

8 January 2015



**Regeneration and Economic
Development Service – Quarter 2:
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 September 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 - £44.912m (original £42.653m)*
 - *Housing Revenue Account - £66.034m*
 - *RED Capital Programme – £96.566m (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 £131k
 - Reduction in staffing budget to reflect purchase of annual leave -£33k
 - Reduction in car mileage budget to reflect corporate savings -£40k
 - Increase in Assets budget to support office accommodation project £120k
 - Transfer of budget to Neighbourhood Services for Highway Network maintenance service -£43k
 - Increase in capital charges budget not controlled by services £351k
 - Use of strategic redundancy reserve for MTFP savings £606k

- Security costs for Whinney Hill school £83k
- Additional staffing costs in Supported Housing pending a restructure met from cash limit £27k
- Use of Seaside Towns reserve £136k
- Employment support initiatives met from Welfare Assistance reserve £213k
- Expenditure on Apprenticeship subsidy payments met from the Economic Employability reserve £107k
- Expenditure on Developing Creative Industries to be funded from the Performance Reward Grant reserve £63k
- Additional contract payments relating to the Concessionary Fares scheme £293k
- Expenditure on homelessness prevention initiatives to be met from the Housing Solutions reserve £165k
- Minor transfer of budget to ACE -£1k
- Transfer of budget from Neighbourhood Services for bus station cleaning £81k

The revised General Fund Budget now stands at £44.912m.

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 **£1.050m** under budget against a revised annual budget of **£44.912m**.
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	28,908	13,143	28,968	60	-139	-79
Premises	2,938	2,429	3,663	725	-1	724
Transport	1,062	349	906	-156	-1	-157
Supplies and Services	11,067	2,623	10,865	-202	68	-134
Agency and Contracted	19,776	7,645	20,832	1,056	0	1,056
Transfer Payments	1,670	323	1,650	-20	0	-20
Central Costs	10,387	201	10,217	-170	0	-170
GROSS EXPENDITURE	75,808	26,713	77,101	1,293	-73	1,220
INCOME	-30,896	-12,473	-33,219	-2,323	53	-2,270
NET EXPENDITURE	44,912	14,240	43,882	-1,030	-20	-1,050

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	1,737	860	1,695	-42	-37	-79
Economic Development & Housing	7,446	3,592	7,088	-358	113	-245
Planning & Assets	5,971	2,548	5,374	-597	-71	-668
Transport & Contracted	18,979	7,236	18,946	-33	-25	-58
Central Managed Costs	10,779	4	10,779	0	0	0
NET EXPENDITURE	44,912	14,240	43,882	-1,030	-20	-1,050

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) / Overbudget	(Under) / Overbudget
Strategy, Policy, Partnerships & Support	£56k under budget on employee costs - vacancies and local agreements	(56)	(79)
County Durham Economic Partnership	Minor variance	(1)	
Planning & Performance	£22k under budget on employee costs - local agreements and maternity leave	(22)	
Funding and Programmes	Minor variance	0	
Head of Economic Development	Minor variance	8	
Physical Development	£50k approved over budget on housing projects post	52	
Visit County Durham	Minor variance	5	

Service Area	Description	(Under) / Overbudget	(Under) / Overbudget
Business Durham	£304k under budget within the Business Space service mainly due to increased occupancy and additional income at NetPark £24k approved over budget relating to the Council's contribution to the Regional Growth Fund programme £8k over budget on employee costs due to vacancy savings not being achieved	(272)	
Economic Development	£80k approved over budget relating to apprenticeship support £8k over budget on employee costs due to vacancy savings not being achieved	88	
Housing Solutions	£170k under budget due to 2015-16 MTFP savings being achieved early £42k under budget relating to the new Darlington HIA contract £107k under budget on HIA service following restructure £193k approved over budget on homelessness prevention initiatives	(126)	(245)
Head of SPPAE	Minor variance	4	
Spatial Policy	£15k under budget on transport £133k approved over budget on public consultation costs regarding the examination of the Local Plan	118	
Development Management	£50k under budget on employees due to increased staff turnover £29k under budget on other running expenses £639k overachieved income partly due to a number of large applications such as Beacon Lane, Sedgfield and The Isles Wind Farm, Bradbury	(718)	
Building Control	£37k under budget on employees mainly due to vacant building control officer £12k under budget on transport £23k under budget on general supplies and services £50k overachieved building control fee income	(122)	
Environment & Design	£21k under budget on employees due to MTFP savings achieved early £26k under budget on transport £69k under budget on general supplies £15k under budget on solar metering repairs and maintenance £37k over achieved income regarding one off SLA with Darlington BC for sustainability appraisals	(168)	

Service Area	Description	(Under) / Overbudget	(Under) / Overbudget
Asset Management	£30k approved over budget relating to asset rationalisation project £100k overachieved income relating to fee income from sales £288k under achieved income and additional business rate costs on vacant properties such as North Road Durham, Brackenhill Peterlee, Millenium Square Durham and Newgate Street Bishop Auckland	218	(668)
Head of Transport	Minor variance	3	
Traffic	£21k under budget on salaries due to vacancy savings £21k over budget on premises costs due to adjusted water rates for Park and Ride £18k over budget on transport and supplies and services mainly due to Park and Ride bus livery costs £111k over budget on third party payments primarily due to parking services contract £120k under achieved income on parking including £66k of which is due to the planned Christmas parking initiative	249	
Sustainable Transport	£160k under budget primarily due to savings on bus contracts	(160)	
Supported Housing	£44k over budget on employees costs primarily due to 24/7 cover for holidays and sickness £194k over achieved income due to increased client numbers and SLA agreements	(150)	(58)
Central Costs	Minor variance		0
Overall (Under) / Over Budget			(1,050)

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 £2.150m towards the capital programme.

Housing Revenue Account	Budget £'000	Forecast Outturn £'000	Variance £'000
Income			
Dwelling Rents	(64,558)	(64,792)	(234)
Other Income	(1,371)	(1,366)	5
Interest and investment income	(105)	(105)	0
	(66,034)	(66,263)	(229)
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	10,706	(1,921)
Revenue contribution to capital programme	16,717	18,867	2,150
	66,034	66,263	229
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 £234k increased income** – this results from a lower than anticipated void rate and less Right to Buys being completed;
 - Interest Payments £1,921k 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 £2,150k 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 192 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 during the year detailed further revisions, for grant additions/reductions, budget transfers and budget reprofiling into later years. The revised budget now stands at **£96.566m** - consisting of **£46.533m** for the General Fund and **£50.033m** for the HRA.

14. Summary financial performance to the end of September is shown below.

Service	Original Annual Budget 2014/15 £000	Revised Annual Budget 2014/15 £000	Actual Spend to 30 September £000	Remaining Budget £000
General Fund	59,109	46,533	14,210	32,323
HRA	50,489	50,033	18,677	31,356
Total	109,598	96,566	32,887	63,679

15. Actual spend for the first three months amounts to **£32.887m** – consisting of **£14.210m** for the General Fund and **£18.677m** 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 September amounts to £14.210m. The key areas of spend to date have been on Gypsy Roma Travellers sites (£3.570m), Structural Capitalised Maintenance (£2.840m), and the Local Transport Plan (£1.257m). 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 £18.649m of Homes and Communities Agency Decent Homes Backlog Grant funding. In the first six months of the financial year a total of 755 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.

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)	(64,792)	(234)	a
Non Dwelling Rents: – Garages	(903)	(898)	5	
– Shops/Other	(121)	(121)	0	
Charges for Services and Facilities	(347)	(347)	0	
Total Income	(65,929)	(66,158)	(229)	
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)	(30,955)	(229)	
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)	(29,468)	(229)	
Interest Payable and Similar Charges	12,627	10,706	(1,921)	b
Direct Revenue Financing (Contribution to Capital)	16,717	18,867	2,150	c
Interest and Investment Income	(105)	(105)	0	
(Surplus)/Deficit for Year	0	0	0	
HRA Reserves	7,154	7,154		
Welfare Reform Reserve	393	0		
Durham City Homes Improvement Plan	650	580		

Appendix 3: RED Capital Programme 2014-15

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 30 September £000	Remaining Budget £000
General Fund				
Economic Development & Housing				
Barnard Castle Vision	774	100	291	483
Durhamgate	364	223	28	336
Industrial Estates	509	106	130	379
North Dock Seaham	50	0	0	50
Office Accommodation	1,718	300	503	1,215
Town Centres	3,554	977	750	2,804
Minor Schemes	719	188	167	552
Disabled Facilities Grant /FAP (1)	3,940	1,003	638	3,302
Gypsy Roma Travellers	5,197	3,564	3,570	1,627
Housing Renewal	5,653	1,465	985	4,668
Cricket Club	1,200	800	800	400
Planning & Assets				
Renewable Energy Schemes	827	267	260	567
Structural Capitalised Maintenance	7,005	2,972	2,840	4,165
Woodham Community Tech College	750	2	0	750
Minor Schemes	589	278	197	392
Transport & Contracted Services				
Local Transport Plan	3,371	1,309	1,257	2,114
Transport Corridors	2,197	795	571	1,626
Transport Major Schemes	6,900	1,478	993	5,907
Transit 15	400	37	119	281
CCTV	298	187	101	197
Minor Schemes	11	10	10	1
Strategy & Programmes Minor Schemes	507	0	0	507
General Fund Total	46,533	16,061	14,210	32,323
Housing Revenue Account (2)				
Durham City Homes	12,498	5,895	3,629	8,869
Dale and Valley Homes	7,500	3,750	2,534	4,966
East Durham Homes	26,729	13,364	12,454	14,275
Unprogrammed Works	2,644	0	0	2,644
Mortgage Rescue	73	60	60	13
New Build	500	0	0	500
Housing Demolitions & Regeneration	89	6	0	89
Housing Revenue Account Total	50,033	23,075	18,677	31,356
RED Total	96,566	39,136	32,887	63,679

(1) Financial Assistance Programme

(2) HRA actual spend includes accruals for Housing Providers