

BUDGET MONITORING P6 2023/24	
Executive Summary	<p>This report provides an update on the Council's financial performance and projected outturn for 2023/24 for the revenue account, capital programme and reserves statement as at the end of September 2023.</p> <p>The overall position at the end of September 2023 shows a £1.625m underspend for the net operating expenditure on the revenue account, this is however an unadjusted position that does not include any known variations e.g. timing differences between when grant is received and spending of that grant takes place.</p> <p>As at 30 September 2023, the General Fund projected a deficit of £0.635m for the full year 2023/24. This is after adjusting for all known variations and full year forecasting by service managers.</p>
Options considered	This is an update report on the Council's financial position and so no other options were considered.
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. 2) Note that officers will work together to take action to reduce the overall projected General Fund deficit at the year-end of 2023/24. <p>recommends to full Council that it</p> <ol style="list-style-type: none"> 3) Approves an additional capital budget of £58k so that the work for the refurbishment of the Red Lion roof (Cromer), the Art Deco Block roof and handrails (Cromer) and the Chalet Block at Sheringham can be awarded as one contract. And that approval be given to fund the additional expenditure from the Asset Management Reserve. 4) Approves an increase to the DFG capital budget of £118k and approves that it is funded by the additional grant received for this purpose from the Government. 5) Approves the provision of a new play area at the Lees in Sheringham and approves a capital project budget for this of £65k and that funding for this should come from the Delivery Plan Reserve. 6) Approves the capital spending of £11k on the Morris Street Car Park Boundary Wall and that it be funded from the Asset Management Reserve.

	7) Approves that the £85k of the Car Park refurbishment capital budget is reallocated to the Public Conveniences so that the outstanding works can be carried out and complete the scheme.
Reasons for recommendations	To update members on the current budget monitoring position for the Council.
Background papers	\\fs\Accounts\Budget Monitoring\BUDGET MONITORING\2023-24\Period 6\Report\Final Report & Appendices\Budget Monitoring P6 2023-24 .doc
Wards affected	All
Cabinet member(s)	Cllr Lucy Shires
Contact Officer	Tina Stankley, 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 as at 30 September 2023 to the latest updated budget for 2023/24. The Original Budget which was agreed by full Council on 22 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 at 30 September 2023 and highlights a year-to-date variance of £1.625m underspend for the net operating expenditure against the profiled updated budget. The table below shows that there is an underspend of £1.725m for service related expenditure when compared with the updated budgets and this is partly offset by an overspend of £0.100m in non-service specific budgets to give the overall position of an underspend of £1.625m.

- 2.2 It should be noted that the table below is the position as at 30 September 2023 and is a at a point in time. It does not take into account any known variations to these figures. Some examples include:

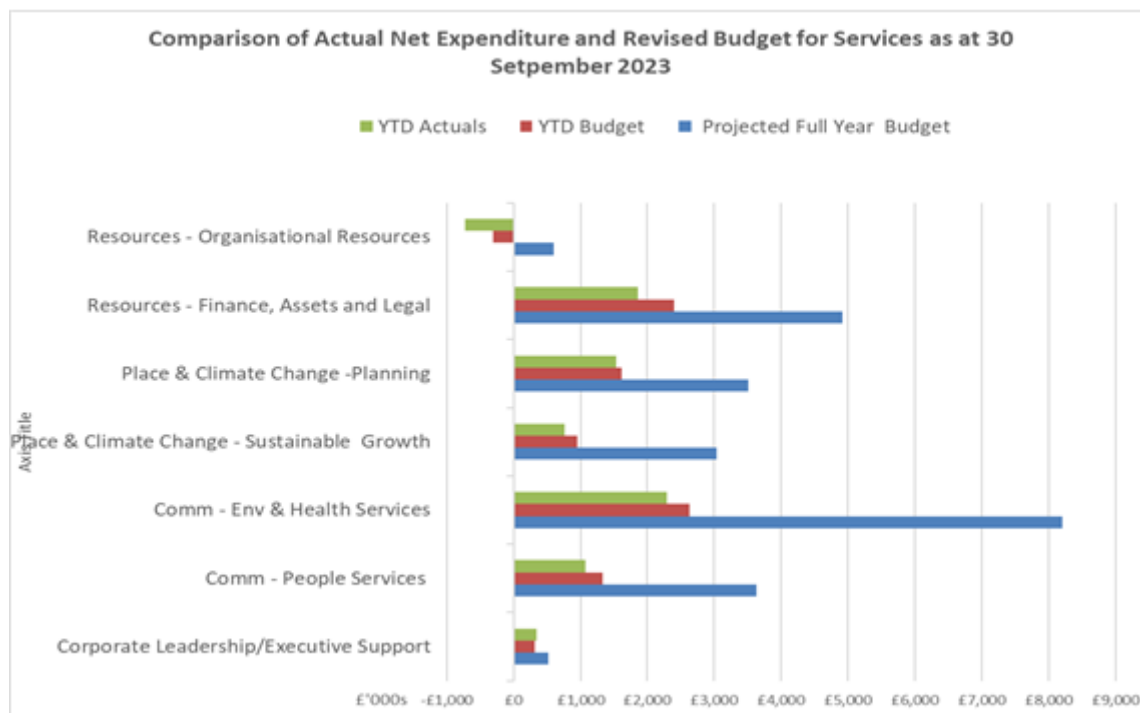
- The timing differences between when grant is received and spending of that grant takes place – if a grant is received at the beginning of the year and expenditure takes place throughout the year this will show as an underspend if not adjusted for.
- An underspend will show where we have accrued for 2022/23 expenditure but have not yet paid the invoices in 2023/24 and the opposite of this will be the same for any income accrued for that has not yet been received.

Financial position as at 30 September 2023:

	2023/24 Base Budget £'000s	2023/24 Updated Budget £'000s	2023/24 YTD Budget £'000s	2023/24 YTD Actuals £'000s	2023/24 YTD Variance £'000s
Directorate					
Corporate Leadership/Executive Support	485	518	313	348	35
Communities	12,243	11,733	3,955	3,355	(600)
Place and Climate Change	6,509	6,547	2,572	2,301	(271)
Resources	5,109	5,518	2,091	1,142	(949)
Overall impact of pay award for first 6 months of the year.			0	60	60
Net Cost of Services	24,346	24,316	8,931	7,206	(1,725)
Parish Precepts	2,875	2,875	2,875	2,875	0
Capital Charges	(2,457)	(2,457)	(1,228)	(1,228)	0
Refocus	(1,677)	(1,677)	0	0	0
Interest Receivable	(1,533)	(1,533)	(766)	(887)	(121)
External Interest Paid	0	0	0	221	221
Revenue Financing for Capital:	710	726	0	0	0
MRP Waste Contract	330	330	0	0	0
IAS 19 Pension Adjustment	266	265	0	0	0
Net Operating Expenditure	22,860	22,845	9,812	8,187	(1,625)

2.3 It should be noted that the National Joint Committee (NJC) pay award for 2023/24 has now been agreed at £1,925 per member of staff (for all staff on grades 12-5). The budget assumed a pay award at 5%. This has resulted in a shortfall when comparing the actual pay award with the budgeted pay award. This is due to there being a higher number of staff on lower grades where the £1,925 per annum pay award equates to a percentage increase of around 8-9% and only 5% was included for the pay award. The impact for the year is anticipated to be a £120k overspend compared with the budget.

2.4 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. Two points to note are that, firstly, the management reporting structure has been amended to reflect the budget responsibility of Cromer Pier and Amenity Lighting transferring from Communities to Resources, and secondly, it should be noted the chart below does not include the projected pay award overspend either at 30 September or for the full year.



Variance by Service Area

- 2.5 Appendix B included with this report provides detailed variance explanations for each service heading. Variances compare expenditure for the first 6 months of the year against the updated budget for the same period. As explained in paragraph 2.2 no adjustments have been made for known variations, so the variances are as at a point in time, but detailed explanations can be found in Appendix B alongside each variance.
- 2.6 In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice the Council's budgets are prepared using recommended subjective headings; these are, employees, premises, transport, supplies and services, third party payments, transfer payments, support services, capital charges and income. Explanations for the larger variances can be found below.
- **Employee Costs – (£891,059)** of this £852,501 relates to direct employee variances. Around £290,000 can be attributed to the April-September allocation of pay award inflation not yet agreed. As highlighted in the detailed service variance commentary above, the council currently has several vacancies, some of which were budgeted to be funded from earmarked reserves or grant contributions, after adjusting for these it is estimated there will be a full year saving of (£275,000) (see line 1 in table in paragraph 2.7).
 - **Premises – £3,747** (£63,500) Sports and Leisure; hall hire rental accruals for 2022/23 not offset by invoices. £68,186 Electricity charges. (£87,320) profile of Insurance premium invoices. £110,066 Repairs and Maintenance and contract expenses across a range of council assets. Full Year overspend £250,000 (see line 2 in table in paragraph 2.7).
 - **Transport – (£36,519)** the saving in transport related expenditure largely relates to mileage claim expenses. There is also a saving in essential user allowances because of vacant posts. Full Year savings (£30,000) (see line 3 in table in paragraph 2.7).

- **Supplies and Services – (£685,415)** the more significant Fees and Services variances include, (£195,431) waste contract variances (£181,536) External Audit Fees including prior year accrual not yet offset. (£123,352) Balance of unallocated community grants. There is likely to be above budget spend of £40,000 on computer software licences and maintenance costs. Across all the services areas the net position is anticipated to deliver a full year saving (£80,000) (see line 4 in table in paragraph 2.7).
- **Income – (£175,678)** a number of additional revenue grants have been received in this financial year, which were not included in the base budget. These include Household support hardship funding. These grants are ringfenced and will be offset by qualifying expenditure. Fee income in areas such as Land Charges, Planning and Building control is currently down against the profiled budget, it is difficult to predict as it is greatly affected by economic trends. It will continue to be monitored but a modest full year impact of £100,000 has been included as an anticipated full year impact. (see line 5 in table in paragraph 2.7).

2.7 The table below provides a high level breakdown of the anticipated year end position which currently is that there will be a General Fund Deficit of £0.515m at 31 March 2024. (see line 9 in table in paragraph 2.7).

		Projected Outturn £'m
1	Employee Costs	(0.275)
2	Premises Costs	0.250
3	Transport Costs	(0.030)
4	Supplies & Services	(0.080)
5	Income	0.100
6	Total Savings for Net Cost of Service	(0.035)
7	Net External interest	(0.050)
8	Benefit Subsidy possible impact	£0.600
9	Total FYE	£0.515

2.8 **Housing Benefit Subsidy** (see line 8 in table in paragraph 2.7).

The Housing Benefit Subsidy grant payments received by the Council are based on subsidy claims submitted to the Department for Works and Pensions (DWP). Neither the income nor the expenditure is included in the revenue budget figures until the final subsidy position is confirmed as part of outturn each year. The main reason for this is that they vary significantly compared to both the budgets and the payments to claimants that they relate to, due to timing issues, subsidy grant payments are paid monthly based on the relevant claim submitted and do not directly in relation to payments made to claimants.

For 2023/24, the Council have set a cost neutral budget of £16.9m expenditure and Income. The rate of recovery (i.e. how much the Council can claim back from the Government for housing benefit paid to claimants) for

most correctly paid subsidy is 100%. However an element of expenditure that does not attract full subsidy is temporary accommodation provided to homelessness clients. This therefore creates a cost pressure for the Council.

In previous years this cost pressure has been offset by the amount that the Council has been able to recover from claimants got overpayments made to them. However since 2019/20 as the number of people requiring temporary accommodation has been increasing sharply the cost pressure has been increasing and since 2019/20 the level of income from recovering overpayments has been insufficient to cover this cost pressure. In 2019/20 the cost pressure not covered by the offsetting income was £0.2m. For 2023/24 the current mid-year estimates indicate that this figure is likely to be £0.6m for the full year. This is a growing concern.

3. Non-Service Variances to period 6 2023/24

Investment Interest

3.1 The investment interest budget for 2023/24 is £1.541m on an average balance of investments of £31.954m assuming an average interest rate of 6.24%. Below is a summary of the key events that are likely to impact our investment returns for the year. The Mid-Year Treasury Management report with full details is on also being presented to this Cabinet meeting.

3.2 At 30 September 2023, the Council has received £0.887m of interest, a favourable variance of £0.114m compared with interest budget of £0.773m. The average rate of interest achieved was 6.54% from an average balance available for investment of £32.513m. The year-end forecast position is total interest earned of £1.757m which will give a favourable variance of £0.224m against the budget. This is due to there being continuous base rate increases by the Monetary Policy Committee which has a favourable effect on interest rates for the investor.

The new interest rate forecast following the recent MPC decision, is that the base rate will no longer reach the previously estimated peak of 6%, and instead stay at 5.25-5.50% and then begin a slow decline from March 2024 following an anticipated economic boost from the 2023 Christmas period.

3.3 The Council has a portfolio with a diverse range of funds totalling £31.426m as at 30 September 2023. Currently the Council has £22.581m invested in long-term pooled funds, £6.7m invested in short-term money market funds and £2.1m invested in Housing Loans. Two new loans totalling £0.110m were issued through the Loans to Housing Providers capital project in August 2023. The interest rate charged was the prevailing PWLB interest rate for borrowing (5.5%) at the time the loans were issued and will generate interest totalling £0.054m over the life of the loans (15 years).

Borrowing Interest

3.4 The budget for interest paid for 2023/24 is zero. However there has been a need to take short term borrowing to cover Interest paid as at 30 September 2023 was £0.221m. The full year forecast is anticipated to be around £0.310m, but at this stage in the year this is difficult to forecast as there are so many variables with the cashflow forecast e.g. cash availability and for the duration needed, the movement in interest rates and profiles of grant receipts.

3.5 This is a significant cost pressure for the Council. The need to borrow for the remainder of the year will be closely monitored to keep further borrowing

costs to a minimum. It is anticipated that the extra interest being earned on investments above the budgeted level will exceed the borrowing costs so the net position at the year will still be favourable, but only marginally. (see line 7 in table in paragraph 2.7).

- 3.6 Officers across the organisation will work together to identify areas where savings can be made to reduce the overall deficit position at the year end.

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 they arise.

Capital

- 3.8 The total capital expenditure for 2023/24 as at 30 September 2023 is £3.7m compared with a budget of £44.774m giving a variance of £41.074m, of which £27.1m relates to the Cromer and Mundesley Coastal Schemes and the Coastwise project which are all in their initial stages and are just getting underway. The largest variances for the schemes with underspends are shown in the table below. These variances largely relate to schemes which in the main have yet to begin. Details of spend against budgets can be found in Appendix C.

Scheme (largest schemes by value)	Budget not yet spent £'m
Cromer 3G football facility	1.000
Rocket House	1.036
S106 enabling	1.600
Fakenham Urban Extension	1.780
Property Acquisitions	0.705
Remainder of DFG	0.954
Local Authority Housing Fund	0.756
Compulsory purchase of long-term empty properties	0.430
Total	8.261

- 3.9 The Cornish Way Industrial Units project has now been completed. All improvements and net zero works have been carried out to the Industrial Units owned by the Council in North Walsham. The total final cost of the project was £82k compared with an approved budget of £170k giving a saving of £88k. It has been possible to achieve significant savings on the improvement works and net zero works by having the contractors carry out all the work in one go across all the industrial units thus reducing the time taken for the contractors to complete the programme of work. This reduction has been included in the Capital Programme as shown at Appendix C.
- 3.10 £30k of the savings have been used to create a budget to carry out the same type of improvement works and net zero works to the Catfield Industrial Units. This is included in the Capital Programme as shown at Appendix C.

3.11 This has left an unused £58k saving. It is proposed that this is amalgamated with the Red Lion Roof budget (£30k) and further increased to create a capital budget to undertake the refurbishment of the roofs at three of our properties at the same time so that significant contract savings can be achieved. This use of unused savings and the amalgamation of the three budgets has not yet been included in the Capital Programme as shown at Appendix C.

3.12 The three projects are outlined below.

- **The Art Deco Block on the Cromer Promenade and replacement of the handrails on the chalets** above which are rusted and are becoming unsafe. During the last couple of years, the roof has begun to fail causing damp issues and the patch repairs are no longer possible. The most appropriate course of action is to replace the roof and handrails. The Council lease the building to Cromer Artspace, a not-for-profit group, which hold exhibitions there throughout the year. Cromer Arts Space approached the Council to say that they were able to apply for 'Community Ownership Fund (DLUHC) grant funding for this work and have been successful in securing a capital grant of £29k. The Council must match fund this. The estimate for these works is £95k. There is a budget of £87k (line 1 & 3 in the table at paragraph 3.12 below) for this currently in the capital programme.
- **The Red Lion roof replacement** which is already included in the capital programme with a £30k budget.
- **The chalet block roof replacement, Sheringham** which isn't currently an approved capital scheme but if combined with the other two projects in one tender will result in significant savings compared with carrying out the 3 projects separately.

3.12 A summary of the budget required is shown in the table below.

	Budget included in the Capital Programme	£'000s
1.	Saving from the Cornish Way Industrial Units	58
2.	Red Lion Roof budget	30
3.	Additional budget covered by external grant funding (secured by Cromer Art Spaces)	29
4.	Total budget available	117
5.	Estimate to carry out all works for the 3 projects as one capital scheme	175
6.	Additional budget required (not yet included in the capital programme)	58

A delegated decision has been taken (by the Director of Resources) to use the £58k already in the capital programme (line 1 in the table above) to fund the replacement roof at the Art Deco block as there is the opportunity to use the grant funding available (line 3 in table above) and reduce the overall cost to the Council of carrying out the work. Approval is now being sought to add a further £58k to the capital programme. The source of funding will be the Asset Management Reserve. This is yet not included in the Capital Programme as shown at Appendix C.

3.13 Central Government have awarded local authorities additional Disabled Facilities Grant (DFG) to fund a new discretionary grant scheme for home improvements. The extra funding for this Council is £118k for 2023/24. This

amount has been added to the DFG budget to give a updated capital budget of £1.476m for 2023/24. This extra funding is welcomed as it is intended to be for grants that can be awarded quickly outside of the normal grant application process. The smaller, reactive grants will be for small-scale adaptations that are needed quickly, e.g. to assist older or disabled people in being discharged sooner from hospital or a care home. This is included in the Capital Programme as shown at Appendix C.

- 3.14 The Lees play area in Sheringham is one of our play areas that needs a complete replacement and works carried out to bring it up to today's safety standards e.g. the sand on the ground replacing with a bark chipping on the ground and the appropriate safety foundation underneath this. The cost of this scheme would be £65k. Approval is being sought to add this scheme to the capital programme and fund it from the Delivery Plan Reserve. Moving forward, to address the issue of improving our play areas a capital bid will be put forward for a play areas replacement programme for Members to consider including in the Capital Programme for 2024/25 to 2027/28. This is not yet included in the Capital Programme as shown at Appendix C.
- 3.15 There is an overspend of £11k in the capital programme for the replacement of part of the Morris Street Car Park Boundary Wall. There was no budget for this work, but after part of the wall was blown down during a storm the wall was inspected and some of the wall was declared to be a dangerous structure. An insurance claim was submitted to cover the costs of the work, but as the wall is not an integral part of a building it was not covered by our insurance policy. Insurers no longer provide insurance cover for walls and fences following the recent large number of storms that areas of the UK have experienced. The work has had to be done and it will be funded from the Asset Management Reserve. This is included in the Capital Programme as shown at Appendix C.
- 3.16 The Public Conveniences budgets have been adjusted to include the Changing Places Toilet expenditure relevant to each project. In total the combined budgets are currently overspent by £25k and the Phase 2 of the Public Conveniences at the Lees in Sheringham has not yet started. Phase 2 includes the Changing Places Toilet (CPT) element for which the budget funded by the CPT grant is included. If the work isn't carried out then we will lose the grant (£60k). The additional budget required to complete the works is estimated to be £60k. Therefore to deliver all the CPT schemes (with the exception of Stalham) a further budget of £85k needs to be approved.
- 3.17 The overspend will equate to approximately 17% of the overall budget for the refurbishment of the 4 toilets as well as providing CPT. This overspend largely relates to the impact of inflation and the need to meet the standards required for providing the CPT so that we could claim the grant. Ordinarily there may have been some scope to revisit the specification of fittings etc. to reduce spend but this hasn't been an option in this project.
- 3.18 It is therefore proposed that approval is sought from full Council to reallocate £85k of the £311k car park refurbishment budget so that the works can be completed. To date none of this budget has been spent and it is unlikely that any major resurfacing works will be undertaken in the winter months. This adjustment has not yet been made to the Capital Programme as shown at Appendix C.

4 Reserves

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

5 Corporate Priorities

- 5.1 Corporate Plan objectives are supported by the Council's allocated budgets.

6 Financial and Resource Implications

- 6.1 This report is financial in nature and financial implications are included within the content of the report.

7 Legal Implications

None as a direct consequence of this report

8 Risks

- 8.1 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.
- 8.2 The estimated outturn will continue to be monitored during the year.

9 Net Zero Target

None as a direct consequence of this report

10 Equality and Diversity

None as a direct consequence of this report

11 Community Safety Issues

None as a direct consequence of this report

12 Conclusion and Recommendations

- 12.1 The revenue budget is showing an estimated full year overspend for the current financial year of £0.515m. 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 take steps to reduce the 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.
- 12.3 The Capital Programme is showing spend of £3.7m against a budget £44m. The variance is not a concern as there are three large coastal schemes that are just getting underway. There are also numerous projects that have yet to begin and for which the use of the funding for them is not time limited. So these underspends are not a concern. There are several requests for approval for additions to the Capital Programme which are outlined in paragraphs 3.8 to 3.18. Members are asked to consider these and recommend to full Council if so minded.