

Report for: Cabinet

Date of Meeting:	4 March 2025
Subject:	2024/25 QUARTER 3 MONITORING
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 – HRA Summary and detail variances Appendix F – 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 nine months to 31 December 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 completion of the closure of 3Rivers Developments Ltd.**

2. The Cabinet are asked to:

- a) **Approve the revisions to the 2024/25 Treasury and Prudential Code Indicators (para 6.1.1 and 6.1.2).**

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 F**);
 - 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.
- 1.7 This report also includes Section 8 which updates Members on the use of Procurement Waivers during the third 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, confirmation of the formal closure 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 £293k under spend and a HRA outturn variance of £174k under spend. In respect of the Capital Programme, there is forecast spend of £23,058k against the deliverable budget of £35,805k, leaving forecast variances of £229k under spend, £3,050k over spend and slippage of £15,567k across various projects.
- 2.2. The Council continues to struggle with recruitment and retention particularly within Waste, Finance, Legal and Planning Enforcement requiring higher usage of agency staff than planned.
- 2.3. Leisure income continues to show the 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 and changing area is replaced. Planning income remains lower than budgeted, and forecasts for both Land Charges and Building Control income have reduced during the quarter.
- 2.4. If the forecast level of under spend is delivered, this will indicatively increase the General Reserve balance to £2,318k, above the agreed minimum £2m balance building further resilience in our financial stability. This position will be reviewed at year end where we reflect on levels of reserves and the significant uncertainty of central government changes to core funding, plus any short-term implications of preparing for Local Government Reform / Devolution.

3.0 The General Fund

- 3.1. The forecast General Fund under spend for the current year is £293k 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	14,304,944	(279,246)
Other Income and Expenditure	(1,547,883)	(1,007,702)	150,000
Total Net Budgeted Expenditure	13,122,572	13,297,242	(129,246)
Total Funding	(13,122,572)	(13,590,284)	(163,797)
Net Income and Expenditure	0	(293,043)	(293,043)

- 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 £91k 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 and Car Parking income which is slightly below budget, mainly within Permit Income. 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 £846k, 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, Legal, Waste and Planning. 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 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

Usable Reserves	Actual 31/03/2024	Forecast In Year Movement	Forecast 31/03/2025
REVENUE	£000's	£000's	£000's
General Fund (See above)	(2,025)	(293)	(2,318)
GF Earmarked Reserves	(16,628)	451	(16,177)
Housing Revenue Account (Section 4)	(455)*	(174)	(629)
HRA Earmarked Reserves	(21,330)	0	(21,330)

* Following the approval of the 2023/24 Statement of Accounts, which included the creation of a provision for the refund of over-payments resulting from the historic rent calculation error, the HRA Reserve reduced from

£2,000k to £455k. The intention is to rebuild the reserve back to the recommended level of £2,000, over the medium term.

- 3.6. However, the actual reserves will be increased or decreased by the surplus or deficit generated 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 £174k. An explanation of the key variances and those above £20k + or -) are highlighted within **Appendix E**.

- 4.2. The main variances relate to:

- £288k reduction in rental income arising from correction of rent charges for 2024/25
- £148k Lower than forecast investment return, largely due to reducing balances held resulting from the investment in the social housing development programme;
- £164k increase costs on Council Tax and Utilities on void properties;
- (£530k) 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 F** to this report. At Quarter 3 the actual and forecast spend for 2024/25 amounts to £23,058k, leaving a variance against the revised 2024/25 Deliverable Capital Programme of (£12,747k). Of which, £229k is an under spend, £3,050k is an over spend and £15,567k) will slip into future years.

- 5.2. 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 £4,060k is being slipped into next year due to delays on a number of HRA housing developments, although there are five projects ahead of schedule that were largely planned for future years causing £915k of the reported overspend. The planned reception and access works in the leisure centre have now been procured and will be implemented by early summer. However the planned Public Sector Decarbonisation Scheme works at Culm Valley have been delayed due to lack of bids from our tender exercise. An

extension has been agreed for the funding and a direct award approach is being pursued.

- 5.3. 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 CHP project at Exe Valley has expanded and is supported by grant funding successfully secured from Sport England. The projects under spending are mainly where costs have come in lower than anticipated.

6.0 Treasury Management

- 6.1. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 31 December 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.

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

Treasury Indicators	2024/25 Original	2024/25 Q3
	Forecast	Updated Forecast
	£000	£000
Authorised Limit for External Debt	75,000	79,000
Operational Boundary for External	66,000	70,000
Gross External Debt	41,179	33,442
Investments	10,000	11,441
Net Borrowing	31,179	22,001

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

Prudential Indicators	2024/25 Original	2024/25 Q3
	Forecast	Updated Forecast
	£000	£000
Capital Expenditure	40,701	23,058
<i>Of which General Fund</i>	24,676	10,273
<i>Of which HRA</i>	16,025	12,785
Capital Financing Requirement (CFR)*	65,606	68,103
<i>Of which General Fund</i>	18,657	18,920
<i>Of which HRA</i>	46,949	49,183
Annual Change in CFR	15,721	5,869
In-Year Borrowing Requirement	7,800	0

*see 6.4 for more information

6.2. Investment Portfolio

6.2.1. 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 slowing beginning to fall, interest rates on offer have started to decrease slightly as banks anticipate when the MPC would start reducing Bank Rate.

6.2.2. The Council's investment portfolio as at 31 December 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.

6.2.3. The following table shows short term investments/deposits held as at 31 December 2024.

Institution	Principal £000	Interest Rate	Start Date	Maturity Date
Eastleigh Borough Council	4,000	5.35%	28/05/2024	23/01/2025
London Borough of Waltham Forest	3,000	4.85%	03/09/2024	03/06/2025
Aberdeen City Council	2,000	5.00%	01/11/2024	07/02/2025
Uttlesford District Council	3,000	5.05%	07/11/2024	07/08/2025
Aberdeen City Council	2,000	5.00%	07/11/2024	17/03/2025
NBK International PLC	2,000	4.93%	08/11/2024	10/03/2025
Chesterfield Borough Council	3,000	5.60%	09/12/2024	09/06/2025

6.2.4. The Council received an average return of 5.22% on investments during the first nine months of 2024/25, up from 5.08% at the same point in the previous year. Performance is expected to decline slightly through the rest of 2024/25 as further cuts to the Bank Rate are made.

6.2.5. 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 £174k (4.63%) were received, same as the equivalent period in 2023/24. There has been a small increase in fund value with the Council's share in the fund is now valued at £4.509m.

6.2.6. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31 December 2024.

6.3. Borrowing

- 6.3.1. The Council has no short-term borrowing but has existing PWLB loans of £30.386m as at 31 December 2024, in addition to £4.044m in finance leases.
- 6.3.2. The Council's revised Capital Financing Requirement (CFR) for 2024/25 is £68.103m. 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 £33.442m, and so will have utilised £22.001m of cash flow funds in lieu of borrowing to finance the CFR of £68.103m shown in table 6.2.3.
- 6.3.3. There has so far been no new borrowing in 2024/25, with nothing forecast to be required during the remainder of the year. However there is likely to be a need for new borrowing in the next financial year. This is currently forecast to be £15.543m due to the size of the Capital Programme.

6.4. Economic Update

- 6.4.1. The Council's treasury advisor, Link Group, provided the following forecasts for the Bank Rate and our PWLB Borrowing Rate (PWLB rates are certainty rates, gilt yields plus 80bps):

Interest Rates	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Bank Rate View	4.75%	4.50%	4.25%	4.00%	4.00%	3.75%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%
5yr PWLB Rate	5.00%	4.90%	4.80%	4.60%	4.50%	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	4.00%	3.90%
10yr PWLB Rate	5.30%	5.10%	5.00%	4.80%	4.80%	4.70%	4.50%	4.50%	4.40%	4.30%	4.20%	4.20%	4.10%
25yr PWLB Rate	5.60%	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.60%	4.50%	4.50%
50yr PWLB Rate	5.40%	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.60%	4.50%	4.40%	4.30%	4.30%

- 6.4.2. Further cuts to Bank Rate are expected over the coming year, however there remains a lot of uncertainty over the number of cuts and the timing. The timing has certainly been slower than original forecast with the latest Bank Rate forecast is now 50bps – 75bps higher than was previously the case.

6.5. Treasury Conclusion

- 6.5.1. The year to date has seen similar performance as seen in the same period in 2023/24. The Council's investment in the CCLA property fund provided similar quarterly dividends, although is expected to hold firm as interest rates reduce leading to a higher rate of return in comparison to short term investments.

Performance is expected to weaken through the next year as interest rates begin to decline. Overall, our forecast for the returns on investment for 2024/25 are £150k lower than budget, due to the reduced cash available for 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 0.2% below this. In addition, growth in the Taxbase is strong which will increase the value collected and should lead to a surplus on the fund.
- 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 fairly stable, however the forecast collection is 1% below this and with good growth we forecast that the previous deficit on the fund will be reduced.
- 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	Waste – vehicle rental	£5k	II
2	Engage ECOE to deliver specialist community engagement and advice on energy saving and retrofit for Mid Devon households	£45k	II and III
3	Leisure - wetside flooring and furniture (Exe Valley and Lords Meadow)	£392k	I, II and III
4	OpenPlay Leisure App <i>(part of digital transformation project)</i> .	£38k	II and III
5	Extension to existing commission of Hyas Consulting for specialist technical housing related input towards delivery of the Cullompton Town Centre Relief Road and support a review of Local Plan timetables and options.	£38k	I and II
6	Installation of CHP & Battery storage at Exe Valley Leisure Centre	£376k	I and II
7	Consultant time to ensure effective early project delivery of the Cullompton Town Centre Relief Road	£24k	I and II
8	The provision of a homelessness database	£14k	I

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 was received and the company was dissolved on 26 November 2024.
- 9.2. Regarding the unsold units at Bampton, following a very slow period in the second half of 2024, and based upon the advice of the marketing agent, the prices on the unsold units has been reduced. This has led to new viewings but as yet no formal offers.
- 9.3. 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 Deputy Chief Executive (S151) Officer

Date: 18/02/2025

Statutory Officer: Maria De Leburne

Agreed on behalf of the Monitoring Officer

Date: 18/02/2025

Chief Officer: Stephen Walford

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

Date: 18/02/2025

Performance and risk: Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 18/02/2025

Cabinet member notified: Yes

Section 4 - Contact Details and Background Papers

Contact: Paul Deal, Head of Service for Finance, Property and Climate Resilience

Email: pdeal@middevon.gov.uk

Telephone: 01884 23(4254)

Background papers: 2024/25 Budget Report to Cabinet / Full Council
2024/25 Quarter 1 Budget Monitoring
2024/25 Quarter 2 Budget Monitoring