

22 September 2014



**Regeneration and Economic
Development Service – Quarter 1:
Forecast of Revenue and Capital
Outturn 2014/15**

Report of Finance Manager – Azhar Rafiq

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 2014.

Background

2. County Council approved the Revenue and Capital budgets for 2014/15 at its meeting on 26 February 2014. 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 - £43.015m (original £42.653m)*
 - *Housing Revenue Account - £66.034m*
 - *RED Capital Programme – £94.589m (original £109.598m)*
3. The original RED General Fund budget has been revised to incorporate a number of budget adjustments as follows:
 - Transfer of budget from CAS for management of Gypsy Roma Traveller service £127k
 - Reduction in staffing budget to reflect purchase of annual leave -£33k
 - Reduction in car mileage budget to reflect corporate savings -£40k
 - Transfer of budget to Neighbourhood Services for Highway Network maintenance service -£43k
 - Increase in capital charges budget not controlled by services £351k

The revised General Fund Budget now stands at £43.015m.

4. The summary financial statements contained in the report cover the financial year 2014/15 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 **£0.424m** under budget against a revised annual budget of **£43.015m**.
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	28,245	8,643	28,689	444	-350	94
Premises	2,875	537	2,897	22	0	22
Transport	1,062	198	1,013	-49	0	-49
Supplies and Services	10,260	1,248	11,163	903	-886	17
Agency and Contracted	19,553	4,445	19,971	418	-292	126
Transfer Payments	1,670	190	166	-1,504	-1	-1,505
Central Costs	10,070	74	11,693	1,623	0	1,623
GROSS EXPENDITURE	73,735	15,335	75,592	1,857	-1,529	328
INCOME	-30,720	-7,348	-31,472	-752	0	-752
NET EXPENDITURE	43,015	7,987	44,120	1,105	-1,529	-424

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	1,738	619	1,685	-53	0	-53
Economic Development & Housing	6,610	2,132	7,476	866	-730	136
Planning & Assets	5,768	1,402	5,459	-309	-203	-512
Transport & Contracted	18,123	3,769	18,724	601	-596	5
Central Managed Costs	10,776	65	10,776	0	0	0
NET EXPENDITURE	43,015	7,987	44,120	1,105	-1,529	-424

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):

Service Area	Description	(Under) / Over budget	(Under) / Over budget
Strategy, Policy, Partnerships & Support	£33k under budget on employee costs due to vacancies and local agreements	(33)	
County Durham Economic Partnership	Minor variance	2	
Planning & Performance	£22k under budget on employee costs due to local agreements and maternity leave	(22)	
Funding and Programmes	Minor variance	0	(53)
Head of Economic Development	Minor variance	8	
Physical Development	£33k under budget on employee costs due to vacant post	(33)	
Visit County Durham	£44k over budget on employee costs due to apprentice costs and vacancy savings not being achieved.	44	
Business Durham	£23k approved over budget relating to the Council's contribution to the Regional Growth Fund programme	23	
Economic Development	£14k over budget on employee costs due to vacancy savings not being achieved £80k approved over budget relating to Apprenticeship support	94	
Housing Solutions	No variance forecast whilst restructure is being implemented	0	136
Head of SPPAE	Minor variance	4	
Spatial Policy	£25k under budget on employees due to staff turnover £11k under budget on transport £141k approved over budget on public consultation costs regarding the examination of the Local Plan	105	
Development Management	£94k under budget on employees due to increasing staff turnover £25k under budget on transport £18k under budget on general supplies & services £35k under budget on computer software due to implementation of planning system (future MTFP saving achieved early) £25k approved over budget on professional fees relating to Ombudsman related inquiries at Windmill Village £50k approved over budget on legal fees for public inquiry relating to Bradley open cast mine £500k over achieved planning fee income partly due to a number of large applications such as Beacon Lane, Sedgfield and The Isles Wind Farm, Bradbury	(597)	

Service Area	Description	(Under) / Over budget	(Under) / Over budget
Building Control	£30k under budget on employees due to vacant building control officer £22k under budget on computer software due to implementation of planning system (future MTFP saving achieved early) £17k under budget on transport and supplies & services £15k under budget on dangerous structures	(84)	
Environment & Design	£22k under budget on employees due to MTFP savings achieved early £27k under budget on transport £95k under budget on supplies and services throughout the service £15k under budget on solar metering repairs and maintenance £26k approved over budget relating to projects at Binchester Roman Fort	(133)	
Asset Management	£20k approved over budget on employees £30k approved over budget relating to asset rationalisation project £182k under achieved income on vacant properties such as North Road Durham, Brackenhill Peterlee, Millenium Square Durham and Newgate Street Bishop Auckland £39k under budget on various other properties	193	(512)
Head of Transport	Minor variance	5	
Traffic	£31k over budget on premises costs due to adjusted water rates for Park & Ride £9k over budget on transport and supplies and services mainly due to Park & Ride bus livery costs £18k under budget on third party payments due to anticipated reduction in cost of new parking contract £6k over achieved income from Traffic Signals	16	
Sustainable Transport	£7k over budget on bus projects for members £23k under budget on salaries due to local agreements	(16)	
Supported Housing	£107k over budget on employees due to additional costs to cover holidays and sickness resulting from a 24/7 service (offset by additional income below) £8k over budget on running costs £115k over achieved income due to additional clients and additional SLA income	0	5
Central Costs	Minor variance		0
Overall (Under) / Over budget			(424)

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 2014/15 which amount to £1.1m.

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 £2.028m towards the capital programme.

Housing Revenue Account	Budget £'000	Forecast Outturn £'000	Variance £'000
Income			
Dwelling Rents	(64,558)	(64,640)	(82)
Other Income	(1,371)	(1,371)	0
Interest and investment income	(105)	(105)	0
	(66,034)	(66,116)	(82)
Expenditure			
ALMO Fees	16,799	16,799	0
Repairs, Supervision and Management Costs	12,019	12,019	0
Depreciation	7,872	7,872	0
Interest Payable	12,627	10,681	(1,946)
Revenue contribution to capital programme	16,717	18,745	2,028
	66,034	66,116	82
Net Position	0	0	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**:
- Dwelling Rents £82k increased income** – this results from a lower than anticipated void rate;
 - Interest Payments £1,946k underspend** – this results from a lower interest rate and lower outstanding loan debt than originally anticipated, due in part to re-profiling of the capital programme in year;
 - Revenue Support to Capital £2,028k 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 over 187 schemes managed by around 37 project delivery officers.

13. The Regeneration and Economic Development capital programme was revised at Outturn for budget rephased from 2013/14. This increased the 2014/15 original budget. Further reports to the MOWG in May and June detailed further revisions, for grant additions/reductions, budget transfers and budget reprofiling into later years. The revised budget now stands at **£94.589m** - consisting of **£44.589m** for the General Fund and **£50.000m** for the HRA.
14. Summary financial performance to the end of June is shown below.

Service	Original Annual Budget 2014/15 £000	Revised Annual Budget 2014/15 £000	Actual Spend to 30 June £000	Remaining Budget £000
General Fund	59,109	44,589	5,538	39,051
HRA	50,489	50,000	9,196	40,804
Total	109,598	94,589	14,734	79,855

15. Actual spend for the first three months amounts to **£14.734m** – consisting of **£5.538m** for the General Fund and **£9.196m** 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 June amounts to £5.538m. The key areas of spend to date have been on Gypsy Roma Travellers sites (£1.498m), Structural Capitalised Maintenance (£1.186m), and the Local Transport Plan (£0.902m). 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 2015 will be in line with the revised budget.
17. The HRA programme is being significantly supported with £19.286m of Homes and Communities Agency Decent Homes Backlog Grant funding. In the first three months of the financial year a total of 404 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 Scrutiny Committee is requested to note the contents of this report

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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: 2014-15 Housing Revenue Account

	2014/15 Budget	2014/15 Forecast Outturn	Variance	
	£000	£000	£000	
Income				
Dwelling Rents	(64,558)	(64,640)	(82)	a
Non Dwelling Rents: – Garages	(903)	(903)	0	
– Shops/Other	(121)	(121)	0	
Charges for Services and Facilities	(347)	(347)	0	
Total Income	(65,929)	(66,011)	(82)	
Expenditure				
ALMO Management Fee	16,799	16,799	0	
Repairs and Maintenance	4,462	4,462	0	
Supervision and Management - General	4,061	4,061	0	
Supervision and Management - Special	436	436	0	
Rent, Rates, Taxes and Other Charges	410	410	0	
Depreciation and Impairment of Fixed Assets	7,872	7,872	0	
Bad Debt Provision and Debts Written Off	988	988	0	
Debt Management Costs	175	175	0	
Total Expenditure	35,203	35,203	0	
Net Cost of HRA Services per I&E Account	(30,726)	(30,808)	(82)	
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	(29,239)	(29,321)	(82)	
Interest Payable and Similar Charges	12,627	10,681	(1,946)	b
Direct Revenue Financing (Contribution to Capital)	16,717	18,745	2,028	c
Interest and Investment Income	(105)	(105)	0	
(Surplus)/Deficit for Year	0	0	0	
HRA Reserves	7,155	7,155		
Welfare Reform Reserve	393	0		
Durham City Homes Improvement Plan	650	650		

Appendix 3: RED Capital Programme 2014-15

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 30 June £000	Remaining Budget £000
General Fund				
Economic Development & Housing				
Barnard Castle Vision	765	72	32	733
Durhamgate	364	9	9	355
Industrial Estates	509	61	16	493
North Dock Seaham	50	0	0	50
Office Accommodation	1,718	109	126	1,592
Town Centres	3,403	98	-22	3,425
Minor Schemes	719	113	113	606
Disabled Facilities Grant /FAP (1)	3,940	292	295	3,645
Gypsy Roma Travellers	5,197	1,498	1,498	3,699
Housing Renewal	5,653	377	303	5,350
Cricket Club	1,200	0	0	1,200
Planning & Assets				
Renewable Energy Schemes	843	12	13	830
Structural Capitalised Maintenance	5,500	690	1,186	4,314
Woodham Community Tech College	750	0	0	750
Minor Schemes	360	33	119	241
Transport & Contracted Services				
Local Transport Plan	3,342	753	902	2,440
Transport Corridors	1,122	281	302	820
Transport Major Schemes	6,864	551	597	6,267
Transit 15	1,475	1	37	1,438
CCTV	298	73	2	296
Minor Schemes	10	10	10	0
Strategy & Programmes Minor Schemes				
	507	0	0	507
General Fund Total	44,589	5,033	5,538	39,051
Housing Revenue Account (2)				
Durham City Homes	12,498	3,124	1,864	10,634
Dale and Valley Homes	7,500	1,875	1,579	5,921
East Durham Homes	26,729	6,682	5,753	20,976
Unprogrammed Works	2,644	0	0	2,644
Mortgage Rescue	40	0	0	40
New Build	500	0	0	500
Housing Demolitions & Regeneration	89	0	0	89
Housing Revenue Account Total	50,000	11,681	9,196	40,804
RED Total	94,589	16,714	14,734	79,855

(1) Financial Assistance Programme

(2) HRA actual spend includes accruals for Housing Providers