

Report for: Cabinet

Date of Meeting:	5 August 2025
Subject:	2025/26 QUARTER 1 BUDGET MONITORING
Cabinet Member:	Cllr John Downes, 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 2025/26.

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 2025 and the projected outturn position;**
- b) **Note the use of Waivers and Direct Awards for the Procurement of goods and services as included in Section 8;**
- c) **Note the update on future funding given in paragraphs 9.2 and 9.3.**

Section 2 – Report

1.0 Introduction

- 1.1 This report contains information relating to the Council's overall financial performance for the 2025/26 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 2026. 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 2025/26 (**Section 3 + Appendices A to D**);
 - The projected HRA Outturn position for 2025/26 (**Section 4 + Appendix E**);
 - The projected Capital Outturn position for 2025/26 (**Section 5 + Appendix F**);
 - Treasury Management (**Section 6**);
 - Collection Fund (**Section 7**);
 - Procurement Waivers (**Section 8**).
- 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 and Direct Award Contracts during the first quarter of 2025/26. 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. A direct contract award

through a framework agreement is when a contract is awarded to a pre-qualified supplier on the framework for various goods, services, or works.

2.0 Executive Summary of 2025/26

- 2.1. The report indicates a projected General Fund Outturn variance of £232k over spend and a HRA outturn variance of £118k under spend. In respect of the Capital Programme, there is forecast spend of £25,209k against the deliverable budget of £41,860k, leaving forecast variances of £2,415k under spend, £1,104k over spend and slippage of £15,245k across various projects, with £95k no longer required. However, it should be noted, that this early within the financial year it is difficult to identify trends and robustly forecast the future year-end position.
- 2.2. The Council has witnessed higher staff turnover during the first quarter of the year. Sickness is also marginally higher with increased incidents of long-term sickness. This leads to continuing struggles with recruitment and retention particularly within Waste, Finance, Legal and Planning Enforcement requiring higher usage of agency staff than planned, costing nearly £200k above the salary savings.
- 2.3. Leisure income continues to show the good growth in membership numbers, although this is slightly offset by a planned closure of the swimming pools to upgrade the surrounding floor and changing area. Planning and Building Control income remain low following the trend experienced in the previous year. Recyclate income is behind expectations due to lower tonnages and lower sales prices per tonne. Other main income streams broadly track the budget at this stage in the year. The yield on our treasury investments is lower than budgeted, due to increases in internal borrowing leading to reduced cash balances.
- 2.4. If the forecast level of over spend is delivered, this will indicatively decrease the General Reserve balance to £1,792k, below the agreed minimum £2m balance. 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 over spend for the current year is £232k 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 F** (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 2025/26.

Table 1 – General Fund Summary

Financial Summary for 2025/26	2025/26 Budget £	2025/26 Forecast After EMRs £	2025/26 Variance After EMRs £
Total Net Cost of Services	14,163,370	13,976,045	(187,325)
Other Income and Expenditure	(19,070)	400,430	419,500
Total Net Budgeted Expenditure	14,144,300	14,376,475	232,175
Total Funding	(14,144,300)	(14,144,300)	0
Net Income and Expenditure	0	232,175	232,175

- 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 £20k 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 and Building Control reflecting the continuing economic/market conditions. Market income is also behind the budget at this stage of the year. All other key income streams are projected to be close to budgeted expectations.
- 3.4. The Government have very recently advised that the Extended Producer Responsibility (EPR) funding for 2025/26 has increased by over £450k. This will be earmarked in line with original funding, meaning that less of waste depot remodelling costs will be funding through internal sources. It will also fund an additional officer aimed at increasing recycling rates further. The yield on our treasury investments is lower than budgeted, due to increases in internal borrowing leading to reduced cash balances
- 3.5. The current employee costs are shown at **Appendix D**. It shows a full year forecast under spend of £299k, after taking into account the £282k vacancy target included within Corporate Management (with the actual savings shown against the respective service areas). Notable savings are being made in Corporate Management (after taking into account the vacancy factor) relating to delays to the planned apprenticeship scheme, and due to staff turnover and vacancies within Finance, Legal, Waste and Economic Development / Planning. All of these service areas have required the use of agency staff to ensure services are delivered, with the costs largely offset by corresponding underspends on the service's staffing establishment, giving an overall pressure of £14k on staffing, although there is a net pressure on the General Fund of £191k. All vacancies are fully reviewed to consider if the position can be removed permanently, or temporarily managed without.

- 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 2026:

Table 2 – Summary of Key Reserves

Usable Reserves	Actual 31/03/2025	Forecast In Year Movement	Forecast 31/03/2026
REVENUE	£000's	£000's	£000's
General Fund (See above)	(2,025)	232	(1,792)
GF Earmarked Reserves	(15,806)	(783)	(16,537)
Housing Revenue Account (Section 4)	(455)*	(118)	(573)
HRA Earmarked Reserves	(20,327)	0	(20,327)

* 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.

- 3.7. 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 £118k. An explanation of the key variances and those above £20k + or -) are highlighted within **Appendix E**.

- 4.2. The main variances relate to:

- (£31k) Net rental income above budget – largely related to non-dwelling rent.
- (£222k) Salary underspend resulting from vacancies.
- £45k Unbudgeted post for fixed-term staff dealing with rent correction refunds.
- £90k Reduction in treasury income due to increases in internal borrowing leading to reduced cash balances.

5.0 Capital Programme

- 5.1. The Capital Quarter 1 summary is attached as **Appendix F** to this report. The actual and forecast spend for 2025/26 amounts to £25,209k, leaving a variance against the revised 2025/26 Deliverable Capital Programme of (£16,651k). Of

which, £2,415k is an under spend, £1,104k is an over spend, £95k is no longer required and £15,246k will slip into future years.

5.2. General Fund Project Variances

5.2.1. £4,695k Slippage – The forecast slippage is largely from the delays to the Cullompton Town Centre Relief Road, with construction works due to being in 2026/27. There are a number of other projects in the scoping phase that is likely to result delays, including three where MDDC is not the lead.

5.2.2. £867k Overspends – The Public Sector Decarbonisation Scheme (PSDS) works at Culm Valley and the CHP and Battery Storage project at Exe Valley exceed the grants awarded, leading to larger contributions required from the Council. The forecast cost of the new waste baler is also likely to be higher than original forecast. Further spend on fire safety works is also shown as an over spend as no budget was set.

5.2.3. £2,367k Underspends – The majority of the under spend relates to the waste depot being remodelled rather than a new depot being purchased and built. The approval of the proposals by Cabinet in July will enable the existing depot to be expanded and be fit for the medium term, along with meeting the new Environment Agency permitting requirements. Furthermore, the provisional allocation for the EPR has recently been increased by over £450k, meaning that less of these works will be funded through internal sources. Vehicle leasing costs have been lower than forecast.

5.2.4. £95k No Longer Required – The waste depot remodelling budget also includes the replacement of the diesel tank, which was previously included separately.

5.3. Housing Revenue Account – Projects

5.3.1. £10,551k Slippage – There are a number of delays on the HRA housing developments due to delays in procurement or planning.

5.3.2. £237k Overspends – increased work in respect of Modernisation Works and Renewables account for most of the over spend. The cost of finalising a development that overran into 2025/26 makes up the remainder.

5.3.3. £47k Underspends – there are a few minor underspends on other replacement works to the housing stock.

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 30 June 2025, the Council has operated within the treasury and prudential indicators set out in the

Council's Treasury Management Strategy Statement for 2025/26 (approved at Full Council 19/02/2025). 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 2025/26.

Treasury Indicators	2025/26 Original Forecast £000	2025/26 Q1 Updated Forecast £000
Authorised Limit for External Debt	92,000	81,000
Operational Boundary for External	83,000	72,000
Gross External Debt	48,985	40,323
Investments	10,000	10,000
Net Borrowing	38,985	30,323

6.1.2. The table below shows the Council's updated prudential indicators for 2025/26.

Prudential Indicators	2025/26 Original Forecast £000	2025/26 Q1 Updated Forecast £000
Capital Expenditure	41,614	25,209
<i>Of which General Fund</i>	11,802	7,907
<i>Of which HRA</i>	29,812	17,302
Capital Financing Requirement (CFR)*	81,931	71,436
<i>Of which General Fund</i>	19,443	17,550
<i>Of which HRA</i>	62,488	53,886
Annual Change in CFR	13,828	3,389
In-Year Borrowing Requirement	18,000	9,000

**see 6.3 for more information*

6.2. Investment Portfolio

6.2.1. In accordance with CIPFA Code of Practice on Treasury Management (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 now gradually reducing, interest rates on offer have continued to decrease as banks anticipate future cuts by the MPC.

6.2.2. The Council's investment portfolio as at 30 June 2025 was made up of short term investments/deposits to the value of £19,207k, comprising of £18,000k in fixed term investments and £1,207k in NatWest call accounts. In addition to this, the Council also holds £5,000k in the Churches, Charities and Local Authorities (CCLA) commercial property fund.

- 6.2.3. The following table shows short term investments/deposits held as at 30 June 2025.

Institution	Principal £000	Interest Rate	Start Date	Maturity Date
Uttlesford District Council	3,000	5.05%	07/11/2024	07/08/2025
Uttlesford District Council	2,000	4.25%	21/05/2025	21/11/2025
NBK International PLC	3,000	4.28%	03/06/2025	03/12/2025
Chesterfield Borough Council	3,000	4.30%	09/06/2025	09/12/2025
DMO	7,000	4.20%	30/06/2025	02/07/2025

- 6.2.4. The Council received an average return of 4.75% on investments during the first three months of 2025/26, down from 5.43% at the same point in the previous year. Performance is expected to decline slightly through the rest of 2025/26 as further cuts to the Bank Rate are made and less cash is retained.
- 6.2.5. The Council currently has £5,000k deposited with the Local Authorities' Property Fund, which pays dividends quarterly. For the first quarter of 2025/26, dividends of £51k (4.08%) were received, down from £61k (4.89%) for the same period in 2024/25. There has been a small increase in fund value with the Council's share in the fund now valued at £4,551k.
- 6.2.6. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2025.

6.3. Borrowing

- 6.3.1. The Council has no short-term borrowing but has existing PWLB loans of £29,398k as at 30 June 2025, in addition to £4,356k in finance leases.
- 6.3.2. The Council's revised Capital Financing Requirement (CFR) for 2025/26 is £71,436k. 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 6.1.1 shows the Council has forecast borrowings at 31 March 2026 of £40,323k, and so will have utilised £31,113k of cash flow funds in lieu of borrowing to finance the CFR of £71,436k shown in table 6.1.2.
- 6.3.3. There has so far been no new borrowing in 2025/26, however there is likely to be a need for new borrowing towards the end of this financial year. The current Capital Programme and cash flow forecasts give an estimated borrowing requirement of £9,000k, though the timing is currently uncertain as it depends on progress with capital projects and timing of capital grant receipts to fund these.

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	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
Bank Rate View	4.50%	4.25%	4.25%	4.00%	3.75%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
5yr PWLB Rate	5.00%	4.90%	4.80%	4.70%	4.60%	4.50%	4.40%	4.40%	4.30%	4.20%	4.20%	4.10%	4.00%
10yr PWLB Rate	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.70%	4.60%	4.50%	4.50%	4.40%	4.40%
25yr PWLB Rate	5.80%	5.70%	5.60%	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%	5.00%	4.90%	4.90%	4.80%
50yr PWLB Rate	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.70%	4.60%	4.60%	4.50%

- 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 originally forecast due to persistent inflation and a resilient economy.

6.5. Treasury Conclusion

- 6.5.1. The year to date has seen a small drop in performance compared to the same period in 2024/25. The Council's investment in the CCLA Property Fund provided a lower quarterly dividend but 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 continue to decline. Overall, the forecast for the returns on investment for 2025/26 are £240k lower than budget, due to the reduced cash available for investment. This is split across the General Fund (£150k) and HRA (£90k).

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 2025/26 is 97.5%. At this early stage of the year, the forecast remains broadly accurate.
- 7.3. The Non-Domestic Rates collection rate is forecast to be 98.0% for 2025/26 (99.8% in 2024/25). Similarly, the tax base remains stable and with good growth, we forecast that the previous deficit on the fund will be reduced.

8.0 Procurement Waivers

8.1. Procurement Waivers

8.1.1. In exceptional circumstances, there are sometimes justifiable reasons to act outside the Public Contracts Regulations 2015 / Procurement Act 2023. 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.

8.1.2. 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	Emergency pump set replacement & control panel modification	£16k	I
2	New ceiling tiles at Lords Meadow	£8k	I
3	Home Improvement Loans	£15k	II and III
4	Oracle Patching – required for support work	£45k	I and IV
5	Swimming Lesson Software	£17k	II
6	Specialist hire vehicles for Waste	£120k	II and III
7	Material supply	£50k	I
8	Clinical waste collection service	£86k	II

8.2. Direct Awards via Frameworks

8.2.1. Framework agreements are agreements between one or more buyers and suppliers, setting out the terms for contracts to be awarded over a specific period. Frameworks can be used to establish pre-qualified suppliers for various goods, services, or works and offer a streamlined process for buyers to award contracts without needing to conduct a full procurement process each time. The following is a summary of the contracts awarded during this quarter through this route:

Contract Reference No.	Value (inc VAT)	Contract name / Supplier	Start date	Framework
MDDC202504-006	£200k	Material Supply & Associated Services - Rawle Gammon & Baker	01 May 2025 – 31 March 2026	Procurement for Housing (PfH)
MDDC202504-007	£200k	Material Supply & Associated Services - Bradfords	01 May 2025 – 31 March 2026	Procurement for Housing (PfH)
MDDC202504-008	£200k	Material Supply & Associated Services - Travis Perkins	01 May 2025 – 31 March 2026	Procurement for Housing (PfH)
MDDC202504-009	£200k	Material Supply & Associated Services - Denmans	01 May 2025 – 31 March 2026	Procurement for Housing (PfH)
MDDC202504-010	£200k	Material Supply & Associated Services - United Kingdom Plumbing Supplies (UKPS)	01 May 2025 – 31 March 2026	Procurement for Housing (PfH)
MDDC202504-011	£200k	Material Supply & Associated Services - Wolesley	01 May 2025 – 31 March 2026	Procurement for Housing (PfH)
MDDC202504-012	£200k	Material Supply & Associated Services - CEF	01 May 2025 – 31 March 2026	Procurement for Housing (PfH)
MDDC202504-013	£150K	Material Supply & Associated Services - JPS (Jewsons)	01 May 2025 – 31 March 2026	Procurement for Housing (PfH)
MDDC202504-015	£15K	Anesco Energy Services (South) Ltd – mediation	22 April 2025 – 22 October 2025	Crown Commercial Services (CCS)
MDDC202505-001	£766k	Microsoft Enterprise Agreement	01 July 2025 – 30 June 2028	Crown Commercial Services (CCS)

9.0 Conclusion

- 9.1. Members are asked to note the Revenue and Capital Outturn figures for the financial year 2025/26 along with the use of procurement waivers and direct award contracts during the quarter. We continue to closely monitor the financial position and amend our expectations accordingly.
- 9.2. Whilst this report clearly focuses on the financial performance vs budget for 2025/26 it is worth reflecting on some of the recent decisions and items still being consulted on that will have material impact on the overarching funding positions of all Councils. The work towards a 3 year fair funding settlement, changes to business rates (most notably removing all rating growth back to the initial base in 2013/14) and the current consultation on changes to Council Tax. Only last week, we, along with 40 other District Councils and 8 London Boroughs were invited to a web meeting with the MHCLG to warn us that we would be one of the biggest losers based on their initial draft calculations on funding – which would see us targeted for between a 5-7% real terms cut in 2026/27. In real terms this could see us lose circa £0.7m in Govt. funding – but the real issue is the rebasing of business rates that could see us lose over £2m!
- 9.3. Clearly, officers of all the affected Councils, the DCN and other representative bodies will be challenging Central Govt.'s rationale/calculations underpinning this fair funding review prior to any implementation. We will of course keep you updated over the coming weeks and months.

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

The Local Government Finance Act requires the Council to take steps to ensure that the Council's expenditure does not exceed the resources available. The Council is also required (by its Constitution and Financial Rules) to secure a balanced budget and also to provide certain services. Regular financial monitoring by the Executive helps ensure that the Council is able to meet these statutory 1992 obligations.

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 2025/26. 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: 22/07/2025 via Leadership Team meeting

Statutory Officer: Maria De Leburne

Agreed on behalf of the Monitoring Officer

Date: 22/07/2025 via Leadership Team meeting

Chief Officer: Stephen Walford

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

Date: 22/07/2025 via Leadership Team meeting

Performance and risk: Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 22/07/2025

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: 2025/26 Budget Report to Cabinet / Full Council