

**Economy and Enterprise
Overview and Scrutiny Committee**

25 September 2018



**Regeneration and Local Services
(Regeneration and Economic
Development) – 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 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 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- £25.267 million (original £24.143million)*
 - *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 Inspire Reserve +£742,000
 - Use of strategic reserves for redundancies for MTFP savings +£755,000
 - Transfer to Insurance Reserve -£109,000
 - Use of Cash Limits – Economic Development & Housing +£443,000

- Use of Cash Limits – Transport & Contracted Services +£424,000
- Use of Community Transport Reserve +£42,000
- Use of Standards Reserve +£111,000
- Use of Selective Licensing Reserve +£26,000
- Transfer to Planning Reserve -£55,000
- Transfer to Funding & Programmes Reserve -£90,000
- Transfer to N Pennines AONB Reserve -£974,000
- Use of RED Match Fund Reserve +£83,000
- Transfer to Homeless Reduction Reserve -£140,000
- Use of Economic Employability Reserve +£57,000
- Use of Employment and Skills Reserve +£10,000
- Use of International Relations Reserve +£10,000
- Use of Prevention Fund +£11,000
- Transfer to Housing Solutions Reserve -£125,000
- Transfer to Warm and Healthy Homes Reserve -£21,000
- Use of Welfare Assistance Reserve +£289,000
- Use of Business Durham Programme Reserve +£289,000
- Transfer to Business Growth Fund -£81,000
- Strategic Employment Sites + £148,000
- Netpark Institute -£75,000

The revised service budget now stands at £25.267 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 **£1.496 million** against a revised budget of **£25.267 million**. This compares with an estimated underspend of **£0.992 million** at Quarter 3 – a difference of £0.504 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	28,532	28,819	287	(512)	(226)
Premises	5,636	6,297	661	(635)	25
Transport	871	796	(75)	0	(75)
Supplies and Services	8,850	8,180	(670)	343	(327)
Agency and Contracted	19,210	19,219	9	49	58
Transfer Payments	95	0	(95)	0	(95)
Central Costs	10,852	7,032	(3,820)	7,293	3,473
GROSS EXPENDITURE	74,047	70,343	(3,704)	6,538	2,834
Income	(47,180)	(54,679)	(7,499)	3,169	(4,330)
NET EXPENDITURE	26,867	15,664	(11,202)	9,707	(1,496)

Analysis by Head of Service £'000

Head of Service Grouping	Annual Budget	Actual Outturn	Variance	Items Outside Cash Limit	Final Variance
Corporate Director	215	213	(2)	3	1
Economic Development & Housing	7,523	4,120	(3,403)	3,388	(15)
Planning & Assets	6,314	9,078	2,764	(3,791)	(1,028)
Transport & Contracted	2,549	(326)	(2,874)	2,721	(153)
Central Managed Costs	10,266	2,579	(7,687)	7,387	(300)
NET EXPENDITURE	26,867	15,664	(11,202)	9,707	(1,496)

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 2018/19 MTFP savings requirements. The main reasons accounting for the outturn position are as follows:
- (a) Economic Development and Housing was underspent by £0.015 million. There were combined underspends of approximately £0.462 million for Housing Solutions, Business Durham and Visit County Durham due to net savings on staff and supplies expenditure, as well as increased income. These savings were offset by an overspend of £78,000 in Physical Development due to additional project management and professional fees incurred as a result of work undertaken relating to Bishop Auckland Town Centre and Durham City promotions.
- A further over spend of £0.369 million was attributable to the Employment & Skills and Employability teams not receiving sufficient contract income in year to offset their gross expenditure. This was due to delays in the award of contracts by external funding bodies, which made it necessary for Economic Development and Housing to support the continued work of these essential service teams from within its overall service budget until future funding was secured. These teams are expected to perform within budget in the coming financial year.

- (b) Planning and Assets was £1.028 million underspent. This was the result of increased planning fee income (£0.481 million), increased income from the asset disposal programme (£0.160 million), increased income and reduced repair costs at the renewable energy centre (£0.154 million) and savings from vacant posts and supplies (£0.233 million).
 - (c) Transport & Contracted Services was £0.153 million underspent. This was mainly due to an underspend on bus and rail contracts (£0.202 million) and increased car park income in Durham City (£0.218 million), partially offset by increased traffic management expenses (£0.240 million).
 - Centrally Managed Costs was £0.300 million underspent principally due to MTFP savings made early.
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 £1.496 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 2017/18 of £0.889 million was delivered.

Capital Programme

11. The capital programme makes a significant contribution to the Regeneration ambitions of County Durham
12. The outturn position of the former RED service capital programme showed an actual spend of £38.942 million compared to a revised budget of £40.668 million.
13. Summary financial performance for 2017/18 is shown below.

Service	Final Budget 2017/18 £m	Final Outturn 2017/18 £m	Final Outturn 2017/18 % Spend
Economic Dev & Housing	22.425	20.369	91
Planning & Assets	9.812	9.943	101
Transport & Contracted	8.431	8.630	102
Total	40.668	38.942	96

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 Industrial Estates (£11.169m), Major Transport Schemes (£6.103m) and Capitalised Maintenance (£5.841m).
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 2017/18 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.

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Appendix 1: Implications

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital outturn position for 2017/18.

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 2017-18

Head of Service	Service Area	Description	(Under) / Overbudget £'000	(Under) / Overbudget £'000
Economic Development & Housing	Head of Economic Development	Minor underspends on staff and supplies budgets.	(13)	
	Physical Development	The overspend in Management and Durham City Promotions of £114k was largely on project development and promotion costs in Supplies and Services and was offset by net savings of (£36k) from additional recharge income and a vacancy saving.	78	
	Visit County Durham	There is an underspend on employee costs due to the early implementation of the service restructure and the MTFP savings.	(30)	
	Business Durham	<p>Business Durham has an overall underspend of (£115k).</p> <p>Business Space is under budget by (£93k). There is an underspend of (348) for NETPark due to additional rent received in respect of the Institute, Incubators, Discovery 2 and other units. Business Space South is over budget by £229k 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 £20k due to increased employee costs. Business Space North has a net underspend of (£4k) due to savings on Premises costs offsetting under recovered income, and the Management cost centre is overspent by £9k due to increased Supplies & Services costs.</p> <p>Business Growth, Development and Corporate have a net underspend of (£21k) on the Inward Investment budget and other miscellaneous minor savings against current year budgets.</p>	(115)	
	Economic Development	<p>There is an overspend of £280k in Employment & Skills largely due to delays with the renewal of the service contract and hence the under recovery of income. The new contract operated from early in 2018 but income received this financial year was not significant and was offset by matching costs. The programme has been implemented and income will be generated in 2018-19.</p> <p>There is an overspend of £116k on Employability relating to the shortfall in match funding for the programme.</p>		

Head of Service	Service Area	Description	(Under) / Overbudget £'000	(Under) / Overbudget £'000
		These are offset by underspends of (£27k) in Community Economic Development, International Relations and ED Management largely due to miscellaneous savings and over achieved income.	369	
	Housing Solutions	There are net Employee savings and over achieved income savings of (£149) in Housing Solutions Management. GRT site budgets are underspent by (£124k) due to savings on Premises and Supplies & Services costs and additional income generated. Housing Initiatives, Activities and Improvement are underspent by (£32k) due to underspends on Supplies & Services and over achieved income.	(305)	(15)
Planning and Assets	Head of SPPAE	£6k overspend re PA costs £6k overspend NE Planning Framework £27k overspend CIPFA Assets / Branderry reports £14k overspend re: staffing £6k overspend Mentoring/Coaching / Printing £17k overspend Grantfinder software (F&P)	76	
	Spatial Policy	£88k overspend on the County Durham Plan (£43k) underspend printing (largely printing re: referendums now due in 18/19 instead) (£54k) underspend DCLG grant re: town plans (no budget) (£4k) underspend on staff travelling	(13)	
	Planning Development	(£11k) underspend on recovery of Dangerous Structures costs £107k overspend on Planning Appeals, mainly Dalton le Dale and Sedgefield (£85k) underspend on Building Control, mainly due to £84k underachieved income, (£110k) saving on staffing re vacant posts, (£59k) saving on supplies due to new ways of working (£70k) underspend on Business Development Support, mainly on staffing re posts not filled, reduced hours and 1 post from reserves (£580k) underspend on Development Management, mainly due to (£481k) over-achieved income on planning fees, (£73k) saving on staffing due to vacant posts pending a possible restructure, (£26k) saving on supplies due to new ways of working	(638)	

Head of Service	Service Area	Description	(Under) / Overbudget £'000	(Under) / Overbudget £'000
	Environment & Design	<p>(£56k) underspend on Sustainability - grants re: Rebus/Locarbo expected; vacant post, solar maintenance</p> <p>(£44k) underspend on Design & Conservation re staffing and additional income</p> <p>£27k overspend on SOIBUS equipment for trees and review of parks and gardens</p> <p>£8k overspend on general supplies accross service</p> <p>£13k overspend 16/17 debtor re Sunderland Council for Heritage Coast no longer expected</p>	(52)	
	Assets	<p>£9k overspend on staffing; vacancies during year taking time to be filled, offset by 7 posts (including 3 new trainee posts)</p> <p>(£160k) underspend on Asset Disposal Programme, due to additional sales</p> <p>(£75k) underspend re additional income from CDHG and Housing Solutions not previously forecast</p> <p>£29k overspend on vacant properties where lease ending mid year or awaiting disposal, i.e. Newgate Street and Brackenhill Peterlee</p> <p>£72k overspend on vacant properties still in our portfolio i.e. Northumbria House, Tommy Armstrong Centre, Church St Shildon and Beveridge Arcade Shops</p> <p>(£57k) underspend North Road Durham and colleagues unsure if HCA will reclaim</p> <p>(£154k) underspend at Freemans Reach Energy Centre Phases 1 and 2- unrequired budget for repairs on hydro plus additional hydro income</p> <p>£37k overspend on structural surveys</p> <p>(£55k) underspend on other areas across the service, mainly unrequired supplies budgets</p>	(355)	
	Strategy, Policy, Partnerships Support	<p>£9k overspend on staffing mainly unachieved 3% staff turnover target and training costs</p> <p>£18k overspend on other expenses for new project team</p> <p>(£68k) additional income re: secondment to NECA</p>	(41)	
	Funding and Programmes	<p>£9k overspend on staffing mainly unachieved 3% staff turnover target and training costs</p> <p>£18k overspend on other expenses for new project team</p> <p>(£32k) additional income re: Maria Antoniou secondment to NECA</p>	(5)	(1,028)
Transport and Contracted Services	Head of Transport	8k Minor variance pending a re-allocation of savings	8	

Head of Service	Service Area	Description	(Under) / Overbudget £'000	(Under) / Overbudget £'000
	Strategic Transport	<p>(67k) Under budget due to vacancy savings (£57k)</p> <p>28k Over budget due to an increase in business rates for car parks and bus stations</p> <p>240k Over budget on supplies and services mainly due to traffic management costs</p> <p>29k Over budget due to minimum wage increases to contractors</p> <p>(218k) Over achieved on car parking income arising from works in Durham City</p>	12	
	Sustainable Transport	<p>38k Over budget due to vacancy savings not met</p> <p>(202k) Under budget on bus and rail contracts</p> <p>(65k) Under budget on other costs mainly due to savings on mobile devices, IT software and printing.</p>	(229)	
	Care Connect	<p>194k Over budget on employee costs following changes in staff hours and rota patterns.</p> <p>(114k) Under budget on other costs mainly due to service efficiencies on CCTV and community alarms and service contract re-negotiations</p> <p>(24k) Over budget on income from clients, CCTV and recharge income.</p>	56	(153)
Central	Central Costs	Underspend of (£217k) relating to MTFP savings made early and reduced premises costs.	(300)	(300)
TOTAL				(1,496)

Appendix 3: Capital Programme 2017/18 Outturn Position

Scheme	Final Annual Budget 2017/18 £m	Final Outturn	
		Amount £m	% Spend
ECONOMIC DEVELOPMENT & HOUSING			
Barnard Castle Vision	0.001	0.001	100%
Durhamgate	0.900	0.759	84%
Industrial Estates	11.696	11.169	95%
North Dock Seaham	0.050	0.050	100%
Office Accommodation	0.888	0.829	93%
Town Centres	1.721	1.378	80%
Minor Schemes	0.168	0.168	100%
Disabled Facilities Grant / FAP	3.861	3.881	101%
Gypsy Roma Travellers	0	(0.012)	
Housing Renewal	1.130	1.186	105%
Chapter Homes	2.010	0.960	47%
TOTAL ECONOMIC DEVELOPMENT & HOUSING	22.425	20.369	91%
PLANNING & ASSETS			
Renewable Energy Schemes	0.618	0.605	98%
Structural Capitalised Maintenance	6.469	5.841	90%
Peatland	2.330	0.135	6%
Beamish Capital Project	0	3.113	
Minor Schemes	0.395	0.249	63%
TOTAL PLANNING & ASSETS	9.812	9.943	101%
TRANSPORT & CONTRACTED SERVICES			
Local Transport Plan	2.829	2.521	89%
Transport Corridors	0.000	(0.004)	
Transport Major Schemes	5.586	6.103	109%
CCTV	0.010	0.010	100%
Minor Schemes	0.006	0.000	0%
TOTAL TRANSPORT & CONTRACTED SERVICES	8.431	8.630	102%
Total	40.668	38.942	96%