

**31 March 2015**



**Regeneration and Economic  
Development Service – Quarter 3:  
December 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 December 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 - £45.136m (original £42.653m)*
  - *Housing Revenue Account - £63.551m (original £66.034)*
  - *RED Capital Programme – £83.526m (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

- Additional contract payments relating to the Concessionary Fares scheme £293k
- Transfer of budget to ACE for Local Government Chronicle subscription -£1k
- Transfer of budget from Neighbourhood Services for bus station cleaning £81k
- Net planned use of reserves to support service spending £1,415k
- 2014/15 Pay award financed from central contingencies £209k

The revised General Fund Budget now stands at £45.136.

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 of **£1.320m** under budget against a revised annual budget of **£45.136m**. This compares to an under budget of £1.050m reported at Quarter 2.
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>	29,252	22,341	28,957	-295	0	<b>-295</b>
<b>Premises</b>	2,938	3,335	3,739	801	0	<b>801</b>
<b>Transport</b>	1,062	659	874	-188	0	<b>-188</b>
<b>Supplies and Services</b>	10,949	6,029	11,099	150	-67	<b>83</b>
<b>Agency and Contracted</b>	19,827	13,970	20,796	969	-24	<b>945</b>
<b>Transfer Payments</b>	95	9	27	-68	0	<b>-68</b>
<b>Central Costs</b>	11,962	1,412	11,312	-650	1,226	<b>576</b>
<b>GROSS EXPENDITURE</b>	<b>76,085</b>	<b>47,755</b>	<b>76,804</b>	<b>719</b>	<b>1,135</b>	<b>1,854</b>
<b>INCOME</b>	-30,949	-22,577	-34,353	-3,404	230	<b>-3,174</b>
<b>NET EXPENDITURE</b>	<b>45,136</b>	<b>25,178</b>	<b>42,451</b>	<b>-2,685</b>	<b>1,365</b>	<b>-1,320</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	1,786	1,430	1,696	-90	0	-90
Economic Development & Housing	7,392	5,722	7,071	-321	153	-168
Planning & Assets	6,111	5,158	5,840	-271	33	-238
Transport & Contracted	19,072	14,267	17,459	-1,613	789	-824
Central Managed Costs	10,775	-1,400	10,385	-390	390	0
<b>NET EXPENDITURE</b>	<b>45,136</b>	<b>25,177</b>	<b>42,369</b>	<b>-2,685</b>	<b>1,365</b>	<b>-1,320</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	Strategy, Policy, Partnerships & Support	£58k under budget on employee costs £10k under budget on supplies and services	(68)	(89)
	County Durham Economic Partnership	Minor Variance	(6)	
	Planning & Performance	£15k under budget on employee costs	(15)	
	Funding and Programmes	Minor variance	0	
Economic Development & Housing	Head of Economic Development	Minor variance	8	
	Physical Development	£11k over budget on staffing £40k under budget on supplies and additional income	(29)	
	Visit County Durham	£36k under budget on supplies and additional income £20k over budget on employees	(16)	
	Business Durham	£341k under budget on Business Space mainly due to additional income at Netpark £24k approved over budget relating to the Council's contribution to the Regional Growth Fund programme £5k minor variance over budget	(322)	
	Economic Development	£80k approved over budget regarding apprenticeship support £7k minor variance under budget	73	

Head of Service	Service Area	Description	(Under) / Overbudget	(Under) / Overbudget
	Housing Solutions	£170k under budget due to 2015-16 MTFP savings being achieved early £44k under budget on new Darlington HIA contract £286k Family Wise over budget Forecast income levels not achieved £107k under budget on HIA service following restructure of service £158k approved over budget on homelessness prevention initiatives £6k minor variances under budget	117	(169)
Spatial Policy, Planning Assets & Environment	Head of SPPAE	£72k approved over budget regarding contribution to AONB projects	72	
	Spatial Policy	£15k under budget on transport £139k approved over budget on public consultation costs regarding the examination of the Local Plan	124	
	Development Management	£19k over budget across all other spending areas £469k overachieved income partly due to a number of large applications such as Beacon Lane, Sedgefield and The Isles Wind Farm, Bradbury	(450)	
	Building Control	£42k under budget on employees £12k under budget on transport £16k under budget on general supplies and services	(70)	
	Environment & Design	£40k under budget on employees due to MTFP savings achieved early £28k under budget on transport £23k agreed over budget on Outreach Project £49k under budget on other general supplies and services £74k over achieved income regarding one off SLA with Darlington BC for sustainability appraisals £21k over achieved FIT Income	(190)	
	Asset Management	£110k overachieved income relating to fee income from sales £30k approved over budget relating to asset rationalisation project £65k approved over budget costs relating Parsons Court and acquisition of Kingswood Nature Reserve £59k over budget on other general supplies and services £231k under achieved income and additional business rate costs on vacant properties such as, Brackenhill Peterlee, Millenium Square Durham and Newgate Street Bishop Auckland	275	(239)
Transport	Head of Transport	Minor variance	3	

Head of Service	Service Area	Description	(Under) / Overbudget	(Under) / Overbudget
	Traffic	£25k under budget on salaries due to vacancy savings £17k under budget on various premises, transport and supplies and services costs £32k under budget on third party payments primarily due to re-phasing of traffic signals expenditure into 2015/16 £104k under achieved parking income primarily including the Free after 3 initiative at Christmas.	30	
	Sustainable Transport	£25k under budget on employee costs £417k under budget primarily due to reduced contract prices, increased patronage and a mild winter.	(442)	
	Supported Housing	£38k over budget on employees and transport costs primarily due to 24/7 cover for holidays and sickness £157 under budget on supplies and services primarily due to planned underspend on equipment £14k over budget on third party payments due to lease buyout of former Derwentside equipment £309k over achieved income due to increased self-paying client numbers and SLA agreements	(414)	<b>(823)</b>
Central	Central Costs	No variance		<b>0</b>
<b>TOTAL</b>				<b>(1,320)</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 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 £711k towards the capital programme.

Housing Revenue Account	Budget £'000	Forecast Outturn £'000	Variance £'000
<b>Income</b>			
Dwelling Rents	(62,075)	(62,333)	(258)
Other Income	(1,371)	(1,377)	(6)
Interest and investment income	(105)	(105)	0
	<b>(63,551)</b>	<b>(63,815)</b>	<b>(264)</b>
<b>Expenditure</b>			
ALMO Fees	16,464	16,464	0
Repairs, Supervision and Management Costs	11,825	13,299	1,474
Depreciation	7,872	7,872	0
Interest Payable	12,627	10,706	(1,921)
Revenue contribution to capital programme	14,763	15,474	711
	<b>63,551</b>	<b>63,815</b>	<b>264</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 £258k increased income** – this results from a lower than anticipated void rate and less Right to Buys being completed;
- b) **Supervision & Management £1,495k overspend** – this results from £1,562k costs incurred in setting up the new Housing Company, which was previously agreed to be met from existing revenue savings, offset by £67k savings on vacant posts and premises costs at Durham City Homes
- c) **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;
- d) **Revenue Support to Capital £711k 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 re-phased 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 re-profiling into later years. The revised budget now stands at **£83.526m** - consisting of **£36.809m** for the General Fund and **£46.717m** for the HRA.

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

<b>Service</b>	<b>Original Annual Budget 2014/15 £000</b>	<b>Revised Annual Budget 2014/15 £000</b>	<b>Actual Spend to 31 December £000</b>	<b>Remaining Budget £000</b>
General Fund	59,109	36,809	24,225	12,584
HRA	50,489	46,717	31,689	15,028
<b>Total</b>	<b>109,598</b>	<b>83,526</b>	<b>55,914</b>	<b>27,612</b>

15. Actual spend for the first nine months amounts to **£55.914m** – consisting of **£12.584m** for the General Fund and **£15.028m** 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 December amounts to £12.584m. The key areas of spend to date have been on Gypsy Roma Travellers sites (£4.999m), Structural Capitalised Maintenance (£4.383m), and Transport Major Schemes (£3.040m). 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 nine months of the financial year a total of 1,095 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 OSC is requested to note and comment on the contents of this report.

---

**Contact: Azhar Rafiq – Finance Manager**  
**Tel: 03000 263 480 E-mail: Azhar.Rafiq@durham.gov.uk**

---

---

## **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

	<b>2014/15 Budget</b>	<b>2014/15 Forecast Outturn</b>	<b>Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>Income</b>				
Dwelling Rents	<b>(62,075)</b>	<b>(62,333)</b>	<b>(258)</b>	a
Non Dwelling Rents: – Garages	(903)	(889)	14	
– Shops/Other	(121)	(121)	0	
Charges for Services and Facilities	(347)	(367)	(20)	
<b>Total Income</b>	<b>(63,446)</b>	<b>(63,710)</b>	<b>(264)</b>	
<b>Expenditure</b>				
ALMO Management Fee	16,464	16,464	0	
Repairs and Maintenance	4,376	4,376	0	
Supervision and Management - General	3,985	5,480	1,495	b
Supervision and Management - Special	430	409	(21)	
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	171	171	0	
<b>Total Expenditure</b>	<b>34,696</b>	<b>36,170</b>	<b>1,474</b>	
<b>Net Cost of HRA Services per I&amp;E Account</b>	<b>(28,750)</b>	<b>(27,540)</b>	<b>1,210</b>	
Share of Corporate and Democratic Core	1,063	1,063	0	
Share of Other Costs Not Allocated to Specific Services	402	402	0	
<b>Net Cost of HRA Services</b>	<b>(27,285)</b>	<b>(26,075)</b>	<b>1,210</b>	
Interest Payable and Similar Charges	12,627	10,706	(1,921)	c
Direct Revenue Financing (Contribution to Capital)	14,763	15,474	711	d
Interest and Investment Income	(105)	(105)	0	
<b>(Surplus)/Deficit for Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	
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 31 December £000	Remaining Budget £000
<b>General Fund</b>				
<b>Economic Development &amp; Housing</b>				
Barnard Castle Vision	596	364	315	281
Durhamgate	364	37	37	327
Industrial Estates	509	116	116	393
North Dock Seaham	16	16	16	0
Office Accommodation	781	624	631	150
Town Centres	2,407	1,528	1,516	891
Minor Schemes	719	214	255	464
Disabled Facilities Grant /FAP (1)	3,718	1,625	1,348	2,370
Gypsy Roma Travellers	5,197	4,886	4,999	198
Housing Renewal	3,852	2,099	2,129	1,723
Cricket Club	1,200	1,200	1,200	0
<b>Planning &amp; Assets</b>				
Renewable Energy Schemes	627	337	290	337
Structural Capitalised Maintenance	6,671	4,357	4,383	2,288
Woodham Community Tech College	1	0	0	1
Minor Schemes	594	422	260	334
<b>Transport &amp; Contracted Services</b>				
Local Transport Plan	2,938	1,772	1,772	1,166
Transport Corridors	1,576	1,626	1,626	(50)
Transport Major Schemes	4,598	2,357	3,040	1,558
Transit 15	190	172	172	18
CCTV	238	103	103	135
Minor Schemes	10	10	10	0
<b>Strategy &amp; Programmes Minor Schemes</b>				
	7	6	7	0
<b>General Fund Total</b>	<b>36,809</b>	<b>23,871</b>	<b>24,225</b>	<b>12,584</b>
<b>Housing Revenue Account (2)</b>				
Durham City Homes	11,936	8,629	8,123	3,813
Dale and Valley Homes	7,358	5,523	4,700	2,658
East Durham Homes	27,344	20,508	18,800	8,544
Mortgage Rescue	73	60	60	13
Housing Demolitions & Regeneration	6	6	6	0
<b>Housing Revenue Account Total</b>	<b>46,717</b>	<b>34,726</b>	<b>31,689</b>	<b>15,028</b>
<b>RED Total</b>	<b>83,526</b>	<b>58,597</b>	<b>55,914</b>	<b>27,612</b>

(1) Financial Assistance Programme

(2) HRA actual spend includes accruals for Housing Providers