

Economy and Enterprise Overview and Scrutiny Committee

3 October 2022

Regeneration, Economy and Growth – Quarter 4: Revenue and Capital Outturn 2021/22



Report of Corporate Directors

Paul Darby, Corporate Director of Resources

Amy Harhoff, Corporate Director of Regeneration, Economy and Growth

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 2021/22, highlighting major variances in comparison with the budget.

Executive Summary

2. In 2021/22 the service achieved a cash limit variance (underspend) of £1.854 million against a revised budget of £53.591 million. This compares to the previously forecast position (at quarter 3) of a £1.687 million underspend for the year.
3. The REG Cash Limit balance carried forward at 31 March 2022 is £2.867 million. Other earmarked reserves under the direct control of REG total £53.072 million at 31 March 2022.
4. In arriving at the REG Cash Limit variance, Covid-19 related expenditure and loss of income, net of Covid-19 related savings, of £5.431 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 2021/22 was £77.812 million, representing 89.5% of the revised REG capital budget of £86.975

million. A request was made to the Member Officer Working Group to carry forward the £9.163 million underspend to the current year to augment the 2022/23 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 2021/22 revenue and capital budgets.

Background

8. County Council approved the Revenue and Capital budgets for 2021/22 at its meeting on 24 February 2021. 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 - £53.591 million (original £49.630 million)
 - (b) Capital Programme – £86.975 million (original £95.720 million).

Revenue

9. The original revenue budget of £49.630 million has been revised to incorporate a number of budget adjustments and the final revised budget for the service is £53.591 million.
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 actual 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 **£1.854 million** against the revised budget of **£53.591 million** (3.46%).
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

	Revised Annual Budget	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	1,343	8,835	7,492	(6,045)	86	(1,533)	0
Development & Housing	6,483	14,490	8,007	(7,856)	(85)	(806)	(740)
Corporate Property & Land	(1,383)	1,134	2,517	(3,522)	1,165	(369)	(209)
Culture Sport & Tourism	15,032	25,248	10,216	(8,011)	110	(2,577)	(262)
Transport & Contract	3,072	9,858	6,786	(6,969)	292	(139)	(30)
Communications Mgt	2,202	2,091	(111)	(22)	(73)	0	(206)
REG - Central Costs	26,842	8,521	(18,321)	17,910	11	(7)	(407)
Total	53,591	70,177	16,586	(14,515)	1,506	(5,431)	(1,854)

13. The cash limit underspend of £1.854 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 an underspend of £0.262 million against budget. The main reasons are underspends in Service Development (£0.200 million) and Locality Services (£0.608 million), primarily relating to vacant posts offset by an unrealised MTFP saving of £0.201 million and funding of £0.300 million set aside for known costs to be incurred in 2022/23 for Collections storage and City of Culture. There is a net cost of £0.806 million in this area to be covered via COVID general grant.
 - (b) Business Durham is in line with budget after the use of £1.533 million of COVID general grant funding to support the payment of business recovery grants.
 - (c) Transport and Contracted Services is an underspend of £30,000 against budget. Additional enforcement income across the county (£0.597 million) and savings due to staff vacancies across the service are offset by additional bus contract costs (£0.277 million), a loss of departure charges due to the closure of Durham Bus Station (£0.181 million) and the cost of additional repairs to bus stations. In addition, funding has been set aside to cover the known costs of bus station security, car park maintenance and Care Connect equipment in the first part of 2022/23 (£0.270 million). There is a net cost of £0.806 million in this area to be covered via COVID general grant.

- (d) Development and Housing is an underspend against budget of £0.740 million. This is the net effect of an underspend of £0.812 million in Planning Development as a result of higher than budgeted levels of planning fee and building control income, and an underspend of in Physical Development due to savings arising from vacant posts. These underspends are offset by overspends of £91,000 in Economic Development, £77,000 in Strategy and Project Development and £64,000 in Spatial Policy. There is a forecast net cost of £0.806 million in this area to be covered via COVID general grant.
 - (e) Corporate Property and Land is an underspend against budget of £0.209 million against budget. This is due to an underspend of £0.173 million across Facilities Management budgets and an underspend of £37,000 in Strategic Property Management. There is a forecast net cost of £0.369 million in this area to be covered via COVID general grant.
 - (f) Communications Management is an underspend against budget of £0.206 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.
 - (g) Central Costs is an underspend by £0.407 million against budget due to lower than expected year end charges.
- 15 The outturn position has been adjusted by £1.506 million relating to contributions to and from reserves and £5.431 million net COVID adjustment.
- 16 The Cash Limit Reserve carried forward for Regeneration, Economy and Growth is £2.867 million after taking the 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 2020/21. This increased the 2021/22 original budget to a level of £95.720 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 **£86.975 million**.

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

Service	Revised Annual Budget 2021/22 £000	Actual Spend to 31 March £000	Remaining Budget 2021/22 £000
Culture, Sport and Tourism	11,085	9,122	1,963
Development & Housing	33,637	34,002	(365)
Business Durham	5,813	6,467	(654)
Corporate Property & Land	26,509	20,234	6,275
Transport & Contracted Services	9,931	7,987	1,946
Total	86,975	77,812	9,163

21. Actual spend for 2021/22 amounts to **£77.812 million**. **Appendix 3** provides a more detailed breakdown of spend.
22. The key areas of spend during the year to date are on Office Accommodation (£16.243 million), Housing Renewal (£13.878 million) and Town Centres (£11.319 million).

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 2021/22 – Period to 30 June 2021.
- c) Cabinet Report (17 November 2021) – Forecast of Revenue and Capital Outturn 2021/22 – Period to 30 September 2021.
- d) Cabinet Report (16 March 2022) – Forecast of Revenue and Capital Outturn 2021/22 – Period to 31 December 2021.
- e) Cabinet Report (13 July 2022) – 2021/22 Final Outturn for the General Fund and Collection Fund.

Contact:

Ian Herberson – Finance Manager Tel: 03000 261 861

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 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 Council's 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 and Growth Outturn 2021/22 – Subjective Analysis

REG Subjective analysis	Revised Annual Budget	Outturn	Variance	Items Outside Cash Limit	Earmarked Reserves	Net COVID adjustment	Cash Limit Variance
	£000	£000	£000	£000	£000	£000	£000
Employees	63,498	60,681	(2,817)	(114)	(162)	328	(2,765)
Premises	16,044	18,378	2,334	(910)	421	0	1,845
Transport	1,612	1,756	144	5	(10)	37	176
Supplies & Services	22,108	29,982	7,874	(173)	940	(991)	7,650
Third Party Payments	41,282	45,781	4,499	321	(64)	174	4,930
Transfer Payments	0	0	0	0	0	0	0
Capital	14,763	32,481	17,718	(17,718)	0	0	0
Central Support and Other	12,575	12,204	(371)	1,173	(995)	0	(193)
DRF	280	686	406	0	(273)	0	133
Grant	(11,108)	(15,641)	(4,533)	0	997	55	(3,481)
Contributions	(17,704)	(19,596)	(1,892)	0	(21)	0	(1,913)
Sales	(2,431)	(1,174)	1,257	0	0	(1,214)	43
Charges	(26,878)	(26,602)	276	0	318	(3,716)	(3,122)
Rents	(8,623)	(10,194)	(1,571)	0	426	(4)	(1,149)
Recharges	(51,278)	(58,073)	(6,795)	2,901	(16)	(100)	(4,010)
Other Income	(549)	(493)	56	0	(55)	0	1
Total	53,591	70,177	16,586	(14,515)	1,506	(5,431)	(1,854)

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

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 31 March £000	Remaining Budget £000
General Fund				
Development & Housing				
North Dock, Seaham	231	231	281	(50)
Town Centres	8,689	8,689	11,319	(2,630)
Town & Village Centre	1,540	1,540	1,505	35
Minor Schemes	180	180	180	0
Disabled Facilities Grant /FAP	6,422	6,422	6,496	(74)
Housing Renewal	14,755	14,755	13,878	877
Housing Development	913	913	243	670
Chapter Homes	0	0	100	(100)
Beamish Capital Project	777	777	0	777
Strategy & Programmes Minor Schemes	130	130	0	130
	33,637	33,637	34,002	(365)
Business Durham				
Industrial Estates	5,813	5,813	6,467	(654)
	5,813	5,813	6,467	(654)
Corporate Property and Land				
Structural Capitalised Maintenance	5,165	5,165	3,420	1,745
Milburngate	3,863	3,863	571	3,292
Office Accommodation	17,482	17,482	16,243	1,239
	26,510	26,510	20,234	6,276
Transport & Contracted Services				
Local Transport Plan	3,745	3,745	2,755	990
Transport Major Schemes	5,372	5,372	4,518	854
T&CS Minor Schemes	813	813	715	98
	9,930	9,930	7,988	1,942
Culture, Sport and Tourism				
AAP Schemes	0	0	31	(31)
Culture and Museums	8,095	8,095	7,223	872
Leisure Centres	2,917	2,917	1,795	1,122
Library	0	0	0	0
Outdoor Sports and Leisure Facilities	73	73	72	1
	11,085	11,085	9,121	1,964
REG Total	86,975	86,975	77,812	9,163