

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



18 January 2022

**Neighbourhoods & Climate Change –
Quarter 2: Forecast of Revenue and
Capital Outturn 2021/22**

Report of Corporate Directors

Paul Darby, Corporate Director of Resources

**Alan Patrickson, Corporate Director Neighbourhoods & Climate
Change**

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 2021).

Executive summary

- 2 This report provides an overview of the updated forecast of outturn, based on the position at Quarter 2 for 2021/22. 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 cash limit underspend of £0.101 million, against a revised budget of £108.492 million.
- 4 The service is forecast to require funding of £6.199 million to support budgets where income is lower or costs higher due to the impact of COVID. This is the net position after also taking account of savings resulting from the impact of COVID.

- 5 The revised service capital budget is £62.231 million with expenditure to 30 September of £20.853 million.
- 6 Details of the reasons for under and overspending against relevant budget heads are disclosed in the report.

Recommendation(s)

- 7 Environment & Sustainable Communities Overview and Scrutiny Committee is requested to note the contents of this report.

Background

- 8 County Council approved the Revenue and Capital budgets for 2021/22 at its meeting on 24 February 2021. 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 - £108.492 million (original £105.731 million)
 - (b) Capital Programme – £62.231 million (original £58.740 million)
- 9 The summary financial statements contained in the report cover the financial year 2021/22 and show: -
 - (a) The approved annual budget;
 - (b) The forecast 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 capital charges and use of / or contributions to earmarked reserves.

Forecast Revenue Outturn 2021/22

- 10 The service is reporting a cash limit underspend of **£0.101 million** against a revised budget of **£108.492 million**.

- 11 The table below compares the forecast outturn with the budget by Head of Service. A further table is shown at Appendix 2 analysing the position by Subjective Analysis (i.e. type of expense).

Analysis by Head of Service £'000

Head of Service	Revised Annual Budget	Forecast Outturn	Variance	Items Outside Cash Limit	Earmarked Reserves	Net COVID adjustment	Cash Limit Variance
	£000	£000	£000	£000	£000	£000	£000
Environmental Services	53,344	59,774	6,429	0	(742)	(5,718)	(30)
Technical Services	13,230	13,663	433	0	0	(345)	88
Community Protection	4,786	4,629	(157)	0	0	(17)	(174)
Partnerships & Comm Engagement	7,507	7,688	181	0	(44)	(119)	18
NCC Central Costs	29,625	29,622	(3)	0	0	0	(3)
Total	108,492	115,376	6,884	0	(786)	(6,199)	(101)

- 12 The cash limit underspend of £0.101 million takes into account adjustments for sums outside the cash limit such as redundancy costs that are met from corporate reserves and use of / contributions to earmarked reserves.
- 13 The main reasons accounting for the outturn position are as follows:
- (a) Environmental Services is £30,000 underspent. There are overspends on waste disposal contracts of £4.461 million due to waste tonnages remaining at very high levels compared to pre-COVID-19 levels, and also due to continuing challenges in the market for recycling materials following the pandemic, but these are being treated as a COVID cost outside the cash limit
 - (b) Technical Services is overspent by £88,000. There is an overspend of £0.533 million in revenue maintenance to cover additional work on gullies, drainage, structures and emergency action work, and an overspend of £0.197 million from reduced sales in trading areas, but this is partially offset by employee

savings of £0.277 million due to vacancies, and a £0.398 million underspend on electricity costs

- (c) Consumer Protection is forecast to underspend by £0.174 million. There is a net underspend on employees of £0.147 million mainly due to vacant posts which are planned to be filled next financial year, and additional fees and charges income of £27,000. The outturn for this service also includes planned expenditure of £1.353 million on COVID-19 Outbreak Management activities, which is offset by specific government grant
 - (d) Partnerships & Community Engagement is forecast to overspend by £18,000, mainly due to being unable to meet the staff turnover savings. The outturn for this service also includes planned expenditure of £2.263 million on COVID-19 Outbreak Management funded activities. The budgets in this area have been augmented with £2.240 million of funding drawn down from the Towns & Villages Reserve to increase Members' budgets by £1.26 million, and AAP budgets by £0.980 million. This year there also an additional £1.400 million being provided to AAPs for Community Recovery that is being funded from the Local Council Tax Support Grant.
- 14 The forecast outturn position has been adjusted by £0.786 million relating to contributions to and from reserves and £6.199 million net COVID adjustment. **Appendix 3** provides a more detailed breakdown of variance explanations at Head of Service level.
- 15 The forecast Cash Limit Reserve position at 31 March 2022 is £0.995 million after taking the latest outturn position into account.

Capital Programme

- 16 The Neighbourhoods & Climate Change capital programme was revised at year-end for budget re-phased from 2020/21. This increased the 2021/22 original budget to a level of £58.740 million. Since then, reports to the MOWG have detailed further revisions, for grant additions/reductions, budget transfers and budget re-profiling into later years. The revised budget now stands at £62.231 million.
- 17 Summary financial performance for 2021/22 is shown below.

Service	Revised Annual Budget 2021/22 £000	Actual Spend to 30 Sept £000	Remaining Budget 2021/22 £000
Community Protection	212	111	101
Environmental Services	17,440	4,307	13,133
Technical Services	39,496	15,649	23,847
Partnerships & Community Engagement	5,083	786	4,297
Total	62,231	20,853	41,378

- 18 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 6 months amounts to **£20.853 million**. **Appendix 4** provides a more detailed breakdown of spend across the major projects contained within the capital programme.
- 19 The key areas of spend during the year to date are on Highways and Bridges (£15.649 million), Environmental Schemes (£1.822 million) and Crematoria Schemes (£0.905 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 (17 November 2021) – Forecast of Revenue and Capital Outturn 2021/22 – Period to 30 September 2021.

Contact: Phil Curran

Tel: 03000 261967

Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the Council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by the Council in February 2021 in relation to the 2021/22 financial year.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital outturn position alongside details of balance sheet items such as earmarked reserves held by the service grouping to support its priorities.

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 Councils Corporate and Financial Governance arrangements.

Procurement

The outcome of procurement activity is factored into the financial projections included in the report

**Appendix 2: NEIGHBOURHOODS & CLIMATE CHANGE Forecast
Outturn at Q2 – Subjective Analysis**

NCC Subjective Analysis	Revised Annual Budget	Forecast Outturn	Variance	Items Outside Cash Limit	Earmarked Reserves	Net COVID adjustment	NCC Cash Limit Variance
	£000	£000	£000	£000	£000	£000	£000
Employees	60,826	61,264	438	0	(10)	(511)	(83)
Premises	7,841	7,509	(332)	0	0	(22)	(354)
Transport	18,395	19,723	1,328	0	(44)	(584)	700
Supplies & Services	24,178	25,664	1,487	0	(553)	13	947
Third Party Payments	46,829	45,987	(842)	0	(164)	(4,512)	(5,518)
Transfer Payments	6,258	6,644	386	0	0	0	386
Capital	21,404	21,404	0	0	0	0	0
Central Costs	10,469	10,535	67	0	0	0	67
DRF	2,650	3,591	941	0	0	0	941
Gross Expenditure	198,851	202,323	3,472	0	(772)	(5,616)	(2,915)
Grant	(6,980)	(7,443)	(463)	0	(14)	(119)	(596)
Contributions	(2,082)	(2,423)	(342)	0	0	0	(342)
Sales	(630)	(605)	25	0	0	0	25
Charges	(12,658)	(12,782)	(124)	0	0	(66)	(190)
Rents	(91)	(93)	(2)	0	0	0	(2)
Recharges	(66,476)	(61,719)	4,757	0	0	(399)	4,358
Other Income	(1,442)	(1,883)	(441)	0	0	0	(441)
Gross Income	(90,358)	(86,947)	3,411	0	(14)	(583)	2,813
Total	108,492	115,376	6,884	0	(786)	(6,199)	(101)

Appendix 3: Head of Service Analysis – Environmental Services

	Variance	Explanation
Head of Environment	0	No variance
Environment & Design	8	Minor variance
North Penines AONB	0	No variance
Clean & Green	41	(£41k) underspend re unbudgeted Commuted Sums from developers £82k overspend on transport mainly due to additional Covid vehicles being retained for staff health and safety reasons
Depots	4	Minor variance
Fleet	(107)	(£107k) underspend due to additional work required for extra vehicles
Neighbourhood Protection	(34)	(£71k) underspend on Neighbourhood Wardens staffing that is required for future incremental increases £22k overspend on bereavement mainly due to unbudgeted drainage works £54k overspend on pest control due to underachievement of commercial income (£39k) underspend on Allotments mainly due to a vacant post
Refuse & Recycling	171	£195k overspend on Agency due to high levels of sickness within the service and extra cover required for high levels of leave carried forward from 20/21
Strategic Waste	(113)	(£89k) overachieved income on trade waste income (£24k) underspend on general maintenance
TOTAL	(30)	

Appendix 3: Heads Of Service Analysis – Partnerships & Community Engagement

Head of Service	0	No variances. Additional £190k COMF grant and matched expenditure.
CCU & Corporate policy	(6)	(£3k) Employee saving - 1 x Term time employee Corporate Policy (£3k) Employee saving - Temporary vacancy Civil Contingencies
Syrian Vulnerable Persons	(24)	Expenditure & projection highly likely to change. Left as per outturn from 2 yeears ago - any balance to reserve at year-end.
Partnerships Team	(3)	(£3k) Employee saving - Maternity cover at lower SCP - Partnerships Team
Strategic Partnerships	20	£20k Employee costs - efficiency saving and Other expenses. Additional £771k COMF grant and matched expenditure. Covid Wardens - Staffing costs of £115k from Jul-21 to Feb-22 outside cash limit. Plus £48k Use of reserve.
Funding Team & Other AAPs	7	£7k Employee costs - efficiency saving. Additional £1,302k COMF grant and matched expenditure. Additional £2,240k Towns & Villages income and matched expenditure. Additional £1,400k Local Government Support Grant and matched expenditure.
AAPs South & East	11	£11k Employee costs - £30k efficiency saving and (£19k) Employee vacancy Spennymoor AAP
AAPs North & east	13	£13k Employee costs - efficiency saving.
TOTAL	18	

Appendix 3: Head of Service Analysis – Technical Services

Service	Over / (Under) £000s	Reason for Variance
Head of Technical Services	(£101)	Underspend on Employees and Transport of (£101k) re HoS vacancy - projected to be filled second half of year.
Highways Services Trading	£197	Reduced income of £5,035k generated by trading activities in Highways, Street Lighting and Commercial Group, offset by reduced related cost of sales of (£4,845k) on Employees, Supplies and Agency. Management & Admin overspend of £6k - Minor variances
Highways Services Non-Trading	£533	Overspend of £610k on Highways Revenue maintenance work, including cyclic works, drainage, bridges and emergency action works. Overspend includes £700k of costs to be transferred capital and met from additional investment monies. Underspend of (£133k) on employees Under achievement of Income £43k Overspend of £13k on Premises and S&S - Minor variances
Strategic Highways	(£540)	Street Lighting - Underspend of (£463k) Underspend of (£31k) on employees - Vacant post Underspend of (£404k) on Premises - Electricity budget
		Highways Permit Scheme - Nil variance Surplus anticipated from Permit fees. Nil outturn reflects transfer of any surplus into receipts in advance(3 years to manage fee levels with
		Technical Team - Underspend of (£92k) Underspend of (£75k) on employees - Other Pay budget Overspend of £46k on S&S - Advertising Over achieved Income of (£59k) - Road Closure and TRO's
		Asset Management - Underspend of (£71k) Underspend of (£80k) on employees - Vacancies Overspend of £35k on Mgt & Support Services - Ian Harrison Recharge Over achieved Income of (£35k) - Roundabout Sponsorship Overspend of £9k - Minor variances on Premises, transport, S&S and
		Drainage & Coast Protection - Underspend of (£6k) Underspend of (£50k) on employees - Vacancies Overspend of £90k on Agency & Contracted works - Additional drainage works. £40k of expenditure being funded from grant, reflected in (£43k) overachievement of income.
		Structures - Overspend of £44k Overspend of £36k on employees - 2 x apprentices (1 degree, 1 level 3) Overspend of £6k on S&S - Includes £10k Annual fee for Network Rail from 20/21 Remainder minor transport variances
		Public Right of Way - Overspend of £45k Overspend of £47k on employees - Definitive Map Officers x 2 Remainder minor variances on S&S and income
		Enforcement & Inspections - Underspend of (£36k) Overspend of £6k on employees, £3k S&S, less (£4k) Transport Over achieved Income of (£42k) - Over-recovered income Fixed Penalty notices and Section74 over-runs
		Highways Adoptions - Overspend of £39k Overspend of £22k on employees - Apprentice costs and staff turnover savings not met Overspend of £17k on S&S - Professional fees Waterman Aspen
GRAND TOTAL	£89	

Appendix 3: Heads of Service Analysis – Community Protection

	Variance £000's	Explanation
Head of CP	£17	£17k overspend on staffing budget
Consumer Protection	(£190)	(£175k) underspend on staffing due to vacancies and COVID cover (£15k) additional income from Fixed Penalty Notices
Health Protection	0	£90k overspend on staffing mainly due to additional posts for succession planning £6k underachieved income on feed money from Northumbria County Council
Strategic Regulation	£1	£1k small overspend on staffing
Environment Protection	(£5)	(£5k) small underspend on staffing. Vacancy for part year offset by staff turnover savings
Neighbourhood Interventions	(£52)	(£52k) net underspend on staffing due to vacancies offsetting any additional spend. Anti Social Behaviour - £11k Nuisance Action Team - (£15k) CAT - (£47k)
Safer Communities	(£41)	(£41k) underspend on staffing and transport due to vacancies and secondments. Information & Intelligence (£22k) - Vacant Post Community Safety Operations (£8k) - Vacant Post. Changes to be made for restructure GRT (£11k) - £7k over on employees, offset by (£17k) additional income for Covid posts.
TOTAL	(£174)	

Appendix 4: Neighbourhoods & Climate Change Capital 2021/22

NCC	Revised Annual Budget 2021/22 £000	Profiled Budget 2021/22 £000	Actual Spend 30/09/21 £000	Remaining Budget £000
Community Protection				
Community Protection	158	63	111	47
AAP Schemes-EHCP	54	22	-	54
Community Protection Total	212	85	111	101
Environmental Services				
AAP Schemes - REAL-Environmental Services	318	144	73	245
Street Scene	1,551	850	452	1,099
Vehicle and Plant	3,150	1,575	508	2,642
Crematorium	144	-	905	(761)
Environment & Design	11,519	3,293	1,822	9,697
Waste Infrastructure Capital	758	70	547	211
Environmental Services Total	17,440	5,932	4,307	13,133
Technical Services				
Highway Operations	599	289	46	553
Strategic Highways	31,276	14,590	12,452	18,824
Strategic Highways Bridges	7,621	3,827	3,151	4,470
Technical Services Total	39,496	18,706	15,649	23,847
Members Neighbourhood Fund				
Members Neighbourhood Fund	3,275	-	649	2,626
Members Neighbourhood Fund Total	3,275	-	649	2,626
Community Buildings				
Community Buildings	956	-	-	956
Community Buildings Total	956	-	-	956
AAP Capital Budgets				
AAP Capital Budgets	646	-	115	531
AAP Capital Budgets Total	646	-	115	531
AAP Initiatives				
AAP Initiatives Other	14	5	-	14
Dipton Project Fund	1	-	-	1
Nevilles Cross Community Centre New Build	83	-	-	83
Witton Park Memorial Garden	18	18	22	(4)
AAP Initiatives Total	116	23	22	94
Consett Comm Facilities				
Consett Comm Facilities	90	-	-	90
Consett Comm Facilities Total	90	-	-	90
NCC Total	62,231	24,746	20,853	41,378