

BUDGET MONITORING Period 4 2025/26	
Executive Summary	<p>This report provides an update on the Council's financial performance and projected full year outturn position for 2025/26 for the revenue account, capital programme, reserve statement and budgeted savings performance as at the end of July 2025.</p> <p>As at 31 July 2025, the General Fund projected surplus £0.138m for the full year 2025/26. 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)	This is an update report on the Council's financial position and no other consultations were considered.
Recommendations	<p>Members are asked to consider the report and recommend the following to full Council:</p> <ul style="list-style-type: none"> a) Note the contents of the report and the current forecast year end position. b) Approval is requested from Full Council to decrease the 2025/26 capital budget for the Mundesley Coastal Defence scheme to £1,139,806 to reflect the apportionment of £250k from external contributions to the Cromer Scheme. c) Approval is requested from Full Council to increase the 2025/26 capital budget for the Cromer Coastal Defences scheme to £1,096,067 to reflect the apportionment of £250k from external contributions from the Mundesley Scheme. d) Note the contents of the Q1 Treasury Management update report, appendix F.
Reasons for recommendations	To update members on the current budget monitoring position for the Council.
Background papers	Budget report, Budget Monitoring reports

Wards affected	All
Cabinet member(s)	Cllr Lucy Shires
Contact Officer	Daniel King Assistant Director Finance & Assets daniel.king@north-norfolk.gov.uk 01263 516167

Links to key documents:	
Corporate Plan:	Financial Sustainability and Growth
Medium Term Financial Strategy (MTFS)	Budget Process in line with the 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	N/A
Details of any previous decision(s) on this matter	N/A

1. Introduction

- 1.1 This report updates members with the first published monitoring report of 2025/26, movements to the forecast position are against the updated budget for 2025/26. The updated budget reflects the base budget approved by Full Council on the 19 February 2025 updated to reflect approved budget movements. It provides a position as at the end of July 2025 for revenue, capital, reserves and budgeted savings.
- 1.2 The updated budget has been restated to realign with the new reporting structure approved by Full Council on 21 May 2025. The General Fund Summary (Appx A) illustrates this movement.
- 1.3 Commentary on the more significant forecast variances by expenditure type (subjective) are included within the report with further supporting information provided within the detailed appendices.
- 1.4 Where there are predicted savings related to reserve funded expenditure items, the reserve position has been updated to reflect this.

2. Summary Financial Forecast P4 2025/26

- 2.1 The General Fund position for the year shows a forecast year-end Surplus of (£0.138m). This is after allowing for adjustments to/(from) Earmarked Reserves.
- 2.2 Appendix A The General Fund Summary, shows the overall revenue position including notional charges; however, to assist reporting and explaining 'real cash' variances, Table 1 below provides a summary of the General Fund position excluding these charges.
- 2.3 Accounting standards require several notional charges to be made to service accounts e.g., capital charges, revenue expenditure funded from capital under statute (REFCUS) and pension costs, and whilst they don't have an impact on the surplus or deficit for the year, they are included for reporting purposes.

2.4 Table 1

2025/26 Revenue Account Excluding Notional Charges	Updated Budget £'000	Forecast P4 2025/26 £'000	Variance £'000
Service Area:			
Corporate	4,272	4,200	(72)
Resources	5,255	5,573	318
Service Delivery	9,374	9,038	(336)
Net Cost of Services	18,901	18,811	(90)
Parish Precepts	3,736	3,736	0
Net Interest Receivable/Payable	(1,101)	(1,033)	68
Minimum Revenue Provision (MRP)	527	527	0
Capital Financing	320	1,978	1,658
Contribution to/(from) Earmarked Reserves	1,538	(236)	(1,774)
Contribution to/(from) General Reserve	(15)	(15)	0
Net Service Expenditure/Income to be met from Government Grant and Taxpayers	23,908	23,353	(554)
Government Grants and Council Tax	(23,908)	(23,908)	0
Net (Surplus)/Deficit for the Year	-	(138)h	(138)

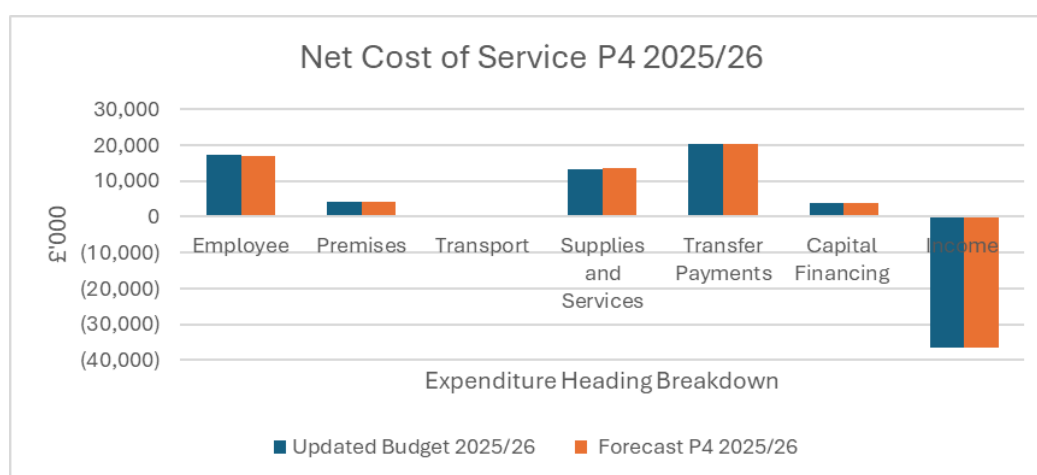
- 2.5 **Net Cost of Service** – the position shows a net surplus of (£90k) across the Councils main service areas. This position is explained further within section 3 below and also within appendix B.
- 2.6 **Non-Service expenditure** – Relates to income and expenditure not directly related to providing specific Council services.
- **Net Interest Receivable/Payable** – relates to the Council's balances invested to provide revenue to assist with funding the budget. The position shows that there was a net deficit of £68k at the end of the year. This is largely related to interest receivable which was lower than predicted due to reduced interest rates and lower balances available to invest. This is explained further within paragraphs 3.10 to 3.16.
 - **Capital Financing** - this expenditure line relates to revenue financing allocated to the council's capital programme. The position shows an

Increase of £1.658m which reflects slippage from the 2024/25 capital programme which was highlighted in the 2024/25 Outturn report. This does not impact on the bottom-line position as all of the finance relates to earmarked reserve movements.

- **Contributions to/(from) Reserves** – Movement from the budgeted position largely reflects the updated capital programme. Further information on the councils reserves movements can be found at section 6 below and within Appx D.
- **Government Grant and Council tax** – As part of Central Government funding allocations the Council were notified that they would be receiving a grant in respect of Extended Producer responsibilities of £1.616m. Earlier this year we were notified that this would be reduced to £1.283m. Further advice has now been received to advise us that we will be receiving a top up payment to the level of the original allocation £1.616m. This does not impact the bottom line as it has been ringfenced in a new earmarked reserve.

3. **Net Cost of Services – Commentary by Expenditure Heading for Period 4 2025/26**

- 3.1 The net cost of services shows a year-end surplus of (£90k). This position includes notional charges and is before any transfers to/from earmarked reserves.
- 3.2 Graph 1 below shows the main variances across the standard expenditure headings which comprise the Net Cost of Services.



- 3.3 The significant variances categorised under each expenditure heading are outlined in the following section. Further information on these variances can be found at detailed service level within appendix B.

3.4 **Employee Costs – Current forecast underspend of £330k**

- As part of the budget process 3% inflation was incorporated into the personnel budgets for 2025/26, the pay award has recently been agreed at 3.2%. This increase of 0.2% inflation equates to an estimated shortfall of £31k.

- The departure of two Directors in April 2025 will deliver an estimated net saving of £71k this is after allowing for recruitment and restructuring costs. The cost of interim cover for the section 151 role has also been funded from this saving.
- Employee savings resulting from vacancies and changes to contract hours are estimated to result in full year savings of £369k.
- £154k in budgeted staffing savings not yet achieved, although this has been offset by other staffing savings.
- Indirect employee costs including Insurances and training are forecast to be under budget by an estimated £12k.
- The forecast position anticipates that restructuring costs of £59k are funded from the Restructuring and invest to save reserve.

3.5 Premises Costs – Net underspend of £15k

- (£30k) Business rates on the council's own assets including a large saving due to car park revaluations.
- £41k Programmed and reactive Repairs and Maintenance (R&M) this is offset by a reduction (£10k) in vandalism related costs.
- £10k Utilities including electricity and water charges
- £5k Insurances including the councils Fire/General policy
- (£27k) Rental expenditure relating to public conveniences.

3.6 Transport Related costs – (£17k)

- (£15k) reduction in mileage claimed by officers.

3.7 Supplies and Services – £127k

- Agency staff £112k – Additional support required within Finance, Environmental Health and Legal. Most of this cost has been offset by staff turnover savings or grant income.
- £12k Bad debt write offs which are not budgeted for at service level.
- £12k Bank Charges offset by a reduction in brokerage fees.
- ICT - Net £10k increased Software licences and purchases offset by a reduction in consumables costs.
- (£38k) Other professional fees – Local Plan inspection fees (offset by reduced reserve contribution)
- £57k Estates - Consultancy fees
- £8k Public liability insurance premium
- (£13k) Internal Audit fee expenditure
- (£17k) Publication costs

3.8 Transfer payments - £30k

This relates to NNDC service charges, NNDC retained overheads for main admin building at Cromer and the rocket house public convenience.

3.9 Income – Net shortfall of £115k

Government Grants – Forecast overspend of £282k

- The council received some new burdens funding that was not anticipated. This funding is to offset the additional pressures of providing specific services.
 - (£49k) was received in respect of Internal drainage board costs
 - (£69k) was received in respect of External Audit costs, Redmond Review and backstop pressures, some of which will offset additional agency staff costs within finance.
- Housing Benefit Subsidy - Based on the initial subsidy claim for 2025/26 submitted to the Department for Works and Pensions (DWP) there is an anticipated shortfall of £706k. This is largely due to the placement of Homeless clients in Bed and Breakfast accommodation. Not all of these costs can be reclaimed as there is an expenditure cap dependant on the location of the property. This forecast shortfall is partially mitigated by the recovery of prior year overpaid subsidy; this is estimated to reduce the overall shortfall to £400k.

Other Grants and Reimbursement – shortfall £15k

- (£10k) Car park contributions
- £25k other LA Contributions Coastal Management (offset by saving in staffing costs)

Rents – Shortfall £24k

- £24k Anticipated shortfall in rental receipts on assets including industrial estates and chalets.

Customer and Client Receipts – surplus (£189k)

- (£20k) –Waste and Recycling income
- £38k – Building Control fee income, fee scale increases not yet realised due to the timing of applications.
- (£200k) – Development Management, planning fee income due to a number of large-scale applications.
- (£7k) – Net car park income surplus this is after taking account of the impact of the savings/income targets

Non-Service Income and Expenditure

Investment Income

- 3.10 The 2025/26 investment interest budget is £1.418m. This budget was calculated based on the economic position in November 2024 (5% average interest rates and an average cash balance of £29.5m). Since then, the Monetary Policy Committee (of the Bank of England) have been gradually lowering interest rates to achieve their purpose of preventing radical inflation. However, this has had an adverse impact on the investment income the Council is achieving. As at the time of writing this report, the base rate was 4%.
- 3.11 At period 4, the Council earned £0.599m in investment interest, which is a favourable variance of £0.131m above the period 4 budget of £0.468m. This was with an average rate of 5.56% on an average principle of £29.735m. However, with the dip in interest rates and available cash balances as budgeted for above, a year-end shortfall of £0.068m is expected, with anticipated earnings of £1.351m.

- 3.12 This variance is not a concern at the current time as it is on par with the anticipated year end budget and will fluctuate with daily investment balances.

Borrowing Interest

- 3.13 The Council has previously approved borrowing to fund some of its capital projects, currently the Council has an opening CFR (Capital Financing Requirement) at the start of 2025/26 of £17.544m. The CFR is a measure of a local authority's underlying need to borrow to finance its past capital expenditure which has not yet been funded by capital or revenue resources. MRP (minimum revenue provision) which is an annual revenue contribution to capital is paid annually to finance this CFR deficit over time.
- 3.14 The Capital Financing requirement (CFR) is a combination of internal borrowing (using the Council's own cashflow resources) and external borrowing (actual borrowing from other local government bodies or the central government PWLB, Public Works Loans Board). During 2025/26 the only long-term borrowing identified to be required to fund the Council's cash shortfall was £5m.
- 3.15 The Council currently has £5m loan from the PWLB which commenced on the 01/05/25 and will be repaid on 01/05/26. This loan was secured at a rate of 4.59% and the Council will incur a £0.210m borrowing expense from this loan in 2025/26.
- 3.16 The Council had a prior £5m loan from the PWLB which was repaid on the 28/04/25. This loan was secured at a rate of 5.39%. Repayment of this loan incurred a £0.023m borrowing expense in 2025/26. The Council has a 2025/26 borrowing budget of £0.302m to cover these expenses and to allow budget for any additional short-term borrowing that may be required during the financial year.

4. Performance against savings targets 2025/26

- 4.1 As part of the 2025/26 budget process £1.881m of expenditure savings/additional income were identified and factored into the base position as agreed by Members in February 2025. Table 2 below provides an update on how these savings are being achieved. A more detailed breakdown can be found in appendix E.

This position is for information only as the impacts are already included in the net forecast surplus position of (£138k).

4.2 Table 2: Performance against £1.881m Savings Target

Directorate	Assistant Director	2025/26 Budget £000	Forecast	
			P4 2025/26 £000	Variance £000
Corporate	Corporate functions	879	752	(128)
	Legal and Governance	14	14	0
Service Delivery	Environmental Health and Leisure	182	182	0
	People Services	236	236	0
	Planning	255	138	(118)
Resources	Finance, Assets and Revenues	202	157	(45)
	Sustainable Growth	112	57	(55)
		1,881	1,535	(346)

- 4.3 The current forecast shortfall in savings of £346k is largely due to the following reasons.
- 4.4 Service restructuring which has not yet been implemented has £154k.
- 4.5 Predicted shortfall against £127k additional income factored into the base
- £97k car parking income due to timing difference on delivery of additional car park income streams, although overall car park income is forecast to deliver a surplus.
 - £30k Building Control fee income. A majority of the income received is on the old fee structure. This is due to the fact that the fee payable is based on the fees in place when the application was submitted, not the current price structure.

5. Capital Programme 2025/26

- 5.1 This section of the report presents the capital programme 2025/26 position at the end of period 4, together with an updated capital programme for the financial years 2025/26 to 2030/31. Appendix C provides the details of the current position.

- 5.2 Total Capital expenditure for 2025/26 as at period 4 was £4.819m compared to an updated full year capital budget of £36.407m. This gives a remaining 2025/26 capital budget of £31.588m.
- 5.3 At 2024/25 outturn reporting, the Capital Programme included a capital budget of £10.850m for the Fakenham Leisure and Sports Hub (FLASH), as agreed by Full Council on 21 February 2024. These budget monitoring papers have since been updated to reflect decisions made by Full Council on 27 March 2024: an increase of £0.450m to account for inflation and a further £0.330m for framework fees. This total increase of £0.780m has now been incorporated into the Capital Programme, bringing the approved project budget to £11.630m.
- 5.4 The large amount of the remaining budget is attributed to the Council having multiple high-value projects in its capital programme in the current financial year. With the projects primarily funded by external grants, this variance is not a concern to the Council's own internal financing of the capital programme.
- 5.5 The following adjustments will be made to the capital programme, subject to approval by Full Council. These changes have all been reflected in Appendix C and are requesting approvals from Full Council as detailed below:
- 5.6 Seek approval of Full Council to decrease the 2025/26 capital budget for the Mundesley Coastal Defence scheme to £1,139,806 to reflect the apportionment of £250k from external contributions to the Cromer Scheme. This is not new funding, but a re-allocation of existing funding to reflect where the expenditure has been spent on both schemes.
- 5.7 Seek approval of Full Council to increase the 2025/26 capital budget for the Cromer Coastal Defences scheme to £1,096,067 to reflect the apportionment of £250k from external contributions from the Mundesley Scheme. This is not new funding, but a re-allocation of existing funding to reflect where the expenditure has been spent on both schemes.

6. Reserves

- 6.1 The Councils current reserve position is provided at Appendix D. This position has been updated as part of preparing the updated forecast for 2025/26.
- 6.2 The updated base assumed contributions into reserves of £1.524m the current forecast is a net contribution from reserves of £251k, the main reasons for this movement are outlined below.
- 6.3 £1.658m relates to capital financing allocations this is a result of slippage in the 2024/25 capital programme, details of which are included in the Council outturn report for 2024/25.
- 6.4 The Forecast General Reserve balance on 31 March 2026 is £2.810 million which is above the recommended balance of £2.1million.

7. Medium Term Financial Strategy

- 7.1 The content of this report includes details of budgets which will support the medium-term financial strategy through the revised capital programme and movements in reserves.

8. Proposals and Options

This is a factual report that outlines the financial position at the year-end for the year 2024/25. There are proposed recommendations for Cabinet to make to full Council on 23 July 2025. The approval of these recommendations will enable the Council to maintain its strong financial position in the coming years.

9. Corporate Priorities

Delivering services within budgets enables the Council to maintain its strong financial position and maintain a robust level of reserves that may be required to address future unforeseen events.

10. Financial and Resource Implications

- 10.1 This report is of a financial nature and the financial implications are included within the report content.

11. Legal Implications

- 11.1 There are no legal implications as a direct consequence of this report.

12. Risks

- 12.1 Financial risks are identified within the report content.

13. Net ZeroTarget

This report does not raise any issues relating to the achieving the net zero target.

14. Equality, Diversity & Inclusion

This report does not raise any issues relating to the achieving the net zero target.

15. Community Safety issues

This report does not raise any issues relating to the community safety issues.

16. Conclusion and Recommendations

- 16.1 Members are asked to consider the report and recommend the following to Full Council:

a) The Updated Forecast position at P4 2025/26 for the General Fund revenue account (See Appendix A);

b) Approval is requested from Full Council to decrease the 2025/26 capital budget for Mundesley Coastal Defence scheme to £1,139,806 to reflect the apportionment of £250k from external contributions to the Cromer Scheme.

- c) **Approval is requested from Full Council to increase the 2025/26 capital budget for the Cromer Coastal Defences scheme to £1,096,067 to reflect the apportionment of £250k from external contributions from the Mundesley Scheme.**

S151 Officer

The Period 4 position as presented in this report shows that the updated forecast for 2025/26 is a yearend surplus of £0.138m. The Finance team and service managers will continue to monitor all revenue and capital budgets and provide a further update on the forecast financial position at P6 (September) 2025.

Monitoring Officer

In accordance with the CIPFA requirements, this report provides financial information to Members around the 2025/26 provisional outturn position for the year and matters as detailed in the recommendations.