

Economy and Enterprise Overview and Scrutiny Committee

10 January 2020



Regeneration and Local Services (Regeneration and Economic Development) – Quarter 2: Forecast of Revenue and Capital Outturn 2019/20

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 forecast outturn budget for this service area highlighting major variances in comparison with the budget, based on the position to the end of quarter 2 (30 September 2019).

Executive summary

- 2 This report provides an overview of the updated forecast of outturn, based on the position at quarter 2, 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 £0.452 million, against a revised budget of £61.511 million.
- 4 The revised service capital budget is £67.042 million with expenditure to 30 September of £12.372 million.
- 5 Details of the reasons for under and overspending against relevant budget heads are disclosed in the report.

Recommendation

- 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 - £61.511 million (original £61.069 million)
 - (b) Capital Programme – £67.042 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 -£1,853,000
 - Transfer to Resources – MFDs -£49,000
 - Auto Enrolment into the LGPS +£194,000
 - Pension Deficit Contribution +£792,000
 - Development & Housing Use of Cash Limit +£365,000
 - Business Durham Use of Cash Limit +£21,000
 - Use of Business Durham Programme Reserve +£99,000
 - Use of Selective Licensing Reserve +£157,000
 - Use of Welfare Assistance Reserve +£162,000
 - Use of Warm & Healthy Homes Reserve +£51,000
 - Use of Family Intervention Programme Reserve +£98,000
 - Use of Housing Solutions Reserve +£9,000
 - Use of Planning Reserve +£40,000
 - Use of RED Match Fund Reserve +£373,000
 - Transfer to Funding & Programmes Reserve -£17,000
- 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 **£0.452 million** against a revised budget of **£61.511 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 QTR2 £'000
Employees	41,487	19,449	40,378	(1,109)	(118)	(1,227)
Premises	12,798	6,355	12,976	178	(102)	76
Transport	1,412	706	1,464	52	0	52
Supplies and Services	11,744	6,364	14,692	2,948	(443)	2,505
Agency and Contracted	26,964	12,778	32,450	5,486	133	5,619
Central Costs	45,198	645	45,846	648	0	648
GROSS EXPENDITURE	139,604	46,296	147,807	8,203	(530)	7,673
INCOME	(78,093)	(40,305)	(86,083)	(7,990)	(135)	(8,125)
NET EXPENDITURE	61,511	5,991	61,724	213	(665)	(452)

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 QTR2 £'000
Corporate Director	192	113	200	8	0	8
Development & Housing	7,465	3,811	7,821	356	(12)	344
Business Durham	171	852	(147)	(317)	(27)	(344)
Corporate Property and Land	608	1,984	393	(216)	(190)	(406)
Transport & Contracted	2,311	(939)	2,689	378	(421)	(43)
Central Managed Costs	50,764	171	50,768	4	(15)	(11)
NET EXPENDITURE	61,511	5,991	61,724	213	(665)	(452)

Cash Limit Outturn – Explanation of Over and Under Spending

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

- Transport and Contracted Services is forecast to be £43,000 underspent. This is mainly due to additional income of £0.187 million from transport contracts, that is offset by reduced parking income of £0.178 million.
- Corporate Property and Land is forecast to be £0.406 million underspent, mainly due to an underspend on utilities of £0.206 million and additional workloads in Building Services producing an extra £0.387 million of trading income surplus. These underspends are partially offset by a £248,000 overspend on Centralised Repairs and Maintenance.
- Development and Housing is forecast to be overspent by £0.344 million. This is mainly the result of Durham Employment & Skills (DES) forecasting an overspend of £0.496 million due to under recovered contract income, although this is partially offset by an underspend in Housing Solutions of £0.166 million.

- Business Durham is forecast to be £0.344 million underspent due to income across industrial estates and other trading areas exceeding budget.

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 **£67.042 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 September £000	Remaining Budget £000
Development and Housing	22,363	23,006	5,972	17,034
Business Durham	13,597	13,991	889	13,102
Corporate Property and Land	8,678	8,450	2,952	5,498
Transport & Contracted Services	20,600	21,595	2,559	19,036
Total	65,238	67,042	12,372	54,670

18 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 6 months amounts to **£12,372 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 Office Accommodation (£2.583 million), Structural Capitalised Maintenance (£2.228 million) Major Transport Schemes (£2.101 million) and Disabled Facilities Grant payments (£1.519 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 (13 November 2019) – Forecast of Revenue and Capital Outturn 2019/20 – Period to 30 September 2019.

Contact: Philip Curran

Tel: 03000 261967

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.

Climate Change

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 2 2019-20

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
Development & Housing	Head of Development & Housing	£21k Corporate Landlords approach. £52k Inward Investment initiative £10k Local Plan consultants £5k Right Move property database. £15k Advertising additional spend. £19k Employees additional costs.	124	
	Planning Development	£220k Development Management overspend. Over achieved income (£41k) and saving on Employees and Transport of (£21k) (saving reduced after transfer of vacancies to Business Support). Overspend of £75k on Supplies due to increased consultants, legal and other professional fees. Overspend of £200k on Management recharges due to financial support given to EHCP, Technical and Transport re 20% increase in planning fees charges 2018/19 onwards. Overspend on Agency £7k re consultant costs. (£24k) Business Development Support underspend in Employees (£11k) and Transport & Supplies (£13k). (£68k) Planning Appeals underspend due to savings in Supplies on legal and professional fees. (£30k) Planning Software underspend on rental and maintenance; (£160k) Building Control underspend - (£67k) Employees delays filling vacancies; (£8k) saving on car allowances; (£21k) net saving on Supplies and Agency; (£62k) increased Income re latest projection. £88k overspend on Dangerous Structures re miscellaneous repairs.	26	
	Spatial Policy	Overspend on Employees £35k offset by savings in Transport (£2k) and Supplies (£152k) on legal, printing and consultant costs.	(119)	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
	Economic Development	<p>£496k Durham Employment & Skills. Over budget by £102k on Work Programme Consett due to under recovered income on completion of contract. Over budget by £109k on Skills Support for the Unemployed (SSU) due to under recovered income on completion of contract. Over budget by £76k on Organisational Training & Development due to reduced income on corporate training and apprenticeships. Over budget by £259k on Work & Health Programme due to under recovered income on Reed contract partially offset by reduced staff costs. Saving of (£50k) on staff costs.</p> <p>(£15k) Employability under budget due to staff saving on vacancy.</p> <p>(£18k) Community Econ Dev under budget due to staff saving on secondments.</p> <p>£13k Economic Development overspend on employees for unachieved efficiency saving</p>	475	
	Physical Development	<p>Employees under spend (£12k), Agency under spend on contractors of (£40k) and additional recharge and grant income (£54k). Offset by additional spend on Supplies professional fees of £110k and Premises utilities of £7k.</p>	11	
	Housing Solutions	<p>(£70k) Core Funded. Employees under budget (£102k) re vacancies, (£25k) over recovered Income from increased fee income, offset by £33k overspend on Supplies various and £24k on Transport for pool cars and allowances.</p> <p>(£84k) GRT Sites Underspend on Employees (£2k) underspend on Supplies (£45k) and additional Income from service charges and rent (£37k).</p> <p>(£57k) Housing Improvement Staff saving (£6k) and over achieved income from Darlington HIA contract (£51k).</p> <p>£39k Activities overspend mainly due to bed & breakfast costs and Out of Hours contract costs.</p> <p>£8k Housing Initiatives Overspend £8k on staff. Expenditure on Homeless Prevention</p>		

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		initiatives and support contract for Changing Lives offset by grant. (£2k) Area Based Housing. Overspend on Employees (£2k). Expenditure on Warm Homes initiatives and Fuel Poverty campaign offset by grant.	(166)	
	Strategy & Project Development	(£37k) underspend on staffing due to delays in recruiting to vacant post; £3k overspend on pool cars; £39k overspend on supplies on legal and other professional fees; (£10k) over achieved income.	(5)	
	Funding and Programmes	No variance	0	344
Business Durham	Operations	(25k) Operation - Underspend is additional income from DIT KAM contract.	(25)	
	Corporate Costs	4k Corporate - Overspend on Cricket Box to be met from ReaL cash limit and minor variance on supplies.	4	
	Innovation and Marketing	(27k) Innovation & Marketing - minor variance on employees.	(27)	
	Business Space	25k Business Space Mgmt & Admin - Overspend of 25 on Staff re apprentice post and efficiency saving not met and additional supplies costs. (74k) Business Space South - Underspend on industrial sites of (146k) due to underspend on Premises (98k) and additional Income (48k). Offset by overspend on Salvus House of 72k due to under recovered income. (30k) Business Space Dales - over recovered Income for sales and rentals. (68k) Business Space North - Overspend on Premises 67k due to refurbishment works at Derwentside and Tanfield Business Centres offset by over achieved income of (150k). (154k) Business Space NETPark - Overspend on premises 55k and Supplies 8k offset by over recovered rental income of (217k) across all sites.	(296)	(344)
	Head of CPAL	(£38k) underspend on staffing due to postholder starting mid year	(38)	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
Corporate Property & Land	Assets	<p>(£1k) underspend on Staffing, however structure to be reviewed as there are 8 vacancies and posts where staff are working reduced hours, offset by 11 unbudgeted temporary staff.</p> <p>£210k overspend on consultancy and agency to support the service until restructure</p> <p>(£20k) underspend regarding Gentoo (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 relating to unachieved Surveyor Fee income based on disposal programme</p> <p>£116k overspend at North Road Durham due to previous years' rental income to be paid to HCA</p> <p>£25k overspend on Property Surveys for structures</p> <p>(£77k) underspend on Freemans Hydro scheme repairs and additional income.</p> <p>£16k overspend at Northumbria House where tenant receiving rent free period until September 19 - however have received additional £12k from tenant relating to additional car parking</p> <p>(£14k) underspend at Freemans Reach Phase 2 - income budget needs changed.</p> <p>(£96k) underspend at Priory House. Receiving income from NWL but is not budgeted for</p> <p>£32k overspend on various other premises/ supplies and services.</p>	182	
	Buildings & Facilities Management	<p>(£77k) underspend in Compliance due mainly to an overachievement of income for SLAs (in line with previous year) as the service continues to expand it's customer base</p> <p>£57k overspend on R&M. Additional work will be undertaken to measure staff productivity against budget and income levels require analysis to ensure that the labour resources are working to their assessed capacity. It also appears that £249k was 'over accrued' in 2018/19, which is being investigated and would improve the forecast position.</p> <p>(£367k) underspend on Construction. Financial performance in the year to date is not achieving the budgeted target but the manager is forecasting a significant improvement with additional valuations still</p>		

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		<p>expected for Montalbo and Stainton Grove increasing the profit by £270k. There is also a lack of works programme for each division for the second half of the year.</p> <p>£248k overspend due to £450k MTFP reductions over the last three years, failure to dispose of DCC buildings and an ageing building stock. £102k has also been funded from the R&M Earmarked Reserve which has now all been used.</p> <p>£48k 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>(£206k) underspend on utilities</p> <p>(£26k) underspend re additional income for 02 mast at County Hall</p> <p>(£13k) underspend on other areas FM</p> <p>£56k overspend in Catering - manager is preparing a report to review the service</p> <p>£18k overspend in Cleaning due to increased staff cover for holidays and sickness</p>	(272)	
	Building Design	<p>(£170k) underspend forecast on staffing due to vacant posts</p> <p>£130k overspend on consultants which will generate additional income</p> <p>(£239k) over achievement of income mainly from Capital fees. Manager has been requested to provide programme information in order to substantiate the forecast and provide assurance of the forecast on Capital fees.</p>	(279)	(406)
Transport	Management	(17k) Minor variance across the area.	(17)	
	Strategic Transport	<p>Employees - £98k overspend - Predominantly staff turnover savings requirement £46k, plus additional post in Transport Project, additional temp officers in Rights of Way and some minor variances across the service</p> <p>Premises - (£12k) underspend - £38k overspend on rates, offset by (£9k) underspend on Electricity and underspend of (£48k) on Water charges. Plus some minor overspends across the service</p> <p>Transport - £16k overspend - due to overspend on repairs to bus shelters</p> <p>Supplies and Service - £175k overspend - Additional £150k spend on providing parking & traffic control and events security, £12k</p>		

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
		<p>overspend communication devices and computer software. £8k overspend on software in Traffic. Plus some minor overspends across the service.</p> <p>Third Party Payments - (£19k) underspend - (£8k) underspend in Parking Infrastructure, (£24k) underspend on Park & Ride sites. (£29k) underspend on On & Off Street parking. Some additional costs for Rights of Way Repairs £30k and £12k for Traffic Signals.</p> <p>Income - £115k under-achievement on income - mainly due £86k reduced income in On & Off Street parking (excluding Sands Car Park) and £92k on Park and Ride sites, additional (£65k) from Planning and some minor variances across the service</p>	373	
	Sustainable Transport	<p>Employees - (£119k) underspend - due to vacancies in Adult Fleet and reduced hours across service.</p> <p>Transport - (£62k) underspend - due mainly to (£44k) underspend in Adult Fleet due to changeover of vehicles and vehicle excess. Plus underspends (£16k) on Bus and Rail Contracts (budgets to be re-distributed). Plus some minor variances across the service.</p> <p>Supplies & Services - (£39k) underspend - mainly due to (£19k) underspend on Printing and (£15k) underspend on telephone costs, (£3k) for Passenger Focus surveys and other general overspends across the service.</p> <p>Third Party Payments - £138k overspend - mainly due to overspend on Bus and Rail Services.</p> <p>Income - (£200k) over-achievement - Mainly due to additional income on Bus contracts (£168k) and (£19k) additional income for Health Booking Service. Additional (£167k) for concessionary fares recharge to Bus & Rail Services. Offset by reduced £171k recharge for Adult Fleet (due to underspends on staffing and vehicles predominantly). Plus some minor variances due to additional income across the service.</p>	(282)	

Head of Service	Service Area	Description	(Under) / Overspend £000	(Under) / Overspend £000
	Care Connect	<p>Employees - (£121k) 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 - £35k overspend - due to increased dayworks charges £14k on older vehicles prior to replacement and spot hire charges £10k. Plus other variances across service.</p> <p>Supplies & Service - (£72k) underspend - due mainly to (£79k) underspend on mobile devices and line rental costs. Offset by £7k for additional Telecare devices and some general variances across the service.</p> <p>Third Party Payments - (£32k) underspend - due to (£12k) decrease in costs in localities and (£20k) underspend on CCTV.</p> <p>Central costs - £7k overspend - writing off of bad debts in year.</p> <p>Income - £78k under-achievement on income - Due to reduction on SLA's in place for 19/20.</p>	(117)	(43)
Central	Corporate Director and Central Costs	Minor variances	(3)	(3)
TOTAL				(452)

Appendix 3: Capital Programme 2019-20

Scheme	Revised Annual Budget 2019/20 £'000	Actual Spend to 30 September £'000	Remaining Budget £'000
DEVELOPMENT & HOUSING			
North Dock Seaham	50	0	50
Office Accommodation	2,955	2,583	372
Town Centres	3,919	927	2,992
Minor Schemes	168	84	84
Disabled Facilities Grant / FAP	4,621	1,519	3,102
Housing Renewal	1,403	469	934
Housing Development	3,435	190	3,245
Chapter Homes	6,355	200	6,155
Strategy and Programmes Minor Schemes	100	0	100
TOTAL DEVELOPMENT & HOUSING	23,006	5,972	17,034
BUSINESS DURHAM			
Industrial Estates	13,991	889	13,102
TOTAL BUSINESS DURHAM	13,991	889	13,102
CORPORATE PLANNING AND LAND			
Structural Capitalised Maintenance	5,450	2,228	3,222
REAL – Beamish Project	3,000	724	2,276
TOTAL CORPORATE PLANNING AND LAND	8,450	2,952	5,498
TRANSPORT & CONTRACTED SERVICES			
Local Transport Plan	2,289	458	1,831
Transport Major Schemes	19,306	2,101	17,205
TOTAL TRANSPORT & CONTRACTED SERVICES	21,595	2,559	19,036
Total	67,042	12,372	54,670

(1) FAP – Financial Assistance Programme