

29 March 2016



**Regeneration and Economic
Development Service – Quarter 3:
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 December 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 - £26.770 million (original £25.459 million)*
 - *RED Capital Programme – £33.034 million (original £39.747million)*
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 -£3,000
 - Transfer of Crimdon Park and beaches budgets from neighbourhoods Services +£15,000
 - Reduction in energy budgets to reflect corporate savings -£32,000
 - Reduction in Concessionary Fares budget to reflect lower contract payments -£400,000
 - Reduction in Carbon Tax CRC to reflect corporate savings - £64,000
 - Reduction in water charge budgets to reflect corporate savings -£1,000
 - Fleet Depreciation and Insurance adjustment -£15,000

- Use of strategic reserves for redundancies for MTFP savings +£146,000
- Use of Corporate Reserve – Office Accommodation +£742,000
- Security costs for Whinney Hill School +£35,000
- Corporate Saving Adjustment Car Allowances +£34,000
- Use of RED reserves to fund relevant service expenditure +£843,000
- Fleet Recharge increase +£16,000
- Contribution to capital expenditure -£5,000

The revised General Fund Budget now stands at £26.770 million.

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 **£1.521 million** against a revised budget of **£26.770 million**. This compares with an under budget of **£0.632 million** 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 |
|--------------------------|----------------|----------------|------------------|---------------|--------------------------|---------------------|
| Employees | 27,684 | 21,542 | 28,077 | 393 | -117 | 276 |
| Premises | 3,793 | 3,796 | 4,316 | 523 | 0 | 523 |
| Transport | 950 | 535 | 808 | -142 | 0 | -142 |
| Supplies and Services | 13,658 | 8,297 | 14,225 | 557 | 171 | 728 |
| Agency and Contracted | 19,754 | 13,383 | 19,439 | -315 | -164 | -479 |
| Transfer Payments | 95 | 1 | 31 | -64 | 0 | -64 |
| Central Costs | 10,534 | 1,076 | 10,597 | 63 | 0 | 63 |
| GROSS EXPENDITURE | 76,468 | 34,709 | 77,483 | 1,015 | -110 | 904 |
| INCOME | -49,698 | -24,898 | -51,613 | -1,915 | -510 | -2,425 |
| NET EXPENDITURE | 26,770 | 15,161 | 25,870 | -900 | -621 | -1,521 |

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 | 1,777 | 1,377 | 1,728 | -49 | -36 | -85 |
| Economic Development & Housing | 6,991 | 4,563 | 7,060 | 69 | -681 | -612 |
| Planning & Assets | 5,924 | 4,743 | 5,794 | -130 | -49 | -179 |
| Transport & Contracted | 1,686 | 4,182 | 1,167 | -518 | -130 | -648 |
| Central Managed Costs | 10,392 | 296 | 10,121 | -271 | 275 | 3 |
| NET EXPENDITURE | 26,770 | 15,161 | 25,870 | -900 | -621 | -1,521 |

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) / Overspend £'000 | (Under) / Overspend £'000 |
|---------------------------------|--|--|---------------------------|---------------------------|
| Strategy Programmes Performance | Head of SPP | Minor Variance | (2) | (85) |
| | Strategy, Policy, Partnerships & Support | £57,000 under budget on Employees due to vacancies. | (57) | |
| | County Durham Economic Partnership | £14,000 under budget on Supplies and Services | (14) | |
| | Planning & Performance | £12,000 under budget on Employees due to maternity leave. | (12) | |
| | Funding and Programmes | No variances | | |
| Economic Development & Housing | Head of Economic Development | Contribution to third parties reduced | (27) | |
| | Physical Development | Additional sponsorship income received | (21) | |
| | Visit County Durham | Under budget on Employees due to a staff secondment to Visit England | (75) | |
| | Business Durham | £88,000 planned under budget on Supplies and Services £56,000 over budget on Employees £6,000 under budget on premises | (38) | |
| | Economic Development | Minor Variance | (5) | |

| Head of Service | Service Area | Description | (Under) / Overspend £'000 | (Under) / Overspend £'000 |
|---|------------------------|--|---------------------------|---------------------------|
| | Housing Solutions | £129,000 under budget on Supplies and Services £81,000 over recovery of income Travellers' Sites £155,000 over recovery of income Family Wise £138,000 over in income Family Intervention Programme £45,000 under recovery of income £13,000 other minor variances | (445) | (612) |
| Spatial Policy, Planning Assets & Environment | Head of SPPAE | Minor variance | 7 | |
| | Spatial Policy | Agreed over budget on Local Development Framework | 210 | |
| | Development Management | £74,000 under budget on Employees £23,000 under budget on Transport £26,000 under budget on general supplies and services £50,000 agreed over budget on Planning Appeals Field House, Hamsterly Hall and County Hospital £632,000 additional planning fee income | (653) | |
| | Building Control | £19,000 under budget on Employees £67,000 under budget on Supplies and Services including computer software rental and maintenance (£33,000) £60,000 underachieved Building Control Income | (26) | |
| | Environment & Design | £72,000 under budget on Employees £12,000 under budget on Transport £45,000 under budget on Supplies and services | (129) | |
| | Asset Management | £109,000 over budget on Employees £40,000 agreed over budget on Supplies and Services £263,000 underachieved income and rates re Newgate Street Bishop Auckland, Millennium Square, Brackenhill Centre Peterlee and Beveridge Arcades | 412 | (179) |
| Transprt | Head of Transport | £13,000 over budget including £11,000 unbudgeted spend on legal | 13 | |
| | Traffic | £15,000 over budget on Employees £59,000 under budget on premises costs mainly due to reduction in spend on repairs and maintenance of bus shelters £73,000 overs budget on parking services mainly due to increased third party costs £4,000 over budget on transport costs £5,000 under budget on income due to reduction in income for Public Rights of Way | 38 | |
| | Sustainable Transport | £27,000 over budget on salary costs mainly due to unrealised vacancy savings and unbudgeted standby payments | | |

| Head of Service | Service Area | Description | (Under) / Overspend £'000 | (Under) / Overspend £'000 |
|-----------------|-------------------|--|---------------------------------|---------------------------------|
| | | £80,000 under budget on supplies and services £446,000 under budget on third party payments mainly due to reduced Bus and Rail contract prices £5,000 over budget on departure charge income £23,000 under budget on recharges | (481) | |
| | Supported Housing | £53,000 over budget on employee costs mainly due to unbudgeted 24/7 cover for holidays and sickness (£38,000) and unrealised vacancy savings (£15,000) £19,000 under budget on transport costs due to reduction in repairs & maintenance and fuel costs £203,000 under budget on supplies and services mainly due to planned underspend on equipment and efficiencies in changes in telephone billing from BT £50,000 under budget on third party payments mainly due to changes in CCTV circuits | (219) | (648) |
| Central | Central Costs | Minor variance | 3 | 3 |
| TOTAL | | | | (1,521) |

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 £1.3 million.

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 **£33.034 million**.
13. Summary financial performance to the end of December 2015 is shown below.

| Service | Original Annual Budget 2015/16 £000 | Revised Annual Budget 2015/16 £000 | Actual Spend to 31 December £000 | Remaining Budget £000 |
|------------------------|--|---|---|----------------------------------|
| Economic Dev & Housing | 13,104 | 10,620 | 6,349 | 4,271 |
| Planning & Assets | 9,250 | 7,508 | 4,716 | 2,792 |
| Transport & Contracted | 16,893 | 14,662 | 4,159 | 10,503 |
| Strategy & Programmes | 500 | 244 | 0 | 244 |
| Total | 39,747 | 33,034 | 15,224 | 17,810 |

14. Actual spend to the end of December 2015 amounts to **£15.224 million**. **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 (£2.183 million), Housing Renewal (£1.232 million), Structural Capitalised Maintenance (£4.429 million), Transport Corridors (£1.202 million) and the Local Transport Plan (£1.640 million). 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

| General Fund | Revised Annual Budget £000 | Profiled Budget £000 | Actual Spend to 31 December £000 | Remaining Budget £000 |
|--|---|-------------------------------------|---|--------------------------------------|
| Economic Development & Housing | | | | |
| Barnard Castle Vision | 364 | 189 | 165 | 199 |
| Durhamgate | 285 | 259 | 259 | 26 |
| Industrial Estates | 560 | 481 | 473 | 87 |
| North Dock Seaham | 754 | 487 | 487 | 267 |
| Office Accommodation | 66 | 1 | 1 | 65 |
| Town Centres | 2463 | 1,063 | 1,048 | 1,415 |
| Minor Schemes | 672 | 517 | 472 | 200 |
| Disabled Facilities Grant /FAP (1) | 3,531 | 2,526 | 2,183 | 1,348 |
| Gypsy Roma Travellers | 27 | 29 | 29 | -2 |
| Housing Renewal | 1,898 | 1,305 | 1,232 | 666 |
| Planning & Assets | | | | |
| Renewable Energy Schemes | 715 | 261 | 195 | 520 |
| Structural Capitalised Maintenance | 6,528 | 4,128 | 4,429 | 2,099 |
| Woodham Community Tech College | 0 | 0 | 0 | 0 |
| Minor Schemes | 265 | 107 | 92 | 173 |
| Transport & Contracted Services | | | | |
| Local Transport Plan | 3,225 | 1,620 | 1,640 | 1,585 |
| Transport Corridors | 1,215 | 1,202 | 1,202 | 13 |
| Transport Major Schemes | 9,810 | 1,050 | 1,060 | 8,750 |
| Transit 15 | 104 | 30 | 30 | 74 |
| CCTV | 93 | 12 | 12 | 81 |
| Minor Schemes | 215 | 215 | 215 | 0 |
| Strategy & Programmes Minor Schemes | | | | |
| | 244 | 3 | 0 | 244 |
| RED Total | 33,034 | 15,485 | 15,224 | 17,810 |

(1) Financial Assistance Programme