

Economy and Enterprise Overview and Scrutiny Committee

20 September 2021



Regeneration and Economic Growth – Quarter 1: Forecast of Revenue and Capital Outturn 2021/22

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 1 revenue and capital for Regeneration, Economy and Growth (REG) as at 30 June 2021.

Executive summary

- 2 This report provides an overview of the forecast of outturn, based on the position at quarter 1, 2021/22. 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 £0.618 million, against a revised budget of £49.505 million.
- 4 In arriving at the cash limit position, Covid-19 related expenditure and loss of income, net of Covid-19 related savings of £8.035 million have been excluded from the outturn. Covid-19 related costs are being treated corporately and offset by Government Funding.
- 5 The revised service capital budget is £90.384 million with expenditure to 30 June of £13.448 million.
- 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 2021/22 at its meeting on 24 February 2021. These budgets have subsequently been revised to account for changes in grant (additions/reductions), budget transfers between service groupings and budget re-profiling between years (in terms of capital). This report covers the financial position for the following budgets of the services within the scope of this committee;

- (a) Revenue Budget - £49.505 million (original £49.630 million)
- (b) Capital Programme – £90.384 million (original £97.178 million)

9 The original service budgets have been revised in year to incorporate a number of budget adjustments as follows:

Description	Change
Transfer from NCC – Road Safety and Traffic Assets	£0.912 m
Transfer to NCC – Rights of Way	-£0.491 m
Transfer to Corporate Finance - JADE self-financing	-£0.300 m
Transfer to NCC – Highways Adoptions	-£0.143 m
Transfer to Corporate Finance – Freeman’s Reach	-£0.143 m
Transfer from RES – Business Support post	£0.026 m
Transfer to NCC – Dale View Caravan Park	-£0.009 m
Other Pay and National Insurance changes	£0.023 m
Total change	-£0.125 m

10 The summary financial statements contained in the report cover the financial year 2021/22 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 2021/22

11 The service is reporting a cash limit overspend of **£0.618 million** against a revised budget of **£49.505 million** (1.25%).

- 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 COVID adjustment	Cash Limit Variance
Head of Service	£000	£000	£000	£000	£000	£000	£000
Business Durham	(577)	4,088	4,665	0	(1,665)	(3,000)	0
Development & Housing	6,572	7,279	707	0	(508)	(280)	(81)
Corporate Property & Land	(1,349)	(88)	1,261	(75)	(472)	(477)	237
Culture Sport & Tourism	13,816	18,234	4,418	0	(654)	(3,671)	93
Transport & Contracted Servs	3,185	5,062	1,877	(613)	(120)	(607)	537
REG - Central Costs	27,858	27,690	(168)	0	0	0	(168)
Total	49,505	62,265	12,760	(688)	(3,419)	(8,035)	618

- 13 The cash limit overspend of £0.618 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:
- 15 Transport and Contract Services is forecast to overspend by £0.537 million against budget. In Strategic Traffic there is an additional £0.145 million on Traffic services/mitigation for events, £68,000 on contracts in Parking Services and £55,000 spend on repairs to bus shelters. In Care Connect there is a shortfall of £0.128 million in relation to reduced SLAs and subsidised client income in addition to an overspend of £85,000 on staff costs. In Sustainable Transport there are additional costs of £45,000 for bringing in a consultant to assist on the new database. There is a forecast net cost of £0.607 million in this area to be covered via COVID general grant.

- 16 Corporate Property and Land is forecast to overspend by £0.237 million against budget, mainly due to costs associated with external support for case work in the Strategy and Property Management service. There is a forecast net cost of £0.477 million in this area to be covered via COVID general grant.
- 17 Development and Housing is forecast to underspend by £81,000 against budget. This is the net effect of underspends of £0.148 million in Physical Development and £0.119 million in Housing Solutions, offset by an overspend of £0.133 million in Economic Development. There were also a number of other minor overspends across the service. There is a forecast cost of £0.280 million in this area to be covered via COVID general grant.
- 18 Business Durham is forecast to be in line with budget after the use of £3.000 million of COVID general grant funding to support the payment of business recovery grants.
- 19 Culture, Sport and Tourism is forecast to overspend by £93,000 against budget. The main reasons are an unrealised MTFP saving of £0.201 million and an overspend in Locality Services of £79,000 offset by an underspend in Service Development of £0.197 million, primarily relating to vacant posts. There is a forecast net cost of £3.671 million in this area to be covered via COVID general grant.
- 20 Central costs are forecast to underspend by £0.168 million against budget.
- 21 In summary, the service grouping is not managing to maintain spending within its cash limit and as a result needs to draw £0.618 million from the Regeneration Cash Limit Reserve.

Capital Programme

- 22 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.
- 23 The Regeneration, Economy and Growth Services capital programme was revised at year-end for budget re-phased from 2020/21. 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 £90.384 million.

24 Summary financial performance for 2021/22 is shown below.

Service	Revised Annual Budget 2021/22 £000	Actual Spend to 30 June £000	Remaining Budget 2021/22 £000
Culture, Sport and Tourism	13,333	1,477	11,856
Development & Housing	33,764	3,577	30,187
Business Durham	2,559	770	1,789
Corporate Property & Land	23,385	6,672	16,713
Transport & Contracted Services	17,088	952	16,136
Total	90,384	13,448	76,936

- 25 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 3 months amounts to **£13.448 million**. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the capital programme.
- 26 The key areas of spend during the year to date are on Office Accommodation (£5.984 million) and Disabled Facility Grants (£1.489 million). Other areas of the programme are profiled to be implemented during the remainder of the year and 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.

Background papers

- Cabinet Report (15 September 2021) – Forecast of Revenue and Capital Outturn 2021/22 – Period to 30 June 2021.

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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 2021 in relation to the 2021/22 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 Forecast Outturn at Q1 – Subjective Analysis

REG Subjective Analysis	Revised Annual Budget	Forecast Outturn	Variance	Items Outside Cash Limit	Earmarked Reserves	Net COVID adjustment	REG Cash Limit Variance
	£000	£000	£000	£000	£000	£000	£000
Employees	59,570	59,149	(421)	0	3	9	(409)
Premises	15,504	16,428	924	0	(350)	50	624
Transport	1,644	1,537	(107)	0	0	38	(69)
Supplies & Services	16,851	27,678	10,827	(75)	(3,046)	(1,917)	5,789
Third Party Payments	39,322	41,803	2,481	0	(507)	286	2,260
Transfer Payments	0	0	0	0	0	0	0
Capital	14,763	14,763	0	0	0	0	0
Central Costs	12,120	12,046	(74)	0	0	0	(74)
DRF	280	280	0	0	0	0	0
Gross Expenditure	160,054	173,984	13,630	(75)	(3,900)	(1,534)	8,121
Grant	(6,165)	(11,554)	(5,389)	0	0	38	(5,351)
Contributions	(17,943)	(18,715)	(772)	0	(37)	0	(809)
Sales	(2,427)	(1,127)	1,300	0	0	(1,350)	(50)
Charges	(26,355)	(19,980)	6,375	(613)	(43)	(5,070)	649
Rents	(8,064)	(9,329)	(1,265)	0	477	(19)	(807)
Recharges	(49,047)	(49,989)	(942)	0	84	(100)	(958)
Other Income	(548)	(725)	(177)	0	0	0	(177)
Gross Income	(110,549)	(111,419)	(870)	(613)	481	(6,501)	(7,503)
Total	49,505	62,265	12,760	(688)	(3,419)	(8,035)	618

Appendix 3: Regeneration, Economy and Growth Capital 2021/22

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 30 June £000	Remaining Budget £000
General Fund				
Development & Housing				
North Dock, Seaham	220	0	0	220
Town Centres	12,552	1,743	624	11,928
Town & Village Centre	2,443	239	174	2,269
Minor Schemes	180	45	45	135
Disabled Facilities Grant /FAP	6,606	1,211	1,489	5,117
Housing Renewal	7,253	2,131	1,164	6,089
Housing Development	1,751	241	81	1,670
Chapter Homes	820	205	0	820
Beamish Capital Project	1,940	485	0	1,940
Strategy & Programmes Minor Schemes	255	125	0	255
	34,020	6,425	3,577	30,443
Business Durham				
Industrial Estates	2,559	557	770	1,789
	2,559	557	770	1,789
Corporate Property and Land				
Structural Capitalised Maintenance	5,565	437	688	4,877
Office Accommodation	17,820	6,051	5,984	11,836
	23,385	6,488	6,672	16,713
Transport & Contracted Services				
Local Transport Plan	3,117	396	224	2,893
Transport Major Schemes	13,067	1,351	653	12,414
T&CS Minor Schemes	904	133	75	829
	17,088	1,880	952	16,136
Culture, Sport and Tourism				
AAP Schemes	0	0	0	0
Culture and Museums	8,651	1,639	1,227	7,424
Leisure Centres	4,575	542	211	4,364
Library	0	0	0	0
Outdoor Sports and Leisure Facilities	107	66	38	69
	13,333	2,247	1,476	11,857
Regeneration & Economic Growth	90,384	17,597	13,448	76,938