

Economy and Enterprise Scrutiny Committee

26 September 2017



Regeneration and Local Services (Regeneration and Economic Development) – Quarter 1: Forecast of Revenue and Capital Outturn 2017/18

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 forecast outturn budget position for the former RED service grouping highlighting major variances in comparison with the budget based on the position to the end of June 2017.

Background

3. County Council approved the Revenue and Capital budgets for 2017/18 at its meeting on 22 February 2017. 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 - £26.849 million (original £24.143 million)*
 - *Capital Programme – £40.569 million (original £38.869 million)*
4. The original service budget has been revised to incorporate a number of budget adjustments as follows:
 - Transfer from Direct Services (maintenance of structures) +£30,000
 - Transfer to Transformation and Partnerships – Policy, Planning and Performance Unitisation -£713,000
 - Use of Office Accommodation Support Reserve +£880,000
 - Use of strategic reserves for redundancies for MTFP savings +£367,000
 - Use of Cash Limits – Economic Development & Housing +£489,000
 - Use of Cash Limits – Transport & Contracted Services +£157,000
 - Use of Selective Licensing Reserve +£28,000

- Use of Planning Reserve +£213,000
- Use of Economic Employability Reserve +£114,000
- Use of International Relations Reserve +£10,000
- Transfer to Housing Solutions Reserve -£169,000
- Use of Family Intervention Project Reserve +£141,000
- Use of Welfare Assistance Reserve +£271,000
- Use of Business Durham Programme Reserve +£226,000
- Use of Business Growth Fund +£468,000
- Strategic Employment Sites + £148,000
- Over budget for Concessionary Fares (corporate cost) + £46,000

The revised service budget, adjusted for items outside the cash limit (£3.388 million), now stands at £26.849 million.

5. The summary financial statements contained in the report cover the financial year 2017/18 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 overspend of **£0.235 million** against a revised budget of **£26.849 million** adjusted for items outside the cash limit.
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

£'000	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
Employees	27,849	7,491	28,531	682	(645)	36
Premises	4,623	2,379	5,620	997	(538)	459
Transport	871	163	800	(71)	0	(71)
Supplies and Services	6,277	2,174	8,123	1,846	(2,085)	(239)
Agency and Contracted	19,175	4,444	19,292	117	(219)	(102)
Transfer Payments	95	0	95	0	0	0
Central Costs	10,853	357	10,921	68	0	68
GROSS EXPENDITURE	69,743	17,008	73,381	3,638	(966)	151
INCOME	(46,282)	(10,157)	(46,297)	(15)	99	84
NET EXPENDITURE	23,461	6,851	27,084	3,623	(3,388)	235

Analysis by Head of Service £'000

Head of Service Grouping	Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
Corporate Director	215	61	215	0	0	0
Economic Development & Housing	5,019	2,890	7,592	2,573	(2,627)	(54)
Planning & Assets	5,934	2,260	6,186	252	(362)	(110)
Transport & Contracted	2,041	1,563	2,839	798	(399)	399
Central Managed Costs	10,252	77	10,252	0	0	0
NET EXPENDITURE	23,461	6,851	27,084	3,623	(3,388)	235

- 8 The main reasons accounting for the outturn position are as follows:
- Transport is forecast to be £0.399 million overspent, mainly due to increased employee costs within Care Connect, and also additional costs on bus and rail contracts.
 - Planning and Assets is £0.110 million underspent, resulting from savings from vacant posts in Assets and Environment & Design.
 - Economic Development and Housing is predicted to be underspent by £54,000. Employee savings of approximately £0.300 million in Housing Solutions, Physical Development and Visit County Durham are partially offset by overspends in Economic Development associated with the Apprentice Programme, and the Employability and Skills team (£0.230 million).
- 9 **Appendix 2** provides a more detailed breakdown of variations across the service area contained within the revenue budget.
- 10 In summary, although this service areas are forecast to spend outside their cash limit, service managers are working to improve the position by the year end. It should also be noted that the estimated outturn position incorporates the MTFP savings required in 2017/18 which amount to £0.889 million and Regeneration and Local Services as a whole are forecast to underspend by £0.929 million.

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 capital programme was revised in May for budget rephased from 2016/17. This increased the 2017/18 original budget. Further reports to

the MOWG detailed further revisions, for grant additions/reductions, budget transfers and budget reprofiling into later years. The revised budget now stands at **£40.569 million**.

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

Service	Original Annual Budget 2017/18 £000	Revised Annual Budget 2017/18 £000	Actual Spend to 30 June £000	Remaining Budget £000
Economic Dev & Housing	21,271	22,981	3,582	19,399
Planning & Assets	8,722	8,732	1,617	7,115
Transport & Contracted	8,876	8,856	2,567	6,289
Total	38,869	40,569	7,766	32,803

- 14 Actual spend for the first three months amounts to **£7.766 million**. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the former RED capital programme.
- 15 The key areas of spend to date have been on Industrial Estates (£1.685 million), Structural Capitalised Maintenance (£1.513 million), and the Transport Major Schemes (£1.719 million). Other areas of the programme are profiled to be implemented during the remainder of the year and it is anticipated that the projected outturn at 31 March 2018 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.

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 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: Revenue Budget Variances – Quarter 1 2017-18

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
Economic Development & Housing	Head of Economic Development	Minor variation pending re-allocation of price inflation saving	29	(54)
	Physical Development	Under budget due to a recharge of some staff costs and staff vacancy savings.	(53)	
	Visit County Durham	Under budget on employee costs due to vacant posts – MTFP savings made early.	(48)	
	Business Durham	Under budget due to additional rental income at NETPark offset by costs incurred prior to the full occupation of Salvus House. Over budget at Derwentside Business Centre due to additional premises costs and a lower rental yield.	(10)	
	Economic Development	Over budget principally due to a shortage of funding for the apprentice programme in the Employability Team (£60k) and a delay in the award of contracts for the Employment and Skills Team (£169k)	229	
	Housing Solutions	Under budget due to employee vacancies, reduced costs of supplies and services and additional income.	(201)	
Spatial Policy, Planning Assets & Environment	Head of SPPAE	Minor variance	(2)	(110)
	Spatial Policy	Agreed spending to progress County Durham Local Plan	89	
	Development Management	£81k under budget on employees and supplies and services costs	(81)	
	Environment & Design	£31k under budget on employees £69k under budget relating to additional income	(100)	
	Asset Management	£88k under budget on employees in relation to vacant posts £82k underachieved income on vacant properties £10k additional rental income	16	
Transport	Management	Minor variance pending a re-allocation of savings	20	
	Strategic Transport	Minor over and under budget variances	(1)	

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
	Sustainable Transport	Over budget on employee costs – vacancy savings not met (£26k) Minor Variance on other costs (£9k) Over budget on bus and rail contracts due to additional contract costs and an annual price review of contracts (£71k)	106	
	Care Connect	Over budget on employee costs following changes in staff hours and rota patterns and vacancy savings not met (£378k) Under budget on other costs mainly due to service efficiencies on CCTV and community alarms, and contract re-negotiations (£104k)	274	399
Central	Central Costs	No variances		0
TOTAL				235

Appendix 3: Capital Programme 2017-18

Scheme	Revised Annual Budget 2017/18 £'000	Actual Spend to 30 June £'000	Remaining Budget £'000
ECONOMIC DEVELOPMENT & HOUSING			
Barnard Castle Vision	1	0	1
Industrial Estates	12,080	1,685	10,395
North Dock Seaham	80	0	80
Office Accommodation	1,934	15	1,919
Town Centres	2,306	147	2,159
Minor Schemes	168	42	126
Disabled Facilities Grant / FAP	3,398	771	2,627
Gypsy Roma Travellers	0	(12)	12
Housing Renewal	1,004	174	830
Chapter Homes	2,010	760	1,250
TOTAL ECONOMIC DEVELOPMENT & HOUSING	22,981	3,582	19,399
PLANNING & ASSETS			
Renewable Energy Schemes	479	11	468
Structural Capitalised Maintenance	7,931	1,513	6,418
Minor Schemes	172	93	79
Strategy and Programmes Minor Schemes	150	0	150
TOTAL PLANNING & ASSETS	8,732	1,617	7,115
TRANSPORT & CONTRACTED SERVICES			
Local Transport Plan	3,395	848	2,547
Transport Corridors	0	(4)	4
Transport Major Schemes	5,422	1,719	3,703
CCTV	16	4	12
Minor Schemes	23	0	23
TOTAL TRANSPORT & CONTRACTED SERVICES	8,856	2,567	6,289
Total	40,569	7,766	32,803

(1) FAP – Financial Assistance Programme