

## Budget Monitoring Report 2022/23 – Period 4

Summary: This report summarises the budget monitoring position for the revenue account, capital programme and reserves statement to the end of July 2022

Options considered: Not applicable

Conclusions: The overall position at the end of July 2022 shows a £4,149,811 underspend for the current financial year on the revenue account, this is however currently expected to deliver a full year underspend of £472,234 (but these may be impacted by in year cost pressures as shown in paragraph 2.4).

Recommendations: **It is recommended that Cabinet:**

- 1) **Note the contents of the report and the current budget monitoring position.**
- 2) **That £30,000 is released from the Asset Management reserve for health and safety works at Mundesley road car park, North Walsham.**
- 3) **That it is recommended to Full Council that £130,000 is released from the Major Repairs reserve to increase the existing capital budget for Fakenham Connect.**

Reasons for Recommendations: To update Members on the current budget monitoring position for the Council.

### LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

*(Papers relied on to write the report, which do not contain exempt information, and which are not published elsewhere)*

System Budget monitoring reports
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Cabinet Member(s) Cllr Eric Seward	Ward(s) affected All
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## 1. Introduction

- 1.1 This report compares the actual expenditure and income position at the end of July 2022 to the Updated budget for 2022/23. The original Base Budget as agreed by Full Council in February 2022 has been updated to reflect approved budget virements.

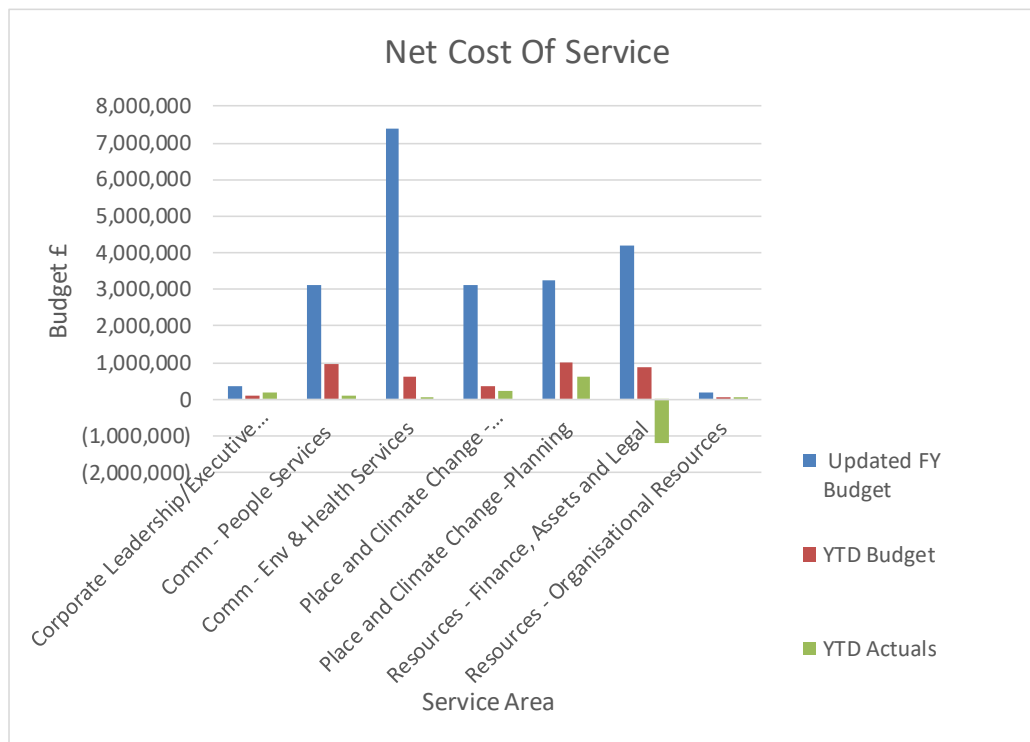
## 2. Revenue

- 2.1 The General Fund Summary at Appendix A shows the high level budget monitoring position as at 31 July 2022 and highlights a year to date variance of £4,149,811 underspend against the profiled updated budget. There is an under spend of £3,960,868 in relation to the service variances with the remainder relating to non-service specific budgets.

	<b>Budget YTD £</b>	<b>Actuals YTD £</b>	<b>YTD Variance £</b>	<b>Estimated FYE £</b>
<b>Net Cost of Service</b>	£3,963,449	£2,581	(£3,960,868)	£15,000
<b>External interest – Received/Paid</b>	(£330,372)	(£519,313)	(£188,941)	(£487,234)
<b>Income from Government Grant and Taxpayers</b>	(£8,824,782)	(£8,824,782)	0	0
<b>Total FYE</b>				<b>(£472,234)</b>

- 2.2 The Chart below illustrates these variances per service area and Appendix B provides further details of the individual service variances. Variances are reported against the updated budget in the Council's General Fund summary as shown in Appendix A. There has been movement within the service areas between the Base budget approved by Full Council and the current updated budget position, this reflects changes in service budget allocation including the transfer of the car park budget and management. From 1 June 2022 this budget transferred from Communities to Resources.

### Variance by Service Area



- 2.3 A significant part of the variance relates to Serco contract payments. Accruals have been brought forward from 2021/22 relating to variable billing for which we have not yet received any invoices - this is due to reconciliation issues. In addition, we have only received invoices for 2022/23 in respect of the fixed price elements of the contract (bin collections, cleansing and grounds maintenance) – a payment was made but coded only to Waste – this needs to be allocated across various service areas.
- 2.4 The current financial position excludes the likely impacts of increasing Inflation. The 2022/23 base budget allowed for a 2% increase on employee budgets, however currently the national pay award is likely to be far higher than this value once agreed. Based on current negotiations the shortfall could be in the region of £474k. Other budgets across the Council are likely to be adversely affected by the current economic trends including utilities, contract expenditure and running costs inflation. These additional costs may be largely offset by the additional investment income anticipated, however as part of the outturn report the surplus is recommended to be transferred to the General reserve and this could be used to mitigate any negative impacts.
- 2.5 Table 1 below shows the over/underspend to date for the more significant variances, this is compared to the updated budget. The estimated full year variance is what the likely financial position will be at the end of the financial year.

Table 1 – Service Variances	Over/(Under) spend to date against updated budget +/- £20,000 As per General Fund Summary £	Estimated Full Year Variance Against Updated Budget £

<b>Corporate</b>		
<b>Corporate Leadership and Executive support</b> – Additional employee costs alongside planned recruitment for Director of Resources and interim Section 151 cover.	£52,013	£60,000
<b>Human Resources and Payroll</b> - The majority of this variance is in respect of recruitment costs, which will be allocated to the service areas.	£21,201	0
<b>Communities – Environment &amp; Leisure</b>		
<b>Parks and Open Spaces</b> – (£62,835) Cleansing & Grounds maintenance contract payments not made - invoices awaited from contractor. (£83,386) Income relating to a Section 106 agreement, this will be ringfenced and drawn down at a later date.	(£142,977)	0
<b>Other Sports</b> - £19,313 Additional costs associated with the Mammoth Marathon. £13,989 additional staffing including redundancy costs.	£33,471	£30,000
<b>Beach safety</b> – Cleansing contract payments not yet made awaiting invoices from the contractor.	(£68,527)	0
<b>Waste Collection and Disposal</b> – (£984,483) Accruals brought forward for contractor invoices relating to 2021/22. £1,025,241 First quarter payments to Serco coded to Waste - to be allocated across various services. (£90,187) Additional commercial fee income.	(£51,576)	0
<b>Cleansing</b> – Accrual brought forward from 2021/22 not yet offset by expenditure.	(£393,323)	0
<b>Communities – Peoples Services</b>		
Benefits Administration – Staff turnover due to vacancies and secondments. (£46,063) Service grants received from Department for Works and Pensions to be offset by additional expenditure.	(£72,864)	0
<b>Homelessness</b> - Increased Bed and Breakfast accommodation charges to be offset by subsidy and client contributions. Additional grant funding to be allocated to staffing and service provision.	(£127,466)	0
<b>Housing Options</b> – (See Homelessness) – Additional grant income to be allocated to staffing budget.	£34,038	0
<b>Community</b> – This significant variance is mostly made up of grants and contributions	(£670,059)	0

drawn down which were not budgeted for. These include (£35k) Contribution from NHS for the Community Transformation Fund (Waiting Well); Grants of (£347k) Covid Recovery Fund, (£125k) Contain Outbreak Management Fund (COMF) and (£120k) Ukraine Funding - all to be used for staffing and partnership payments.		
<b>Place and Climate Change – Planning</b>		
<b>Development Management</b> – Staff turnover savings from vacant posts. (£47,915) Fee income and pre-application advice. (£165,691) Section 111 & Section 106 income ringfenced to be offset by appropriate expenditure.	(£247,638)	(£25,000)
<b>Planning Policy</b> – Staff turnover savings due to vacant posts.	(£28,311)	(£15,000)
Conservation, Design & Landscape – Staff turnover savings due to vacant posts. (£10,047) Grant income received.	(£41,629)	(£20,000)
<b>Major Developments</b> – Staff turnover due to vacant posts.	(£29,097)	(£15,000)
<b>Building Control</b> - Fee income over the profiled budget - as this is a self-financing service any surplus/deficit position on the fee earning element of the service will be met with a corresponding earmarked reserve movement at the year end.	(£54,797)	0
<b>Place and Climate Change – Sustainable Growth</b>		
<b>Coastal Management</b> – Staff turnover due to vacant posts, this will not result in a full year effect but will require less financing from earmarked reserves.	(£44,005)	0
<b>Resources – Finance, Assets and Legal</b>		
<b>Revenue Services</b> – (£1,759,283) Covid - 19 Grant accruals b/f from 2021/22 awaiting final reconciliation work and repayment to Department for Business, Energy & Industrial Strategy (BEIS).	(£1,762,560)	0
<b>Corporate Finance</b> – Staff Turnover savings due to vacant posts - this will be offset by temporary agency support. Contribution accrual not fully offset by expenditure.	(£88,758)	0
<b>Investment properties</b> – Service charge	£22,234	0

accruals not yet offset by income.		
<b>Corporate and Democratic Core –</b> Accrual in respect of 2021/22 audit fees not yet offset by expenditure. (£125k) Unbudgeted grant received from Central Government for consultancy, admin and support costs relating to the Levelling Up Bid process.	(£207,843)	0
<b>Resources – Organisational Resources</b>		
<b>Car parking –</b> (£123,462) Car Park and Cleansing contract invoices not yet received. Higher than anticipated R & M and Business rate costs of £53,672. (£60,811) Car park income is up against the profiled budget. This budget will continue to be monitored and an estimated Full Year Effect calculated for P6 monitoring.	(£130,601)	0
<b>Property Services –</b> Accrual relating to the Re-opening of the High Street project not yet offset by Income.	£82,865	0
<b>Customer Services - Corporate –</b> (£24,847) Staff turnover savings due to vacant posts. (£10,610) Service charge Income.	(£34,175)	
<b>Net Position</b>	<b>(£3,950,384)</b>	<b>£15,000</b>

### 3. Non-Service Variances to period 4 2022/23

#### Investment Interest

- 3.1 The interest budget for 2022/23 anticipates that a total of £1,149,481 will be earned from Treasury investments and loans made for service purposes. Overall, an average balance of £42.8m is assumed, at an average interest rate of 2.68%.
- 3.2 At the end of period 4, a total of £545,572 has been earned, resulting in a favourable variance against the year-to-date budget of £162,516. The average rate of interest achieved was 3.59% from an average balance available for investment of £45m. At the end of the year a favourable variance against the budget of £487,234 is anticipated. A total of £32.0m has been invested in pooled funds which are valued at £33.3m at the end of period 4. The increase in interest and decrease in capital value are both consequences of the increasing base rate following the economic events of Russia.
- 3.3 The Council has a balanced portfolio with a diverse range of funds investing in different instruments. The Council can expect the valuation of its pooled investments to continue to be volatile, but this is in line with expectations when the investments were placed. The risks inherent in the volatile nature of these investments are mitigated as the Council intends to hold them for the long term. Interest rates continue to outperform borrowing rates, therefore holding onto investments still provides the best rate of return for the Council.

### **Borrowing Interest**

- 3.4 The budget for 2022/23 anticipates that £2,000 would be paid in interest for short-term borrowing for cash flow purposes.
- 3.5 At period 4, a total of £3,662 has been paid resulting in an adverse variance against the budget of £1,662. At the end of the year an adverse variance against the budget of £23,858 is anticipated. This is following increased borrowing interest rates from economic events. As highlighted in point 3.3. the increase in interest rates for the Council's long-term deposits (pooled funds) outweigh the increased cost of borrowing.
- 3.6 Interest for long-term borrowing has been budgeted for £143,532 for financing the Reef Leisure Centre and purchase of Waste Vehicles.
- 3.7 At period 4, there had been no commitments to long-term borrowing for capital purposes. At end of the year, if long-term borrowing is not undertaken a favourable variance of £143,532 against budget is forecast, although at the present time we are assuming that the borrowing will be taken. This may change dependent on future cash inflows and the timing of the repayment of excess grant funding from central government. The decision to undertake short-term or long-term borrowing will be made in line with our borrowing strategy.

### **Retained Business Rates**

- 3.8 There is currently no variance showing against Non-Domestic Rates income for the financial year at this stage of the year. The final variance will not be known until the NNDR3 form is completed at the end of the financial year and the grant actually due to the authority has been determined. Any large value appeals or anything which may significantly affect the NNDR income will be reported in future reports if required.

## **4. Capital**

- 4.1 Total Capital expenditure amounted to £631,777 (including budgeted capital salaries) across all projects in the first four months of 2022/23.
- 4.2 A capital budget of £30,000 is required to undertake urgent repairs to the surface of the Mundesley road car park in North Walsham. This is to address public health and safety issues and protect the Council from the risk of future insurance claims. It is recommended that £30,000 is released from the Asset Management reserve.
- 4.3 Included in the current capital programme is a budget for works at Fakenham Connect, this £100,000 is in relation to repair works to the grade listed boundary walls. Procurement for this work has now been undertaken and has identified a shortfall in resources of £130,000. The Council leases the Fakenham Connect Building and has legal obligations for its repair and maintenance. Due to the building specification, it is necessary that this work is undertaken in favourable weather conditions. It is recommended that £130,000 is released from the Major Repairs reserve to allow this work to proceed this autumn.

- 4.4 The Capital Programme has been updated to reflect changes as per the Outturn Report 2021/22 which is also on this agenda, and can be found at Appendix C. No further changes have been made.

## **5. Reserves**

- 5.1 The Council's current Reserve Statement is included as part of the Outturn report at Appendix C, this gives the latest position of amounts allocated to services.

## **6. Corporate Plan Objectives**

- 6.1 Corporate Plan objectives are supported by the Councils allocated budgets

## **7. Medium Term Financial Strategy**

The report provides an update on the budget monitoring position to the end of July 2022 which forms part of the Medium Term financial Strategy

## **8. Financial and Resource Implications**

The report is financial in nature and financial implications are included within the content of the report.

## **9. Legal Implications**

None as a direct consequence of this report

## **10. Risks**

- 10.1 The detail within section 2 of the report highlights the more significant variances including those that are estimated to result in a full year impact.
- 10.2 The estimated outturn will continue to be monitored during the year.

## **11. Sustainability**

None as a direct consequence of this report

## **12. Climate / Carbon impact**

None as a direct consequence of this report

## **13. Equality and Diversity**

None as a direct consequence of this report

## **14. Section 17 Crime and Disorder considerations**

None as a direct consequence of this report

## **15. Conclusion and Recommendations**

- 15.1 The revenue budget is showing an estimated full year underspend for the current financial year of £472,234. The overall financial position continues to be closely monitored and it is anticipated that the overall budget for the current year will be achieved.

- 12.2 The Council will continue to try and address any forecast deficit which may arise during the year by looking to make further savings and reallocate resources within the current budget as the reserves are already under pressure and only represent a one-off source of funding which is not sustainable in the medium term. Should the Council not be able to make



these adjustments in year then reserves will be required to balance the budget although this requirement is not anticipated at the current time.