

**Report for: Cabinet**

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Date of Meeting:	12 November 2024
Subject:	<b>2024/25 QUARTER 2 MONITORING</b>
Cabinet Member:	Cllr James Buczkowski, Cabinet Member for Governance, Finance and Risk
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 six months to 30 September 2024 and the projected outturn position;**
- b) **Note the use of Waivers for the Procurement of goods and services as included in Section 8;**
- c) **Note the update on the soft closure of 3Rivers Developments Ltd.**

**2. The Cabinet are asked to:**

- a) **Approve the revisions to the 2024/25 Deliverable Capital Programme Total.**

## 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 the current financial status and the likely reserve balances at 31 March 2025. It encompasses 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 covered within a separate report on this meeting's agenda, 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 £398k under spend and a HRA outturn variance of £315k under spend. In respect of the Capital Programme, the deliverable budget for the remainder of the year is recommended to be reduced by £4,710k, to £35,805k. Against this revised budget, there are forecast variances of £148k under spend, £2,061k over spend and slippage of £16,518k across various projects.
- 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.
- 2.3. 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. Planning income remains lower than projected but has shown good signs of recovery during the quarter.
- 2.4. If the forecast level of under spend is delivered, this will increase the General Reserve balance to £2,422k, 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 £398k 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*

<b>Financial Summary for 2024/25</b>	<b>2024/25 Budget</b>	<b>2024/25 Forecast</b>	<b>2024/25 Variance After EMRs</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Total Net Cost of Services	14,670,455	14,025,075	(403,847)
Other Income and Expenditure	(1,547,883)	(832,435)	170,000
<b>Total Net Budgeted Expenditure</b>	<b>13,122,572</b>	<b>13,192,640</b>	<b>(233,847)</b>
Total Funding	(13,122,572)	(13,590,284)	(163,797)
<b>Net Income and Expenditure</b>	<b>0</b>	<b>(397,644)</b>	<b>(397,644)</b>

- 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 £85k above budget. This is due to the significant increase in leisure income arising from increased membership numbers. That is partially offset by the adverse variance in Planning reflecting the continuing economic/market conditions. All other key income streams are projected to be close to expectations.
- 3.4. The current employee costs are shown at Appendix D. It shows a full year forecast under spend of £628k, 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 of these services area have required the use of agency staff to ensure services are delivered but the costs are offset by corresponding underspends on the service's staffing establishment. All vacancies are fully reviewed to consider if the position can be removed permanently, or temporarily managed without.
- 3.5. The 2024/25 local government pay award was agreed on 22 October as the higher of £1,290k or 2.5% and will be paid in November. This broadly reflects the proposed uplift but creates relatively minor variances (+ or -) in each service area depending on the average pay in that area, but is in total approximately a £25k pressure.
- 3.6. The table below shows the opening position of key reserve balances of the Council, the forecast in year movements and final predicted position at 31 March 2025:

*Table 2 – Summary of Key Reserves*

<b>Usable Reserves</b>	<b>31/03/2024</b>	<b>Forecast In Year Movement</b>	<b>31/03/2025</b>
<b>REVENUE</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
General Fund (See above)	(2,025)	(398)	<b>(2,422)</b>
GF Earmarked Reserves	(16,628)	295	<b>(16,322)</b>
Housing Revenue Account (Section 4)	(2,000)	0	<b>(2,000)</b>
HRA Earmarked Reserves	(21,330)	(315)	<b>(21,645)</b>

3.7. However, the actual reserves will be increased or decreased by the surplus or deficit generated on the General Fund in the year. It is also recommended that the forecast variance increases the budgeted transfer to the Housing Maintenance Fund and so the HRA reserve balance will remain at £2m.

#### **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 £315k. An explanation of the key variances and those above £20k + or -) are highlighted within **Appendix E and F**.

4.2. The main variances relate to:

- £148k Lower than forecast investment return, largely due to reducing balances held resulting from the investment in the social housing development programme;
- £116k increase costs on Council Tax and Utilities on void properties;
- (£351k) Salary underspend resulting from vacancies, particularly within Responsive Repairs.
- (£228k) Lower than forecast interest payable on projected borrowing.

#### **5.0 Capital Programme**

5.1. The Capital Quarter 2 summary is attached as **Appendix G** to this report. Following a thorough review of the capital programme, it is recommended that the 2024/25 Deliverable Capital Programme is adjusted from £40,515k to £35,805k. The revised value provides a more realistic budget to measure in-year delivery against.

5.2. The recommended adjustments to the 2024/25 Deliverable Capital Programme are applied for a variety of reasons. They are made up of: (£3,119) from projects that are no longer going ahead; (£1,852k) from projects that have been delayed until a future year; (£990k) from projects reducing in scope; £934k from projects being delivered ahead of schedule; and £318k from a new project following a successful grant bid.

5.3. Specifically, the adjustments to the 2024/25 deliverable programme are:

Projects not going ahead:

- GF1014 EVLC ATP replacement – (£220k)
- GF1017 CVSC ATP replacement – (£210k)

- GF1025 Fleet vehicle CO2 monitoring – (£115k)
- GF1036 Westexe Rec toilet replacement – (£50k)
- GF1055 Fore Street flats structural and cosmetic works – (£197k)
- GF1060 Land acquisition for depot – (£2,000)
- GF1062 Cemetery Lodge structural solution for damp – (£62k)
- GF1112 EVLC learner pool floor replacement – (£100k)
- HRA1015 Project 1 – (£37.6k)
- HRA1022 Project 29 – (£17.5k)
- HRA1023 Project 28 – (£110k)

Projects delayed until future years:

- GF1027 MSCP solar carports and security – (£600k)
- GF1029 Phoenix House AHU cooling options – (£150k)
- GF1051 CVSC remodelling of ground floor – (£30k)
- GF1053 Open space infrastructure – (£35k)
- GF1057 Westexe South carpark remodelling – (£90k)
- GF1058 St Mary's, Hemyock land drainage flood defence – (£50k)
- GF1059 Ashleigh Park, Bampton land drainage flood defence – (£87k)
- GF1108 Market Walk solar panels – (£200k)
- GF1121 LMLC replacement skate park – (£200k)
- HRA1013 Project 4 – (£210k)
- HRA1027 Project 53 – (£23k)
- HRA1028 Project 5 – (£22k)
- HRA1052 Old Road depot remodelling – (£50k)
- HRA1054 Sewage treatment works at Washfield – (£25k)
- HRA1060 Vehicle leasing – (£80k)

Projects reducing in scope:

- HRA1016 Project 11 – (£652k)
- HRA1029 Project 33 – (£338.5k)

Projects being delivered ahead of schedule:

- HRA1012 Project 14 – £377.3k
- HRA1024 Project 51 – £2.3k
- HRA1025 Project 52 – £4.6k
- HRA1033 Project 22 – £150k
- HRA1038 Project 23 – £400k

New Projects:

- GF1131 CVSC Decarbonisation – £317.5k

5.4. At Quarter 2 the actual and forecast spend for 2024/25 amounts to £21,201k, leaving a variance against the revised 2024/25 Deliverable Capital Programme of (£14,604k). Of which, (£148k) is an under spend, £2,061k is an over spend and (£16,518k) will slip into future years.

- 5.5. The forecast slippage is largely from the delays to the Cullompton Town Centre Relief Road whilst funding was secured – £10,116k of this will now be spent in future years. A further £5,679k is being slipped into next year due to delays on a number of HRA housing developments. The main reasons for the over spends are that the five Right to Buy buybacks were unbudgeted, and there has been a significant increase in demand for Disabled Facilities Grants. The projects under spending are mainly where costs have come in lower than anticipated.

## **6.0 Treasury Management**

- 6.1. A detailed report is included within this Committee's agenda, ensuring this Council is implementing best practice and in accordance with the Code.
- 6.2. However, in summary this quarter's performance has seen a stable return on investment despite expectations for the interest rate to decrease. Although the yield is strong, the forecast income is below budget due to lower cash balances resulting in lower levels of investment.

## **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. In addition, growth in the Taxbase is strong which will increase the value collected. This continues to show stability and should remove 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). Similarly, the taxbase remains stable and the forecast collection is on track to meet the budget.
- 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	Planning – recruitment of Planning Enforcement Officer through an Agency	£80k	I
2	Replacement specialist air quality monitoring equipment	£44k	II
3	New digital units and data connections for the authorities Lifeline Scheme	£81k	I
4	St Andrews Estate – Excavation and reinstatement for redirecting services.	£5k	I
5	Extension to existing commission of Hyas Associated in developing a Phasing & Delivery Strategy for East Cullompton	£20k	II

## 9.0 3 Rivers Development Ltd Closedown – progress update

9.1. During 2023/24, Members agreed to soft close 3 Rivers Developments Ltd. As previously reported, the application for voluntary strike off was submitted to Companies House on 30 August 2024. No further response has been received therefore it is expected that company will formally cease in late November.

9.2. Regarding the properties / assets purchased from 3Rivers, the unsold units at Bampton continue to be marketed and some recent viewings have occurred. Work on the conversion of St George’s Court into the over 60s community is now drawing to a conclusion with the first tenants expected to move in imminently.



## **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. Agreement is sought on the revised Capital Programme and Deliverable Programme for 2024/25. 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: 30/10/2024 via Leadership Team meeting**

### **Statutory Officer: Maria De Leburne**

Agreed on behalf of the Monitoring Officer

**Date: 30/10/2024 via Leadership Team meeting**

**Chief Officer: Stephen Walford**

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

**Date: 30/10/2024 via Leadership Team meeting**

**Performance and risk: Steve Carr**

Agreed on behalf of the Corporate Performance & Improvement Manager

**Date: 30/10/2024**

**Cabinet member notified: Yes**

#### **Section 4 - Contact Details and Background Papers**

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

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**Background papers:** 2024/25 Budget Report to Cabinet / Full Council  
2024/25 Quarter 1 Budget Monitoring