

<b>BUDGET MONITORING P4 2024/25</b>	
<b>Executive Summary</b>	<p>This report provides an update on the Council's financial performance and projected full year outturn position for 2024/25 for the revenue account, capital programme and reserves statement as at the end of July 2024.</p> <p>As at 31 July 2024, the <b>General Fund projected deficit is £1.325m (£1.017m on Net Operating Expenditure) for the full year 2024/25</b>. This is after adjusting for all known variations and full year forecasting by service managers.</p>
<b>Options considered</b>	This is an update report on the Council's financial position and so no other options were considered.
<b>Consultation(s)</b>	Cabinet Member Section 151 officer Budget Managers
<b>Recommendations</b>	<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>1) Note the contents of the report and the current forecast year end position.</li> <li>2) Note that officers will work together to take action to reduce the overall projected General Fund deficit for 2024/25.</li> <li>3) Seek approval of full Council to include a budget of £300k for borrowing costs in 2024/25 and that this be funded by using the Treasury Management Reserve (as explained in paragraph 4.8).</li> <li>4) Seek approval of full Council to include an addition to the capital programme in 2024/25 for the extension to the Meadow car park in Cromer and that this is funded from revenue (car park income) (as explained in paragraph 5.6).</li> </ol>
<b>Reasons for recommendations</b>	To update members on the current budget monitoring position for the Council.
<b>Background papers</b>	\\fs\Accounts\Budget Monitoring\BUDGET MONITORING\2024-25\Period 4\Report\Draft Budget Monitoring P4 2024-25.doc
<b>Wards affected</b>	All
<b>Cabinet member(s)</b>	Cllr Lucy Shires
<b>Contact Officer</b>	Tina Stankley, Tina.stankley@north-norfolk.gov.uk

<b>Links to key documents:</b>	
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.

<b>Corporate Governance:</b>	
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 and Executive Summary**

1.1 This report sets out the General Fund Revenue Budget and Capital Programme forecast full year out turn position against the budget for 2024/25 as at 31 July 2024.

1.2 It should be noted that the presentation of this report (and future budget monitoring reports) has been changed. The focus will now be to concentrate on forecasting a year end position rather than looking at the actual position at a point in time. This new approach gives us a better understanding of where our pressures are and what the likely outturn position will be at the year end.

1.3

## **2. Revenue**

2.1 The Council has an approved General Fund revised revenue budget of £22.162 million (Including Parish Precepts). This report provides a forecast of spending and income against budget for 2024/25.

2.2 The overall revenue budget forecast performance for the year as at 31 July is £23.179m against the budget of £22.162m which is a projected overspend of £1.017m on Net Operating Expenditure as shown in Table 1

2.3 The Base Budget which was approved by Full Council on 21 February 2024 has been updated to reflect approved budget movements and changes in the reporting structure where Customer Services has moved from the Resources Directorate to Corporate Leadership and Executive Support.

2.4 Where there are predicted savings related to expenditure items that are being funded from Reserves, the reserve position has been updated to reflect this.

2.5 Table 1: General Fund Summary

**General Fund Summary Period 4 2024/25**

<b>Service Area</b>	<b>2024/25 Base Budget £000</b>	<b>2024/25 Revised Budget £000</b>	<b>2024/25 Full Year Forecast Period 4 £000</b>	<b>Period 4 Variance £000</b>
Corporate Leadership/ Executive Support	576	576	497	(80)
Communities	11,530	11,387	11,371	(16)
Place and Climate Change	7,121	7,117	6,734	(383)
Resources	4,538	4,573	5,614	1,041
Savings to be Identified	(250)	(38)	(38)	0
<b>Net Cost of Services</b>	<b>23,516</b>	<b>23,616</b>	<b>24,179</b>	<b>563</b>
Parish Precepts	3,129	3,129	3,129	0
Capital Charges	(2,962)	(2,962)	(2,962)	0
Refcus	(762)	(762)	(762)	0
Interest Receivable	(1,865)	(1,865)	(1,663)	202
External Interest Paid	40	40	293	253
Revenue Financing for Capital:	210	210	210	0
Minimum Revenue Provision	488	488	488	0
IAS 19 Pension Adjustment	268	268	268	0
<b>Net Operating Expenditure</b>	<b>22,062</b>	<b>22,162</b>	<b>23,179</b>	<b>1,017</b>
<b>Funded By</b>				
Parish Precepts	(3,129)	(3,129)	(3,129)	0
Council Tax	(7,069)	(7,069)	(7,069)	0
Collection Fund Surplus	(108)	(108)	(108)	0
Retained Business Rates	(7,683)	(7,683)	(7,683)	0
New Homes bonus	(6)	(6)	(6)	0
Revenue Support Grant	(309)	(309)	(309)	0
3% Funding Guarantee	(1,231)	(1,231)	(1,231)	0
Rural Services Delivery Grant	(657)	(657)	(657)	0
Ctax Discount Grant	(52)	(52)	(52)	0
Services Grant	(23)	(23)	(23)	0
<b>Income from Government Grant and Taxpayers</b>	<b>(20,266)</b>	<b>(20,266)</b>	<b>(20,266)</b>	<b>0</b>
<b>(Surplus)/Deficit</b>	<b>1,796</b>	<b>1,896</b>	<b>2,914</b>	<b>1,017</b>
<b>Contribution To/(From) Reserves</b>	<b>(1,796)</b>	<b>(1,896)</b>	<b>(1,589)</b>	<b>307</b>
<b>(Suplus)/Deficit Position</b>	<b>0</b>	<b>0</b>	<b>1,325</b>	<b>1,325</b>

**Forecast variance explanations**

2.6 The forecast net overspends are £563k at Cost-of-Service level along with a reduction in the level of interest received of £202k, because of the predicted fall in interest rates, and an increase in external interest paid on borrowing of £253k. Significant variances in forecast by service area are explained in paragraphs 2.7 to 2.10.

2.7 **Corporate Leadership/Executive Support** - £80k underspend. The main reasons are outlined below: -

- i. Employee costs underspend of £58k relating to reductions in contracted hours.
- ii. Savings of £22k across printing and training budgets.

2.8 **Place and Climate Change** - £383k underspend because of: -

- i. **Employee Costs** - £350k underspend. £128k of which is reserve funded.
  - Reduction in contracted hours and unable to recruit to 2 vacant fixed term post in Environmental Strategy (£60k).
  - There are several vacant posts in development Management some of which are reserve funded (£131k)
  - Vacant posts in Conservation, Design & Landscape which are reserve funded (£95k).
  - Reduced contracted hours and savings for vacant post in Planning Policy (£70k).
- ii. **Supplies and Services** - £147k underspend
  - Reduction in expenditure on Professional Fees due to the slippage in The Local Plan. This is budgeted to be funded from earmarked reserves and will not result in a bottom-line year-end saving (£88k).
  - Underspend on climate project within Environmental Sustainability which is reserve funded (£50k).
- iii. **Income** - £125k shortfall
  - Planning Fee income is forecast to be £100k below target, this is due to fewer major applications being received to date. With the new plan not expected to be adopted until at least May 2025, the pipeline of new major housing sites is reducing and will be reliant on applications for schemes ahead of the Local Plan being adopted. With a new government and new methodology for calculating housing land supply now in the public domain, the expectation is that housing numbers will increase, and this may increase speculative applications for which predicting fee income becomes more challenging.
  - Building control fee income is expected to be £25k below the revised budget due to the knock-on impact of reduced major schemes.

2.9 **Resources** - £1,041k overspend due to: -

- i. **Premises** - £44k overspend.
  - Public Conveniences costs of £31k relating to hire of Woo Loo facility. There are additional utility costs which are partially offset by a reduction in Business Rates.
- ii. **Supplies and Services** - £194k overspend
  - Increased cost on Agency Fees of £183k which have been necessary to cover vacant posts.
- iii. **Income** - £791k shortfall.
  - Based on the 2024/25 initial Housing Benefit subsidy claim submitted to the Department for Works and Pensions (DWP) the forecast shortfall in non-HRA subsidy is £0.65m for the year. This relates to the subsidy the Council can claim to cover the cost of temporary accommodation. For our own Temporary Accommodation (TA) properties the full housing costs can be reclaimed. However for bed and breakfast accommodation the amount that can be reclaimed is capped at a maximum of £98.08 per week, but it may be less than

this. The actual average cost of a placement is significantly higher than this and the Council must bear this cost.

- The Meadows Car Park extension - a proposal to generate additional income was accepted and included in the approved budget for 2024/25. However it was not possible to undertake the project to extend the car park before the busy summer period and so it has been planned to do this work during the autumn and winter ready for the start of the new financial year 2025/26. A request for the approval of a capital budget to do this has been included in this report. As a result of this work not taking place the saving (additional income) of £70k will not be achieved for 2024/25.
- Whilst the work at the Rocket House takes place and the RNLI move out for the duration of this work the Council will not receive any contribution for service charges from the RNLI. This amounts to £32k loss in income.
- It is unlikely that the original budgeted income for donations and advertising income on Pier and Car Parks will be achieved during the year and the expectation is that there will be a shortfall in income of £20k.

### 3. Performance against savings targets

3.1 To set a balanced budget for 2024/25 £0.975m of savings were identified and approved by Members in February 2024. Service Managers and Assistant Directors have provided an update on the progress being made in achieving these savings. Table 2 below summarises the forecast achievement of these savings at the year-end. A more detailed breakdown can be found in appendix A.

3.2 Table 2: Performance against £975k Savings Target

Directorate	Assistant Director	Base Budget Savings £'000s	Period 4 - full year forecast £'000s	Variance £'000s
Corporate	Corporate	49	49	0
Communities	Environment & Leisure	148	143	(5)
	People	235	235	0
Place & Climate Change	Sustainable Growth	43	43	0
	Planning	182	181	(1)
Resources	Legal and Governance	85	82	(3)
	Finance, Assets & Revenues	234	128	(106)
<b>Total</b>		<b>976</b>	<b>861</b>	<b>(115)</b>

The forecast is largely positive with all but £115k being achieved. The two main areas where the savings will not be achieved are for the income generated (£79k) with the extension to the Meadow car park where the project has not yet been started and for the advertising income on Pier and Car Parks (£20k) as this has not progressed as planned.

3.3 In addition to the identified savings of £975k included in the balanced budget a further £250k of unidentified savings was also included. Currently £212k of

this target has already been reached. It is expected that the remaining balance of £38k will be achieved during the remainder of the year. Table 3 below provides members with an update of savings identified against the £250k target set in February 2024. Appendix B accompanying this report outlines in more detail how the savings to date have been achieved. It should be noted that £87k of these savings are recurring and so will help bridge the gap in future years.

### 3.4 Table 3: Progress against £250k Unidentified Savings Target

<b>Assistant Director</b>	<b>Base Budget Savings £'000s</b>	<b>Period 4 - savings identified £'000s</b>	<b>Savings yet to be identified £'000s</b>
<b>Savings to be identified</b>	<b>(250)</b>		
<b>Breakdown of savings achieved</b>			
Environment & Leisure		(87)	
People		(56)	
Sustainable Growth		(5)	
Legal and Governance		(32)	
Finance, Assets & Revenues		(32)	
<b>Total</b>	<b>(250)</b>	<b>(212)</b>	<b>(38)</b>

## 4. Non-Service Income and Expenditure

### Investment Interest

- 4.1 The 2024/25 investment interest budget is £1.866m. This budget was calculated based economic position in November 2023 (6% interest rates and a cash balances of £33.8m). Since then the Monetary Policy Committee (of the Bank of England) has bought interest back down again slightly as it has felt that the higher interest rates have achieved their purpose in bringing inflation back under control. This has had an adverse impact on the investment income the Council is achieving.
- 4.2 At period 4, the Council earned £639k in interest, slightly exceeding the budget by £17k, with an average rate of 6.45% on £29.6m. However, a year-end shortfall of £202k is expected, with anticipated earnings of £1.663m.
- 4.3 This shortfall is due to:
- Lower interest rates, which peaked at 5.25% instead of the forecasted 6.00%, and are currently at 5%. Rates are expected to average between 4.50% and 5.00% for the upcoming year.
  - Lower than anticipated cash balances to invest, averaging £29.63m instead of the budgeted £33.80m, which is due to the delays in receiving grants from the Environment Agency for the Cromer & Mundesley Coastal Schemes and the still as yet unconfirmed funding from MHCLG (formerly DLUHC) for the Fakenham Leisure Centre and Sports Hub (FLASH) have reduced the available funds for investment.

- 4.4 The Council's portfolio includes £20m in long-term pooled funds and an average of £7.63m in short-term investments. The capital values of our pooled funds are stable with expected modest capital growth as inflation settles. The Council plans to hold these investments long-term to reduce risks, but may reassess its strategy if borrowing rates, currently higher than interest rates, become a concern. The current investment strategy is deemed suitable for the Council's financial situation.

### **Borrowing Interest**

- 4.5 The Council has previously approved borrowing to fund some of its capital projects, most notably the Reef (c.£5m) and Refuse Freighters (c.£3m). However up until recently it has been able to 'internally borrow' for these projects thus saving borrowing costs, but at the expense of investment income. It is prudent to do this as borrowing interest rates are always higher than investment interest rates.
- 4.6 So what this actually means is that the Council has spent its cash to build the Reef and purchase the Refuse Freighters (c.£8m for both) which has reduced the Council's cash levels it has to invest. This is known as 'internally borrowing'. Because the Council approved that the capital expenditure would be funded by borrowing (c.£8m) the cash spent on the Reef and Refuse Freighters will at some point have to be replaced to bring the cash back up to the level that it should be. This is the point at which external borrowing is taken.
- 4.7 During 2023/24 there was an increased requirement to borrow short-term to meet cashflow shortfalls which indicated that longer term borrowing was required to replenish cash balances. Therefore a 13 month £5m loan at an interest rate of 5.39% was taken from the PWLB March 2024.
- 4.8 There was a budget of £40k for borrowing interest for 2024/25 included in the balanced budget which was expected to cover interest payable for short-term borrowing for cash flow purposes. However there was no budget included for long-term borrowing when the budget was prepared in November. It is therefore proposed that the Treasury Management Reserve be used to establish a budget of £300k to cover long-term borrowing costs for 2024/25 which will be £293k for the year. A budget will need to be included for borrowing costs in future years' budget to cover the cost of borrowing that the Council will incur.

## **5. Capital**

- 5.1 This section of the report presents the capital programme 2024/25 position, together with an updated capital programme for the financial years 2025/26 to 2029/30. Appendix C provides the details of the current position.
- 5.2 Total capital expenditure for 2024/25 as at period 4 was £6.82m compared to an updated full year capital budget of £43.59m. This gives a remaining 2024/25 capital budget of £36.77m. Progress on schemes is expected to be in line with the budget and as at P4 there is no forecast year end variance against the total capital budget for the year.
- 5.3 The large amount of remaining budget is due to the Council having multiple high-value projects in its capital programme in the current financial year.

These are primarily funded by external grants and so this variance is not a concern to the Council's own internal financing of the capital programme.

5.4 Projects of significant expenditure (over £200k) are highlighted below; however it is worth noting these are all primarily funded by external grant:

- Cromer Coast Protection Scheme (£3.42m)
- Mundesley Coastal Management Scheme (£1.46m)
- Disabled Facilities Grants (£397k).
- Local Authority Housing Fund (£312k)

5.5 The following changes have been made to the capital programme as at period 4 since the 2024/25 opening capital programme position. These changes have all been reflected in Appendix C.

5.5.1 A new budget for the Cabbell Park Clubhouse was approved for £0.237m at the Full Council meeting on the 24<sup>th</sup> of July 2024.

5.5.2 The Disabled Facilities Grants (DFG) budget has been increased by £400k for 2024/25, from an original budget of £1.48m to a new budget of £1.88m in May 2024 following a decision between the Director of Resources/S151 and Assistant Director of People Services. The Council currently holds £1.88m of prior year unspent grant income from central government for the DFG scheme. This must be spent on the project and cannot be used to fund other capital projects; therefore, it has been forecasted that the Housing Adaptations team could deliver £400k of extra grants to support disabled people in the North Norfolk District in 2024/25.

5.5.3 The Cromer Pier – Steelworks and Improvements to the Pavilion Theatre budget for 2024/25 has been increased. It was identified that the total scheme budget approval figure quoted at the outturn position was not the correct and should have been £1.13m. This gives the project an updated budget of £276k in 2024/25.

5.5.4 The Coastwise budget for 2024/25 has been lowered following a revised cash flow forecast from the project team. Less opportunities for expenditure have been identified as planned at the 2023/24 outturn position. The revised budget is now £2.70m for 2024/25 and the deallocated budget has been moved to 2026/27 as this project is fully grant funded and so the budget will still only be used on the Coastwise scheme.

5.5.5 The Cromer Coast Protection Scheme budget for 2024/25 has been lowered by £144k following a revised cash flow forecast from the project team. This budget amount has been moved in 2025/26 to reflect that the project will not complete this financial year.

5.5.6 The Mundesley Coastal Management Scheme budget for 2024/25 has been lowered by £163k following a revised cash flow forecast from the project team. This budget amount has been moved to 2025/26 to reflect that the project will not complete this financial year.

5.6 There is one addition to the capital programme requiring approval from Full Council. This is for a new capital budget of £75k to be added to the capital programme in 2024/25. The capital project is to carry out the extension work at the Meadow car park in Cromer. A budget for this was not included along with the increased income proposal that was accepted by Full Council in February 2024. It is proposed that this budget is funded from revenue (car



park income) as the work will create extra capacity and it is projected that the income from this will exceed the cost of the work in less than one year. This is not reflected in the figures presented in this report. If approved the adjustment will be made following approval.

## **6 Reserves**

- 6.1 The Council's current reserve position is shown at appendix D. This position has been updated as part of preparing the forecast for 2024/25. Where base budgets funded from reserves are underspent it has been anticipated that this saving will remain in the earmarked reserve and reallocated in the future. An adjustment of £307k has been made to earmarked reserves which offsets savings in the net cost of services.
- 6.2 It is proposed that the Treasury Management Reserve is used to establish a budget for borrowing costs in 2024/25. This is not reflected in the figures presented in this report. If approved the adjustment will be made following approval.

## **7 Corporate Priorities**

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

## **8 Financial and Resource Implications**

### **Comments from the S151 Officer:**

This 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

### **Comments from the Monitoring Officer**

In accordance with our financial governance arrangements this report is the first of the quarterly reports to members of our forecast outturn position.

## **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 Net Zero Target**

None as a direct consequence of this report

## **12 Equality and Diversity**

None as a direct consequence of this report

## **13 Community Safety Issues**

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 £1.325m. The overall financial position continues to be closely monitored.
- 14.2 The Council will continue to take steps to reduce the forecast deficit for 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. The Council will need to use other reserves to meet any in year deficit and to balance the budget.
- 14.3 There are 2 recommendations seeking full Council approval. The first is to include a budget of £300k for borrowing costs in 2024/25 and that this be funded by using the Treasury Management Reserve (as explained in paragraph 4.8).
- 14.4 The second recommendation is to include an addition to the capital programme in 2024/25 for the extension to the Meadow car park in Cromer and that this be funded from revenue (car park income) (as explained in paragraph 5.6).