

**Economy and Enterprise
Overview and Scrutiny Committee**

25 September 2018



**Regeneration and Local Services
(Regeneration and Economic
Development) – Quarter 1: Forecast of
Revenue and Capital Outturn 2018/19**

**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 2018.

Background

3. County Council approved the Revenue and Capital budgets for 2018/19 at its meeting on 21 February 2018. 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 - £58.434 million (original £55.814 million)*
 - *Capital Programme – £57.516 million (original £56.832 million)*
4. The original service budget has been revised to incorporate a number of budget adjustments as follows:
 - Use of strategic reserves for redundancies for MTFP savings +£109,000
 - Use of Cash Limits – Economic Development & Housing +£100,000
 - Use of Cash Limits – Transport & Contracted Services +£10,000
 - Use of Cash Limits – Planning & Assets +£245,000
 - Use of Selective Licensing Reserve +£59,000
 - Use of Planning Reserve +£100,000
 - Use of Funding & Programmes Reserve +£23,000
 - Use of RED Match Fund Reserve +£141,000
 - Use of Economic Employability Reserve +£55,000
 - Use of International Relations Reserve +£5,000

- Use of Housing Solutions Reserve +£286,000
- Use of Warm and Healthy Homes Reserve +£51,000
- Use of Welfare Assistance Reserve +£208,000
- Use of Business Durham Programme Reserve +£428,000
- Use of Business Growth Fund +£148,000
- Use of Inspire Programme Reserve +£125,000
- Use of Homelessness Reduction Reserve +£189,000
- Use of FIP Reserve +£98,000
- Use of Transport Infrastructure Reserve +£202,000
- Use of Community Transport Reserve +£38,000

The revised service budget, adjusted for items outside the cash limit (£2.620 million), now stands at £58.434 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 **£0.395 million** against a revised budget of **£58.434 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	29,097	12,408	12,160	29,241	144
Premises	6,693	2,508	2,960	6,649	(44)
Transport	827	335	365	803	(24)
Supplies and Services	11,384	3,346	3,887	11,376	(8)
Agency and Contracted	19,431	8,209	5,780	20,199	768
Transfer Payments	0	0	0	0	0
Central Costs	39,905	727	669	40,184	279
GROSS EXPENDITURE	107,337	27,533	25,821	108,453	1,115
INCOME	(48,903)	(21,628)	(21,152)	(50,414)	(1,510)
NET EXPENDITURE	58,434	5,905	4,669	58,039	(395)

Analysis by Head of Service £'000

Head of Service Grouping	Annual Budget	YTD Budget	YTD Actual	Forecast Outturn	Cash Limit Variance
Corporate Director	219	101	101	219	0
Economic Development & Housing	7,221	3,353	3,468	6,964	(257)
Planning & Assets	4,225	1,760	1,925	4,103	(122)
Transport & Contracted	3,013	310	(990)	3,011	(2)
Central Managed Costs	43,755	381	165	43,741	(14)
NET EXPENDITURE	58,434	5,905	4,669	58,039	(395)

- 8 The main reasons accounting for the outturn position are as follows:
- Transport is forecast to be £2,000 overspent, mainly due to a scheduled Park and Ride contract increase (£110,000), additional costs of traffic management (£40,000), increased premises costs relating to car parks and bus shelters (£43,000) and minimum wage increases to contractors (£30,000) that are offset by an underspend on bus and rail contracts (£251,000).
 - Planning and Assets is £0.122 million underspent, mainly resulting from additional planning fee income of £350,000, offset by £50,000 spend on an Archaeology relocation from Bowes Museum, £55,000 spend on a corporate property health check, £74,000 spend on the design and development of Inward Investment brand and £68,000 under achieved income on investment properties which are in rent free periods.
 - Economic Development and Housing is predicted to be underspent by £0.257 million. Business Durham is underspent by £132,000 due to a net increase in rental income. Economic Development is overspent by £43,000 due to some initial problems with outcome payments relating to the new employment & skills contract. Housing Solutions is underspent by £175,000 due to savings in the GRT sites budgets and additional income in Housing Initiatives offsetting some overspends in other areas. Visit County Durham is overspent by £7,000 relating to staff turnover savings.
- 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 2018/19 which amount to £0.880 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 2017/18. This increased the 2018/19 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 **£57.516 million**.
- 13 Summary financial performance to the end of June is shown below.

Service	Original Annual Budget 2018/19 £000	Revised Annual Budget 2018/19 £000	Actual Spend to 30 June £000	Remaining Budget £000
Economic Dev & Housing	25,676	26,554	4,597	21,957
Planning & Assets	18,001	18,005	2,234	15,771
Transport & Contracted	13,155	12,957	165	12,792
Total	56,832	57,516	6,996	50,520

- 14 Actual spend for the first nine months amounts to **£6.996 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 (£1.106 million), Structural Capitalised Maintenance (£1.056 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 2019 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.

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 2018-19

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
Economic Development & Housing	Head of Economic Development	No Variance	0	
	Physical Development	There is a net overspend in Management on professional fees and project development costs of £76k offset by additional recharge income.	0	
	Visit County Durham	There is an overspend of £7k on employee costs due to unachieved staff turnover savings.	7	
	Business Durham	<p>Business Durham has an overall underspend of (£132)k.</p> <p>Business Space is under budget by (£262k). There is an underspend of (£361k) 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 £114k as a result of under recovered income for Salvus House pending the property being fully occupied. The Dales Centre is under budget by (£36k) due to additional income on business units. Business Space North has a net underspend of (£15k) due to minor variances across all sites. The Management cost centre is over budget by £36k due to increased staff costs and reduced income. The Business Durham budgets will be realigned in the next quarter to reflect a recent restructure and budget variances amended in line with this.</p> <p>Business Growth, Development and Corporate have a net over spend of £130k as a result of a recent restructure and unallocated MTFP savings.</p>	(132)	
	Economic Development	<p>There is an overspend of £99k in Employment & Skills due to delays with the outcome payments for the new service contract, the issue is currently being investigated by the DWP. The delivery fee is being received but referrals are less than anticipated.</p> <p>There is a small net under spend of (£3k) on Employability.</p> <p>These are offset by underspends of (£53k) in Community Economic Development, International Relations and ED Management largely due to miscellaneous savings and over achieved income.</p>	43	

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
	Housing Solutions	<p>There is an over spend of £32k in Housing Solutions Management for staff costs offset by other savings..</p> <p>GRT site budgets are underspent by (£99)k due to savings on Premises and Supplies & Services costs and additional income generated.</p> <p>Housing Initiatives, Activities and Improvement are underspent by (£108k) due to underspends on Supplies & Services and additional income from Darlington HIA and landlord accreditation.</p>	(175)	(257)
Spatial Policy, Planning Assets & Environment	Head of SPPAE	<p>£74k Inward Investment Brand Development</p> <p>£55k Corporate Property Health Check</p> <p>£50k one off transfer to Culture & Sport re: Archaeology at Bowes Museum</p>	179	
	Spatial Policy	£13k overspend unachieved staff turnover savings	13	
	Planning Development	<p>£47k overspend Dangerous Structures - Waldrige Club (demolition costs)</p> <p>£27k overspend Planning Appeals - (re: Woodham Burn)</p> <p>(£28k) underspend Building Control - £20k underachieved income offset by underspends on staffing (12k) and (£36k) supplies & services</p> <p>(£15k) underspend Business Development Support - various supplies & services</p> <p>(£381k) underspend Development Management - significantly over-achieved income (350k) plus underspends on staffing (27k) and supplies & services (4k)</p>	(350)	
	Environment & Design	<p>(£25k) underspend Design & Conservation - (£8k) vacant post and (£17k) supplies</p> <p>(£61k) underspend Sustainability - additional grant income (£51k REBUS/LOCARBO) & underspend on solar maintenance (£10k)</p> <p>£38k overspend Landscapes - overspend inc £20k re: Field Boundary Restoration Grants not spent in 17/18 & £17k underachieved income (re: bad budget) which Steve Bhowmick is looking to re-apportion within his area.</p> <p>£15k overspend Archaeology - various supplies (e.g. events/publications inc Binchester) & £4k unbudgeted staff pension</p>	(33)	

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
	Asset Management	<p>£71k overspend on staffing. Vacancies taking time to be filled, but offset by 9 posts that are to be funded from cash limits</p> <p>£13k overspend on High Street Spennymoor, unoccupied office space</p> <p>£12k overspend at Millennium Square</p> <p>(£42k) underspend at The Tommy Armstrong Centre as lease has ended</p> <p>£98k overspend at Northumbria House, Waterstons are moving in but 1 year rent free</p> <p>(£13k) underspend at Priory House. Tenant had rent free period but will be start paying from 08/02/2019 (full year income will be £94k)</p> <p>(£20k) underspend elsewhere across the service</p>	119	
	Strategy Policy Partnerships & Support	<p>(£37k) underspend on staffing due to delays in recruiting to two new posts</p> <p>£10k overspend on supplies and travel</p> <p>(£22k) underspend on Income re:secondment to NECA</p>	(49)	
	Funding and Programmes	No Variance	0	(122)
Transport	Management	18k Minor variance pending a re-allocation of savings	18	
	Strategic Transport	<p>10k Under budget due to vacancy savings (£57k)</p> <p>43k Over budget due to an increase in business rates for car parks and bus stations</p> <p>40k Over budget on supplies and services mainly due to traffic management costs</p> <p>140k Over budget due to a scheduled Park and Ride contract increase - £110k and minimum wage increases to contractors -£30k.</p> <p>(147k) Over achieved on car parking income arising from works in Durham City</p>	206	
	Sustainable Transport	<p>26k Over budget due to vacancy savings not met</p> <p>(251k) Under budget on bus and rail contracts</p>	(225)	
				(2)

Head of Service	Service Area	Description	(Under) / Overspend	(Under) / Overspend
	Care Connect	38k Over budget on employee costs following changes in staff hours and rota patterns. (39k) Under budget on other costs mainly due to service efficiencies on CCTV and community alarms communication equipment	(1)	
Central	Central Costs	2018/19 MTFP savings made early and reduced premises costs.	(14)	(14)
TOTAL				(395)

Appendix 3: Capital Programme 2018-19

Scheme	Revised Annual Budget 2018/19	Actual Spend to 30 June	Remaining Budget
	£'000	£'000	£'000
ECONOMIC DEVELOPMENT & HOUSING			
Barnard Castle Vision	0	0	0
Durhamgate	2,871	1,098	1,773
Industrial Estates	6,058	1,106	4,952
North Dock Seaham	30	0	30
Office Accommodation	6,800	139	6,661
Town Centres	2,730	493	2,237
Minor Schemes	168	0	168
Disabled Facilities Grant / FAP	3,799	864	2,935
Gypsy Roma Travellers	0	0	0
Housing Renewal	3,048	897	2,151
Chapter Homes	1,050	0	1,050
TOTAL ECONOMIC DEVELOPMENT & HOUSING	26,554	4,597	21,957
PLANNING & ASSETS			
Renewable Energy Schemes	1,022	73	949
Structural Capitalised Maintenance	6,594	1,056	5,538
North Pennines - Peatland	3,037	72	2,965
REAL – Beamish Project	5,086	1,016	4,070
REAL – Housing Development	2,060	1	2,059
Minor Schemes	56	15	41
Strategy and Programmes Minor Schemes	150	0	150
TOTAL PLANNING & ASSETS	18,005	2,234	15,771
TRANSPORT & CONTRACTED SERVICES			
Local Transport Plan	2,848	291	2,557
Transport Corridors	0	0	0
Transport Major Schemes	10,109	(126)	10,235
CCTV	0	0	0
Minor Schemes	0	0	0
TOTAL TRANSPORT & CONTRACTED SERVICES	12,957	165	12,792
Total	57,516	6,996	50,520

(1) FAP – Financial Assistance Programme