

Economy and Enterprise Scrutiny Committee

26 September 2017



Regeneration and Local Services (Regeneration and Economic Development) – Revenue and Capital Outturn 2016/17

Joint Report of Corporate Director – Regeneration and Local Services and Corporate Director - Resources

Purpose of the Report

1. In September 2016 the former Neighbourhoods, and Regeneration and Economic Development (RED) service areas combined to form Regeneration and Local Services. The former RED service areas report to this committee while the former Neighbourhoods service areas report to the Environment and Sustainable Communities Scrutiny Committee.
2. To provide details of the outturn budget position for the former Regeneration and Economic Development (RED) service grouping highlighting major variances in comparison with the budget.

Background

3. County Council approved the Revenue and Capital budgets for 2016/17 at its meeting on 24 February 2016. 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 this service grouping:
 - *Revenue Budget- £27.802 million (original £25.257million)*
 - *Capital Programme- £36,581 million (original £33.523 million)*
4. The original service budget has been revised to incorporate a number of budget adjustments as follows:
 - Cost of 2016-17 pay award +£230,000
 - Lone Working adjustment +£50,000
 - Transfer from Neighbourhoods Services +£38,000
 - Pension auto enrolment adjustment +£20,000
 - Use of Office Accommodation Support Reserve +£575,000
 - Use of strategic reserves for redundancies for MTFP savings +£249,000
 - Use of Equal Pay Reserve +£2,000
 - Use of Cash Limits – Strategy Partnerships Performance +£50,000

- Use of Cash Limits – Economic Development & Housing +£211,000
- Use of Cash Limits – Transport & Contracted Services +£395,000
- Use of Restructure Reserve +£69,000
- Use of Planning Reserve +£548,000
- Use of Housing Regen Reserve (Warm and Healthy Homes) +£100,000
- Use of Economic Employability Reserve +£315,000
- Use of Performance Reward Grant +£47,000
- Transfer to International Relations Reserve -£36,000
- Transfer to Welfare Assistance Reserve -£280,000
- Use of Business Durham Programme Reserve +£92,000
- Use of Business Growth Fund +£67,000
- Under budget for Concessionary Fares (corporate saving) - £384,000
- Strategic Employment Sites +£158,000
- Finance Durham Set-Up costs +£29,000

The revised service budget now stands at £27.802 million.

5. The summary financial statements contained in the report cover the financial year 2016/17 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 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

6. The service is reporting a cash limit underspend of **£1.644 million** against a revised budget of **£27.802 million**. This compares with an estimated underspend of **£1.010 million** at Quarter 3 – a difference of £0.634 million.
7. 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	Actual Outturn	Variance	Items Outside Cash Limit	Final Variance
Employees	28,713	28,439	(274)	89	(185)
Premises	4,830	6,658	1,827	(1188)	639
Transport	866	694	(172)	(8)	(193)
Supplies and Services	8,470	7,444	(1,026)	864	(162)
Agency and Contracted	19,273	19,404	131	(15)	116
Transfer Payments	95	0	(95)	123	28
Central Costs	10,747	20,192	9,445	(9,162)	283
GROSS EXPENDITURE	72,995	82,831	9,836	(9,310)	526
Income	(45,193)	(68,517)	(23,324)	21,154	(2,170)
NET EXPENDITURE	27,802	14,314	(13,488)	11,844	(1,644)

Analysis by Head of Service £'000

Head of Service Grouping	Annual Budget	YTD Actual	Variance	Items Outside Cash Limit	Final Variance
Strategy Programmes Performance	1,876	1,648	(227)	12	(215)
Economic Development & Housing	7,471	7,013	(458)	(226)	(684)
Planning & Assets	6,119	4,173	(1,946)	1,332	(614)
Transport & Contracted	2,093	(1,149)	(3,243)	3,159	(84)
Central Managed Costs	10,243	2,629	(7,614)	6,797	(47)
NET EXPENDITURE	27,802	14,314	(13,488)	(11,844)	(1,644)

8. The underspend is a managed position, reflecting the proactive management of activity by Heads of Service across Regeneration and Local Services to bring spend within the cash limit and to prepare for 2017/18 MTFP savings requirements. The main reasons accounting for the outturn position are as follows:
- Strategy, Programmes and Performance was £0.215 million underspent, mainly on salary costs due to vacancies and reduced working hours.
 - Economic Development and Housing was £0.684 million underspent, primarily due to early achievement of MTFP savings in the housing solutions service, additional rental income in the Gypsy Roma Traveller Service and additional grant income received in year.
 - Planning and Assets was £0.614 million underspent, resulting from an overachievement of planning fee income, savings from vacant posts and other efficiency savings on running costs offset by a planned overspend on the County Durham Plan.
 - Transport was £84,000 underspent, comprising a planned underspend on employee costs linked to early achievement of MTFP savings and additional income in Care Connect.

9. **Appendix 2** provides a more detailed breakdown of variations across the service area contained within the revenue budget.
10. The final outturn position of £1.644 million underspend will be carried forward under the 'cash limit' regime and utilised to support service priorities. It should also be noted that the MTFP savings target for the former RED service in 2016/17 of £1.118 million was delivered.

Capital Programme

11. The 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 around 23 project delivery officers.
12. The outturn position of the former RED service capital programme showed an actual spend of £39.914 million compared to a revised budget of £36.581 million.
13. Summary financial performance for 2016/17 is shown below.

Service	Final Budget 2016/17 £m	Final Outturn 2016/17 £m	Final Outturn 2016/17 % Spend
Economic Dev & Housing	17.052	18.996	111
Planning & Assets	7.677	6.504	85
Transport & Contracted	11.748	14.444	123
Strategy & Programmes	0.104	0.000	n/a
Total	36.581	39.914	109

14. Capital budgets are unlike revenue budgets. A revenue budget is an annual budget which is repeated year on year subject to adjustments to service requirements. A capital budget on the other hand is generally a one-off budget which may run across several financial years. A capital "overspend" in one year can therefore simply occur where work which was expected to be carried out in a future year, being undertaken and paid for earlier than expected. Year by year positions are less important than the cost of the overall scheme as long as scheme managers can show the overall scheme is on target to be within budget by the completion of the scheme.
15. The key areas of spend during the year were on Major Transport Schemes (£11.350m), Industrial Estates (£5.971) and Capitalised Maintenance (£5.576m).

16. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the capital programme. Most of the capital programme is covered by a small number of significant projects which have long lead times, where implementation is over more than one financial year, and 2016/17 has seen significant progress made for a number of major schemes.

Recommendations:

17. The Scrutiny Committee is requested to note the contents of this report.

Contact: Philip Curran – Finance Manager

Tel: 03000 261 967

Appendix 1: Implications

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital outturn position for 2016/17.

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: Revenue Budget 2016-17

Head of Service	Service Area	Description	(Under) / Overbudget £'000	(Under) / Overbudget £'000
Strategy Programmes Performance	Corporate Director	Minor Variance	(3)	(215)
	Strategy, Policy, Partnerships & Support and County Durham Economic Partnership	£82k under budget mainly due to staff vacancy savings £17k under budget - underspends in supplies and services	(99)	
	Funding & Programmes	£57k under budget mainly due to staff vacancy savings	(57)	
	Planning & Performance	£56k under budget mainly due to staff vacancy savings	(56)	
Economic Development & Housing	Head of Economic Development	£12 under budget on Employees	(12)	
	Physical Development	£193k additional grant income £110 Chapter Homes income £60k under budget on Project Development £20k under budget on employees	(383)	
	Visit County Durham	£7k under budget on Employee costs £29k under budget on Supplies & Services. Use of Cash Limit - PRG costs £6k under budget on Third Party Payments £3k Additional Income	(45)	
	Business Durham	£125k over budget on Employees - (£62 agreed funded from reserve. Remainder Dales Centre back pay) £31k under budget on Staff Travelling £62k over budget on Premises costs £338k additional income - Mainly Rent & Service Charges Business Space £382k transferred to Reserves Business Durham Corporate costs £200k under budget on Supplies & Services and other costs	0	
	Economic Development	£93 under budget on Employees due to vacancies £259k over budget on Supplies & Services - Apprenticeship Programme £22k Under Achieved Income	188	

Head of Service	Service Area	Description	(Under) / Overbudget £'000	(Under) / Overbudget £'000
	Housing Solutions	£228k under budget on Employees due to Vacancies £7k over budget on Transport £96k under budget on Supplies & Services - Early Achievement of MTFP Saving £27k under budget on Premises - GRT Sites £54k under budget on Supplies - GRT Sites £34k Additional income - GRT Sites	(432)	(684)
Spatial Policy, Planning Assets & Environment	Head of SPPAE	Agreed overspend re contribution towards AONB apprentice	11	
	Spatial Policy	Agreed overspend re County Durham Plan	223	
	Planning Development	£219k under budget on Employees £24k under budget on Transport £49k under budget on Supplies and Services £80k over budget t on legal fees £421k overachieved planning fee income £53k overachieved income Building control fees and Dangerous Structures	(686)	
	Environment & Design	£57k under budget on Employees £15k under budget on Transport £12k under budget on Supplies and Services £79k overachieved income FIT , REBUS and LoCarbo	(164)	
	Asset Management	£54k under budget on Employees £7k under budget on Transport £157k under budget on various properties including Freemans Reach £210k overachieved income from sales, one off Farm sales and Northumbria House £426k under achieved income and rates relating to Brackenhill Centre, Peterlee, Tommy Armstrong Centre, Beveridge Arcade, Newgate Street and Millennium Square and underachieved income re garages transferred to LSVT and sale of farms	2	(614)
Transport and Contracted Services	Head of Transport	£2k over budget - minor variance	2	
	Traffic	£75k under budget - employee costs - vacancy savings £48k over budget - repairs and maintenance of bus shelters £11k over budget on traffic signals	24	

Head of Service	Service Area	Description	(Under) / Overbudget £'000	(Under) / Overbudget £'000
		- sim cards for traffic lights £40k over budget- income target not being met (land searches (£10k), Peterlee bus station kiosk (12k), provision of accident data (18k))		
	Sustainable Transport	27k under budget (net) on Bus & Rail services - mainly concessionary fares income 29k under budget (net) on Information services - mainly communication underspends 23k under budget (net) on Sustainable transport schemes - LSTF Grant income	(79)	
	Supported Housing	£82k over budget on employee costs - 24/7 cover for holidays and sickness (£66k), vacancy savings not met (£16k) £13k under budget on transport - mainly due to unused vehicle insurance excess £84k over budget on Supplies & Services (net) - mainly due to purchase of additional Telecare equipment (£49k) and Care Connect units (£78k), additional postage costs related to the new subsidised client billing (£9k), and an underspend on Telecoms due to change from hardwired schemes and CCTV connectivity (42k) £20k over budget on Third Party Payments - increased Tunstall contract costs - maintenance agreement added to contract. £205k over budget on income (net) - increased number of clients £58k and additional SLA income £146k	(31)	(84)
Central	Central Costs	Central costs less than expected	(47)	(47)
TOTAL				(1,644)

Appendix 3: Capital Programme 2016/17 Outturn Position

Scheme	Final Annual Budget 2016/17 £m	Final Outturn	
		Amount £m	% Spend
ECONOMIC DEVELOPMENT & HOUSING			
Barnard Castle Vision	0.172	0.159	92%
Durhamgate	0.050	0.001	2%
Industrial Estates	5.147	5.971	116%
North Dock Seaham	0.817	0.931	114%
Office Accommodation	0.900	0.772	86%
Town Centres	1.810	1.767	98%
Minor Schemes	0.173	0.173	100%
Disabled Facilities Grant / FAP	3.144	4.220	134%
Gypsy Roma Travellers	0.057	0.103	180%
Housing Renewal	0.577	0.664	115%
Chapter Homes	4.205	4.205	100%
TOTAL ECONOMIC DEVELOPMENT & HOUSING	17.052	18.966	111%
PLANNING & ASSETS			
Renewable Energy Schemes	0.359	0.125	35%
Structural Capitalised Maintenance	6.461	5.576	86%
Minor Schemes	0.857	0.803	94%
TOTAL PLANNING & ASSETS	7.677	6.504	85%
TRANSPORT & CONTRACTED SERVICES			
Local Transport Plan	2.808	2.966	106%
Transport Corridors	0.065	0.064	98%
Transport Major Schemes	8.766	11.350	129%
Transit 15	0.015	0.009	60%
CCTV	0.060	0.044	73%
Minor Schemes	0.034	0.011	32%
TOTAL TRANSPORT & CONTRACTED SERVICES	11.748	14.444	123%
STRATEGY AND PROGRAMMES Minor Schemes (Contingency)	0.104	0.000	N/A
Total	36.581	39.914	109%