

Economy and Enterprise Overview and Scrutiny Committee

20 September 2021

**Regeneration, Economy and Growth –
Quarter 4: Revenue and Capital Outturn
2020/21**



Report of Corporate Directors

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Electoral division(s) affected:

Countywide

Purpose of the Report

1. To provide details of the final revenue and capital outturn position for the Regeneration, Economy and Growth (REG) service grouping in 2020/21, highlighting major variances in comparison with the budget.

Executive Summary

2. In 2020/21 the service achieved a cash limit variance (underspend) of £1.266 million against a revised budget of £44.439 million. This compares to the previously forecast position (at quarter 3) of a £1.761 million underspend for the year.
3. The REG Cash Limit balance carried forward at 31 March 2021 is £1.429 million. Other earmarked reserves under the direct control of REG total £54.306 million at 31 March 2021.
4. In arriving at the REG Cash Limit variance, Covid-19 related expenditure and loss of income, net of Covid-19 related savings, of £8.177 million have been excluded from the outturn. Covid-19 related costs are being treated corporately and offset by Government funding.

5. Capital expenditure incurred in 2020/21 was £62.793 million, representing 90.7% of the revised REG capital budget of £69.211 million. A request was made to the Member Officer Working Group to carry forward the £6.418 million underspend to the current year to augment the 2021/22 Capital Programme.
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 final outturn position against the 2020/21 revenue and capital budgets.

Background

8. County Council approved the Revenue and Capital budgets for 2020/21 at its meeting on 26 February 2020. 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 - £44.439 million (original £52.770 million)
 - (b) Capital Programme – £69.211 million (original £85.434 million).

Revenue

9. The original revenue budget of £52.770 million has been revised to incorporate a number of budget adjustments and the final revised budget for the service is £44.439 million.
10. The summary financial statements contained in the report cover the financial year 2020/21 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.

Revenue Outturn 2021/22

11. The service is reporting a cash limit underspend of **£1.266 million** against the revised budget of **£44.439 million** (2.85%).
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).

Analysis by Head of Service £'000s

Service Analysis	Annual Budget	Outturn Position	Variance	Earmarked Reserves	Net Covid Adj	Items Outside Cash Limit	Cash Limit Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Culture Sport & Tourism	14,237	24,619	10,382	1,657	(4,771)	(7,385)	(118)
Business Durham	(216)	1,656	1,872	571	10	(2,453)	0
Transport & Contracted Servs	2,837	1,605	(1,231)	666	(1,371)	1,885	(51)
Development & Housing	7,300	5,500	(1,800)	931	(180)	495	(555)
Corporate Property & Land	(1,057)	9,405	10,462	63	(1,501)	(9,356)	(333)
REG - Central Costs	21,142	11,470	(9,672)	904	(259)	8,777	(250)
Corporate Director	195	347	152	0	(104)	(7)	41
NET EXPENDITURE	44,439	54,604	10,164	4,791	(8,177)	(8,045)	(1,266)

13. The cash limit underspend of £1.266 million 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:
- (a) Culture & Sport is underspent by £0.118 million. This is mainly the result of an underspend of £0.564 million across Locality Delivery offset by an overspend of £0.446 million relating to the former Leisureworks Service. There are also a number of other minor variances across the service.
 - (b) Any over or underspends in relation to the activity of Business Durham is managed through earmarked reserves and therefore there is no impact on the cash limit position. The service contributed £0.478 million to earmarked reserves in 2020/21 from its normal activity. The service has been provided with Community Outbreak Management Funding (COMF) of £60,000 to cover costs associated with providing security and social distancing measures at NETPark.
 - (c) Transport and Contracted Services is £51,000 underspent. This is mainly due to an underspend in Traffic Services due to an increase in enforcement and advertising income offset by small overspends elsewhere across the service.

- (d) Development and Housing is underspent by £0.555 million. This is mainly due an underspend of £0.382 million in Housing Solutions, an underspend of £0.302 million in Planning Development, and an underspend of £0.150 million in Physical Development. These underspends are partially offset by an overspend of £0.207 million in Economic Development and other minor variances across the service grouping. The service has been provided with Community Outbreak Management Funding (COMF) of £0.430 million to cover costs associated with providing accommodation and supplies for those at risk of homelessness due to Covid-19.
 - (e) Corporate Property and Land is underspent against budget by £0.333 million. This is partly due to one-off unbudgeted income of £0.174 million, as well as an underspend of £0.129 million on the running costs of administration and civic buildings. There are also other minor variances across the service grouping. In order to mitigate workload shortages arising from the Covid-19 pandemic, a sum of £1.3 million of expenditure on repairs and maintenance was incurred against the centralised repairs and maintenance budget that is managed by this service grouping. The funding for this work is included in the £8.177 million additional costs, and lost income relating to Covid-19, net of the Covid-19 related savings.
 - (f) Central costs (Inc. Corporate Director) were underspent by £0.209 million against budget.
- 15 The final outturn position has been adjusted by £11.431 million relating to contributions to and from reserves, sums outside the cash limit and including a net COVID adjustment of £8.177 million.
- 16 The Cash Limit Reserve carried forward for Regeneration and Local Services is £1.429 million after taking the latest outturn position into account.
- 17 In summary, the service grouping managed to successfully maintain spending within its cash limit.

Capital Programme

18. 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.

19. The Regeneration, Economy and Growth Services capital programme was revised for budget re-phased from 2019/20. This increased the 2020/21 original budget to a level of £85.434 million. Since then reports to the MOWG have detailed further revisions, for grant additions/reductions, budget transfers and budget re-profiling into later years. The final capital budget was **£69.211 million**.
20. Summary financial performance for 2020/21 is shown below.

Service	Revised Annual Budget 2020/21 £000	Actual Spend to 31 March £000	Remaining Budget 2020/21 £000
Culture, Sport and Tourism	3,189	1,808	1,381
Development & Housing	18,519	14,910	3,609
Business Durham	6,704	6,235	469
Corporate Property & Land	26,967	27,133	(166)
Transport & Contracted Services	13,832	12,707	1,125
Total	69,211	62,793	6,418

21. Actual spend for 2020/21 amounts to **£62.793 million**. **Appendix 3** provides a more detailed breakdown of spend.
22. The key areas of spend during the year to date are on Major Transport Schemes (£10.646 million), Office Accommodation (£23.639 million) and Industrial Estates (£6.235 million).

Background papers

- a) County Council Report (26 February 2020) – Medium Term Financial Plan 2020/21 to 2023/24 and Revenue and Capital Budget 2020/21.
- b) Cabinet Report (16 September 2020) – Forecast of Revenue and Capital Outturn 2020/21 – Period to 30 June 2020.
- c) Cabinet Report (18 November 2020) – Forecast of Revenue and Capital Outturn 2020/21 – Period to 30 September 2020.
- d) Cabinet Report (17 March 2021) – Forecast of Revenue and Capital Outturn 202/21 – Period to 30 December 2020.
- e) Cabinet Report (7 July 2021) – 2020/21 Final Outturn for the General Fund and Collection Fund.

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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 spend against budgets agreed by the Council in February 2020 in relation to the 2020/21 financial year.

Finance

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

Consultation

Not applicable.

Equality and Diversity / Public Sector Equality Duty

Not applicable.

Climate Change

Not applicable.

Human Rights

Not applicable.

Crime and Disorder

Not applicable.

Staffing

Not applicable.

Accommodation

Not applicable.

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 Outturn 2020-21 – Subjective Analysis

REG Subjective Analysis	Annual Budget	Outturn Position	Variance	Earmarked Reserves	Net Covid Adjustment	Items Outside Cash Limit	Adj. Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	58,888	55,855	(3,033)	118	224	(339)	(3,030)
Premises	15,637	15,043	(594)	(44)	953	40	355
Transport	1,617	1,410	(207)	(5)	167	0	(44)
Supplies & Services	20,007	16,718	(3,289)	639	2,592	124	67
Agency & Contracted	31,912	31,990	77	(4,925)	1,404	253	(3,191)
Transfer Payments	0	0	0	0	0	0	0
Central Costs	11,440	12,926	1,486	(94)	2	(828)	566
Capital Financing	8,464	17,377	8,913	(13)	(14)	(8,913)	(27)
Gross Expenditure	147,965	151,319	3,354	(4,324)	5,328	(9,663)	(5,305)
Grants	(21,016)	(32,922)	(11,906)	6,909	1,977	(0)	(3,020)
Fees & Charges	(34,986)	(23,738)	11,248	1,313	(14,310)	(125)	(1,873)
Recharges	(47,524)	(40,056)	7,468	893	(1,172)	1,743	8,932
Gross Income	(103,525)	(96,715)	6,810	9,115	(13,505)	1,618	4,038
NET EXPENDITURE	44,439	54,604	10,164	4,791	(8,177)	(8,045)	(1,266)

Appendix 3: Regeneration, Economy and Growth Capital Programme 2020/21

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 31 March £000	Remaining Budget £000
General Fund				
Development & Housing				
North Dock, Seaham	72	72	72	0
Town Centres	3,596	3,596	2,481	1,115
Town & Village Centre	826	826	679	147
Minor Schemes	168	168	168	0
Disabled Facilities Grant /FAP	4,616	4,616	5,355	(739)
Housing Renewal	3,430	3,430	2,101	1,329
Housing Development	832	832	789	43
Chapter Homes	4,885	4,885	3,075	1,810
Beamish Capital Project	38	38	190	(152)
Strategy & Programmes Minor Schemes	55	55	0	55
	18,519	18,519	14,910	3,609
Business Durham				
Industrial Estates	6,704	6,704	6,235	469
	6,704	6,704	6,235	469
Corporate Property and Land				
Structural Capitalised Maintenance	3,592	3,592	3,494	98
Office Accommodation	23,375	23,375	23,639	(264)
	26,967	26,967	27,133	(166)
Transport & Contracted Services				
Local Transport Plan	1,902	1,902	1,947	(45)
Transport Major Schemes	11,773	11,773	10,646	1,127
T&CS Minor Schemes	156	156	113	43
	13,832	13,832	12,707	1,125
Culture, Sport and Tourism				
AAP Schemes	0	0	0	0
Culture and Museums	2,678	2,678	1,184	1,494
Leisure Centres	357	357	500	(143)
Library	0	0	0	0
Outdoor Sports and Leisure Facilities	154	154	113	43
	3,189	3,189	1,808	1,381
Regeneration & Economic Growth	69,211	69,211	62,793	6,418