



The Budget 2022/2023

Monitoring Report

October 2022

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The Budget 2022/2023

Monitoring Report – October 2022 – Period 7

Summary

The budget for 2022/2023 was presented to Cabinet on 9th February 2022 and approved by Council on 23rd February 2022 in accordance with the process for approving the financial plan 2021/2026.

There is continuing uncertainty as to the expected levels of inflation and its impact on the Council and the cost of living for individuals and businesses. Whilst the Government has removed all Covid response legislation relating to social and business restrictions from 24 February 2022, the lasting effects on the local economy, the council, its residents, and businesses remain uncertain. As the war in Ukraine continues it is putting further upward pressure on commodity and fuel prices, for residents, businesses, and the Council. The risk from inflationary factors is being monitored in terms of possible effects from increasing revenue costs to the Council's services, risk to recovery of monies collected by the Council and risk that could delay and increase the cost of capital projects. This budgetary control monitoring report has been prepared and provides a summarised update of any variances against the original budget for 2022/2023.

The council is currently estimating a drawdown from the General Fund Reserves of £337,230, an adverse movement of £864,220 against a budgeted transfer in of £526,990 decreasing the estimated balance as at 31st March 2023 to £8,646,530.

	Original Budget 2022/23 £	Forecast 31 October 2022 £	Variance Pd7 £	Variance Pd6 £
Borough Spend	21,028,070	21,892,290	864,220	554,550
Financing	(21,555,060)	(21,555,060)	0	0
Contributions to/(from) General Fund Balance	526,990	(337,230)	(864,220)	(554,550)

The Capital Programme 2021/2026 was updated at Council on 23rd February 2022. The current spend is £10,835,683 against a revised budget of £43,633,260. Major Projects comprises of 82% of the revised budget for the Capital Programme. The Council's Member Major Projects Board holds meetings throughout the year to monitor and receive updates for these projects. Officers of the Council are reviewing the impact on the timing and funding of programme reflecting specifically recovery from the pandemic and inflation. See section 3 of report for details of the Capital Programme.

If further information relating to any budget highlighted within this report is required, please do not hesitate to contact Carl Holland on Ext. 6549

1. Introduction

The report provides an assessment of the council's financial performance against its approved 2022/2023 budget, incorporating key financial risks, issues, and opportunities since 1 April 2022 for revenue and capital. The year-end forecasts are based on actual expenditure from 1 April 2022 to 31 October 2022.

The key sections of the report are laid out as follows:

- General Fund (Revenue) – Section 2 and Appendix A
- Capital – Section 3 and Appendix B
- Reserves – Section 4 and Appendix C
- Age Debtors Analysis – Section 5 and Appendix D
- Council Tax and Business Rates Collection– Section 6
- Treasury – Section 7

2. Revenue Budget 2022/2023

2.1 Budget Summary

2.1.1 A summary of the budget position as of 31 October 2022 is shown below. Note this has been restated following a restructure of service areas between that reported to Council on 23 February 2022 and 1 April 2022. A summary is shown in Appendix A of the movements.

P7 Forecast Outturn Position	Budget Agreed by Council 23 February 2022	Budgetary Control Monitoring Report October 2022/2023	Report Variance (Budget to October 2022)	Report Variance (Budget to September 2022)	Movement Pd6 to Pd7
Service	£	£	£	£	£
Central Services	3,186,180	3,205,570	19,390	7,250	12,140
Health Wellbeing and Public Protection	401,030	384,300	(16,730)	33,490	(50,220)
Programme and Project Delivery	234,530	216,980	(17,550)	2,290	(19,840)
Legal	486,440	462,630	(23,810)	(23,810)	0
Environment and Planning	1,630,900	1,501,180	(129,720)	16,910	(146,630)
Operations and Commercial	1,174,410	1,441,740	267,330	213,800	53,530
Property and Projects	(1,441,660)	(1,324,370)	117,290	192,720	(75,430)
Regeneration Housing & Place	867,590	906,030	38,440	2,790	35,650
Resources	7,982,060	8,059,220	77,160	26,190	50,970
Chief Executive	101,300	101,300	0	0	0
Leisure and Community Facilities	1,075,400	1,607,820	532,420	82,920	449,500
Financing Adjustment	2,320,670	2,320,670	0	0	0
Internal Drainage Boards	3,009,220	3,009,220	0	0	0
Borough Spend	21,028,070	21,892,290	864,220	554,550	309,670
Contributions to/(from) General Fund Balance	526,990	(337,230)	(864,220)	(554,550)	(309,670)
Borough Requirement	21,555,060	21,555,060	0	0	0
Revenue Support Grant	(647,530)	(647,530)	0	0	0

P7 Forecast Outturn Position	Budget Agreed by Council 23 February 2022	Budgetary Control Monitoring Report October 2022/2023	Report Variance (Budget to October 2022)	Report Variance (Budget to September 2022)	Movement Pd6 to Pd7
Rural Service Delivery Grant	(485,690)	(485,690)	0	0	0
New Homes Bonus	(589,610)	(589,610)	0	0	0
Other Government Grants	(629,760)	(629,760)	0	0	0
Business Rates Retention Additional Funding	(7,888,830)	(7,888,830)	0	0	0
Business Rates Renewable Energy	(2,811,280)	(2,811,280)	0	0	0
Contribution from Business Rate Reserves	(552,090)	(552,090)	0	0	0
Business Rates Pool – Council Share	(592,870)	(592,870)	0	0	0
Collection Fund	(25,000)	(25,000)	0	0	0
Council Tax	(7,332,400)	(7,332,400)	0	0	0
Total Funding	(21,555,060)	(21,555,060)	0	0	0
Funding Position	0	(0)	0	0	0

2.3 Turnover Savings

The Turnover Saving Target is the savings anticipated from a service's ability to hold a position vacant for a short time following an employee leaving. Savings in some posts cannot be achieved due to the critical need to have that post filled promptly to maintain timely service provision. As a result savings are offset by cost of temporary staff, overtime and costs of recruitment.

The budgeted turnover savings for 2022/2023 are (£550,000). Following the decision of the Council on 1 December 2022 to finalise its pay award to its employees, an estimate of its impact on employee costs has been included in this report. As at the 30 September the Council had 61 vacant posts of which 49 were in active recruitment phases. The remaining 12 were either being covered by agency staff or on hold pending decision to recruit or take other action. The table below shows these costs and savings. This calculation is based on an estimate for the impact of the cost of living pay award, assumes that the current level of vacant posts will remain similar for the remainder of the financial year and estimates the spend on other costs to the end of the year.

	Budget	Estimate Outturn	Variance
Salaries	18,888,680	17,539,304	(1,349,376)
Provision of Pay Award 2022/2023	457,180	1,178,360	721,180
Recruitment	3,640	149,860	146,220
Consultants Fees	13,260	18,220	4,960
Professional Fees	357,280	406,480	49,200
Agency Fees	279,290	291,226	11,936
Cost Total	19,999,330	19,583,450	(415,880)
Turnover Saving	(550,000)	0	550,000
Net Total	19,449,330	19,583,450	134,120

The costs above include the estimated costs of the:-

- The majority of the Cost of Living Pay award is currently included, with a drawdown of £134,120 from reserves made as approved by Council at its meeting 2 December 2022.
- Bio-diversity Task Group £37k agreed at Cabinet 15 March 2022
- Tourism Working Group £20k agreed at Regeneration and Development Panel 8 November 2022
- Resource costs to manage and deliver funds and grants in respect of the Rural England Prosperity Fund £80k

2.4 Opportunities/Risks

- 2.4.1** This report includes £461,450 additional forecast spend as a result of increasing costs for utilities. This reflects a review of usage volumes and increasing unit costs for around 60 sites and the increase in part is due to an increase in consumption, particularly for water, reflecting an increasing return to pre-pandemic consumption levels. The Council is eligible for protection against increases beyond the capped unit price, set by Government, for gas and electricity for the period 1 October 2022 and 31 March 2023. When setting the Electricity and Gas budgets for 2022/2023 the Council increased budgets by 10% and 12% respectively. The Council's purchase of gas is mitigated further through a future purchase model that means that future commitments are made at lower rates prevalent at the time. In relation to the heat pump project, we will have to wait until the winter to gauge how it is performing, the expectation is that there will be an increase in running costs over the short-medium term, but with gas prices projected to increase, the heat pumps are expected to be cheaper to run than the conventional gas-fired plant.
- 2.4.3** Vehicle fuel costs in July 2022 were 49.7% higher than at the same time in the previous year. It is not known at this stage if prices will remain at these high levels and therefore an estimated increase of 36% over 2021/22 actuals has been assumed at this point in time, to reflect a decrease in prices as the year progresses, which will be kept under review. This is an estimated increase of £50,000 above 2022/2023 budgeted spend.
- 2.4.4** In relation to fees and charges forecasts are based on actuals to date, the position shows that service income is back to pre-pandemic levels for budgeted income. There has been a change in demand where Town Centre Car Parking is below Pre-pandemic levels, but this reduction is offset by an increase in Resort Car Parking. This continues to be monitored along with a review in preparation of the 2022-2027 Financial Plan with consideration to the impact of inflation on service provision and asset maintenance costs.

3. Capital

- 3.1** The Capital Programme 2022/2023 original budget of £64,853,540 was approved at Council on 23 February 2022. This figure has been revised to £68,634,070, as reported to Cabinet at its meeting on 2 August 2022, to incorporate amounts rephased from the 2021/2022 Capital outturn. The Capital Budget has been significantly reviewed in the preparation of this report and the budget has been revised for 2022/2023 by £25,000,810 to £43,633,260. The reduction in budget has been re-profiled to future years. The below table reports the revised budget for 2022/2023, actual spend and the movements reprofiled to future years.

3.2 Capital Budget and Spend 2022/2023.

	Original Budget	Revised Budget Prior Period	Budget Movement Current Period	Revised Budget Current Period	Note	Spend to 31 October 2022	September Spend Percentage
	£	£	£	£		£	%
Major Projects	49,981,110	28,395,170	(144,570)	28,250,600	2	6,167,200	22
Community and Partnerships	2,480,680	2,510,680	0	2,510,680		1,076,797	43
Resources (S151 Officer)	383,460	383,460	0	383,460		99,040	26
Programme and Project Delivery	0	200,000	0	200,000		0	0
Property and Projects	309,330	309,330	30,500	339,830	1	25,581	8
Operational and Commercial Services	2,705,510	2,739,710	(7,500)	2,732,210	1,3	191,898	7
Leisure and Community Facilities	1,306,080	956,080	30,000	986,080	4	119,217	12
Central Services	250,000	250,000	(250,000)	0	5	0	0
Total	57,416,170	35,744,430	(341,570)	35,402,860		7,679,732	21
Exempt Corporate Schemes	11,217,900	8,230,400	0	8,230,400		3,155,950	38
Total Capital Programme	68,634,070	43,974,830	(341,570)	43,633,260		10,835,682	25

3.2.2 Notes to Capital Budget Revisions and Movement table

1 A movement of £30,500 has taken place between service areas, the budget for estate roads resurfacing sat incorrectly within the Operational and Commercial Services assistant director. This has now moved to its correct service area of Property and Projects. This has no overall effect on balances.

2 Major Projects - £55,720 has been added to the Major Projects in 2022/2023 for the delivery of UK Shared Prosperity Fund, £57,940 in 2023/24 and £233,570 in 2024/25 totalling £347,230. This is fully funded from a government grant

£75,080 for the development of the Purfleet floating restaurant has been removed, the development of this area will now be encompassed as part of the Towns Deal riverfront regeneration project.

The budget of £125,210, for development of the Chapel Street car park has been removed, whilst a strategic review of transport and car parking takes place.

3 Operational and Commercial Services - £23,000 has been added to 2022/2023 to fund the infrastructure works necessary at Heacham Beach North car park to enable the installation of power supply for Pay and Display car parking meters and CCTV. This is to be met from the car park reserve.

4 Leisure and Community Facilities - £30,000 has been added in 2022/2023 for the replacement of Athletics lighting at Lynnsport. This is funded from a CIL contribution.

5 Central Services - £250,000 has been removed from the capital programme for the purchase of Technology and Other Equipment (Flexible Working), this is now being used towards funding the pay award.

4. Reserves

4.1 The main reasons the Council holds reserves are to:

- Manage known financial risks
- Hold funding as one-off contributions to expenditure, allowing ongoing revenue budget reductions
- Manage timing difference between the receipt of funding and actual spend
- Hold ring-fenced funds such as specific grants

4.2 As reported to Council in February 2022, the budget set out an estimated contribution to the General Fund Reserve of £526,990. The position is now a drawdown from reserves of £337,230, because of the changes set out in this report. The revised impact on balances is detailed in the table below.

Projected Movements in General Fund Balances	2022/2023 £
Balance brought forward 1 April 2022	8,983,760
Estimated contribution to/(from) Balances	(337,230)
Projected General Fund Balance 31 March 2023	8,646,530

4.3 The projected balance for 2022/2023 remains above the minimum level of £1,128,410 required of the Council. However, it should be noted that the audit for the financial statements of 2019/2020 and 2020/2021 are not concluded and a possible outcome could result in a financial adjustment to the accounts which require further drawdown from the general fund balance

4.4 The General Fund Balance is held at a higher level than it might normally be, enabling provision for a planned and measured response to the reduction in grant funding that is estimated to occur in the medium term. Significant draws from the general funding balance remain necessary in future years of the medium-term financial plan in order to set a balanced budget.

4.5 The table below shows the reserves balances based on actual spending and budgeted spend in the year. The opening balance is as per the Revenue Outturn report reported to Cabinet at its meeting 2 August 2022. Following further accounting movements in compilation of the Council's draft Statement of Accounts for 2021/2022 published 1 August 2022, revisions to the maximum limits for some reserves held (Appendix C).

Reserves	Opening balance 1 April 2022	Budgeted movements (To)/From (Revenue)	Capital Transfers	In year movements (To)/From Revenue	Forecast Outturn Balance 31 March 2023
Ring Fenced Reserves					
Amenity Areas	(2,350)				(2,350)
Capital Programme Resources	(782,702)	(4,480)			(787,182)
Collection Fund Adjustment Reserve	(10,692,516)	0		552,090	(10,140,426)
Grants Reserves	(2,600,139)	5,850		(6,595)	(2,600,884)
Holding Accounts	(116,765)				(116,765)
Other	(166,064)				(166,064)
Planning Reserves	(436,079)	64,330			(371,749)
Repairs and Renewal Reserves	(608,782)	29,850		31,494	(547,438)
Ring Fenced Reserves	(3,622,807)	(2,395,620)		22,705	(5,995,722)
West Norfolk Partnership	(878,979)	227,500			(651,479)
Sub Total	(19,907,183)	(2,072,570)	0	599,693	(21,380,060)
Risk Management					
Capital Programme	(71,324)				(71,324)
Holding Accounts	(109,616)				(109,616)
Insurance	(225,661)	(10,000)			(235,661)
Planning Reserves	(25,410)				(25,410)
Ring Fenced Reserves	(50,000)				(50,000)
Sub Total	(482,010)	(10,000)	0	0	(492,010)
Service Delivery					
Capital Programme Resources	(4,716,049)	(346,360)	1,838,490	117,398	(3,106,521)
Climate Change Strategy	(1,246,482)	313,160			(933,322)
Grants Reserves	(2,015,842)	(37,000)			(2,052,842)
Holding Accounts	(1,878,538)	(20,000)			(1,898,538)
Ukrainian Community Support	(7,000)				(7,000)
Internal Audit Services	(3,770)				(3,770)
Planning Reserves	(86,249)	126,980			40,731
Project Reserves	(3,864,687)		114,000		(3,750,687)
Repairs and Renewal Reserves	(1,303,008)	(23,050)	477,410		(848,648)
Restructuring Reserve	(484,200)				(484,200)
Ring Fenced Reserves	(310,512)	(10,000)		12,960	(307,552)
Sub Total	(15,916,339)	3,730	2,429,900	130,358	(13,352,350)
Grand Total	(36,305,532)	(2,078,840)	2,429,900	730,051	(35,224,420)

4.6 Notes to Reserves budget revisions and movements

Ring Fenced Reserves

Collection Fund Adjustment Reserve – Increased contribution from reserve for NNDR £552,090 based on estimated outturn for 2021/2022.

Repair and Renewal Reserve - £11,494 District Direct Grant balance drawdown for Home Improvement Agency for Care and Repair. Contribution from reserve of £20,000 funding for Lily 5 carry forward from 2021-22 drawdown from reserves.

Ring Fenced Reserves – Contribution to reserves of (£3,651) from lottery West Norfolk Wins, Financial Assistance, Contribution from reserves for £26,356 Community Projects, Foodbank.

Service Delivery

Capital Programme Resources - £126,771 VAT overpayment to be repaid, (£1,000) Office Repair, Redecoration Contributions Quarter 1 and 2, (£8,372) Office Accommodation, Furniture Hire Contributions to reserves, Quarter 1 and Quarter 2.

Ring Fenced Reserves - £12,960 Community Safety & Nuisance, Cost of Norsonics (noise monitoring Equipment).

5. Age Debt Analysis

5.1 The effective management and collection of debt is an essential contributor to the councils' financial resources. In accordance with good accounting practice, the Council makes appropriate provision for bad debts. Debt recovery levels have been and continue to be affected by the Pandemic and inflation. Debt recovery activity will be kept under heightened review to ensure resources are focussed on reducing debt levels and further comparators for debt recovery action will be added to future Monitoring Reports.

5.2 The following information can be found in Appendix D

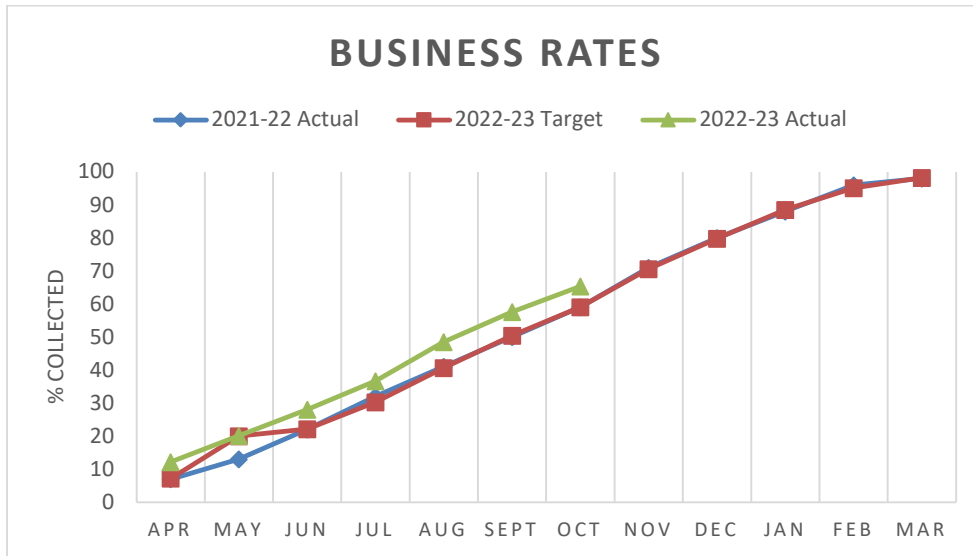
- Overdue Debtor Income by Customer Group
- Age debt movement between current and previous period
- Housing Benefit Recovery Payments

6. Council Tax and Business Rates

6.1 As of 31 October 2022 65.47% of council tax has been collected against the target of 65.14%. See Chart below with comparison to 2021/22 actuals. The pressures from the increased cost of living on individuals and business are increasingly apparent in customer contract activity but had not impacted collection rates at the end of September 2022.

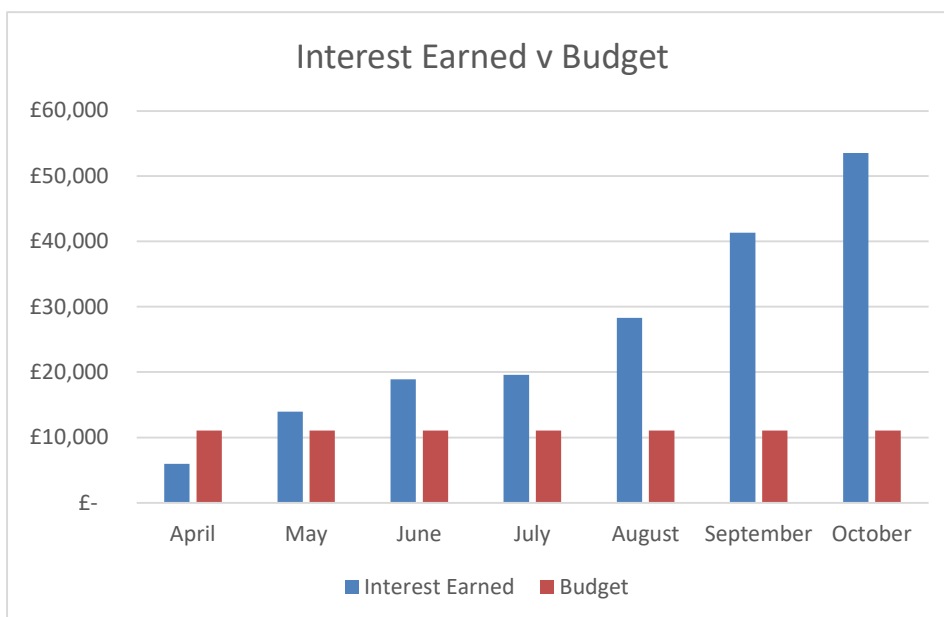


6.2 65.38% of business rates has been collected against the target of 59.01%, as of 31 October 2022. See chart below with comparison to 2021/22 actuals.



7. Treasury Management 2022/2023

- 7.1** The “Treasury Management Strategy Statement and Annual Investment Strategy 2022/2023” was approved by Council on 9 February 2022. The Council’s Treasury Management Strategy will be updated as appropriate for any changes made to the code of practice by CIPFA.
- 7.2** The budgeted ROI (Return on Investment) is £278,790, excluding capital loans it is £132,480. As of 31 October 2022, the forecasted position £178,160, again this is excluding capital loans. This is monitored along with the Bank of England interest rates and the budget revised as part of the estimate process and will form part of the half yearly Treasury Management report.
- 7.3** The graph below compares the average interest earned each month to the forecasted budget. The budget is shown on an even twelfth/straight-line basis.



- 7.4** The monitoring report includes prudential indicators, updates on movements in borrowing and investments during the period.

Prudential Indicators

Indicator	Original Limit 2022/2022	Actual Borrowing 31 August 2022
Operational Boundary (Limit of borrowing)	£77m	£10m
Short-term and variable rates borrowing limits	40%	0%

Loans

Institution	Principal £	Rate %
Short Term borrowing	0	
Total Short Term	0	
Barclays	5,000,000	3.810%
Barclays	5,000,000	3.810%
Total Long Term	10,000,000	
Total Borrowing	10,000,000	

Investments

Institution	Principal £	Rate %
Aberdeen Liquidity – MMF	3,990,000	2.220%
BNP – MMF	3,900,000	2.150%
Barclays FIBCA	1,130,000	1.850%
Federated Hermes – MMF	3,990,000	2.168%
HSBC Sterling – MMF	2,760,000	2.249%
Total Money Market Fund Investment	15,770,000	
Lancashire County Council	4,000,000	2.100%
Landesbank Hessen-Thuringen Girozentrale (Helaba) Frankfurt	4,000,000	2.270%
North Lanarkshire Council	4,000,000	1.970%
Santander (95-day notice account)	4,000,000	1.000%
Total Other Investments	16,000,000	
Overall Investments	31,770,000	

8. Conclusion

- 8.1** The primary objective of this report is to monitor service area performance against allocated budgets and to consider variances to the budget figure in the light of current circumstances.
- 8.2** Careful budgetary control throughout the year ensures that resources are applied as planned, fulfilling the goal to secure the long-term economic future of the borough. Budgetary control is applied in a consistent manner across all budgets, and individual decisions to be taken during the financial year are reviewed for impact on a case-by-case basis before they are taken, so that any identified impact can be considered and taken into account at the appropriate time.
- 8.3** The content of this budget monitoring report is designed to enable Councillors and Senior Officers to see the financial position of the Council as a whole, as required by the Local Government Act 2003.