

<b>BUDGET MONITORING Period 10 2025/26</b>	
<b>Executive Summary</b>	<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 January 2026.</p> <p>As at 31 January 2026, the General Fund Forecast Outturn position for 2025/26 is a surplus of £0.383m. 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>	This is an update report on the Council's financial position and no other consultations were considered.
<b>Recommendations</b>	<p><b>Members are asked to consider the report and recommend the following to full Council:</b></p> <ul style="list-style-type: none"> <li>a) Note the contents of the report and the current forecast year end position.</li> <li>b) Seek approval of Full Council to increase the 2025/26 capital budget for Disabled Facilities Grants to £2,317,266. This is to reflect the addition of £118,204 of grant award towards the scheme</li> <li>c) To use the Extended Responsibility Producer grant of £1,312,840, which was previously forecasted to be an in-year contribution to reserves, to offset relevant in year recycling expenditure.</li> <li>d) That the resulting underspend of £1,312,840 in the respective recycling revenue budgets be transferred to the General Reserve to mitigate future unfunded new burdens.</li> </ul>
<b>Reasons for recommendations</b>	To update members on the current budget monitoring position for the Council.
<b>Background papers</b>	Budget report, Budget Monitoring reports

<b>Wards affected</b>	All
<b>Cabinet member(s)</b>	Cllr Lucy Shires
<b>Contact Officer</b>	Daniel King Assistant Director Finance & Assets <a href="mailto:daniel.king@north-norfolk.gov.uk">daniel.king@north-norfolk.gov.uk</a> 01263 516167

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

<b>Corporate Governance:</b>	
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 January 2026 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 P10 2025/26

- 2.1 The General Fund position for the year shows a forecast year-end surplus of (£0.383m). 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 P10 2025/26 £'000	Variance £'000
<b>Service Area:</b>			
Corporate	4,272	4,133	(139)
Resources	5,256	5,657	402
Service Delivery	9,384	8,901	(483)
<b>Net Cost of Services</b>	<b>18,911</b>	<b>18,691</b>	<b>(220)</b>
Parish Precepts	3,736	3,736	0
Net Interest Receivable/Payable	(1,101)	(1,284)	(183)
Minimum Revenue Provision (MRP)	527	585	57
Capital Financing	1,458	1,458	0
Contribution to/(from) Earmarked Reserves	391	(1,405)	(1,796)
Contribution to/(from) General Reserve	(15)	1,298	1,313
<b>Net Service Expenditure/Income to be met from Government Grant and Taxpayers</b>	<b>23,908</b>	<b>23,079</b>	<b>(828)</b>
<b>Government Grants and Council Tax</b>	<b>(23,908)</b>	<b>(23,462)</b>	<b>446</b>
<b>Net (Surplus)/Deficit for the Year</b>	<b>-</b>	<b>(383)</b>	<b>(383)</b>

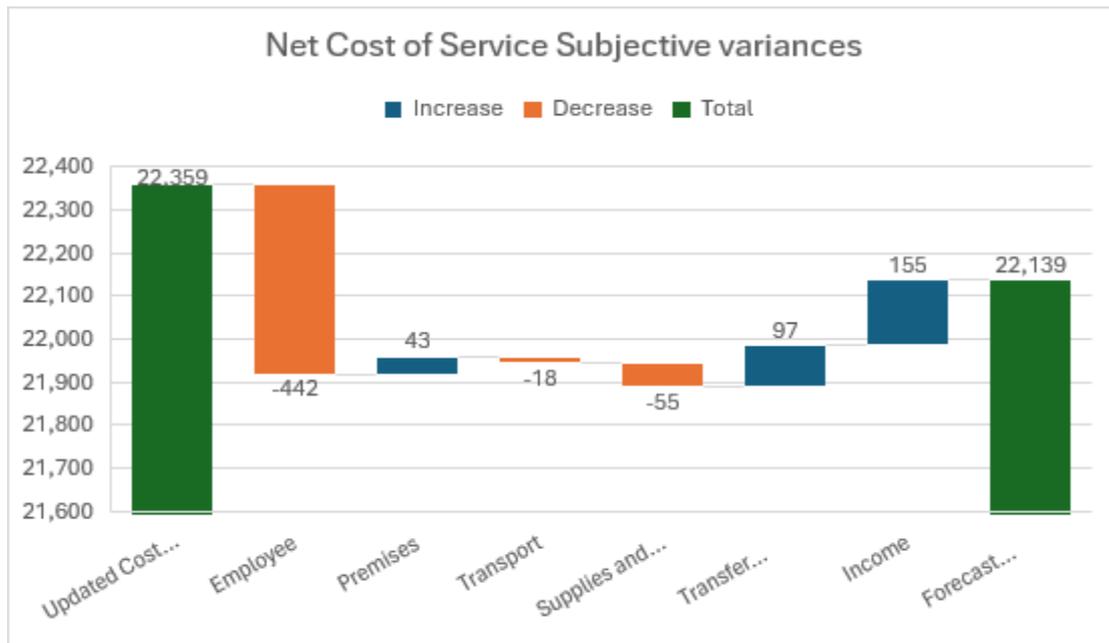
- 2.5 **Net Cost of Service** – the position shows a net surplus of (£0.220m) across the Councils main service areas. This position is explained further within section 3 below and also within appendix B.
- 2.6 **Non-Service expenditure** – Relates to income and expenditure not directly related to providing 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 £0.183m at the end of the year. This is a favourable movement from the previous position at Period 6 which forecast a surplus of £0.120m. 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 3.18.

- **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 £0.057m ,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 £0.142m 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.
- The council have been allocated an 'Extended Producer Responsibility 'EPR' grant to mitigate the burden of managing household packaging waste. The original budgeted figure was £1.6m, we have been advised that this has been revised to £1.3m. A requirement of accepting this grant is that it matched by eligible expenditure during the financial year. We have recommended in this report that this grant is used to offset in year expenditure in recommendation C.

### **3. Net Cost of Services – Commentary by Expenditure Heading for Period 10 2025/26**

- 3.1 The net cost of services shows a year-end surplus of (£0.250m). 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 £0.442m**

- The current forecast anticipates that direct employee related expenditure will be underspent by £0.500m.
- This forecast saving combines turnover savings from vacant posts and contract adjustments where individual officers have reduced their working hours. In some services officers have taken short term secondments within the organisation and it hasn't always been possible to backfill their substantive posts.
- Within the corporate leadership team, the departure of two Directors in April 2025 and the following restructure will deliver an estimated net saving of £0.060m 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.
- In a number of services areas i.e. Legal and Finance, staff savings have been offset by external agency costs (reported under supplies and services) necessary to ensure we carry out statutory obligations.
- The forecast position anticipates that restructuring costs including pension strain are funded from the Restructuring and Invest to Save reserve. This totals £0.096m.
- Indirect employee costs such as training are forecast to deliver a savings of (£0.040m).
- As part of the 2025/26 budget setting process £0.154m employee savings were factored in. These savings may not have been achieved across the services anticipated but as outlined above have been achieved across the wider organisation.

### 3.5 Premises Costs – Net Overspend of £0.043m

- (£0.057m) – Utilities and Business rates on the council's own assets including car park business rate revaluations.
- £0.100m – Repairs and Maintenance budgets including £0.038m in respect of lifts (£0.010m) vandalism.
- (£0.037m) – Rental expenditure relating to public conveniences and car parks.
- £0.050m – Business Rates on coast protection material storage compounds.

### 3.6 Transport Related costs – Underspend £0.018m

- Reduction in mileage claimed by officers. Lump sum payments due to vacant posts.

### 3.7 Supplies and Services – Underspend £0.055m

- £0.155m – Additional support required within Finance, Environmental Health and Legal. These additional costs are because of staff turnover and will be partially offset by staffing budgets and the use of New Burdens grant funding.
- £0.012m – Irrecoverable income written off as a bad debt, which are not budgeted for at service level.
- £0.062m – Local Government Reorganisation (LGR) costs
- (£0.095m) – Lower computer software costs some of which were budgeted to be funded from reserves.
- (£0.166m) – other professional fees, £0.034m external Web developer costs. Within this total £0.061m is in relation to local plan expenditure and £0.066m Environmental Strategy projects, both of these underspends will be offset by a reduction in the use of earmarked reserves.
- £0.053m – Estates – NPS consultancy fees, asset valuation work.
- (£0.013m) – Internal Audit fee expenditure
- (0.014m) – Equipment and Stationary purchases.
- (£0.025m) – Publication and media costs, including the production of the district magazine
- (£0.017m) Lower costs associated with commercial waste disposal.
- The difference is made up of a number of smaller variances including equipment purchases and rentals and postage costs.

### 3.8 Transfer payments - Overspend £0.096m

This relates to NNDC service charges, NNDC retained overheads for main administrative building at Cromer and the Rocket House public convenience. This movement relates to tenancy changes and floor area adjustments.

### 3.9 Income – Net shortfall of £0.155m

#### Government Grants – Forecast overspend of £0.357m

- 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 mid-year subsidy claim for 2025/26 submitted to the Department for Works and Pensions (DWP) there is an anticipated shortfall of £0.748m. 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 £0.400m. This funding shortfall will be mitigated by the Second Homes Premium Reserve
- As part of the base budget for 2025/26 £0.075m was included as an anticipated planning support grant, we have had no further notification and the grant funds have not yet been received. This one-off grant was part of savings bids approved for 2025/26.

#### **Other Grants and Reimbursement – Shortfall £0.015m**

- (£0.010m) – Car park contributions re Millers Walk, Fakenham
- £0.025m – Other LA Contributions to the Coastal Management service (offset by saving in staffing costs)

#### **Rents – Shortfall £0.064m**

- £0.042m – Rental shortfall Beach huts and Chalets transition from weekly rents to leases.
- £0.012m – Industrial Units due to void periods.
- £0.010m – Former Cromer TIC site, delays in the prospective tenant bringing forward their scheme.

#### **Customer and Client Receipts – surplus £0.288m**

- £0.044m – Building Control fee income, fee scale increases not yet realised due to the timing of applications.
- (£0.300m) – Development Management, planning fee income due to a number of large-scale applications.
- (£0.040m) – Higher bulky waste collection income
- (£0.030m) – Garden bin income
- £0.090m – Car park charges, largely due to additional savings/income targets not being made in relation to Hornbeam Road and North Lodge Park.
- £0.033m – Car park season ticket income
- (£0.030m) – car park penalty notice and EVCP income.
- (0.042m) – Administration building service charge income, net impact
- (£0.013m) – Additional profit share from the Pier operator contract

#### **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 3.75%.

- 3.11 At period 10, the Council earned £1.532m in investment interest, which is a favourable variance of £0.363m compared to the period 10 budget of £1.169m. This was with an average rate of 5.65% on an average principal of £35.708m.
- 3.12 The revised year-end forecast indicates a projected surplus of £0.168m, with total investment interest expected to reach £1.586m, 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 until the year-end. Compared to the position from Period 6, additional short-term cash balances have been available for investment from grants awarded towards capital projects, contributing to the improved investment return.

### **Borrowing Interest**

- 3.13 The Council has previously authorised borrowing to support the delivery of certain capital projects. At the start 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 otherwise known as the PWLB).
- 3.15 As of Period 10, the year-end Capital Financing Requirement (CFR) is projected to be £22.821m, following a confirmed Minimum Revenue Provision (MRP) contribution of £0.585m from revenue. This exceeds the original budgeted amount of £0.527m, mainly due to adjustments for lease liabilities under IFRS 16. The final CFR position may also be lower if capital projects funded by borrowing are not fully delivered within the current financial year.
- 3.16 The Council currently has a £5.000m external 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%. The Council will incur a borrowing expense of £0.210m in 2025/26 from this loan.
- 3.17 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.

3.18 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. At the current time it is anticipated that this unspent budget will be used in March to cover year-end cashflow deficits.

#### 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 (£0.413m).***

#### 4.2 Table 2: Performance against £1.881m Savings Target

Performance against £1.881m Savings Target 2025/26

Directorate	Assistant Directorate	2025/26	Forecast	Variance
		Budget	P10	
		£000	£000	£000
Corporate	Corporate functions	(879)	(750)	130
	Legal and Governance	(14)	(14)	0
Service Delivery	Environmental Health and Leisure	(182)	(182)	0
	People Services	(236)	(236)	0
	Planning	(255)	(63)	193
Resources	Finance, Assets and Revenues	(202)	(159)	42
	Sustainable Growth	(112)	(57)	55
		<b>(1,881)</b>	<b>(1,461)</b>	<b>420</b>

4.3 The current forecast shortfall in savings of £0.420m 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 One – off Planning service improvement grant £75k included for 2025/26, not likely to be received.

4.6 Predicted shortfall against additional income factored into the base

- £99k 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 10, 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 10 was £9.071m compared to an updated full year capital budget of £38.566m. This gives a remaining 2025/26 capital budget of £29.495m.
- 5.3 The large amount of 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 primarily by external grants and contributions, with the remainder funded from the Council's internal funding resources (capital receipts and reserves). The remaining projects with no alternative funding available must be funded from borrowing. The current expected amount of capital projects during 2025/26 expected to be funded by internal/external borrowing is £5.613m.
- 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 Disabled Facilities Grants scheme to £2,317,266 to reflect the addition of £118,204 additional grant funding awarded by MHCLG towards the scheme.

## **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 budget assumed net contributions into reserves of £0.376m the current forecast is a net contribution out of reserves of £0.107m, 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 (£1.616m) budgeted contribution to EPR Grant no longer being earmarked. Revised EPR grant being utilised in year.
- 6.5 £1.312m underspend in recycling revenue budgets recommended to be transferred to the General Reserve.
- 6.6 (£0.159m) contribution from Restructuring/Invest to save reserve to cover one-off staff costs.
- 6.7 £0.065m Delivery Plan reserve in respect of planned environmental strategy projects.
- 6.8 £0.061m Local plan expenditure slippage funded from the New Homes Bonus reserve.
- 6.9 The Forecast General Reserve balance on 31 March 2026 is £4.123 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 25 March 2026. 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 P10 2025/26 for the General Fund revenue account (See Appendix A);
- b) Seek approval of Full Council to increase the 2025/26 capital budget for Disabled Facilities Grants to £2,317,266. This is to reflect the addition of £118,204 of grant award towards the scheme
- c) To use the Extended Responsibility Producer grant of £1,312,840, which was previously forecasted to be an in-year contribution to reserves, to offset relevant in year recycling expenditure.
- d) That the resulting underspend of £1,312,840 in the respective recycling revenue budgets be transferred to the General Reserve to mitigate future unfunded new burdens.

#### **S151 Officer**

The Period 10 position as presented in this report shows that the updated forecast for 2025/26 is a yearend surplus of £0.383m. The Finance team and service managers will work together to close down the revenue and capital budgets and provide detailed information as part of the P12 Final Outturn position 2025/26.

#### **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.