

## Budget Monitoring Report 2022/23 – Period 10

Summary: This report summarises the budget monitoring position for the revenue account and capital programme to the end of January 2023.

Options considered: Not applicable

Conclusions: The overall position at the end of January 2023 shows a £3.022m underspend for the current financial year on the revenue account. However, this is currently expected to deliver a full year overspend of £0.603m. At the end of 2021/22 £0.616m was added to the General Fund Reserve to help offset the impacts of pay and inflation in this current year.

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

- 1) Note the contents of the report and the current budget monitoring position.**
- 2) Recommend to full Council that any outturn deficit is funded by using the General Fund Reserve.**

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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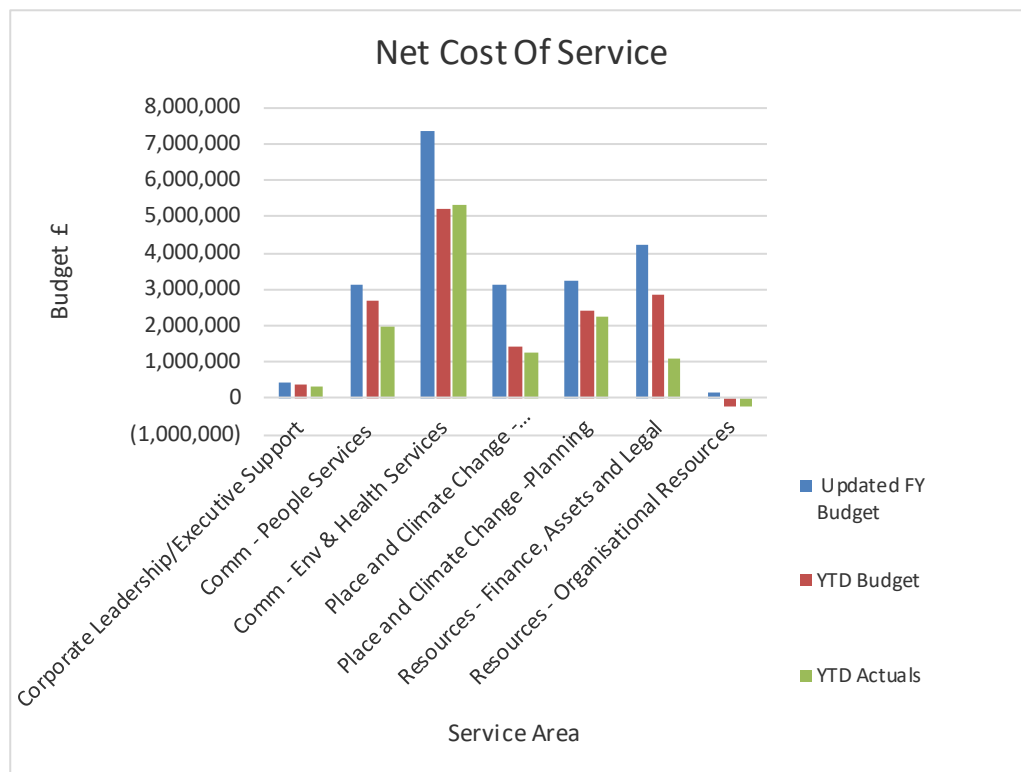
## 1. Introduction

1.1 This report compares the actual expenditure and income position at the end of January 2023 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 January 2023 and highlights a year-to-date underspend of £3.022m against the profiled updated budget. There is an underspend of £2.729m in relation to the service variances with the remainder relating to non-service specific budgets.

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.



2.3 A significant part of the year-to-date surplus is in relation to additional grant funding received which was not budgeted for. This includes funding in relation to the UK Shared Prosperity Fund (UKSPF), additional Contain Outbreak Management Fund (COMF), COVID recovery fund and Ukraine funding. These additional grants are being used to fund additional resources, staffing and community support costs. In addition (£1.759m) relates to accruals made in respect of COVID business grant balances that have not yet been repaid to Central Government. We have yet to be notified of when final reconciliation

work will be required, but it is anticipated that this reconciliation work and any repayment due will be completed before the end of the financial year.

- 2.4 At Period 6, estimates were prepared to inform members of the likely impacts of current economic pressures on the Council's finances. These have continued to be reviewed and a revised position has been prepared as to the likely impacts on the full year position.
- 2.5 Within the period 6 budget monitoring statement, a favourable variance of (£146,918) was forecast from our investment activities. This estimated surplus has increased due to the increase in interest rates and at P10, we are anticipating a surplus of (£263,245). Further analysis can be found within section 3 of this report.
- 2.6 The previously estimated overspend that relates to the employee pay award was thought to be in the region of £0.474m for the full year. The pay award was agreed and paid to employees in November 2022. This, along with other variances, has led to the estimated overspend at the full end of £0.198m, this anticipates £72,810 redundancy and associated pension costs being funded from the Invest to Save/Restructuring reserve.
- 2.7 In calculating this year end position the following adjustments were taken into account
- Grant funding that covers staff pay and oncosts
  - staff turnover savings adjusted where vacant posts were budgeted to be funded from reserves.
  - £0.149m of Planning staff savings that have been put forward as a savings within the 2023/24 budget setting process.
- 2.8 There is an overspend on fuel costs. Energy prices have increased significantly, due to the Russian invasion of Ukraine and the subsequent global shortages in energy supplies. The current year-to-date overspend when compared against budget is £0.130m. It is currently estimated the overspend at the year-end will be £0.270m above budget.
- 2.9 The leisure contract has been renegotiated will result in a net £0.114m increase in 2022/23. Following these contract renegotiations, a five-year extension has been agreed with the current provider. The outcome of which was not forecast as part of the budget setting process. For 2023/24 onwards a profit share arrangement has been budgeted for.
- 2.10 The Serco Waste Contract is complex and there are several elements where there are variances against budget. These are shown in the table below:

<b>Serco Waste Contract Area</b>	<b>Variance £m</b>
Increased inflation	0.250
2021/22 variable contract payments	0.160
Trade waste income anticipated over budget	(0.210)
Revised NEWS gate fee	(0.030)
<b>Total net overspend compared to budget</b>	<b>0.170</b>

- 2.11 Table 1 below shows the overspends and (underspends) 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. Full Year effects that have been separately reported above within this report have not been included here.

<b>Table 1 – Service Variances</b>	<b>Over/(Under) spend to date against updated budget +/- £20k As per General Fund Summary £</b>	<b>Estimated Full Year Variance Against Updated Budget £</b>
<b>Corporate</b>		
<b>Corporate Leadership and Executive support</b> Additional employee costs including recruitment for Director of Resources and interim Section 151 cover.	71,781	Included within Employee FYE
<b>Human Resources and Payroll</b> - £33,329 Additional employee costs. £19,266 Unplanned professional advice fees. £12,400 Recruitment costs for HR Manager from prior year. (£47,021) Underspend in common training budget of which £30,000 is an agreed saving towards 2023/24 budget.	13,087	30,000
<b>Registration Services</b> - (£25,477) Employee saving due to vacant posts. (£5,922) Postage costs and (£2,246) Professional fees, both due to be used in later periods. (£21,285) Electoral Integrity New Burdens Funding. (£11,730) Additional 2019 General Election Grant.	(72,561)	(11,730)
<b>Communications</b> - £28,750 Employee costs re maternity cover costs. (£5,833) Graphics/Photographs. (£6,881) Marketing.	19,465	Included within Employee FYE
<b>Corporate Delivery Unit</b> - (£36,626) Staff turnover saving due to vacant posts. (£11,391) Subscriptions.	(47,653)	(10,000)
<b>Communities – Environment &amp; Leisure</b>		
<b>Parks and Open Spaces</b> – £12,728 Higher R&M costs. £7,447 Higher utility costs; £4,579 Surveyor fees at various sites; £5,949 Higher Serco contract costs for Cleansing and Grounds Maintenance.	27,248	20,000
<b>Leisure Complexes</b> – (£77,507) Accruals brought forward from 2021/22 for the hire of school halls; £37,854 Higher running costs; £4,226 Consultancy fees in connection with the negotiation of management fees; £132,670 Higher management fees (new contracts). This will lead to a potential full year overspend of circa. £120k.	96,176	See 2.9
<b>Other Sports</b> –Net costs associated with the Mammoth Marathon.	16,335	5,000
<b>Cromer Pier</b> - Higher insurance premium offset by lower R&M costs.	64,662	60,000
<b>Waste Collection and Disposal</b> – £179,577 Serco variable billing contract invoices; (£81,781) NEWS contractor payments - change in price per tonne; £16,525 Consultancy costs	53,248	See 2.10

associated with legal advice. £8,831 Bad debt written off. The balance consists of minor misc. variances. (£191,423) Additional fee income; £92,551 Recycling credit income - claims awaited; £31,003 Outstanding debtor provisions for costs relating to a Deed of Variation and clinical waste disposal.		
<b>Cleansing</b> – (£124,442) Variable billing contract invoices not received from Serco. (£13,461) Additional income from recharging for dog and litter bins; (£4,895) Sale of vehicle.	(148,703)	(20,000)
<b>Communities – Peoples Services</b>		
Benefits Administration – £54,079 overspend in employee costs - to be funded from grant/reserve; £7,641 Higher costs relating to annual billing (some of which will be recharged out); £32,346 Professional fees and consultancy costs - to be funded from grant/reserve. (£123,386) Grants received from the Department for Works and Pensions (DWP) to offset additional costs of legislative changes and service improvements.	(29,132)	0
<b>Homelessness</b> - Increased Bed and Breakfast accommodation charges offset by subsidy and client contributions. Additional grant funding to be allocated to staffing and service provision.	(422,125)	0
<b>Housing Options</b> – (See Homelessness) – Additional grant income to be allocated to staffing budgets.	117,962	0
<b>Community</b> – This significant variance is mostly made up of grants and contributions drawn down which were not budgeted for, this is being used to fund additional staffing and partnership payments.	(355,789)	0
<b>Place and Climate Change – Planning</b>		
<b>Development Management</b> – (£119,474) Employee savings due to vacant posts. (£26,063) Employee training. (£18,271) Employee travel. £25,332 Computer software. £24,200 Legal fees. £20,000 Pending S106 virement. £13,729 Recruitment costs. £7,727 Professional fees. £5,834 Consultancy fees. £4,638 Subscriptions.	(17,676)	40,000
<b>Planning Policy</b> – Staff turnover savings due to vacant posts.	(26,547)	Included within Employee FYE
<b>Conservation, Design &amp; Landscape</b> – (£88,576) Employee savings due to vacant posts. (£3,021) Employee Travel. £12,639 Enforcement board works.	(90,564)	(10,000)
<b>Building Control</b> – Staff turnover due to vacant posts. 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.	(16,344)	0
<b>Place and Climate Change – Sustainable Growth</b>		

<b>Economic Growth</b> – £9,003 Sheringham Little Theatre boiler repairs. £6,796 Consultancy fees. £5,180 Insurance premiums. (£7,247) Computer software. (£4,387) Grant payments funded from reserves. (£170,275) UK Shared Prosperity Fund to be assigned to various in-year projects. (£10,782) 21/22 Norfolk County Council business rates pool claim not accrued. (£6,000) Visitor Economy Network Initiative project income not budgeted for.	(160,125)	0
<b>Coast Protection</b> – £48,469 Sea defences - overspend in year to be covered by reserve funds.	47,405	0
<b>Business Growth Staffing</b> – (£32,459) Employee savings due to vacant posts, this will not result in a Full year variance as this was funded from earmarked reserves.	(34,904)	
<b>Coastal Management</b> – Employee variances due to vacant posts - this will be partially offset by adjustments to the use of reserves.	72,245	0
<b>Resources – Finance, Assets and Legal</b>		
<b>Industrial Estates</b> - £22,013 Insurance costs due to revaluations, £10,298 Other professional fees. £24,719 Reduction in rental income received.	57,865	30,000
<b>Parklands</b> – This asset has now been sold; we are expecting some final account adjustments to be made.	(5,756)	(15,000)
<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). New burdens funding not budgeted for.	(1,819,420)	0
<b>Non-Distributed costs</b> – Overspend in relation to superannuation act strain.	43,465	Included within Employee FYE
<b>Admin Buildings</b> – £36,717 Repairs and Maintenance, £62,108 Utility costs, £17,980 Premises insurances, £29,376 Serco Contract cleaning, £17,980 Premises insurance, (£72,246) Income from DWP relating to Covid Cleaning costs at the Cromer & Fakenham offices, (£37,506) Capital repayment costs.	51,179	50,000
<b>Corporate Finance</b> – Staff Turnover savings due to vacant posts have been offset by one off staffing costs including temporary agency support costs. The net impact has been included within the Employee FYE outlined at 2.6. FYE relates to the Subscription budget, which was not included in the base budget.	47,429	15,000
<b>Insurance &amp; Risk Management</b> – Underspend in insurance premiums, mainly in relation to the Public Liability element. Although there could be further spend a full year saving is currently predicted.	(59,088)	(40,000)
<b>Internal Audit</b> – Invoices outstanding in relation to current year contract.	(53,814)	0
<b>Chalets/Beach Huts</b> – Additional income and	(19,220)	(20,000)

savings in supplies and services budgets.		
<b>Investment properties</b> – Additional Repair and Maintenance costs, Overspends in Utility costs and premises insurance.	81,399	50,000
<b>Central Costs</b> – Staffing cost savings, these have been included in the Employee full year effect estimate.	(24,079)	Included within Employee FYE
<b>Corporate and Democratic Core</b> – (£191,499) External audit fees, accruals in respect of previous years not yet offset by expenditure. Unbudgeted grants of (£125,000) received from Central Government for consultancy, admin and support costs relating to the Levelling Up Bid process, partially offset by expenditure of £38,446. £218,427 Enterprise zone contribution to be met for the business rates reserve. £14,492 relates to higher subscriptions and miscoded employee costs.	(37,549)	0
<b>Legal</b> – (£8,688) Vacant post, partly offset by other professional fees. Reduction in income forecast due to reduction in work carried on behalf of BCKLWN.	6,969	51,000
<b>Resources – Organisational Resources</b>		
<b>Car parking</b> – Higher than anticipated R & M costs of £144,038 and Business Rates £37,829. (£303,172) Car park income is up against the profiled budget. This budget will continue to be monitored.	(149,477)	(200,000)
<b>ICT Support Services</b> – Underspends relating to employees and computer software costs. No FYE has been anticipated due to some of this expenditure being funded from earmarked reserves.	(55,905)	0
<b>Property Services</b> – The majority of this overspend is in relation to employee inflation. The Full year effect estimated is in relation to Repairs and maintenance.	65,155	10,000
<b>Public Conveniences</b> - £27,619 R&M Buildings Overspend due to unbudgeted vandalism and arson costs. £14,620 overspend in relation to toilet hire at Weybourne. £66,893 in relation to utility costs. £25,129 Serco Costs re contract cleaning. £14,676 Premises insurance.	142,345	80,000
<b>Customer Services - Corporate</b> – The year to date variance is largely due to employee savings, these savings have been included within the Employee FYE calculated at 2.6 above.	(41,964)	Included within Employee FYE
<b>Net Position</b>	<b>(2,592,975)</b>	<b>114,270</b>

2.12 Table 2 below summarises the bottom-line position of all the current Full Year effects.

**Table 2 – Full Year Effects**

	<b>Budget YTD £</b>	<b>Actuals YTD £</b>	<b>YTD Variance £</b>	<b>Estimated FYE £</b>
<b>Net Cost of Service (para 2.10)</b>	14,699,215	11,970,664	(2,728,551)	114,270
<b>Employee Variances /Inflation (para 2.6)</b>				197,617*
<b>Energy Costs (para 2.8)</b>				270,000
<b>Leisure Contract (para 2.9)</b>				114,150
<b>Serco Waste Contract (para 2.10)</b>				170,000
<b>External interest – Received/Paid (para 2.5)</b>				(263,245)
<b>Income from Government Grant and Taxpayers</b>				0
<b>Total FYE</b>				<b>602,792</b>

2.14 This report recommends funding any out-turn deficit from the general reserve. At the end of 2021/22 £0.616m was added to this reserve to help offset the national impacts of additional costs such as pay inflation, contract inflation and energy price increases.

### **3. Non-Service Variances to period 10 2022/23**

#### **Investment And Borrowing Interest**

3.1 The interest budget for 2022/23 anticipates that a total of £1.149m 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 10, a total of £1.235m has been earned, resulting in a favourable variance against the year-to-date budget of £0.288m. The average rate of interest achieved was 3.19% from an average balance available for investment of £46.2m. At the end of the year a favourable variance against the budget of £0.413m is anticipated as the Monetary Policy Committee continue to increase the base rate resulting in increasing interest rates. This is beneficial for the Council's investment returns. A total of £32.0m has been invested in pooled funds which are valued at £34.1m at the end of period 10. Capital values which dropped during the turmoil of 2022 are now starting to steadily recover to positive values. These external factors are outside the Council's control but will have a direct impact in the total investment return (both negatively and positively).

3.3 The Council can expect the valuation of its pooled investments to become less volatile with the economic situation reaching more certainty than in the prior couple of years. These short-term fluctuations were expected as these sorts of investments are long-term investments which over their long duration tend to result in capital growth. Any investments that are withdrawn will be balanced to reduce any capital loss to a minimum during any financial year.



- 3.4 Borrowing interest rates remain higher than investment interest rates and so to avoid borrowing costs investment cash will be used instead of borrowing whilst this situation continues. As outlined in the Council's 2023-24 Treasury Strategy (presented for approval by full Council on 22 February 2024), £10m of long-term Pooled Fund investments will be withdrawn in February/March 2023 and used to manage the Council's cashflow position rather than borrowing. This will result in a net saving for the Council.
- 3.5 The budget for 2022/23 anticipates that £2,000 would be paid in short-term borrowing interest for cash flow purposes.
- 3.6 At period 10, actual borrowing totalled £0.115m against a budget of £0.113m. At the end of the year an adverse variance against the budget of £0.149m is anticipated. This is due to the rising costs of borrowing that have come about because of the global and national events of the last year.

#### **Retained Business Rates**

- 3.7 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 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 as required.

#### **4. Capital**

- 4.1 Total Capital expenditure amounted to £4.435m (excluding budgeted capital salaries of £0.123m which are not allocated to individual capital schemes until after the year end when the Out-turn position is calculated) across all projects up to 31 January 2023. The budget for these schemes is £13.985m. There is an underspend of £9.550m as at 31 January 2023. The details of the spend against budget is shown in Appendix C. The capital financing of the capital programme is not calculated until the final outturn position is known so that the best use of resources can be achieved. However the funding sources for all capital expenditure is determined prior to it being put forward for Member approval.

#### **5. Corporate Plan Objectives**

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

#### **6. Medium Term Financial Strategy**

The report provides an update on the budget monitoring position to the end of January 2023, which is used to update the Medium Term Financial Strategy.

#### **7. Financial and Resource Implications**

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

#### **8. Legal Implications**

None as a direct consequence of this report

#### **9. Risks**

- 9.1 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.

**9.2** The estimated outturn will continue to be monitored during the year.

**10. Sustainability**

None as a direct consequence of this report

**11. Climate / Carbon impact**

None as a direct consequence of this report

**12. Equality and Diversity**

None as a direct consequence of this report

**13. Section 17 Crime and Disorder considerations**

None as a direct consequence of this report

**14. Conclusion and Recommendations**

14.1 The revenue budget is showing an estimated full year overspend for the current financial year of £0.603m. The overall financial position continues to be closely monitored.

14.2 The capital programme shows an underspend position of £9.550m against a budget of £13.985m. The position will be monitored during the rest of the year.

14.3 The Council will continue to take measures to reduce the forecast deficit of £0.602m during the remainder of the financial year. The Finance Team will work with Service Managers to identify where any savings can be made and where resources can be reallocated to reduce the deficit. The reserves are a one-off source of funding and using them routinely 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 fund the deficit.