

Economy and Enterprise Overview and Scrutiny Committee

3 October 2022



Regeneration and Economic Growth – Quarter 1: Forecast of Revenue and Capital Outturn 2022/23

Report of Corporate Directors

Paul Darby, Corporate Director of Resources

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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 2022.

Executive summary

- 2 This report provides an overview of the forecast of outturn, based on the position at quarter 1, 2022/23. 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 £0.808 million, against a revised budget of £56.906 million.
- 4 The service is forecast to require funding of £5.512 million to support budgets under pressure due to hyper-inflation on utilities and the effect of the 2022/23 pay award.
- 5 The service is forecast to require funding of £1.476 million from central contingencies to support budget shortfalls as a result of post covid pressures. This includes £1.180 million in respect of Leisure Centre Income and £0.296 million in respect of Catering income as a result of hybrid working.

- 6 The revised service capital budget is £122.381 million with expenditure to 30 June of £15.227 million.
- 7 Details of the reasons for under and overspending against relevant budget heads are disclosed in the report.

Recommendation(s)

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

Background

9 County Council approved the Revenue and Capital budgets for 2022/23 at its meeting on 23 February 2022. 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 - £56.906 million (original £54.934 million)
- (b) Capital Programme – £122.381 million (original £129.318 million)

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

Description	Change
Pay Award 21/22 and NI Changes	£0.652 m
Co. Archives – from Resources	£0.258 m
Corporate Health & Safety - from Resources to CPAL	£0.795 m
Business Support posts - from Resources to CPAL	£0.135 m
Business Support posts - from Resources to D&H	£0.040 m
HQ Dual Running Costs	£0.092 m
Total change	£1.972 m

11 The summary financial statements contained in the report cover the financial year 2022/23 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 2022/23

- 12 The service is reporting a cash limit overspend of **£0.808 million** against a revised budget of **£56.906 million** (1.42%).
- 13 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
Business Durham	(1,175)	(377)	798		(798)		0
Development and Housing	10,100	10,765	665		(69)	(217)	379
Corporate Property & Land	83	557	474	(296)	(78)	(180)	(80)
Culture Sport & Tourism	15,270	16,895	1,625	(1,180)	654	(906)	193
Transport & Contracted Servs	3,897	4,604	707		1,134	(876)	965
Communications Mgt	1,897	1,842	(55)		(49)	(30)	(134)
REG - Central Costs	26,834	29,622	2,788			(3,303)	(515)
Total	56,906	63,908	7,002	(1,476)	794	(5,512)	808

- 14 The cash limit overspend of £0.808 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

- 15 The main reasons accounting for the outturn position are as follows:
- 16 Transport and Contract Services is forecast to overspend by £0.965 million against budget. In Strategic Traffic there is an overspend on Parking Services (£83,000), Traffic Signals (£70,000) and traffic control measures for events (£75,000). In Care Connect there is a shortfall of £0.372 million in relation to an unfunded regrading of staff (£0.300

million) and reduced SLAs and subsidised client income (£0.100 million) offset by minor underspends across the service. In Integrated Passenger Transport there is a reduction of £0.160 million in departure charges arising from the new Durham Bus Station capital scheme and increased costs of local bus services of £0.129 million.

- 17 Corporate Property and Land is forecast to underspend by £80,000 against budget. Within Buildings & Facilities Management, there is a forecast overspend of £12,000, mainly due to the impact on customer behaviour of the current cost of living crisis). There are also several small overspends expected in relation to enhanced cleaning requirements as a result of Covid-19 (£26,000 in total). Strategy and Property Management is forecast to underspend by £52,000 due primarily to additional unbudgeted commercial properties income, largely offset by an overspend on consultant fees. There are also minor underspends elsewhere within the service, including additional unbudgeted income of £11,000 in Health and Safety.
- 18 Development and Housing is forecast to overspend by £0.379 million against budget. This is largely due to anticipated additional expenditure of £0.940 million in Housing Solutions with regard to temporary accommodation. This continues to be an issue as a legacy of the government initiative to protect and vaccinate all rough sleepers during the pandemic which required additional accommodation (in the form of B&B's and holiday lets). These are still required as these clients remain due to being the most difficult to house (including victims of domestic abuse fleeing homes as a result of lockdown measures). The position is partially offset by additional net income of £0.559 million within Planning Development (planning & building control fees less anticipated additional appeals costs). Forecast overspends relating to Physical Development (£27,000) and Strategy and Project Development (£36,000) are offset by anticipated underspends in Spatial Policy (£51,000) and elsewhere across the service.
- 19 Any over or underspend in relation to the activity of Business Durham is managed through an earmarked reserve and therefore there is no impact on the cash limit position. A contribution to reserves in 2022/23 is anticipated based largely upon current occupancy rates across a range of Business Space sites.
- 20 Culture, Sport and Tourism is forecast to overspend by £0.193 million against budget. The main reasons are a reduction in fine and reservation income in libraries (£83,000) and an unrealised MTFP saving of £0.190 million pending the full year effect of the current service restructure.

- 21 Communications Management is forecast to underspend by £0.134 million against budget. This is due to significant underspends on employee-related costs, partially offset by minor overspends relating to professional fees and advertising.
- 22 Central costs are forecast to underspend by £0.515 million against budget pending a re-allocation of budget to services.
- 23 In summary, the service grouping is not managing to maintain spending within its cash limit and as a result needs to draw £0.808 million from the Regeneration Cash Limit Reserve.

Capital Programme

- 24 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.
- 25 The Regeneration, Economy and Growth Services capital programme was revised at year-end for budget re-phased from 2021/22. 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 £122.381 million.
- 26 Summary financial performance for 2022/23 is shown below.

Service	Revised Annual Budget 2022/23 £000	Actual Spend to 30 June £000	Remaining Budget 2022/23 £000
Development And Housing	39,439	6,484	32,955
Business Durham	11,478	1,222	10,256
Corporate Property & Land	8,944	1,944	7,000
Transport & Contracted Services	35,550	1,897	33,653
Culture Sport and Tourism	26,970	3,680	23,290
Total	122,381	15,227	107,154

- 27 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 3 months amounts to **£15.227 million**. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the capital programme.

28 The areas of spend during the year to date are on Culture and Museums (£2.831 million) and Housing Renewal (£2.655 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 (14 September 2022) – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 June 2022.

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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 2022 in relation to the 2022/23 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	Hyper Inflation Adjustment	Cash Limit Variance
	£000	£000	£000	£000	£000	£000	£000
Employees	70,382	69,442	(960)	0	(71)	(1,199)	(2,230)
Premises	19,219	23,200	3,301	0	0	(3,713)	268
Transport	1,676	1,749	73	0	0	0	73
Supplies & Services	19,149	23,410	4,261	0	(12)	0	4,249
Third Party Payments	49,284	52,041	2,757	0	345	(600)	2,502
Transfer Payments	0	0	0	0	0	0	0
Capital	15,217	15,217	0	0	0	0	0
Central Costs	11,736	12,330	594	0	0	0	594
DRF	280	280	0	0	0	0	0
Gross Expenditure	186,943	197,649	10,706	0	262	(5,512)	5,456
Grant	(8,275)	(10,720)	(2,445)	0	250	0	(2,195)
Contributions	(18,147)	(18,580)	(433)	0	(17)	0	(450)
Sales	(2,566)	(1,811)	755	(296)	0	0	459
Charges	(28,209)	(29,123)	(914)	(1,180)	391	0	(1,703)
Rents	(9,350)	(11,444)	(2,094)	0	0	0	(2,094)
Recharges	(62,603)	(61,358)	1,245	0	(92)	0	1,153
Other Income	(887)	(705)	182	0	0	0	182
Gross Income	(130,037)	(133,741)	(3,704)	(1,476)	532	0	(4,648)
Total	56,906	63,908	7,002	(1,476)	794	(5,512)	808

Appendix 3: Regeneration, Economy and Growth Capital 2022/23

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 30 June £000	Remaining Budget £000
General Fund				
Development & Housing				
North Dock, Seaham	25	0	0	25
Town Centres	13,279	3,512	1,857	11,422
Town & Village Centre	3,154	157	49	3,105
Minor Schemes	180	45	0	180
Disabled Facilities Grant /FAP	7,264	1,686	1,455	5,809
Housing Renewal	12,282	4,590	2,655	9,627
Housing Development	1,492	428	368	1,124
Chapter Homes	260	100	100	160
Beamish Capital Project	1,220	0	0	1,220
Strategy & Programmes Minor Schemes	284	0	0	284
	39,439	10,518	6,484	32,955
Business Durham				
Industrial Estates	11,478	2,296	1,222	10,256
	11,478	2,296	1,222	10,256
Corporate Property and Land				
Structural Capitalised Maintenance	6,117	203	477	5,640
Milburngate	58	58	58	0
Office Accommodation	2,768	1,151	1,409	1,359
	8,944	1,412	1,944	7,000
Transport & Contracted Services				
Local Transport Plan	2,813	731	240	2,573
Transport Major Schemes	32,412	2,109	1,537	30,875
T&CS Minor Schemes	325	78	120	205
	35,550	2,918	1,897	33,653
Culture, Sport and Tourism				
AAP Schemes	13	4	0	13
Culture and Museums	14,605	3,050	2,831	11,774
Leisure Centres	12,294	811	849	11,445
Library	0	0	0	0
Outdoor Sports and Leisure Facilities	58	0	0	58
	26,970	3,865	3,680	23,290
Regeneration & Economic Growth	122,381	21,009	15,227	107,154