

Economy and Enterprise Overview and Scrutiny Committee

5 April 2013



Regeneration and Economic Development Service – Quarter 3: 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 December 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 - £53.186m (original £42.513m)*
 - *Housing Revenue Account - £61.579m*
 - *RED Capital Programme – £95.380m (original £89.571m)*
3. The original RED General Fund budget has been revised to incorporate a number of budget adjustments as follows:
 - Use of range of earmarked and cash limit reserves to support service delivery £1,544k
 - Concessionary Fares reduction -£556k
 - Increase in Assets budget relating to security at former Whinney Hill School £80k
 - 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 £602k
 - 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.

- Reduction in Licence Fee budgets -£9k
- Reduction in CDDC budget for loan charges and maintenance - £294k
- Increase in Energy Budgets from services £36k
- Repayment of Loan charges for Solar Panels Project -£194k
- Increase in Depot Recharge £4k
- Increase in accommodation budget £25k
- Reduction in NetPark Repair & Maintenance budget -£20k
- Additional budget for refinancing of Airport £9,385k
- Additional budget for impact of job evaluation £223k

The revised General Fund Budget now stands at £53.186m.

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 **£0.615m** against a revised budget of **£53.186m**.
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 |
|--------------------------|----------------|----------------|------------------|---------------|
| Employees | 27,749 | 21,253 | 27,203 | -546 |
| Premises | 2,805 | 2,841 | 2,713 | -92 |
| Transport | 1,498 | 757 | 1,089 | -409 |
| Supplies and Services | 10,274 | 6,028 | 9,965 | -309 |
| Agency and Contracted | 19,195 | 12,942 | 19,088 | -107 |
| Transfer Payments | 245 | 105 | 57 | -188 |
| Central Costs | 17,951 | 861 | 18,586 | 635 |
| GROSS EXPENDITURE | 79,717 | 44,787 | 78,701 | -1,016 |
| INCOME | -26,531 | -17,528 | -26,130 | 401 |
| NET EXPENDITURE | 53,186 | 27,259 | 52,571 | -615 |

Analysis by Head of Service

| Head of Service Grouping | Annual Budget | YTD Actual | Forecast Outturn | Variance |
|---------------------------------|---------------|---------------|------------------|-------------|
| Strategy Programmes Performance | 1,876 | 1,793 | 1,764 | -112 |
| Economic Development & Housing | 7,713 | 6,172 | 7,633 | -80 |
| Planning & Assets | 6,747 | 5,411 | 6,290 | -457 |
| Transport & Contracted | 27,359 | 13,709 | 27,393 | 34 |
| Central Managed Costs | 9,491 | 174 | 9,491 | 0 |
| NET EXPENDITURE | 53,186 | 27,259 | 52,571 | -615 |

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 | (Under) / overspend |
|--|--|--|---------------------|---------------------|
| Strategy Programmes and Performance (SPP) | Management | £2k underspend on training £3k overspend on supplies and services | 1 | (112) |
| | Strategy Policy Partnerships & Support | £44k saving due to management and control of employee budgets including freezing vacant posts £14k underspend on supplies and services due to general efficiency savings. | (58) | |
| | County Durham Economic Partnership | £3k underspend on training £31k underspend on supplies covering printing, advertising, professional fees. | (34) | |
| | Planning & Performance | £8k saving due to management and control of employee budgets £11k underspend on supplies and services mainly due to savings on printing and conferences and seminars. | (21) | |
| | Funding & Programmes | No major variances | 0 | |
| Economic Development | Head of Economic Development | No major variances | (1) | (112) |
| | Physical Development | £14k underspend due to early achievement of MTFP staffing savings | (14) | |
| | Visit County Durham | £60k approved overspend on festivals and events | 60 | |
| | | £3k general overspend on supplies and services | 3 | |
| | Business Durham | £67k overspend on debts written off for irrecoverable income | 67 | |
| | | £20k approved overspend on re-branding of Business Durham | 20 | |
| | | £41k underspend on transport and supplies | (41) | |
| | Economic Development | £100k approved overspend on apprenticeship support | 100 | |
| £35k underspend on International Relations service due to favourable exchange rates on | | (35) | | |

| Head of Service | Service Area | Description | (Under) / overspend | (Under) / overspend |
|--------------------------|---------------------------|---|---------------------|---------------------|
| | | overseas exchange visits | | |
| | | £42k saving due to management and control of employee budgets | (42) | |
| | Housing Solutions | £42k saving due to management and control of employee budgets | (42) | |
| | | £16k underspend on transport costs | (16) | |
| | | £18k general underspend on supplies and services | (18) | |
| | | £22k underspend on temporary accommodation costs | (22) | |
| | Housing Regeneration | £21k underspend on premises and transport | (21) | |
| | | £78k saving due to management and control of employee budgets | (78) | (80) |
| Spatial Policy, Planning | Head of Planning | No Major variances | - | |
| Assets & Environment | Spatial Policy | £9k saving due to management and control of employee budgets | (9) | |
| | Development Management | £296k over achieved income partly due to statutory increase in fees of 15% from November 2012 £63k saving due to management and control of employee budgets £168k underspend on range of budgets covering printing, advertising, transport £64k underspend on area of blight works £108k overspend on IT Software until single planning system is implemented | (483) | |
| | Building Control | £250k under achieved income on fees £17k saving due to management and control of employee budgets £32k underspend on transport costs £65k underspend on various other supplies £53k underspend on dangerous structures as no major works have been required | 84 | |
| | Conservation and Design | £30k saving due to management and control of employee budgets £17k underspend on transport and various other supplies budgets | (47) | |
| | Archaeology | No major variances | (4) | |
| | Landscape | £15k approved overspend on employees due to secondment of AONB Officer £18k underspend on transport and various other supplies budgets £20k additional income relating to Jubilee Woods work | (23) | |
| | Ecology | £45k underspend on supplies and services | (45) | |
| | Sustainability | £8k overspend on employee costs £41k underspend on transport and supplies £14k underachieved income | (19) | |
| | Heritage Coast | £20k overspend due to reduced funding from Partners | 20 | |
| | Assets - Asset Management | £138k saving due to management and control of employee budgets £17k underspend on transport and supplies £110k over achieved income relating to sales on Council assets | (265) | |
| | Assets - Farms | No major variances | 3 | |
| | Assets - Reclamation | £8k overspend on supplies due to planning appeal work on reclamation grazing land | 8 | |

| Head of Service | Service Area | Description | (Under) / overspend | (Under) / overspend |
|-----------------|---|--|------------------------|------------------------|
| | Sites | | | |
| | Assets - Property Management | £40k under achieved income relating to empty shops Newgate Street Bishop Auckland £56 under achieved income relating to Brackenhill Centre £20k overspend due to written off debt relating to Brackenhill Centre £8k under achieved income on garage plots £55k overspend on Allensford Caravan Park following new management arrangements being put in place from April 2012 £53k under achieved income relating to vacant units at North Road Durham | 232 | |
| | Surplus Property | No major variances | (2) | |
| | Assets - Millenium Square / Fowlers Yard | £80k under achieved income relating to Millenium square where units are vacant or being occupied by DCC services £13k overspend on NNDR costs relating to the vacant premises | 93 | (457) |
| Transport | Head of Transport | £4k saving covering training costs, travelling and supplies | (4) | |
| | Strategic Transport | £66k overspend employees - non-realisation of vacancy savings £40k overspend on agency staff - anticipated extra spend on agency cover for statutory duties due to sickness within the service £40k increased costs in range of areas covering premises, legal fees £4k net increase in income from car parking charges | 142 | |
| | Passenger Transport | £184k saving due to management and control of employee budgets £144k saving on vehicle costs mainly due to reduced fleet management recharges and vehicle repairs £14k underspend on staff travel £12k overspend on supplies budgets £223k underspend on concessionary fares consisting of £219k overspend on due to renewal of 80,000 passes (5 year renewal basis) and £442k underspend on contract payments (outside cash limits) £67k net increase in income due to changes in bus and rail contracts £22k increase in budgeted income from DfT re Local Sustainable Travel Fund and CAS to pay for extra services £29k decrease in income from other local authorities re bus and rail services £51k net decrease in CRB income £5k decrease in other fees and charges £230k decrease in recharges to other services due to savings made throughout Sustainable Transport | (104) | |
| | Supported Housing | £79k net overspend on employees costs being £126k overspend on employees costs - vacancy savings not achieved and £47k underspend on training, advertising for staff and medical fees (£158k pay protection costs met from reserves) | 0 | |

| Head of Service | Service Area | Description | (Under) / overspend | (Under) / overspend |
|-----------------|---------------|--|---------------------|---------------------|
| | | £86k reduction in premises costs - SMART room budget will not be spent £12k underspend on vehicle costs £274k underspend on planned equipment purchases to cover overspends elsewhere £73k saving on other supplies including smoke alarm cleaning, advertising, computing licences £232k reduction in contribution from CAS re Section 256 income - (income will be carried forward into 2013/14) £87k reduction in income due to reduction in client base £47k reduction in income CCTV monitoring of which £37k internal services | | 34 |
| Central | Central Costs | No major variances | | 0 |
| TOTAL | | | | (615) |

8. 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)

9. 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. 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.
10. 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 £705k towards the capital programme.

| Housing Revenue Account | Budget £'000 | Forecast Outturn £'000 | Variance £'000 |
|---|-----------------|------------------------------|-------------------|
| Income | | | |
| Dwelling Rents | (60,115) | (60,130) | (15) |
| Other Income | (1,350) | (1,353) | (3) |
| Interest and investment income | (114) | (114) | 0 |
| | (61,579) | (61,597) | (18) |
| Expenditure | | | |
| ALMO Fees | 17,266 | 17,266 | 0 |
| Repairs, Supervision and Management Costs | 11,975 | 12,266 | 291 |
| 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 | 5,275 | 705 |
| | 61,555 | 61,573 | (18) |
| Net Position | (24) | (24) | 0 |

11. 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 £558k overspend** – this results from an increased cost per void as a result of the implementation of the lettable standard scheme in 2010/11. 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, and there is a higher than anticipated demand on general responsive repairs;
- 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 £705k 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)

12. 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.

13. 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 | -1,950 | -296 | GREEN |
| Building Control | Building Control Fees | -1,100 | -850 | 250 | RED |
| Concessionary Fares | Contract Payments | 11,350 | 10,794 | -556 | GREEN |
| Bus Contracts | Contract Payments less Income | 3,331 | 3,176 | -155 | GREEN |
| Business Space | Rental Income & Sales | -2,561 | -2,561 | 0 | GREEN |
| Housing Repairs | Repairs and Maintenance | 4,187 | 4,745 | 558 | RED |

14. 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.

15. 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

16. 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.
17. 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, October, December and January detailed further revisions, for grant additions/reductions, budget transfers, budget reprofiling into later years and the refinancing of Newcastle International Airport Limited (NIAL). The revised budget now stands at **£95.380m** - consisting of **£49.907m** for the General Fund and **£45.473m** for the HRA.
18. Summary financial performance to the end of December is shown below.

| Service | Original Annual Budget 2012/13 £000 | Revised Annual Budget 2012/13 £000 | Actual Spend to 31 December £000 | Remaining Budget £000 |
|--------------|--|---------------------------------------|-------------------------------------|--------------------------|
| General Fund | 43,079 | 49,907 | 31,623 | 18,284 |
| HRA | 46,492 | 45,473 | 29,995 | 15,478 |
| Total | 89,571 | 95,380 | 61,618 | 37,289 |

19. Actual spend for the first nine months amounts to **£61.618m** – consisting of **£31.623m** for the General Fund and **£29.995m** for the HRA. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the RED capital programme.
20. For the General Fund programme, actual spend to 31 December amounts to £31.623m. The largest payment covers an investment of £9.663m in NIAL. Cabinet has previously approved the participation of the Council in the £9.385m refinancing of NIAL and the £0.278m purchase of shares from Darlington Borough Council. There has also been significant spend to progress the implementation of the Local Transport Plan (£1.530m) and the Durhamgate scheme (£4.633m), to improve transport infrastructure in the County. Other significant spend has been made on the Disabled Facilities Grants and Helping Hands Loans Schemes (£2.583m) and the Housing Renewal Programme (£2.323m), to improve and support private sector housing. The Structural Capitalised Maintenance budget of £5.360m is another area where there has been significant spend, with £3.517m spent on the Council's property portfolio. Other areas of the programme are profiled to be implemented in the final quarter and it is anticipated that the projected outturn at 31 March 2013 will be in line with the revised budget

21. The HRA programme has been significantly supported with £13m of Homes and Communities Agency Decent Homes Backlog Grant funding. In the first nine months of the financial year a total of 846 properties have been brought up to the Decent Homes standard, which is ahead of the anticipated progress against the annual target of 982.
22. 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:

23. 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 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) | (60,130) | (15) | |
| Non Dwelling Rents: – Garages | (899) | (900) | (1) | |
| – Shops/Other | (96) | (100) | (4) | |
| Charges for Services and Facilities | (105) | (94) | 11 | |
| Contributions towards Expenditure | (250) | (259) | (9) | |
| Total Income | (61,465) | (61,483) | (18) | |
| Expenditure | | | | |
| ALMO Management Fee | 17,266 | 17,266 | 0 | |
| Repairs and Maintenance | 4,187 | 4,745 | 558 | a |
| Supervision and Management - General | 4,550 | 4,307 | (243) | b |
| Supervision and Management - Special | 549 | 525 | (24) | |
| 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 | 43,461 | 197 | |
| Net Cost of HRA Services per I&E Account | (18,201) | (18,022) | 179 | |
| 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) | (16,535) | 179 | |
| Interest Payable and Similar Charges | 12,234 | 11,350 | (884) | d |
| Direct Revenue Financing (Contribution to Capital) | 4,570 | 5,275 | 705 | 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 31 Dec £000 | Remaining Budget £000 |
|---|-------------------------------------|----------------------------|--------------------------------------|-----------------------------|
| General Fund | | | | |
| Economic Development & Housing | | | | |
| Barnard Castle Vision | 2,324 | 1,549 | 732 | 1,592 |
| North Dock Seaham | 701 | 467 | 396 | 305 |
| Durham City Vision | 1,057 | 705 | 1,117 | -60 |
| St John's Square | - | - | -105 | 105 |
| Durhamgate | 533 | 533 | 4,633 | -4,100 |
| Town Centres | 2,367 | 1,578 | 855 | 1,512 |
| Industrial Estates | 3,348 | 2,232 | 886 | 2,462 |
| Durham City Plus | 339 | 226 | 295 | 44 |
| Newcastle International Airport | 9,663 | 9,663 | 9,663 | 0 |
| Disabled Facilities Grants/FAP ⁽¹⁾ | 4,384 | 2,923 | 2,583 | 1,801 |
| Office Accommodation | 889 | 593 | 593 | 296 |
| Housing Renewal Programme | 4,055 | 2,703 | 2,323 | 1,732 |
| Travellers Sites – General | 352 | 235 | -17 | 369 |
| Planning & Assets | | | | |
| Energy Schemes | 2,103 | 1,402 | 780 | 1,323 |
| URRI Programme | 940 | 940 | 686 | 254 |
| Structural Capitalised Maintenance | 5,360 | - | 3,517 | 1,843 |
| Woodham CTC | 750 | - | - | 750 |
| Transport & Contract Services | | | | |
| Transit 15 | 450 | 300 | 221 | 229 |
| Major Schemes | 723 | 482 | 76 | 647 |
| Local Transport Plan | 3,539 | 2,359 | 1,530 | 2,009 |
| Transport Corridors | 10 | 10 | 45 | -35 |
| CCTV | 683 | 455 | 48 | 635 |
| Minor Schemes and Contingency | | | | |
| | 5,337 | 3,558 | 766 | 4,571 |
| General Fund Total | 49,907 | 32,913 | 31,623 | 18,284 |
| Housing Revenue Account | | | | |
| Durham City Homes | 8,965 | 5,973 | 5,722 | 3,243 |
| East Durham Homes | 29,112 | 19,408 | 19,083 | 10,029 |
| Dale and Valley Homes | 5,580 | 3,720 | 3,666 | 1,914 |
| New Build II: Wear Valley | 1,149 | 1,149 | 1,144 | 5 |
| Housing Demolitions & Regeneration | 667 | 445 | 380 | 287 |
| Housing Revenue Account Total | 45,473 | 30,695 | 29,995 | 15,478 |
| RED Total | 95,380 | 63,608 | 61,618 | 33,762 |

(1) Financial Assistance Programme