

**7 April 2014**



**Regeneration and Economic  
Development: Quarter 3 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 December 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 - £43.212m (original £41.801m)*
- *Housing Revenue Account - £65.203m*
- *RED Capital Programme – £87.099m (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 stationery budgets -£36k
- Increase in Assets budget relating to security at former Whinney Hill School +£83k
- Use of RED Cash Limit +£317k
- Use of Strategic Reserve for redundancies +£52k
- Use of Durham City Vision Reserve +£29k
- Use of Performance Reward Grant Reserve +£134k

- Use of Visit County Durham Reserve +£53k
- Use of Economic Development Employability Reserve +£188k
- Use of Repossession Reserve +£48k
- Use of Housing Solutions Reserve +£110k
- Use of Growth Point Reserve +£16k
- Use of Town Team Partners Reserve +£20k
- Use of Funding and Programme Reserve +£50k
- Use of Planning Reserve +£435k
- Use of LSVT Reserve +£11k
- Contribution to Durham Employment & Skills Reserve -£186k
- 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 £43.212m.

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 spend which is **£0.273m** overbudget against the **£43.212m** allocation. However, this includes a contribution of £0.875m to the Council's Strategic Reserve to aid the meeting of future redundancy payments. Excluding this contribution it is forecast that spend is £0.602m underbudget. This is an increase of £0.178m from the previous forecast (Quarter 2) of spend of £0.424m underbudget.
6. The tables below compares 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 (in £'000s)

Subjective Heading	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
Employees	29,062	22,439	29,314	252	30	282
Premises	2,748	3,256	2,679	-69	1	-68
Transport	1,349	775	1,115	-234	-1	-235
Supplies and Services	11,266	7,452	11,142	-124	552	428
Agency and Contracted	19,707	13,850	19,966	258	-	258
Transfer Payments	200	1	13	-187	2	-185
Central Costs	8,283	2,030	9,661	1,378	1,979	3,357
<b>GROSS EXPENDITURE</b>	<b>72,615</b>	<b>49,803</b>	<b>73,890</b>	<b>1,274</b>	<b>2,563</b>	<b>3,837</b>
<b>INCOME</b>	<b>-29,403</b>	<b>-23,255</b>	<b>-33,021</b>	<b>-3,618</b>	<b>54</b>	<b>-3,564</b>
<b>NET EXPENDITURE</b>	<b>43,212</b>	<b>26,548</b>	<b>40,869</b>	<b>-2,344</b>	<b>2,617</b>	<b>273</b>

## Analysis by Head of Service (in £'000s)

Head of Service Grouping	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
Strategy Programmes Performance	1,850	1,515	1,702	-148	-	-148
Economic Development & Housing	7,733	5,365	7,243	-490	514	24
Planning & Assets	6,869	5,077	5,766	-1,104	479	-625
Transport & Contracted	18,274	13,635	17,690	-584	749	165
Central Managed Costs	8,486	956	8,468	-18	875	857
<b>NET EXPENDITURE</b>	<b>43,212</b>	<b>26,548</b>	<b>40,869</b>	<b>-2,344</b>	<b>2,617</b>	<b>273</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) / Overbudget	(Under) / Overbudget
Strategy Programmes Performance	Management	Minor Variance	(3)	(148)
	Strategy, Policy, Partnerships & Support	£67k underbudget on employees due to two vacancies and a secondment to Association of North East Councils. £4k underbudget on supplies.	(71)	
	County Durham Economic Partnership	£4k underbudget on employees and transport. £28k underbudget on supplies.	(32)	
	Planning & Performance	£30k underbudget on employees due to maternity savings and vacant post. £4k underbudget on supplies.	(34)	
	Funding and Programmes	£8k underbudget on employees due to maternity leave.	(8)	
Economic Development & Housing	Head of Economic Development	Minor Variance	2	(148)
	Physical Development	Minor Variance	(9)	

Head of Service	Service Area	Description	(Under) / Overbudget	(Under) / Overbudget
	Visit County Durham	£20k overbudget on employees due to apprentice costs and unmet vacancy savings £38k overbudget on festivals and events relating to Bishop Auckland Food Festival	58	
	Business Durham	£40k overbudget on employees due to unmet vacancy savings and handover of Managing Director post £80k overbudget due to debts written off £38k under achieved income on Industrial Estates £29k underbudget on general Business Space budgets £107k underbudget on business development and growth activities	22	
	Economic Development	£39k approved extra spend on apprenticeships	39	
	Housing Solutions	£10k underbudget on homelessness prevention fund £8k underbudget on supplies	(18)	
	Housing Regeneration	£48k underbudget on employees due to savings on 3 part time posts and manager leaving mid year £6k underbudget on transport costs £16k underbudget on general supplies	(70)	<b>24</b>
Spatial Policy, Planning Assets & Environment	Head of SPPAE	Minor Variance	(6)	
	Spatial Policy	£7k underbudget on employees £10k underbudget on transport £150k agreed overbudget on public consultation costs regarding Local Development Framework	133	
	Development Management	£52k underbudget on employees due to staff turnover £65k underbudget on transport £76k overbudget on computer software (awaiting implementation of single planning system) £485k over achieved income partly due to a number of major applications i.e. Hitachi	(526)	
	Building Control	£104k underbudget on employees due to staff turnover £20k underbudget on transport £40k underbudget on supplies & services £56k underachieved building control fee income	(84)	
	Environment & Design	£51k underbudget on employees due to 2014-15 MTFP savings achieved early £26k underbudget on transport £61k underbudget on supplies and services £19k underbudget on premises £29k overachieved income re RENERGY	(186)	
	Assets - Asset Management	£19k underbudget on employees due to maternity leave and staff turnover £102k over achieved fee income relating to large sales such as Cobblers Hall £293k overbudget relating to under achieved income in property management, such as North Road Durham, Brackenhill Peterlee, Millenium Square Durham and Newgate Street Bishop Auckland. £52k underbudget on surplus properties £76k underbudget due to one off income relating to a legal claim for dilapidation costs at a former Easington DC building	44	<b>(625)</b>
Transport	Head of Transport	Minor Variance	3	

Head of Service	Service Area	Description	(Under) / Overbudget	(Under) / Overbudget
	Traffic	£10k overbudget on employees due to unmet vacancy savings £9k underbudget on premises costs £12k underbudget on transport costs £417k overbudget due to additional enforcement activity and inflationary contract costs £35k overbudget on cost of events e.g. Lumiere and Gospels	441	
	Sustainable Transport	£279k underbudget in bus contract payments due to new contracts being negotiated in 2013-14	(279)	
	Supported Housing	Minor Variance	0	<b>165</b>
Central	Central Costs	£18k income from procurement rebate £875k contribution to corporate strategic redundancy reserve		<b>857</b>
<b>TOTAL</b>				<b>273</b>

8. In summary, the service grouping is forecasting a cash limit spend of £0.273m overbudget. However, prior to the contribution of £0.875m to the Council's Strategic Reserve to aid the meeting of future redundancy payments 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 £861k towards the capital programme.

Housing Revenue Account	Budget £'000	Forecast Outturn £'000	Variance £'000
<b>Income</b>			
Dwelling Rents	(63,633)	(63,202)	431
Other Income	(1,466)	(1,457)	9
Interest and investment income	(104)	(104)	0
	<b>(65,203)</b>	<b>(64,763)</b>	<b>440</b>
<b>Expenditure</b>			
ALMO Fees	16,469	16,469	0
Repairs, Supervision and Management Costs	12,220	12,204	(16)
Depreciation	7,850	8,150	300
Interest Payable	12,447	10,862	(1,585)
Revenue contribution to capital programme	16,217	17,078	861
	<b>65,203</b>	<b>64,763</b>	<b>(440)</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 £431k 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;  
(Current void rate is 1.85% which equates to 342 properties)
  - b) **General Supervision & Management £185k overbudget** – this results from the Customer Service charge for Durham City Homes being higher than the original budget and additional asset management work relating to Housing Stock Transfer;
  - c) **Special Supervision and Management £23k underbudget** – this results from general efficiency savings on the running expenses of Communal Halls in the Durham City area;
  - d) **Rents , Rates and Taxes £140k overbudget** – this is an increase in Council Tax charges resulting from increased voids;
  - e) **Depreciation & Impairment £300k overbudget** – this is an impairment charge resulting from a revaluation of garages in the East Durham Homes area;
  - f) **Changes in Bad Debt Provision £318k underbudget** – this results from lower than anticipated arrears, due to the delay by the Government in introducing Universal Credit and the work carried out by the three providers in maintaining rent arrears at a consistent level;
  - g) **Interest Payments £1,585k underbudget** – this results from a lower interest rate and lower outstanding loan debt than originally anticipated;
  - h) **Revenue Support to Capital £861k 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 38 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 **£87.099m** - consisting of **£37.280m** for the General Fund and **£49.819m** for the HRA.

14. 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 31 December £000	Remaining Budget £000
General Fund	49,318	37,280	22,463	14,817
HRA	49,350	49,819	30,914	18,905
<b>Total</b>	<b>98,668</b>	<b>87,099</b>	<b>53,377</b>	<b>33,722</b>

15. Actual spend for the first nine months amounts to **£53.377m** – consisting of **£22.463** for the General Fund and **£30.914m** 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 31<sup>st</sup> December amounts to £22.463m. The key areas of spend to date have been on Barnard Castle Vision (£1.515m), Industrial Estates (£1.977m), Town Centres (£1.272m), Housing Renewal (£1.910m), Gypsy Roma Travellers Sites (£1,304m), Durham County Cricket Club (£1.000m), Financial Assistance Programme (£2.193m), Structural Capitalised Maintenance (£3.611m), and the Local Transport Plan (£3.588m).
17. The HRA programme is being significantly supported with £19m of Homes and Communities Agency Decent Homes Backlog Grant funding. In the first nine months of the financial year a total of 2,656 properties have been brought up to the Decent Homes standard.
18. 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:**

19. The Economy and Enterprise Scrutiny Committee is requested to note the contents of this report.

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**Contact: Azhar Rafiq – Finance Manager**  
**Tel: 03000 263 480**

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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>(63,202)</b>	<b>431</b>	a
Non Dwelling Rents:	(1,075)	(1,068)	7	
Charges for Services and Facilities	(391)	(389)	2	
<b>Total Income</b>	<b>(65,099)</b>	<b>(64,659)</b>	<b>440</b>	
<b>Expenditure</b>				
ALMO Management Fee	16,469	16,469	0	
Repairs and Maintenance	4,433	4,433	0	
Supervision and Management - General	4,417	4,602	185	b
Supervision and Management - Special	411	388	(23)	c
Rent, Rates, Taxes and Other Charges	310	450	140	d
Depreciation and Impairment of Fixed Assets	7,850	8,150	300	e
Bad Debt Provision and Debts Written Off	968	650	(318)	f
Debt Management Costs	194	194	0	
<b>Total Expenditure</b>	<b>35,052</b>	<b>35,336</b>	<b>284</b>	
<b>Net Cost of HRA Services per I&amp;E Account</b>	<b>(30,047)</b>	<b>(29,323)</b>	<b>724</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>(27,836)</b>	<b>724</b>	
Interest Payable and Similar Charges	12,447	10,862	(1,585)	g
Direct Revenue Financing (Contribution to Capital)	16,217	17,078	861	h
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 31 December £000	Remaining Budget £000
<b>General Fund</b>				
<b>Economic Development &amp; Housing</b>				
Barnard Castle Vision	1,685	1,550	1,515	170
Durhamgate	1,209	985	961	248
Industrial Estates	2,376	1,979	1,977	399
North Dock Seaham	142	152	132	10
Office Accommodation	497	338	338	159
Town Centres	1,988	1,266	1,272	716
Urban and Rural Renaissance Programme	180	28	37	143
Minor Schemes	909	359	249	660
Disabled Facilities Grant /FAP (1)	4,059	2,312	2,193	1,866
Gypsy Roma Travellers	2,258	1,304	1,304	954
Housing Renewal	3,193	2,003	1,910	1,283
Cricket Club	1,600	1,400	1,000	600
<b>Planning &amp; Assets</b>				
Renewable Energy Schemes	847	311	311	536
Structural Capitalised Maintenance	5,865	3,545	3,611	2,254
Woodham Community Tech College	15	0	0	15
Minor Schemes	913	493	551	362
<b>Transport &amp; Contracted Services</b>				
Local Transport Plan	5,358	3,588	3,588	1,770
Transport Corridors	232	193	192	40
Transport Major Schemes	2,435	933	933	1,502
Transit 15	798	130	131	667
CCTV	333	101	8	325
Minor Schemes	250	250	222	28
<b>Strategy &amp; Programmes Minor Schemes</b>				
	138	28	28	110
<b>General Fund Total</b>	<b>37,280</b>	<b>23,248</b>	<b>22,463</b>	<b>14,817</b>
<b>Housing Revenue Account (2)</b>				
Durham City Homes	13,906	10,430	9,406	4,500
Dale and Valley Homes	8,000	6,000	4,850	3,150
East Durham Homes	27,389	18,099	16,464	10,925
Mortgage Rescue	200	0	0	200
New Build	100	0	0	100
Housing Demolitions & Regeneration	224	216	194	30
<b>Housing Revenue Account Total</b>	<b>49,819</b>	<b>34,745</b>	<b>30,914</b>	<b>18,905</b>
<b>RED Total</b>	<b>87,099</b>	<b>57,993</b>	<b>53,377</b>	<b>33,722</b>

(1) Financial Assistance Programme

(2) HRA actual spend includes accruals for Housing Providers