

8 January 2016



**Regeneration and Economic
Development Service – Quarter 2:
Forecast of Revenue and Capital
Outturn 2015/16**

**Joint Report of Corporate Director – Regeneration and Economic
Development and Corporate Director - Resources**

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 2015.

Background

2. County Council approved the Revenue and Capital budgets for 2015/16 at its meeting on 25 February 2015. 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 - £26.448m (original £25.459m)*
 - *RED Capital Programme – £42.215m (original £39.747m)*
3. The original RED General Fund budget has been revised to incorporate a number of budget adjustments as follows:
 - Transfer of repairs & maintenance budgets to Neighbourhoods Services -£3k
 - Transfer of Crimdon Park and beaches budgets from neighbourhoods Services +£15k
 - Reduction in energy budgets to reflect corporate savings -£32k
 - Reduction in Concessionary Fares budget to reflect lower contract payments -£400k
 - Reduction in Carbon Tax CRC to reflect corporate savings -£64k
 - Reduction in water charge budgets to reflect corporate savings -£1k
 - Fleet Depreciation and Insurance adjustment -£15k
 - Use of strategic reserves for redundancies for MTFP savings +£9k

- Use of Corporate Reserve – Office Accommodation +£742k
- Security costs for Whinney Hill School +£35k
- Corporate Saving Adjustment Car Allowances +£34k
- Use of RED reserves to fund relevant service expenditure +£669k

The revised General Fund Budget now stands at £26.448m.

4. The summary financial statements contained in the report cover the financial year 2015/16 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 under budget of **£0.632m** against a revised budget of **£26.448m**. This compares with an under budget of **£0.293m** reported at Quarter 1.
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)

£'000	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
Employees	27,736	14,882	28,354	617	-250	367
Premises	3,696	3,172	4,306	610	0	610
Transport	934	342	820	-114	0	-114
Supplies and Services	13,469	5,530	14,669	1,200	-452	748
Agency and Contracted	19,719	10,155	19,117	-602	0	-602
Transfer Payments	95	1	20	-75	0	-75
Central Costs	10,522	607	10,596	74	0	74
GROSS EXPENDITURE	76,171	34,709	77,970	1,711	-589	1,007
INCOME	-49,723	-24,898	-51,640	-1,917	288	-1,639
NET EXPENDITURE	26,448	9,811	26,240	-208	-424	-632

Analysis by Head of Service (£'000)

Head of Service Grouping	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
Strategy Programmes Performance	1,778	950	1,737	-41	0	-41
Economic Development & Housing	7,052	1,998	6,674	-378	-61	-317
Planning & Assets	5,735	3,139	6,080	345	-189	157
Transport & Contracted	1,378	3,469	1,244	-133	-298	-431
Central Managed Costs	10,505	255	10,505	0	0	0
NET EXPENDITURE	26,448	9,811	26,240	-208	-424	-632

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) / Over budget £'000	(Under) / Over budget £'000
Strategy Programmes Performance	Head of SPP	Minor variance	(3)	(41)
	Strategy, Policy, Partnerships & Support	£33k underbudget on Employees due to vacancies. £5k overbudget on Supplies and Services. £3k additional income.	(31)	
	County Durham Economic Partnership	Minor variance	2	
	Planning & Performance	£9k underbudget on Employees.	(9)	
	Funding and Programmes	No variances	0	
Economic Development & Housing	Head of Economic Development	£33k reduced Groundworks contribution	(33)	(317)
	Physical Development	£56k underbudget on Employees due to restructuring £22k additional income	(78)	
	Visit County Durham	£88k savings on Employees due to staff secondment to Visit England	(88)	
	Business Durham	£25k overbudget on Employees £53k overbudget on Premises £88k underspend on Supplies and Services	(10)	
	Economic Development	£11k overbudget on Employees	11	
	Housing Solutions	£21k overbudget on Employees £140k residual income from FamilyWise project	(119)	
Spatial Policy, Planning Assets &	Head of SPPAE	Minor variance	7	
	Spatial Policy	Agreed overbudget on Local Development Framework	190	

Head of Service	Service Area	Description	(Under) / Over budget £'000	(Under) / Over budget £'000
Environment	Development Management	£55k underbudget on Employees £12k underbudget on Transport £25k overbudget on Supplies and Services £50k agreed overbudget on Planning Appeals Field House , Hamsterly Hall and County Hospital £203k overachieved planning fee income	(195)	157
	Building Control	£5k underbudget on Employees £2k overbudget on Transport £49k underbudget on Supplies and Services	(52)	
	Environment & Design	£64k underbudget on Employees £10k underbudget on Transport £43k underbudget on Supplies and Services £13k overachieved income i.e. Corona Refund on automatic charging	(130)	
	Asset Management	£34k overbudget on Employees £56k overbudget on Supplies and Services £247k under achieved income re Newgate Street Bishop Auckland , Millennium Square, Brackenhill Centre Peterlee and Beveridge Arcades	337	
Transport	Head of Transport	£13k overbudget of which £11k relates to spend on legal costs for Durham Tees Valley Airport	13	
	Traffic	£13k overbudget on employees from unrealised vacancy savings £55k net overbudget on parking services mainly due to increased third party costs	68	
	Sustainable Transport	£39k overbudget on salary costs mainly due to unrealised vacancy savings and unbudgeted standby payments £355k net underbudget on third party payments mainly due to reduced Bus & Rail contract prices £10k overbudget on departure charge income	(326)	

Head of Service	Service Area	Description	(Under) / Over budget £'000	(Under) / Over budget £'000
	Supported Housing	£97k overbudget on employee costs mainly due to unbudgeted 24/7 cover for holidays and sickness (£82k) and unrealised vacancy savings (£15k) £174k underbudget on supplies and services mainly due to planned underspend on equipment and efficiency changes in telephone charges £58k underbudget on third party payments mainly due to further rationalisation in CCTV circuits £51k overbudget on income mainly due to increased self paying client numbers	(186)	(431)
Central	Central Costs	No variances	0	0
TOTAL				(632)

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 2015/16 which amount to £1.3m.

Revenue – Housing Revenue Account (HRA)

9. On 13 April 2015, the Council transferred its housing stock of 18,500 dwellings to County Durham Housing Group. Consent was received from the Secretary of State to close down the HRA any time from 30 April 2015 onwards as the Council is no longer a social housing landlord and not required to maintain a ring-fenced HRA.
10. There were and continue to be some residual transactions taking place reflecting the relatively short period of activity in 2015/16 and also other costs including those associated with delivering stock transfer in April which have been met from available income. The HRA will now be closed.

Capital Programme

11. The RED capital programme makes a significant contribution to the Regeneration ambitions of County Durham. The programme is relatively large and comprises over 138 schemes managed by 25 project delivery officers.
12. The Regeneration and Economic Development capital programme was revised at Outturn for budget rephased from 2014/15. This increased the 2015/16 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 **£42.215m**.

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

Service	Original Annual Budget 2015/16 £000	Revised Annual Budget 2015/16 £000	Actual Spend to 30 September £000	Remaining Budget £000
Economic Dev & Housing	13,104	14,350	4,273	10,077
Planning & Assets	9,250	10,451	2,156	8,295
Transport & Contracted	16,893	16,920	3,188	13,732
Strategy & Programmes	500	494	0	494
Total	39,747	42,215	9,617	32,598

14. Actual spend for the first three months amounts to **£9.617m**. **Appendix 2** provides a more detailed breakdown of spend across the major projects contained within the RED capital programme.
15. The key areas of spend to date have been on Disabled Facilities Grants (£1.423m), Structural Capitalised Maintenance (£1.956m), Transport Corridors (1.192m) and the Local Transport Plan (£1.069m). 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 2016 will be in line with the revised budget.
16. 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:

17. 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: RED Capital Programme 2015-16

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 30 September £000	Remaining Budget £000
General Fund				
Economic Development & Housing				
Barnard Castle Vision	492	184	94	398
Durhamgate	320	252	252	68
Industrial Estates	637	375	432	205
North Dock Seaham	904	213	288	616
Office Accommodation	206	1	1	205
Town Centres	4,060	515	551	3,509
Minor Schemes	672	501	472	200
Disabled Facilities Grant /FAP (1)	4,531	1,611	1,423	3,108
Gypsy Roma Travellers	323	26	27	296
Housing Renewal	2,205	821	733	1,472
Planning & Assets				
Renewable Energy Schemes	1,075	120	109	966
Structural Capitalised Maintenance	8,367	1,962	1,956	6,411
Woodham Community Tech College	750	0	0	750
Minor Schemes	259	89	91	168
Transport & Contracted Services				
Local Transport Plan	3,377	1,203	1,069	2,308
Transport Corridors	1,115	534	1,192	-77
Transport Major Schemes	11,981	733	661	11,320
Transit 15	104	27	25	79
CCTV	93	35	26	67
Minor Schemes	250	215	215	35
Strategy & Programmes Minor Schemes				
	494	3	0	494
RED Total	42,215	9,420	9,617	32,598

(1) Financial Assistance Programme