

<b>BUDGET MONITORING P6 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 September 2024.</p> <p>As at 30 September 2024, the <b>General Fund projected deficit is £0.995m (£0.801m 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> </ol> <p>It is recommended that Cabinet seek approval from full Council:</p> <ol style="list-style-type: none"> <li>3) to include an addition to the revenue budget of £13,000 for an addition to existing Exacom software as laid out in paragraph 4.8.1</li> <li>4) to include a permanent increase to the revenue budget of £34,000 for an additional member of staff in the Licensing Team as detailed in paragraphs 4.8.2 to 4.8.5. This will be funded from the ring-fenced licencing income.</li> <li>5) to include an additional capital budget of £22,000 to complete the Cromer Offices LED lighting project. This is to be funded from the Net Zero Initiatives reserve as detailed in paragraph 5.4.2</li> <li>6) to include an additional capital budget of £5,600 to pay the retention sum for the Crinkle Crankle Wall and that this is funded from the Major Projects Reserve as detailed in paragraph 5.4.3</li> <li>7) to include an additional capital budget of £30,000 to rethatch the Collector's Cabin roof and that this is to be funded from the Asset Management reserve as detailed in paragraph 5.4.4</li> <li>8) to include an additional capital budget of £23,400 to develop the customer services C3 software and is to be funded from the Development Plan reserve. as detailed in paragraph 5.4.5</li> </ol>
<b>Reasons for recommendations</b>	To update members on the current budget monitoring position for the Council.

<b>Background papers</b>	
<b>Wards affected</b>	All
<b>Cabinet member(s)</b>	Cllr Lucy Shires
<b>Contact Officer</b>	Tina Stankley, <a href="mailto:Tina.stankley@north-norfolk.gov.uk">Tina.stankley@north-norfolk.gov.uk</a>

<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 30 September 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.

## **2. Revenue**

- 2.1 The Council has an approved General Fund revised revenue budget of £22.456 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 30 September 2024 is £23.257m against the budget of £22.456m which is a projected overspend of £0.801m 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 6 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 6 £000</b>	<b>Period 6 Variance £000</b>
Corporate Leadership/ Executive	576	533	348	(185)
Communities	11,530	11,387	11,300	(87)
Place and Climate Change	7,121	7,117	6,714	(402)
Resources	4,538	4,573	5,603	1,030
Savings to be Identified	(250)	0	0	0
<b>Net Cost of Services</b>	<b>23,516</b>	<b>23,610</b>	<b>23,966</b>	<b>356</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)	(1,420)	445
External Interest Paid	40	340	340	0
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>22,456</b>	<b>23,257</b>	<b>801</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)	(7,828)	(145)
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>(20,411)</b>	<b>(145)</b>
<b>(Surplus)/Deficit</b>	<b>1,796</b>	<b>2,190</b>	<b>2,846</b>	<b>656</b>
<b>Contribution To/(From) Reserves</b>	<b>(1,796)</b>	<b>(2,190)</b>	<b>(1,851)</b>	<b>339</b>
<b>(Suplus)/Deficit Position</b>	<b>0</b>	<b>0</b>	<b>995</b>	<b>995</b>

**Forecast variance explanations**

2.6 The full year forecast position is a net overspend of £0.356m. This is the net figure after adjusting for savings in staffing and professional fees, some of which were to be funded from reserves. Where these savings have occurred there has also been an equal adjustment made to the use of reserves so that we are now forecasting a use of reserves of £1.851m rather than the budgeted £2.190m i.e. a saving of £0.339m in the use of earmarked reserves. This is discussed in more detail in Section 6 below and at appendix D. The

salary pay award has just recently been agreed and has been considered when calculating the period 6 forecast figures.

- 2.7 Along with variances against service area budgets the forecast for investment income is now £0.400m less than originally budgeted for. This variance is explained in detail in Section 4 below.
- 2.8 The Council has received some windfall income i.e. £0.145m from the County Council which was from the Norfolk business rates pool prior years' surplus. This was not budgeted for and will be used to reduce the overall General Fund deficit.
- 2.9 The significant variances in this period 6 forecast are highlighted in paragraphs 2.7 to 2.13 below.
- 2.10 **Corporate Leadership/Executive Support** - £0.185m underspend. The main reasons are outlined below: -
- i. An underspend of £0.141m in Employee Costs related to reductions in contracted hours and having vacant posts where there has been staff turnover.
  - ii. Savings of £0.036m in printing and publication expenditure.
- 2.11 **Communities** - £0.087m underspend.
- i. An underspend of £0.071m in Employee Costs related to having vacant posts.
  - ii. Income for bulky waste has exceeded the budget expectation by £0.010m.
- 2.12 **Place and Climate Change** - £0.402m underspend due to the following: -
- i. An underspend of £0.422m in Employee Costs Employee Costs, £0.140m of which was being funded from reserves.
    - Reduction in contracted hours and unable to recruit to 2 vacant fixed term post in Environmental Strategy giving a saving of £0.060m.
    - There are several vacant posts in Development Management some of which are reserve funded giving a saving of £0.132m,
    - Vacant posts in Conservation, Design & Landscape giving a saving of £0.095m, which would have been funded from reserves.
    - Reduced contracted hours and savings for vacant post in Planning Policy giving a saving of £0.044m.
  - ii. There is an underspend of £0.177m in Supplies and Services due to
    - Slippage with the Local Plan has resulted in less expenditure on Professional Fees in the year than originally budgeted for. The expenditure would have been funded from earmarked reserves.
    - There is an underspend of £0.070m on a climate project within Environmental Sustainability which would have been from reserves.

- iii. There is a forecast shortfall in income of £0.160m
  - Planning Fee income is forecast to be £0.100m below the budget. There are fewer major applications being submitted than expected. With the new Local 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. However 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 £0.060m below the revised budget due to the knock-on impact of reduced number of major planning schemes coming through.

2.13 **Resources** - £1.030m overspend due to: -

- i. A forecast overspend of £0.042m for Employee Costs which is due to paying for maternity cover along with some additional training and recruitment costs.
- ii. There is a small net underspend of £0.003m on premises costs that is made up of several larger offsetting amounts.
  - There is a £0.031m overspend on Public Conveniences costs due to hiring the Woo Loo facility in Weybourne.
  - There are additional utility costs of £0.011m.
  - There is a reduction in Business Rates of £0.014m.
  - Insurance Premiums are £0.027m less than was budgeted for.
- iii. There is a forecast overspend on Supplies and Services of £0.181m which is due to having Agency and Locum staff to cover vacant posts e.g. the Assistant Director in Finance and Chief Technical Accountant. However this will have been partly offset by savings in Employee costs for the vacant posts.
- iv. **Income** - £811k 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.
  - A proposal to extend the Meadows Car Park extension was put forward to generate additional income. It was accepted and included in the approved budget for 2024/25. Since then there has been further consideration and thought given to other options for providing additional parking in the district. So the extension has been put on hold until all options have been explored further. Therefore the anticipated additional income of £79k will not be achieved.

- 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 is forecast to be a £36k loss in income over the year.
- Due to void periods at one of the industrial units in North Walsham a full year income shortfall of £18k is forecast.

### 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 6 - 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>

3.3 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 mentioned at section 2.9 above. This will have an ongoing impact on the budget position. Additional income from advertising and concessions in areas such as the Pier and Car Parks (£20k) has not progressed as planned.

3.4 In addition to the identified savings of £975k included in the balanced budget a further £250k of unidentified savings was also included. £256k of service savings have now been identified and the P6 revised budget has been updated. Any savings identified above the required £250k (to date this amounts to £6k) will be transferred to the General reserve. Table 3 below provides members with a summary of those identified savings. Appendix B accompanying this report outlines in more detail how the savings to date have been achieved. It should be noted that £139k of these savings are recurring and so will help bridge the gap in future years.

3.5 Table 3: Progress against £250k Unidentified Savings Target

	Base Budget Savings £'000s	Pd 6 - savings identified £'000s	Transfer to General Fund £'000s
<b>Savings to be identified</b>	<b>(250)</b>		
<b>Breakdown of savings achieved</b>			
Corporate Directorate		(43)	
Environment & Leisure		(87)	
People		(56)	
Sustainable Growth		(5)	
Legal and Governance		(32)	
Finance, Assets & Revenues		(32)	
<b>Total</b>	<b>(250)</b>	<b>(256)</b>	<b>(6)</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 on the economic position in November 2023 (6% interest rates and average cash balances of £33.8m). Since then, the Monetary Policy Committee (of the Bank of England) has brought interest rates down again slightly as it was felt that the higher interest rates have achieved their purpose in bringing UK inflation back under control. However, this has had an adverse impact on the investment income the Council is achieving.

4.2 Currently the average interest rate being achieved is 5.37% on an average investment balance of £28.3m. It is expected that there will be a year-end shortfall of £445k, with anticipated earnings of £1.420m against the budget of £1.866m.

4.3 This shortfall is due to:

- Lower interest rates, which peaked at 5.25% instead of the forecast average of 6.00%, rates are currently at 5%. Rates are expected to continue to decline to 4.25% by the year-end.
- A lower investment balance, averaging £28.3m instead of the budgeted £33.80m. This is largely due to not having received the capital grants in advance of spending for the large coastal projects which was the expectation, and the FLASH project was put on hold prior to and following the General Election. The receipt of the £9m grant for this was built into the cashflow forecast but it has only just been confirmed again following the Budget on 30 October.

**Borrowing Interest**

4.4 The Council has previously approved borrowing to fund some of its capital projects, most notably for the Reef (c.£5m) and refuse freighters (c.£3m). Up until recently it has been able to “internally borrow” for these projects, saving on 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. This internally borrowed cash will at some point have to be replaced to bring the cash back to the level that it should be (an increase of £8m in cash for the above two projects), and this is when external long-term borrowing is taken.

- 4.5 During 2023/24 there was an increased requirement to borrow short-term to meet cashflow shortfalls. This ongoing shortfall is an indicator that longer term borrowing is required to replenish cash balances. Therefore a 13 month £5m loan at an interest rate of 5.39% was taken from the PWLB in March 2024.
- 4.6 At its meeting on 25 September 2024 full Council approved the use of the Treasury Management Reserve (£300k) to provide a budget for borrowing costs for 2024/25. There was a small budget of £40k so the total budget now stands at £0.340m. PWLB borrowing costs for the year will be £0.293m. Short-term borrowing costs as at Period 6 was £0.052m. Therefore allowing for some additional borrowing costs during the remainder of the year the anticipated overspend against the budget is around £100-£110k.
- 4.7 A budget will be included in the future to cover any borrowing costs the Council will incur.
- 4.8 There are two requests for approval to add additional budget the approved General Fund budget.
  - 4.8.1 The first is for an addition to the existing Exacom software which will enable officers to collate, use and manage effectively the increasingly large quantities of information and data we need to capture regarding Biodiversity Net Gain. The cost of this will be £13,000 and it is to be funded from the Delivery Plan Reserve. This will be recouped via a contribution of £4,350 from the additional income generated through the scheme being made back to Delivery Plan Reserve for 3 years to cover the cost.
  - 4.8.2 The second request is for an increase in the establishment. The Licensing team has seen a significant increase in work associated with taxis. In 2019/20 there were 41 new driver applications compared with 103 in 2023/2024. In 2019/20 there were 43 new vehicle applications compared with 220 in 2023/24. This significant increase in applications has had resourcing implications for the team.
  - 4.8.3 In providing the licensing function, the council, under the provisions of the Local Government Misc. Provisions Act 1976, is entitled to levy fees to recover the reasonable cost associated with:
    - recovering the costs of the issue and administration of drivers' licences
    - the inspection of vehicles for the purposes of determining whether any such licence should be granted or renewed
    - the provision of hackney carriage stands
    - any administrative or other costs in connection with the control and supervision of hackney carriage and private hire vehicles.
  - 4.8.4 Licensing income from these schemes must be ring-fenced, in that licensing fees and charges cannot be spent on other areas of council activity – even other areas of licensing business.
  - 4.8.5 It is therefore proposed to use the ring fenced fee income from taxi licensing to undertake some of the admin function of the team and recruit an additional Environmental Health Administrative Officer on a Grade 10. The budget

required for this will be £34k. However as stated above it will be met from the ring fenced income.

## **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 Actual Capital expenditure for 2024/25 as at period 6 was £14.8m compared to an updated full year capital budget of £37.8m. Officers have reported that progress on schemes is as expected, and that expenditure is forecast to be in line with the budgets at the year-end.
- 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 The following adjustments will be made to the capital programme subject to approval by full Council at its meeting on 20 November 2024. These changes have all been reflected in Appendix C so that it shows what the approved capital programme will be if all the adjustments are approved.
- 5.4.1 The Cromer Coast Protection Scheme and Mundesley Coastal Management Scheme has been reprofiled to reflect when the expenditure is expected to be incurred during 2024/25 and 2025/26.
- 5.4.2 The Cromer Offices LED Lighting Programme has a budget of £89k to cover the cost of completing the works, however the tender prices for the works were all substantially higher. The lowest contract price was £111k, which has been accepted. Therefore an additional budget of £22k is requested. This is to be funded from the Net Zero Initiatives reserve.
- 5.4.3 The Crinkle Crinkle Wall project was completed in 2023/24 but there was a retention sum that wasn't accrued for at the year-end for £5,600. Therefore an additional budget of £5,600 is being requested to cover this expenditure and it will be funded from the Major Repairs Reserve.
- 5.4.4 The thatched roof on the Collector's Cabin needs to be replaced as it has come to the end of its life and there is now rainwater leaking through into the building. To retain our rental income for this building it needs to be well maintained. The estimated cost to thatch the roof is £30k however once quotes have been received it could be less. Therefore approval is sought to include this project in the Capital Programme and to fund the expenditure from the Asset Management Reserve.
- 5.4.5 The Council has used a system called Workbench, which is our workflow and online forms system. However it is no longer supported and so we need to replace it. The Council has an existing system called C3 which is the contact centre software used in Customer Services. The providers of C3 will work with the Council to develop this so that it can be rolled out across the council. The annual sum for this will be £3,300 but this will be contained within existing Customer Services budgets. However there will be initial one-off costs of £23,400 to develop to the C3 software to fulfil our requirements. This will be funded from the Delivery Plan reserve.

- 5.4.6 The Reserves Statement presented in this report does not include the use of the reserves as outlined above, but if approved then they will be adjusted.
- 5.4.7 There have been some minor amendments to the descriptions of some of the capital projects which will hopefully make it clearer to know what they are specifically covering. These are
- “Coastal Erosion Assistance” has been renamed to “Coastal Erosion Assistance (Grants)” to highlight how this project differs from the Coastwise scheme. This budget is to provide financial support the community in the event of unexpected damage caused by coastal erosion.
  - “Coastal Adaptations” has been renamed to “Coastal Adaptations (Cliff Protection)” to highlight how this project it differs from the other coastal schemes. This budget is for small-scale emergency coastal works on the cliffs.
  - “Community Housing Fund” has been renamed to “Community Housing Fund (Grants to Housing Providers)” to highlight how this project differs from the “Loans to Housing Providers” project.
- 5.4.8 It should be noted that the Public Conveniences Access Control project has been removed from the Capital Programme following the Business Planning meeting on the 7 October 2024.
- 5.4.9 The Cromer Offices Floor Power Boxes project has been removed from the Capital Programme following the Business Planning meeting on the 7 October 2024.

## **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. The position has been updated to take account of capital financing slippage from 2023/24.
- 6.2 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 £339k has been made to earmarked reserves which offsets savings in the net cost of services. Where applicable this commitment has been moved to the 2025/26 financial year.
- 6.3 The Treasury Management Reserve has been updated to reflect the approved use of £300k. This was required to establish a budget for borrowing costs in 2024/25.
- 6.4 Savings of £256k have been identified against a target of £250k, the additional £6k has been allocated to the General Reserve to balance the budget.
- 6.5 The Major Projects reserve, Net Zero Initiatives reserve, Delivery Plan reserve and the Asset Management reserve have not been adjusted to reflect the use of the reserves as discussed in paragraphs 5.4.2 to 5.4.5.

## **7 Corporate Priorities**

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

## **8 Financial and Resource Implications**

- 8.1 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

## **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 £0.995m. 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 two recommendations seeking full Council approval for additions to the revenue budget as laid out in paragraph 4.8.
- 14.4 There are several recommendations seeking full Council approval for additions to the capital budget as laid out in paragraph 5.4.2 to 5.4.5.