



# NORWICH City Council

**Committee name:** Cabinet

**Committee date:** 13/09/2023

**Report title:** 2023/24 Quarter 1 – 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 June 2023 (Quarter 1); additional information based on more recent forecasts have 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 **£2.4m underspend** on the general fund revenue account and the **£0.4m overspend** on the Housing Revenue Account (HRA)
- 2) Notes the forecast **£13.9m underspend** against the general fund and the **£4.6m underspend** against the HRA capital programmes.
- 3) Notes the areas of significant variances contained within report.
- 4) Notes the detailed breakdown of capital programme variances.

### 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; a £2.4m underspend has been estimated based on the returns submitted by budget holders to the end of June however, where a material change has been identified between the submissions made and the date of finalising this report, more up to date information has been included.
- 1.2. The 2023 pay award has not been agreed. The current offer would cost an additional £0.400m above the general fund budgeted amount, but this has been rejected by the unions. This pressure has not yet been included in the forecast outturn position and therefore represents a further budget risk.

**Table 1 – Estimated outturn position**

Directorate	Budget £'000s	Forecast £'000s	Variance £'000s
Chief Executive	267	267	0
Corporate Financing	(24,149)	(25,477)	(1,328)
Corporate and Commercial Services	7,144	7,254	110
Community Services	9,677	9,311	(366)
Development & City Services	7,061	6,253	(808)
<b>Total</b>	<b>(0)</b>	<b>(2,392)</b>	<b>(2,392)</b>

### Key variances

- 1.3. The provisional outturn report to Cabinet on the 14<sup>th</sup> June, 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 now represents a potential underspend in the current year.
- 1.4. Overall parking income appears to be returning to pre-COVID levels and is currently forecast to be £0.750m above budget. However, concerns remain around the economy, including the impact of inflation and interest rates on spending patterns meaning that this area will need to be monitored carefully for the remainder of the year.
- 1.5. The Medium-Term Financial Strategy (MTFS) report to the 12<sup>th</sup> July Cabinet 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

- 2.1.1. Table 2a sets out below that the Chief Executive's area is projected to be balanced for the year.

**Table 2a– Chief Executive forecast**

Directorate	Budget £'000s	Forecast £'000s	Variance £'000s
Chief Executive	267	267	0

## 2.2. Corporate Financing

2.2.1. Table 2b sets out that within Corporate Financing an estimated underspend of £1.3m is forecast. Table 4 summarises the key issues for this area, including performance against agreed the main saving areas.

**Table 2b – Corporate Financing forecast**

Directorate	Budget £'000s	Forecast £'000s	Variance £'000s
Corporate Financing	(24,149)	(25,477)	(1,328)

**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 outturn position meant this is now no longer required.	(2,828)
Provision for cashflow loans.	Prudent provision has been made for loan advances to be made subject to formal request and approval by S151 officer.	1,500
		<b>1,328</b>

**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
<b>Sub-total</b>	<b>3.277</b>	

## 2.3. Corporate and Commercial Services

2.3.1. Table 3a below sets out that within Corporate and Commercial Services an estimated overspend of £0.1m 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**

<b>Service</b>	<b>Budget £'000s</b>	<b>Forecast £'000s</b>	<b>Variance £'000s</b>
Corporate & Commercial Services	476	585	109
Finance, Audit & Risk	871	918	47
HR & Organisational Development	737	780	43
Legal & Procurement	1,782	1,876	94
Revenues & Benefits	3,278	3,095	(183)
<b>Total</b>	<b>7,144</b>	<b>7,254</b>	<b>110</b>

**Table 3b – Corporate and Commercial Services – key issues**

<b>Summary issues</b>	<b>Detailed</b>	<b>£'000</b>
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.	94
Senior vacancies being covered by interim staff	A recruitment campaign to recruit to a number of vacant senior posts in the directorate will commence at the end of August. These include the S151 officer and the Head of Finance, Audit and Risk posts which are currently being covered by interim resources.	156
Vacancies held and additional grant received	Within the revenues and benefits service a restructure is shortly being launched and to avoid putting staff at risk vacancies are being held with peaks in work being managed through a resilience contract and staff working additional hours. An additional amount of grant funding for new burdens was received after the budget was set.	(183)
Other minor variances		43
		<b>110</b>

**Table 3c - Savings Tracker (Corporate and Commercial)**

<b>Saving/ update</b>	<b>£'000</b>	<b>Status (R, A, G)</b>
Stretch targets associated with system implementation projects are currently Amber pending go live status and process improvements.	125	A
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	41	G
<b>Sub-total</b>	<b>514</b>	

## 2.4. Community Services

2.4.1. Table 4a below sets out that within Community Services Directorate an estimated underspend of £0.4m is forecast. Table 4b summarises the key issues for this area, including performance against agreed the main saving areas shown in Table 4c.

**Table 4a – Community Services forecast**

<b>Service</b>	<b>Budget £'000s</b>	<b>Forecast £'000s</b>	<b>Variance £'000s</b>
Community Services	407	407	0
Customers, IT & Digital	5,371	5,371	0
Strategy, Engagement & Culture	2,693	2,742	49
Housing & Community Safety	1,206	791	(415)
<b>Total</b>	<b>9,677</b>	<b>9,311</b>	<b>(366)</b>

**Table 4b – Community Services – key issues**

<b>Summary issues</b>	<b>Detailed</b>	<b>£'000</b>
Additional grant	The amount of homelessness grant received has now been confirmed at a level higher than budgeted	(333)
Other minor variances		(33)
		<b>(366)</b>

**Table 4c - Savings Tracker (Community Services)**

<b>Saving/ update</b>	<b>£'000</b>	<b>Status (R, A, G)</b>
Stretch targets associated with system implementation projects are currently Amber pending go live status and process improvements.	40	A
Service review savings for the Tourism service will not be met in the current year but will be managed through other underspends within the overall service budget	40	R
All other agreed savings proposals are on track	425	G
<b>Sub-total</b>	<b>505</b>	

## 2.5. Development & City Services

2.5.1. Table 5a below sets out that within Development and City Services Directorate an estimated underspend of £0.8m 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	556	0
Environment Services	3,848	2,969	(879)
Planning & Regulatory Services	2,360	2,233	(127)
Property & Economic Development	297	495	198
<b>Total</b>	<b>7,061</b>	<b>6,253</b>	<b>(808)</b>

**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.	(184)
Increased parking income	The off street parking income has increased in the first part of the year; projections have assumed that similar levels will be seen for the remainder of the year although this will be kept under close review given the continued economic uncertainty.	(750)
Vacant property	Carrow House was expected to be let during the year but despite marketing no tenant has been secured.	133
Other minor variances		(7)
		<b>(808)</b>

**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.	(71)	R
The revised charging structure for HMO licensing is delivering above the level of estimated income	86	G
The unachieved saving from the 2022/23 NCSL contract review has been achieved in this year	53	G
The remaining savings proposals are anticipated to remain on track for delivery at the agreed levels	1,150	G
<b>Sub-total</b>	<b>1,132</b>	

### 3. Housing Revenue Account Revenue (HRA)

3.1.1. Table 6 sets out below that overall the HRA is projected to be overspent by £0.4m for the year. Table 6a sets out the major variations against the budget.

**Table 6 – Summary forecast position**

<b>Directorate</b>	<b>Budget £'000s</b>	<b>Actual £'000s</b>	<b>Forecast £'000s</b>
General Management	15,492	15,479	(13)
Special Services	9,290	9,288	(2)
Repairs & Maintenance	16,119	16,551	432
Rents, Rates, & Other Property Costs	6,030	5,996	(34)
Provision for Bad Debts	430	430	0
Depreciation & Impairment	22,160	22,160	0
Adjustments & Financing items	5,929	5,929	0
Garage & Other Property Rents	(2,320)	(2,361)	(41)
Dwelling Rents	(62,571)	(62,571)	0
Service Charges - General	(8,243)	(8,243)	0
Interest Received	(2,104)	(2,104)	0
Miscellaneous Income	(82)	(67)	15
Amenities shared by whole community	(130)	(130)	0
<b>Total</b>	<b>0</b>	<b>357</b>	<b>357</b>

**Table 6a – HRA – key issues**

<b>Summary issues</b>	<b>Detailed</b>	<b>£'000</b>
Increased repairs and maintenance costs	Mainly attributable to inflationary pressures	431
Increased volume of decants	Active targeting of potential disrepair cases to reduce legal costs; decant costs including alternative accommodation also impacted by inflation.	130
Vacancies held	Within the neighbourhood services area a recruitment campaign is being developed to fill several vacancies.	(204)
		<b>357</b>

## 4. Capital

### 4.1. General Fund

- 4.1.1. Table 7 sets out below that overall the General Fund capital programme is projected to be underspent by £13.9m for the year. Table 7a sets out the major variations against the revised capital budget.

**Table 7 – General Fund capital forecast**

Directorate	Budget £'000s	Revised Budget £'000s	Forecast £'000s	Variance £'000s
Community Services	5,334	8,958	7,374	(1,584)
Corporate & Commercial Services	161	379	390	11
Development & City Services	23,099	30,322	18,014	(12,308)
<b>Total</b>	<b>28,594</b>	<b>39,659</b>	<b>25,778</b>	<b>(13,881)</b>

**Table 7a – General Fund capital programme – key issues**

Summary issues	Detailed	£'000
Levelling Up Funding bid unsuccessful	Works to City Hall relied on the LUF funding bid. As this did not happen the match funding will not now be required until an alternative scheme is explored. An external consultancy has been appointed to draw up options for business case review.	(5,900)
Underspend of grant funding	BEIS (now DNZ) grant funding for the Sustainable Warmth Scheme is likely to be underspent as there is now limited time to utilise the funds and there have been implementation challenges.	(439)
Alignment of works has delayed expenditure	Separate projects to carry out improvement and modernisation works at The Halls have been aligned to avoid duplication of effort and elongation of the time the Halls will need to be out of action. Both projects expenditure will need re-profiling into later years'	(1,792)
Property remediation fund underspend	Once business cases have been developed the Strategic Property Remediation Fund will not spend fully its agreed budget in the current year.	(500)
Disabled Facility Grant underspend	The identification of qualifying projects is leading to a backlog of resources that may need to be delivered over an extended timeframe	(337)
Loan drawdowns delayed	Loans to both the Norwich Preservation Trust and Lion Homes have not yet been brought forward for drawdown. These will be deferred into later years' as relevant projects are delivered.	(3,000)
Other variances		(1,913)
		<b>13,881</b>

## 4.2. Housing Revenue Account (HRA) – capital forecast

4.2.1. Table 8 sets out below that overall the HRA capital programme is projected to be underspent by £4.6m 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	28,298	23,960	(4,338)
Corporate & Commercial Services	0	0	0	0
Development & City Services	13,599	17,471	17,181	(290)
<b>Total</b>	<b>35,656</b>	<b>45,769</b>	<b>41,141</b>	<b>(4,628)</b>

**Table 8a – HRA capital programme – key issues**

Summary issues	Detailed	£'000
Tender prices higher than expected	For communal heating and boiler upgrades a recent tender exercise resulted in prices being higher than expected. A retendering exercise is now proposed to try and get better value for money but this will lead to a delay in programmed expenditure.	(1,665)
Capacity issues has delayed spend profile	Temporary resourcing issues within the relevant service area have resulted in the solar thermal/ photovoltaic panels and window upgrade programmes being delayed.	(1,733)
Change in contractors has delayed spend profile	The electrical upgrade contractor has changed and the handover has resulted in a small delay to the proposed programme.	(200)
Other variances		(1,030)
		<b>(4,628)</b>

## 5. Consultation

5.1.1. There has been no specific consultation on these proposals.

## 6. Implications

### 6.1. Financial and resources

6.1.1. 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.

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

### 6.2. Legal

6.2.1. In considering its financial and non-financial performance, the Cabinet is supporting the Council to 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.

## 7. 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.

## 8. 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

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

## **10. Reasons for the decision/recommendation**

- 10.1.1. 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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