

Economy and Enterprise Overview and Scrutiny Committee

22 April 2024



Regeneration, Economy and Growth – Quarter 3: Forecast of Revenue and Capital Outturn 2023/24

Report of Corporate Directors

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Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide details of the forecast outturn position for quarter 3 revenue and capital for Regeneration, Economy and Growth (REG) as at 31 December 2023.

Executive summary

- 2 This report provides an overview of the forecast of outturn, based on the position at quarter 3, 2023/24. It provides an analysis of the budgets and forecast outturn for the service areas falling under the remit of this Overview and Scrutiny Committee and complements the reports considered and agreed by Cabinet on a quarterly basis.
- 3 The position is that there is a forecast overspend of £90,000, against a revised budget of £57.322 million after taking account of the forecast use of reserves and items outside the cash limit, including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. The quarter two forecast estimated a cash limit overspend of £0.725 million in year.
- 4 Savings in energy budgets of £1.675 million, along with the 2023/24 pay award linked to vacancies of £0.245 million have been excluded from the cash limit forecast outturn position. Also excluded is £1.808 million in respect of Leisure Centre income shortfalls that are being covered corporately and £0.433 million which has been covered from central

contingencies (£95,000 Radon Monitoring, £0.388 million Milburngate legal and professional fees and £50,000 relating to running costs at the Story and Plot C).

- 5 The revised service capital budget is £134.507 million with expenditure of £84.730 million as at 31 December 2023.
- 6 Details of the reasons for under and overspending against relevant budget heads are disclosed in the report.

Recommendation(s)

- 7 Economy and Enterprise Overview and Scrutiny Committee is requested to note the contents of this report.

Background

8 County Council approved the Revenue and Capital budgets for 2023/24 at its meeting on 22 February 2023. These budgets have since been revised to account for grant additions/reductions, budget transfers, and budget re-profiling between years (in terms of capital) as well as corporately recognised budget pressures. This report covers the financial position for the following budgets of the services within the scope of this committee;

- (a) Revenue Budget - £57.322 million (original £56.363 million)
- (b) Capital Programme – £134.507 million (original £131.502 million)

9 The original service revenue budget has been revised in year to incorporate various budget adjustments. These are shown in the table below:

Description	Change (£m)
Comms & Marketing – from REG to CEO	(1.935)
Design & Conservation – from NCC to REG (P&H)	0.262
Post Transfer to Care Connect – RES to REG (P&H)	0.030
Post Transfer from B&FM – REG (CPaL) to RES	(0.028)
Post Transfer from H&S – REG (CPaL) to RES	(0.011)
Post Transfer from T&CS – REG to RES	(0.038)
LTP Income from NCC to REG (T&CS)	(0.017)
EV Charging Infrastructure – from REG (T&CS) to NCC	(0.011)
Transfer of restructure budget – REG (Central) to Corporate	(0.101)
Self-Financing Capital Charges: House Building/CDLA – REG (P&H) to Corporate	(0.048)
2023/24 Pay Award	2.857
Total Change	0.959

10 The summary financial statements contained in the report cover the financial year 2023/24 and show: -

- (a) The approved annual budget;
- (b) The forecast income and expenditure as recorded in the Council's financial management system;
- (c) The variance between the annual budget and the forecast outturn;
- (d) For the revenue budget, adjustments for items outside of the cash limit (outside of the Service's control) to take into account such items

as capital charges and use of / or contributions to earmarked reserves.

Forecast Revenue Outturn 2023/24

- 11 The service is reporting a cash limit overspend of **£90,000** against a revised budget of **£57.322 million** (0.16%).
- 12 The table below compares the forecast outturn with the budget by Head of Service. A further table is shown at **Appendix 2** analysing the position by Subjective Analysis (i.e. type of expense).

Service Budget - Analysis by Head of Service £'000

	Revised Annual Budget	Forecast Outturn	Variance	Items Outside Cash Limit	Earmarked Reserves	Net Inflation Adjustment	Cash Limit Variance
Head of Service	£000	£000	£000	£000	£000	£000	£000
Economic Development	258	1,186	928	0	(894)	0	34
Corporate Property & Land	2,125	2,630	505	(433)	(656)	0	(584)
Culture Sport & Tourism	18,258	22,671	4,413	(1,807)	(2,278)	0	328
Planning & Housing	8,015	7,480	(535)	0	299	0	(236)
Transport & Contracted Servs	3,126	(89)	(3,215)	0	3,486	0	271
REG - Central Costs	25,540	23,897	(1,643)	245	0	1,675	277
Total	57,322	57,775	453	(1,995)	(42)	1,675	90

- 13 The cash limit overspend of £90,000 takes into account adjustments for sums outside the cash limit such as redundancy costs that are met from corporate reserves and use of / contributions to earmarked reserves.

Cash Limit Outturn – Explanation of Over and Under Spending

- 14 The main reasons accounting for the outturn position are as follows:
- 15 Culture, Sport and Tourism is forecast to overspend by £0.328 million against budget. The main reasons are an unrealised MTFP saving of £75,000, a capital contribution of £86,000 for leisure transformation, a £0.259 million overspend at the two completed leisure transformation sites linked to increased operating costs and reduced income and an anticipated loss of income of £0.258 million at Killhope Museum. These overspends were partially offset by short term equipment underspends whilst new gym equipment is awaited at seven of our leisure centres.
- 16 Transport and Contract Services is forecast to overspend by £0.271 million against budget. The main reasons are an under-recovery of departure charge income at Durham bus station of £0.130 million, on-going costs for a new database system of £30,000, an anticipated under-achievement of income for park and ride of £0.233 million, unbudgeted spending of £72,000 for enforcement cameras, increased business rate charges on multistorey car parks of £0.135 million, an overspend on routine electrical testing of car park street lighting of £66,000, under-recovery of bus shelter advertising income of £0.143 million and an overspend on bus shelter repairs and maintenance of £66,000. These were partially offset by an underspend of £0.149 million against Durham bus station for its closure in year, £0.241 million overachievement of parking income, an £80,000 underspend on park and ride contracts and £95,000 of underspends mainly relating to road safety employee costs and school crossing patrols. The 2024/25 budget includes an adjustment to rebase the park and ride income, which will then be unwound over the following four years.
- 17 Planning and Housing is forecast to underspend by £0.236 million against budget. This is largely due to an anticipated underachievement of income of £0.217 million with regard to planning fee income and an overspend of £0.175 million in relation to planning appeals. These overspends are partially offset by anticipated staffing underspends of £0.543 million across the service and a £53,000 underspend on care connect equipment contracts.
- 18 Economic Development is forecast to overspend by £34,000 against budget, which is predominantly attributed to under-recovery of training income in the Employment and Skills service.
- 19 Corporate Property and Land is forecast to underspend by £0.584 million against budget. Within Buildings & Facilities Management, there is a forecast overspend of £0.204 million, mainly relating to the catering

service, which includes a shortfall in income as a result of hybrid working and reduced footfall in the internal staff facilities such as County Hall and Green Lane. Strategy and Property Management is forecast to underspend by £0.584 million due primarily to additional budget growth of £0.600 million included in the base budget from 2022/23 for a staffing restructure that is not now expected to be in place until 2024/25. The underspend is partially offset by expenditure relating to interim support (consultants and professional fees) pending the implementation of the restructure. There are also minor underspends elsewhere within the service, including additional unbudgeted income in Business Development of £53,000, staffing underspends of £79,000 as well as underspends on supplies and services of £85,000.

- 20 In summary, the service grouping is not managing to maintain spending within its cash limit and as a result needs to draw £90,000 million from the Regeneration Cash Limit Reserve.

Capital Programme

- 21 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.
- 22 The Regeneration, Economy and Growth Services capital programme was revised at year-end for budget re-profiled from 2022/23. Since then, reports to the MOWG have detailed further revisions, for grant additions/reductions, budget transfers and budget re-profiling into later years. The revised budget now stands at £134.507 million.
- 23 Summary financial performance for 2023/24 is shown below.

Service	Revised Annual Budget 2023/24 £000	Actual Spend to 31 December £000	Remaining Budget 2023/24 £000
Economic Development	30,756	16,240	14,516
Corporate Property & Land	21,276	17,515	3,761
Culture Sport & Tourism	24,706	18,312	6,395
Strategic Programmes	90	-	90
Planning & Housing	17,289	11,427	5,862
Transport & Contracted Services	40,390	21,237	19,153
Total	134,507	84,730	49,776

- 24 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 9 months amounts to £84.730 million. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the capital programme.

Background papers

- County Council Report (22 February 2023) - [Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24](#)
- [Cabinet Report \(13 September 2023\) – Forecast of Revenue and Capital Outturn 2023/24 – Period to 30 June 2023.](#)
- [Cabinet Report \(15 November 2023\) – Forecast of Revenue and Capital Outturn 2023/24 – Period to 30 September 2023.](#)
- [Cabinet Report \(13 March 2024\) – Forecast of Revenue and Capital Outturn 2023/24 – Period to 31 December 2023.](#)

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Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the Council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by the Council in February 2023 in relation to the 2023/24 financial year.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital outturn position alongside details of balance sheet items such as earmarked reserves held by the service grouping to support its priorities.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The consideration of regular budgetary control reports is a key component of the Councils Corporate and Financial Governance arrangements.

Procurement

The outcome of procurement activity is factored into the financial projections included in the report

Appendix 2: Regeneration, Economy & Growth Forecast Outturn at Q3 – Subjective Analysis

REG Subjective Analysis	Revised Annual Budget	Forecast Outturn	Variance	Items Outside Cash Limit	Earmarked Reserves	Net Inflation Adjustment	Cash Limit Variance
	£000	£000	£000	£000	£000	£000	£000
Employees	78,476	73,586	(4,890)	245	0	0	(4,645)
Premises	23,367	24,279	912	0	0	1,675	2,587
Transport	1,635	1,802	167	0	0	0	166
Supplies & Services	19,023	28,543	9,520	0	0	0	9,521
Third Party Payments	45,597	52,583	6,986	0	0	0	6,986
Transfer Payments	0	1	1	0	0	0	1
Capital	13,592	13,592	0	0	0	0	0
Central Costs	11,996	12,750	754	(432)	(42)	0	278
DRF	0	159	159	0	0	0	159
Gross Expenditure	193,686	207,295	13,609	(187)	(42)	1,675	15,053
Grant	(9,436)	(15,049)	(5,613)	0	0	0	(5,613)
Contributions	(19,943)	(21,682)	(1,739)	0	0	0	(1,739)
Sales	(2,519)	(2,043)	476	0	0	0	476
Charges	(30,073)	(30,779)	(706)	(1,808)	0	0	(2,514)
Rents	(10,543)	(12,449)	(1,906)	0	0	0	(1,906)
Recharges	(62,981)	(65,615)	(2,634)	0	0	0	(2,634)
Other Income	(869)	(1,902)	(1,033)	0	0	0	(1,033)
Gross Income	(136,364)	(149,519)	(13,155)	(1,808)	0	0	(14,963)
Total	57,322	57,775	454	(1,995)	(42)	1,675	90

Appendix 3: Regeneration, Economy and Growth Capital 2023/24

General Fund	Revised Annual Budget £000	Actual Spend to 31 Dec £000	Remaining Budget £000
Economic Development			
Industrial Estates	18,022	11,606	6,417
Minor Schemes	150	112	37
North Dock Seaham	25	25	0
Beamish Capital Project	1,879	0	1,879
Town & Village Environmental Maint.	4,025	1,954	2,071
<u>Town Centres:</u>			
Barnard Castle	76	60	16
Bishop Auckland	3,985	1,292	2,693
Consett	516	355	162
Durham	300	0	300
Peterlee	284	40	244
Seaham	936	451	485
Spennymoor	327	297	30
Other	232	49	182
	30,756	16,240	14,516
Planning & Housing			
Housing Renewal	9,149	3,851	5,298
Housing Development	195	40	155
Disabled Facility Grants/Financial Assist	7,176	7,099	76
Care Connect Digital Upgrade	769	437	332
	17,289	11,427	5,862
Corporate Property and Land			
Office Accommodation	17,015	15,020	1,995
Structural Capitalised Maint.	3,858	2,335	1,523
Milburngate	403	160	243
	21,276	17,515	3,761
Transport & Contracted Services			
Local Transport Plan	1,789	951	838
Transport Major Schemes	37,853	20,071	17,781
Traffic & Community Engagement	748	215	533
	40,390	21,237	19,153
Culture, Sport and Tourism			
<u>Culture and Museums:</u>			
The Story	4,472	3,991	481
Sildon Coal Drops	513	73	440

	Revised Annual Budget £000	Actual Spend to 31 Dec £000	Remaining Budget £000
General Fund			
Redhills Refurbishment	815	605	210
Locomotion New Building	2,976	2,056	920
Weardale Railway	977	569	408
Killhope Museum	602	525	77
DLIMAG	1,434	718	716
Other	18	17	1
<u>Leisure Centres:</u>			
Teesdale LC	361	21	340
Spennymoor LC	2,015	1,287	728
Woodhouse Close LC	950	395	555
Peterlee LC	4,645	4,837	(192)
Abbey LC	2,330	2,237	92
Louisa LC	2,164	709	1,455
Other	372	239	133
Outdoor S&L Facilities	63	34	29
	24,706	18,312	6,394
Strategic Programmes			
Minor SPP	90	0	90
	90	0	90
REG Total	134,507	84,730	49,776