

# Economy and Enterprise Scrutiny Committee

24 September 2013



## Regeneration and Economic Development Service – Quarter 1: Forecast of Revenue and Capital Outturn 2013/14

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

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#### 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 2013.

#### Background

2. County Council approved the Revenue and Capital budgets for 2013/14 at its meeting on 20 February 2013. 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 major accounts maintained by the RED service grouping:
  - *RED Revenue Budget - £41.726m (original £41.801m)*
  - *Housing Revenue Account - £64.708m*
  - *RED Capital Programme – £103.654m (original £98.668m)*
3. The original RED General Fund budget has been revised to incorporate a number of budget adjustments as follows:
  - Contribution to corporate budget for electrical equipment testing - £5k
  - Job evaluation adjustment £14k
  - Transfer of budget to Neighbourhoods for horse impounding -£13k
  - Contribution to corporate training programme -£4k
  - Reduction in staffing budget to reflect purchase of annual leave - £31k
  - Reduction in stationary budgets -£36k

The revised General Fund Budget now stands at £41.726m.

4. The summary financial statements contained in the report cover the financial year 2013/14 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 **£0.087m** against a revised budget of **£41.726m**.
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
Employees	28,391	8,794	28,800	409	-175	234
Premises	2,748	527	2,769	21	-	21
Transport	1,318	226	1,209	-109	-	-109
Supplies and Services	9,311	2,098	10,197	886	-1,032	-146
Agency and Contracted	19,264	4,004	20,277	1,013	-296	717
Transfer Payments	200	0	114	-86	-	-86
Central Costs	8,282	194	8,716	434	-13	421
<b>GROSS EXPENDITURE</b>	<b>69,514</b>	<b>15,843</b>	<b>72,082</b>	<b>2,568</b>	<b>-1,516</b>	<b>1,052</b>
<b>INCOME</b>	<b>-27,788</b>	<b>-7,624</b>	<b>-28,788</b>	<b>-1,000</b>	<b>-139</b>	<b>-1,139</b>
<b>NET EXPENDITURE</b>	<b>41,726</b>	<b>8,219</b>	<b>43,294</b>	<b>1,568</b>	<b>-1,655</b>	<b>-87</b>

### Analysis by Head of Service

Head of Service Grouping	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
Strategy Programmes Performance	1,785	577	1,763	-22	-45	-67
Economic Development & Housing	7,012	723	8,089	1,077	-1,024	53
Planning & Assets	6,211	1,268	6,353	142	-544	-402
Transport & Contracted	18,150	3,518	18,521	371	-42	329
Central Managed Costs	8,568	2,133	8,568	-	-	-
<b>NET EXPENDITURE</b>	<b>41,726</b>	<b>8,219</b>	<b>43,294</b>	<b>1,568</b>	<b>-1,655</b>	<b>-87</b>

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	Forecast Year End (Under) / Overspend	Forecast Year End (Under) / Overspend
Strategy Programmes Performance	Strategy, Policy, Partnerships & Support	£63k underspend on pay mainly due to two vacancies and employee seconded to Association of North East Councils. £2k underspend on supplies.	(65)	(67)
	County Durham Economic Partnership	Minor variance	(2)	
	Planning & Performance	£4k overspend on pay mainly due to staff turnover savings not being achieved. £7k underspend on supplies mainly due to savings on software.	(3)	
	Funding and Programmes	Minor variance	3	
Economic Development & Housing	Head of Economic Development	Minor Variance	4	53
	Physical Development	Minor Variance	3	
	Visit County Durham	£37k overspend on employees due to unbudgeted apprentice costs and vacancy savings not being achieved	37	
	Business Durham	£29k overspend on employees due to unbudgeted apprentice costs, maternity cover and vacancy savings not being achieved £7k underspend on general supplies	22	
	Economic Development	Minor Variance	(3)	
	Housing Solutions	Minor Variance	6	
	Housing Regeneration	£16k underspend on employees due to savings on 3 part time posts	(16)	
Spatial Policy, Planning Assets & Environment	Head of SPPAE	Minor Variance	(2)	
	Spatial Policy	£14k underspend on employees £16k underspend on transport £18k underspend on general supplies & services	(48)	
	Development Management	£27k underspend on employees £54k underspend on transport £32k underspend on advertising other than staff due to better procurement £115k overspend on computer software (awaiting implementation of single planning system) £34k underspend on general supplies & services £20k underspend on legal costs due to some inquiry costs being reclaimed £236k over achieved income partly due to a number of major applications i.e. Hitachi	(288)	
	Building Control	£66k underspend on employees £10k underspend on transport £11k underspend on training £3k underspend on printing £8k underspend on postages £7k underspend on computers £12k underspend on general supplies & services £64k underachieved building control fees £16k underspend on dangerous structures	(69)	

Head of Service	Service Area	Description	Forecast Year End (Under) / Overspend	Forecast Year End (Under) / Overspend
	Conservation and Design	£44k underspend on employees due to Vacant Conservation Officer and Support Officer £8k underspend on transport £13k underspend on general supplies and services	(65)	
	Archaeology	£13k underspend on employees (extended TA leave secondment) £5k overspend on additional costs for events at Binchester	(9)	
	Landscape	Minor Variance	(2)	
	Ecology	£3k overspend on employees £2k underspend on transport £13k underspend on general supplies & service £15k underspend on green infrastructure £10k underspend on external fees	(37)	
	Sustainability	£10k overspend on employee costs £12k overspend on transport £15k underspend on general supplies & services £7k underspend projects fund £16k Income from RENERGY not budgeted	(41)	
	Heritage Coast	Minor Variance	(3)	
	Assets - Asset Management	£37k approved overspend on employees due to 2 new fixed term posts £4k overspend on former debts written off £8k overachieved income due to unbudgeted New Burdens grant	33	
	Farms	Minor Variance	3	
	Assets - Property Management	£30k under achieved income relating to empty shop at Newgate Street Bishop Auckland £48k under achieved income relating to Brackenhill Centre, Peterlee £8k underspend on various other properties	70	
	Assets - Surplus Property	£48k underspend on surplus property costs £21k over achieved income relating to licences on surplus land	(69)	
	Assets - Millenium Square / Fowlers Yard	£125k overspend on vacant units at Millennium Square Durham due to NNDR costs and under achieved income	125	<b>(402)</b>
Transport	Head of Transport	Minor Variance	5	
	Traffic	£29k overspend on salaries - vacancy savings not met £8k underspend on various supplies and services £313k overspend for Parking Services on Third Party Payments to NSL Ltd due to increases in contract costs and ad hoc work undertaken by NSL on behalf of the council not included in main contract £30k on extra costs for advertising on Park & Ride buses re events such as Lumiere and Lindisfarne Gospels. £40k additional payment on Parking Services to ARRIVA due to extra buses supplied to cover events such as Lumiere and Lindisfarne Gospels £13k expected over achievement in income primarily due to provision of accident data and signs.	391	

Head of Service	Service Area	Description	Forecast Year End (Under) / Overspend	Forecast Year End (Under) / Overspend
	Sustainable Transport	£113k anticipated underspend due to staffing savings	(67)	
		£9k anticipated underspend in premises, transport and supplies and services		
		£70k increase in bus and rail contract costs		
		£12k reduction in anticipated income due to reduced claims for Bus Service Operators Grant (BSOG)		
		£19k increase in recharge to CAS - Adults for increased Fleet costs		
		£8k increase in income from PCT for extra work carried out for travel charges and concessionary fares		
	Supported Housing	£124k increase in employee costs due to overtime payments to cover vacancies and sickness	0	
		£15k anticipated saving on fuel costs due to more efficient working practices		
		£83k saving on equipment purchases		
		£30k saving on telephone infrastructure costs		
		£4k reduction in income mainly due to reduced maintenance costs on CCTV recharged out		
				<b>329</b>
Central	Central Costs			<b>0</b>
<b>TOTAL</b>				<b>(87)</b>

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 2013/14 which amount to £1m.

### 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 18,500 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 £1,549k towards the capital programme.

Housing Revenue Account	Budget £'000	Forecast Outturn £'000	Variance £'000
<b>Income</b>			
Dwelling Rents	(63,633)	(63,597)	36
Other Income	(1,449)	(1,449)	0
Interest and investment income	(104)	(104)	0
	<b>(65,186)</b>	<b>(65,150)</b>	<b>36</b>
<b>Expenditure</b>			
ALMO Fees	16,469	16,469	0
Repairs, Supervision and Management Costs	12,203	12,203	0
Depreciation	7,850	7,850	0
Interest Payable	12,447	10,862	(1,585)
Revenue contribution to capital programme	16,217	17,766	1,549
	<b>65,186</b>	<b>65,150</b>	<b>(36)</b>
<b>Net Position</b>	<b>0</b>	<b>0</b>	<b>0</b>

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) **Dwelling Rents £36k reduced income** – this results from an anticipated increase in “Right to Buy” sales expected to be completed in 2013/14;
- b) **Interest Payments £1,585k underspend** – this results from a lower interest rate and lower outstanding loan debt than originally anticipated;
- c) **Revenue Support to Capital £1,549k 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	2013-14 Budget £'000	2013-14 Forecast Outturn £'000	Variance £'000	Status
Development Control	Planning Fees	-1,915	-2,151	-236	GREEN
Building Control	Building Control Fees	-910	-846	64	RED
Concessionary Fares	Contract Payments	11,350	11,350	0	GREEN
Bus Contracts	Contract Payments less Income	3,317	3,398	81	AMBER
Business Space	Rental Income & Sales	-2,858	-2,858	0	GREEN
Transport	Car Parking Income	-3,654	-3,639	15	GREEN
Transport	Car Parking Enforcement	556	809	253	RED
Housing Repairs	Repairs and Maintenance	4,338	4,388	0	GREEN

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 variances at this stage are in relation to car parking enforcement and building control income which will continue to be monitored closely throughout the rest of the financial year.

### 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 2012/13. This increased the 2013/14 original budget. Further reports to the MOWG in May, June and July detailed further revisions, for grant additions/reductions, budget transfers and budget reprofiling into later years. The revised budget now stands at **£103.654m** - consisting of **£48.071m** for the General Fund and **£55.583m** for the HRA.
18. Summary financial performance to the end of December is shown below.

Service	Original Annual Budget 2013/14 £000	Revised Annual Budget 2013/14 £000	Actual Spend to 30 June £000	Remaining Budget £000
General Fund	49,318	48,071	4,089	43,982
HRA	49,350	55,583	10,091	45,492
<b>Total</b>	<b>98,668</b>	<b>103,654</b>	<b>14,180</b>	<b>89,474</b>

19. Actual spend for the first nine months amounts to **£14.180m** – consisting of **£4.089** for the General Fund and **£10.091m** 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 30 June amounts to £4.089m. The key areas of spend to date have been on Barnard Castle Vision (£0.504m), Industrial Estates (£0.322m), Town Centres (£0.377m), Housing Renewal (£0.684m), Structural Capitalised Maintenance (£0.789), and the Local Transport Plan (£0.961m). Other areas of the programme are profiled to be implemented during the remainder of the year it is anticipated that the projected outturn at 31 March 2013 will be in line with the revised budget.

21. The HRA programme is being significantly supported with £19m of Homes and Communities Agency Decent Homes Backlog Grant funding. In the first three months of the financial year a total of 864 properties have been brought up to the Decent Homes standard.

**Recommendations:**

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



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## **Appendix 1: Implications**

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### **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: 2013-14 Housing Revenue Account

	<b>2013/14 Budget</b>	<b>2013/14 Forecast Outturn</b>	<b>Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>Income</b>				
Dwelling Rents	<b>(63,633)</b>	<b>(63,597)</b>	<b>36</b>	a
Non Dwelling Rents: – Garages	(954)	(954)	0	
– Shops/Other	(121)	(121)	0	
Charges for Services and Facilities	(374)	(374)	0	
<b>Total Income</b>	<b>(65,082)</b>	<b>(65,046)</b>	<b>36</b>	
<b>Expenditure</b>				
ALMO Management Fee	16,469	16,469	0	
Repairs and Maintenance	4,353	4,353	0	
Supervision and Management - General	4,400	4,400	0	
Supervision and Management - Special	491	491	0	
Rent, Rates, Taxes and Other Charges	310	310	0	
Depreciation and Impairment of Fixed Assets	7,850	7,850	0	
Bad Debt Provision and Debts Written Off	968	968	0	
Debt Management Costs	194	194	0	
<b>Total Expenditure</b>	<b>35,035</b>	<b>35,035</b>	<b>0</b>	
<b>Net Cost of HRA Services per I&amp;E Account</b>	<b>(30,047)</b>	<b>(30,011)</b>	<b>36</b>	
Share of Corporate and Democratic Core	1,085	1,085	0	
Share of Other Costs Not Allocated to Specific Services	402	402	0	
<b>Net Cost of HRA Services</b>	<b>(28,560)</b>	<b>(28,524)</b>	<b>36</b>	
Interest Payable and Similar Charges	12,447	10,862	(1,585)	b
Direct Revenue Financing (Contribution to Capital)	16,217	17,766	1,549	c
Interest and Investment Income	(104)	(104)	0	
<b>(Surplus)/Deficit for Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	
HRA Reserves	7,154	7,154	0	
Stock Options Reserve	500	0		
Durham City Homes Improvement Plan	650			

### Appendix 3: RED Capital Programme 2013-14

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 30 June £000	Remaining Budget £000
<b>General Fund</b>				
<b>Economic Development &amp; Housing</b>				
Barnard Castle Vision	2,011	520	504	1,507
Durhamgate	1,159	435	224	935
Industrial Estates	3,199	320	322	2,877
North Dock Seaham	142	14	3	139
Office Accommodation	1,322	130	111	1,211
Town Centres	2,685	180	377	2,308
Urban and Rural Renaissance Programme	209	0	0	209
Minor Schemes	1,175	85	-78	1,253
Disabled Facilities Grant /FAP (1)	4,059	265	266	3,793
Gypsy Roma Travellers	3,353	150	159	3,194
Housing Renewal	5,738	380	259	5,479
Cricket Club	2,800	0	0	2,800
<b>Planning &amp; Assets</b>				
Renewable Energy Schemes	1,604	-14	-14	1,618
Structural Capitalised Maintenance	5,869	2,200	789	5,080
Woodham Community Tech College	750	0	0	750
Minor Schemes	785	65	114	671
<b>Transport &amp; Contracted Services</b>				
Local Transport Plan	4,930	940	961	3,969
Transport Corridors	1,116	25	25	1,091
Transport Major Schemes	2,535	55	64	2,471
Transit 15	1,250	14	1	1,249
CCTV	483	0	0	483
Minor Schemes	250	0	0	250
<b>Strategy &amp; Programmes Minor Schemes</b>				
	647	32	2	645
<b>General Fund Total</b>	<b>48,071</b>	<b>5,796</b>	<b>4,089</b>	<b>43,982</b>
<b>Housing Revenue Account (2)</b>				
Durham City Homes	13,906	3,480	2,205	11,701
Dale and Valley Homes	8,000	2,000	2,572	5,428
East Durham Homes	32,664	8,170	5,306	27,358
Mortgage Rescue	200	0	0	200
New Build	500	0	0	500
Housing Demolitions & Regeneration	313	10	8	305
<b>Housing Revenue Account Total</b>	<b>55,583</b>	<b>13,660</b>	<b>10,091</b>	<b>45,492</b>
<b>RED Total</b>	<b>103,654</b>	<b>19,456</b>	<b>14,180</b>	<b>89,474</b>

(1) Financial Assistance Programme

(2) HRA actual spend includes accruals for Housing Providers