

Economy and Enterprise Overview and Scrutiny Committee

18 September 2023



Regeneration, Economy and Growth – Quarter 1: Forecast of Revenue and Capital Outturn 2023/24

Report of Corporate Directors

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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 2023.

Executive summary

- 2 This report provides an overview of the forecast of outturn, based on the position at quarter 1, 2023/24. 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 £0.868 million, against a revised budget of £54.428 million.
- 4 Energy prices are falling quicker than originally predicted and the forecast underspend on utilities of £1.082 million has been treated as inflationary sums outside the cash limit.
- 5 The service is forecast to require funding of £1.967 million from central contingencies to support anticipated budget shortfalls with regard to £0.994 million anticipated leisure centre income general reductions, £0.646 million leisure centre income reductions due to transformation, £90,000 chief officers and apprentice pay award for 2023/24, £95,000

Health & Safety radon works, £95,000 double running costs of premises and £47,000 legal / professional fees for the Milburngate development.

- 6 The revised service capital budget is £135.867 million with expenditure of £9.702 million as at 30 June 2023.
- 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 2023/24 at its meeting on 22 February 2023. 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 - £54.428 million (original £56.363 million)

(b) Capital Programme – £135.867 million (original £131.502 million)

10 The original service revenue budget has been revised in year to incorporate various budget adjustments. These are shown in the table below:

Description	Change (£m)
Comms & Marketing – from REG to CEO	(1.935)
Total Change	(1.935)

11 The summary financial statements contained in the report cover the financial year 2023/24 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 2023/24

- 12 The service is reporting a cash limit overspend of **£0.868 million** against a revised budget of **£54.428 million** (1.59%).
- 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	(1,314)	(1,200)	114	0	(114)	0	0
Economic Development	1,449	1,823	374	(10)	(336)	0	28
Corporate Property & Land	1,865	2,295	430	(254)	(410)	0	(235)
Culture Sport & Tourism	16,797	19,593	2,796	(1,658)	(941)	0	196
Planning & Housing	6,924	7,663	739	(20)	(301)	0	418
Transport & Contracted Servs	2,927	1,678	(1,249)	(18)	1,727	0	461
REG - Central Costs	25,780	24,704	(1,076)	(7)	0	1,082	0
Total	54,428	56,555	2,128	(1,967)	(374)	1,082	868

- 14 The cash limit overspend of £0.868 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 Culture, Sport and Tourism is forecast to overspend by £0.196 million against budget. The main reasons are a loss of income at Shildon Leisure Centre of £60,000, an unachieved MTFP 13 saving for Sevenhills recharge of £75,000, an overspend in contract cleaning and materials of £0.230 million due to inflationary increases and £60,000

overspend on events. Overspends were partially offset by a one off benefit arising from the agreement to take full control of the gym facilities at seven of our leisure centres of £229,000.

- 17 Transport and Contract Services is forecast to overspend by £0.461 million against budget. The main reasons are an under-recovery of departure charge income at Durham Bus Station of £0.104 million, on-going costs for a new database system of £71,000, increased business rate charges on car parks of £0.135 million, an overspend on routine electrical testing of car park street lighting of £66,000, unachieved staff efficiency savings of £62,000 and an overspend of £23,000 on Bus Shelter maintenance.
- 18 Planning and Housing is forecast to overspend by £0.418 million against budget. This is largely due to an anticipated underachievement of income of £0.440 million with regard to planning fee income, as the volume of applications received has reduced significantly over the last 12 months (linked to current economic circumstances such as increased interest rates and construction costs). This is partially offset by anticipated staffing underspends of £95,000. Care Connect is forecast to overspend by £0.110 million due to anticipated staff overtime and enhancement costs. The position is partially offset by an anticipated underspend of £37,000 in Spatial Policy due mainly to staff turnover.
- 19 Economic Development is forecast to overspend by £28,000 against budget, which is predominantly attributed to under-recovery of training income in the Employment & Skills service.
- 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 2023/24 is anticipated based largely upon current occupancy rates across a range of Business Space sites exceeding the base budget provision, resulting in an overachievement of net income receivable in year.
- 21 Corporate Property and Land is forecast to underspend by £0.235 million against budget. Within Buildings & Facilities Management, there is a forecast overspend of £0.192 million, mainly relating to the Catering service, which anticipates a shortfall in income as a result of hybrid working and reduced footfall in the internal staff facilities such as County Hall and Green Lane. Strategy and Property Management is forecast to underspend by £0.280 million due primarily to additional budget growth of £0.600 million in 2023/24 for a staffing restructure that is not expected to be in place until 2024/25. The underspend is partially offset by expenditure relating to interim support (consultants & professional fees) pending the implementation of the restructure. There

are also minor underspends elsewhere within the service, including additional unbudgeted income in Business Development of £55,000, as well as underspends on supplies & services within Service Management of £92,000.

- 22 In summary, the service grouping is not managing to maintain spending within its cash limit and as a result needs to draw £0.868 million from 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-profiled from 2022/23. 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 £135.867 million.
- 25 Summary financial performance for 2023/24 is shown below.

Service	Revised Annual Budget 2023/24 £000	Actual Spend to 30 June £000	Remaining Budget 2023/24 £000
Economic Development	32,456	1,266	31,190
Corporate Property & Land	17,997	1,629	16,368
Culture Sport & Tourism	29,140	1,917	27,223
Strategic Programmes	303	-	303
Planning & Housing	11,083	3,579	7,504
Transport & Contracted Services	44,888	1,311	43,577
Total	135,867	9,702	126,165

- 26 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 3 months amounts to £9.702 million. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the capital programme.

Background papers

- Cabinet Report (13 September 2023) – [Forecast of Revenue and Capital Outturn 2023/24 - Period to 30 June 2023](#)
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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 2023 in relation to the 2023/24 financial year.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital outturn position alongside details of balance sheet items such as earmarked reserves held by the service grouping to support its priorities.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

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, Economy & Growth Forecast Outturn at Q1 – Subjective Analysis

REG Subjective Analysis	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
Employees	74,572	72,565	(2,007)	(90)	0	0	(2,097)
Premises	23,270	23,850	580	0	0	1,082	1,662
Transport	1,663	1,675	12	0	0	0	12
Supplies & Services	19,106	23,016	3,910	0	0	0	3,910
Third Party Payments	44,912	49,085	4,173	0	0	0	4,173
Transfer Payments	0	1	1	0	0	0	1
Capital	13,592	13,592	0	0	0	0	0
Central Costs	11,996	12,598	602	(237)	(374)	0	(10)
DRF	0	0	0	0	0	0	0
Gross Expenditure	189,111	196,382	7,271	(327)	(374)	1,082	7,651
Grant	(9,100)	(14,084)	(4,984)	0	0	0	(4,984)
Contributions	(19,624)	(20,446)	(822)	0	0	0	(822)
Sales	(2,562)	(1,958)	604	0	0	0	604
Charges	(29,861)	(28,704)	1,157	(1,640)	0	0	(483)
Rents	(10,102)	(12,370)	(2,268)	0	0	0	(2,268)
Recharges	(62,753)	(61,907)	846	0	0	0	846
Other Income	(681)	(357)	324	0	0	0	324
Gross Income	(134,683)	(139,826)	(5,143)	(1,640)	0	0	(6,783)
Total	54,428	56,555	2,128	(1,967)	(374)	1,082	868

Appendix 3: Regeneration, Economy and Growth Capital 2023/24

	Revised Annual Budget £000	Actual Spend to 31 May £000	Remaining Budget £000
General Fund			
Economic Development			
Chapter Homes	500	0	500
Minor Schemes	150	0	150
North Dock Seaham	25	0	25
Beamish Capital Project	500	0	500
Town & Village Centre	5,442	156	5,286
Town Centres	12,168	258	11,910
	18,785	414	18,371
Business Durham			
Industrial Estates	13,671	852	12,819
	13,671	852	12,819
Planning & Housing			
Housing Renewal	5,748	2,219	3,529
Housing Development	0	1	(1)
DFG/FAP	4,569	1,359	3,210
Minor P&H	767	0	767
	11,084	3,579	7,505
Corporate Property and Land			
Office Accommodation	9,321	1,054	8,267
Structural Capitalised Maint	5,908	573	5,335
Milburngate	2,768	1	2,767
	17,997	1,628	16,369
Transport & Contracted Services			
Local Transport Plan	2,561	59	2,502
Transport Major Schemes	42,119	1,221	40,898
T&CE	208	31	177
	44,888	1,311	43,577
Culture, Sport and Tourism			
AAP Schemes	9	0	9
Culture and Museums	15,723	887	14,836
Leisure Centres	13,049	1,030	12,019
Outdoor S&L Facilities	358	0	358
	29,139	1,917	27,222
Strategic Programmes			
Minor SPP	303	0	303
	303	0	303
REG Total	135,867	9,701	126,166