

Economy and Enterprise Overview and Scrutiny Committee

5 April 2018



Regeneration and Local Services (Regeneration and Economic Development) – Quarter 3: 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 December 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 - £26.866 million (original £24.143 million)*
 - *Capital Programme – £40.668 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 from Central Finance +£37,000
 - 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 +£482,000
 - Use of Cash Limits – Economic Development & Housing +£499,000
 - Use of Cash Limits – Transport & Contracted Services +£370,000

- Use of Selective Licensing Reserve +£41,000
- Use of Planning Reserve +£244,000
- Use of RED Match Fund Reserve +£81,000
- Use of Economic Employability Reserve +£114,000
- Use of International Relations Reserve +£10,000
- Transfer to Housing Solutions Reserve -£36,000
- Use of Warm and Healthy Homes Reserve +£30,000
- Use of Welfare Assistance Reserve +£294,000
- Use of Business Durham Programme Reserve +£417,000
- Use of Business Growth Fund -£30,000
- Strategic Employment Sites + £148,000
- Netpark Institute -£75,000
- Over budget for Concessionary Fares (corporate cost) - £100,000

The revised service budget, adjusted for items outside the cash limit (£0.907 million), now stands at £26.866 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 underspend of **£0.992 million** against a revised budget of **£26.866 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 Budget	YTD Actual	Forecast Outturn	Cash Limit Variance
Employees	28,532	21,398	21,785	28,642	110
Premises	5,006	4,465	5,226	5,719	713
Transport	871	653	566	795	(76)
Supplies and Services	8,824	6,670	5,794	9,305	482
Agency and Contracted	19,210	14,037	13,263	19,436	226
Transfer Payments	95	71	0	0	(95)
Central Costs	10,895	3,321	994	11,172	276
GROSS EXPENDITURE	73,433	50,515	47,628	75,069	1,637
INCOME	(46,566)	35,812	(32,265)	(49,195)	(2,629)
NET EXPENDITURE	26,866	14,702	15,363	25,874	(992)

Analysis by Head of Service £'000

Head of Service Grouping	Annual Budget	YTD Budget	YTD Actual	Forecast Outturn	Cash Limit Variance
Corporate Director	215	178	177	215	0
Economic Development & Housing	7,523	5,742	7,033	7,316	(207)
Planning & Assets	6,314	4,778	5,484	5,653	(661)
Transport & Contracted	2,549	1,223	2,382	2,650	101
Central Managed Costs	10,265	2,781	287	10,049	(225)
NET EXPENDITURE	26,866	14,702	15,363	25,874	(992)

- 8 The main reasons accounting for the outturn position are as follows:
- Transport is forecast to be £0.101 million overspent, mainly due to additional costs of traffic management (£190,000), and increased premises costs relating to car parks and bus shelters (£70,000) that are offset by an underspend on bus and rail contracts (£140,000).
 - Planning and Assets is predicted to be £0.661 million underspent, mainly resulting from increased planning fee income (£300,000), increased income from the asset disposal programme (210,000) and savings from vacant posts and supplies (£150,000).
 - Economic Development and Housing is predicted to be underspent by £0.207 million. Savings of approximately £0.404 million in Housing Solutions, Business Durham and Visit County Durham are partially offset by overspends in Economic Development associated with the Employability and Skills team (£0.187 million).
- 9 **Appendix 2** provides a more detailed breakdown of variations across the service area contained within the revenue budget.

- 10 In summary, the service grouping has successfully maintained spending within its cash limit. It should also be noted that the estimated outturn position incorporates the MTFP savings required in 2017/18 which amount to £0.889 million.

Capital Programme

- 11 The capital programme makes a significant contribution to the Regeneration ambitions of County Durham. The programme is relatively large and diverse and is managed by project delivery officers throughout the service.
- 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 **£40.668 million**.
- 13 Summary financial performance to the end of December is shown below.

Service	Original Annual Budget 2017/18 £000	Revised Annual Budget 2017/18 £000	Actual Spend to 30 December £000	Remaining Budget £000
Economic Dev & Housing	21,271	22,425	13,895	8,530
Planning & Assets	8,722	9,812	4,993	4,819
Transport & Contracted	8,876	8,431	6,848	1,583
Total	38,869	40,668	25,736	14,932

- 14 Actual spend for the first nine months amounts to **£25.736 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 (£8.479 million), Structural Capitalised Maintenance (£4.684 million), and the Transport Major Schemes (£5.182 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.

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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: Revenue Budget Variances – Quarter 3 2017-18

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
Economic Development & Housing	Head of Economic Development	Minor underspends on staff and supplies budgets.	(10)	
	Physical Development	The additional spend in Supplies & Services and Agency of 130, largely for professional fees and project development, is offset by saving of (102) from additional recharge income and a vacancy saving.	28	
	Visit County Durham	There is an underspend on employee costs due to vacancies held prior to a service restructure - MTFP savings made early.	(59)	
	Business Durham	Business Space is under budget by (55). There is an underspend of (385) for NETPark due to additional rent receiveable in respect of the Institute, Incubators, Discovery and other units. Business Space South is over budget by 310 as a result of the set up costs for Salvus House pending the property being fully occupied; additional VAT costs at the Willington sites; and a net underspend at other sites due to increased rental yield and reduced costs. The Dales Centre is over budget by 20 due to increased employee costs. Business Space North has a net overspend of 19 due to increased Premises costs and under recovered income, and the Management cost centre is underspent by (19) from reduced Supplies & Services costs. Business Growth and Development have a net underspend of (5) due to miscellaneous minor savings against current year budgets.	(60)	
	Economic Development	There is an overspend of 187 in Employment & Skills principally due to a delay in the renewal of the service contract. The new contract will operate from January 2018 and any income this financial year will be offset by matching costs. There is an overspend of 42 on Employability relating to a potential match funding shortfall. These are offset by underspends of (29) in Community Economic Development, International Relations and ED Management largely due to miscellaneous savings and over achieved income.	200	

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
	Housing Solutions	<p>There are net Employee savings and over achieved income savings of (115) in Housing Solutions Management.</p> <p>GRT site budgets are underspent by (123) due to underspends on Premises and Supplies & Services and additional income.</p> <p>Housing Initiatives, Activities and Improvement are underspent by (67) due to underspends on Supplies & Services and over achieved income.</p>	(305)	(207)
Spatial Policy, Planning Assets & Environment	Head of SPPAE	<p>£27k overspend on Branderry / CIPFA reports</p> <p>£38k overspend on NE Planning Framework, mentoring and software costs</p>	65	
	Spatial Policy	<p>£100k overspend on the County Durham Plan</p> <p>(£33k) underspend on supplies, where referendum delayed until 18/19</p> <p>(£54k) DCLG grant re: town plans</p>	13	
	Planning Development	<p>£40k overspend on Dangerous Structures - demolition of Walldridge Club</p> <p>£100k overspend on Planning Appeals, mainly Dalton le Dale and Sedgefield</p> <p>(£72k) underspend on Building Control, mainly due to £80k underachieved income, £101k saving on staffing re vacant posts, £50k saving on supplies due to new ways of working</p> <p>(£61k) underspend on Business Development Support, mainly on staffing re posts not filled</p> <p>(£395k) underspend on Development Management, mainly due to £319k over-achieved income on planning fees, £44k saving on staffing due to vacant posts pending a possible restructure, £32k saving on supplies due to new ways of working</p>	(390)	
	Environment & Design	<p>(£8k) under budget on supplies and services across the service</p> <p>(£62k) under budget relating to additional income</p>	(85)	
	Asset Management	<p>(£120k) underspend on Sustainability - grants re: Rebus/Locarbo expected £87k, £14k saving on vacant post, £19k saving on solar maintenance costs</p> <p>(£33k) underspend on Design & Conservation re staffing and additional income</p> <p>£41k overspend on Landscape, £24k Soibus and £17k underachieved income</p> <p>£26k overspend on general supplies across service</p>	(239)	

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
	Strategy Policy Partnerships & Support	£15k overspend on staffing re unachieved 3% staff turnover £20k overspend on expenses for new project team (£66k) additional income re: staff secondment to NECA	(31)	
	Funding and Programmes	Minor Variance	6	(661)
Transport	Management	Minor variance pending a re-allocation of savings	12	
	Strategic Transport	Under budget on employee costs - vacancy savings (£57k) Over budget on premises costs £73k due to bus shelter repairs and an increase in business rates for car parks and bus stations Over budget on supplies and services £193k mainly due to traffic management costs Over budget on third party payments £29k due to minimum wage increases to contractors	238	
	Sustainable Transport	Over budget on employee costs - vacancy savings not met (£43k) Under budget on bus and rail contracts (£141k)	(98)	
	Care Connect	Over budget on employee costs following changes in staff hours and rota patterns and vacancy savings not met (£226k) Under budget on other costs (£129k) mainly due to service efficiencies on CCTV and community alarms and service contract re-negotiations Over budget on income (£148k) from clients, CCTV and recharge income.	(51)	101
Central	Central Costs	2018/19 MTFP savings made early and reduced premises costs.	(225)	(225)
TOTAL				(992)

Appendix 3: Capital Programme 2017-18

Scheme	Revised Annual Budget 2017/18	Actual Spend to 31 December	Remaining Budget
	£'000	£'000	£'000
ECONOMIC DEVELOPMENT & HOUSING			
Barnard Castle Vision	1	0	1
Industrial Estates	11,696	8,479	3,217
North Dock Seaham	50	0	50
Office Accommodation	888	212	676
Town Centres	1,721	632	1,089
Minor Schemes	168	121	47
Disabled Facilities Grant / FAP	3,861	2,711	1,150
Gypsy Roma Travellers	0	(12)	12
Housing Renewal	1,130	864	266
Chapter Homes	2,010	760	1,250
TOTAL ECONOMIC DEVELOPMENT & HOUSING	22,425	13,895	8,530
PLANNING & ASSETS			
Renewable Energy Schemes	618	63	555
Structural Capitalised Maintenance	6,469	4,684	1,785
North Pennines - Peatland	2,330	0	2,330
Minor Schemes	252	246	6
Strategy and Programmes Minor Schemes	143	0	143
TOTAL PLANNING & ASSETS	9,812	4,993	4,819
TRANSPORT & CONTRACTED SERVICES			
Local Transport Plan	2,829	1,655	1,174
Transport Corridors	0	(4)	4
Transport Major Schemes	5,586	5,182	404
CCTV	10	9	1
Minor Schemes	23	6	17
TOTAL TRANSPORT & CONTRACTED SERVICES	8,431	6,848	1,583
Total	40,668	25,736	14,932

(1) FAP – Financial Assistance Programme