



NORWICH City Council

Committee name: Cabinet

Committee date: 07/02/2024

Report title: 2023/24 Quarter 3 – budget monitoring report

Portfolio: Councillor Kendrick, cabinet member for resources

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' forecasts to the end of December 2023 (quarter 3); additional information based on more recent information has also been included. 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 **£3.5m underspend** on the general fund revenue account and the **£3m overspend** on the Housing Revenue Account (HRA).
- 2) Notes the forecast **£0.9m underspend** against the general fund and the **£6.0m underspend** against the HRA capital programmes.
- 3) Notes the areas of significant variances contained within the report.

Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Norwich City Council is in good shape to serve the city corporate aim.

1. General Fund Revenue

- 1.1. Table 1. below sets out the estimated outturn position for general fund services which identifies a £3.5m underspend.
- 1.2. The forecast underspend is largely driven by one-off factors (higher interest rates, additional grants, contract rebates and no requirement to refund reserves relating to a 2022/23 item). While the Bank of England has indicated that interest rates will remain higher for longer, and the council will take account of it in its Medium-Term Financial Plans, this benefit cannot be relied upon to support long term spending.

Table 1 – Estimated outturn position

Directorate	Budget £'000s	Forecast £'000s	Variance £'000s
Chief Executive	267	273	6
Corporate Financing	(24,184)	(28,309)	(4,125)
Corporate and Commercial Services	7,179	7,861	682
Community Services	9,677	9,361	(316)
Development & City Services	7,061	7,328	267
Total	0	(3,486)	(3,486)

Key variances

- 1.3. The provisional 2022/23 outturn report to Cabinet on the 14th June 2023, identified that the council was able to make up for a lower level of section 31 Grants (£2.8m) in 2022/23 without recourse to reserves. The use of reserves, and their replenishment formed part of the approved 2023/24 budget and so the 2023/24 budget for this item now represents a potential underspend in the current year.
- 1.4. Following an increase in the level of parking income reflected in quarter 2, monitoring indicates that this trend has subsided during quarter 3 and although still generating a surplus, the forecast income has now reduced to £0.315m above budget. As concerns remain around the economy, including the impact of inflation and interest rates on spending patterns, this area will continue to be monitored for the remainder of the year.
- 1.5. A review of the council's Minimum Revenue Provision (MRP) policy and a decision to apply general fund capital receipts to reduce the Capital Financing Requirement has reduced the Minimum Revenue Provision requirement for the current year and in the medium term. For 2023/24, it is forecast to reduce revenue costs by £0.650m.
- 1.6. The Medium-Term Financial Strategy (MTFS) report to Cabinet on the 12th July 2023, identified a revenue pressure arising from a need to support the cashflow of one of the council's wholly owned companies. As this will be used to support the day-to-day expenditure of the company the loan must be treated as revenue expenditure with payments being received until the loan is repaid. An estimated provision has been included with any drawdowns subject to a formal loan agreement.

2. General Fund revenue position

2.1. Chief Executive and Corporate Financing

Table 2a sets out below that within the Chief Executive's area, a minor overspend is forecast.

Table 2a – Chief Executive forecast

Directorate	Budget £'000s	Forecast £'000s	Variance £'000s
Chief Executive	267	273	6

2.2. Corporate Financing

Table 2b sets out that within Corporate Financing, an estimated underspend of £4.1m is forecast. Table 2c summarises the key issues for this area, including performance against agreed the main saving areas shown in table 2d.

Table 2b – Corporate Financing forecast

Directorate	Budget £'000s	Forecast £'000s	Variance £'000s
Corporate Financing	(24,184)	(28,309)	(4,125)

Table 2c – Corporate Financing – key issues

Summary issues	Detailed	£'000
Transfer to reserves now not required	Budget provision was made for a transfer to reserves to replace an expected drawdown in 2022/23. The improved 2022/23 outturn position meant this is now no longer required.	(2,800)
Minimum Revenue Provision changes	The council commissioned Link services, treasury management advisors, to review our approach to MRP. The proposed changes have been considered by the Treasury Management Committee and cabinet. As a result of the changes a saving can be achieved.	(650)
Net impact of interest received and redistribution to HRA	Improved performance as interest rates have remained higher than originally forecast, leading to higher investment interest returns.	(850)
Other minor variances		175
Total		(4,125)

Table 2d - Savings Tracker (Corporate financing)

Saving/ update	£'000	Status (R, A, G)
Achievement of investment returns target. Higher interest rates and an expectation of interest rates remaining higher for longer means that the target is expected to be achieved with a high probability of it being exceeded. Overall cash balances are slightly lower than anticipated due to capital expenditure and loans made being at higher levels than anticipated. An element of interest received is payable to the HRA and so any additional benefits are shared.	1,773	G
Debt refinancing. Opportunities to refinance debt at lower interest rates or deferral of reborrowing, until rates become more favourable.	1,423	G
Prepayment of pension fund secondary contributions has already taken place with the benefit spread over the three years covering the valuation period.	81	G
Total	3,277	

2.3. Corporate and Commercial Services

Table 3a below sets out that within Corporate and Commercial Services, an estimated overspend of £0.7m is forecast. Table 3b summarises the key issues for this area, including performance against agreed the main saving areas shown in Table 3c.

Table 3a – Corporate and Commercial forecast

Service	Budget £'000s	Forecast £'000s	Variance £'000s
Corporate & Commercial Services	476	847	371
Finance, Audit & Risk	866	954	88
HR & Organisational Development	737	877	140
Legal & Procurement	1,822	1,917	95
Revenues & Benefits	3,278	3,266	(12)
Total	7,179	7,861	682

Table 3b – Corporate and Commercial Services – key issues

Summary issues	Detailed	£'000
Increase in election running costs	The costs involved with running elections and electoral registration functions has risen over recent years as the costs involved in hiring venues and increased postal costs particularly have risen. An elections reserve exists to smooth the uneven incidence of elections and it may be possible to offset some of the overspend once the position becomes clearer.	95
Senior vacancies being covered by interim staff	A recruitment campaign for a number of vacant senior posts in the directorate commenced last year. Due to challenges in the recruitment market,	191

	appointment to key roles has taken longer than planned - these include the ED Resources, S151 officer and the Head of Finance, Audit and Risk posts.	
Enabling services review	Stretch targets associated with the implementation of both the ERP and Civica MDM systems have not been achieved this year, as implementation dates have been extended.	180
Finance vacancies being covered by interim staff	Backfilling resources for the new finance system implementation, and senior finance posts have increased costs.	89
Senior staff recruitment costs	Additional campaigns have been run during the year to attract high calibre candidates to senior management posts within the council.	80
HR apprenticeship levy costs	The higher than expected pay award and an overall increase in staff costs have increased the corporate costs of the apprenticeship levy.	59
Revenues & benefits	Minor variances	(12)
Total		682

Table 3c - Savings Tracker (Corporate and Commercial)

Saving/ update	£'000	Status (R, A, G)
Stretch targets associated with system implementation projects are currently at risk pending go live status and process improvements.	125	R
Service review savings across finance, revenues and benefits are on track for delivery	95	G
Reduced contribution to insurance reserve continues to be achievable	102	G
Agreed contract reductions and other changes to budgets are all being delivered with spend being reduced accordingly.	151	G
Increase in income from recovery of court costs is on target	40	G
Total	513	

2.4. Community Services

Table 4a below sets out that within Community Services Directorate, an estimated underspend of £0.3m is forecast. Table 4b summarises the key issues, including performance against agreed the main saving areas shown in Table 4c.

Table 4a – Community Services forecast

Service	Budget £'000s	Forecast £'000s	Variance £'000s
Community Services	407	602	195
Customers, IT & Digital	5,371	5,439	68
Strategy, Engagement & Culture	2,693	2,689	(4)
Housing & Community Safety	1,206	631	(575)
Total	9,677	9,361	(316)

Table 4b – Community Services – key issues

Summary issues	Detailed	£'000
Community services	A recruitment campaign for a number of vacant senior posts in the directorate commenced last year. Due to challenges in the recruitment market, appointment to key roles has taken longer than planned - these include the ED Housing & Community Safety and ED Resources posts.	195
Customers, IT & Digital	Spend on postage contracts higher than budgeted due to increased post office prices. Some IT contract costs relate to services to be provided in future years and will therefore be accrued as a pre-payment accordingly at year-end.	68
Additional grant	The amount of homelessness grant received has now been confirmed at a level higher than budgeted	(403)
Early intervention & community safety	Underspend on salaries due to vacant positions, not expected to be filled this year	(70)
Additional grant	Additional grant income for the refugee project.	(65)
Recharges	Higher recharge to HRA due to increased support	(108)
St Andrews & Blackfriars Halls	Reduced fees relating to closure of the Halls in quarter 4.	44
Communications	Requirement to replace temporary roles, not included in the budget.	46
Other minor variances		(23)
Total		(316)

Table 4c - Savings Tracker (Community Services)

Saving/ update	£'000	Status (R, A, G)
Stretch targets associated with system implementation projects are currently red pending go live status and process improvements.	40	R
All other agreed savings proposals are on track	465	G
Total	505	

2.5. Development & City Services

Table 5a below sets out that within Development and City Services Directorate, an estimated overspend of £0.3m is forecast. Table 5b summarises the key issues for this area, including performance against agreed the main saving areas shown in Table 5c.

Table 5a – Development and City Services forecast

Service	Budget £'000s	Forecast £'000s	Variance £'000s
Development & City Services	556	555	(1)
Environment Services	3,848	3,613	(235)
Planning & Regulatory Services	2,360	2,628	268
Property & Economic Development	297	532	235
Total	7,061	7,328	267

Table 5b – Development and City Services – key issues

Summary issues	Detailed	£'000
Waste contract rebate	The waste contract rebate has been agreed at a higher level than the budgeted amount.	(183)
Increased parking income	Car parking performance has been above budget throughout the year but the overall surplus forecast in quarter 2 (£0.698m) has now reduced to £0.098m for quarter 3. Off-street fee income is forecast to be higher (£0.211m) along with rents (£0.056m) and multi-storey fees (£0.048m). However, supply & service cost have increased by £0.195m and staffing costs by £0.022m.	(98)
Investment property	Carrow House remains vacant, leaving a shortfall of rent of £0.235m; this is offset by reduced cost savings (£0.133m). Other investment properties income is £0.036m higher than budget, however, due to vacant properties, empty rates and services charges are being applied, which is reducing the overall income to show a surplus of £0.009m. Townshend House has also incurred unbudgeted empty rates of £0.084m and utility costs of £0.014m.	192
Development management	Reduced planning income of £0.299m as a result of nutrient neutrality issues. Increased supply and services cost of £0.020m covering advertising of posts as part of a restructure and legal advice relating to planning applications.	331
Other minor variances		25
Total		267

Table 5c - Savings Tracker (Development and City Services)

Saving/ update	£'000	Status (R, A, G)
Rental income from Carrow House is now not expected to be achieved as a tenant has not been identified	(50)	R
There have been delays to the commencement of service reviews in property services and environmental services. The estimated level of savings has also reduced.	(91)	R
The revised charging structure for HMO licensing is delivering above the level of estimated income.	37	G
The unachieved saving from the 2022/23 NCSL contract review has been achieved in this year.	67	G
Markets income exceeding savings target.	22	G
Parking in the parks exceeding savings target.	10	G
Pool car savings exceeding savings target.	4	G
Rosary Chapel exceeding savings target	6	G
The remaining savings proposals are anticipated to remain on track for delivery at the agreed levels	985	G
Total	990	

3. Housing Revenue Account Revenue (HRA)

Table 6, below sets out below that overall, the HRA is projected to be overspent by £3m for the year. Table 6a sets out the key variances against the budget.

A significant element of the forecast overspend relates to an increase in the cost of general repairs due to the impact of inflation on the cost of labour and materials. Additionally, the level of work required to reinstate void properties to a lettable standard has increased, including additional asbestos related works.

There has also been an increase in the cost of carrying out asbestos surveys to non-dwelling properties, costs arising from disrepair claims and interim staff covering vacant senior roles, whilst there is forecast reduction in rental income from properties that are unoccupied.

Although the HRA has sufficient resources to cover the forecast overspend in the short term, the impact of the 2023/24 outturn will need to be considered within the HRA longer term business plan modelling.

Table 6 – Summary forecast position

Housing Revenue Account	Budget (£000)	Forecast Outturn (£000)	Forecast Variance (£000)
General Management	15,492	16,182	690
Special Services	9,290	9,355	65
Repairs & Maintenance	16,119	18,863	2,744
Rents, Rates, & Other Property Costs	6,030	6,793	763
Provision for Bad Debts	430	430	0
Depreciation & Impairment	22,160	22,160	0
Adjustments & Financing items	5,929	4,504	(1,425)
Garage & Other Property Rents	(2,320)	(2,361)	(41)
Dwelling Rents	(62,571)	(62,309)	262
Service Charges - General	(8,243)	(8,351)	(108)
Interest Received	(2,104)	(2,104)	0
Miscellaneous Income	(82)	(57)	25
Amenities shared by whole community	(130)	(130)	0
Housing Revenue Account	0	2,975	2,975

Table 6a – HRA – key issues

Key variances:		
Budget pressures – overspends/loss of income		
Repairs & maintenance	2,744	Increased costs for general repairs contract and electrical inspections plus additional void costs arising from increased level of work and asbestos associated costs.
General Management – Neighbourhood Services	392	Increased number of decants & associated costs due to disrepair.
General Management – Neighbourhood Services	74	Increased legal costs.
General Management	1,454	Increased agency costs. Agency costs are currently offset by savings on employee costs (shown below).
General Management – Home Ownership	195	Increased insurance costs.
General Management – Head of Housing	145	Additional professional advice and fees in relation to HRA assets.
Miscellaneous Income	25	Lower income from court awards.
Dwelling Rents	262	Based on income periods 1-9 inclusive including additional void rent loss above the budgeted amount.
Rents, Rates, & Other Property Costs	499	Increased cost of asbestos surveys.
Rents, Rates, & Other Property Costs	185	Increased costs for council tax and business rates on empty HRA properties.
Special Services – District Heating	77	Electricity costs higher than expected due to increase in energy prices.

General Management - Various	(1,523)	Forecast savings on employee related costs based on vacancies during periods 1-9 inclusive.
General Management – Tenancy Support	(221)	Additional grant received from Public Health for Health & Wellbeing Partnership activities. The grant is for a 2-year period paid in one lump sum with end of year balance going to earmarked reserve for use in 2024/25
Garage & Other Property Rents	(40)	Increased income from garage rents
Service Charges - General	(109)	Increased income from water service charges which will be offset by an increased charge from Anglian Water.
Adjustments & Financing Items	(1,424)	Reduction in revenue contribution to fund the cost of new homes due to reprofiled build programme.
Other minor variances across the HRA	240	
Total	2,975	

4. Capital

4.1. General Fund

Table 7 sets out below that overall, the General Fund capital programme is projected to be underspent by £1m for the year. Table 7a sets out the major variations against the revised capital budget.

Table 7 – General Fund capital forecast

Directorate	Original Budget £'000s	Revised Budget £'000s	Forecast £'000s	Variance £'000s
Community Services	5,334	6,402	5,954	(448)
Corporate & Commercial Services	161	499	499	0
Development & City Services	23,099	14,937	14,470	(467)
Total	28,594	21,838	20,923	(915)

Table 7a – General Fund capital programme – key issues

Summary issues	Detailed	£'000
Disabled Facilities Grant	Additional unanticipated grant received from DLUHC via Better Care Fund. Policy to be reviewed to enable additional grants to be made. Approval needed to carry-forward any underspend for use in future years.	(256)
GNGB Marriot's Way/ Hellesdon Station Green	Changes to scope and timescales of project, now planned to extend into 2024/25.	(74)
St Andrews MSCP Edge Protection Works	Lower contract costs that initially anticipated/	(62)
Wider Area Network Refresh	Delays in signing contracts have reduced expenditure in year.	(56)
Other variances		(467)
Total		(915)

4.2. Housing Revenue Account (HRA) – capital forecast

Table 8 sets out below that overall the HRA capital programme is projected to be underspent by £6m for the year. Table 8a sets out the major variations against the revised capital budget.

Table 8 – HRA – capital forecast position

Directorate	Budget £'000s	Revised Budget £'000s	Forecast £'000s	Variance £'000s
Community Services	22,057	20,478	17,872	(2,606)
Development & City Services	13,599	13,067	9,624	(3,443)
Total	35,656	33,545	27,496	(6,049)

Table 8a – HRA capital programme – key issues

Summary issues	Detailed	£'000
HRA Upgrades – Electrical	Reduction in level of rewires to be completed in the year.	(366)
HRA Upgrades – Solar Thermal/Photovoltaic	New strategy to deliver work in 2024/25; budget to be requested to be carried forward.	(746)
HRA Upgrades – Compliance Upgrades	Budget to be requested to be carried forward to enable work to continue in 2024/25.	(1,585)
HRA Upgrades – Estate Aesthetics	Increased level of work to be delivered in the year.	103
Capital Grants to Registered Housing Providers	A planned registered provider's project has now slipped into 2024/25.	(1,301)
Argyle Street development	Delay in receiving planning permission has extended development into 2024/25.	(1,175)
Three Score Phase 3 development	Development to continue into 2024/25.	(467)
Three Score Housing Acquisition	Forecast underspend due to being able to recover stamp duty on social housing acquisition.	(461)
Other variances		(51)
Total		(6,049)

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 2022-26 and budget.

This report is primarily for information and no decisions are requested.

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.

6. 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.
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.

7. 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.

9. Other options considered

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

10. 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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