BUDGET MONITORING Period 4 2026/27	
Executive Summary	This report provides the first update on the Council's financial performance and projected full year outturn position for 2026/27 for the revenue account, capital programme, reserve statement as at the end of July 2026. As at 31 July 2026, the General Fund Forecast Outturn position for 2026/27 is a surplus of £0.367m. 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 include a new 2026/27 capital budget for Building Control Software of £60,500. This is following the award of a £60,500 capital grant to the Council to fund Building Control capital schemes from MHCLG c) Seek approval to transfer £2.0m from the General Reserve to the New Burdens Reserve.
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 2026/27 against the updated budget. The updated budget reflects the base budget approved by Full Council on the 18 February 2026 updated to reflect approved budget movements. The position is calculated based on information as at the end of July 2026 and includes revenue, capital and reserves.

1.2 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.

1.3 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 2026/27

2.1 The General Fund position for the year shows a forecast year-end surplus of (£0.367m). 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**

2026/27 Revenue Account Excluding Notional Charges	Updated Budget £'000	Forecast P4 2026/27 £'000	Variance £'000
Service Area:			
Corporate	4,476	4,388	(88)
Resources	5,585	6,881	1,296
Service Delivery	10,958	10,668	(290)
Net Cost of Services	**21,019**	**21,937**	**918**
Parish Precepts	4,318	4,318	0
Net Interest Receivable/Payable	(1,104)	(1,821)	(717)
Minimum Revenue Provision (MRP)	624	624	0
Capital Financing	279	1,354	1,075
Contribution to/(from) Earmarked Reserves	551	(1,092)	(1,643)
Contribution to/(from) General Reserve	251	251	0
Net Service Expenditure/Income to be met from Government Grant and Taxpayers	25,938	25,571	(367)
Government Grants and Council Tax	(25,938)	(25,938)	0
Net (Surplus)/Deficit for the Year	**-**	**(367)**	**(367)**

2.5 **Net Cost of Service –** the position shows a net deficit of £0.918m 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.

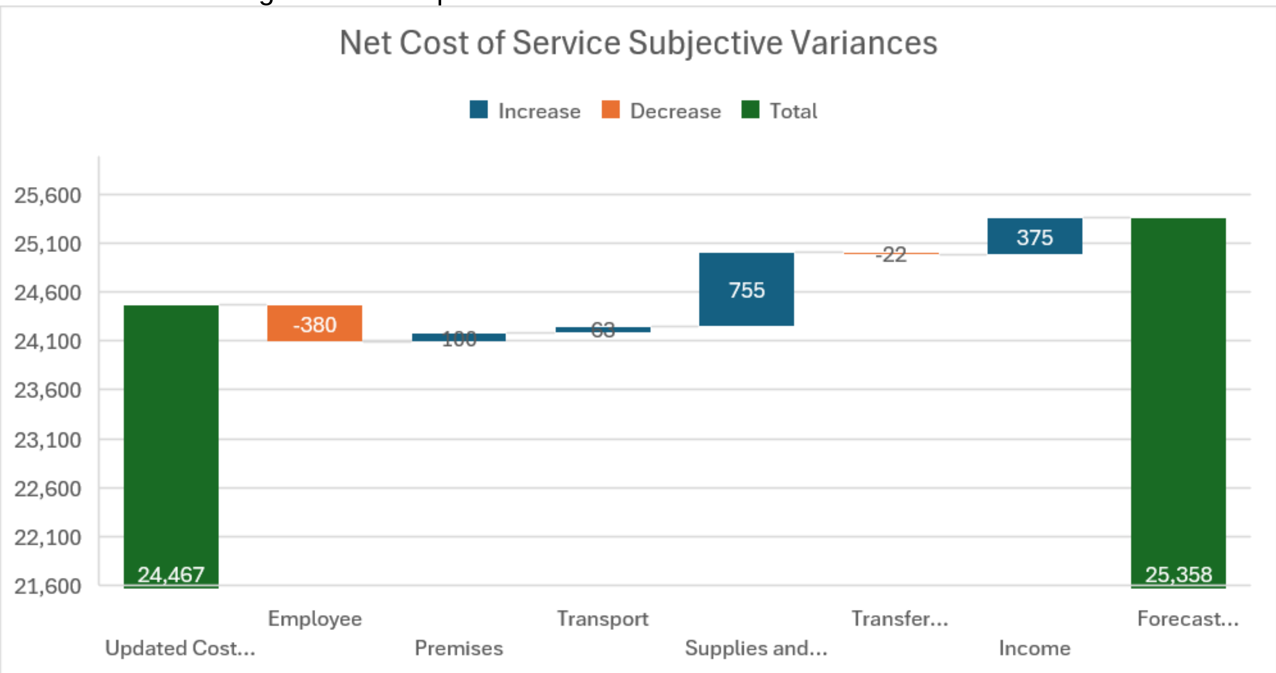
- **Net Interest Receivable/Payable –** relates to the Council's balances invested to provide revenue, along with the cost of external borrowing. The position shows that there is forecast to be a net surplus of (£0.717) m at the end of the year. This movement relates to interest receivable which is forecast to be greater than predicted due to higher balances available to invest. Another factor is the councils reduced external borrowing requirement. This is explained further within paragraphs 3.10 to 3.15.

- **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 position has not been updated at this point but will continue to be monitored.
- **Capital Financing –** this expenditure line relates to revenue financing allocated to the council's capital programme. The period 4 forecast has been updated to reflect the programme slippage from 2025/26 highlighted in the outturn report. Further information is provided within the capital monitoring found at section 4 below and at appendix C.
- **Contributions to/(from) Reserves –** As part of this forecast position the earmarked reserve statement has been updated to reflect planned movements in reserves. Further information on the councils reserves movements can be found at section 5 below and within Appendix D.
- **Income from Government Grants and Taxation –** There has not been an updated position calculated at P4 2026/27

3. Net Cost of Services – Commentary by Expenditure Heading for Period 4 2026/27

3.1 The net cost of services shows a year-end deficit of £0.918m. 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 £0.380m**

Direct Employee Expenses – surplus (£0.394m)

- Additional cost of providing maternity cover £0.025m not included in the base budget.
- (£0.431m) There have been a number of vacant posts during the first few months of 2026/27 – the main service areas include Benefits, Legal, Coast protection, Customer Services, and Property and Estates. Some of these savings are offset by reduced funding or additional costs incurred due to the need to employ temporary agency staff, these are outlined in the sections below.
- £0.057m Additional temporary posts funded from reserves including Revenues apprentices and a support for Local Government Reorganisation (LGR).

Indirect Employee Expenses – Deficit £0.014m

- (£0.008m) Training, associated with generic and professional training.
- £0.011m Redundancy payments, funded from the invest to save and restructuring reserve.
- £0.016m Recruitment costs which are not separately budgeted for and are funded from staff turnover.
- (£0.005m) Employee related insurance premiums.

3.5 **Premises Costs – Net Overspend of £0.101m**

- £0.047m Repairs and Maintenance works including the main items relate to £0.010m Pier works for 125 years celebration and £0.021m Amenity Lighting funded from the Asset Management reserve.
- £0.003m Grounds Maintenance – Tree safety works
- £0.015m Business rates on the Councils assets – Increase of £0.035m Car parks, partially offset by a reduction of (£0.022m) Admin Buildings.
- £0.035m Utilities - £0.014m Additional electricity costs provision of additional 18 EV charging points installed. Increased costs at sites including Public Conveniences and Amenity lighting.

3.6 **Transport Related costs – Overspend £0.063m**

- £0.055m Vehicle lease payments including – £0.044m electric vehicles and £0.011m new property van.
- £0.008m Leisure Diesel costs for equipment, generator for Holt Country Park.

3.7 **Supplies and Services – Overspend £0.755m**

- £0.129m Agency costs required to cover vacant posts including Legal and Finance. This variance also includes placement costs of permanent recruitment. These costs are offset by staff turnover savings.
- £0.007m Bank charges, new service fees offset by a reduction in borrowing brokerage charges.
- Additional Audit fees 0.023m, signing off Housing Benefit subsidy from 2021/22.

- £0.030m Additional Computer software licence costs including Open Revenues.
- £0.576m Additional contributions including £0.500m Local Government Organisation, £0.039m North Norfolk railway contribution for the provision of toilets.
- £0.027m Contribution to the Football Foundation (3G pitch replacement) recovered from the sports hall.
- £0.045m Estates professional Fees offset by vacant post.
- (£0.012m) Waste and Recycling - Commercial disposal; reduced tonnage fees.

3.8 **Transfer payments – Underspend £0.021m**

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

3.9 **Income – Net shortfall of £0.374m**

Government Grants – Forecast overspend of £0.325m

- (£0.075m) New Burdens grant was received in respect of Internal drainage board costs; this funding is to offset additional pressures relating to this service.

- Housing Benefit Subsidy - Based on the mid-year subsidy claim for 2026/27 submitted to the Department for Works and Pensions (DWP) there is an anticipated shortfall of £0.787m. This is largely due to the placement of Homeless clients in Bed and Breakfast accommodation. Not all 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 could be mitigated by the Second Homes Premium Reserve, although this transfer is not included as part of this forecast.

- The external audit of the 2021/22 Housing Benefit subsidy has now been finalised, there is a small claw back of subsidy of £0.011m, this will be funded from the benefits reserve.

Other Grants and Reimbursement – Shortfall £0.018m

- (£0.027m) Income from sports centre to cover Football Federation contributions.
- £0.045m – Match funding for a post that is currently vacant.

Rents – Shortfall £0.011m

- (£0.005m) Industrial estates rents and services charges (at Hornbeam)
- (£0.025m) Admin Buildings Rents and service charges
- £0.049m RNLI not back in the Rocket house so rents and service charges cannot be charged.
- £0.009m Old NNIC building reduction in rents forecast for 2026/27
- (£0.017m) Rents other lettings

Customer and Client Receipts – Shortfall £0.012m

- £0.043m – Building Control fee income, lower applications.
- (£0.052m) – Development Management, planning fee income due to a larger number of applications.
- £0.008m – Fees from Markets.
- £0.088m – Carparks, £0.076m Fee income, £0.021m Season tickets offset by (£0.010m) Penalty notices.
- (£0.065m) – Land Charge fee income due to higher applications, this is offset by a planned contribution to the earmarked reserve.
- (£0.010m) Legal income

Non-Service Income and Expenditure

Investment Income

3.10 The 2026/27 investment interest budget is £1.645m. This budget was calculated based on the economic and forecasted cashflow positions as at November 2025 (5% average interest rates and an anticipated average cash balance for investing of £34.716m). Since then, the Monetary Policy Committee (of the Bank of England) have held interest rates to achieve their purpose of preventing high levels of inflation. As at the time of writing this report, the base rate was 3.75% and has been at this rate since the start of the financial year.

3.11 At period 4, the Council earned £785k in investment interest, which is a favourable variance of £327k compared to the period 4 budget of £458k. This was with an average rate of 5.66% on an average Principal of £40.544m.

3.12 The revised year-end forecast indicates a projected surplus of £0.464m, with total investment interest expected to reach £2.109m, exceeding the original budget of £1.645m. While this represents a favourable variance, it should be noted that the position remains greatly subject to change due to fluctuations in daily investment balances and potential shifts in market conditions until the year-end. This forecast is also only based on the first four months of the financial year, making forecasting subject to changes later on in the year. Compared to the position from budget there are two favourable points to note:

- Additional short-term cash balances have been available for investment from grants awarded towards capital projects (£5.858m higher actual average compared to budgeted average), contributing to the improved investment return.

- It was forecasted that the interest rate (set by the Monetary Policy Committee of the Bank of England) would fall in Q1 to 3.5%. This fall has not happened at the rate has stayed at the higher rate of 3.75%, 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 2026/27 financial year, the Council's Capital Financing Requirement (CFR) stood at £17.798m. 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 As of Period 4, the year-end Capital Financing Requirement (CFR) is projected to be £17.356m, following a confirmed Minimum Revenue Provision (MRP) contribution of £600k from revenue. The final CFR position may be lower if capital projects funded by borrowing are not fully delivered or are cancelled within the current financial year.

3.15 The Council has a borrowing budget of £272k for interest payable in 2026/27. This was calculated in November of the prior financial year and was calculated as prudent to cover any potential borrowing expenses. As at period 4, actual borrowing expenses of £19k have been made. At the current time there is a favourable variance of £253k against the borrowing budget at year-end. This gain is from the Council's having generated additional cash which has led to the repayment of the £5m PWLB loan without needing to renew any loan Principal.

4. Capital

4.1 This section of the report presents the capital programme 2026/27 position as at the end of period 4, together with an updated capital programme for the financial years 2027/28 to 2031/32. Appendix C provides the details of the current position.

4.2 Total Capital expenditure for 2026/27 as in period 4 was £5.384m compared to an updated full year capital budget of £42.395m. This gives remaining forecasted 2026/27 capital spend of £37.011m.

4.3 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 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 2026/27 expected to be funded by internal/external borrowing is £9.793m.

4.4 The following adjustments will be made to the capital programme, subject to approval by Full Council. This addition has been reflected in Appendix C as detailed below:

4.5 Seek approval of Full Council to include a new 2026/27 capital budget for Building Control Software of £60,500. This is following the award of a

£60,500 capital grant to the Council to fund Building Control capital schemes from MHCLG. This is following the central government implementation of The Building Safety Levy on new residential buildings starting from the 1st of October 2026, where levies are collected from developers by Council's and MHCLG distributes the levies as grants to local authorities.

5. Reserves

5.1 The Councils current reserve position is provided at Appendix D. This position has been updated as part of preparing the updated forecast for 2026/27.

5.2 The updated base budget assumed net contributions into reserves of £0.802m the current forecast is a net contribution out of reserves of £0.841m, the more significant movements are outlined below.

5.3 (£0.538m) Use of the Local Government Organisation (LGR) reserve, Contribution to the countywide project along with additional fixed term staffing.

5.4 (£0.422m) Delivery Plan reserve, slippage in the 2025/26 capital programme.

5.5 (£0.309m) Capital Projects reserve, slippage in the 2025/26 capital programme.

5.6 The Forecast General Reserve balance on 31 March 2027 is £4.518 million which is above the recommended balance of £2.1million.

6. Medium Term Financial Strategy

6.1 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.

7. Proposals and Options

This is a factual report that outlines the Forecast financial position at the year-end for the year 2026/27. There are proposed recommendations for Cabinet to make to full Council on 23 September 2026. The approval of these recommendations will enable the Council to maintain its strong financial position in the coming years.

8. 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.

9. Financial and Resource Implications

9.1 This report is of a financial nature, and the financial implications are included within the report content.

10. Legal Implications

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

11. Risks

11.1 Financial risks are identified within the report content.

12. Net Zero Target

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

13. Equality, Diversity & Inclusion

This report does not raise any issues relating to Equality, Diversity, and Inclusion.

14. Community Safety issues

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

15. Conclusion and Recommendations

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

a) The Updated Forecast position at P4 2026/27 for the General Fund revenue account (See Appendix A);

b) Seek approval of Full Council to include a new 2026/27 capital budget for Building Control Software of £60,500. This is following the award of a £60,500 capital grant to the Council to fund Building Control capital schemes from MHCLG

c) Seek approval to transfer £2.0m from the General Reserve to the New Burdens Reserve.

S151 Officer
The Period 4 position as presented in this report shows that the updated forecast for 2026/27 is a year-end surplus of £0.367m. The Finance team and service managers will continue to monitor the revenue and capital budgets and provide detailed information as part of the P6 monitoring position for 2026/27.

Monitoring Officer
In accordance with the CIPFA requirements, this report provides financial information to Members around the 2026/27 provisional outturn position for the year and matters as detailed in the recommendations.