

Report for: Cabinet

Date of Meeting:	27 August 2024
Subject:	2024/25 QUARTER 1 MONITORING
Cabinet Member:	Cllr James Buczkowski, Cabinet Member for Finance
Responsible Officer:	Andrew Jarrett, Deputy Chief Executive (S151)
Exempt:	N/a
Wards Affected:	All
Enclosures:	Appendix A – General Fund Summary Appendix B – General Fund Service Variances Appendix C – Employee Cost Summary Analysis Appendix D – Income Summary Analysis Appendix E & F – HRA Summary and detail variances Appendix G – Capital Programme Summary

Section 1 – Summary and Recommendation(s)

To present the forecast Outturn position for the General Fund, Housing Revenue Account and Capital Programme for the financial year 2024/25.

Recommendation(s):

1. The Cabinet are asked to:

- a) **Note the financial monitoring information for the income and expenditure for the three months to 30 June 2024 and the projected outturn position;**
- b) **Recommend that Council approves the changes to the treasury and prudential indicators in tables 6.2.2 and 6.2.3;**
- c) **Note the use of Waivers for the Procurement of goods and services as included in Section 8;**

Section 2 – Report

1.0 Introduction

- 1.1 This report contains information relating to the Council's overall financial performance for the 2024/25 financial year. Monitoring the Budget is an important part of the Council's performance management framework. The aim is to keep a tight control on spending on services within a flexible budget management framework.
- 1.2 The purpose of this report is to highlight to Cabinet our current financial status and the likely reserve balances at 31 March 2025. It encompasses both revenue, in respect of the General Fund, the Housing Revenue Account (HRA), and Capital Programme. The detail underpinning these projections is included within the body of report in the following sections / appendices:
- The projected General Fund outturn position for 2024/25 (**Section 3 + Appendices A to D**);
 - The projected HRA Outturn position for 2024/25 (**Section 4 + Appendix E & F**);
 - The projected Capital Outturn position for 2024/25 (**Section 5 + Appendix G**);
 - Treasury Management (**Section 6**);
 - Collection Fund (**Section 7**);
 - Procurement Waivers (**Section 8**);
 - 3 Rivers Closedown Update (**Section 9**).
- 1.3 Favourable variances generating either increased income or cost savings are expressed as credits (negative numbers), whilst unfavourable overspends or incomes below budget are debits (positive numbers). Any variance against the agreed budget will impact on the Council's reserves. This monitoring focuses on significant budget variances (+/- £20k), including any remedial action where necessary leading to an estimated overall Outturn position.
- 1.4 The Council's financial position will be constantly reviewed to ensure its continued financial health and delivery of excellent Value for Money.
- 1.5 Members should note that officers have also identified areas where some unbudgeted expenditure can be mitigated through the use of earmarked reserves. Therefore this is shown in Appendix A within the individual service areas enabling clarity on the overall forecast outturn variance that will affect General Reserves.
- 1.6 A summary of the Council's Treasury Management year end position is shown in Section 6. This now includes further detail as required by new regulations.
- 1.7 This report also includes Section 8 which updates Members on the use of Procurement Waivers during the first quarter of 2024/25. A procurement waiver is where contract procedure regulations have not been applied due to exceptional circumstances, such as urgency of the goods/services being required, or the

specialist nature of the goods/services where there is no effective competition to provide it.

- 1.8 Finally, a brief update on the progress towards the closedown of 3 Rivers Developments Limited is included within Section 9.

2.0 Executive Summary of 2024/25

- 2.1. The report indicates a projected General Fund outturn variance of £350k under spend and a HRA outturn variance of £118k under spend. In respect of the Capital Programme, there is a variance of £15,024k against the 2024/25 Deliverable Budget, this is explained through a forecast £306k under spend, £1,721k over spend and slippage of £13,722k across various projects, with £2,717k no longer required, the majority of which relates to the purchase of land for a new waste depot.
- 2.2. The Council continues to struggle with recruitment and retention particularly within Waste, Finance and Planning Enforcement requiring higher usage of agency staff than planned. However, some service areas that were previously dependent upon agency support have reduced or removed this requirement through successfully filling roles. Therefore forecast outturn agency costs are approximately a third of what they were at this point last year.
- 2.3. In respect of income, there are significant reductions in Planning due to the depressed housing market leading to fewer planning applications. This is slightly offset by increased Pre-App income, potentially indicating an improvement in the future. Leisure income is showing good growth in membership numbers, although this is slightly offset by a planned closure of the pools later in the year while the surrounding floor area is replaced.
- 2.4. If the forecast level of under spend is delivered, this will increase the General Reserve balance to £2,375k, above the agreed minimum £2m balance building further resilience in our financial stability.

3.0 The General Fund

- 3.1. The forecast General Fund under spend for the current year is £350k after transfers to and from Earmarked Reserves. A summary explanation of these key variances is shown in **Appendix A**, service by service. **Appendix B** also provides the detail of the key variances and those above £20k (+ or -) at individual service level to enable full transparency of the position. Similarly, within **Appendix G** (Capital Programme) the detail of the key variances at individual project level are included.
- 3.2. The table below shows the overall Budget, Forecast and Variance, summarised for 2024/25.

Table 1 – General Fund Summary

Financial Summary for 2024/25	2024/25 Budget	2024/25 Forecast	2024/25 Variance After EMRs
	£	£	£
Total Net Cost of Services	14,670,455	13,362,565	(346,650)
Other Income and Expenditure	(1,547,883)	(1,122,728)	160,000
Total Net Budgeted Expenditure	13,122,572	13,239,837	186,650
Total Funding	(13,122,572)	(13,590,284)	(163,797)
Net Income and Expenditure	0	(350,447)	(350,447)

- 3.3. The current incomes from our major fee income streams are shown in **Appendix C**. It shows that the full year forecast Income variance is £35k below budget, although after only one quarter is difficult to forecast trends. The adverse variance is due to the lower than forecast income in Planning reflecting the economic/market conditions. Within Waste, Garden, Trade Waste and recycling income is looking healthy and potentially above forecasts. Similarly, Car Parking income looks on target and potentially could exceed budget by outturn. Other Service income streams remain relatively close to expectations.
- 3.4. The current employee costs are shown at Appendix D. It shows a full year forecast under spend of £156k, after taking into account the £460k vacancy target included across Corporate Management, Economic Development, Planning and Leisure (with the actual savings shown against the respective service areas). Notable savings are being made in Finance, Waste and Planning, with an overspend forecast in IT due to some significant projects being undertaken. All vacancies are fully reviewed to consider if the position can be removed permanently, or temporarily managed without.
- 3.5. The impact on the 2024/25 local government pay award has been assumed through a 4% budgeted uplift. This broadly reflects the proposed uplift of the higher of £1,290k or 2.5%. This creates a relatively minor variance (+ or -) in each service area depending on the average pay in that area, but is in total approximately a £25k pressure.
- 3.6. Agency Spend to date is significantly lower than in recent years, particularly within Waste. However there are pockets of increased need, such as within Finance due to significant turnover since setting the budget, which has high levels of sickness in the year so far and is required to maintain the service. Overall, agency costs are offset by corresponding underspends on the service's staffing establishment.
- 3.7. Table 2 shows the opening position of key operational balances of the Council, the forecast in year movements and final predicted position at 31 March 2025:

Table 2 – Summary of Key Reserves

Usable Reserves	31/03/2024	Forecast In Year Movement	31/03/2025
REVENUE	£000's	£000's	£000's
General Fund (See above)	(2,025)	(350)	(2,375)
Earmarked Reserves	(16,628)	575	(16,052)
HOUSING REVENUE ACCOUNT (See Section 4)	(2,000)	(118)	(2,118)

However, the actual reserves will be increased or decreased by the surplus or deficit generated on the General Fund in the year.

4.0 Housing Revenue Account (HRA)

- 4.1. This is a ring-fenced reserve in respect of the Council's housing landlord function. It is increased or decreased by the surplus or deficit generated on the HRA in the year. The forecast year end budget position is a net surplus of £118k. An explanation of the key variances and those above £20k + or -) are highlighted within **Appendix E and F**.
- 4.2. It is anticipated that the forecast variance will increase the budgeted transfer to the Housing Maintenance Fund and so the HRA reserve balance will remain at £2m.
- 4.3. The main variances relate to:
 - Lower than forecast investment return, largely due to reducing balances held resulting from the investment in the social housing development programme;
 - Salary underspend resulting from vacancies

5.0 Capital Programme

- 5.1. The Capital Quarter 1 summary is attached as **Appendix G** to this report. The approved total Capital Programme Approval is £93,098k, although much of this is planned to be spent in future years. Out of this, £40,515k is the planned deliverable budget for 2024/25.
- 5.2. At Quarter 1 the actual and forecast spend for 2024/25 amount to £25,490k, leaving a variance of £15,024k against the 2024/25 Deliverable Budget. Of which, £306k is an under spend, £1,721k is an over spend, £13,722k will slip into future years and £2,717k is no longer required.
- 5.3. The bulk of the slippage total falls within the single Cullompton Relief Road project as we continue to wait for funding decisions from the Government's Levelling-Up Scheme. A number of the HRA development projects have slipped

due to timing of securing planning approval, and timeframe to mobilise the projects. Some of the General Fund projects are shown as slipping while we specify and tender for the works, at which point timeframes and forecast costs will be better understood.

- 5.4. The budget no longer required is largely from the potential purchase of a site to relocate the street scene depot. Following securing an additional unit at Carlu Close enabling expansion, this is no longer required. The main reasons for the overspends are that the two Right to Buy buybacks were unbudgeted, and projects have moved on from the initial scope when the budget was set (leading to larger projects or multi-year projects being delivered ahead of schedule). Some of these overspends are offset by underspends elsewhere, or by projects included within the 'no longer required' total above. The projects underspending are mainly where assessment has deemed that the planned work can be reduced, or project scopes have reduced since the budget was set.
- 5.5. During quarter 2, a thorough review of the capital programme will be undertaken with a view to remodelling the 2024/25 Deliverable Programme, which in turn will inform the 2025/26 – 2029/30 MTFP.

6.0 Treasury Management

6.1. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 introduced a new requirement that members be updated on treasury management activities and indicators at least quarterly. This section, therefore, ensures this Council is implementing best practice in accordance with the Code.

6.2. Prudential and Treasury Indicators for 2024/25 as of 30 June 2024

6.2.1. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30 June 2024, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2024/25 (approved at Full Council 21/02/2024). The Deputy Chief Executive (S151) reports that no difficulties are envisaged for the current or future years in complying with these indicators.

6.2.2. The table below shows the Council's updated treasury indicators for 2024/25.

Treasury Indicators	2024/25 Original	2024/25 Q1
	Forecast	Updated Forecast
	£000	£000
Authorised Limit for External Debt	75,000	76,000
Operational Boundary for External Debt	66,000	67,000
Gross External Debt	41,179	41,104

Investments	10,000	10,000
Net Borrowing	31,179	31,104

6.2.3. The table below shows the Council's updated prudential indicators for 2024/25.

Prudential Indicators	2024/25 Original	2024/25 Q1
	Forecast	Updated Forecast
	£000	£000
Capital Expenditure	40,701	25,411
<i>Of which General Fund</i>	24,676	12,779
<i>Of which HRA</i>	16,025	12,632
Capital Financing Requirement (CFR)*	65,606	66,660
<i>Of which General Fund</i>	18,657	18,949
<i>Of which HRA</i>	46,949	47,711
Annual Change in CFR	15,721	4,426
In-Year Borrowing Requirement	7,800	7,800

**see 6.4 for more information*

6.3. Investment Portfolio

6.3.1. In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. With Bank Rate having remained at 5.25% since August 2023, interest rates on offer during the first quarter of the year had started to decrease slightly as banks started to anticipate when the MPC would start reducing Bank Rate.

6.3.2. The Council's investment portfolio as at 30 June 2024 was made up of short term investments/deposits to the value of £21.94m, comprising of £20.00m in fixed term investments and £1.94m in NatWest call accounts. In addition to this, the Council also holds £5.00m in the CCLA commercial property fund.

6.3.3. The following table shows short term investments/deposits held as at 30 June 2024.

Institution	Principal £000	Interest Rate	Start Date	Maturity Date
NBK International PLC	2,000	5.270%	02/05/2024	02/08/2024
Uttlesford District Council	5,000	5.350%	07/05/2024	07/11/2024
Eastleigh Borough Council	4,000	5.350%	28/05/2024	23/01/2025
NBK International PLC	3,000	5.320%	03/06/2024	13/09/2024
DMO	4,000	5.190%	24/06/2024	03/07/2024
Blackpool Borough Council	2,000	5.300%	27/06/2024	27/09/2024

6.3.4. The Council received an average return of 5.43% on investments during the first three months of 2024/25, up from 4.21% at the same point in the previous

year. Returns during the early part of 2024/25 were strengthened slightly by maturing investments made towards the end of 2023/24 when interest rates in the Local Authority market were elevated due to decreasing cash in the sector, and so this rate is slightly above the interest rates on offer during that time. Performance is expected to decline slightly through the rest of 2024/25 following the MPC decision on 1 August 2024 to start reducing Bank Rate.

- 6.3.5. The Council currently has £5m deposited with the CCLA (Churches, Charities and Local Authorities) Local Authorities' Property Fund, which pays dividends quarterly. For the first quarter of 2024/25, dividends of £61k (4.89%) were received, up from £55k (4.39%) for the same period in 2023/24. There has been a small decrease in fund value of £22k during the first quarter of 2024/25. The Council's share in the fund is now valued at £4.436m.
- 6.3.6. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2024.

6.4. Borrowing

- 6.4.1. The Council has no short-term borrowing but has existing PWLB loans of £31.373m as at 30 June 2024, in addition to £2.048m in finance leases.
- 6.4.2. The Council's revised Capital Financing Requirement (CFR) for 2024/25 is £66.660m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 6.2.2 shows the Council has forecast borrowings at 31 March 2025 of £41.104m, and so will have utilised £25.556m of cash flow funds in lieu of borrowing to finance the CFR of £66.660m shown in table 6.2.3.
- 6.4.3. There has so far been no new borrowing in 2024/25, however there is likely to be a need for new borrowing in the second half of the financial year. This is currently forecast to be £7.800m, which is in line with forecasts at the start of the year, and is due to the size of the Capital Programme.

6.5. Economic Update

- 6.5.1. The Council's treasury advisor, Link Group, provided the following forecasts on 28 May 2024 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View	28.05.24											
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.00	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	5.30	5.00	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	5.30	4.90	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	5.10	4.80	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	5.00	4.80	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.30	5.20	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	5.10	5.00	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

6.5.2. Further cuts to Bank Rate are expected before the end of 2024/25, however there remains a lot of uncertainty over the number of cuts and the timing. The Council have not yet received updated forecasts from Link Group following the first cut to Bank Rate on 1 August 2024, however this will be closely monitored once updated forecasts become available.

6.5.3. The first quarter of 2024/25 saw:

- GDP growth flatlining in April following positive Q4 2023/24 growth figures of 0.7% q/q.
- A stalling in the downward trend in wage growth, with the headline 3myr rate staying at 5.9% in April.
- CPI inflation falling from 2.3% in April to 2.0% in May.
- Core CPI inflation decreasing from 3.9% in April to 3.5% in May.
- The Bank of England holding rates at 5.25% in May and June.
- 10-year gilt yields climbing to 4.35% in April, before closing out at 4.32% in May.

6.6. Treasury Conclusion

6.6.1. The first quarter performance has seen a significant improvement on 2023/24 now that Bank Rate has peaked, however performance is expected to weaken through the year as interest rates begin to decline. The Council's investment in the CCLA property fund saw a slight increase to quarterly dividends in Quarter 1, and although the fund currently provides a lower rate of return in comparison to short term investments, this is likely to change as interest rates reduce through the remainder of the year.

7.0 The Collection Fund

7.1. Mid Devon is a Collection Authority for Council Tax and Non-Domestic Rates, and as such, is required to produce a Collection Fund Account for the Mid Devon area.

7.2. The Council collects Council Tax on behalf of Devon County Council, Devon Fire and Rescue Service, Devon & Cornwall Police and the Town/Parish Councils. The forecast Council Tax collection rate for 2024/25 is 97.5% and is currently forecast to be on track to achieve this. This continues to show stability and a minor improvement on that achieved in previous years, thus should reduce the £48k deficit brought forward.

- 7.3. The Non-Domestic Rates collection rate is forecast to be 98.0% for 2024/25 (99.4% in 2023/24). The surplus brought forward from the previous year is proposed to be put into the smoothing reserve which will help protect and mitigate any potential negative impact arising from alterations to the Business Rates scheme. Once again, the forecast is to remain at this level.
- 7.4. This demonstrates how our Revenues section has consistently been effective in collecting the annual charge in extremely challenging economic times.

8.0 Procurement Waivers

- 8.1. In exceptional circumstances, there are sometimes justifiable reasons to act outside the contract procedure regulations. These include the following reasons:

- I. The work, goods or materials are urgently required, and loss would be entailed by delay arising from advertising;
- II. The work, goods or materials required are of such special nature that no advantage would accrue by inviting competitive tenders;
- III. There is no effective competition for the goods or materials required by reason of the fixing of prices under statutory authority or that such goods or materials are patented or proprietary articles or materials;
- IV. Transactions, which, because of special circumstances, may (either individually or as a class) be excepted from time to time by the Cabinet of the Council.

- 8.2. In such circumstances, prior written approval of the Deputy Chief Executive (S151) is required and Cabinet will be informed. Below is a list of the Procurement Waivers utilised during the third quarter of this financial year:

Table 3 – Summary of Procurement Waivers applied

Ref	Subject of the Waiver	Approximate Value £	Reason Code
1	2024 renewal for Orchard Housing Software	£36k	I, II and III
2	Planning – recruitment of Planning Enforcement Officer through an Agency	£56k	I
3	Subscription fees to Housemark	£7k	II
4	Network cabling for remote site Wi-Fi connections	£11k	I
5	Membership to Devon Community Housing Hub	£10k	II
6	Emergency Short Term Vehicle Hire	£29k	I and II
7	Single Person Discount Review	£6k	IV
8	Vehicle Repairs and Insurance work	£45k	I and II
9	Update to Chemical Plant	£120k	II and III
10	Repairs to Bell Cottage	£43k	I and II
11	Installation of a Fire Alarm System at 30 Fore Street	£12k	II
12	Fire Safety Updates across the leisure sites	£271k	I
13	To carry out works at St Georges Court ,Tiverton	£60k	I

9.0 3 Rivers Development Ltd Closedown – progress update

- 9.1. During 2023/24, Members agreed to soft close 3 Rivers Developments Ltd. The overall net over spend position reported to Cabinet in June was £3,384k.
- 9.2. Since April the company has been dormant and only making residual payments relating to 2023/24. All contracts, for example utilities, have been closed down / transferred to the new owners. Final accounts have been produced and audited (with an unqualified opinion) and are published on Companies House. Final tax returns have been submitted and the bank account is being prepared to be closed. Once complete, the voluntary strike off will be submitted and in approximately three months the company will formally close. All of the files held are being reviewed and will be archived.
- 9.3. Regarding the properties / assets purchased from 3Rivers, the previously unsold units at Bampton continue to be marketed and a number of viewings have taken place, but unfortunately to date no offers have been received. Work on the conversion of St George's Court into the over 60s community is now underway with the initial occupants coming in from September. Communication continues with Halberton Parish Council on the 5 parking spaces, but we await a proposal from them.

10.0 Conclusion

- 10.1. Members are asked to note the Revenue and Capital Outturn figures for the financial year 2024/25 and the use of procurement waivers during the quarter. We continue to closely monitor the financial position and amend our expectations accordingly.

Financial Implications

Good financial management and administration underpin the entire document. A surplus or deficit on the Revenue Budget will impact on the Council's General Fund balances. The Council's financial position is constantly reviewed to ensure its continued financial health.

Legal Implications

None.

Risk Assessment

Regular financial monitoring information mitigates the risk of over or underspends at year-end and allows the Council to direct its resources to key corporate priorities. Members will be aware that the Council continues to face a financially difficult and uncertain future. As such, the Strategic Risk Register (monitored by Audit Committee) includes a specific risk relating to this issue (CR7).

Impact on Climate Change

The General Fund, Capital Programme and the Housing Revenue Account all contain significant investment in order to work towards the Council's Carbon Reduction Pledge.

Equalities Impact Assessment

No equality issues identified for this report

Relationship to Corporate Plan

The financial resources of the Council impact directly on its ability to deliver the Corporate Plan prioritising the use of available resources in 2024/25. The Monitoring Report indicates how the Council's resources have been used to support the delivery of budgetary decisions.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: Andrew Jarrett

Agreed by or on behalf of the Section 151

Date: 14/08/2024

Statutory Officer: Maria De Leburne

Agreed on behalf of the Monitoring Officer

Date: 14/08/2024

Chief Officer: Stephen Walford

Agreed by or on behalf of the Chief Executive/Corporate Director

Date: 14/08/2024

Performance and risk: Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 05/08/2024

Cabinet member notified: Yes

Section 4 - Contact Details and Background Papers

Contact: Paul Deal, Corporate Manager for Finance, Property and Climate Change

Email: pdeal@middevon.gov.uk

Telephone: 01884 23(4254)

Background papers: 2024/25 Budget Report to Cabinet / Full Council