

**Report for: Cabinet**

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Date of Meeting:	4 November 2025
Subject:	<b>2025/26 QUARTER 2 BUDGET MONITORING</b>
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 September 2025 and the projected outturn position;**
- b) **Recommend to Full Council the increase to the Capital Programme of £526k in respect of additional Grant funding received (£276k – see par 5.3) and extra budget to further increase the HRA Housing Stock (£250k – see para 5.5)**
- c) **Delegated approval is sought for the Head of Housing and Health in association with the Deputy Chief Executive (S151) to dispose of a derelict social house which is uneconomic to renovate, and where there**

is no need for such a home and use the capital receipt generated to reinvest in the provision of additional social housing- see para 5.6.

- d) **Note the use of Waivers and Direct Awards for the Procurement of goods and services as included in Section 7;**
- e) **Note the performance achieved in respect of resolving the Social Rent errors within our direct control and recognise the impact of the delays in responses from partner organisations, as outlined within Section 8;**
- f) **Note the update on future funding given in paragraphs 9.2.**

## **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**);
- Collection Fund (**Section 6**);
- Procurement Waivers (**Section 7**)
- Social Rent Update (**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 using 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 This report also includes Section 7, which updates Members on the use of Procurement Waivers and Direct Award Contracts during this quarter. 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 £156k overspend and a HRA outturn variance of £745k overspend. In respect of the Capital Programme, there is forecast spend of £26,282k against the deliverable budget of £41,860k, leaving forecast variances of £3,966k under spend, £2,379k overspend and slippage of £13,874k across various projects, with £117k no longer required. However, it should be noted that at only halfway through the financial year, further movement in the projected outturn position is possible. 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 continued to struggle to recruit to some key vacancies, particularly within Waste, Finance, Legal and Planning Enforcement, which has continued the above budget spend on agency staff, costing nearly £140k above the salary savings. However, recruitment and sickness remain close to that experienced in the last financial year.
- 2.3. Overall income is below target with several service areas slightly down. The prevailing economic conditions continue to impact Planning and Building Control income. Waste and Recyclate income is behind expectations due to lower tonnages and lower sales prices per tonne. The only service exceeding budget expectations is Leisure which continues to show the good growth in membership numbers.
- 2.4. If the forecast level of overspend is delivered, this will indicatively decrease the General Reserve balance to £1,868k, 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 £156k 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	14,189,645	26,275
Other Income and Expenditure	(19,070)	110,930	130,000
<b>Total Net Budgeted Expenditure</b>	<b>14,144,300</b>	<b>14,300,575</b>	<b>156,275</b>
Total Funding	(14,144,300)	(14,144,300)	0
<b>Net Income and Expenditure</b>	<b>0</b>	<b>156,275</b>	<b>156,275</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 £120k below budget, although overall is up year-on-year. Leisure income continues to show the good growth in membership numbers, although this is slightly lower than reported in Qtr 1. Planning income remains low following the trend experienced in the previous year, with a worsening position being recorded within Building Control. Garden Waste and Recyclate income is down due to lower tonnages and lower sales prices per tonne. However, this is offset by the increase in the 2024/25 Devon Shared Savings which has been confirmed as £93k higher than the initial prudent projection, reflecting the increase in recycling performance. Car Parking Permit income is also behind the ambitious budget set. Other main income streams broadly track the budget at this stage in the year.
- 3.4. The current employee costs are shown at **Appendix D**. It shows a full year forecast under spend of £517k, after considering 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 relating to delays in recruiting to the planned apprenticeship scheme, and due to vacancies within Property, Finance, Legal and Democratic Services, Waste, Leisure and Economic Development / Planning. The only service with any notable overspend is Revenues and Benefits and these additional costs will be covered by Earmarked Reserves. To cover some of the longer-term vacancies, Finance, Legal and Waste have required the use of agency staff to ensure services are delivered. However, the cost of the agency staff exceeds the corresponding underspends on the service's staffing establishment, giving an overall net pressure of nearly £140k on General Fund staffing. 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 2026:

*Table 2 – Summary of Key Reserves*

Usable Reserves	Actual 31/03/2025	Forecast In Year Movement	Forecast 31/03/2026
<b>REVENUE</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
General Fund (See above)	(2,025)	156	<b>(1,868)</b>
GF Earmarked Reserves	(15,806)	(580)	<b>(16,386)</b>
Housing Revenue Account (Section 4)	(455)	745	<b>290*</b>
HRA Earmarked Reserves	(20,327)	0	<b>(20,327)</b>

\* Note that should the HRA overspend not be mitigated to a level that could be covered by the existing HRA Reserve, an additional draw on the Housing Maintenance Reserve would be required.

- 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 has changed since the Qtr 1 position and is now forecast as a net deficit of £745k. An explanation of the key variances and those above £20k + or -) are highlighted within **Appendix E**.

- 4.2. The main variances relate to:

- £55k Net income below budget – lost rent due to voids;
- (£228k) Salary underspend resulting from vacancies;
- £43k Unbudgeted post for fixed-term staff dealing with rent correction refunds;
- £62k Reduction in treasury income due to increases in internal borrowing leading to reduced cash balances;
- £512k Increased spend on contractors and materials across Housing Operations, following above inflationary costs for materials, high void numbers and rising void costs. Some contractors spend is front loaded and will be refined over the remainder of the year; and
- £295k increase in Premises Insurance premium following the last tender. The previous contract had protected us from a large proportion of this increase due to the contract terms.

4.3. Clearly with a forecast overspend position, the service is considering how it can mitigate this as far as possible, with the following opportunities being considered:

- Review and reprofile contractor spend due to some front loading of costs (setup costs for example);
- Review void staffing resources to reduce future contractor spend and wider ongoing recruitment to vacant positions currently covered by contractors. This can partially be achieved through the increase in the number of apprentices within the service (8no.), enabling the service to grow from within.
- As highlighted within the general fund variance within Financial Services, the need for agency staff has significantly increased the cost of providing financial support to the service. Further recruitment should stem this cost;
- Review of procurement for new works and the ongoing contract renewal to limit inflationary price rises; and
- Additional income to offset expenditure including private sector recovery of adoptions costs.

4.4. The review of the above matters will also feed into the ongoing review of the 2026/27 budget and future MTFP. In the longer-term rent convergence and the higher than forecast inflation can also increase income, matching the higher costs we are experiencing. In addition, over time, the introduction of the new homes, will reduce the overall maintenance costs.

4.5. As highlighted above, should the overspend not be sufficiently mitigated to be covered by the existing HRA Reserve, a draw will be required from the Housing Maintenance Reserve, which currently has over £12m. A significant proportion of this is assigned to help funding the re-provision of social housing, but an element could be redirected if required.

## 5.0 Capital Programme

5.1. The Capital Quarter 2 summary is attached as **Appendix F** to this report. The actual and forecast spend for 2025/26 amounts to £26,282k, leaving a variance against the revised 2025/26 Deliverable Capital Programme of (£15,578k). Of which, £3,966k is an under spend, £2,379k is an overspend, £117k is no longer required and £13,874k will slip into future years.

### 5.2. General Fund Project Variances

5.2.1. £2,394k Slippage – The forecast slippage is largely from the delays to the Cullompton Town Centre Relief Road, with construction works due to begin in 2026/27. There is also delays to scoping the planned solar projects, although soft market testing is about to begin. There are several other smaller projects

in the scoping phase that is likely to result in delays, including three where MDDC is not the lead.

5.2.2. £1,585k 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. An additional HMO purchase is due to complete and renovation due to commence, funded from LAHF3 grant funding. Further spend on fire safety works is also shown as an overspend although the budget is included with the revenue budget, so the costs will be transferred to revenue.

5.2.3. £3,485k 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. There are also underspends on some projects where the scope has changed, or savings have been achieved through procurement. Vehicle leasing costs have been lower than forecast as the existing vehicles have lasted longer than projected.

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. A recommendation is included to increase the 2025/26 deliverable budget by £276k reflecting the additional grant received since the budget was set. This constitutes £64,277k for year 4 of the Shared Prosperity Fund SPF and £211,536 for year 3 of the Rural England Prosperity Fund.

#### 5.4. Housing Revenue Account – Projects

5.4.1. £11,480k Slippage – There are a few delays on the HRA housing developments due to delays in procurement, planning, or following receiving no bids for tenders. Some projects will not commence until 2026/27 as a result.

5.4.2. £794k Overspends – increased work in respect of Modernisation Works and Renewables account for most of the overspend. There is an overspend on a development project due to amendments to S278 streetlighting and additional drainage works. The cost of finalising a development that overran into 2025/26 makes up the remainder.

5.4.3. £480k Underspends – much of the underspend relates to projects being accelerated, meaning more of the spend was incurred in prior years. Another saving is due to the purchase of diesel vehicles rather than the electric vehicles

budgeted for, this is due to the vehicles not being compatible with operational demands. Alternatives are being considered for future vehicle replacement to ensure we continue to meet our carbon reduction targets.

- 5.4.4. £22k No Longer Required – The initial scoping budget for one of the development projects is not required as the project is deemed unviable.
- 5.5. A recommendation is included to increase the 2025/26 deliverable budget by £250k for the purchase of additional Right-to-buy buybacks. This is by far the most cost-effective way to increase the overall HRA stock. This additional budget would likely enable the purchase of a further 2 units.
- 5.6. Within the housing stock, there is single semi-detached unit in significant disrepair and requires substantial investment to bring it back to a decent homes standard and is therefore considered unviable. Furthermore, there is no assessed need for a property of this size within the village, so there is no justification for undertaking to upgrades. Therefore, on balance, it is recommended to dispose of the asset and reinvest the capital receipt in adding additional units to the stock where the need exists. Corporate Strategic Asset Advisory Group (CSAG) considered the disposal of a derelict HRA unit and recommended that Cabinet approve its disposal.

## **6.0 The Collection Fund**

- 6.1. 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.
- 6.2. 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% and is currently on target to achieve this. In addition, growth in the Taxbase is strong which will increase the value collected and an initial estimate of an overall £720k surplus is projected, with £93k being MDDC's share.
- 6.3. The Non-Domestic Rates collection rate is forecast to be 98.0% for 2025/26 (99.8% in 2024/25). At Qtr 2, the collection rate is a little lower (2.16%) than the exceptional performance in 2024/25. This indicates an overall deficit at the year end of approximately £650k, with £260k being MDDC's share.

## **7.0 Procurement**

- 7.1. Procurement Waivers



7.1.1. 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.

In such circumstances, prior written approval of the Deputy Chief Executive (S151) is required and Cabinet will be informed.

7.1.2. There were no waivers raised during this quarter.

## 7.2. Direct Awards via Frameworks

7.2.1. 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
MDDC202507-003	£107k	Business Continuity / Disaster Recovery Contract - Wavenet	12 July 2025 – 11 July 2028	Crown Commercial Framework
MDDC202506-010	£25K	Risk Ledger Service Subscription - Risk Ledger Ltd	18 August 2025 – 17 August 2028	CCS G-Cloud

## 8.0 Social Rent Error Correction Update

8.1. As previously advised, there was an underlying error identified within the historic calculation of Social Rents. The calculation was corrected, and independently verified, with correct charges raised since February. The process of identifying the corrections and processing refunds has been ongoing since that point. Note, under charges are not being recovered.

8.2. The process of refunding is complex, as there is a mix of tenants who also receive either Housing Benefit (HB) or Universal Credit (UC) or both, those in receipt of UC (rent element) are outside of the control of the Council. Therefore,

focus to date has been on those tenants that do not receive UC and Housing Benefits. Payments made are net of any arrears and include compensation as appropriate. At the time of writing (as at 17/10/2025), over 150 refunds have been issued to tenants with a value of over £165k.

- 8.3. Work is now completed on the non-benefit cases and Housing benefit cases, refunds have been issued since 11 July. The Council await advice from Department of Work and Pensions on how they wish to treat the Universal Credit cases. An update is expected in early November, if they issue a working solution the corrections will commence.
- 8.4. The council continues to communicate through a range of mechanisms to ensure all applicable tenants are fully aware of their position and the steps being taken. This includes drop-in sessions within the three main towns, as well as letters, calls, home visits and through our website. Members will continue to receive periodic updates. The regulator is also fully engaged and kept informed, with the next planned meeting scheduled for 13 November.

## **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 clarifying to members that at this time there remains no further clarity on the future funding position from that reported in previous Medium Term Financial Plan / Budget update reports. It is understood that a policy statement could be issued shortly, but it is not known what this might contain, or whether it will be beneficial in enabling any more refinement to the council's forecast position. Officers, the DCN and other representative bodies continue to press Government for early, and full clarification.

## **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: 27/10/2025 via Leadership Team meeting**

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

Agreed on behalf of the Monitoring Officer

**Date: 27/10/2025 via Leadership Team meeting**

### **Chief Officer: Stephen Walford**

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

**Date: 27/10/2025 via Leadership Team meeting**

### **Performance and risk: Dr Stephen Carr**

Agreed on behalf of the Corporate Performance & Improvement Manager

**Date: 22/10/2025**

**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  
2025/26 Qtr 1 Budget Monitoring Report.