

Economy and Enterprise Overview and Scrutiny Committee

24 April 2023



Regeneration and Economic Growth – Quarter 3: 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 3 revenue and capital for Regeneration, Economy and Growth (REG) as at 31 December 2022.

Executive summary

- 2 This report provides an overview of the forecast of outturn, based on the position at quarter 3, 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 £0.586 million, against a revised budget of £57.778 million.
- 4 The service is forecast to require funding of £3.953 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 £3.130 million (£1.568 million from quarter 1, £0.416 million from quarter 2 and £1.146 million in quarter 3) from central contingencies to support budget shortfalls mainly as a result of post covid pressures including £1.458 million in respect of Leisure Centre Income and £0.296 million in respect of

Catering income as a result of hybrid working. In addition there is £0.195 million in respect of dual running costs and £0.775 million in respect of Milburngate legal costs and professional fees.

- 6 The revised service capital budget is £84.736 million with expenditure of £56.959 million as at 31 December 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 - £57.778 million (original £54.934 million)

(b) Capital Programme – £84.736 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)
Business Support post - from P&H to Resources	(£0.023 m)
Contribution to Reserves – Q1	(£0.794 m)
Use of Contingencies – Q1	£1.475 m
Total change	£2.841 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 **£0.586 million** against a revised budget of **£57.778 million** (1.01%).
- 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

Head of Service	Revised Annual Budget	Forecast Outturn	Variance	Items Outside Cash Limit	Earmarked Reserves	Net Inflation Adjustment	Cash Limit Variance
	£000	£000	£000	£000	£000	£000	£000
Business Durham	(377)	(705)	(328)		328		0
Economic Development	1,414	1,967	553		(580)	(33)	(60)
Planning & Housing	5,589	6,427	838		819	(669)	988
Corporate Property & Land	5,411	5,954	543	(891)	416	(236)	(169)
Culture Sport & Tourism	15,796	24,861	9,065	(737)	(7,072)	(1,248)	8
Transport	1,307	3,930	2,623	(40)	(1,331)	(781)	471
Communications Mgt	1,947	1,840	(107)		(21)	(65)	(193)
REG - Central Costs	26,692	27,048	356	106		(921)	(459)
Total	57,778	71,322	13,543	(1,562)	(7,442)	(3,953)	586

- 14 The cash limit overspend of £0.586 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 £0.471 million against budget. In Strategic Traffic there is an overspend on parking services (£0.181 million), traffic control measures (£0.139 million) and bus shelters (£0.150 million) due to repairs and maintenance and reduced advertising income.
- 17 Corporate Property and Land is forecast to underspend by £0.169 million against budget. Within Buildings & Facilities Management, there is a forecast overspend of £0.105 million, largely due to overspends within Compliance relating to staffing. Health & Safety is forecast to overspend by £49,000 due to expenditure relating to the PPE cell arrangements in place until the end of 2022/23. Strategy and Property Management is forecast to underspend by £0.168 million due primarily to additional unbudgeted commercial properties income and underspends on staffing. There is also an anticipated underspend £0.112 million on supplies and services within Service Management in addition to minor underspends elsewhere in the service.
- 18 Planning and Housing is forecast to overspend by £0.988 million against budget. This is largely due to anticipated additional expenditure of £0.797 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). Care Connect is also forecast to overspend by £0.552 million. This is due to a significant overspend on staffing as well as under-achieved income in relation to the subsidised client income stream. The position is partially offset by additional net income of £94,000 within Planning Development (planning & building control fees less anticipated additional appeals costs) and forecast underspends relating to Spatial Policy (£0.216 million) and Service Management (£65,000) – both largely staffing-related.
- 19 Economic Development is forecast to underspend by £60,000. 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 overspends within Funding & Programmes, International Relations and Durham Employment and Skills.

- 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 £8,000 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. A one-off benefit arising from the agreement to take full control of the gym facilities at 7 of our leisure centres is offset by a projected overspend at the Gala Theatre and Consett Leisure Centre.
- 22 Communications Management is forecast to underspend by £0.193 million against budget. This is due to significant underspends on employee-related costs.
- 23 Central costs are forecast to underspend by £0.459 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 £0.586 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 £84.736 million.

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

Service	Revised Annual Budget 2022/23 £000	Actual Spend to 31 December £000	Remaining Budget 2022/23 £000
Planning And Housing	23,950	18,017	5,933
Economic Development	7,624	5,236	2,388
Business Durham	4,162	3,119	1,043
Corporate Property & Land	14,475	11,638	2,837
Transport	14,841	6,253	8,588
Culture Sport and Tourism	19,684	12,696	6,988
Total	84,736	56,959	27,777

28 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 9 months amounts to **£56.959 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 (£9.373 million) and Housing Renewal (£11.408 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.
- Cabinet Report (15 March 2023) – Forecast of Revenue and Capital Outturn 2022/23 – Period to 31 December 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 Q3 – 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	70,447	69,896	(551)	0	0	(2,433)	(2,984)
Premises	19,444	21,501	2,057	0	0	(920)	1,137
Transport	1,674	1,800	126	0	0	0	126
Supplies & Services	22,828	31,503	8,675	(75)	0	0	8,600
Third Party Payments	45,626	59,298	13,672	0	0	(600)	13,072
Transfer Payments	0	0	0	0	0	0	0
Capital	15,217	15,217	0	0	0	0	0
Central Support	11,696	11,775	79	(1,487)	(7,442)	0	(8,850)
DRF	280	292	12	0	0	0	12
Grant	(8,634)	(13,589)	(4,955)	0	0	0	(4,955)
Contributions Summary	(18,241)	(18,860)	(619)	0	0	0	(619)
Sales Summary	(2,565)	(1,815)	750	0	0	0	750
Charges	(27,452)	(29,986)	(2,534)	0	0	0	(2,534)
Rents	(9,427)	(12,012)	(2,585)	0	0	0	(2,585)
Recharges	(62,244)	(63,160)	(916)	0	0	0	(916)
Other Income Summary	(871)	(538)	333	0	0	0	333
Total	57,778	71,322	13,543	(1,562)	(7,442)	(3,953)	586

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

	Revised Annual Budget £000	Actual Spend to 31 December £000	Remaining Budget £000
General Fund			
Planning & Housing			
Chapter Homes	260	100	160
Disabled Facilities Grant /FAP	7,231	6,076	1,155
Housing Renewal	15,879	11,408	4,471
Housing Development	580	433	147
	23,950	18,017	5,933
Economic Development			
North Dock, Seaham	25	25	0
Town Centres	3,187	1,548	1,639
Town & Village Centre	1,168	564	604
Minor Schemes	180	90	90
Beamish Capital Project	2,609	2,609	0
Forrest Park	400	400	0
Strategy & Programmes Minor Schemes	55	0	55
	7,624	5,236	2,388
Business Durham			
Industrial Estates	4,162	3,119	1,043
	4,162	3,119	1,043
Corporate Property and Land			
Structural Capitalised Maintenance	3,081	1,627	1,454
Milburngate	3,109	2,511	598
Office Accommodation	8,285	7,500	785
	14,475	11,638	2,837
Transport			
Local Transport Plan	2,420	1,333	1,087
Transport Major Schemes	11,978	4,571	7,407
T&CS Minor Schemes	443	349	94
	14,841	6,253	8,588
Culture, Sport and Tourism			
AAP Schemes	5	5	0
Culture and Museums	12,927	9,373	3,554
Leisure Centres	6,718	3,318	3,400
Library	0	0	0
Outdoor Sports and Leisure Facilities	34	0	34
	19,684	12,696	6,988
REG Total	84,736	56,959	27,777