

BUDGET MONITORING P4 2023/24	
Executive Summary	<p>This report summarises the budget monitoring position for the revenue account, capital programme and reserves statement to the end of July 2023.</p> <p>The overall position at the end of July 2023 shows a £3,905,574 underspend for the current financial year on the revenue account, this is however currently expected to deliver a full year overspend of £25,000.</p>
Options considered	Not applicable
Consultation(s)	Cabinet Member Section 151 officer Budget Managers
Recommendations	<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1) Note the contents of the report and the current budget monitoring position. <p>Recommend the following to Full Council:</p> <ol style="list-style-type: none"> 2) That a new capital budget of £0.050m is added to the capital programme to fund repair works to the Marrams Footpath, with funding coming from the Council's Capital Receipts. 3) That a new capital budget of £0.370m is added to the capital programme to demolish and rebuild the Public Conveniences at Albert Street, Holt with £0.120m to be funded from an insurance claim and £0.250m to be funded from the Council's Capital Receipts. 4) That a new capital budget of £1.040m is added to the capital programme in respect of the Local Authority Housing Fund. 5) That the current Provision of Temporary Accommodation Budget is increased by £0.178m to £0.983m for 2023/24 following receipt of the Local Authority Housing Fund grant. 6) That a capital budget of £1.458m be added to the capital programme for the Rural England Prosperity Fund expenditure and £0.266m be added to the capital programme for the UK Shared Prosperity Fund expenditure as shown in paragraph 4.7 and note that this will be funded by external funding. 7) That a capital budget of £14.610m be added to the capital programme as shown in paragraph 4.8 and note that the project will be funded by external funding.

Reasons for recommendations	To update members on the current budget monitoring position for the Council.
Background papers	Finance system budget monitoring reports \\fs\Accounts\Budget Monitoring\BUDGET MONITORING\2023-24\Period 4\Report\Final Report & Appendices\Budget Monitoring P4 2023-24.doc
Wards affected	All
Cabinet member(s)	Cllr Lucy Shires
Contact Officer	s151 Tina Stanley, Tina.stankley@north-norfolk.gov.uk

Links to key documents:	
Corporate Plan:	Budgets set to support the Corporate Plan objectives.
Medium Term Financial Strategy (MTFS)	Budget process in line with MTFS
Council Policies & Strategies	Service Budgets set in line with the council policies and strategies

Corporate Governance:	
Is this a key decision	no
Has the public interest test been applied	Not an exempt item
Details of any previous decision(s) on this matter	N/A

1. Introduction

- 1.1 This report compares the actual expenditure and income position at the end of July 2023 to the Updated budget for 2023/24. The original Base Budget as agreed by Full Council in February 2023 has been updated to reflect approved budget virements.

2. Revenue

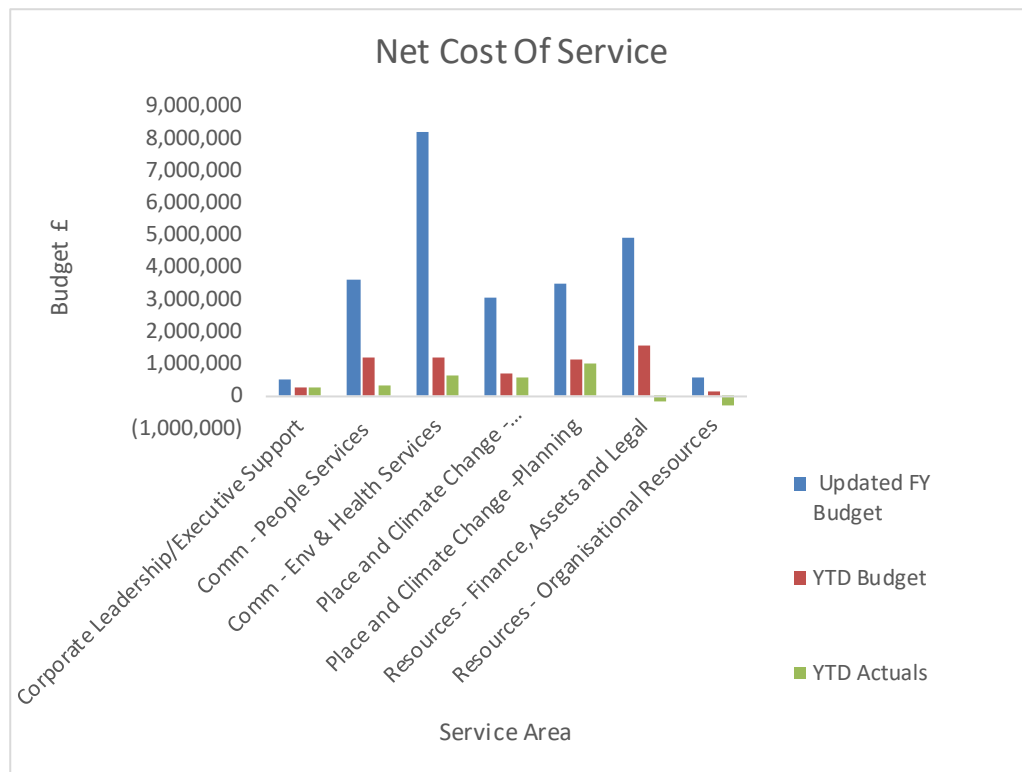
- 2.1 The General Fund Summary at Appendix A shows the high-level budget monitoring position as of 31 July 2023 and highlights a year-to-date variance of £3,905,574 underspend against the profiled updated budget. There is an under spend of £3,897,864 in relation to the service variances with the remainder relating to non-service specific budgets. At this point In the financial year the position is still impacted by a number of provisions made in relation to 2022/23 which have not been offset by invoices, these are highlighted within the detail below.

	Budget YTD £	Actuals YTD £	YTD Variance £	Estimated FYE £
Net Cost of Service	£6,323,100	£2,425,236	(£3,897,864)	£25,000
External interest – Received/Paid	(£510,946)	(£521,261)	(£10,315)	0

Income from Government Grant and Taxpayers	(£3,527,126)	(£3,524,671)	£2,455	0
Total FYE				£25,000

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. The management reporting structure has been amended to reflect the budget responsibility of Cromer Pier and Amenity Lighting transferring from Communities to Resources.

Variance by Service Area



2.3 Table 1 below shows the over/underspend to date for the more significant variances, this is compared to the updated budget. At this point in the financial year, it is still difficult to accurately predict the impact of Full year effects, however the Finance team will continue to liaise with budget managers and provide members with an updated position at period 6.

Table 1 – Service Variances	Over/(Under) spend to date against updated budget +/- £30,000 As per General Fund Summary	Estimated Full Year Variance Against Updated Budget
	£	£

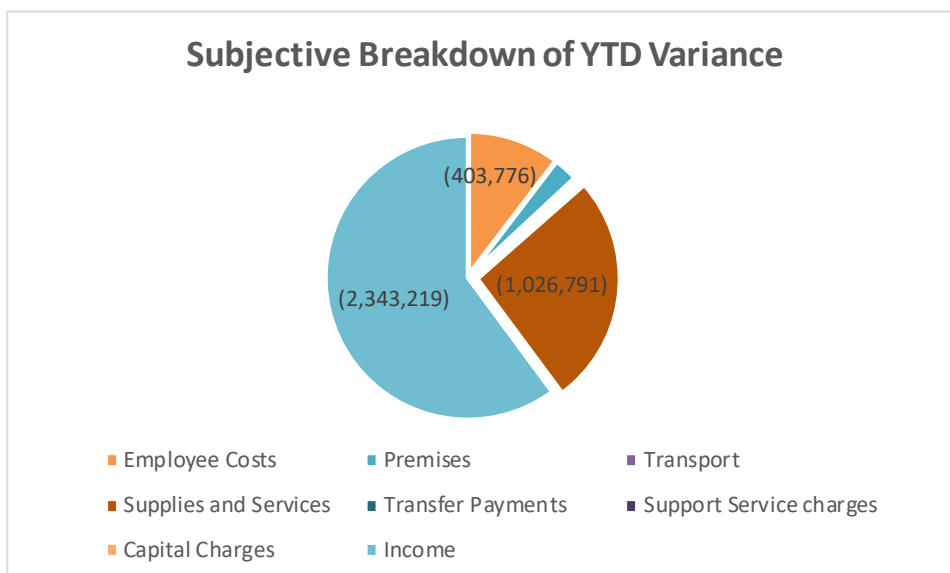
Communities – People Services		
Benefits Administration – (£39,863) Staff turnover from vacant posts. £29,463 Computer software costs offset by New Burdens grant funding of (£75,306).	(£85,262)	0
Homelessness – (£33,174) Temporary accommodation lower running expenses. £83,125 Higher Bed and breakfast costs offset by recoverable subsidy and client contributions. (£542,136) Additional grant income, Homeless Prevention, Rough Sleeper initiative.	(£491,026)	0
Housing Options – Staff turnover from vacant post. Target Hardening grant from Norfolk County Council.	(£44,016)	0
Community – Temporary staffing costs to be offset by grant funding, including Homes for Ukraine and Contain Outbreak Management Fund (COMF).	(£220,478)	0
Communities – Environmental Health and Leisure		
Internal Drainage Board Levies – Grant income from DLUHC to help ease the financial pressures in IDB levies inflation.	(£35,178)	0
Environmental Contracts – Staffing savings due to vacant posts and maternity leave.	(£35,464)	0
Parks and Open Spaces – £44,133 Serco grounds maintenance and cleansing costs. £5,729 Higher Repairs and Maintenance.	£49,046	0
Leisure Complexes – Accrual in relation to 2022/23 hall rentals not yet invoiced	(£90,313)	0
Other Sports – Net impact of Mammoth Marathon event which was cancelled.	(£28,453)	(£15,000)
Waste Collection and Disposal – (£411,000) Commercial waste disposal, invoices not yet received. (£68,113) Lower contract payments to Norfolk Environmental Waste service (NEWS). Debtor accruals brought forward for NEWS - £56,423 profit share and smoothing mechanism, £73,536 returned gate fee.	(£368,299)	0
Cleansing – Variable billing invoices still outstanding from contractor.	(£60,140)	0
Place – Sustainable Growth		

Economic Growth – (£52,316) Go Digital Grant accrual for 2022/23 not yet offset by expenditure.	(£61,428)	0
Coast Protection – (£33,536) Employee turnover, which is being used to fund a contribution to the interim coastal manager. (£22,500) Grant Claim relating to a prior year.	(£59,117)	0
Place – Planning		
Conservation, Design & Landscape – (£30,985) Vacant posts offset by reduced reserve contribution. (£26,807) Ringfenced biodiversity grant to be offset by expenditure.	(£70,996)	0
Property Information - £46,318 Land Charge search fee down due to lower applications, this has been partially offset by reduced fees from Norfolk County Council. Any net surplus or Deficit will be met from the Land Charges earmarked reserve.	£28,776	0
Resources – Finance, Assets and Legal		
Revenue Services – (£31,090) Employee turnover savings. (£1,400,175) 2022/23 Accrual relating to unspent Omicron grant, reconciliation work has now been finalised and this will be repaid to Business, Energy and Industrial Strategy (BEIS) in August. (£90,021) New Burdens Funding in relation to energy grant schemes.	(£1,527,046)	0
Benefits Subsidy – £64,006 Hardship Support Schemes offset by grant. The Year-to-date variance is in relation to timing differences.	(£42,184)	0
Admin Buildings – The variance is largely in relation to a service charge accrual in relation to accommodation at Cromer and Fakenham not yet received.	£73,429	0
Corporate Finance – (£59,793) Employee costs relating to vacant posts. Included in this figure are two apprentice posts funded from earmarked reserves. The net underspend will be used to offset the cost of professional fees required for interim service provision. (£8,103) New Burdens Transparency grant.	(£70,319)	0
Investment Properties – £18,123 Additional repair and maintenance costs in relation to the Rocket House and other Lettings. £39,651 Income shortfall.	£63,410	0

Corporate and Democratic Core – The variance on this service is largely in relation to accrual in relation to prior year external audit fees which have not yet been offset by expenditure.	(£169,308)	0
Legal Services – (£49,386) Employee variances due to vacant posts - this is partially offset by the costs of Locum lawyer fees.	(£33,940)	0
Resources – Organisational Resources		
Car Parking – (£17,652) Grounds maintenance, (£42,879) Business Rates, (£223,962) 2022/23 Management fee not yet invoiced by contractor. (£60,438) Qtr. 1 2023/24 Management fee not invoiced by contractor. (£17,565) Unbudgeted Electric Vehicle Charging Point Income.	(£363,424)	0
IT Support Services – (£54,666) staff turnover from vacant posts. There is anticipated to be a full year overspend of £40,000 on IT software costs, this is due to higher than anticipated inflationary increases and additional service demand.	(£60,822)	£40,000
Public Conveniences – Higher Premises costs including £32,370 contract cleaning and £8,991 utilities. This increased expenditure has partially been offset by an insurance claim reimbursement.	£28,746	0
Customer Services – Staff turnover relating to vacant posts. Some of this current saving will be offset by a reduced contribution from earmarked reserves.	(£58,268)	0
Total Variances P4 2023/24	£3,732,074	£25,000

2.4 In line with the Chartered Institute of Public Finance and Accountancy (Cipfa) the Council's budgets are prepared using recommended subjective headings; these include, employees, premises, transport, supplies and services, third party payments, transfer payments, support services, capital charges and income. The pie chart below illustrates how the current (£3,897,864) variance is broken down. Further detailed analysis is provided within the service area appendices at appendix B.

Subjective Breakdown of YTD Variance



- **Employee Costs – (£403,776)** The 2023/24 pay award has not yet been approved; an inflationary full year increase of around £585,000 was added to the base budget. The current establishment has a number of vacant posts, some of which are funded from earmarked reserves. This has been partially offset by a number of temporary funded posts which have not yet been allocated to the budget.
- **Premises – (£104,846)** Grounds Maintenance invoices not received. Sports and Leisure; hall hire rental accruals for 2022/23 not offset by invoices.
- **Supplies and Services – (£1,026,791)** Fees and Services, Norfolk County Council trade waste disposal fee accrual for 2022/23 not yet offset by expenditure. External Audit Fees for prior year not yet offset.
- **Income – (£2,343,219)** The Majority of this variance is in relation to grant income, the largest of which is in relation to the balance of Omicron grant (£1,400,175) this is to be repaid to the Department for Business, Energy, and Industrial Strategy (BEIS) - reconciliation work has now been undertaken and the balance will be refunded before the period 6 monitoring statement is prepared. A number of other revenue grants have been received in this financial year which weren't included in the base budget. These include Homeless Prevention, Homes for Ukraine, and Hardship funding. These grants are ringfenced and will be offset by qualifying expenditure. Fee income in areas such as Planning and Building control is currently down against the profiled budget, this will continue to be monitored but no full year effect is currently anticipated.

3. Non-Service Variances to period 4 2023/24

Investment Interest

- 3.1 The interest budget for 2023/24 anticipates that a total of £1,533,436 will be earned from Treasury investments and loans made for service purposes. Overall, an average balance of £34,191m is assumed, at an average interest rate of 4.48%.
These assumptions were based on the Council's investment portfolio and interest rates as at December 2022, which have changed significantly since this date with the rapidly changing economic situation.

- 3.2 At the end of period 4, a total of £666,708.56 has been earned in interest by the Council, resulting in a favourable variance of £151,485 against the interest budget of £515,224. The average rate of interest achieved as at period 4 was 6.24% from an average balance available for investment of £31.874m. At the end of the year a favourable variance against the budget of £414,244 is forecast with total interest earned of £1,948m. This high variance has been caused by the constant base rate increases by the Monetary Policy Committee. A total of £22.581m is currently invested in pooled funds which have a fair value of £22.654m at the end of period 4. The high interest and low gain in capital value are both consequences of the increasing base rate following the economic events impacting England at the current time. These impacts are forecast to continue throughout the rest of the 2023/24 financial year with the MPC expected to review the economic situation again at the start of the 2024/25 financial year.
- 3.3 The Council has a balanced portfolio with a diverse range of funds to the sum of £32.031m. Currently the Council has £22.581m invested in long-term pooled funds comprised of; £1.011m in short-dated bond funds, £5m in strategic bond funds, £5.570m in equity income funds, £5m in property funds and £6m in multi-asset income funds. The Council also has £7.275m invested in short-term money market fund investments and a total of £2,175m invested in Housing Loans. Please see appendix E for a full breakdown of the Council's treasury investments. The Council can expect the valuation of its pooled investments to continue to be steady with minor changes in the capital values while the interest rates are high. This is in line with current forecasts by the Council's treasury advisors Link treasury Services. The risks inherent in the nature of these investments are mitigated as the Council intends to hold them for the long term. However, borrowing rates are currently outperforming interest rates, so if the Council finds itself in a large debt position the Treasury will take consideration on if it should change the Council's investment portfolio. Currently the amount of investments are deemed appropriate by the Treasury and advisors for the current financial situation of the Council.

Borrowing Interest

- 3.4 The budget for 2023/24 anticipates that £0 would be paid in interest for short-term borrowing for cash flow purposes.
- 3.5 At period 4, a total of £145,537 has been paid in borrowing interest resulting in an adverse variance against the budget. At the end of the year an adverse variance against the budget of £198,128.76 is anticipated. Borrowing interest rates are currently high at 6% This is following the aforementioned economic events above. Unfortunately the Council found itself requiring a sudden amount of cash in March 2023 following a request from central government to repay £6.2m of COVID grants. As all local authorities received similar requests, borrowing became extremely hard to procure in the March 23 period and this continued through to May 2023 when the borrowing scene became more readily available again. This resulted in the Council have to take two borrowing amount of £5m to fund the COVID grant repayment and finance its operations over the March period, a period when council income is always lower and expenditure is higher than throughout the rest of the year.
- 3.6 For the Council's current borrowing of £10m mentioned in point 3.5, a total amount of interest due will be £198,129 as at December 2023 when both loans will reach their stop date. This equates to £10m borrowed at an average interest rate of 4.5%. With the Council's current investments highlighted above this will not need to be renewed, or only a small amount will be renewed to finance the Council's operations. The authority does need to take due consideration when authorising any large value projects, excluding those

funded by grants or contributions, as this could lead to more borrowing being undertaken at a time when borrowing rates are high (currently 6% and expected to rise through to March 2023 along with interest rates).

- 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 an adverse variance of £198,129 against the budget is forecast, although at the present time we are assuming that no more borrowing will be undertaken. 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 the Council's borrowing strategy.
- 3.8 The Council's borrowing cost as at period 4 of £145,537 mentioned in 3.5 is not a financial concern to the authority. As outlined in 3.2 the authority has earned a total of £151,485 extra interest income above budget, leaving a net favourable variance of £5,945. The Council's unbudgeted borrowing cost is financed by the extra interest earned above budget.
- 3.9 The interest budget is forecast to be £250k above budget on top of this as at the end of the 2023/24 financial year, this extra interest will continue to be used to finance any more short-term borrowing costs should they occur, with the excess being available to finance any overspends in the Council's budget.

Retained Business Rates

- 3.10 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 £2,219,301 across all projects in the first four months of 2023/24.
- 4.2 A new capital budget has been included for the Environmental Health Noise Equipment. The current equipment has reached the end of its usable life and has begun to frequently malfunction or be unable to provide useful data. This equipment is used in legal disputes for noise complaints, this is an essential service that the Council is obliged to carry out as a public service. In consultation with the Assistant Director for EH, the Director of Resources/S151 has authorised £18,372 to be released from the Environmental Health Reserve (current balance £295k) which is in place to help fund such emergencies.
- 4.3 A new capital budget has been included to carry out net zero energy saving works to the Catfield Industrial Units owned by NNDC and leased out to various tenants. As a Council we have adopted a net zero target for 2030, to help achieve this the Estates team have carried out energy saving efficiencies at our Cornish Way Industrial Units alongside roofing repair works. These works at the Cornish Way site have been delivered under the original budget of £170,000. The Director of Resources/S151 has authorized for a budget virement of £30,000 to be transferred from the Cornish Way Industrial

units project to create a new capital budget for the same net zero works to be carried out at the Council's other industrial units at Catfield.

- 4.4 A new capital budget has been proposed to carry out repair works to the Marrams Footpath and Lighting for £50,000, this report is seeking approval for Full Council to add this to the Capital Programme.

The Property Services team have noted that the Marrams footpath area in Cromer has deteriorated significantly over the last 18 months. Weekly inspections have showed that the footpath is starting to become uneven along the cliff edge where the path is falling causing public hazards along the footpath. Sections have been completed under the general repair budgets, but a capital budget is required to finance the more costly repairs.

To fund this project, in 2022/23 there was several capital projects completed with unspent budget. There was sufficient underspend to finance this £50k budget request from the Council's capital receipts.

- 4.5 A new capital budget has been proposed to rebuild the Public Conveniences at Albert Street, Holt. On the 7th November 2022, the public conveniences located on the NNDC owned Albert Street Car Park in Holt was hit by a car causing major damage to the premises. This resulted in the front end of the toilet block being declared a dangerous structure and the block was closed, requiring demolishing. A temporary structure is currently in place to provide the toilet facilities, but this comes at a cost to the Council's budget.

By demolishing the whole facility and rebuilding we can also incorporate a changing places toilet facility and upgrade the facilities to be more efficient and with a more carbon neutral design, working towards the Council's net-zero strategy.

With current prices, the requested budget for this project is £370,000 for the demolition and rebuilding. An insurance claim is currently ongoing with the Council insurers Zurich Municipal, it is currently thought that monies of £120,000 will be offered by to the Council towards the rebuild instead of reinstating the facilities as it previously was. Therefore, this report is seeking approval from members to authorise a £370k budget into the capital programme to build the new toilet facilities, with £120k to be funded from the Council's insurers and £250k to be funded from the Council's capital receipts.

- 4.6 In the report to Cabinet on Monday 6th March 2023, and subsequently to full Council on Tuesday 28th March 2023 members were informed that North Norfolk District Council was awarded a total of £1.245m as Round 1 of the Local Authority Housing Fund (LAHF) scheme by DHLUC. This funding was to support the provision of temporary accommodation for refugees of which the Council was supportive.

The Capital Programme now needs to be updated to reflect the expenditure of £1.245m that will be incurred in delivering the temporary accommodation.

Of this £1.245m, £1.040 will be then paid over to Flagship housing as a grant to provide 10 homes for Ukrainian refugees in the North Norfolk District and then £0.178m will be added to the Council's Temporary Accommodation capital budget to purchase a one large 4+ bed home for Afghan households as flagship can't deliver a property of this size.

The remaining £28k will be used to fund temporary accommodation in accordance with grant restrictions.

Cabinet is asked to recommend to full Council that the capital programme be increased by £1.245m and note that the expenditure will be funded by external funding.

- 4.7 It was reported to Cabinet on Monday 6th March 2023, and subsequently to full Council to member on Tuesday 28th March 2023 that NNDC had been awarded a Rural England Prosperity Fund grant of £1.458m and a UK Shared Prosperity Fund grant of £1.238m (split £0.266m for capital and £0.972k for revenue) by DEFRA. This funding is to support business development and community support programs by administering grants through an application scheme.

Cabinet is asked to recommend to full Council that the capital programme be increased by £1.458m for Rural England Prosperity Fund expenditure and £0.266m for UK Shared Prosperity Fund expenditure and note that the expenditure will be funded by external funding. The breakdown of the funding to be included in the Capital Programme is shown below.

Capital	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
REPF	0	0.365	1.093	1.458
UKSPF	0	0.076	0.190	0.266
Revenue				
UKSPF	0.150	0.225	0.597	0.972

- 4.8 A report was presented to Cabinet on 3 January 2023 outlining the Coastal Transition Accelerator Programme (CTAP) and what it seeks to achieve. Cabinet approved the project governance alongside delegated authorities to so that an Outline Business Case (OBC) could be submitted to the Environment Agency for funding. NNDC has already received, £1.015m capital and £0.405m revenue funding from DEFRA during 2022/23 to begin the early phases of the programme. This has been carried forward into 2023/24. The Environment Agency has now approved the OBC and awarded a further £13.595m to fund the delivery of the wider programme. The total capital funding for the North Norfolk will be £1.015m and £13.595m totalling £14.610m. The project formerly known as CTAP has been renamed as Coastwise. The Capital Programme now needs to be updated to reflect the expenditure of £14.610m that will be incurred in delivering the project. Cabinet is asked to recommend to full Council that the capital programme be increased over the timeframe shown in the table below and note that the project will be funded by external funding.

	23/24 £m	24/25 £m	25/26 £m	26/27 £m	Total £m
Coastwise Income streams					
EA Grant in aid including contingency	0.572	5.981	4.647	2.395	13.595
DEFRA Contribution	1.015	0	0	0	1.015

5 Reserves

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

6 Corporate Priorities

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

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 Net Zero Target

None as a direct consequence of this report

11 Equality and Diversity

None as a direct consequence of this report

12 Community Safety Issues

None as a direct consequence of this report

13 Conclusion and Recommendations

13.1 The revenue budget is showing an estimated full year overspend for the current financial year of £25,000. The overall financial position continues to be closely monitored and it is anticipated that the overall budget for the current year will be achieved.

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.