

| BUDGET MONITORING P10 2024/25 | |
|--------------------------------------|--|
| Executive Summary | <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 January 2025.</p> <p>As at 31 January 2025, the General Fund projected surplus is £0.048m for the full year 2024/25. 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 forecast year end position. 2. Continue the work to minimise the risk of a General Fund revenue deficit for 2024/25. 3. Seek approval from full Council to make all the changes to the Capital Programme as laid out in paragraph 5.5 of the report. |
| Reasons for recommendations | To update members on the current budget monitoring position for the Council. |
| Background papers | |
| 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 |
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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 January 2025.

2. Revenue

- 2.1 The Council has an approved General Fund revised revenue budget of £20.266 million (Including Parish Precepts and funding from reserves). 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 January 2025 is £20.363 m against the budget of £20.266m which is a projected Overspend of £0.096m 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 The Period 6 monitoring report forecast a full year overspend of £0.995m. This Period 10 monitoring report is forecasting a full year a small underspend of £0.048m. This is a significant change in the year end position which is explained in the main body of the report.
- 2.5 In summary the swing is due to a large underspend of over £0.7m on employee costs, some further significant savings on supplies and services, improvements in income levels for both services and investment. Whilst the expenditure forecasts are quite certain and will result in an underspend, the overall forecast underspend is also dependent on some income levels being maintained for the last two months of the year. There is less certainty here. Where there are predicted savings related to expenditure items that are being funded from Reserves, the reserve position has been updated to reflect this.
- 2.6 It should be noted that officers have worked very hard to bring the financial position back round. Many teams have held vacancies to generate the employee savings, and this puts pressure on the existing workforce and service delivery. The Portfolio Holder for Finance and Assets and the Director of Resources would like to acknowledge this and thank all the staff for their hard work.

2.7 Table 1: General Fund Summary

General Fund Summary Period 10 2024/25

| Service Area | 2024/25 Base Budget £000 | 2024/25 Revised Budget £000 | 2024/25 Full Year Forecast Period 10 £000 | Period 10 Variance £000 |
|---|---|--|--|--|
| Corporate Leadership/ Executive Support | 576 | 528 | 287 | (240) |
| Communities | 11,530 | 11,387 | 11,221 | (167) |
| Place and Climate Change | 7,121 | 7,130 | 6,349 | (781) |
| Resources | 4,538 | 4,628 | 5,083 | 455 |
| Savings to be Identified | (250) | 0 | 0 | 0 |
| Net Cost of Services | 23,516 | 23,673 | 22,939 | (734) |
| 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) | (1,455) | 410 |
| External Interest Paid | 40 | 340 | 340 | 0 |
| Revenue Financing for Capital: | 210 | 2,448 | 2,448 | 0 |
| Minimum Revenue Provision | 488 | 488 | 507 | 19 |
| IAS 19 Pension Adjustment | 268 | 268 | 268 | 0 |
| Net Operating Expenditure | 22,062 | 24,757 | 24,453 | (304) |
| Funded By | | | | |
| 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 |
| Income from Government Grant and Taxpayers | (20,266) | (20,266) | (20,411) | (145) |
| (Surplus)/Deficit | 1,796 | 4,491 | 4,042 | (449) |
| Contribution To/(From) Reserves | (1,796) | (4,491) | (4,090) | 401 |
| (Surplus)/Deficit Position | 0 | 0 | (48) | (48) |

Forecast variance explanations

- 2.8 The net cost of services full year forecast position is a net Underspend of £0.734m. 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 £4.090m rather than the budgeted £4.491 i.e. a saving of £0.401m in the use of earmarked reserves. This is discussed in more detail in Section 6 below and at Appendix D.
- 2.9 The net cost of services underspend is offset in part by a shortfall in investment income and a revised MRP calculation. However the investment position has improved slightly with the shortfall reducing from £0.445m at Period 6 to £0.410m in Period 10. The forecast variance for investment income is explained in detail in Section 4 below.
- 2.10 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 has been used to reduce the overall General Fund deficit.
- 2.11 The significant variances between the revised full year budget and the full year forecast are highlighted in paragraphs 2.12 to 2.15 below.
- 2.12 **Corporate Leadership/Executive Support** - £0.241m Underspend. The main reasons are outlined below: -
- i. An underspend of £0.147 in Employee Costs related to reductions in contracted hours and having vacant posts where there has been staff turnover.
 - ii. Savings of £0.076m in supplies and services including printing and publication expenditure.
- 2.13 **Communities** - £0.166m underspend.
- i. An Underspend of £0.120m in Employee Costs related to having vacant posts.
 - ii. An Overspend in premises related expenditure of £0.018m relates to drainage levy costs, which is unavoidable.
 - iii. Reduced supplies and services costs in relation to commercial waste disposal are forecast to deliver a saving of £0.130m.
 - iv. Income for garden bins is expected to fall short of target by £0.080m, this is partially offset by income for bulky waste collection which has exceeded the budget expectation by £0.010m.
- 2.14 **Place and Climate Change** - £0.781m underspend due to the following: -
- i. An underspend of £0.444m in Employee Costs Employee Costs, £0.140m of which was being funded from reserves.
 - Reduction in contracted hours and being unable to recruit to 2 vacant fixed term posts 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 £0.319m in Supplies and Services due to
- Local Plan work originally expected to be completed in 2024/25 but will now be done in 2025/26 has resulted in £0.086m less expenditure on Professional fees. The expenditure would have been funded from earmarked reserves.
 - Slippage in climate projects of £0.070m within Environmental Sustainability which would have been funded from reserves.
 - Cost provision made in 2024/25 for 2023/24 related expenditure was £0.033m more than the actual expenditure, thus generating a saving.
 - There being less revenue spending on coastal protection projects of £0.047m than expected because of delayed capital schemes.
 - £0.020m contribution towards coastal manager post not incurred due to there being a vacancy.
- iii. There is a favourable income variance of £0.059m
- It was reported as part of the period 6 budget monitoring that Planning and Building Control fee income was predicted to be below budget by £0.160m. This position has been reviewed and updated following an upturn in income being received. Budget managers now forecast that the full fee income budget will be delivered at outturn.
 - Improvements to the pre-application service in Development management is set to deliver increased income of £0.017m.
 - Land Charge fees increased £0.040m in relation to wind turbines, however this is offset by a reduction of £0.017m in discretionary search fees.

2.15 Resources - £0.455m overspend due to: -

- i. A forecast Underspend of £0.158m for Employee Costs
- Finance vacant posts have resulted in a saving of £0.055m, this has been offset by agency costs.
 - ICT vacant posts and reduced contract hours will generate full year savings of £0.067m.
 - Estates vacant posts will deliver an Underspend of £0.043m.
- ii. A forecast Underspend of £0.031m on premises costs that is made up of the following.
- £0.061m reduction in Repairs and Maintenance spend, including Public Conveniences and the Rocket House.
 - £0.023m overspend on Public Conveniences costs due to hiring the temporary toilet block facility in Weybourne.

- There is an overspend on water and electricity costs of £0.061m.
 - There is a reduction in Business Rates of £0.023m.
 - Insurance Premiums are £0.027m less than was budgeted for.
- iii. There is a forecast Underspend £0.102m on Supplies and Services made up of
- Overspend of £0.020m on the car park management contract due to increased employee costs.
 - £0.034m net Underspend on Computer maintenance, software and consumables.
 - Underspend on Audit fees £0.187m because full audits have not been carried out on the 21/22, 22/23 and 23/24 accounts, plus an underspend of £0.018m Internal Audit fees.
 - £0.194m is forecast to be spent on 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 (£0.158m) in Employee costs for the vacant posts. So the net overspend will effectively be £0.036m.
- iv. **Income** - £0.715m 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 £0.725m for the year. This relates to the subsidy the Council can claim to cover the cost of temporary accommodation.
 - 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 £0.042m 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 £0.025m is forecast.
 - Additional income £0.026m from Legal professional fees.
 - Additional income of £0.133m is anticipated from car parking income.

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 £0.975m Savings Target

| Directorate | Assistant Director | Base Budget | Period 10 - | Variance |
|------------------------|----------------------------|-------------|-------------|--------------|
| | | Savings | full year | |
| | | £'000s | forecast | £'000s |
| Corporate | Corporate | 49 | 49 | 0 |
| Communities | Environment & Leisure | 148 | 78 | (70) |
| | People | 235 | 235 | 0 |
| Place & Climate Change | Sustainable Growth | 43 | 43 | 0 |
| | Planning | 182 | 180 | (2) |
| Resources | Legal and Governance | 85 | 82 | (3) |
| | Finance, Assets & Revenues | 234 | 207 | (27) |
| | Total | 976 | 874 | (102) |

3.3 The savings forecast at Period 10 is still largely positive with the forecast that 90% of the savings will be achieved by the end of the year. In-year vacancies and difficulties in recruitment into the Environmental Services team have meant it has not been possible to undertake the planned garden bin promotions work and the additional budgeted income of £0.050m will not be achieved. Again due to resourcing issues it hasn't been possible to deliver some planned external training courses which means that the anticipated additional income of £0.020m (included in the £975k savings target) won't be achieved. The extension to the Meadow car park in Cromer scheme has not taken place, so the additional car park income of £79k identified as a saving won't be generated. However the current car park income levels indicate that there will be a surplus of actual income of £130k over budget for the year. The proposal to generate additional income of £20k from advertising and concessions in areas such as the Pier and Car Parks has not progressed as planned, again due to a lack of capacity.

3.4 In addition to the identified savings of £0.975m included in the balanced budget a further £0.250m of savings 'to be identified' was also. £0.256m of service savings were identified by managers up to period 6, the revised budget has now been updated to take account of these savings. All further savings have been identified as part of the forecasting exercise.

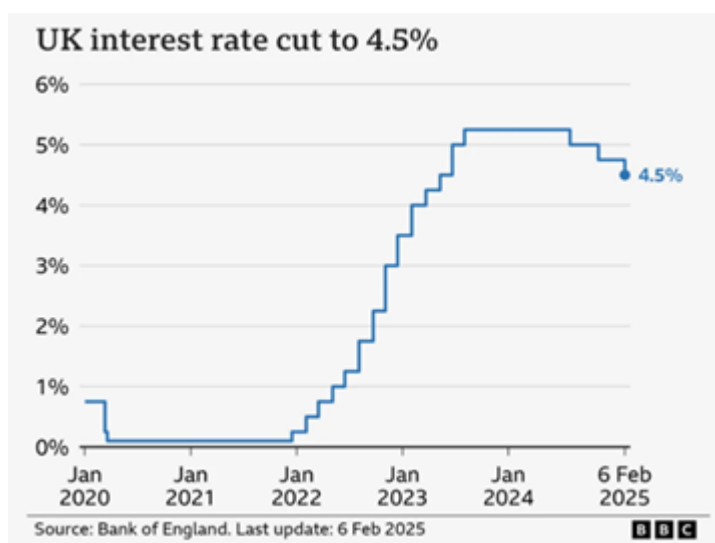
3.5 Table 3: Progress against £0.250m Unidentified Savings Target

| | Base Budget | Pd 6 - savings | Transfer to |
|--------------------------------------|--------------|----------------|--------------|
| | Savings | identified | General Fund |
| | £'000s | £'000s | £'000s |
| Savings to be identified | (250) | | |
| Breakdown of savings achieved | | | |
| Corporate Directorate | | (43) | |
| Environment & Leisure | | (87) | |
| People | | (56) | |
| Sustainable Growth | | (5) | |
| Legal and Governance | | (32) | |
| Finance, Assets & Revenues | | (32) | |
| Total | (250) | (256) | (6) |

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 balance of £33.8m). Since then, the Monetary Policy Committee (of the Bank of England) has made a series of cuts to the interest rate with the latest one being on 6 February 2025 to the current 4.5%, (see chart below which shows the movement in interest rates since January 2020), as it was felt that the higher interest rates have achieved their purpose in bringing UK inflation back under control (with the December 2024 inflation sitting at 2.7%). However, this has had an adverse impact on the investment income the Council is achieving.



- 4.2. At period 10, the Council had earned £1.3m in investment interest, which is under budget by £250k. This variance is due to the average rate of 5.54% being lower than the 6% when the budget was set and the average level of investments of £28m being lower than the £33.8m assumed when the budget was set. The full year forecast calculation predicts a shortfall of £410k for the year which is a slight improvement on the Period 6 shortfall forecast of £445k. Investment income for the year is now expected to be £1.455m.
- 4.3. The lower level of cash balances, averaging £28m instead of the budgeted £33.8m is due to the delays in receiving grants from the Environment Agency (Cromer & Mundesley coastal schemes) and the Fakenham Leisure Centre and Sports Hub scheme (FLASH) being put on hold whilst the new government reviewed the funding commitments it inherited from the previous government. The Levelling-up grant we expected to receive for this scheme has not yet been received and therefore has been unavailable for investment.

Borrowing Interest

- 4.4. The Council has previously approved borrowing to fund some of its capital projects, most notably The Reef (c.£5m) and Refuse Freighters (c.£3m). Up until recently the Council has been able to 'internally borrow' for these projects, saving on borrowing costs, but at the expense of the investment income achieved. It is prudent to do this as borrowing interest rates are always higher than investments interest rates.

- 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 the 25th of September 2024, Full Council approved the use of the Treasury Management Reserve (£300k) to provide a budget for 2024/25 borrowing costs. There was an existing budget of £40k, so the total budget now stands at £340k. PWLB borrowing costs for the year will be £266k and short-term borrowing costs as at period 10 are £54k, meaning a total of £321k will be spent at year-end. This leaves £19k for any short-term borrowing requirements during February and March, which should cover the borrowing costs until the end of the year. This time of year is always a period of low levels of cash as we do not receive much council tax income at this time of the year as we collect the majority of the income over 10 months (April to January).
- 4.7. Currently the Council doesn't have any outstanding short-term borrowing commitments as at the end of period 10.

5. Capital

- 5.1. This section of the report presents the capital programme 2024/25 position as at the end of period 10, 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 10 was £22.321m compared to an updated full year capital budget of £39.740m, leaving £17.419m to be spent by the year end.
- 5.3. The level of underspend is not a cause for concern as the Council has several large on-going schemes that are being delivered and are being delivered over more than one year. The most notable delay is in the delivery of the FLASH scheme which was put on hold due to the government reviewing its inherited commitment to the Levelling Up Schemes. These large schemes are largely government funded,
- 5.4. There are some adjustments to be made to the capital programme, subject to approval by full Council. These changes have all been included in Appendix C to show what the programme will be assuming all the adjustments are approved.
- 5.5. **It is requested that Cabinet recommend that full Council approve the following**
 - 5.5.1. Increase the 2024/25 capital budget for the Mundesley Coastal Defence scheme from £6.206m to £7.637m, following the award of additional grant funding from the Regional Flood & Coastal Committee and the Environment Agency to fund inflationary costs to the project over its lifetime. The Council is awaiting the outcome of a bid to the Regional Flood & Coastal Committee from NNDC for £0.750m to both replace the previous £0.250m contribution from Anglian Water that will not be forthcoming and seek additional funding to cover the projects costs towards reducing coastal erosion risk.
 - 5.5.2. Increase the 2024/25 capital budget for the Cromer Coastal Defence scheme from £10.106m to £10.250m. This is covered by additional grant from the Environment Agency to fund inflationary costs over the project's lifetime.

- 5.5.3. Increase the capital budget for the Disabled Facilities Grants in 2024/25 by £0.203m to a total of £2.079m. This will be funded by additional grant funding awarded to the Council in January 2025 by MHCLG.
- 5.5.4. Increase the capital budget for the Provision of Temporary Accommodation in 2024/25 by £280,000 to £578,307, and fund this from the Local Authority Housing Fund thus reducing the fund to zero. This aligns with the Council's decision to use the remaining Local Authority Housing Fund Grant to purchase a property to use for Temporary Accommodation.
- 5.5.5. Increase the UK Shared Prosperity Fund capital budget by £0.050m to £0.239m. This will be funded by a re-allocation of UKSPF revenue grant funding (which is not ring-fenced for revenue) to the capital budget.
- 5.5.6. Increase the Fakenham Leisure and Sports Hub capital budget by £60,000 in 2024/25, following the award of additional grant by MHCLG in January 2025 as a local growth capacity and support payment. This payment is being provided to mitigate any immediate delivery issues caused by the Government's delay in approving the Levelling-up Schemes.
- 5.5.7. Remove the Backup Network Upgrade capital budget totalling £14,000 as the IT Network Manager has confirmed the project has been completed.
- 5.5.8. Reduce the Coastwise capital budget in 2024/25 by £86,000 to a total of £14.610m to match the level of grant funding awarded by the Environment Agency for this scheme.

6. Reserves

- 6.1 The Council's current reserve position is shown at Appendix B. This position has been updated as part of preparing the forecast for 2024/25.
- 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 £401k 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 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.

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

- 9.1 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

11.1 None as a direct consequence of this report

12 Equality and Diversity

12.1 None as a direct consequence of this report

13 Community Safety Issues

13.1 None as a direct consequence of this report

14 Conclusion and Recommendations

14.1 The revenue budget is showing an estimated full year underspend for the current financial year of £0.048m. The overall financial position continues to be closely monitored. The Council will continue to take steps to minimize expenditure and maximise income for the remainder of the year.

14.2 There are two recommendations for Cabinet to note the report and to continue its work to balance the budget.

14.3 There is a recommendation to seek approval from full Council for all the recommendations for changes to the capital programme as laid out in paragraph 5.5.