

Economy and Enterprise Overview and Scrutiny Committee

19 December 2022



Regeneration and Economic Growth – Quarter 2: 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 2 revenue and capital for Regeneration, Economy and Growth (REG) as at 30 September 2022.

Executive summary

- 2 This report provides an overview of the forecast of outturn, based on the position at quarter 2, 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 £0.621 million, against a revised budget of £57.802 million.
- 4 The service is forecast to require funding of £5.396 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 £1.892 million (£1.476 million from quarter 1 and £0.416 million from quarter 2) from central contingencies to support budget shortfalls as a result of post covid pressures. This includes £1.482 million in respect of Leisure Centre Income, £0.296 million in respect of Catering income as a result of

hybrid working, £59,000 in respect of dual running costs and £55,000 in respect of the Queen's Baton Relay.

- 6 The revised service capital budget is £122.381 million with expenditure of £28.441 million as at 31 August 2022.
- 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 - £57.802 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
Centralised R&M – from AHS and CYPS to CPaL	£0.249 m
Business Support posts - from Transport to Resources	(£0.038 m)
Contribution to Reserves – Q1	(£0.794 m)
Use of Contingencies – Q1	£1.475 m
Total change	£2.864 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 **£0.621 million** against a revised budget of **£57.802 million** (1.07%).
- 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	(377)	(865)	(487)		487		0
Economic Development	1,414	1,883	468		(523)	(34)	(89)
Planning & Housing	5,569	6,737	1,168		(253)	(358)	557
Corporate Property & Land	5,454	6,307	853	(59)	(582)	(143)	68
Culture Sport & Tourism	15,796	17,517	1,721	(357)	(306)	(905)	152
Transport	1,307	3,561	2,254		(1,101)	(695)	458
Communications Mgt	1,947	1,923	(24)		(15)	(71)	(111)
REG - Central Costs	26,692	29,418	2,726			(3,144)	(416)
Total	57,802	66,481	8,679	(416)	(2,293)	(5,350)	621

- 14 The cash limit overspend of £0.621 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 is forecast to overspend by £0.458 million against budget. In Strategic Traffic there is an overspend on Parking Services (£0.146 million) and traffic control measures for events (£70,000). In Integrated

Passenger Transport there is a reduction of £0.160 million in departure charges arising from the new Durham Bus Station capital scheme.

- 17 Corporate Property and Land is forecast to overspend by £68,000 against budget. Within Buildings & Facilities Management, there is a forecast overspend of £97,000, due to overspends of £44,000 within Admin and Civic Buildings (largely relating to rates) and £53,000 within Compliance (relating to staffing). Health & Safety is forecast to overspend by £55,000 due to expenditure relating to the PPE cell arrangements in place until the end of 2022/23. Strategy and Property Management is forecast to overspend by £21,000 due primarily to an overspend on consultants' fees and property management premises costs, largely offset by additional unbudgeted commercial properties income. There is also a minor overspend of £7,000 within Strategy and Project Development relating to staffing. Much of the above is offset by an underspend of £0.112 million on supplies and services within Service Management.
- 18 Planning and Housing is forecast to overspend by £0.557 million against budget. This is largely due to anticipated additional expenditure of £0.846 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 above is partially offset by underspends of £83,000 elsewhere in Housing Solutions (largely relating to staffing and supplies & services). Care Connect is also forecast to overspend by £0.398 million. This is due to an overspend of £0.290 million on staffing as well as under-achieved income of £0.108 million in relation to the subsidised client income stream. The position is partially offset by additional net income of £0.463 million within Planning Development (planning & building control fees less anticipated additional appeals costs). There are further forecast underspends relating to Spatial Policy (£71,000) and Service Management (£70,000) – both largely staffing-related.
- 19 Economic Development is forecast to underspend by £89,000. This is largely due to an underspend on employee-related costs within Service Management as well as other areas across the service, partially offset by a minor overspend on staffing within Funding & Programmes.
- 20 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.

- 21 Culture, Sport and Tourism is forecast to overspend by £0.152 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, offset by a slight increase in staffing vacancies.
- 22 Communications is forecast to underspend by £0.111 million against budget. This is due to significant underspends on employee-related costs.
- 23 Central costs are forecast to underspend by £0.416 million against budget pending a re-allocation of budget to services.
- 24 In summary, the service grouping is not managing to maintain spending within its cash limit and as a result needs to draw £0.621 million from the Regeneration Cash Limit Reserve.

Capital Programme

- 25 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.
- 26 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.

27 Summary financial performance for 2022/23 is shown below.

Service	Revised Annual Budget 2022/23 £000	Actual Spend to 31 August £000	Remaining Budget 2022/23 £000
Planning And Housing	21,298	8,642	12,666
Economic Development	18,141	4,177	13,954
Business Durham	11,478	2,698	8,780
Corporate Property & Land	8,944	2,821	6,123
Transport	35,550	3,571	31,979
Culture Sport and Tourism	26,970	6,532	20,438
Total	122,381	28,441	93,940

28 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 5 months amounts to **£28.441 million**. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the capital programme.

29 The key areas of spend during the year to date are on Culture and Museums (£4.585 million) and Housing Renewal (£5.529 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.
- Cabinet Report (16 November 2022) – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 September 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 Q2 – 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	70,598	69,270	(1,328)	0	0	(1,037)	(2,365)
Premises	19,461	23,705	4,244	0	0	(3,713)	531
Transport	1,674	1,774	100	0	0	0	100
Supplies & Services	22,767	28,563	5,796	0	0	0	5,796
Third Party Payments	45,626	52,172	6,546	0	0	(600)	5,946
Transfer Payments	0	0	0	0	0	0	0
Capital	15,217	15,217	0	0	0	0	0
Central Support	11,696	11,806	110	(416)	(2,293)	0	(2,599)
DRF	280	580	300	0	0	0	300
Grant	(8,634)	(13,270)	(4,636)	0	0	0	(4,636)
Contributions Summary	(18,241)	(18,717)	(476)	0	0	0	(476)
Sales Summary	(2,565)	(1,881)	684	0	0	0	684
Charges	(27,452)	(28,623)	(1,171)	0	0	0	(1,171)
Rents	(9,490)	(11,486)	(1,996)	0	0	0	(1,996)
Recharges	(62,308)	(61,815)	493	0	0	0	493
Other Income Summary	(827)	(814)	13	0	0	0	13
Total	57,802	66,481	8,679	(416)	(2,293)	(5,350)	621

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

	Revised Annual Budget £000	Profiled Budget £000	Actual Spend to 31 August £000	Remaining Budget £000
General Fund				
Planning & Housing				
Chapter Homes	260	100	100	160
Disabled Facilities Grant /FAP	7,264	2,686	2,585	4,679
Housing Renewal	12,282	6,633	5,529	6,763
Housing Development	1,492	428	428	1,064
	21,298	9,847	8,642	12,666
Economic Development				
North Dock, Seaham	25	25	0	25
Town Centres	13,279	6,605	3,583	9,696
Town & Village Centre	3,154	753	198	2,956
Minor Schemes	180	45	45	135
Beamish Capital Project	1,220	0	0	1,220
Forrest Park	0	0	350	(350)
Strategy & Programmes Minor Schemes	284	0	0	284
	18,141	7,428	4,177	13,954
Business Durham				
Industrial Estates	11,478	2,714	2,698	8,780
	11,478	2,714	2,698	8,780
Corporate Property and Land				
Structural Capitalised Maintenance	6,117	823	925	5,172
Milburngate	58	58	392	(334)
Office Accommodation	2,768	1,646	1,484	1,284
	8,944	2,527	2,821	6,123
Transport				
Local Transport Plan	2,813	910	452	2,361
Transport Major Schemes	32,412	4,501	2,935	29,477
T&CS Minor Schemes	325	130	184	141
	35,550	5,541	3,571	31,979
Culture, Sport and Tourism				
AAP Schemes	13	13	0	13
Culture and Museums	14,605	4,770	4,585	10,020
Leisure Centres	12,294	871	1,947	10,347
Library	0	0	0	0
Outdoor Sports and Leisure Facilities	58	24	0	58
	26,970	5,678	6,532	20,438
REG Total	122,381	33,735	28,441	93,940