

Economy and Enterprise Overview and Scrutiny Committee

18 December 2023



Regeneration, Economy and Growth – Quarter 2: 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 2 revenue and capital for Regeneration, Economy and Growth (REG) as at 30 September 2023.

Executive summary

- 2 This report provides an overview of the forecast of outturn, based on the position at quarter 2, 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 £0.725 million, against a revised budget of £54.465 million after taking account of the forecast use of reserves and items outside the cash limit, including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. The quarter one forecast estimated a cash limit overspend of £0.868 million in year.
- 4 Reductions in energy prices of £1.675 million, along with the 2023/24 pay award for Chief Officers and Apprentices of £90,000 have been excluded from the cash limit forecast outturn position. Also excluded is £1.793 million in respect of Leisure Centre income shortfalls covered

corporately and £0.548 million which has been covered from central contingencies (£95,000 Radon Monitoring, £0.280 million Milburngate legal and professional fees and £0.173 million premises double running costs at the Story and Plot C).

- 5 The revised service capital budget is £149.881 million with expenditure of £54.125 million as at 30 September 2023.
- 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 contents of this report.

Background

8 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 - £54.465 million (original £56.363 million)
- (b) Capital Programme – £149.881 million (original £131.502 million)

9 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)
Design & Conservation – from NCC to REG (P&H)	0.262
Post Transfer to Care Connect – RES to REG (P&H)	0.030
Post Transfer from B&FM – REG (CPaL) to RES	(0.028)
Post Transfer from H&S – REG (CPaL) to RES	(0.011)
Post Transfer from T&CS – REG to RES	(0.038)
LTP Income from NCC to REG (T&CS)	(0.017)
EV Charging Infrastructure – from REG (T&CS) to NCC	(0.011)
Transfer of restructure budget – REG (Central) to Corporate	(0.101)
Self-Financing Capital Charges: House Building/CDLA – REG (P&H) to Corporate	(0.048)
Total Change	(1.898)

10 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

- 11 The service is reporting a cash limit overspend of **£0.725 million** against a revised budget of **£54.465 million** (1.33%).
- 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).

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	(1,314)	(1,037)	277	0	(277)	0	0
Economic Development	1,509	2,005	496	(10)	(476)	0	10
Corporate Property & Land	1,791	1,745	(46)	(565)	354	0	(257)
Culture Sport & Tourism	16,822	21,025	4,203	(1,812)	(2,287)	0	104
Planning & Housing	7,193	7,456	263	(20)	118	0	362
Transport & Contracted Servs	2,885	979	(1,906)	(18)	2,429	0	505
REG - Central Costs	25,579	23,912	(1,667)	(7)	0	1,675	1
Total	54,465	56,084	1,619	(2,431)	(138)	1,675	725

- 13 The cash limit overspend of £0.725 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:
- 15 Culture, Sport and Tourism is forecast to overspend by £0.104 million against budget. The main reasons are an unrealised MTFP saving of £75,000, a capital contribution of £86,000 for leisure transformation and an anticipated loss of income of £0.121 million at Killhope Museum. These 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.
- 16 Transport and Contract Services is forecast to overspend by £0.505 million against budget. The main reasons are an underrecovery of departure charge income at Durham bus station of £0.104 million, on-going costs for a new database system of £71,000, an anticipated under-achievement of income for park and ride of £0.250 million, unbudgeted spending of £0.160 million for enforcement cameras, 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, under-recovery of bus shelter advertising income of £0.117 million and an overspend on bus shelter repairs and maintenance of £72,000. These were partially offset by an underspend of £0.150 million against Durham bus station for its closure in year, £0.127 million overachievement of parking income and £0.193 million of underspends mainly relating to road safety employee costs and school crossing patrols.
- 17 Planning and Housing is forecast to overspend by £0.362 million against budget. This is largely due to an anticipated underachievement of income of £0.562 million with regard to planning fee income, as the volume of applications received has Page 293 reduced significantly over the last 12 months (linked to current economic circumstances such as increased interest rates and construction costs). Temporary accommodation budgets are also forecast to overspend by £0.142 million. These overspends are partially offset by anticipated staffing underspends of £0.342 million across the service;
- 18 Economic Development is forecast to overspend by £10,000 against budget, which is predominantly attributed to under-recovery of training income in the Employment & Skills 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 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.

- 20 Corporate Property and Land is forecast to underspend by £0.256 million against budget. Within Buildings & Facilities Management, there is a forecast overspend of £0.216 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 £0.410 million due primarily to additional budget growth of £0.600 million included in the base budget from 2022/23 for a staffing restructure that is not now expected to be in place until 2024/25. The underspend is partially offset by expenditure relating to interim support (consultants and 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 £41,000, as well as underspends on supplies and services of £21,000.
- 21 In summary, the service grouping is not managing to maintain spending within its cash limit and as a result needs to draw £0.725 million from the Regeneration Cash Limit Reserve.

Capital Programme

- 22 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.
- 23 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 £149.881 million.

24 Summary financial performance for 2023/24 is shown below.

Service	Revised Annual Budget 2023/24 £000	Actual Spend to 30 September £000	Remaining Budget 2023/24 £000
Economic Development	36,101	5,772	30,329
Corporate Property & Land	23,764	15,634	8,130
Culture Sport & Tourism	25,932	12,897	13,035
Strategic Programmes	271	-	-
Planning & Housing	17,409	7,538	9,871
Transport & Contracted Services	46,404	12,284	34,120
Total	149,881	54,125	95,756

25 Officers continue to carefully monitor capital expenditure on a monthly basis. Actual spend for the first 6 months amounts to £54.125 million. **Appendix 3** provides a more detailed breakdown of spend across the major projects contained within the capital programme.

Background papers

- County Council Report (22 February 2023) - [Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24](#)
- Cabinet Report (13 September 2023) – Forecast of Revenue and Capital Outturn 2023/24 – Period to 30 June 2023.
- Cabinet Report (15 November 2023) – Forecast of Revenue and Capital Outturn 2023/24 – Period to 30 September 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 Q2 – 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	74,296	71,285	(3,011)	(90)	0	0	(3,101)
Premises	23,434	23,820	386	0	0	1,675	2,061
Transport	1,638	1,710	72	0	0	0	72
Supplies & Services	19,128	26,692	7,564	0	0	0	7,563
Third Party Payments	45,580	54,946	9,366	0	0	0	9,366
Transfer Payments	0	1	1	0	0	0	1
Capital	13,592	13,592	0	0	0	0	0
Central Costs	11,996	12,669	673	(548)	(138)	0	(13)
DRF	0	159	159	0	0	0	159
Gross Expenditure	189,664	204,874	15,210	(638)	(138)	1,675	16,108
Grant	(9,222)	(15,560)	(6,338)	0	0	0	(6,339)
Contributions	(19,739)	(20,096)	(357)	0	0	0	(357)
Sales	(2,562)	(2,022)	540	0	0	0	540
Charges	(30,021)	(30,383)	(362)	(1,793)	0	0	(2,155)
Rents	(10,169)	(12,154)	(1,985)	0	0	0	(1,984)
Recharges	(62,809)	(68,245)	(5,436)	0	0	0	(5,436)
Other Income	(676)	(328)	348	0	0	0	349
Gross Income	(135,198)	(148,788)	(13,590)	(1,793)	0	0	(15,382)
Total	54,465	56,084	1,619	(2,431)	(138)	1,675	725

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

General Fund	Revised Annual Budget £000	Actual Spend to 30 Sep £000	Remaining Budget £000
Economic Development			
Industrial Estates	21,980	3,468	18,512
Minor Schemes	150	75	75
North Dock Seaham	25	25	0
Beamish Capital Project	500	0	500
Town & Village Environmental Maint.	4,191	1,100	3,091
<u>Town Centres:</u>			
Barnard Castle	76	32	44
Bishop Auckland	6,296	655	5,641
Consett	516	1	515
Durham	503	0	503
Peterlee	284	6	278
Seaham	1,121	351	770
Spennymoor	327	34	293
Other	132	26	106
	36,101	5,772	30,329
Planning & Housing			
Housing Renewal	9,269	2,607	6,662
Housing Development	195	25	170
Disabled Facility Grants/Financial Assist	7,176	4,859	2,317
Care Connect Digital Upgrade	769	47	722
	17,409	7,538	9,871
Corporate Property and Land			
Office Accommodation	19,502	14,140	5,362
Structural Capitalised Maint.	3,858	1,333	2,525
Milburngate	403	160	243
	23,764	15,634	8,130
Transport & Contracted Services			
Local Transport Plan	1,795	409	1,386
Transport Major Schemes	43,802	11,782	32,020
Traffic & Community Engagement	807	93	715
	46,404	12,284	34,120
Culture, Sport and Tourism			
<u>Culture and Museums:</u>			
The Story	4,472	3,577	895
Sildon Coal Drops	513	33	480

	Revised Annual Budget £000	Actual Spend to 30 Sep £000	Remaining Budget £000
General Fund			
Redhills Refurbishment	815	500	315
Locomotion New Building	2,976	0	2,976
Weardale Railway	1,977	569	1,408
Killhope Museum	610	360	250
DLIMAG	1,630	487	1,143
Other	18	2	16
<u>Leisure Centres:</u>			
Teesdale LC	335	11	324
Spennymoor LC	2,080	988	1,092
Woodhouse Close LC	950	240	710
Peterlee LC	4,638	3,932	706
Abbey LC	2,318	2,147	171
Louisa LC	2,197	11	2,186
Other	359	13	346
Outdoor S&L Facilities	46	28	18
	25,932	12,897	13,035
Strategic Programmes			
Minor SPP	271	0	271
	271	0	271
REG Total	149,881	54,125	95,756