

# Economy and Enterprise Overview and Scrutiny Committee

9 December 2013

## Regeneration and Economic Development: Quarter 2 Revenue and Capital Forecast 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 September 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 - £43.507m (original £41.801m)*
  - *Housing Revenue Account - £65.186m*
  - *RED Capital Programme – £104.578m (original £98.668m)*
3. The original RED General Fund budget has been revised to incorporate a number of budget adjustments as follows:
  - Contribution to 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 for purchase of annual leave -£31k
  - Reduction in stationary budgets -£36k
  - Increase in Assets budget relating to security at former Whinney Hill School +£83k
  - Use of RED Cash Limit +£326k
  - Use of Strategic Reserve for redundancies +£26k
  - Use of Durham City Vision Reserve +£29k
  - Use of Performance Reward Grant Reserve +£134k
  - Use of Visit County Durham Reserve +£53k

- Use of Employment and Skills Reserve +£164k
- Use of Repossession Reserve +£40k
- Use of Housing Solutions Reserve +£284k
- Use of Growth Point Reserve +£16k
- Use of Town Team Partners Reserve +£20k
- Use of Funding and Programme Reserve +£45k
- Use of Planning Reserve +£435k
- 1% increase for pay award +201k
- Transfer of budget relating to corporate highways savings -£25k
- Transfer of budget to CAS regarding Fleet recharge -£50k

The revised General Fund Budget now stands at £43.507m.

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 **£0.424m** against a revised budget of **£43.507m**.
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
<b>Employees</b>	29,069	15,578	29,694	625	6	<b>631</b>
<b>Premises</b>	2,748	2,671	2,819	71	-	<b>71</b>
<b>Transport</b>	1,347	501	1,147	-200	-3	<b>-203</b>
<b>Supplies and Services</b>	11,132	5,110	10,851	-281	-172	<b>-453</b>
<b>Agency and Contracted</b>	19,838	8,226	20,252	414	147	<b>561</b>
<b>Transfer Payments</b>	200	1	9	-191	-6	<b>-197</b>
<b>Central Costs</b>	8,278	731	9,004	726	-	<b>726</b>
<b>GROSS EXPENDITURE</b>	<b>72,612</b>	<b>32,818</b>	<b>73,776</b>	<b>1,164</b>	<b>-28</b>	<b>1,136</b>
<b>INCOME</b>	-29,105	-15,610	-30,987	-1,882	322	<b>-1,560</b>
<b>NET EXPENDITURE</b>	<b>43,507</b>	<b>17,208</b>	<b>42,789</b>	<b>-718</b>	<b>294</b>	<b>-424</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	1,845	1,115	1,765	-80	-5	-85
Economic Development & Housing	8,108	3,028	7,784	-324	375	51
Planning & Assets	6,841	3,680	6,226	-615	-27	-642
Transport & Contracted	18,225	8,549	18,526	301	-49	252
Central Managed Costs	8,488	836	8,488	0	-	0
<b>NET EXPENDITURE</b>	<b>43,507</b>	<b>17,208</b>	<b>42,789</b>	<b>-718</b>	<b>294</b>	<b>-424</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	(Under) / Overspend	(Under) / Overspend
Strategy Programmes Performance	Management	Minor Variance	(2)	(85)
	Strategy, Policy, Partnerships & Support	£55k underspend on employees mainly due to two vacancies and a secondment to Association of North East Councils. £6k underspend on supplies.	(61)	
	County Durham Economic Partnership	Minor Variance	(5)	
	Planning & Performance	£13k underspend on employees due to maternity savings. £2k underspend on supplies.	(15)	
	Funding and Programmes	Minor Variance	(2)	
Economic Development & Housing	Head of Economic Development	Minor Variance	3	
	Physical Development	£15k underspend on employees due to vacant post £9k underspend on transport £5k underspend on general supplies & services	(29)	
	Visit County Durham	£30k overspend on employees	30	
	Business Durham	£40k overspend on employees partly attributable to the handover period of the Managing Director post £16k overspend on premises due to delay in sale of Enterprise Place £77k overspend due to previous year's debts written off £43k under achieved income on business units £38k underspend on general supplies	138	
	Economic Development	Minor Variance	0	

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
	Housing Solutions	Minor Variance	(16)	
	Housing Regeneration	£48k underspend on employees due to savings on 3 part time posts and manager leaving mid year £6k underspend on transport £21k underspend on general supplies	(75)	
				<b>51</b>
Spatial Policy, Planning Assets & Environment	Head of SPPAE	Minor Variance	(5)	
	Spatial Policy	£2k underspend on employees £16k underspend on transport £19k underspend on general supplies & services	(37)	
	Development Management	£78k underspend on employees due to staff turnover £68k underspend on transport £22k underspend on advertising £120k overspend on computer software (awaiting implementation of single planning system) £19k agreed overspend on Windmill compensation claims £18k underspend on general supplies & services £20k underspend on legal costs due to some inquiry costs being reclaimed £452k over achieved income partly due to a number of major applications i.e. Hitachi	(519)	
	Building Control	£87k underspend on employees due to staff turnover £20k underspend on transport £12k underspend on training £30k underspend on general supplies & services £60k underachieved building control fees	(90)	
	Environment & Design	£57k underspend on employee costs due to vacant posts and T.A. leave £26k underspend on transport £25k underspend on external fees relating to ecology work £56k underspend on general supplies & services £25k agreed additional spend on Romany Hut and Binchester Outreach Project £15k agreed overspend on public realm survey £18k over achieved income from RENERGY not budgeted £10k under achieved income re ecology surveys and energy certificates	(132)	
	Assets	£20k underspend on employees due to maternity leave and staff turnover £5k underspend on transport £4k overspend on supplies & services £36k under achieved income relating to empty shop at Newgate Street Bishop Auckland £48k under achieved income relating to empty units at the Brackenhill Centre, Peterlee £125k overspend on vacant units at Millenium Square Durham due to NNDR costs and under achieved rental income £36k underspend on premises costs relating to surplus properties £6k overspend on various other properties	141	

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
		£9k over achieved income relating to licences on surplus land £8k over achieved income due to unbudgeted New Burdens grant		
Transport	Head of Transport	Minor Variance	5	
	Traffic	£25k overspend on employees due to unmet vacancy savings £11k underspend on bus shelter repairs £12k underspend on various supplies and services £287k overspend due to increases in contract costs and ad hoc work undertaken by NSL on behalf of the council £30k overspend relating to additional advertising on Park & Ride buses for events such as Lumiere and Lindisfarne Gospels £10k overspend on redundancy costs for NSL staff £40k overspend relating to extra buses being supplied to cover events such as Lumiere and Lindisfarne Gospels £8k over achieved income due to provision of accident data and signs	361	
	Sustainable Transport	£35k underspend due to salary and agency payment savings £4k overspend on premises, transport and supplies and services £158k underspend in bus contract payments due to new contracts being negotiated in 13-14 £9k under achieved income due to reduced claims for Bus Service Operators Grant (BSOG) £36k under achieved income in recharge to CAS - Adults for Fleet costs £30k under achieved income in recharge to CAS - Childrens for Fleet costs	(114)	
	Supported Housing	£284k overspend on employee costs due to overtime payments to cover vacancies and sickness cover £19k underspend on training costs £13k underspend on premises repairs £7k underspend on transport costs £142k underspend on equipment purchases £30k underspend on telephones infrastructure costs £14k underspend on various supplies and services and recharges £59k over achieved income due to increased private paying customers	0	
				<b>252</b>
Central	Central Costs	No Variance		<b>0</b>
<b>TOTAL</b>				<b>(424)</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 £931k towards the capital programme.

Housing Revenue Account	Budget £'000	Forecast Outturn £'000	Variance £'000
<b>Income</b>			
Dwelling Rents	(63,633)	(63,205)	428
Other Income	(1,449)	(1,409)	40
Interest and investment income	(104)	(104)	0
	<b>(65,186)</b>	<b>(64,718)</b>	<b>468</b>
<b>Expenditure</b>			
ALMO Fees	16,469	16,469	0
Repairs, Supervision and Management Costs	12,203	12,389	186
Depreciation	7,850	7,850	0
Interest Payable	12,447	10,862	(1,585)
Revenue contribution to capital programme	16,217	17,148	931
	<b>65,186</b>	<b>64,718</b>	<b>(468)</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**:
- Dwelling Rents £428k reduced income** – this results from an anticipated increase in “Right to Buy” sales and an increase in the void rate across all three housing management areas;
  - Charges for Services £48k reduced income** – this results from reduced income on garden tidies, furniture packs and intruder alarms in the Durham City area;
  - General Supervision & Management £130k overspend** – this results from the Customer Service charge for Durham City Homes being higher than the original budget;
  - Special Supervision and Management £20k underspend** – this results from general efficiency savings on the running expenses of Communal Halls in the Durham City area;

- e) **Rents , Rates and Taxes £76k overspend** – this is an increase in Council Tax charges resulting from increased voids;
- f) **Interest Payments £1,585k underspend** – this results from a lower interest rate and lower outstanding loan debt than originally anticipated;
- g) **Revenue Support to Capital £931k surplus** – the balancing item on the HRA which identifies the potential resources available to support the capital programme and reduce our reliance on borrowing.

### Capital Programme

- 12. The RED capital programme makes a significant contribution to the Regeneration ambitions of County Durham. The programme is relatively large and comprises 222 individual schemes managed by 36 project monitoring officers.
- 13. The Regeneration and Economic Development capital programme was revised at Outturn for budget re-phased from 2012/13. This increased the 2013/14 original budget. Further reports to the MOWG in 2013/14 detailed further revisions, for grant additions/reductions, budget transfers and budget re-profiling into later years. The revised budget now stands at **£104.578m** - consisting of **£48.996m** for the General Fund and **£55.582m** for the HRA.
- 14. Summary financial performance to the end of September is shown below.

Service	Original Annual Budget 2013/14 £000	Revised Annual Budget 2013/14 £000	Actual Spend to 30 September £000	Remaining Budget £000
General Fund	49,318	48,996	13,244	35,752
HRA	49,350	55,582	17,836	37,746
<b>Total</b>	<b>98,668</b>	<b>104,578</b>	<b>31,080</b>	<b>73,498</b>

- 15. Actual spend for the first six months amounts to **£31.080m** – consisting of **£13.244** for the General Fund and **£17.836m** for the HRA. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the RED capital programme.
- 16. For the General Fund programme, actual spend to 30<sup>th</sup> September amounts to £13.244m. The key areas of spend to date have been on Barnard Castle Vision (£1.296m), Durhamgate (£0.736m), Industrial Estates (£1.131m), Town Centres (£0.878m), Housing Renewal (£1.335m), Financial Assistance Programme (£0.921m), Structural Capitalised Maintenance (£1.901m), and the Local Transport Plan (£2.069m). Other areas of the programme are profiled to be implemented during the remainder of the year.
- 17. The HRA programme is being significantly supported with £19m of Homes and Communities Agency Decent Homes Backlog Grant funding. In the first six months of the financial year a total of 1,529 properties have been brought up to the Decent Homes standard.

18. At year end actual outturn performance will be compared against the revised budget and project managers will need to account for any budget variance.

**Recommendations:**

19. The Economy and Enterprise Overview and 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>(63,205)</b>	<b>428</b>	a
Non Dwelling Rents: – Garages	(954)	(962)	(8)	
– Shops/Other	(121)	(121)	0	
Charges for Services and Facilities	(374)	(326)	48	b
<b>Total Income</b>	<b>(65,082)</b>	<b>(64,614)</b>	<b>468</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	4,530	130	c
Supervision and Management - Special	491	471	(20)	d
Rent, Rates, Taxes and Other Charges	310	386	76	e
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>35,221</b>	<b>186</b>	
<b>Net Cost of HRA Services per I&amp;E Account</b>	<b>(30,047)</b>	<b>(29,393)</b>	<b>654</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>(27,906)</b>	<b>654</b>	
Interest Payable and Similar Charges	12,447	10,862	(1,585)	f
Direct Revenue Financing (Contribution to Capital)	16,217	17,148	931	g
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		
Stock Options Reserve	500	0		
Durham City Homes Improvement Plan	650	550		

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

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 30 Sept £000	Remaining Budget £000
<b>General Fund</b>				
<b>Economic Development &amp; Housing</b>				
Barnard Castle Vision	2,011	1,644	1,296	715
Durhamgate	1,209	706	736	473
Industrial Estates	3,198	1,130	1,131	2,067
North Dock Seaham	142	152	132	10
Office Accommodation	1,322	192	192	1,130
Town Centres	3,375	869	878	2,497
Urban and Rural Renaissance Programme	190	28	37	153
Minor Schemes	1,248	171	72	1,176
Disabled Facilities Grant /FAP (1)	4,059	921	921	3,138
Gypsy Roma Travellers	3,353	616	628	2,725
Housing Renewal	5,738	1,453	1,335	4,403
Cricket Club	2,800	400	400	2,400
<b>Planning &amp; Assets</b>				
Renewable Energy Schemes	1,693	172	172	1,521
Structural Capitalised Maintenance	5,865	2,000	1,901	3,964
Woodham Community Tech College	750	0	0	750
Minor Schemes	810	385	352	458
<b>Transport &amp; Contracted Services</b>				
Local Transport Plan	4,954	2,085	2,069	2,885
Transport Corridors	1,116	55	55	1,061
Transport Major Schemes	2,535	688	691	1,844
Transit 15	1,250	23	24	1,226
CCTV	483	0	0	483
Minor Schemes	250	222	222	28
<b>Strategy &amp; Programmes Minor Schemes</b>				
	645	28	0	645
<b>General Fund Total</b>	<b>48,996</b>	<b>13,940</b>	<b>13,244</b>	<b>35,752</b>
<b>Housing Revenue Account (2)</b>				
Durham City Homes	13,906	6,935	5,782	8,124
Dale and Valley Homes	8,000	4,000	3,580	4,420
East Durham Homes	32,664	16,332	8,319	24,345
Mortgage Rescue	200	0	0	200
New Build	500	0	0	500
Housing Demolitions & Regeneration	312	167	155	157
<b>Housing Revenue Account Total</b>	<b>55,582</b>	<b>27,434</b>	<b>17,836</b>	<b>37,746</b>
<b>RED Total</b>	<b>104,578</b>	<b>41,374</b>	<b>31,080</b>	<b>73,498</b>

(1) Financial Assistance Programme

(2) HRA actual spend includes accruals for Housing Providers