



NORWICH City Council

Committee name: Cabinet

Committee date: 11/09/2024

Report title: 2024/25 Quarter 1 – 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' forecasts to the end of June 2024 (quarter 1). 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 both the general fund revenue account and the Housing Revenue Account (HRA) is **currently reflecting a breakeven position**. However there potential budget pressures across all service areas which will need to be analysed further as the financial year progresses.
- 2) Notes the forecast **£1.083m overspend** against the general fund and the **£13.389m underspend** against the HRA capital programmes.
- 3) Approves adjustments to the 2024-29 five year general fund capital programme to enable the utilisation of external funding and the re-profiling of budgets as set out in paragraphs 4.3, 4.4 and 4.6 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. The Council's record of prudent financial management over many years has stood it in good stead to weather the volatility in economic circumstances in recent years. This is reflected again within this report, reflecting a breakeven position across both the General Fund and Housing Revenue Accounts. However, recognising that this is still relatively early in the new financial year, close attention will need to be maintained in order to understand potential budget pressures and changes in economic circumstances. The outturn for the last financial year, 2023/24, provided a lesson in this respect where an underspend overall was delivered in spite of a number of budget pressures across the council.
- 1.2. Nationally, there has been a number of factors that will potentially impact upon budget management during 2024/25, including the reduction in the rate of inflation, the reduction in the level of the Bank of England base rate and the change in government, which is already seeing some changes in economic and funding priorities. Work will continue to understand the impact of both local and national factors on revenue budgets in order to maintain effective control over the budget and to inform the development of the Medium Term Financial Strategy.

Key Drivers

- 1.3. Norwich City Council has healthy levels of reserves as a consequence of past decisions and effective budget management, the investment of which has provided a welcome source of income to help manage some of the service pressures in recent years. Whilst this continues to be the case, interest rates have fallen in the current financial year and the outlook is that there may be further reductions in the Bank of England's base rates during the remainder of the year, which means that the recent experience of earning income significantly in excess of that budgeted is unlikely to be sustainable in the future.
- 1.4. This in turn emphasises the need to ensure that budgets are managed effectively to meet the changing circumstances and budget pressures. Some of these pressures are familiar, such as inflation and pay awards can be anticipated to one degree or another, but others can require a more flexible and agile response during the financial year. Work is constantly being undertaken between budget managers and Finance to analyse and understand these trends and patterns and will continue despite the breakeven forecast at this time.
- 1.5. Examples of these changing circumstances include the need for the use of interim staff to maintain appropriate levels of expertise and to support service delivery. Recognising that there are circumstances where specialist knowledge, skills and experience can support the delivery of outcomes and priorities, there is also a need to ensure that value for money continues to be delivered. To this end work is being undertaken to ensure that this balance is effectively maintained, alongside work to develop opportunities to support permanent staff to develop and broaden their knowledge and skills in line with the challenges and needs of Norwich City Council.
- 1.6. A similar situation exists in relation to the procurement of goods and services, whereby despite the best efforts to anticipate market developments, budget pressures can emerge sometimes as a consequence of broader economic circumstances, as seen in recent years with energy inflation. Work also continues to ensure that procurement processes are developed and improved to support the delivery of value for money, for example in relation to the management of the pipeline of contracts, the implementation of the Procurement Act 2023 and the

introduction of a No Purchase Order, No Pay policy, which will potentially reduce administrative burdens and improve the speed at which payments can be made to suppliers.

- 1.7. In the longer term there is a recognition that further work is required to map budgets and resources to the delivery of the outcomes and priorities adopted within the We Are Norwich – A Community Led Plan whilst demonstrating value for money.

2. General Fund revenue position

- 2.1. Whilst the outturn forecast for the General Fund is breakeven at this point in time, the following paragraphs highlight some of the areas of work that are being undertaken to track trends and performance.

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. Currently the Bank of England base rate has fallen from its high levels of recent years, so whilst the budgeted income for 2024/25 is currently anticipated to be achieved, the levels of income in excess of the budget in previous years is not anticipated to continue.

2.3. Resources

Recruitment has continued to be a focus in 2024/25, with new appointments made at senior management levels, however there continue to be some posts that have proven challenging to recruit to, resulting in the need for interim appointments. Work continues to ensure that value for money can be demonstrated. 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.

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. This will potentially benefit the outturn position for the council, but a prudent approach is being taken to ensure that the implications and commitments associated with these income streams are fully understood and reflected, e.g. grant funding often comes with specific compliance and performance criteria.

2.5. Development & City Services

In particular, work continues to review the activity and associated financial implications relating to areas such as car parks and market stall occupancy, recognising that there are elements within these budget areas that are outside of the control of the council. Staffing is also a key element of these budgets which continue to be monitored closely.

3. Housing Revenue Account Revenue (HRA)

The HRA and its resourcing are being reviewed to ensure that the assumptions within the business plan are reflective of current circumstances and priorities, this will be invaluable preparation for updating the budget and business plan for future years, as well as providing driving further analysis of cost pressures within the current financial year. In particular, property maintenance costs have been more

volatile in recent years, reflecting demand and supply pressures within the property sector which have been offset, to a degree, by staff vacancies and income recovery.

4. Capital

4.1. General Fund

Table 1 sets out below that overall, the General Fund capital programme is projected to be overspent by £1.083m for the year. Table 1a sets out the major variations against the revised capital budget.

Table 1 – General Fund capital forecast

Directorate	Original Budget £000s	Revised Budget £000s	Forecast £000s	Variance £000s
Communities and Housing	4,995	5,530	6,176	646
Resources	560	660	660	0
Development & City Services	28,097	33,333	33,770	437
Total	33,652	39,523	40,606	1,083

Unspent 2023/24 General Fund capital budgets totalling £5.477m that have been requested to be carried forward, along with associated budget virements relating to Towns Fund projects are included in the revised budget while awaiting formal approval.

Table 1a – General Fund capital programme – key issues

Summary issues	Detailed	£000
TF Making space at the Halls	Increase in forecast is due to additional security and CCTV costs while the upgrade work is completed.	575
Play park refurbishment	Three year programme needs to be reprofiled based on the forecast expenditure planned for 2024/25 compared to the approved budget split.	125
Demolition and site maintenance	Increase in forecast reflects the proposed use of reserves for feasibility work to support ongoing development pipeline work on Threescore and Livestock market.	373
Other variances		10
Total		1,083

There remains a potential budget risk relating to on-going negotiations around the cost of project, but these will not be reflected within the outturn forecast until the likelihood of the risk materialising becomes clearer.

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 2 below.

Table 2 – 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)
4a Exchange Street – shop refurbishment	(26,141)
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)
Balance	525,053

4.3. Reprofiting of 2024-29 general fund capital programme

The approved 2024-29 general fund capital programme included a budget for the upgrade of play areas, over a period of three years (2024/25 £0.375m, 2025/26 £0.375m, 2026/27 £0.350m) to be funded from Section106 contributions.

Following further review, it is now proposed to accelerate the programme and reprofile the expenditure accordingly (2024/25 £0.500m, 2025/26 £0.300m, 2026/27 £0.300m).

4.4. Adjustments to the general fund capital programme

On 21st February 2024, Council approved to delegate to Cabinet, approval to include in the capital programme, 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.

UK Shared Prosperity Fund (UKSPF)

Following the receipt of a £0.201m grant from the Department of Levelling Up, Homes and Communities (DLUHC – now MHCLG) as part of their 3 year Shared Prosperity Fund, it is proposed that the 2024/25 general fund capital programme is increased accordingly to enable its utilisation.

The funding is ringfenced to be spent by 31st March 2025 to deliver against the government’s Community and Place intervention, improving community and neighbourhood infrastructure projects.

Lakenham Way

Additional funding of £0.017m has been received from the Department of Transport towards this project. It is proposed that the 2024/25 general fund capital programme is increased to enable the additional funds to be utilised.

4.5. Housing Revenue Account (HRA) – capital forecast

Table 3 sets out below that overall the HRA capital programme is projected to be underspent by £13.389m for the year. Table 3a sets out the major variations against the revised capital budget.

Table 3 – HRA – capital forecast position

Directorate	Budget £000s	Revised Budget £000s	Forecast £000s	Variance £000s
Communities and Housing	26,607	31,908	31,074	(834)
Development & City Services	17,100	19,993	7,438	(12,555)
Total	43,707	51,901	38,512	(13,389)

Unspent 2023/24 HRA capital budgets totalling £8.194m that have been requested to be carried forward are included in the revised budget while awaiting formal approval.

Table 8a – HRA capital programme – key issues

Summary issues	Detailed	£000
Upgrades – Whole house improvements	The increase in forecast is based on current work stream and volume of demand is expected to remain the same throughout the year.	1,000
Upgrades – Kitchens	The forecast reduction is based on works identified to date, with further work pending approval but not anticipated to spend budget in full.	(310)
Upgrades – Bathrooms	The forecast reduction is based on works identified to date, with further work pending approval but not anticipated to spend budget in full.	(416)
Upgrades – Heating/boilers communal	The forecast reduction reflects current work being scoped and priced, but not anticipated to spend budget in full this financial year.	(400)
Upgrades – Windows	Reduction in forecast is based on current work identified, but this will be reviewed before quarter 2.	(250)
Upgrades – Re-roofing	Budget is fully committed in 2024/25 with additional urgent works identified, costing £0.400m.	400
Upgrades – Structural	No planned programme in 2024/25, only small ad-hoc works identified this year; to be reviewed before quarter 2.	(350)
Upgrades – Property services fees	Forecast reduced based on ongoing consultancy costs.	(489)

Summary issues	Detailed	£000
Mile Cross depot site	The forecast underspend reflects the project reprofiling required to future years as the current design review will delay the build programme.	(10,485)
Threescore Phase 3	The forecast underspend is due to the construction programme being brought forward in 2023/24 so less expenditure in the current year.	(570)
LANB Argyle Street	Construction expected to begin later in the financial year, so the forecast underspend reflects the budget reprofiling required to fund the project costs in 2025/26.	(1,420)
Other variances		(99)
Total		(13,389)

4.6. Reprofiling of 2024-29 HRA capital programme

The approved 2024-29 HRA capital programme included a budget for Mile Cross depot site in 2024/25 of £10.49m. Following a council decision to undertake a design review, it is now proposed to reprofile £10.49m expenditure to future years.

The approved 2024-29 HRA capital programme also included a budget for LANS Argyle Street in 2024/25 of £2.36m. There is a delay in construction which will now commence later in the year, it is now proposed to reprofile £1.42m to 2025/26 when the project will complete.

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.
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.

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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