 and 2 defects and footway maintenance, which is offset by additional surpluses generated within the Highways Services Trading Accounts of £0.627 million. There are also managed employee underspends of £0.350 million due to vacancies, but this is partially offset by an overspend of £0.264 million on drainage inspections;
- Corporate Property and Land is forecast to be £0.567 million underspent. This is mainly due to managed savings from vacant posts of £0.257 million, an underspend on utilities of £0.231 million and additional workloads in Building Services producing an extra £0.194 million of trading income surplus. These underspends are partially offset by an £80,000 overspend on the Catering Service and £35,000 of unachieved MTFP savings, where the anticipated restructure within this newly created service is currently being reviewed by the recently appointed Head of Service;
- Environment, Health and Consumer Protection is forecast to overspend by £6,000. This is mainly due to a forecast under achievement of licensing income of £0.131 million, partially offset by managed underspends relating to vacant posts of £0.116 million, underspends on transport related expenses of £31,000, and a £8,000 forecast underspend on supplies, partially offset by £30,000 of additional costs relating to contamination from 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 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 **£50.661 million**.

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

Service	Original Annual Budget 2019/20 £000	Revised Annual Budget 2019/20 £000	Forecast Outturn 2019/20 £000	Variance 2019/20 £000
Environmental Services	2,908	2,978	2,978	0
Culture & Sport	3,133	3,133	3,133	0
Technical Services	29,977	30,155	30,155	0
Environment, Health & Consumer Protection	119	119	119	0
Corporate Property & Land	14,498	14,276	14,276	0
Total	50,636	50,661	50,661	0

16 As at 31 March 2019, the capital programme for 2019/20 was £50.636 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 2019/20 Capital Programme of £50.661 million. It is currently anticipated that the full budget will be spent in 2019/20.

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: Heads Of Service Analysis – Environmental Services

	Variance	Explanation
Head of Environment	33	£33k overspend due to legal fees
Environment & Design	0	No Variance
North Penines AONB	0	No Variance
Clean & Green	94	£73k overspend due to unachieved 18/19 savings £12k overspend on premises costs at public conveniences £14k overspend on supplies due to additional In Bloom work Cricket World Cup (£38k) underspend re unbudgeted Commuted Sums from developers (£27k) overachievement of income mainly due to SLA's with Local Authorities and Parish Councils (£7k) underspend on Countryside Management due to £30k budget shortfall, offset by vacant post £48k overspend at Wharton Park due to incorrect income budgets £39k overspend at Hardwick Park due to shortfall on running costs budget (£20k) underspend at Hardwick Park Cafe
Depots	175	£37k overspend due to 2018/19 MTFP (£30k) saving on security not yet implemented £121k overspend on Water, due mainly to Trade Effluent charge from April 16 not previously alerted to £12k overspend for additional CCTV upgrades at Meadowfield
Fleet	179	£131k overspend due to 2018/19 MTFP restructure saving not yet identified £43k overspend due to 2016/17 MTFP Business Support saving not implemented
Neighbourhood Protection	143	£75k overspend on Neighbourhood Wardens due mainly to pay increase of £98k in yr 1 £23k overspend on ASB due to maternity cover and reduced income from the Police £26k overspend on Bereavement Serv due to unachieved income and paupers burials
Refuse & Recycling	(25)	£20k overspend on staffing (£46k) underspend on transport due to reduced use of hired vehicles £31k overspend on supplies due to unbudgeted costs to remove and re-fit camera and brakesafe equipment on new vehicles (£31k) underspend on income due mainly to additional bin sales
Strategic Waste	682	(£46k) underspend on staffing due to vacant posts £66k overspend on business rates at Joint Stocks site £717k overspend on Waste Contracts (Residual £210k; Haulage £194k; HWRC £92k; Materials Recycling £151k; External Contract Advice £70k) (£141k) underspend on Garden Waste scheme where the sign ups have not fallen as much as forecast £96k overspend on Income (Power generation £75k; Soil Imports £50k; Trade Waste Disposal (£29k) (£10k) underspend other areas
TOTAL	1,282	

Appendix 2: Heads Of Service Analysis – Culture & Sport

	Variance	Explanation
Culture & Sport Management	209	MTFP Savings to be achieved pending restructure
Service Development	194	Place & Experience £257k over budget - overspends at Gala Theatre, Cinema and Technical principally due to income shortfalls.
		Wellbeing (£74k) under budget - due to 2 vacant posts
		Growing & Learning (£49k) under budget - mainly due to vacant posts in Stock & Distribution
		Improvement & Development £112 over budget - overspent on leisure contracts including payments to 1Life.
		Externally Funded (£52k) under budget - surplus on the prison library service
Locality Delivery- Mgt	3	Minor variance
Locality 1	76	Leisure Centres £83k over budget - arising from variances in the employee and income budgets.
		Libraries £16k over budget - minor variances.
		BATH/Killhope (£25k) under budget - an underspend at BATH (£47k) mainly from the library offset by an over spend at Killhope of £22k
Locality 2	112	Operations L2 £12k over budget - inability to meet staff turnover savings
		Leisure Centres £90k over budget - arising from variances in the employee and income budgets.
		Libraries £10k over budget - minor variances.
Locality 3	(154)	Leisure Centres (£99k) under budget - arising from over achievement of income and other minor variances.
		Libraries (£64k) under budget - minor variances across a number of cost centres.
		Durham Town Hall/Gala Staffing and Box Office 9k over budget - minor variances across all budget heads.
Visit County Durham	8	VCD 8k Minor variance due arising from staff turnover savings
Derwentside Culture & Sport	159	Primarily salary costs across all centres arising from salary harmonisation
TOTAL	607	

Appendix 2: Heads Of Service Analysis – Technical Services

	Variance	Explanation
Head of Technical Services	4	Minor overspend on Employees re turnover savings.
Construction PPM Unit	(37)	Underspend of (41) on Employees, offset by overspend on Transport of 4.
Highways Services Trading	(627)	Additional income of (1,287) generated by trading activities in Highways, Street Lighting and Commercial Group, offset by additional related cost of sales of 660 on Employees, Supplies and Agency.
Highways Services Non-Trading	540	Overspend of 592 on Highways Services Revenue for additional scheduled work on Category 1 and 2 highways repair work, street lighting and cable testing. Overspend of 3 on Training due to increased training expenses. Underspend of (55) on Inventory mostly from invoice variations. All overspends to be partially offset by additional surplus on trading activities.
Strategic Highways	(50)	Underspend of (350) on Employees due to vacancies and reduced hours in Drainage, Traffic, Road Safety and Asset Management, offset by additional overtime and agency staff.
		Overspend of 5 on Supplies and Services for licences and other hired services.
		Overspend of 277 on Agency. Saving of (9) on contract payments in Road Safety. Additional spend of 9 on Section 38 supervision and rechargeable works in Asset Management. Additional spend of 13 on consultants and rechargeable works in Traffic. Additional spend of 264 on contractors in Drainage due to loss of budget.
		Overspend of 14 on Transport car allowances and fuel largely in Traffic.
		Under recovered Income of 4. Drainage additional SUDS and planning fees and Government grant of (45). Asset Management reduced sponsorship and other income of 20. Road Safety reduced contributions and fee income of 29.
TOTAL	(170)	

Appendix 2: Heads Of Service Analysis – EHCP

	Variance	Explanation
Head of EHCP	(8)	(£18k) underspend on staffing following the realignment of scp's and pension to correct points £10k overspend due to Civica annual licence fee
Consumer Protection	76	(£69k) underspend on staffing due to vacancies and reduced hours (£5k) underspend on repair costs in relation to markets £12k overspend on supplies in relation to legal expenses and court costs
Health Protection	(30)	(£8k) underspend on staffing due to vacancies and reduced hours (£26k); proposed agency cover £6k; proposed cover from fire authority £12k (£19k) underspend on transport costs, i.e. car allowances and pool cars (£10k) underspend on general supplies and services £7k under achievement of income due to reduced
Environmental Protection	(33)	(£21k) underspend on staffing due to vacancies and reduced hours (£12k) underspend on transport costs, i.e. car allowances and pool cars (£16k) underspend on supplies and services, mainly due to professional fees not required
TOTAL	6	

Appendix 2: Heads Of Service Analysis – Corporate Property & Land

	Variance	Explanation
Head of CPAL	(43)	(£43k) underspend on staffing due to postholder starting mid year
Assets	(80)	(£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 (£20k) underspend re rent of land North Bondgate as lease has been surrendered (£50k) underspend for unbudgeted rental income in Assets General £41k overspend on Surveyor Fees income based on 19/20 disposal programme £116k overspend at North Road Durham due to previous years' rental income to be paid to HCA (£24k) underspend at Millennium Square for unbudgeted rent received from tenant £25k overspend on Property Surveys which have also overspent in previous years (£60k) underspend on Freemans Hydro scheme repairs £28k overspend at Northumbria House where tenant receiving rent free period until Sept 19 (£96k) underspend at Priory House, receiving income which is not budgeted
Buildings & FM	(302)	(£22k) underspend on R&M (£126k) underspend on Construction 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. £35k overspend on unachieved MTFP savings (£14k) underspend in Business Development re maternity leave (£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 (£17k) staffing underspend due to vacant posts mid year, partially offset by agency £46k overspend on closed buildings (Stanhope Town Hall, Claypath, Front St Stanley, Clevesferye, Croft St, Hopper House) (£10k) underspend at Cuthbert resource centre, lease ended but retained budget (£231k) underspend on utilities (£25k) underspend re additional income for 02 mast at County Hall (£11k) underspend on other areas FM £80k overspend in Catering confirms the need to revise the model to operate as the County Hall shop does currently.
Building Design	(142)	(£180k) underspend forecast on staffing this is due to vacant posts. £38k overspend on Supplies which is not forecast to generate additional
TOTAL	(567)	