



NORWICH City Council

Committee name: Cabinet

Committee date: 05/02/2025

Report title: 2024/25 Quarter 3 – budget monitoring report

Portfolio: Councillor Kendrick, cabinet member for an open and modern council

Report from: Interim Chief Finance Officer

Wards: All wards

OPEN PUBLIC ITEM

Purpose

This report sets out the council's overall financial position based on managers' outturn forecasts as at the end of December 2024 (quarter 3). The report covers the council's General Fund and Housing Revenue Account (HRA) resources and includes information in relation to both its revenue and capital position.

Recommendation:

It is recommended that the cabinet:

- 1) Notes the forecast outturn for the general fund revenue account is an overspend of £0.98 million and the Housing Revenue Account (HRA) is currently reflecting a forecast underspend of £7.319 million.
- 2) Notes the forecast £2.050m underspend against the general fund and the £7.319m underspend against the HRA capital programmes.
- 3) Approves the proposed adjustment to the 2024-29 five year general fund capital programme equivalent to an additional funding of £0.194m, fully funded by grant from the Ministry of Housing Communities & Local Government (MHCLG) to support the delivery of disabled adaptations as set out in paragraph 4.3 below.

Policy framework

The council has five corporate priorities, which are:

- An open and modern council
- A prosperous Norwich.
- A fairer Norwich.
- A climate responsive Norwich.
- A future-proof Norwich

This report supports the delivery of all these priorities.

1. General Fund Revenue

- 1.1. Nationally, there continues to be some volatility in economic conditions, most noticeably in relation to inflation, which has seen the Consumers Price Index rise from the September position of 1.7% to a high of 2.6% in November 2024 before falling back again to 2.5% in December. The outlook is for a rising inflation impact for much of 2025 although there may be a fall during the remainder of 2024 – 2025. Interest rates have fallen but the Bank of England continues to urge caution to ensure that inflation remains under control. The fall in interest rates over the last year has impacted the level of investment income earned by Norwich City Council, meaning that there is less of a cushion against the budget pressures felt within services.
- 1.2. The impact of these budget pressures has been reflected within the budget setting process reported elsewhere on this agenda, seeking to mitigate the impact of the changing economic conditions and the local budget pressures. Continued efforts will be required to both reduce the outturn position for 2024 – 2025 and to ensure that expenditure is maintained within budget during 2025 – 2026.

2. General Fund revenue position

- 2.1. The outturn forecast for the General Fund is currently showing an overspend of £1.277m overspend at this point in time, which equates to 1.7% in excess of the net expenditure. The following paragraphs highlight key areas of variance and work being undertaken to further mitigate the budget pressures in the second half of the financial year.

2.2. Corporate Financing

This is a prudent forecast at this point in the financial year, but there is always the possibility that the position could alter, in either a positive or negative direction, during the remainder of the year dependent upon investment performance. Performance is exceeding the budget, in recognition of the continuing benefits derived from the investments of excess cash, whilst simultaneously being able to increase the levels of investment within money market funds that proactively seek investments that are focused upon positive Environmental, Social & Governance (ESG) outcomes. The current outturn forecast is for an over recovery of investment income by £398k.

2.3. Resources

The outturn forecast of £262k overspend reflects both staffing pressures and contractual/supplies and services pressures. As reflected within the Quarter 2 report, there continue to be some posts that have proven challenging to recruit to, resulting in the need for interim appointments, however the vacancy management panel is maintaining close control of recruitment, whether on a permanent or an interim basis. Other potential pressures being kept under review are linked to the inflationary factors around postage and translation services, where prices and activity levels are potentially driving costs upwards, whilst the re-procurement of contracts supporting business critical finance systems have exceeded budgetary provisions.

2.4. Communities and Housing

Additional income has been identified in 2024/25, arising from new grants and income streams which hadn't been announced or identified at the time the budget was set. In addition to which further costs have been offset on a one-off basis as a consequence of The Halls being closed for refurbishment. The combination of these factors results in a forecast underspend of £142k.

2.5. Development & City Services

The current outturn forecast is an overspend of £1,258m. The primary reasons for this forecast is in relation to car parking income and reduced Planning fees. The volume and value of income from car parks has increased relative to the same time in 2023/24, however it hasn't increased at the same rate as estimated when the budget was set. A review of the activity levels across car parks and the associated financial implications is underway to support future modelling of income budgets and the monitoring of trends in future.

3. Housing Revenue Account Revenue (HRA)

The HRA is forecasting a significant underspend of £7.319 million which is driven entirely by the removal of the planned revenue contribution to capital costs (RCCO) of £10.063 million, which has been made possible as a result of the new flexibilities applied to the Right To Buy (RTB) retention agreement for a two-year period. The underlying position continues to reflect budget pressures with property maintenance costs, reflecting demand and supply pressures within the property sector both in terms of the volume of activity but also the associated costs, which have been offset, to a degree, by staff vacancies and income recovery.

4. Capital

4.1. General Fund

Table 1 below sets out that the General Fund capital programme is projected to be underspent by £2.050m for the year. Table 1a sets out the major variations against the revised capital budget.

Table 1 – General Fund capital forecast

Directorate	Budget £'000s	Revised Budget £'000s	Forecast £'000s	Variance £'000s
Communities and Housing	4,995	6,063	6,251	188
Resources	560	542	642	100
Development & City Services	28,097	24,466	22,127	(2,338)
Total	33,652	31,070	29,021	(2,050)

Unspent 2023/24 General Fund capital budgets totalling £5.438m were approved to be carried forward under delegation by the chief finance officer, in consultation with the cabinet member for an open and modern council.

Subsequently, 2024/25 General Fund capital budgets totalling £16.375m have been re-profiled into future years, plus £0.078m of budgets approved by Council be removed from the five-year capital programme.

In addition, Council approved the addition to the General Fund capital programme of £0.201m to enable utilisation of the third year Shared Prosperity Fund grant from the Department of Levelling Up, Homes and Communities (DLUHC – now MHCLG) to deliver against the government's Community and Place intervention and additional funding of £0.017m received from the Department of Transport to enable the use of additional funds for Lakenham Way highway and footway upgrades project.

Table 1a – General Fund capital programme – key issues

Summary issues	Detailed	£000
Disabled Facilities Grant	Additional grant received from MHCLG. See paragraph 4.3 for request to increase capital programme.	268
ERP system	Supplier support to build in-house payroll services.	100
Play park equipment	Timing of procurement process has extended the project to 2025/26.	(250)
NCS Ltd equipment	Report will be presented to March cabinet with a view to request a budget carry forward to enable purchase in 2025/26.	(1,255)
Regulatory Services digitalisation project	Changes to scope and timescales of project, now planned to extend into 2025/26.	(400)
CIL contribution strategic	Changes to forecast method reduced cost.	(356)
Property Services IT	Project implementation extended to 2025/26.	(129)
Other variances		(28)
Total		(2,050)

There remains a potential budget risk relating to on-going negotiations around the cost of a project, once the likelihood of the risk materialising becomes clearer the outturn forecast will be finalised.

4.2. General fund strategic property remediation fund

As part of the 2024/25 general fund capital programme, a budget of £1.530m was approved for the remediation of property. In order to ensure that expenditure against individual projects is accurately monitored, technical virements have been approved by the Chief Finance Officer, to create smaller project specific budgets as shown in table 1b below.

Table 1b – Strategic property remediation fund

Approved capital programme 2024/25 (£)	1,530,000
St Giles House edge protection	(41,819)
St Johns Maddermarket wall	(54,153)
Churchman house cupola repairs	(200,790)
Rose Lane MSCP edge protection	(33,256)
St Giles MSCP edge protection	(46,825)
Castle project (contribution to Bigod stairs)	(50,000)
Guildhall – Mansafe system	(16,563)
35 St Georges – heating upgrade	(13,365)
Guildhall long term external repairs	(329,135)
St Andrews MSCP structural repair works	(192,900)
Ninhams Court planning application works	(20,000)
St Andrews chapel glass roof	(59,000)

Balance	472,194
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4.3. Adjustments to the general fund capital programme

On 21st February 2024, Council approved the delegation to Cabinet the authority to include additional capital schemes funded wholly by grant where it meets the Council's aims. It is therefore recommended that Cabinet consider the following proposals to adjust the 2024/25 general fund capital programme.

Disabled Facilities Grant (DFG)

Additional funding of £0.194m has been confirmed for 2024/25 for disabled adaptations from MHCLG. It is proposed that the general fund capital programme is increased to enable the additional funds to be utilised.

4.4. Housing Revenue Account (HRA) – capital forecast

Table 2 sets out below that overall the HRA capital programme is projected to be underspent by £6.776m for the year. Table 2a sets out the major variations against the revised capital budget.

Table 2 – HRA – capital forecast position

Directorate	Budget £'000s	Revised Budget £'000s	Forecast £'000s	Variance £'000s
Communities and Housing	26,607	25,039	20,336	(4,703)
Development & City Services	17,100	5,944	3,871	(2,072)
Total	43,707	30,983	24,207	(6,776)

Unspent 2023/24 HRA capital budgets totalling £5.841m were approved to be carried forward under delegation by the chief finance officer, in consultation with the cabinet member for an open and modern council.

Subsequently, 2024/25 HRA budgets totalling £18.478m have been re-profiled into future years, plus £0.087m of HRA budgets approved by Council be removed from the five-year capital programme.

In addition, Council approved virements of £0.988m of HRA capital budget from the electrical upgrade budget to support the additional demand in HRA whole house improvement upgrades, and £0.400m from the HRA windows upgrades budget and £0.250m from the HRA structural upgrades budget to support additional costs of HRA re-roofing upgrades.

Table 2a – HRA capital programme – key issues

Summary issues	Detailed	£000
Upgrades – Whole house improvements, thermal comfort, solar thermal/photovoltaic, sheltered housing communal facilities, renewable heating,	Delays with the procurement process and direct award of contracts will extend the works into 2025/26.	(3,938)

stock condition survey, compliance upgrades		
Upgrades - Structural	Works now identified with a view to request a budget carry forward to enable completion in 2025/26.	(150)
Upgrades – Re-roofing	Contingency within approved budget has not been required.	(154)
Upgrades – Estate aesthetics	Delays in identifying works due to change in internal staffing will extend the works into 2025/26.	(236)
Threescore Phase 3	The reduced forecast is due to the construction programme being brought forward in 2023/24 so less expenditure in the current year.	(489)
Capital grants Housing Associations	Further opportunities are under discussion and will extend into 2025/26.	(1,518)
Other variances		(291)
Total		(6,776)

5. Consultation

There has been no specific consultation on this report.

Implications

5.1. Financial and resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2024-29 and budget.

5.2. Legal

In considering its financial and non-financial performance, the Cabinet is supporting the Council fulfil its duties under s.151 of the Local Government Act 1972 to ensure there are arrangements in place for the proper administration of its financial affairs, and under s.3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	This report does not have direct implications for equality and diversity; it reports on the financial progress made in delivering agreed services and programmes, the equality implications of which will have been considered as part of service planning or other decision-making processes.
Health, Social and Economic Impact	This report does not have direct health, social or economic implications; it provides an update on the financial progress made in delivering agreed services and programmes, the implications of which will have been considered elsewhere.

Consideration	Details of any implications and proposed measures to address:
Crime and Disorder	This report does not have direct implications for crime and disorder; it provides an update on the financial progress made in delivering agreed services and programmes, the implications of which will have been considered elsewhere.
Children and Adults Safeguarding	This report does not have direct safeguarding implications; it provides an update on the financial progress made in delivering agreed services and programmes, the implications of which will have been considered elsewhere.
Environmental Impact	This report does not have direct environmental implications; it provides an update on the financial progress made in delivering agreed services and programmes, the implications of which will have been considered elsewhere.

6. Risk management

Risk	Consequence	Controls required
The council does not understand or manage its resources appropriately. Budget overspend.	A potential overspending position or failure to deliver the outcomes intended from the resources allocated. Unexpected need to draw on reserves	Management actions where an overspend is indicated. Where underspends are apparent decisions on resource re-allocation or transfers to reserves as appropriate.

7. Other options considered

As the report is primarily for information no other options have been considered.

8. Reasons for the decision/recommendation

It is important for the Cabinet to understand the council's financial performance and to highlight corrective actions where significant variances are apparent.


Background papers: None

Appendices: None

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