

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



24 January 2020

**Regeneration and Local Services –
Quarter 2: 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 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 revenue overspend of £1.765 million, against a revised budget of £73.650 million.
- 4 The revised service capital budget is £38.776 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 - £73.650 million
 - (b) Capital Programme – £38.776 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 **£1.765 million** against a revised budget of **£73.650 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 QTR2 £'000
Central Costs	354	354	0	0	0
Environmental Services	45,966	47,283	1,317	(31)	1,287
Culture & Sport	11,841	12,746	904	(266)	638
Technical Services	11,085	11,248	163	(250)	(87)
Environment, Health & Consumer Protection	4,404	4,438	34	(107)	(73)
NET EXPENDITURE	73,650	76,069	2,419	(654)	1,765

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 £1.765 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 £1.287 million overspent. This is mainly resulting from overspends on waste contracts of £0.649 million due to increased tonnages, a £66,000 overspend following a business rates revaluation at the Joint Stocks landfill site, a £98,000 employee 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 Clean and Green Services of £73,000. The pressures in the waste services will be recognised in MTFP10, with additional budget growth to be provided in 2020/21.
 - Culture, Sport and Tourism is forecast to be overspent by £0.638 million. This is mainly the result of an overspend of £0.267 million at the Gala Theatre linked to reduced income from the cinema and

a £0.321 million overspend relating to the former Leisureworks facilities. In addition, there are £0.209 million of unachieved MTFP savings pending a service restructure. These are partially offset by other underspends across the service. The reduced income levels generated by the Gala Theatre will be recognised in MTFP10, with additional budget growth to be provided in 2020/21

- Technical Services is forecast to be £87,000 underspent. Within this area there is an overspend of £0.600 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 £0.541 million. Savings in employee costs relating to Strategic Highways account for the rest of the forecast outturn
- Environment, Health and Consumer Protection is forecast to underspend by £59,000. This is mainly due to a number of vacant posts resulting in an underspend of £0.144 million, that is offset by £93,000 under achieved licensing income.

- 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 **£38.776 million**.
- 15 Summary financial performance to the end of September 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	5,430	5,430	0
Culture & Sport	3,133	3,072	3,072	0
Technical Services	29,977	30,155	30,155	0
Environment, Health & Consumer Protection	119	119	119	0
Total	36,137	38,776	38,776	0

- 16 As at 31 March 2019, the capital programme for 2019/20 was £36.137 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 £38.776 million. It is currently anticipated that the full budget will be spent in 2019/20.

Background papers

- Cabinet Report (13 November 2019) – Forecast of Revenue and Capital Outturn 2019/20 – Period to 30 September 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	36	£36k overspend due to legal fees
Environment & Design	0	No Variance
North Penines AONB	0	No Variance
Clean & Green	47	£73k overspend due to unachieved 18/19 savings £10k overspend on premises costs at public conveniences £23k overspend on supplies partly due to additional in Bloom work for cricket world cup (£38k) underspend re unbudgeted Commuted Sums from developers (£21k) overachievement of income mainly due to SLA's with Local Authorities and Parish Councils
Depots	63	£39k overspend due to 2018/19 MTFP (£30k) saving on security not yet implemented £119k overspend on Water, due mainly to Trade Effluent charge from April 16 not previously alerted to (£124k) underspend on utilities, based upon current usage £12k overspend for additional CCTV upgrades at Meadow field £6k overspend on legal fees £11k overspend on staffing due to 3% efficiency savings not achieved
Fleet	177	£131k overspend due to 2018/19 MTFP restructure saving not yet identified £43k overspend due to 2016/17 MTFP Business Support saving not implemented £6k overspend on staffing due to 3% efficiency savings not achieved (£62k) underspend on subcontractors and tyres £59k underachievement of income, relating mainly to day works income
Neighbourhood Protection	124	£65k overspend on Neighbourhood Wardens due mainly to pay increase £91k in year 1 £81k overspend on Bereavement due to low levels of cemetery income and an increase number of paupers burials (£22k) underspend on Pest Control mainly due to overachieved income
Refuse & Recycling	50	£121k overspend on staffing relating mainly to Agency worker, partly due to contamination sticker campaign £58k overspend on supplies due to unbudgeted costs to remove and re-fit camera and brakesafe equipment on new vehicles and also increased IT software maintenance costs (£129k) underspend on income due mainly to (£117k) additional trade income; (£20k) additional bin sales; £21 shortfall on Bulky income; (£13k) unbudgeted income for accident claims
Strategic Waste	790	£66k overspend on business rates at Joint Stocks site £649k overspend on Waste Contracts (Residual £106k; Haulage £237k; HWRC £198k; Materials Recycling £108k) (£252k) underspend on Garden Waste scheme where the sign ups have not fallen as much as forecast £321k overspend on Income (Power generation £300k; Soil Imports £50k; Trade Waste Disposal (£29k) £6k overspend other areas
TOTAL	1,287	

Appendix 2: Heads Of Service Analysis – Culture & Sport

	Variance	Explanation
Culture & Sport Management	215	MTFP Savings to be achieved pending restructure
Service Development	264	Place & Experience £293k over budget - overspends at Gala Theatre and Cinema principally due to income shortfalls.
		Wellbeing (£76k) under budget - due to 2 vacant posts
		Growing & Learning (£54k) under budget - mainly due to vacant posts in Stock & Distribution
		Improvement & Development £111 over budget - overspent on leisure contracts including payments to 1Life.
		Externally Funded (£11k) under budget - surplus on the prison library service
Locality Delivery- Mgt	(9)	Minor variance
Locality 1	18	Leisure Centres £64k over budget - arising from variances in the employee and income budgets.
		Libraries (£3k) under budget - minor variances.
		BATH/Killhope (£42k) under budget - an underspend at BATH (£68k) mainly from the library offset by an over spend at Killhope of £26k
Locality 2	22	Operations L2 £13k over budget - inability to meet staff turnover savings
		Leisure Centres £24k over budget - arising from variances in the employee and income budgets.
		Libraries (£14k) under budget - minor variances.
Locality 3	(211)	Leisure Centres (£181k) under budget - arising from over achievement of income and other minor variances.
		Libraries (£33k) under budget - minor variances across a number of cost centres.
		Durham Town Hall/Gala Staffing and Box Office 3k over budget - minor variances across all budget heads.
Visit County Durham	18	VCD 8k Minor variance due arising from staff turnover savings
Derwentside Culture & Sport	321	Primarily salary costs across all centres arising from salary harmonisation
TOTAL	638	

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	2	Underspend of (63) on Employees for vacancies, offset by under recovered Income of 62 and overspends of 3 on Transport and Supplies.
Highways Services Trading	(541)	Reduced income of 2,255 generated by trading activities in Highways, Street Lighting and Commercial Group, offset by reduced related cost of sales of (2,796) on Employees, Supplies and Agency.
Highways Services Non-Trading	600	Overspend of 600 on Highways Services Revenue for additional scheduled work on Category 1 and 2 highways repair work, street lighting and cable testing. All overspends to be partially offset by additional surplus on trading activities.
Strategic Highways	(152)	Underspend of (218) 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 6 on Premises for additional business rates.
		Underspend of (16) on Transport for car allowances and fuel largely in Traffic.
		Overspend of 24 on Supplies and Services for licences and contractor services in Traffic and Road Safety.
		Overspend of 58 on Agency. Saving of (9) on contract payments in Road Safety. Additional spend of 22 on Section 38 supervision and rechargeable works in Asset Management. Additional spend of 24 on consultants and rechargeable works in Traffic. Additional spend of 21 on contractors in Drainage offset from DEFRA grant.
		Over recovered Income of (6). Street Lighting additional fees of (7). Traffic & Street Works (3) additional income from fixed penalty notices, street naming and inspections. 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	(87)	

Appendix 2: Heads Of Service Analysis – EHCP

	Variance	Explanation
Head of EHCP	(7)	Minor Variance
Consumer Protection	(44)	(£132k) underspend on staffing due to reduced hours and vacancies which are proving difficult to recruit to £13k overspend on supplies and services in relation to legal expenses, court costs and printing for licences £75k under achieved income which remains a historical bad budget issue
Health Protection	1	Minor Variance
Environmental Protection	(36)	(£36k) over achievement of income due mainly to additional planning contribution to offset staffing costs
Neighbourhood Interventions	13	(£10k) underspend on staffing due to a vacant post £4k overspend on car allowances £16k overspend on supplies re Unauthorised Encampment portaloo bills £3k underachieved income due to reduced contribution from the PCC
TOTAL	(73)	