

Economy and Enterprise Overview and Scrutiny Committee

24 September 2012



Regeneration and Economic Development Service – Quarter 1 Revenue and Capital Forecast Outturn 2012/13

Joint Report of Corporate Director – Regeneration and Economic Development and Corporate Director - Resources

Purpose of the Report

1. To provide details of the forecast outturn budget position for the Regeneration and Economic Development (RED) service grouping highlighting major variances in comparison with the budget based on the position to the end of June 2012.

Background

2. County Council approved the Revenue and Capital budgets for 2012/13 at its meeting on 22 February 2012. These budgets have subsequently been revised to account for grant additions/reductions, budget transfers between service groupings and budget reprofiling between years. This report covers the financial position for the following three major accounts maintained by the RED service grouping:
 - *RED Revenue Budget - £42.976m (original £42.513m)*
 - *Housing Revenue Account - £61.111m*
 - *RED Capital Programme – £99.823m (original £89.571m)*
3. The original RED General Fund budget has been revised to incorporate a number of budget adjustments as follows:
 - Transfer of range of subscriptions budget to Resources -£122k
 - Reduction in democratic recharge income of £16k
 - Capital charges increase of £17k
 - Carbon Reduction Commitment allowances £13k
 - Increased central support recharges of £653k linked to transfer of assets budgets from Resources into RED
 - Transfer support recharge for County Durham Development Company to Resources following in-house merger -£114k .

The revised General Fund Budget now stands at £42.976m.

4. The summary financial statements contained in the report cover the financial year 2012/13 and show: -
- The approved annual budget;
 - The actual income and expenditure as recorded in the Council's financial management system;
 - The variance between the annual budget and the forecast outturn;
 - For the RED revenue budget, adjustments for items outside of the cash limit to take into account such items as redundancies met from the strategic reserve, capital charges not controlled by services and use of / or contributions to earmarked reserves.

Revenue - General Fund Services

5. The service is reporting a **£0.100m** cash limit underspend against the revised annual budget of **£42.976m**.
6. The tables below compare the actual expenditure with the budget. The first table is analysed by Subjective Analysis (i.e. type of expense), and the second by Head of Service.

Subjective Analysis

£'000	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
	(a)	(b)	(c)	(d)=(c-a)	(e)	(d)+(e)
Employees	26,956	7,734	26,927	-29	-209	-238
Premises	2,908	445	2,682	-226	0	-226
Transport	1,423	281	1,339	-84	0	-84
Supplies and Services	9,486	1,762	9,657	171	-505	-334
Agency and Contracted	19,710	3,842	19,685	-25	0	-25
Transfer Payments	200	12	200	0	0	0
Central Costs	8,619	27	8,620	1	0	1
GROSS EXPENDITURE	69,302	14,103	69,110	-192	-714	-906
INCOME	-26,326	-4,765	-25,520	806	0	806
NET EXPENDITURE	42,976	9,338	43,590	614	-714	-100

Analysis by Head of Service

Head of Service Grouping	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
	(a)	(b)	(c)	(d)=(c-a)	(e)	(d)+(e)
Strategy Programmes Performance	1,796	1,137	1,795	-1	-37	-38
Economic Development & Housing	6,992	1,255	7,547	555	-550	5
Planning & Assets	6,540	1,486	6,441	-98	-127	-225
Transport & Contracted	18,366	3,699	18,526	160	0	160
Central Managed Costs	9,282	1,761	9,280	-2	0	-2
NET EXPENDITURE	42,976	9,338	43,590	614	-714	-100

7. The table below provides a brief commentary on the variances against the revised budget, analysed into Head of Service groupings. The table identifies variances in the core budget only and excludes items outside of the cash limit (e.g. concessionary fares, ER/VR costs) and technical accounting adjustments (e.g. capital charges):

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend	
Strategy Programmes Performance (SPP)	SPP	Vacant posts - vacancy freeze	(19,000)	(38,000)	
	Funding and Programmes	Vacant posts - vacancy freeze	(19,000)		
Economic Development & Housing	Head of Economic Development	Minor underspend on Employee costs	(1,529)	5,445	
	Physical Development	Overspend on Employee costs due to unachieved 3% turnover	48,505		
	Visit County Durham	Overspend on Employee costs due to unachieved 3% turnover	23,751		
	Business Durham	Overspend on Employee costs due to unachieved 3% turnover	19,958		
			£439k overspend on Netpark Grow on Space development		439,384
			£439k use of reserves to fund the Netpark Grow on Space overspend		(439,384)
	Economic Development	Underspend due to vacant Community Ec Dev officer and admin officer	(39,312)		
	Housing Solutions	No variances forecast at present	0		
Housing Regeneration	Underspend on Employee costs due to 2 staff being on maternity leave and 2 staff working reduced hours	(45,928)			
Spatial Policy, Planning Assets & Environment (SPPAE)	Head of SPPAE	Agreed overspend on Area of Outstanding Natural Beauty (AONB) contributions underpaid previous year	2,104		
	Spatial Policy	Overspend on Employee costs due to having to advertise externally for Spatial Policy Team Leader post	4,056		
	Development Management	£236k over achieved income partly due to statutory increase of 15% from November 2012 £20k underspend on Transport costs £38k Underspend on Area of Blight works £46k Underspend on printing budget £47k underspend on advertising £40k overspend on IT Software until single planning system is implemented £20k overspend on compensation payments to applicants £14k underspend on various other supplies	(341,106)		
	Building Control	£200k under achieved income on fees, however may be reduced later in the year due to the Hitachi development, offset by: £15k underspend on Transport costs £21k underspend on structural calculation costs	87,439		

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
		£50k underspend on Dangerous Structures £27k underspend on various other supplies		
	Conservation and Design	£24k underspend on Employee costs due to vacant Senior Design & Conservation Officer post £4k Underspend on supplies and services	(28,779)	
	Archaeology	overspend due to reduced sales	2,300	
	Landscape	£7k overspend on Employees £4k overspend on Agency Costs	11,773	
	Ecology	Underspend on external fees not required in year	(13,130)	
	Sustainability	No major variances	(575)	
	Heritage Coast	No major variances	(3,898)	
	Assets - Asset Management	£111k underspend on Employee costs due to 2 staff on maternity leave, 1 employee on reduced hours and vacancies until restructure of service in October 12	(111,730)	
	Assets - Property Management	£46k under achieved income relating to empty shops at Newgate Street, Bishop Auckland £36k under achieved income relating to Brackenhill Centre vacated by East Durham College April 12 £6k under achieved income relating to Thornley Surgery vacated by Durham City Homes	86,901	
	Assets - Millenium Square / Fowlers Yard	Under achieved income relating to Millenium Square where units are being occupied by DCC services	79,860	
				(224,785)
Transport	Strategic Traffic	Employees - Anticipated extra spend on agency cover for statutory duties due to sickness within the service	40,000	
	Concessionary Fares	Supplies & Services - Overspend due to the 5yr renewal of bus passes	120,000	
	Parking Services	Income - Parking Services anticipated commencing a new contract for parking enforcement for the South of the County in October 2012. This is not now expected to happen and will, therefore, be a budget pressure on income. However, parking enforcement in the North of the County is performing better than expected.	0	160,000
Central	Central Costs	Minor saving in supplies costs and roundings	(3,000)	(3,000)
TOTAL				(100,340)

8. The following is a breakdown of items outside of the cash limit (in £'000):

● Redundancy costs to be met from strategic reserve	84
● Time limited posts in strategy and programmes funded from reserves	37
● Expenditure on local development framework to be funded from Planning reserve	127
● Expenditure on the international school games to be funded from the International Relations reserve	17
● Time limited post for a project support officer supporting the Gospels exhibition to be funded from the Durham City Vision reserve	23
● Employee costs for the Strategic Housing manager to be funded from the Growth Point reserve	63
● Expenditure on Apprenticeship subsidy payments to be funded from cash limits	100
● Expenditure on Visit County Durham festival and events to be funded from cash limits	50
● Expenditure on Visit County Durham's transitional costs to be funded from the Regeneration reserve (former ABG)	163
● Expenditure on the Future Business Magnates scheme and Visit County Durham place marketing to be funded from the Performance Reward Grant reserve	69
● Additional income from the work programme scheme to be added to the Durham Employability & Training reserve	(20)
	714

9. In summary, the service grouping is on track to maintain spending within its cash limit. It should also be noted that the estimated outturn position incorporates the MTFP savings required in 2012/13 which amount to £2.5m.

Revenue – Housing Revenue Account (HRA)

10. The Council is responsible for managing the HRA which is concerned solely with the management and maintenance of the Council's housing stock of around 19,000 dwellings. The HRA comprises the housing stock inherited from former Easington, Wear Valley and Durham City councils. Two arms length management organisations (ALMOs) have been established to manage Easington and Wear Valley housing stock (East Durham Homes and Dale and Valley Homes respectively) whilst Durham City is managed in-house. The responsibility for managing the HRA lies solely with the Authority and this is not delegated or devolved to the ALMOs.
11. The table in **Appendix 2** shows the forecast outturn position on the HRA showing the actual position compared with the original budget. In summary it identifies a balanced outturn position on the revenue account after using a projected surplus of £1,009k towards the capital programme.

Housing Revenue Account	Budget £'000	Forecast Outturn £'000	Variance £'000
Income			
Dwelling Rents	(60,115)	(60,265)	(150)
Other Income	(1,051)	(1,291)	(240)
Interest and investment income	(115)	(115)	0
	(61,281)	(61,671)	(390)
Expenditure			
ALMO Fees	17,266	17,266	0
Repairs, Supervision and Management Costs	11,678	12,037	359
Negative Subsidy Payment to CLG	0	(94)	(94)
Depreciation	17,158	17,158	0
Interest Payable	12,234	11,350	(884)
Revenue contribution to capital programme	2,922	3,931	1,009
	61,258	61,648	390
Net Position	(23)	(23)	0

12. In summary, the main variances with the budget are explained below and relate to the figures and corresponding notes shown in **Appendix 2**:

- a) **Dwelling Rents £150k additional income** – this results from reduced volume of Right to Buys in the current year which means that rental income continues to be received for properties assumed would be disposed;
- b) **Contribution towards Expenditure £240k additional income** – this is in respect of the receipt of NWA Water Commission Charges and the receipt of administration charges from furniture packs (not previously budgeted for) at Durham City Homes
- c) **Repairs & Maintenance £382k overspend** – this is attributable to a higher than anticipated demand for repairs;
- d) **HRA Subsidy £94k underspend** – this is a refund due to the Council resulting from Housing Subsidy payments made to the DCLG in 2011/12;
- e) **Interest Payments £884k underspend** – this results from a lower interest rate and lower Outstanding Loan Debt than originally anticipated.
- f) **Revenue Support to Capital £1,009k surplus** – the balancing item on the HRA which identifies the potential resources available to support the capital programme and reduce our reliance on borrowing.

Volatility Reporting (Risk Based Reporting)

13. There are certain budgets, both income and expenditure, that can be volatile in nature and require close scrutiny throughout the year. These include budgets that are subject to external demand beyond the immediate control of the Council and also include income which can be affected by economic pressures. Efforts are specifically directed at these areas, which pose the greatest financial risk to budget management and managing our cash limits effectively.

14. The following items currently form part of the 'volatility' reporting framework and the outturn position on these for the RED Service Grouping is as follows:

Cost Centre	Description	2012-13 Budget £'000	2012-13 Forecast Outturn £'000	Variance £'000	Status
Development Control	Planning Fees	-1,654	-1,890	-236	GREEN
Building Control	Building Control Fees	-1,100	-900	200	RED
Concessionary Fares	Contract Payments	11,350	11,350	0	GREEN
Bus Contracts	Contract Payments	4,141	4,141	0	GREEN
Business Space	Rental Income & Sales	-2,561	-2,561	0	GREEN
Housing Repairs	Repairs and Maintenance	4,102	4,484	382	RED

15. The volatility status indicates the expected outturn on the specific budget head, with red indicating that the target is not being achieved, amber indicating that the target is not being achieved but the overall variance is within acceptable tolerances and green indicating that the target is being achieved or exceeded.
16. The key concern at this stage continues to be a shortfall in income from the building control function in the planning service and a projected overspend on housing repairs within Durham City Homes.

Capital Programme

17. The RED capital programme makes a significant contribution to the Regeneration ambitions of County Durham. The programme is relatively large and comprises over 200 schemes managed by around 40 project delivery officers.
18. The Regeneration and Economic Development capital programme was revised at Outturn for budget rephased from 2011/12 and Assets budgets transferred from the ACE service grouping. This increased the 2012/13 budget to £113.218m. A report to the MOWG in July detailed further revisions, for grant additions/reductions, budget transfers and budget reprofiling into later years. The revised budget now stands at **£100.573m** - consisting of **£54.829m** for General Fund and **£45.744m** for the HRA. The following changes have been made to the original budget:

Grant Additions/Reductions and Transfers with Other Services - £11.848m increase

- Assets-Structural Capitalised Maintenance & Office Accommodation - £6.427m increase
- Assets-Woodham Community Technical College - £0.750m increase
- Gypsies & Travellers (HCA Grant) -£2.080m increase
- Housing Renewal Programme (DFG Grant) -£2.340m increase
- Office Accommodation (AWH contribution to Crook CAP) - £0.450m increase
- Stanhope & Middleton TBIG - £0.038m increase

- ACE contributions to URR1, LTP & Housing Renewal Programme - £0.022m increase
- URR1 - £0.078m increase
- Drum Public Art - £0.024m decrease
- HRA Housing Regeneration - £0.313m reduction

Reprofiled Budgets - £0.846m reduction

There have been increases in budgets from resources rephased from 2011/12 at outturn and decreases from budgets recently rephased to 2013/14 onwards. The net effect of these changes are:

- Barnard Castle Vision - £0.534m increase
- Durham City Vision - £0.950m increase
- St John's Square - £0.451m increase
- Durhamgate - £0.340m reduction
- NETPark - £0.029m reduction
- Town Centres - £0.300m increase
- North Dock - £0.600m increase
- Industrial Estates - £0.646m increase
- Durham City Plus - £0.177m reduction
- Housing Renewal Programme - £0.856m increase
- CCTV - £0.333m increase
- Gypsy Traveller Sites - £3.732m reduction
- DFG/FAP - £0.669m increase
- Office Accommodation - £0.274m increase
- Energy Efficiency Schemes - £2.033m reduction
- URR1 - £0.593m increase
- Transit 15 - £1.831m reduction
- Major Transport Schemes - £0.453m reduction
- Local Transport Plan - £0.116m increase
- East Durham Rail Station - £0.045m increase
- Transport Corridors - £0.320m reduction
- Structural Capitalised Maintenance - £0.114m increase
- Minor Schemes - £2.023m increase
- HRA – Durham City Homes - £0.465m increase
- HRA – East Durham Homes - £0.080m increase
- HRA - Housing Regeneration - £1.210m reduction
- HRA – New Build - £0.230m increase

19. Summary financial performance to the end of June is shown below.

Service	Original Annual Budget 2012/13 £000	Revised Annual Budget 2012/13 £000	Actual Spend to 30 June £000	Remaining Budget £000
General Fund	43,079	54,829	5,462	49,367
HRA	46,492	45,744	5,716	40,028
Total	89,571	100,573	11,178	89,395

20. Actual spend for the first three months amounts to **£11.178m** – consisting of **£5.462m** for the General Fund and **£5.716m** for the HRA. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the RED capital programme.
21. It is anticipated that the outturn spend will be in line with the revised budget. At year end the actual outturn performance will be compared against the revised budget and service and project managers will need to account for any budget variance.

Recommendations:

22. The Committee is requested to note the contents of this report.

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Appendix 1: Implications

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital projected outturn position for 2012/13.

Staffing

None.

Risk

None.

Equality and Diversity / Public Sector Equality Duty

None.

Accommodation

None.

Crime and disorder

None.

Human rights

None.

Consultation

None.

Procurement

None.

Disability Issues

None.

Legal Implications

None.

Appendix 2: 2012-13 Housing Revenue Account

	2012/13 Budget	2012/13 Forecast Outturn	Variance	
	£000	£000	£000	
Income				
Dwelling Rents	(60,115)	(60,265)	(150)	a
Non Dwelling Rents: – Garages	(899)	(899)	0	
– Shops/Other	(96)	(96)	0	
Charges for Services and Facilities	(56)	(56)	0	
Contributions towards Expenditure	-	(240)	(240)	b
Total Income	(61,166)	(61,556)	(390)	
Expenditure				
ALMO Management Fee	17,266	17,266	0	
Repairs and Maintenance	4,117	4,499	382	c
Supervision and Management - General	4,323	4,284	(39)	
Supervision and Management - Special	549	565	16	
Rent, Rates, Taxes and Other Charges	100	100	0	
Negative HRA Subsidy Payable to CLG	0	-94	(94)	d
Depreciation and Impairment of Fixed Assets	17,158	17,158	0	
Bad Debt Provision and Debts Written Off	916	916	0	
Debt Management Costs	186	186	0	
Total Expenditure	44,615	44,880	265	
Net Cost of HRA Services per I&E Account	(16,551)	(16,676)	(125)	
Share of Corporate and Democratic Core	1,085	1,085	0	
Share of Other Costs Not Allocated to Specific Services	402	402	0	
Net Cost of HRA Services	(15,064)	(15,189)	(125)	
Interest Payable and Similar Charges	12,234	11,350	(884)	e
Direct Revenue Financing (Contribution to Capital)	2,922	3,931	1,009	f
Interest and Investment Income	(115)	(115)	0	
(Surplus)/Deficit for Year	(23)	(23)	0	
HRA Reserves	7,821	7,821	0	
Stock Options Reserve	60	0	60	
Durham City Homes Improvement Plan	400	400	0	
Capital Reserve	2,000	0	2,000	

Appendix 3: RED Capital Programme 2012-13

	Revised Annual Budget £000	3 Month Profiled Budget (1) £000	Actual Spend to 30 th June £000	Remaining Budget £000
General Fund				
Economic Development & Housing				
Barnard Castle Vision	3,399	566	44	3,355
North Dock Seaham	701	117	177	524
Durham City Vision	1,251	208	159	1,092
St John's Square	295	49	(286)	581
Durhamgate	460	460	1,941	(1,481)
Town Centres	2,402	400	86	2,316
Industrial Estates	4,739	790	65	4,674
Durham City Plus	-	49	28	(28)
Disabled Facilities Grants/FAP ⁽²⁾	5,209	868	383	4,826
Office Accommodation	3,153	525	131	3,022
Housing Renewal Programme	4,030	672	932	3,098
Travellers Sites – General	502	84	(31)	533
CCTV	683	114	48	635
Planning & Assets				
Energy Schemes	2,550	425	467	2,083
URRI Programme	718	239	436	282
Structural Capitalised Maintenance	9,398	-	-	9,398
Woodham Community Technical College	750	-	-	750
Transport				
Transit 15	1,250	208	43	1,207
Major Schemes	2,437	406	38	2,399
Local Transport Plan	4,028	671	689	3,339
Transport Corridors	900	150	-	900
Minor Schemes				
	5,974	112	112	5,862
General Fund Total	54,829	7,113	5,462	49,367
Housing Revenue Account				
Durham City Homes	8,965	1,494	1,596	7,369
East Durham Homes	29,080	4,847	2,588	26,492
Dale and Valley Homes	5,580	1,395	771	4,809
New Build II: Wear Valley	1,149	383	665	484
Housing Demolitions & Regeneration	970	161	96	874
Housing Revenue Account Total	45,744	8,280	5,716	40,028
RED Total	100,573	15,393	11,178	89,395

(1) Updated profiled budgets are being prepared to reflect slippage but for the time being the budget has been profiled pro rata (equally over 12 months)

(2) Financial Assistance Programme