

Economy and Enterprise Scrutiny Committee

19 November 2012

Regeneration and Economic Development Service – Quarter 2: Revenue and Capital Forecast of 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 September 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 - £43.030m (original £42.513m)*
 - *Housing Revenue Account - £61.111m*
 - *RED Capital Programme – £100.946m (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
 - Carbon Reduction Commitment allowances £13k
 - Increased capital and central support recharges of £670k
 - Transfer support recharge for County Durham Development Company to Resources following in-house merger -£114k
 - Additional budget for disturbance allowances following office accommodation moves £54k.

The revised General Fund Budget now stands at £43.030m (before use of reserves and cash limits).

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 cash limit underspend of **£0.698m** against a revised budget of **£43.030m**.
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	26,779	14,380	26,883	104	-561	-457
Premises	2,774	1,869	2,884	110	0	110
Transport	1,552	512	1,252	-300	0	-300
Supplies and Services	9,728	6,381	10,207	479	-760	-281
Agency and Contracted	19,672	7,782	19,261	-411	333	-78
Transfer Payments	245	-1	191	-54	0	-54
Central Costs	8,618	277	8,859	240	0	240
GROSS EXPENDITURE	69,369	31,200	69,537	168	-988	-820
INCOME	-26,339	-10,762	-26,180	159	-37	122
NET EXPENDITURE	43,030	20,438	43,357	327	-1,025	-698

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	1,797	1,497	1,810	13	-48	-35
Economic Development & Housing	7,014	3,918	7,618	604	-901	-297
Planning & Assets	6,571	5,669	6,335	-236	-250	-486
Transport & Contracted	18,366	9,161	18,312	-54	174	120
Central Managed Costs	9,282	193	9,282	0	0	0
NET EXPENDITURE	43,030	20,438	43,357	327	-1,025	-698

7. Attached in the table below is a brief commentary of the variances with 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) and technical accounting adjustments (e.g. capital charges):

Head of Service	Service Area	Description	(Under) / Overspend £'000	(Under) / Overspend £'000
Strategy Programmes and Performance (SPP)	Management	£3k underspend on Directors and Head of SPP mileage budgets	(3)	(35)
		£5k overspend on Supplies & Services	5	
	Strategy Policy Partnerships & Support	Underspend on Employee costs - £18k net underspend on pay primarily due to 2 vacancies and maternity leave, £4k underspend on training,	(22)	
		£6.5k underspend on Supplies and Services due to reduced Advertising and Printing.	(7)	
	Planning & Performance	£3k underspend on pay (vacancy and reduced hours) & £1k underspend on training	(4)	
		£4k underspend on Supplies and Services	(4)	
	Funding & Programmes	£9.5k vacancy savings not met but offset by £5k maternity underspend	4	
		£4k underspend on Supplies and Services regarding Audit Fees	(4)	
Economic Development & Housing	Head of Economic Development & Housing	No major variances	0	(297)
	Physical Development	£35k underspend on Employee costs due to early retirement of Senior Project Support Officer	(35)	
	Visit County Durham	£4k overspend on general supplies	4	
	Business Durham	£8k overspend on Employee costs due to not meeting the 3% turnover budget	8	
	Economic Development	£84k underspend on Employee costs due to vacant Community Economic Development officers £10k over achieved income in the International Relations service	(94)	
	Housing Solutions	£93k underspend on Employee costs due to maternity leave and staff working reduced hours	(93)	
	Housing Regeneration	£79k underspend on Employee costs due to 2 maternity leaves, 2 staff working reduced hours and a post being vacant for part of year during recruitment process £5k underspend on Premises due to renegotiation of rent £3k underspend on general Transport costs	(87)	
Spatial Policy, Planning, Assets and Environment (SPPAE)	Head of Planning	Agreed overspend Area Outstanding Natural Beauty Contributions underpaid previous year	2	
	Planning Policy	£13k overspend on Employee costs £14k underspend on Transport £13k underspend on Supplies and Services	(14)	
	Local Development Plan	No major variances	0	

Head of Service	Service Area	Description	(Under) / Overspend £'000	(Under) / Overspend £'000
	Development Management	£236k over achieved income partly due to statutory increase in fees and increasing caseloads £20k overspend due to Severance Payment and Agency cover for long term sickness £85k underspend on Employees due to vacancies within the service £12k underspend on Training £8k overspend on Agency - Solicitor £67k underspend on Transport £55k underspend on Area of Blight works £48k underspend on Printing budget £77k underspend on Advertising £40k overspend on IT Software until single planning system is implemented £11k underspend on other Supplies and Services	(523)	
	Building Control	£200k under achieved income on fees, however may be reduced later in the year due to Hitachi development, offset by: £20k underspend on Employee Costs £34k underspend on Transport costs £21k underspend on structural calculation costs £29k underspend on various other supplies £50k underspend as no major works have been required yet in the year	46	
	Conservation and Design	£38k underspend on Staffing due to vacant Senior Design & Conservation Officer post and part year vacancy of Business Support Officer £4k underspend on Transport Costs £11k underspend on various other supplies	(53)	
	Archaeology	No major variances	(6)	
	Landscape	£9k overspend on Employees £4k underspend on Transport £11k underspend on various other supplies	(6)	
	Ecology	Includes £12k underspend on external fees not required in the year	(17)	
	Sustainability	£13k overspend on Employee costs due two additional posts Energy £11k underspend on Transport £39k underspend on Supplies £17k shortfall in Income	(20)	
	Heritage Coast	No major variances	2	
	Assets - Asset Management	£75k underspend on Employee costs due to 2 staff on maternity leave, 1 employee on reduced hours and vacancies until restructure of service £6k underspend on Transport costs £4k underspend on Supplies £12k under achieved income due to reduction in SLA work	(73)	
	Assets - Farms	No major variances	2	
	Assets - Reclamation Sites	£8k overspend on Supplies due to planning appeal work on reclamation grazing land	8	
	Assets - Property Management	£56k under achieved income relating to empty shops at Newgate Street Bishop Auckland £36 under achieved income relating to Brackenhill Centre vacated by East Durham College April 2012 £13k general underspend on Premises costs	79	
	Surplus Property	No major variances	0	
	Assets - Millenium Square / Fowlers Yard	£87k under achieved income relating to Millenium square where units are vacant or being occupied by DCC services	87	(486)
Transport & Contracted Services	Head of Transport	No major variances	0	
	Strategic	£56k overspend Employees - non-realisation of vacancy	96	

Head of Service	Service Area	Description	(Under) / Overspend £'000	(Under) / Overspend £'000
	Transport	savings £40k anticipated extra spend on agency cover for statutory duties due to sickness within the service		
	Passenger Transport	£135k underspend due to realignment of Supplies & Services budgets to identify budget for review of staffing structure £4k underspend on Car Allowances - Rationalisation of fleet and staff moved as a consequence of restructure £3k overspend on Consultants Fees as result of extension of work £333k underspend on Concessionary Fares - £278k overspend on renewal of 80,000 passes (5 year renewal basis) and £609k underspend on contract payments (outside cash limits) £24k underspend on Mobile costs due to reduction of staff in restructure, computer costs and Printing & Stationery £21k overspend due to external service provision by Journey Planner to cover work done by employee on maternity leave £15k increase in contract payments due to extra contractual runs £26k increase in budgeted income from DfT re Local Sustainable Travel Fund admin charge and CYPS to pay for extra services £23k decrease in income recharge from Health due to Bus & Rail contract savings £123k decrease in recharges to Adults for Fleet Service	(4)	
	Supported Housing	£82k net overspend on employees costs through vacancy savings not being achieved and partially offset by a training underspend £158K overspend on Employees costs arising from Pay Protection costs which are to be met from reserves (nil impact) £9k overspend on vehicle costs £144k underspend on planned equipment purchases to cover overspends elsewhere £19k underspend on smoke alarm cleaning budget - won't need this as alarms are new this year £17k underspend on clothing, advertising, computer requisites and licences £35k increase charge for Tunstall maintenance contract. The maintenance of the control centre was previously under warranty which ran out this year. £37k shortfall in income Care Connect s £45k net loss of income primarily due to Parish/Town Councils withdrawal from CCTV SLA's	28	120
Central Managed	Central Costs	No major variances		0
TOTAL				(698)

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

- Redundancy costs to be met from corporate strategic reserve 112
- Time limited posts in strategy and programmes funded from RED reserves 37
- Expenditure on local development plan to be funded from Planning reserve 105
- Expenditure on the international school games to be funded from the International Relations reserve 7
- 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	74
● Expenditure on Apprenticeship subsidy payments to be funded from the RED cash limit	100
● Expenditure on Visit County Durham festival and events to be funded from the RED cash limit	50
● Expenditure on Visit County Durham's transitional costs to be funded from RED reserves	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)
● Expenditure on Business Durham branding to be funded from the RED cash limit	20
● Expenditure on match funding towards Limestone Landscape projects to be met from the Planning and Assets cash limit	22
● Expenditure in relation to the Excavation at Binchester Roman Fort to be met from the RED cash limit	15
● Expenditure on Rural Employment and Job Broker projects to be met from the Economic Development Employability Reserve	95
● Costs incurred on specific projects by the Housing Solutions Team to be met from the Housing Solutions Reserve	137
● Pay protection costs financed from RED reserves	271
● Net underspend on Concessionary Fares Contract Payments – Outside Cash Limit	(333)
● Overspend resulting from costs incurred on security services relating to a surplus property at Whinney Hill School – Outside Cash Limit	78
	1,025

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 £868k towards the capital programme.

Housing Revenue Account	Budget £'000	Forecast Outturn £'000	Variance £'000
Income			
Dwelling Rents	(60,115)	(60,068)	47
Other Income	(1,350)	(1,369)	(19)
Interest and investment income	(114)	(114)	0
	(61,579)	(61,551)	28
Expenditure			
ALMO Fees	17,266	17,266	0
Repairs, Supervision and Management Costs	11,975	12,057	82
Negative Subsidy Payment to CLG	0	(94)	(94)
Depreciation	15,510	15,510	0
Interest Payable	12,234	11,350	(884)
Revenue contribution to capital programme	4,570	5,438	868
	61,555	61,527	(28)
Net Position	(24)	(24)	0

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

- a) **Repairs & Maintenance £352k overspend** – this results from an increased cost per void as a result of the implementation of the lettable standard scheme in 2010/11. In addition an overspend is being incurred as a result of problems encountered with specific Gas Boilers purchased prior to LGR, which are now out of warranty;
- b) **Supervision & Management £243k underspend** – this is a managed underspend on the Service Improvement budget to compensate for the overspend on Repairs & Maintenance;
- c) **HRA Subsidy £94k underspend** – this is a refund due to the Council resulting from Housing Subsidy payments made to the DCLG in 2011/12;;
- d) **Interest Payments £884k underspend** – this results from a lower interest rate and lower Outstanding Loan Debt than originally anticipated;
- e) **Revenue Support to Capital £868k 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	10,741	-609	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	4,454	352	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. Further reports to the MOWG in July, September and October detailed further revisions, for grant additions/reductions, budget transfers and budget reprofiling into later years. The revised budget now stands at **£100.949m** - consisting of **£55.205m** for General Fund and **£45.744m** for the HRA.
19. Summary financial performance to the end of September is shown below.

Service	Original Annual Budget 2012/13 £000	Revised Annual Budget 2012/13 £000	Actual Spend to 30 September £000	Remaining Budget £000
General Fund	43,079	55,205	10,889	44,316
HRA	46,492	45,744	18,427	27,317
Total	89,571	100,949	29,316	71,633

20. Actual spend for the first six months amounts to **£29.316m** – consisting of **£10.889m** for the General Fund and **£18.247m** for the HRA. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the RED capital programme.

General Fund

21. There has been significant spend to progress the implementation of the Local Transport Plan (£1.289m) and the Durhamgate Scheme (£2.663m) to improve transport infrastructure in the County. Other significant spend has been made on the Disabled Facilities Grants and Helping Hands Loans Schemes (£1.476m) and the Housing Renewal Programme (£1.598m), to improve and support private sector housing. Other areas of the programme are profiled to be implemented later in the year and it is anticipated that the projected outturn at 31 March 2013 will be in line with the revised budget. A further review of the full programme will be undertaken in the final quarter to confirm that this is achievable.

HRA

22. The programme has been significantly supported with £13m of Decent Homes Backlog Grant funding from the Homes and Communities Agency. In the first six months of the financial year a total of 589 properties have been brought up to the Decent Homes standard, which is slightly ahead of the progress anticipated against the annual target of 982. It is anticipated that the projected outturn at 31 March 2013 will be in line with the revised budget. The programme anticipates improvements will be made to around 3,500 properties in 2012/13.
23. 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.

Recommendations:

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

Appendix 1: Implications

Finance

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

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)	(60,068)	47	
Non Dwelling Rents: – Garages	(899)	(924)	(25)	
– Shops/Other	(96)	(96)	0	
Charges for Services and Facilities	(105)	(90)	15	
Contributions towards Expenditure	(250)	(259)	(9)	
Total Income	(61,465)	(61,437)	28	
Expenditure				
ALMO Management Fee	17,266	17,266	0	
Repairs and Maintenance	4,187	4,539	352	a
Supervision and Management - General	4,550	4,307	(243)	b
Supervision and Management - Special	549	522	(27)	
Rent, Rates, Taxes and Other Charges	100	100	0	
Negative HRA Subsidy Payable to CLG	0	-94	(94)	c
Depreciation and Impairment of Fixed Assets	15,510	15,510	0	
Bad Debt Provision and Debts Written Off	916	916	0	
Debt Management Costs	186	186	0	
Total Expenditure	43,264	43,252	(12)	
Net Cost of HRA Services per I&E Account	(18,201)	(18,185)	16	
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	(16,714)	(16,698)	16	
Interest Payable and Similar Charges	12,234	11,350	(884)	d
Direct Revenue Financing (Contribution to Capital)	4,570	5,438	868	e
Interest and Investment Income	(114)	(114)	0	
(Surplus)/Deficit for Year	(24)	(24)	0	
HRA Reserves	7,821	7,821	0	
Stock Options Reserve	60	0	60	
Durham City Homes Improvement Plan	400	318	82	
Capital Reserve	2,000	0	2,000	

Appendix 3: RED Capital Programme 2012-13

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 30 Sep £000	Remaining Budget £000
General Fund				
Economic Development & Housing				
Barnard Castle Vision	3,399	1,416	327	3,072
North Dock Seaham	701	292	374	327
Durham City Vision	1,251	521	225	1,026
St John's Square	0	-	-	-
Durhamgate	485	485	2,663	-2,178
Town Centres	2,361	984	508	1,853
Industrial Estates	4,739	1,974	416	4,323
Durham City Plus	455	188	74	381
Disabled Facilities Grants/FAP ⁽¹⁾	5,209	2,170	1,476	3,733
Office Accommodation	3,153	1,314	563	2,590
Housing Renewal Programme	4,030	1,679	1,598	2,432
Travellers Sites – General	502	209	-28	530
Planning & Assets				
Energy Schemes	2,550	1,062	185	2,365
URRI Programme	759	632	848	-89
Structural Capitalised Maintenance	9,398	-	-10	9,408
Woodham CTC	750	-	-	750
Transport & Contract Services				
Transit 15	1,250	521	100	1,150
Major Schemes	2,277	948	53	2,224
Local Transport Plan	4,335	1,806	1,289	3,046
Transport Corridors	900	375	20	880
CCTV	683	284	48	635
Minor Schemes				
	6,018	204	159	5,859
General Fund Total	55,205	17,064	10,889	44,316
Housing Revenue Account				
Durham City Homes	8,965	3,735	3,702	5,263
East Durham Homes	29,112	12,130	11,066	18,046
Dale and Valley Homes	5,580	2,325	2,296	3,284
New Build II: Wear Valley	1,149	1,149	1,132	17
Housing Demolitions & Regeneration	938	391	231	707
Housing Revenue Account Total	45,744	19,730	18,427	27,317
RED Total	100,949	36,794	29,316	71,633

(1) Financial Assistance Programme