

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



20 January 2023

**Neighbourhoods & Climate Change –
Quarter 2: Forecast of Revenue and
Capital Outturn 2022/23**

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 2022).

Executive summary

- 2 This report provides an overview of the updated forecast of outturn, based on the position at Quarter 2 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 £0.493 million, against a revised budget of £116.138 million. The quarter one forecast showed a cash limit overspend of £0.311 million for the year.
- 4 The service is forecast to require funding of £0.081 million to support budgets where expenditure is higher due to the impact of inflation. This is the net position after also taking account of higher income in some areas resulting from the impact of inflation.

- 5 The revised service capital budget is £77.537 million with expenditure to 30 September of £21.429 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 - £116.138 million (original £112.985 million)
 - (b) Capital Programme – £77.537 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 **£0.493 million** against a revised budget of **£116.138 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

	Revised Annual Budget	Forecast Outturn	Variance	Items Outside Cash Limit	Earmarked Reserves	Net Inflation adjustment	Cash Limit Variance
Head of Service	£000	£000	£000	£000	£000	£000	£000
Environmental Services	59,323	58,166	(1,157)	0	(97)	1,212	(42)
Technical Services	12,961	14,790	1,829	0	0	(715)	1,114
Community Protection	6,171	6,090	(81)	0	8	(144)	(217)
Partnerships & Comm Engagement	6,207	3,127	(3,080)	0	3,086	(76)	(71)
NCC Central Costs	31,476	31,544	68	0	0	(358)	(290)
Total	116,138	113,716	(2,422)	0	2,998	(81)	493

- 12 The cash limit overspend of £0.493 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 £42,000 underspent to the year end. In Refuse and Recycling, additional agency cover of £0.340 million has been required due to high sickness levels and additional annual leave carried forward from last year, along with a £0.335 million overspend on vehicle repairs in Refuse and Clean & Green. Additionally, there is £0.144 million of underachieved income on soil imports which have ceased due to capping of the Joint Stocks site. These overspends have been offset by £0.149 million increased income relating to trade and commercial waste collections, and £0.236 million overachieved income for garden waste income. There is also an underspend of £0.503 million due to vacancies and pending restructures. It should be noted that there is forecast to be increased power

generation income of £1.610 million from the Joint Stocks landfill site, but this is being offset against corporate inflationary factors, and is outside the cash limit for NCC;

- (b) Highways is forecast to be overspent by £1.114 million. The main reasons for this are an overspend on the trading areas of £0.713m due to lower than anticipated levels of work, along with an overspend £0.715 million 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) Community Protection is forecast to underspend by £0.217 million. The main reason for this is the net effect of having a number of vacant posts in some areas of the service, while having to be over establishment in other areas to facilitate succession planning,
 - (d) Partnerships & Community Engagement is forecast to underspend by £71,000, mainly due savings from vacancies and some overachievement of income across the service
 - (e) The central contingencies budget within NCC is underspent by £0.290 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 arriving at the forecast outturn position, the service is estimating outside the cash limit inflation related pressures which are in the main associated with; Pay (£1.260 million), Energy (£1.179 million), and Fuel (£0.965 million), with these pressures offset by the benefits of increased power generation income of £1.610 million from the Joint Stocks landfill site and waste contracts underspend of £1.7 million (largely due to inflation impact on value of plastics).
- 15 A net £2.997 million relating to movement on reserves, cash limits and contingencies has also been excluded from the outturn. **Appendix 3** provides a more detailed breakdown of variance explanations at Head of Service level, but the major items are:
- (a) £97,000 drawdown from reserves relating to Climate Change, and Waste issues Climate Change, and Environmental issues;

- (b) £3.086 million contribution to PACE reserves mainly in relation to Syrian Refugees Settlement Grant;
- (c) £12,000 drawdown from contingencies relating to Platinum Jubilee costs.

16 The forecast Cash Limit Reserve position at 31 March 2023 is £0.184 million after taking the latest outturn position into account.

Capital Programme

17 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 £77.537 million.

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

Service	Revised Annual Budget 2022/23 £000	Actual Spend to 30 Sept £000	Remaining Budget 2022/23 £000
Community Protection	14	0	14
Environmental Services	25,828	8,462	17,366
Highways	46,382	12,369	34,013
Partnerships & Community Engagement	5,313	598	4,715
Total	77,537	21,429	56,108

19 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 6 months amounts to **£21.429 million**. **Appendix 4** provides a more detailed breakdown of spend across the major projects contained within the capital programme.

20 The key areas of spend during the year to date are on Highways and Bridges (£12.639 million), Environmental Schemes (£5.600 million) and Vehicles & Plant (£1.544 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 (16 November 2022) – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 September 2022.

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 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 Q2 – Subjective Analysis**

NCC Subjective Analysis	Revised Annual Budget	Forecast Outturn	Variance	Items Outside Cash Limit	Earmarked Reserves	Net Inflation adjustment	NCC Cash Limit Variance
	£000	£000	£000	£000	£000	£000	£000
Employees	64,260	64,526	266	0	0	(1,260)	(994)
Premises	9,082	10,485	1,403	0	0	(1,179)	224
Transport	19,338	22,279	2,941	0	0	(965)	1,976
Supplies & Services	21,165	23,087	1,922	0	0	0	1,922
Third Party Payments	52,014	44,037	(7,977)	0	0	1,712	(6,265)
Transfer Payments	1,894	2,750	856	0	0	0	856
Capital	23,108	23,108	0	0	0	0	0
Central Costs	10,439	10,600	161	0	2,998	0	3,158
Direct Rev Funding	1,309	1,309	0	0	0	0	0
Gross Expenditure	202,609	202,181	(428)	0	2,998	(1,692)	877
Grant	(3,418)	(7,800)	(4,382)	0	0	0	(4,382)
Contributions	(822)	(1,236)	(414)	0	0	0	(414)
Sales	(624)	(631)	(7)	0	0	0	(7)
Charges	(12,976)	(15,191)	(2,215)	0	0	1,610	(605)
Rents	(94)	(86)	8	0	0	0	8
Recharges	(67,111)	(61,427)	5,684	0	0	0	5,684
Other Income	(1,426)	(2,094)	(668)	0	0	0	(668)
Gross Income	(86,471)	(88,465)	(1,994)	0	0	(1,610)	(384)
Total	116,138	113,716	(2,422)	0	2,998	(82)	493

Appendix 3: Head of Service Analysis – Environmental Services

	Variance	Explanation
Head of Environment	0	No Variance
Refuse & Recycling	544	£340k overspend on staffing due to high levels of sickness in the service and additional holidays carried forward from last year which need covering £219k overspend on vehicle daywork repairs £100k overspend on bin purchases where each bin cost has risen from £17.90 to £21.90 (£115k) overachieved income on trade waste collections
Strategic Waste	(236)	£144k under achieved income on Soil Imports which have ceased due to capping of site (£236k) overachieved income on garden waste income (£132k) underspend on staffing due to vacancies and turnover £17k overspend on business rates at Joint Stocks following revaluation (£29k) over achieved income on commercial waste disposal
Clean & Green	116	£116k overspend mainly relating to additional vehicle hires and repairs
Neighbourhood Protection	(253)	(£124k) underspend on Neighbourhood Wardens, mainly staffing until restructure is complete and staff reach the top of their grades (£129k) underspend on Allotments, mainly staffing until new team was fully appointed mid-year
Fleet	(222)	(£118k) underspend on staffing due to management vacancies pending a restructure (£63k) underspend on tyres (£41k) overachieved income on dayworks
Depots	7	Minor variance
North Pennines AONB	0	No Variance
Environment & Design	1	Minor variance
TOTAL	(43)	

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

Service	Over / (Under) £000s	Reason for Variance
Head of Service	(7)	(£7k) from unspent Other Pay budget
CCU & Corporate policy	(80)	Corporate Policy - (£27k) Additional income from unrecovered 21/22 agency costs (£12k) receipting correction from previous year CCU - (£26k) Employee saving - Temporary vacancy Civil Contingencies (£18k) over achievement of income on CCU £3k minor overspends on Supplies and Services £10k unbudgeted Jubilee spend covered from contingencies
Humanitarian Support Scheme	0	(£3.173m) Underspend - £568k Employees, (£10k) Premises, (£10k) Transport, £475k Supplies, (£4.206m) Income Balance to reserve at year-end.
Partnerships Team	(7)	Partnerships Team - (£2k) Employee saving - Maternity cover at lower SCP Underspends of (£1k) Transport and (£4k) under on Supplies and Services
Strategic Partnerships	2	£2k Employee costs - efficiency saving not met in Strategic Manager partnerships cost centre. Draw down of £4k from TCA Reserve to cover expected additional spend in County Durham partnership management. Partnerships & Consultation Team - Draw down of £50k to cover anticipated spend on Sam Scotchbrook and E Dodd. Covid Wardens - Estimated cost £1k covered by reserve draw down.
Funding Team & Other AAPs	(0)	£44k overspend on Employee costs - £44k to met from AAP Reserve. (£24k) contribution back to reserve for Towns and Villages reserve.
AAPs South & East	4	£7k Employee costs - Mainly not achieving efficiency offset by vacancies in East Durham AAP and Spennymoor AAP. (£3k) minor underspends.
AAPs North & east	16	£18k Employee costs - Mainly not achieving efficiency offset by seconded member of staff in management. Now covered by Peter Garrod. (£2k) minor underspends.
GRAND TOTAL	(71)	

Appendix 3: Head of Service Analysis – Highways

Service	£000s	Reason for Variance
Head of Highways	6	Overspend on Employees £2k and S&S of £4k
Highways Services Trading	713	Trading £862k overspend - Street Lighting (£218k), Commercial Group (£98k), Countywide £1.177m. Includes assumptions on the pay award of £1,925 being agreed, with rate increases taken effect in December to recoup the increase. Management & Admin underspend of (£149k) - Driven by (£93k) underspend on employees from vacancies less minor variances on premises and S&S
Highways Services Non-Trading	715	Overspend of £715k on Highways Revenue maintenance work, including cyclic works, drainage, bridges and emergency action works. Overspend of £41k on employees - CW and not meeting efficiency saving Overspend of £10k on Transport and S&S - Minor variances. Overspend of £588k on Agency. Mainly gullies, PAT and street lighting cable testing spend. Under achievement of Income £84k. Stores underspend of (£8k) S&S saving Winter Maintenance - Forecast based on budget figure bottom line.
Strategic Highways	(£320)	Street Lighting - Underspend of (£32k) Underspend of (£8k) on employees - Vacant post for first 3 months Inflation pressure on Electricity budget of £945k on Premises - Covered from central reserve, net nil Underspend of (£1k) on Transport and (£12k) on S&S Overachievement of income (£11k)
		Technical Team - Underspend of (£70k) Underspend of (£42k) on employees - vacancies in team in year Overspend of £12k on Transport Overspend of £44k on S&S - Advertising Over achieved Income of (£84k) - Road Closure and TRO's
		Asset Management - Underspend of (£161k) Underspend of (£62k) on employees - Vacancies Overspend of £21k on agency Overspend of £7k - Minor variances on Premises, transport, Supplies Over achieved Income of (£127k) - Roundabout Sponsorship arrears
		Drainage & Coast Protection - Overspend of £58k Underspend of (£35k) on employees - Reduction in hours Overspend on transport of £2k - Short term spot hire of vehicles Overspend on agency of £91k - Drainage contract payments line
		Structures - Overspend of £25k Overspend of £45k on employees - 2 x apprentices (1 degree, 1 level 3) Overspend of £3k on Transport for short term hire of vehicle. Minor variances £2k on S&S and agency. Additional income of (£25k) re capital for missing Q4 for 2021/22
		Public Right of Way - Overspend of £89k Overspend of £101k on employees - Definitive Map Officers x 2, plus Walking/Cycling Route Development Officer part funded. Over achievement of income (£12k) on under achieved income net off with contributions for officer
		Enforcement & Inspections - Underspend of (£233k) Underspend of (£23k) on employees - Vacancy Underspend of (£8k) on Transport and (£4k) on S&S Over achieved Income of (£198k) - Over-recovered income Fixed Penalty notices and Section74 over-runs, 5 quarters of sample inspections to include Q4 of 2021/22
GRAND TOTAL	1,114	

Appendix 3: Heads of Service Analysis – Community Protection

Service	Over / (Under) £000s	Reason for Variance
Head of CP	£31	Overspend on transport 25k due to 3 additional vehicles for staff use instead of pool cars and supplies and services over by £6k
Consumer Protection	(£147)	(£162k) underspend on staffing due to vacancies, overspend £15k on supplies and services
Health Protection	£38	(£31k) underspend on staffing on vacancies and career graded posts £5k minor overspends (£12k) over achievement of income from enforcement associated with the Food Information
Strategic Regulation	£35	£12k small overspend due to staff efficiency savings not being met £3k spend on REAMs (£50k) recharge to capital for Jenny Swainston costs.
Environmental Protection	(£81)	(£88k) Underspend from staff vacancies and career graded posts Minor variances from Transport and Supplies and Services £7k
Neighbourhood Interventions	£41	£23k overspend on Anti Social Behaviour staffing H Henderson above base, NAT team minor overspend on staffing £4k, CAT team overspend £13k on staffing due to staffing above base. Minor overspend £1k on Supplies and Services
Safer Communities	£13	Mainly £46k GRT team staff over budget, offset by vacancies in Information and Intelligence (£13k) and Community Safety Operations (£17k). Information and Intelligence £3k overspend on portals. Community Safety Operations received grant funding offsetting expenditure, net effect (£5k) as spend comes within budget.
GRAND TOTAL	(£217)	

Appendix 4: Neighbourhoods & Climate Change Capital 2022/23

NCC	Revised Annual Budget 2022/23	Profiled Budget 2022/23	Actual Spend 30/09/22	Remaining Budget
	£000	£000	£000	£000
Community Protection				
Community Protection	-	-	-	-
AAP Schemes-EHCP	14	-	-	14
Community Protection Total	14	-	-	14
Environmental Services				
AAP Schemes - REAL-Environmental Services	224	7	19	205
Street Scene	1,929	-	440	1,489
Vehicle and Plant	3,049	-	1,544	1,505
Crematorium	240	-	12	228
Environment & Design	16,100	-	5,600	10,500
NCC - Depots	2,663	-	804	1,859
Waste Infrastructure Capital	1,623	-	43	1,580
Environmental Services Total	25,828	7	8,462	17,366
Highways				
Highway Operations	134	21	2	132
Strategic Highways	39,878	17,642	11,590	28,288
Strategic Highways Bridges	6,370	1,342	777	5,593
Highways Total	46,382	19,005	12,369	34,013
Members Neighbourhood Fund				
Members Neighbourhood Fund	3,804	-	403	3,401
Members Neighbourhood Fund Total	3,804	-	403	3,401
Community Buildings				
Community Buildings	708	-	-	708
NCC - West Rainton Community Centre	112	-	-	112
Community Buildings Total	820	-	-	820
AAP Capital Budgets				
AAP Capital Budgets	617	-	194	423
AAP Capital Budgets Total	617	-	194	423
AAP Initiatives				
AAP Initiatives Other	11	-	1	10
AAP Initiatives Total	11	-	1	10
Consett Comm Facilities				
Consett Comm Facilities	61	-	-	61
Consett Comm Facilities Total	61	-	-	61
NCC Total	77,537	19,012	21,429	56,108