

Economy and Enterprise Overview and Scrutiny Committee

26 April 2022



Regeneration and Economic Growth – Quarter 3: Forecast of Revenue and Capital Outturn 2021/22

Report of Corporate Directors

Paul Darby, Corporate Director of Resources

Amy Harhoff, Corporate Director Regeneration and Economic Growth

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 2021.

Executive summary

- 2 This report provides an overview of the forecast of outturn, based on the position at quarter 3, 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 underspend of £1.687 million, against a revised budget of £54.169 million.
- 4 In arriving at the cash limit position, Covid-19 related expenditure and loss of income, net of Covid-19 related savings of £7.060 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 £86.975 million with expenditure to 31 December of £51.285 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, 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 - £54.169 million (original £49.630 million)
- (b) Capital Programme – £86.975 million (original £97.178 million)

9 The original service revenue 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	£0.055 m
Transfer to NCC – Dale View Caravan Park	-£0.009 m
Other Pay and National Insurance changes	£0.024 m
Communication Management – from CEO	£2.007 m
Central Costs - CEO	-£1.030 m
Combined Authority Grant adj	£0.093 m
Q1 Earmarked Reserves (Temporary)	£3.416 m
Q1 Corporate Contingencies (Temporary)	£0.688 m
Q2 Earmarked Reserves (Temporary)	-£0.744 m
Q2 REG Cash Limit (Temporary)	£0.022 m
Q2 Corporate Contingencies (Temporary)	£0.182 m
Total change	£4.539 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 underspend of **£1.687 million** against a revised budget of **£54.169 million** (3.11%).
- 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	842	4,054	3,212	0	(502)	(2,710)	0
Development and Housing	6,904	6,567	(337)	0	418	(404)	(323)
Corporate Property & Land	(835)	(760)	75	0	546	(638)	(17)
Culture Sport & Tourism	14,458	17,580	3,122	(80)	(494)	(3,117)	(569)
Transport & Contracted	3,966	2,721	(1,245)	825	69	(184)	(535)
Communications Mgt	2,006	2,075	69	0	(196)	0	(127)
REG - Central Costs	26,828	26,719	(109)	0	0	(7)	(116)
Total	54,169	58,956	4,787	745	(159)	(7,060)	(1,687)

- 13 The cash limit underspend of £1.687 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 underspend by £0.535 million against budget. In Strategic Traffic there is an underspend of £0.299 million in Road Safety and Traffic Assets mainly in relation to staff turnover, projected additional enforcement income across the county of £0.313 million and an underspend of £0.092 million relating to the temporary closure of Durham Bus Station offset by costs of repairs

to bus shelters and additional security due to anti-social behaviour. In Care Connect there is a shortfall of £0.120 million in relation to reduced SLAs and subsidised client income offset by underspends in staffing. In Sustainable Transport there are additional costs of £0.036 million to bring in a consultant to assist on the new database and a reduction of £0.120 million in departure charges from Durham Bus Station. There is a forecast net cost of £0.184 million in this area to be covered via COVID general grant.

- 16 Corporate Property and Land is forecast to underspend by £17,000 against budget. This is the net effect of an overspend due to costs associated with external support for case work in the Strategy and Property Management service, offset by lower costs associated with the Energy Centre at Freeman's Reach and savings in Facilities Management. There is a forecast net cost of £0.638 million in this area to be covered via COVID general grant.
- 17 Development and Housing is forecast to underspend against budget by £0.323 million. This is the net effect of an underspend of £0.626 million in Planning Development resulting from higher than budget levels of planning fee and building control income, offset by overspends of £0.170 million in Strategy and Project Development and £0.117 million in Economic Development. There were also various minor overspends across the service. There is a forecast net cost of £0.404 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 £2.710 million of COVID general grant funding to support the payment of business recovery grants.
- 19 Culture, Sport and Tourism is forecast to underspend by £0.569 million against budget. The main reasons are underspends in Service Development (£0.243 million) and Locality Services (£0.485 million), primarily relating to vacant posts offset by an unrealised MTFP saving of £0.201 million. There is a forecast net cost of £3.117 million in this area to be covered via COVID general grant.
- 20 Communications Management is forecast to underspend by £0.127 million against budget due to a combination of vacant posts held in advance of MTFP savings required in 2022/23, and reduced costs due to not publishing a Summer Fun Guide or Guide to Services in 2021/22.
- 21 Central costs are forecast to underspend by £0.116 million against budget.

- 22 In summary, the service grouping is managing to maintain spending within its cash limit and as a result is forecast to add £1.687 million to the Regeneration Cash Limit Reserve.

Capital Programme

- 23 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.
- 24 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 £86.975 million.
- 25 Summary financial performance for 2021/22 is shown below.

Service	Revised Annual Budget 2021/22 £000	Actual Spend to 31 December £000	Remaining Budget 2021/22 £000
Culture, Sport and Tourism	11,085	5,883	5,202
Development & Housing	33,637	17,975	15,662
Business Durham	5,813	4,986	827
Corporate Property & Land	26,509	18,009	8,500
Transport & Contracted Services	9,931	4,432	5,499
Total	86,975	51,285	35,690

- 26 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 9 months amounts to **£51.285 million**. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the capital programme.
- 27 The key areas of spend during the year to date are on Office Accommodation (£14.515 million) and Housing Renewal (£7.711 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

- a) County Council Report (24 February 2021) – Medium Term Financial Plan 2021/22 to 2024/25 and Revenue and Capital Budget 2021/22.
- b) Cabinet Report (15 September 2021) – Forecast of Revenue and Capital Outturn – Period to 30 June 2021.
- c) Cabinet Report (17 November 2021) – Forecast of Revenue and Capital Outturn – Period to 30 September 2021.
- d) Cabinet Report (16 March 2022) – Forecast of Revenue and Capital Outturn – Period to 31 December 2021.

Contact: Ian Herberson

Tel: 03000 261861

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 Q3 – 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	63,170	60,250	(2,920)	0	(333)	169	(3,084)
Premises	16,441	17,310	869	0	397	(9)	1,257
Transport	1,612	1,481	(131)	0	0	29	(102)
Supplies & Services	22,420	34,473	12,053	(116)	(716)	(1,612)	9,609
Third Party Payments	41,282	45,904	4,622	870	(4)	179	5,667
Transfer Payments	0	0	0	0	0	0	0
Capital	14,763	14,763	0	0	0	0	0
Central Costs	12,575	12,793	218	0	(5)	0	213
DRF	280	280	0	0	0	0	0
Gross Expenditure	172,543	187,254	14,711	754	(661)	(1,244)	13,560
Grant	(10,540)	(20,116)	(9,576)	0	523	49	(9,004)
Contributions	(17,896)	(19,427)	(1,531)	0	(219)	0	(1,750)
Sales	(2,431)	(988)	1,443	0	0	(1,506)	(63)
Charges	(26,833)	(24,175)	2,658	(9)	78	(4,237)	(1,510)
Rents	(8,846)	(10,089)	(1,243)	0	0	(22)	(1,265)
Recharges	(51,279)	(53,000)	(1,721)	0	0	(100)	(1,821)
Other Income	(549)	(503)	46	0	120	0	166
Gross Income	(118,374)	(128,298)	(9,924)	(9)	502	(5,816)	(15,247)
Total	54,169	58,956	4,787	745	(159)	(7,060)	(1,687)

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

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 31 December £000	Remaining Budget £000
General Fund				
Development & Housing				
North Dock, Seaham	231	231	0	231
Town Centres	8,689	6,112	4,398	4,291
Town & Village Centre	1,540	1,321	1,144	396
Minor Schemes	180	135	135	45
Disabled Facilities Grant /FAP	6,422	4,770	4,568	1,854
Housing Renewal	14,755	9,860	7,711	7,044
Housing Development	913	113	19	894
Chapter Homes	0	0	0	0
Beamish Capital Project	777	223	0	777
Strategy & Programmes Minor Schemes	130	0	0	130
	33,637	22,765	17,975	15,662
Business Durham				
Industrial Estates	5,813	4,019	4,986	827
	5,813	4,019	4,986	827
Corporate Property and Land				
Structural Capitalised Maintenance	5,165	2,889	2,924	2,241
Milburngate	3,863	571	571	3,292
Office Accommodation	17,482	14,775	14,515	2,967
	26,509	18,235	18,009	8,500
Transport & Contracted Services				
Local Transport Plan	3,745	1,778	1,400	2,345
Transport Major Schemes	5,372	3,211	2,593	2,779
T&CS Minor Schemes	813	515	439	374
	9,931	5,504	4,432	5,499
Culture, Sport and Tourism				
AAP Schemes	9	0	0	9
Culture and Museums	8,095	5,148	4,615	3,480
Leisure Centres	2,917	1,701	1,195	1,722
Library	0	0	0	0
Outdoor Sports and Leisure Facilities	73	73	73	0
	11,085	6,922	5,883	5,202
REG Total	86,975	57,445	51,285	35,690