

BUDGET MONITORING Period 6 2025/26	
Executive Summary	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 September 2025. As at 30 September 2025, the General Fund Forecast Outturn position for 2025/26 is a surplus of £0.354m. This is after adjusting for all known variations and full year forecasting by service managers.
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	Members are asked to consider the report and recommend the following to full Council: a) Note the contents of the report and the current forecast year end position. b) Seek approval of Full Council to increase the 2025/26 capital budget for the Holt Country Park Eco Learning Space to £140,000. This is to reflect the apportionment of £40,000 from external S106 contribution towards the scheme. c) To acknowledge the increased Customer Services C3 Software 2025/26 capital budget to a total of £32,600. This is following approval of an additional £9,200 towards the project from the Delivery Plan Reserve by the Director of Resources/S151 Officer.
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 of the forecast outturn position for 2025/26 against the updated budget. 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 September 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 (Appendix 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 P6 2025/26

- 2.1 The General Fund position for the year shows a forecast year-end surplus of (£0.354m). 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 P6 2025/26 £'000	Variance £'000
Service Area:			
Corporate	4,272	4,204	(67)
Resources	5,294	5,613	319
Service Delivery	9,384	8,996	(388)
Net Cost of Services	18,949	18,813	(136)
Parish Precepts	3,736	3,736	0
Net Interest Receivable/Payable	(1,101)	(1,221)	(120)
Minimum Revenue Provision (MRP)	527	585	57
Capital Financing	1,458	1,458	0
Contribution to/(from) Earmarked Reserves	353	56	(297)
Contribution to/(from) General Reserve	(15)	(15)	0
Net Service Expenditure/Income to be met from Government Grant and Taxpayers	23,908	23,411	(497)
Government Grants and Council Tax	(23,908)	(23,765)	143
Net (Surplus)/Deficit for the Year	-	(354)	(354)

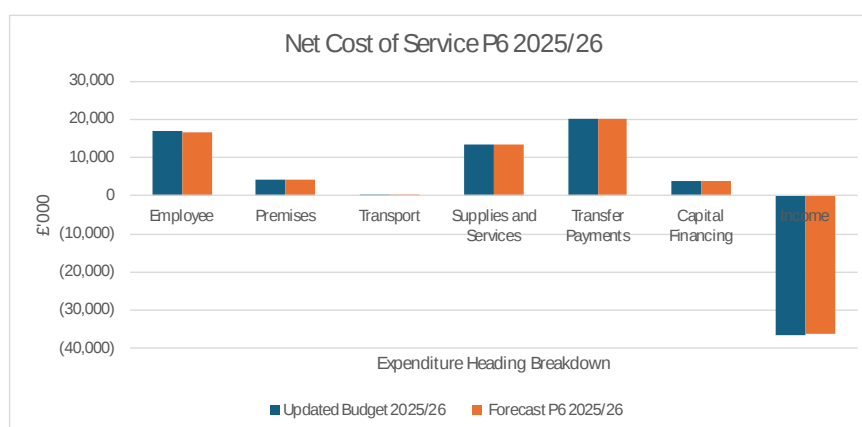
- 2.5 **Net Cost of Service** – the position shows a net surplus of (£136k) across the Councils main service areas. This position is explained further within section 3 below and also within appendix B.
- 2.6 **Non-Service expenditure** – Relates to income and expenditure not directly related to providing 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 is forecast to be a net surplus of £120k at the end of the year. This is a significant movement from the previous position at Period 4 which forecast a shortfall of £68k. This movement relates to interest receivable which is forecast to be greater than predicted due to higher balances available to invest. This is explained further within paragraphs 3.10 to 3.17.

- **Minimum Revenue Provision (MRP)** – is the provision that the Council is charging against the revenue for the repayment of debt, this is measured by the amount of borrowing required to fund the Capital Programme. This position fluctuates with capital programme spend. The current increase of £57k reflects changes in accounting for leases under IFRS16.
- **Capital Financing** – this expenditure line relates to revenue financing allocated to the council's capital programme. The budget has been updated for 2024/25 programme slippage and now reflects the current forecast capital financing requirement.
- **Contributions to/(from) Reserves** – As part of the updated budget the earmarked reserve position has been updated to reflect the capital programme. The forecast final outturn position takes into account allocations in respect of one of staff costs. Further information on the councils reserves movements can be found at section 6 below and within Appx D.
- **Government Grant and Council tax** – During the pandemic the council received a number of grants to mitigate economic impacts. One of these grants was in relation to Sales, Fees and Charges, the Ministry of Housing Communities and Local Government (MHCLG) has now undertaken final reconciliations and the unallocated balance of £142k has been repaid. At the time all unallocated covid grant balances were earmarked in the unspent grant reserve, there will not be a bottom-line impact.

3. Net Cost of Services – Commentary by Expenditure Heading for Period 6 2025/26

3.1 The net cost of services shows a year-end surplus of (£136k). 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 £337k

- The employee pay award of 3.2% has now been agreed and paid to employees in September payroll. Although the .2% increase above the

budgeted increase was estimated to create a £31k shortfall across the budgeted establishment, staff turnover and vacancies has meant that this has been absorbed into the overall net in year saving of £337k.

- The departure of two Directors in April 2025 will deliver an estimated net saving of £57k 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.
- £154k in budgeted staffing savings not yet achieved, although this has been offset by other the staffing savings outlined above.
- The forecast position anticipates that restructuring costs of £96k are funded from the Restructuring and invest to save reserve.

3.5 Premises Costs – Net underspend of £25k

- (£30k) – Business rates on the council's own assets including car park revaluations.
- (£20k) – Contract cleaning
- £22k – Maintenance of buildings, £34k Programmed (£10k) Vandalism.
- £8k – Repair and maintenance service contracts.
- (£15k) – Rental expenditure relating to public conveniences and car parks.

3.6 Transport Related costs – Underspend £17k

- (£15k) – reduction in mileage claimed by officers. Lump sum payments due to vacant posts.

3.7 Supplies and Services – Overspend £25k

- £130k – Additional support required within Finance, Environmental Health and Legal. Most of this cost has been offset by staff turnover savings or new burdens grant funding.
- £12k – Bad debt write offs which are not budgeted for at service level.
- (£77k) – Lower computer software costs partially offset by increased maintenance.
- (£58k) – other professional fees, £38k of which is in relation to local plan expenditure and will be offset by a reduction in earmarked reserves.
- £57k – Estates – NPS consultancy fees
- £20k – Organisational subscriptions to information and advice services, for example Local Government Association and PStax.
- (£13k) – Internal Audit fee expenditure
- (£25k) – Publication and media costs, including the production of the district magazine
- The difference is made up of a number of smaller variances including equipment purchases and rentals and postage costs.

3.8 Transfer payments - Overspend £22k

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 £196k

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 re Millers Walk, Fakenham
- £25k other LA Contributions to the Coastal Management service (offset by saving in staffing costs)

Rents – Shortfall £40k

- Anticipated shortfall in rental receipts on assets including £13k industrial estates and £14k other lettings. £10k Reduction in rental of carpark space to other businesses.

Customer and Client Receipts – surplus £15k

- £44k – 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.
- (£20k) – Higher bulky waste collection income
- (£25k) – Garden bin income
- £96k – Car park charges, largely due to additional savings/income targets not being made in relation to Hornbeam Road and North Lodge Park.
- £95k – Admin building service charge income

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. As at the time of writing this report, the base rate was 4%.
- 3.11 At period 6, the Council earned £0.854m in investment interest, which is a favourable variance of £0.151m above the period 6 budget of £0.703m. This was with an average rate of 4.84% on an average principle of

£33.930m. Compared to the position at Period 4, additional short-term cash balances have been available for investment, contributing to the improved return.

- 3.12 The revised year-end forecast indicates a projected surplus of £0.268m, with total investment interest expected to reach £1.686m, exceeding the original budget of £1.418m. While this represents a favourable variance, it should be noted that the position remains subject to change due to fluctuations in daily investment balances and potential shifts in market conditions. The additional cash that has been available for investment, driving this surplus, is primarily attributable to up-front grant funding received for the Fakenham Leisure and Sports Hub project. The timing and pace of delivery of this project will directly influence the level of cash balances available for investment throughout the remainder of the financial year.

Borrowing Interest

- 3.13 The Council has previously authorised borrowing to support the delivery of certain capital projects. As at the commencement of the 2025/26 financial year, the Council's Capital Financing Requirement (CFR) stood at £17.544m. The CFR represents the underlying need for the authority to borrow in order to finance historic capital expenditure that has not yet been funded through capital or revenue contributions. To address this requirement, the Council makes an annual Minimum Revenue Provision (MRP), a statutory charge against revenue budgets intended to ensure that sufficient funds are set aside to repay the principal element of borrowing over time. A significant increase in capital projects financed through borrowing will result in a higher CFR and, consequently, increased MRP obligations, thereby placing additional pressure on the Council's revenue budget in future years
- 3.14 The 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 Public Works Loans Board (PWLb)). During 2025/26, the only long-term borrowing identified to be required to fund the Council's cash shortfall was £5.000m with the remaining difference funded from internal borrowing.
- 3.15 As at period 6, the year-end CFR is forecasted to be £20.848m after a known MRP contribution of £0.585m from revenue. If capital projects funded by borrowing are not fully delivered in the current financial year, then the CFR will be lower than this forecast.
- 3.16 The Council had a prior £5.000m 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.
- 3.17 The Council has a borrowing budget of £0.302m for interest payable in 2025/26. This is adequate to cover the PWLB loan expenses totalling £0.233m and leaves a budget of £0.069m to cover the interest expenses of additional short-term borrowing that may be required during the financial year. To date, £0.007m in short-term borrowing costs have been incurred, leaving a balance of £0.062m available for the remainder of 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 (£354k).

4.2 Table 2: Performance against £1.881m Savings Target

Performance against £1.881m Savings Target 2025/26

Directorate	Assistant Directorate	2025/26 Budget £000	Forecast P6 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)	(155)	47
	Sustainable Growth	(112)	(57)	55
		(1,881)	(1,533)	347

- 4.3 The current forecast shortfall in savings of £347k is largely due to the following reasons: -
- 4.4 Service restructuring, which has not yet been implemented, is forecast to result in a cost of £154k.
- 4.5 Predicted shortfall against £127k additional income factored into the base
- £97k car parking income due to timing differences on delivery of additional car park income streams. This includes Hornbeam Road North Walsham and North Lodge Park Cromer.
 - £30k Building Control fee income shortfall due to fee income received being based 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. Applications are valid for 3 years so work being undertaken this year may have been secured at a prior year's lower fee.

5. Capital

- 5.1 This section of the report presents the capital programme 2025/26 position as at the end of period 6, 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 6 was £5.923m compared to an updated full year capital budget of £37.577m. This gives a remaining 2025/26 capital budget of £31.654m.
- 5.3 The large amount of remaining budget is attributed to the Council having multiple high-value projects in its capital programme in the current financial year. The current programme is primarily funded (72%) by external grants and contributions, with the remainder funded 12% by the Council internal funding (capital receipts and reserves) and 16% from borrowing. This borrowing equates to £6.175m of actual costs which will be internally/externally borrowed as project expenditure is made.
- 5.4 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:
- 5.5 Seek approval of Full Council to increase the 2025/26 capital budget for the Holt Country Park Eco learning Space scheme to £140k to reflect the apportionment of £40k from external S106 contributions towards the scheme. This is to use available S106 funding which is required to be spent on facilities at the country park.
- 5.6 For Full Council to acknowledge the increase 2025/26 Customer Services C3 Software 2025/26 capital budget to a total of £32,600. This is following approval of an additional £9,200 towards the project from the Delivery Plan Reserve by the Director of Resources/S151.

6. Reserves

- 6.1 The Council's 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 £0.338m the current forecast is a net contribution to reserves of £0.042m, the main reasons for this movement are outlined below.
- 6.3 £0.142m contribution from the Grants reserve in relation to the repayment of covid grant balances.
- 6.4 £0.158m contribution from Restructuring/Invest to save reserve to cover one-off staff costs.
- 6.5 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 Forecast financial position at the year-end for the year 2025/26. There are proposed recommendations for Cabinet to make to full Council on 19 November 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 P6 2025/26 for the General Fund revenue account (See Appendix A);**
- b) **Approval is requested from Full Council to increase the 2025/26 capital budget for the Holt Country Park Eco Learning Space to £140,000. This is to reflect the apportionment of £40,000 from external S106 contribution towards the scheme.**
- c) **To acknowledge the increased Customer Services C3 Software 2025/26 capital budget to a total of £32,600. This is following approval of an**

additional £9,200 towards the project from the Delivery Plan Reserves by the Director of Resources/S151 Officer.

S151 Officer

The Period 6 position as presented in this report shows that the updated forecast for 2025/26 is a yearend surplus of £0.354m. 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 P10 (January) 2026.

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.