

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



**6 October 2022**

**Neighbourhoods & Climate Change –  
Quarter 1: Forecast of Revenue and  
Capital Outturn 2022/23**

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**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 1 (30 June 2022).

**Executive summary**

- 2 This report provides an overview of the updated forecast of outturn, based on the position at Quarter 1 for 2022/23. 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 overspend of £0.311 million, against a revised budget of £113.698 million.
- 4 The service is forecast to require funding of £3.073 million to support budgets where there are severe inflationary pressures, particularly around energy and pay awards.
- 5 The revised service capital budget is £76.802 million with expenditure to 30 June of £10.121 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 2022/23 at its meeting on 23 February 2022. 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 - £113.698 million (original £112.985 million)
- (b) Capital Programme – £76.802 million (original £79.173 million)

- 9 The summary financial statements contained in the report cover the financial year 2022/23 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 2022/23**

- 10 The service is reporting a cash limit overspend of **£0.311 million** against a revised budget of **£113.698 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), and further variance explanations are shown in Appendix 4.

## Analysis by Head of Service £'000

	Revised Annual Budget	Forecast Outturn	Variance	Items Outside Cash Limit	Earmarked Reserves	Inflation adjustment	Cash Limit Variance
Head of Service	£000	£000	£000	£000	£000	£000	£000
Environmental Services	57,933	60,526	2,593	(60)	(1,315)	(894)	324
Highways	12,961	14,529	1,568	0	0	(1,193)	374
Community Protection	5,919	6,228	309	0	(252)	(144)	(87)
Partnerships & Comm Engagement	5,409	6,270	861	0	(798)	(76)	(13)
NCC Central Costs	31,476	31,953	477	0	0	(765)	(288)
<b>Total</b>	<b>113,698</b>	<b>119,506</b>	<b>5,808</b>	<b>(60)</b>	<b>(2,365)</b>	<b>(3,073)</b>	<b>311</b>

- 12 The cash limit overspend of £0.311 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 forecast to be £0.324 million overspent. This is mainly resulting from £0.342 million additional agency cover required in Refuse and Recycling mainly due to high sickness levels. In addition, there is a £100,000 overspend on bin purchases where costs have recently increased by 22%, and £0.144 million underachieved income on soil imports, however these have been offset by £100,000 increased income relating to trade waste collections and £0.204 million overachieved income for garden waste income.
  - (b) Highways is forecast to be overspent by £0.374 million. The main reasons for this are an overspend of £0.721million on Highways Revenue maintenance work, including cyclic works, drainage, bridges and emergency action works which is offset by additional income within Strategic Highways relating to enforcement and inspections, road closures, and fixed penalty notices.

- (c) Consumer Protection is forecast to underspend by £87,000. The main reason for this is the net effect of having a number of vacant posts in some areas of the service, while having be over establishment in other areas to facilitate succession planning.
  - (d) The central contingencies budget within NCC is underspent by £0.288 million. This budget has been created to fund any cross cutting service pressures within NCC that may arise during the financial year. This budget will be kept under review as the year progresses and transfers may also be made to Heads of Service areas if the need arises.
- 14 In addition, a number of contributions to and from reserves and contingencies have been factored into the outturn. These result in a net drawdown from reserves of £2.365 million, and the major items are:
- (a) 1.056 million drawdown from reserves relating to Find and Fix, Climate Change, and Environmental issues,
  - (b) £0.252 million drawdown from Community Protection reserves relating to Property Sector Enforcement, and Horden Making Every Adult Matter,
  - (c) £0.798 million drawdown from PACE reserves in relation to Social Isolation and AAPs,
  - (d) 0.259 million drawdown from NCC Cash Limit Reserve relating to capital scheme for Office Accommodation at Morrison Busty Depot
- 15 The forecast Cash Limit Reserve position at 31 March 2022 is £0.366 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 2021/22. This increased the 2022/23 original budget to a level of £79.173 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 £76.801 million.

17 Summary financial performance for 2022/23 is shown below.

<b>Service</b>	<b>Revised Annual Budget 2022/23 £000</b>	<b>Actual Spend to 30 June £000</b>	<b>Remaining Budget 2022/23 £000</b>
Community Protection	113	0	113
Environmental Services	25,180	5,033	20,147
Highways	46,188	4,736	41,452
Partnerships & Community Engagement	5,322	352	4,970
<b>Total</b>	<b>76,803</b>	<b>10,121</b>	<b>66,682</b>

18 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 3 months amounts to **£10.121 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 during the year to date are on Highways and Bridges (£4.723 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 (14 September 2022) – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 June 2022.

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## **Appendix 1: Implications**

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### **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 2022 in relation to the 2022/23 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 Q1 – Subjective Analysis**

<b>NCC Subjective Analysis</b>	<b>Revised Annual Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Items Outside Cash Limit</b>	<b>Earmarked Reserves</b>	<b>Net Inflation adjustment</b>	<b>NCC Cash Limit Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employees	62,905	65,967	3,062	(60)	(1,565)	(1,383)	54
Premises	9,091	11,050	1,959	0	0	(1,995)	(36)
Transport	19,343	21,893	2,550	0	0	(865)	1,685
Supplies & Services	20,871	19,872	(999)	0	(36)	0	(1,035)
Third Party Payments	51,977	45,211	(6,766)	0	0	61	(6,705)
Transfer Payments	1,479	2,321	842	0	(65)	0	777
Capital	23,108	23,108	0	0	0	0	0
Central Costs	10,439	10,444	5	0	0	0	5
DRF	1,050	1,309	259	0	(259)	0	0
<b>Gross Expenditure</b>	<b>200,263</b>	<b>201,175</b>	<b>912</b>	<b>(60)</b>	<b>(1,925)</b>	<b>(4,182)</b>	<b>(5,255)</b>
Grant	(3,453)	(3,574)	(121)	0	(385)	0	(506)
Contributions	(878)	(1,039)	(161)	0	(55)	0	(216)
Sales	(624)	(613)	11	0	0	0	11
Charges	(12,950)	(14,247)	(1,297)	0	0	1,110	(187)
Rents	(91)	(91)	0	0	0	0	0
Recharges	(67,143)	(60,401)	6,742	0	0	0	6,742
Other Income	(1,426)	(1,704)	(278)	0	0	0	(278)
<b>Gross Income</b>	<b>(86,565)</b>	<b>(81,669)</b>	<b>4,896</b>	<b>0</b>	<b>(440)</b>	<b>1,110</b>	<b>5,566</b>
<b>Total</b>	<b>113,698</b>	<b>119,506</b>	<b>5,808</b>	<b>(60)</b>	<b>(2,365)</b>	<b>(3,072)</b>	<b>311</b>

## Appendix 3: Neighbourhoods & Climate Change Capital 2021/22

<b>NCC</b>	<b>Revised Annual Budget 2022/23 £000</b>	<b>Profiled Budget 2022/23 £000</b>	<b>Actual Spend 30/06/22 £000</b>	<b>Remaining Budget £000</b>
<b>Community Protection</b>				
Community Protection	99	-	-	99
AAP Schemes-Community Protection	14	-	-	14
<b>Community Protection Total</b>	<b>113</b>	<b>-</b>	<b>-</b>	<b>113</b>
<b>Environmental Services</b>				
AAP Schemes - REAL-Environmental Services	181	-	-	181
Street Scene	1,732	-	53	1,679
Vehicle and Plant	3,049	-	1,079	1,970
Crematorium	240	-	-	240
Environment & Design	16,686	-	3,530	13,156
NCC - Depots	1,669	-	348	1,321
Waste Infrastructure Capital	1,623	-	23	1,600
<b>Environmental Services Total</b>	<b>25,180</b>	<b>-</b>	<b>5,033</b>	<b>20,147</b>
<b>Highways</b>				
Highway Operations	134	13	2	132
Strategic Highways	40,234	2,467	4,411	35,823
Strategic Highways Bridges	5,820	500	323	5,497
<b>Highways Total</b>	<b>46,188</b>	<b>2,980</b>	<b>4,736</b>	<b>41,452</b>
<b>Partnerships &amp; Community Engagement</b>				
Members Neighbourhood Fund	3,832	-	240	3,592
Community Buildings	708	-	-	708
NCC - West Rainton Community Centre	112	-	-	112
AAP Capital Budgets	569	-	111	458
AAP Initiatives Other	11	-	1	10
Consett Comm Facilities	90	-	-	90
<b>PACE Total</b>	<b>5,322</b>	<b>-</b>	<b>352</b>	<b>4,970</b>
<b>NCC Total</b>	<b>76,803</b>	<b>2,980</b>	<b>10,121</b>	<b>66,682</b>

## Appendix 4: Heads Of Service Analysis – Environmental Services

	Variance	Explanation
<b>Head of Environment</b>	0	Minor variance
<b>Refuse &amp; Recycling</b>	342	<b>£342k</b> overspend on staffing due to high levels of sickness in the service and additional holidays carried forward from last year which need covering <b>£100k</b> overspend on bin purchases where each bin cost has risen from £17.90 to £21.90 <b>(£100k)</b> overachieved income on trade waste collections
<b>Strategic Waste</b>	(14)	<b>£144k</b> under achieved income on Soil Imports which have ceased due to capping of site <b>(£204k)</b> overachieved income on garden waste income <b>£25k</b> overspend on Teesdale recycling contract <b>£17k</b> overspend on business rates at Joint Stocks following revaluation <b>£4k</b> overspend on general maintenance
<b>Clean &amp; Green</b>	1	Minor variance
<b>Neighbourhood Protection</b>	19	<b>£19k</b> overspend on supplies across the service
<b>Fleet</b>	(18)	<b>(£18k)</b> underspend on staffing due to management vacancies pending a restructure
<b>Depots</b>	1	Minor variance
<b>North Penines AONB</b>	0	No Variance
<b>Environment &amp; Design</b>	(7)	Minor variance
<b>TOTAL</b>	<b>324</b>	

## Highways Outturn 2022/23 - Reasons for Variances - Quarter 4

Service	Over / (Under) £000s	Reason for Variance
Head of Highways	2	Overspend on Employees of (£2k)
Highways Services Trading	(£113)	Trading (£16k) underspend - Street Lighting (£364k), Commercial Group (£136k), Countywide £484k  Management & Admin underspend of (£97k) - Driven by (£93k) underspend on employees from vacancies less minor variances on premises and S&S
Highways Services Non-Trading	719	Overspend of £721k on Highways Revenue maintenance work, including cyclic works, drainage, bridges and emergency action works. Overspend of £64k on employees - Charlotte Wilkinson and not meeting efficiency saving Overspend of £12k on Transport and S&S - Minor variances. Overspend of £567k on Agency. Mainly gullies and PAT spend. Under achievement of Income £84k.  Winter Maintenance - Nil variance based on budget
Strategic Highways	(£234)	Street Lighting - Underspend of (£11k) Underspend of (£5k) on employees - Vacant post for first 3 months Inflation pressure on Electricity budget of £1.089m on Premises - Covered from central reserve, net nil Underspend of (£1k) on Transport Overspend of £10k on Agency based on last year Overachievement of income (£15k) 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 surpluses) Technical Team - Underspend of (£79k) Underspend of (£2k) on employees - SCP variances Underspend of (£5k) on Transport Overspend of £44k on S&S - Advertising Over achieved Income of (£116k) - Road Closure and TRO's Asset Management - Underspend of (£131k) Underspend of (£28k) on employees - Vacancies Overspend of £6k - Minor variances on Premises, transport, Supplies and Agency Over achieved Income of (£109k) - Roundabout Sponsorship arrears Drainage & Coast Protection - Underspend of (£20k) Underspend of (£28k) on employees - Vacancies Overspend on transport of £8k - Short term spot hire of vehicle for full year Structures - Overspend of £35k Overspend of £46k on employees - 2 x apprentices (1 degree, 1 level 3) Overspend of £4k on Transport for short term hire of vehicle Additional income of (£15k) on additional capital income Public Right of Way - Overspend of £99k Overspend of £108k on employees - Definitive Map Officers x 2, plus Walking/Cycling Route Development Officer part funded. Over achievement of income (£9k) on contributions for officer Enforcement & Inspections - Underspend of (£131k) Underspend of (£14k) on employees - Vacancy Underspend of (£8k) on Transport Over achieved Income of (£109k) - Over-recovered income Fixed Penalty notices and Section74 over-runs Highways Adoptions - Overspend of £4k Minor underspends on employees, transport and S&S (£3k) Under achievement of income £7k
<b>GRAND TOTAL</b>	<b>374</b>	

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## Appendix 4: Heads Of Service Analysis – Community Protection

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<b>Community Protection Q1 Outturn - Reasons for Variances</b>		
<b>Service</b>	<b>Over / (Under) £000s</b>	<b>Reason for Variance</b>
Head of CP	<b>£2</b>	£2k small overspend on staffing budget
Consumer Protection	<b>(£107)</b>	(£107k) underspend on staffing due to vacancies and career graded posts
Health Protection	<b>£75</b>	£88k overspend on staffing mainly due to additional posts for succession planning (£13k) over achievement of income from enforcement associated with the Food Information
Strategic Regulation	<b>£7</b>	£13k small overspend due to staff efficiency savings (£6k) income from TSI
Environmental Protection	<b>(£96)</b>	(£94k) Underspend from staff vacancies (£2k) Debt written off adjustment
Neighbourhood Interventions	<b>£20</b>	£20k C Story succession planning post, to be covered by growth funding
Safer Communities	<b>£12</b>	£12k overspend - (£34k) under on vacancies, GRT £46k over on unbudgeted staff until September.
<b>GRAND TOTAL</b>	<b>(£87)</b>	

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## Appendix 4: Heads Of Service Analysis – Partnerships & Community Engagement

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<b>Partnerships &amp; Community Engagement Outturn 2022/23 - Variances</b>		
<b>Service</b>	<b>Over / (Under) £000s</b>	<b>Reason for Variance</b>
Head of Service	33	Mainly due to MTFP legacy saving not met
CCU & Corporate policy	(56)	Corporate Policy underrecovery of agency costs in prior year being reclaimed in current year. CCU mainly due to employee savings from future uplift in CCU staff after regrading.
Humanitarian Support Scheme	0	No expected variance, any anticipated surplus is transferred to earmarked reserve
Partnerships Team	(2)	Minor variances
Strategic Partnerships	1	Minor variances
Funding Team & Other AAPs	0	No variance projected
AAPs South & East	13	Staffing efficiencies not met offset by vacancy savings
AAPs North & east	(2)	Staffing efficiencies not met offset in full by vacancy from seconded member of staff
<b>GRAND TOTAL</b>	<b>(13)</b>	