

Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing	yes	27/10/25 & 28/10/25
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	Yes	03/12/25
Relevant Group Head review		
MAT+ review (to have been circulated at least 5 working days before Stage 2)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Finance comments (circulate to Finance)	OO	21/10/25
Risk comments (circulate to Lee O'Neil)	LO	24/10/25
Legal comments (circulate to Legal team)	LH	24/10/25
HR comments (if applicable)	N/A	

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2

Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least 5 working days before MAT	L Heron	24/10/25
S151 Officer commentary – at least 5 working days before MAT	T. Collier	22/10/25 & 3/12/25
Confirm final report cleared by MAT		

Council

Addendum to original report, figures changed since original report highlighted yellow.

11th December 2025

Title	Draft Medium-Term Financial Strategy 2026/27 and Flexible Capital Receipts Strategy
Purpose of the report	To make a decision
Report Author	<i>Terry Collier Chief Finance Officer</i>
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Resilience
Recommendations	Council is asked to approve: 1) Draft Medium Term Financial Strategy 2) Proposed Flexible Use of Capital Receipts Strategy as set out in Appendix B
Reason for Recommendation	Changes to the Medium-Term Financial Strategy are reserved to Council.

1. Executive summary of the report

What is the situation	Why we want to do something
<p>The Council is facing a challenging financial future with an estimated Revenue Budget gap for 2026/27 after taking into factors set out below and the use of reserves of £7.6m (para 2.42). Reasons (paragraph 2.18 - 2.26 for this include:</p> <ul style="list-style-type: none">• Impact of applying a compliant Minimum Revenue Provision (MRP) policy which has now also been applied to surplus housing/regeneration sites• No longer being able to rely on a net income stream from investment assets to subsidise services• Uncertainty caused by Local Government Funding reform	<ul style="list-style-type: none">• Council has a statutory responsibility to set a balanced budget, and councillors need to ensure agreement is reached on a set of strategies which will deliver a sustainable financial position.• Statutory Directions issued by MHCLG in May 2025 require the Council to implement “A plan to achieve financial sustainability and to identify and close any short and long-term budget gaps across the period of its medium-term financial strategy (MTFS), including a robust multi-year savings plan that reflects the costs and risks identified in the Best Value Inspection report and by external auditors.” (paragraph 2.9)

<ul style="list-style-type: none"> • Demand pressures such as need for temporary accommodation • Medium Term Financial planning is complicated by the Surrey Local Government Reorganisation process with Spelthorne due to be replaced with a new West Surrey Unitary Council in April 2027. • Council as at 31.03.25 had uncommitted (excluding developer's contributions) available useable reserves of £40.4m (Paragraph 2.60 and Table 5) • Uncommitted Reserves are projected to be £20.4m at 31.03.26 of which £7.6m are proposed to be used to balance the 2026/27 revenue budget. 	<ul style="list-style-type: none"> • To ensure a sustainable financial legacy to the successor unitary authority, it needs to understand the medium-term financial challenges and agree a strategy for addressing them
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> • To implement a coordinated set of strategies to mitigate the impact of increased MRP, to de-risk the longer-term financial exposure of the Council and the successor unitary authority and to put the Council's finances on a sustainable basis • Progressing Debt Restructuring • Assets rationalisation programme to reduce debt and MRP charges and reduce risks. • Progressing the deletion of vacant posts • Aligning service arrangements and fees and charges with the other component authorities of the unitary • A robust savings programme including review of benchmarked unit costs, with specialist resources brought in to assist • Revised Reserves strategy applying some reserves to assist in managing the process of moving towards financial resilience • Appropriate capitalisation of one-off transformation expenditure relating to 	<ul style="list-style-type: none"> • Approval for the steps and strategy (paragraph 2.71) proposed to address both the Budget Gap for 2026/27 and for the medium term • Approve the proposed Flexible Use of Receipts Strategy (paragraph 2.68 and Appendix B)

2. Background, what is a MTFS and what are the elements of a MTFS?

- 2.1 The MTFS provides a financial framework over a medium-term period within which financial stability can be achieved and sustained, setting out the financial strategies to support the delivery of the Council's Vision, key strategic outcomes, priorities and sustainable services for both the Council and the successor unitary authority.
- 2.2 This report sets out a revised Medium Term Financial Strategy (MTFS) for the Council. It addresses the requirements of the Statutory Directions and actions in the Finance Improvement Plan.
- 2.3 The report is informed by the changes to the Minimum Revenue Provision (MRP) policy and Debt Rescheduling approved at 17.11.25 Full Council and Asset Rationalisation to further mitigate MRP charges and reduce risks. The MTFS draws together the implications to the Council of these changes together with changes to grants, business rates, cost pressures and other demands on the Council.
- 2.4 Surrey Local Government Reorganisation (LGR) will take effect from 01.04.27 which means Spelthorne will cease to exist as an independent sovereign body from that date. However, so that the estimates can be passed to a new shadow unitary authority to be considered as part of its budget setting process for 2027/28 onwards as a MTFS will still be produced.
- 2.5 The Strategy brings together key issues affecting the:
 - Revenue Budget
 - Capital Strategy
 - Capital Programme
 - A new Flexible Use of Capital Receipts Strategy (Appendix B)
 - Debt Re-Scheduling
 - Treasury Management Strategy, including Revised Minimum Revenue Provision (MRP) Policy- see separate reports on this Agenda
 - Reserves Strategy – see separate report on this Agenda
 - Assets Rationalisation Strategy as per the Best Value Direction, see separate report on this Agenda
- 2.6 **Structure** of this report - this report will:
 - Show our starting point
 - Set out how the MTFS needs to adapt to the current context including the statutory directions and external auditor recommendations and a range of pressures and changed circumstances; set out the actions we propose that we will take to mitigate those

- Summarise how the key components are designed to ensure a sustainable financial future for the remainder of Spelthorne's time and to pass on a viable financial inheritance for the unitary authority.

Budget Starting Point

- 2.7 When the Council set its Revenue Budget for 2025/26 and the Outline Budget for period 2026/27 to 2028/29 in February 2025, the identified budget gaps were as set out in the table below.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Budget gap	Balanced	3.9	6.9	8.6

- 2.8 So, from the start of 2025/26 we have been aware that we were facing a significant budget gap for 2026/27, and this was before factoring in the additional costs of MRP.

Context for the MTFS

Impact of complying with Statutory Directions and External Auditor Recommendations

- 2.9 The [Statutory Directions](#) included a number of requirements in respect of financial management that are addressed in the MTFS:
- A plan to achieve financial sustainability and to identify and close any short and long-term budget gaps across the period of its medium-term financial strategy (MTFS), including a robust multi-year savings plan that reflects the costs and risks identified in the Best Value Inspection report and by external auditors.
 - A plan to ensure the Authority's capital, investment and treasury management strategies are sustainable and affordable, including an asset rationalisation programme for assets and commercial investments.
 - A comprehensive and strict debt reduction plan, demonstrating how overall capital financing requirement and external borrowing will be reduced over a realistic but expedient timescale, reducing debt servicing costs.
 - A plan to ensure the Authority is complying with all relevant rules and guidelines relating to the financial management of the Authority, including updating the minimum revenue provision (MRP) policy.
 - A plan to reconfigure the Authority's services commensurate with the Authority's available financial resources.
 - The External Auditor recommendations set out in their 2023/24 Annual Audit report recommendations included:
 - Robust plans are approved to address the medium-term budget gaps and reinstate its transformation programme as a matter of urgency
 - Urgently review the options for the suspended housing projects

- Root causes of budget growth are identified and explained to Members to ensure the accuracy of financial plans
- 2.10 The External Auditor in their 2024/25 Annual Audit report recommendations included:
- (a) The Medium-Term Financial Plan should be updated to reflect new costs and risks identified by the best value inspection; appointment of Commissioners; and adoption of an Improvement and Recovery Plan.
 - (b) To update the Medium-Term Financial Plan, the Council should include all relevant additional costs associated with changes to minimum revenue provision (MRP); with asset valuations, refurbishments and upgrades; with breaks in commercial income as tenancies come up for renewal; and with the recruitment of skilled resources to lead recovery and improvement.
- 2.11 Best value inspectors recommended a comprehensive debt reduction strategy. We agree with this recommendation. The Council should work with commissioners to agree a comprehensive debt reduction strategy that includes consideration of asset lives and length of time over which it is realistic to carry debt.
- 2.12 The External Auditor's Audit Findings Report for 2023-24 included as recommendations
- 2.13 There is a risk that the Council's MRP charge is not fairly stated.
- 2.14 The financial impact of the Directions is set out below. The additional cost of complying with statutory MRP guidelines are mitigated by debt rescheduling and an asset rationalisation strategy. The three areas when implemented will achieve a significant reduction in debt and risk to the Council.

Pressures on the Budget

Impact of complying with rules and guidelines on MRP

- 2.15 Our MRP policy and calculations have been updated using revised asset lives. The implication of compliance, as set out in the MRP Policy report to Full Council on 17.11.25, is **approximately a £40m per annum** increase in the MRP charge to Revenue. Without mitigating action would use all available revenue reserves and prompt a s114 notice and a request for Exceptional Financial Support from government. (Exceptional Financial Support merely allows the Council to borrow for revenue purposes which would in turn add additional MRP and interest charges.) Mitigating actions include debt rescheduling approved at Full Council on 17.11.25 and a managed investment and regeneration asset rationalisation programme. It is important to put in place measures to mitigate the impact of the increased MRP charge as otherwise the Council would not be able to set a balanced Budget.
- 2.16 In order to address the concerns of External Auditors and the Statutory Directions, significant changes have been made to the Council's MRP policy. These will have a significant impact on the Revenue Budget. The first MRP change flows from the decision of Council in October 2023 to abort the housing delivery projects on sites owned by the Council. This meant that those assets in accounting terms are now treated as surplus assets which resulted in the need

to charge MRP on the assets from the following year, 2024/25. Given the nature of the assets and the fact that the Council is intending to dispose of those assets in the medium term, the assets were determined as having a useful life of five years for calculating MRP. This has resulted in an additional MRP charge of approximately £6.6m per annum to be applied to the Revenue Budget see the breakdown in Table 1 below.

Table 1: Showing Additional MRP per surplus Asset

Surplus Asset	£000
Oast House	3,836
Thameside House	1,712
Benwell House Phase 2	9
Whitehouse Residential	9
Victory Place	996
Total	6,561

- 2.17 The MRP Policy report approved by Council on 17th November 2025 set out following discussions with Commissioners, external auditors and other experts that the Council will now be applying MRP on a straight-line basis on its investment assets over, in most cases, 20 years. This results in a significant increase in annual MRP of approximately £40m increasing from £13m per annum to approximately £58m per annum in 2025/26 and £51m in 2026/27 reducing going forward based on an estimated asset rationalisation programme. These estimates will be refined as the asset rationalisation programme is developed and agreed by Councillors. More detail is set out in the separate MRP Policy report which went to Council on 17th November 2025. See **Table 2** below.
- 2.18 The medium-term Budget projections have been updated for a number of variables, pressures and impacts and the below summarise the key parameters and assumptions:
- 2.19 Council Tax – assumed Spelthorne will maximise its taxbase and increase council tax rate by maximum allowed which is currently which is 2.99%. For indicative purposes a similar rate of increase has been assumed for year 2 to 4 (although the unitary authority is also likely to have an additional 2% headroom for Adult Social Care precept, and there will be a one-off transitional alignment of council tax rates in 2027/28 across the component areas of the new unitary)
- 2.20 Pay – an increase of 4% (plus 0.2% retrospective adjustment for 2025/26) for 2026/27, 2.5 % per annum for years 2 to 3.
- 2.21 Pension - based on advice from the actuaries it is anticipated employer contribution rates for the period 2026/27 to 2028/29 will fall from 24.6% to 23.1%. This is a budget saving of approximately £0.5m.
- 2.22 As highlighted above Application of revised MRP policy changes relating to both surplus assets and investment assets.

- 2.23 Fees and charges a default 5% has been assumed (but see comments later in the report on fees and charges)
- 2.24 Savings – an indicative assumption of £1m deleted posts savings has been built into the projection for 2026/27. Additional targeted savings of £0.5m assumed as deliverable as part year savings in 2025/26 and a further £0.67m assumed as deliverable in 2026/27 as part/full year savings.
- 2.25 Grant funding changes- significant changes to the local government funding system are being phased in from 2026/27, the figures in the projection reflect modelling advice from sector experts- this will be subject to change when the Provisional Funding Settlement is announced in late December. Currently we are projecting a small net increase in grant funding of £0.245m (4.9%).
- 2.26 Business Rates Reset in 2026/27, assumptions around the impact of this has been built into the projection with an increase in net retained business rates assumed of £1.871m.

Local Government Funding Reform

- 2.27 Planning for 2026/27 and medium-term financial planning beyond that is made particularly challenging as there will be a significant revision to the distribution of central government revenue grants to local government commencing in 2026/27, this is referred to by the Government as “Fair Funding Review 2.0”, and which will be phased in over a three year period. The Government has consulted on indicative principles and based on those local government funding specialists have made projections. Council officers have reviewed the projections from the two leading sector funding specialist consultancies and has decided to base its projections using this information. These figures need to be treated with a very heavy caveat, as firstly they are based on an interpretation on the principles the Government has consulted on and secondly up until the Provisional Funding Settlement is announced (expected in late December just before Christmas) the underlying methodology is still subject to change. In particular there is a risk that in response to lobbying from certain parts of the local government community that the Government will be making further amendments to the funding formulae.
- 2.28 In late October/early November MHCLG has indicated that it will be publishing a statement of funding principles which will provide some clarification around some of the settlement principles, for example possibly confirming the council tax limits for different categories of council.
- 2.29 Whilst the provisional funding settlement is again relatively late this year, in part due to the lateness of the Chancellor’s Budget on 26th November, one longer term positive is that there will be a three-year settlement which once released will give councils some greater medium-term certainty. This will aid the financial planning for the new unitary authorities in Surrey (their funding allocations will be made up from combining their constituent district and boroughs’ allocations, and more challenging agreeing locally a split of the funding allocations of Surrey County Council).

Business Rates Reset and Business Rates Pooling

- 2.30 In 2026/27 the Government is undertaking a full reset of business rates. A business rates reset establishes new baseline funding levels and business

rates baselines for local authorities. The next reset is planned for 2026/27 and will be reset on basis of gross rateable values on 31/3/26 and will involve an updated assessment of need to redistribute business rates income. This process is separate from the 2026 revaluation of properties, which adjusts the rateable value of individual properties to ensure fair redistribution of liabilities among ratepayers. The details of the Business Rates reset will be confirmed as part of the Provisional Local Government Funding Settlement expected just before Christmas.

- 2.31 The timing of the business rates reset means that it is expected that majority of councils would be at their business rates baseline in 2026/27 and therefore there would be limited potential for gains above baseline requiring protection through a business rates retention pool. At the same time if most councils are near their baseline there is greater risk that more may fall below baseline and require safety net support. So, there is little to gain from pooling and potentially risks from so doing. So, the Surrey districts and boroughs and County Council have agreed not to create a business rates pool for 2026/27.

Pay and Pensions

- 2.32 In 2024-25 and 2025/26 the Council agreed with the local Unison Branch under the Local Pay Agreement a two-year deal with a 2.8% increase in each of 2024-25 and 2025/26. In comparison the National Pay Agreement for 2024-25 was 2.5% and for 2025/26 was 3.2%. So, in recognition that over the two years the local agreement did not keep pace with the national agreement, it is proposed that a 0.2% retrospective uplift is applied from 1st April 2025. Looking ahead to 2026/27, the last pay settlement to be negotiated by the Council, the current assumption, subject to both approval by Councillors and acceptance by union members, is that a local settlement of 4% for 2026/27 will be agreed. This will add £0.9m to the Revenue Budget.
- 2.33 The triennial Pensions valuation revalued the Surrey Pension Fund and identified that the Fund overall is now in surplus. This is enabling the Fund for the years 2026/27 to 2028/29 to reduce employer contribution rates. In case of Spelthorne the contribution rate will fall from 24.6% to 23.1% resulting in an annual reduction of approximately £0.5m.

The Budget Gap Challenge

- 2.34 All of the above pressures, particularly the increased MRP exceeding the income contribution from the investment assets results in a significant set of potential budget gaps which need to be mitigated to ensure that a balanced and sustained Budget can be set.

Mitigations and solutions available to the Council

Debt reduction and debt rescheduling

- 2.35 As set out in previous reports on this agenda the first two key mitigation measures are to reschedule the debt in order to apply a significant early repayment discount.

- 2.36 The Council borrowed over £1bn to purchase its investment and regeneration asset portfolio, with the intention of delivering a sustainable income stream which would exceed financing costs. It borrowed these funds over varying periods up to fifty years using fixed, low interest loans from the Public Works Loan Board (PWLB) which is part of the Debt Management Office in HM Treasury.
- 2.37 The increase in MRP, if not mitigated would undermine the viability of the Council and require exceptional financial support and the Council would not be able to set a balanced budget for 2026/27. The two key elements for mitigating this impact are set out in separate reports (Debt Rescheduling and Asset Rationalisation) on this Agenda: a significant restructuring of debt taking advantage of the discounts (equivalent to approx. 35%) available to the Council on its PWLB debt to reduce outstanding debt from £1,057m to an estimated £696m (a reduction in debt outstanding of an estimated £360m based on gilt rates on 14/10/25). This report sets out the actual level of discount achievable will be dependent on the gilt rates prevailing at the time the redemption is implemented.

Managed Asset Rationalisation Strategy

- 2.38 The second key mitigation measure is to progress an Asset Rationalisation Strategy, as set out in the Asset Rationalisation report earlier on this Agenda.
- 2.39 The refinanced debt, arising from the first mitigation measure above of re-financing, will be at higher interest rates (4.5 to 5%) and will therefore require to be aligned with a comprehensive investment and regeneration assets rationalisation programme as required by the Statutory Directions. This is set out in the Assets Rationalisation Strategy Report separately on this Agenda. This Strategy will be worked up into a more detailed plan to come back to CPRC in January. In turn any proposals to dispose of specific assets would in each instance be subject to Councillor approval at appropriate Committee and Council. The aim would be to achieve a long-term sustainable level of debt and Capital Financing Requirement. With these mitigations it is believed that the Council (and the successor West Surrey unitary authority with respect to the financial assets and liabilities it will inherit from Spelthorne) can avoid the need for Exceptional Financial Support from Government.
- 2.40 Complying with the Best Value Direction to rationalise assets will reduce debt levels, MRP and consequently the cost of interest. **Table 2** below shows estimated impact of the proposed programme of assets rationalisations.
- 2.41 Changing the assumption of a £10m benefit from investment properties, albeit £4m in 2025/26, to a surplus of £1m in 2026/27.

Table 2 showing impact of further mitigating through Assets Rationalisation programme

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
MRP	58	51	36	36	32	33	33	33	34	34	11	391
Interest	27	30	27	26	26	25	25	25	24	24	9	268
Discount £343m in total	(34)	(34)	(34)	(34)	(34)	(34)	(34)	(34)	(34)	(34)	0	(343)
Net operating inc/exp on Investment Property	(43)	(48)	(31)	(25)	(23)	(22)	(24)	(25)	(24)	(24)	(1)	(290)
Net (surplus)/deficit to General Fund	7	(1)	(3)	3	1	1	0	(1)	(1)	(0)	19	26

2.42 Once other changes are fed into the budget, set out in the report below, results in a budget gap of £7.6m for 2026/27.

Medium Term Financial Strategy

2.43 The proposed MTFS incorporates the mitigation steps of debt refinancing and assets rationalisation.

2.44 The objectives of the MTFS are:

- To set a path to financial sustainability for the new unitary authority
- To reach comparable debt levels to other districts, ideally circa £100m
- A measured approach to property rationalisations, ensuring that best value is achieved
- Remove risks for the future unitary authority in respect of investment and regeneration property risks
- A compliant MRP Strategy addressing the recommendations of the Best Value Inspection report, the Statutory Directions and the recommendations of the external auditor
- To have a plan to reduce service costs to comparable levels of other district councils
- To have unqualified accounts in 2026/27
- To satisfy MHCLG that the Council has complied with all of the Statutory Directions by end of 2026/27.

2.45 Since 2019/20 Spelthorne has assumed a £10m contribution to its revenue budget from investment property surpluses. With increased costs and reducing returns, explained later in this report this benefit can no longer be assumed. The £10m contribution represents approximately 30% of the Council's gross expenditure, excluding Housing Benefits. Spending is also on average 30% higher in comparison to statistically similar councils.

2.46 An element of this additional spending is in relation to the cost of homelessness in Spelthorne, due to the Council's proximity to London. In other areas, similar to other Surrey boroughs, it provides preventative services to adults in the community (Independent Living Services including Community Centres, Meals on Wheels, and Community Alarms) that in other parts of the Country are provided by County Councils.

- 2.47 The only way the Council would be able to make such significant reductions in its expenditure is to consolidate its service provision with other district councils and with upper tier service provision which Local Government Reorganisation in West Surrey will help to achieve.
- 2.48 The Council's overall MTFS will therefore help facilitate a smooth transition to Unitary Local Government in Surrey, working with other councils who will form the new council to consolidate and harmonise service provision within the overall budget envelope. The budget for 2026/27 is therefore a transitional one. Where possible the Council will identify efficiency savings and identify areas where it is charging less than others to smooth the transition for service users. In order to do this, it will use reserves, previously set aside for future spending on investment properties. It is also able to benefit in the short term from a loan discount, which in the medium term should be set aside for reducing debt levels and the impact of minimum revenue provision (MRP).

- **Table 3** below summarises the current projected budget position across the MTFS period.

	2025/26 original £000	2025/26 Revised £000	2026/27 £000	2027/28 £000	2028/29 £000
Gross Expenditure	64,955	64,464	56,832	-	-
Less: Fees/Charges and Specific Grants	(16,618)	(16,679)	(17,698)	-	-
Less: Housing Benefits Grant	(21,556)	(21,556)	(14,522)	-	-
Net Expenditure	26,781	26,229	24,613	25,897	26,606
Net Service Expenditure					
Assets Mgt.	2,086	2,001	2,122	-	-
Commissioning & Transformation	5,742	5,358	5,516	-	-
Community & Wellbeing	3,994	3,837	3,951	-	-
Finance & Corporate Services	5,269	5,752	3,819	-	-
Legal and Elections	1,974	1,912	1,958	258	-
Neighbourhood Services	3,806	3,457	3,333	(90)	(90)
Place, Protection & Prosperity	3,911	3,912	3,915	-	-
Net Expenditure	26,781	26,229	24,613	26,065	26,516
Inflation and Pay	-	-	1,012	541	777
Savings	-	-	(276)	-	-
Unavoidable Expenditure	-	-	548	-	-
Total Expenditure at Service Level	26,781	26,229	25,897	26,606	27,292
Investment & Regeneration property	(45,581)	(45,581)	(41,381)	(30,534)	(24,088)
Minimum Revenue Provision	13,025	57,645	51,428	35,520	35,936
Loan Interest	25,425	26,882	29,782	26,875	26,062
Loan Discount	-	(34,261)	(34,261)	(34,261)	(34,261)
Prior yr exp on Housing Schemes write-off	8,710	-	-	-	-
Other Interest	(2,112)	(2,112)	(2,056)	(1,679)	(1,568)
Budget Requirement	26,247	28,801	29,408	22,527	29,373
General Government Grants	(2,053)	(2,053)	(5,970)	(5,056)	(3,953)
Business Rates	(4,910)	(4,917)	(3,800)	(2,322)	(2,358)
Appropriation to/(from) Reserves:	(9,111)	(11,658)	(2,342)	(54)	(54)
Net Budget Requirement	10,173	10,173	17,296	15,095	23,009
Collection Fund Surplus/(deficit)	(877)	(877)	-	180	180
Income from Council Tax	(9,296)	(9,296)	(9,721)	(10,153)	(10,604)
Net Position - Over/ (Under) budget	(0)	(0)	7,575	5,122	12,585

Unavoidable expenditure of £548k is broken down in appendix A.

The total expenditure at service level is broken down into more detail in appendix C

- 2.49 The estimated remaining budget gap for 2026/27 of £7.6m, if not addressed by savings would rise to £12.6m by 2028/29 which would not be a sustainable position for the successor unitary Council. If the Council sought to solely close the Budget gap by use of reserves this would consume £25.3m of reserves over the MTFS period (exceeding the balance of available reserves by £4.9m- see Reserves Strategy 3.1). So, it will be important to seek to identify savings in 2026/27 and beyond to assist in closing this. By 2028/29, the post vesting day transformation savings should be beginning to be benefitted by the new Council.
- 2.50 The budget deficit is after assuming the use of a PWLB loan discount for early repayment of loans which is then spread equally over the next 10 years. The expiry of this will need to be factored into future financial planning.
- 2.51 Paragraph 2.22 above sets out the key assumptions feeding into the above projections.
- 2.53 As highlighted above, under Surrey Local Government Reorganisation, Spelthorne is due to cease to exist on 1st April 2027. This complicates the medium-term financial modelling and also creates both constraints on savings and opportunities. A key constraint is the tight timescale for the lead into “Vesting Day” on 1/4/27 as this rules out the ability of the Council acting alone to implement savings initiatives such, reducing its office footprint or outsourcing services, which take a significant amount of time to implement. The opportunities are that in the medium term the process of unitarisation will be a major efficiency and savings driver, but these will be reaped by the successor unitary.
- 2.54 The contents of this strategy are the Council’s response to the significant financial and service challenges that it faces, taking on board the critical feedback received from the Best Value Inspection process and external auditors, and the need to plan ahead for the future with fewer resources.

2.55 **Table 4** summarising changes between 2025/26 revised budget and 2026/27 budget at net service expenditure level:

Table 4: Summary of Changes from 2025/26 to Draft 2026/27 Budget

	2025/26 Revised £000	2026/27 £000	Differences £000	%
Gross Expenditure	64,464	56,832	(7,632)	-12%
Less: Fees/Charges and Specific Grants	(16,679)	(17,698)	(1,019)	6%
Less: Housing Benefits Grant	(21,556)	(14,522)	7,034	-33%
Net Expenditure	26,229	24,613	(1,616)	(0.1)
Net Service Expenditure				
Assets Mgt.	2,001	2,122	121	6%
Commissioning & Transformation	5,358	5,516	158	3%
Community & Wellbeing	3,837	3,951	113	3%
Finance & Corporate Services	5,752	3,819	(1,934)	-34%
Legal and Elections	1,912	1,958	46	2%
Neighbourhood Services	3,457	3,333	(124)	-4%
Place, Protection & Prosperity	3,912	3,915	3	0%
Net Expenditure	26,229	24,613	(1,616)	(0.1)
Inflation and Pay	-	1,012	1,012	
Savings	-	(276)	(276)	
Unavoidable Expenditure	-	548	548	
Total Expenditure at Service Level	26,229	25,897	(333)	(0.0)
Investment & Regeneration property	(45,581)	(41,381)	4,200	-9%
Minimum Revenue Provision	57,645	51,428	(6,217)	-11%
Loan Interest	26,882	29,782	2,900	11%
Loan Discount	(34,261)	(34,261)	-	0%
Other Interest	(2,112)	(2,056)	56	-3%
Budget Requirement	28,801	29,408	607	0.0
General Government Grants	(2,053)	(5,970)	(3,917)	191%
Business Rates	(4,917)	(3,800)	1,117	-23%
Appropriation to/(from) Reserves:	(11,658)	(2,342)	9,315	-80%
Net Budget Requirement	10,173	17,296	7,123	0.7
Collection Fund Surplus/(deficit)	(877)	-	877	-100%
Income from Council Tax	(9,296)	(9,721)	(425)	5%
Net Position - Over/ (Under) budget	(0)	7,575	7,575	

Reserves

- 2.56 A key strand of the MTFS will be to use the reserves the Council has available to help smooth the impacts of the financial challenges across the MTFS period.
- 2.57 Reserves should be maintained above a minimum level as assessed by the S151 officer as part of their Section 25 Statement on the Budget. This is the minimum level that, if there is a risk that reserves are projected to fall below, immediate corrective actions will need to be taken to bring the level of reserves back to that level.
- 2.58 As set out in the proposals for Local Government re-organisation in Surrey, the new unitary authorities are likely to face significant costs to implement the re-organisation and significant budget pressures going forward, as such, it is important for the future sustainability of the new unitary authorities and the services that they need to deliver that reserves in existing councils are maintained at current levels as far as possible and are not reduced unnecessarily before the implementation of local government re-organisation in Surrey.
- 2.59 As at 31 March 2025, the Council held £52m in revenue reserves. Of this total, £7.6m relates to developer contributions (CIL), £4m forms part of the Business Rates Equalisation Reserve set aside to fund future deficits, and £0.065m and £0.149m have been earmarked in the Bronzefield and Building Control reserves respectively to meet future commitments.
- 2.60 This leaves £40.4m available at the start of 2025/26 that the Council could use to support its budget.
- 2.61 The separate Reserves Strategy report on this agenda proposes repurposing the Sinking Funds and other uncommitted earmarked reserves, reflecting the fact that the Council is no longer planning to hold its investment assets long term in line with the Statutory Directions. As a result, these reserves can be released to support the transition period and help close the MTFS budget gaps.
- 2.62 The budget gap of £7.6m for 2026/27 already assumes £1m of savings (£0.5m from vacancies and £0.5m from efficiency measures). As shown in Table 5 below, using £20m of reserves in 2025/26 to cover the originally planned £5.5m use of reserves plus the projected overspend of £14.6m (based on Q2 monitoring) would leave an estimated balance of £20.4m in available earmarked reserves as at 31 March 2026.
- 2.63 The budget gap of £7.6m for 2026/27 already assumes £1m of savings (£0.5m from vacancies and £0.5m from efficiency measures). As shown in Table 5 below, using £20m of reserves in 2025/26 to cover the originally planned £5.5m use of reserves plus the projected overspend of £14.6m (based on Q2 monitoring) would leave an estimated balance of £20.4m in available earmarked reserves as at 31 March 2026.

Total Estimated Balances in Earmarked Revenue Reserves as at 31st March

Table 5 - Movement in Earmarked Reserves Summary		
	£'000	£'000
Total Earmarked Revenue Reserves as at 1st April 2025 (adjusted)*		52,008
Ringfenced Reserves		
Developer Contributions (CIL) Reserves	(7,606)	
Ring fenced Reserves:		
Business Rates (element to cover future deficits, Bronzefield and Building Control Reserves	(4,000)	11,606
Available Earmarked Reserves as at 1st April 2025 (adjusted)		40,403
2025/26 Approved Usage	(5,452)	
Q2 Projected Outturn at 30 September 2025	(14,555)	
Projected use of reserves – 2025/26		(20,007)
Earmarked Reserves at 31st March 2026 (Projected)		20,395
General Fund Reserve		3,895
Total Available Reserves		24,290

*the draft published accounts show a reserve as £50,106k, which has now been adjusted by £1,902k to £52,008k.

- 2.64 In order to manage anticipated financial pressures in 2026/27, £320k has been identified by the Strategic Planning Service as a specific allocation from reserves and grants. This funding will be utilised to meet unavoidable expenditure pressures that cannot be absorbed within the existing base budget. Further details of this allocation and its application are outlined within

Table 6 below.

Table 6 - Use of Specific Reserve/Grants	
Strategic Planning	£000
Environmental Impact Reserve	154
MHCLG – Custom Build Grant Local Authority	90
MHCLG – New Burdens funding for the Brownfield Register	26
Funding for Masterplan from Assets	50
Total	320

Savings

- 2.65 A key strand of the MTFs will be progressing over the remaining year and half of the Council's existence a programme to deliver savings which are achievable in that timescale, and in the context of Local Government Reorganisation process. The Finance team will be working with Group Heads

and Budget heads, with some external expertise to scrutinise and drill down into unit cost benchmarking against the other councils that will form West Surrey and relevant “nearest neighbours” to better understand the Council’s cost base and to identify opportunities for reducing net cost i.e. through reducing cost or increasing income. The focus will be measures which can be implemented and generated benefits within the time remaining before vesting day of the new council. This rules out significant IT systems changes, changing office footprint etc. The MTFS builds in a target assumption of additional £0.67m part year savings to be delivered in 2026/27.

- 2.66 Significant work has been undertaken to find upfront savings which can be built into the 2026/27. These are listed in Table 9 below and total £0.276m. This is before taking into account £1m savings relating to the deletion of vacant posts.

Table 7 - Savings Identified - 2026/27	£000
<u>Supported Housing Team</u>	
Increase In income	(12)
Increase In income	(24)
Staffing provision mainly covers White House	(76)
Out of hours call is done on a rota at a set weekly cost	(107)
<u>Assets</u>	
Increase in income from municipal portfolio, old library letting	(20)
Increase in income from municipal portfolio, uplifts in rent from rent reviews/lease expiries etc.	(3)
Increase in income from Knowle Green Nursery	(34)
Total Savings	(276)

Fees and Charges

- 2.67 As highlighted earlier in the report the default assumption is that for those fees and charges over which the Council has discretion to set the fee level, the fees and charges will rise by at least 5% in 2026/27. As part of the LGR transition process the Council, as part of its benchmarking analysis will be comparing its fees with the other component districts and boroughs in the new unitary authority. Where fees in the other councils for specific services differ, the Council will look to align our fees to move towards those of the other councils. This is in the expectation that when the new unitary authority sets its fees and charges it will level up rather than down the fees which will apply across its area. The Council by taking steps to align will be helping residents to adjust to the higher rates which are likely to be applicable as a result of LGR. One option which could be considered is having an additional mid-year review and have an additional revision to the Fees and Charges schedule to further move towards alignment with the likely fees and charges structure of the new unitary.

Table 8 - Services	Fees & Charges Inflation @ 5% £'000
Community & Wellbeing	22
Legal and Elections	1
Neighbourhood Services	84
Place, Protection & Prosperity	85
Total	192

Flexible Use of Capital Receipts

- 2.68 It is proposed that the Council puts in place a Flexible Use of Capital Receipts Policy (see Appendix B). In accordance with Section 15(1) of the Local Government Finance Act 2003, the Secretary of State is empowered to issue Directions allowing revenue expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations. This will then allow the Council to capitalise as eligible expenditure, transformation expenditure relating to IRP and LGR.
- 2.69 It is proposed that transitional costs incurred as part of the process of moving towards the unitary authority can be treated as qualifying expenditure. The Council's share of the estimated £35m pre-vesting Surrey LGR costs is £550k. It is proposed that this is capitalised and funded from receipt. Equally elements of the Improvement and Recovery Plan which are driving transformation are potentially qualifying expenditure.

Capital Strategy

- 2.70 A full Capital Strategy for 2026/27 will come to Council in February 2026. In the context of local government reorganisation and Best Value Intervention, the strategy will reflect the following.
- A minimal Capital Programme will be maintained with no major multi-year capital projects being commenced which would extend beyond March 2027.
 - Capital Programme to be financed mainly from grants and capital receipts; the Council is not looking to incur additional borrowing.
 - Some transformation costs will be capitalised and funded from receipts.

Summary of Key strands of the Medium-Term Financial Strategy

- 2.71 To summarise the key strands of the revised Medium Term Financial Strategy are:
- Revised MRP policy
 - Debt Restructuring and application of the significant discount available to the Council on early repayment of its PWLB loans
- 2.72 A medium term and comprehensive Investment Assets and Housing and Regeneration assets rationalisation programme
- Aligning the refinanced loans maturities with the assets rationalisations expected timescales

- A robust and comprehensive review of operation costs across the organisation, including targeted use of benchmarked unit costs, with managers being supported by external expertise. Target to deliver £0.67m of savings
- Deletion of vacant posts (£1m)
- Capitalisation of transformation and LGR costs and applying the new Flexible Receipts Strategy to finance these capitalised costs from an element of the capital receipts being realised
- Balance of the Budget gap for 2026/27 to be funded from repurposed Sinking Funds Reserves as Transformation Equalisation Reserves

2.73 A minimal and sustainable Capital Programme for 2026/27 largely to be financed from grants and receipts. Once a Shadow Authority is set up and the Structural Change Order enacted it would normally have powers, under “Section 24” to potentially be able to veto revenue expenditure on new items in excess of £100k, however in case of Spelthorne and Woking because they are under statutory intervention the Government has clarified the Section 24 rules will not apply to these two councils.

3. Options appraisal and proposal

3.1 **Option 1: Accept the proposed MTFS, approve the proposed flexible use of Capital Receipts Strategy.** The recommended option is to accept the proposed MTFS, in so doing the Council would be complying with the Best Value statutory directions and implementing one of the Finance IRP theme workstreams. The MTFS in turn provides the parameters for then working up a balanced Budget for 2026/27.

3.2 **Option 2:** Make modifications to the proposed MTFS, or to the proposed flexible use of capital receipts, or do not approve the appointment of consultants

3.3 **Option 3:** Reject the proposed MTFS. This is not recommended as would not be good financial and budget planning, would be contrary to CIPFA guidance and would be non-compliant with external audit and Best Value recommendations.

3.4 With respect to the savings strand within the proposed MTFS proposals will be reported back to Councillors on options for consideration, setting out impacts on services.

4. Risk implications

4.1 Key financial risks are included on Corporate Risk Register: The following risks should be considered when agreeing the recommendations of this report:

<i>Risk Description</i>	<i>Mitigations</i>	<i>RAG status</i>
The final MTFS is based on the informed sector experts	There will still be three months from the Provisional Funding Settlement and setting of the Budget in	Amber

<i>Risk Description</i>	<i>Mitigations</i>	<i>RAG status</i>
modelling of the impacts of Fair Funding Review and Business Rates. Provisional Finance Settlement expected late December could have unanticipated impacts	<p>February to refine the Council's Budget and if necessary, make additional savings.</p> <p>With estimated uncommitted usable reserve balances of £20.4m at 31.03.26 the Council could use a greater level of reserves if necessary</p>	
The impact of Devolution and Local Government Reorganisation	<p>Currently the Council has a £0.5m budget for LGR costs.</p> <p>As the MTFS sets out the Council will seek to capitalise transformation costs related to LGR and fund from capital receipts</p>	Amber
External factors, outside of the control of the Council, will be subject to volatility with upward volatility creating a financial risk on the final budget and MTFS.	<p>Demand and inflationary growth evidence based on the most up today date information at the time of budget setting</p> <p>Robust monthly in year monitoring to capture volatility / potential volatility to ensure mitigating actions can be implemented</p> <p>Monitoring reported through the governance channels including Corporate Risk Register/scrutiny to ensure areas of risk are transparent and addressed</p> <p>Significant reserve balances which could be applied</p>	Amber
The assets rationalisations programme led by the Commercial Theme of the IRP, on which financial modelling underpinning the MTFS, proceeds more slowly and or rationalisation values prove less than anticipated	The Council is appointing through a framework a specialist that has the skills to assist with an asset rationalisation programme.	Amber

5. Financial implications

- 5.1 Financial implications are set out in the report above.

6. Legal comments

- 6.1 Section 31A of the Local Government Finance Act 1992 (“the 1992 Act”) requires billing authorities to calculate their Council Tax requirements in accordance with the prescribed requirements of that section. The function of setting the Council Tax is the responsibility of Full Council. The Council is required by the 1992 Act to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget to ensure proper discharge of the Council’s statutory duties and to lead to a balanced budget. The budget should include sufficient allowances for contingencies and financial reserves.
- 6.2 Local authorities owe a fiduciary duty to Council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of Council tax payers and ratepayers and the community’s interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.
- 6.3 Section 25 of the Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance (section 151) Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored.
- 6.4 Full Council is responsible for setting the overall budget framework. However, some of the proposed savings will be subject to further analysis and decision making and as such the savings are an estimate. Individual service decisions will be subject to Committee approval, taking account of the statutory framework, any requirement to consult and consideration of overarching duties, such as the public sector equality duty.
- 6.5 The Local Government Act 2003 and associated regulations set out rules in relation to use of capital reserves. S.15 requires local authorities to have regard to relevant statutory guidance. The statutory guidance on flexible use of capital receipts confirms that local authorities cannot borrow to finance service delivery, however they can use capital receipts from sale of assets to finance the revenue costs of reforming services. The guidance states that qualifying expenditure is expenditure on a project that is designed to generate ongoing revenue savings in the delivery of public services or transform service delivery in a way that reduces costs or demand for services in future years. The Council

is expected to publish an annual Flexible Use of Capital Receipts Strategy, although this can be included in wider strategy documents.

Corporate implications

7. S151 Officer comments

- 7.1 The focus of this report is to pull together the pressures and uncertainties the Council is facing in setting a MTFs and to set out a set of strategies and parameters which will help ensure an ongoing sustainable future both for the Council and the successor unitary. The report sets out the parameters within which the detailed Budget for 2026/27 will need to be balanced.

8. Monitoring Officer comments

- 8.1 The Monitoring Officer confirms that the relevant legal implications have been taken into account.

9. Procurement comments

- 9.1 There are no procurement implications arising directly from this report.

10. Equality and Diversity

- 10.1 There are no direct diversity implications identified in this report. Moving forwards where savings are being evaluated have the potential to impact on equality and diversity, equality impact assessments will be undertaken.

11. Sustainability/Climate Change Implications

- 11.1 Addressing climate change priorities continues to be a priority of the Council and is likely to be priority for the new unitary. Potentially there are significant overlaps between reducing running costs and reducing use of resources such as heating, energy, materials and reducing emissions and moving towards the Council's goal of reaching net-zero. In reviewing savings opportunities, it therefore it will be important to look at alignment with climate change objectives.

12. Other considerations

- 12.1 There are none.

13. Timetable for implementation

- 13.1 Council's Budget to be set for 2026/27 on 26th February 2026.

14. Contact

Terry Collier, Chief Finance Officer

***Please submit any material questions to the Committee Chair and Officer
Contact by two days in advance of the meeting.***

Background papers: There are none.

Appendices:

Appendix A- Unavoidable Expenditure Pressures 2026/27

Appendix B- Flexible Use of Capital Receipts Strategy

**Appendix C - Net Expenditure Budget 2025/26 – 2026/27 by Group Head's
Remit**

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost £000	Comments
Strategic Planning	Staines Masterplan (as required by IRP)	Consultant	82.5	Cost of consultancy will depend on the final output required, which will be developed through work with Members and Commissioners.
		1x FTE Senior Officer (Contractor)	40	The Officer time required to deliver the Masterplan is beyond the capacity of the Team. Resource requirements (in time and experience) for the development of the Design Code indicate that delivery of the masterplan at pace will require 1x fte at a senior level. In the current LGR environment and as evidenced by recent challenges with recruitment to fixed term roles, the most expedient route to fill this role is through the use of a contractor. The IRP requires an extensive community engagement programme for the masterplan work. As far as possible this will be managed through existing budgets and resources but may be subject to change depending on the requirements agreed in the final programme.
	Heathrow Expansion Project	1x FTE Senior Officer (Contractor)	40	The current capacity within the team is not sufficient to manage the DCO process regarding Heathrow Expansion. Based on the experience gained through the last DCO process, this will require an officer of senior level in the Strategic Planning team to oversee the day-to-day management through the process and to coordinate the input from teams across the Council. The resource requirement is likely to be greater than the previous DCO as a result of the two proposals being put forward on this occasion.

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost £000	Comments
	(DCO process, to submission/Examination. Further resources will be required for Examination Phase)			<p>It is likely that this funding will be met in part through cost recovery from the applicant(s), but the mechanism for this has not yet been agreed, and we must budget accordingly. This is an area where discussions are ongoing, and it is not possible to expand further at this time.</p> <p>There will also be a requirement to use external experts for some areas, but the cost of this is not yet known and therefore not included at this time.</p>
			100	<p>This bid relates only to the additional resource required by the Environmental Health (£100k) and there is also a Planning Enforcement element which will kick in once we have the Article 4 Direction covering the whole Borough in March 2026 and when we adopt a planned SPD controlling HMO growth in the Borough. Also £60k to cover increased work, which cannot be absorbed by the existing team.</p> <p>Any costs incurred through the Examination of the DCO will need to be funded by the LPA's and will not be subject to cost recovery.</p>
	Affordable Housing SPD	Funding for consultant to produce SPD	37.5	The production of an Affordable Housing SPD has been in the future plan for the Strategic Planning team to produce in house, however, in light of the accelerated timescale set out in the IRP the team does not have capacity to produce this SPD.

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost £000	Comments
Environmental Health	Planning Enforcement	Planning Enforcement element which will kick in once we have the Article 4 Direction covering the whole Borough in March 2026 and when we adopt a planned SPD controlling HMO growth in the Borough	60	to cover increased work, which cannot be absorbed by the existing team planning enforcement team
Supported Housing Team	Solar film – Harper	Protection measures for H&S due to excess summer temps in resident rooms	7	
	Staffing Costs –White House	Increase in staff costs to include NI & Pension & overtime	60	
	Harper House – operational contracts inc Voids/ R&M	Previous budgets did not allow for void works and/or the full cost of service contracts	29	
	White House – operational contracts inc Voids/ R&M	Previous budgets did not allow for void works and/or the full cost of service contracts	59	

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost £000	Comments
Assets	New municipal valuation contract		25	Entire municipal estate to be revalued for finance and LGR purposes
	Legal fees for municipal portfolio		5	Legal fees for adverse possession and boundary disputes. This has been unbudgeted to date and Finance have requested contained within budget
	Business rates for municipal portfolio		3	Old Library void pre-letting/obtaining planning. Mitigation will be implemented
	Charter Building		150	Refurbishment of reception
	Roundwood Avenue		65	Floor box and carpet allowance (dependent upon letting)
	Thames Tower		41	Floor box and carpet allowance (dependent upon letting)
	Refurbishment - Sinking Fund		-256	Charter Building, Roundwood Avenue, Thames Tower - Refurbishment funding
Total Unavoidable Expenditure Pressure - Revenue			548	

Flexible Use of Capital Receipts Strategy 2025/26

This strategy applies from the **1st April 2025** until **31st March 2030** but will be reviewed on an annual basis as part of the budget setting process.

1. Background and Rules of Qualification

- This strategy sets out Spelthorne Borough Council's approach to the use of the Government's Direction for the Flexible Use of Capital Receipts, in accordance with Section 15(1) of the Local Government Act 2003.
- The Secretary of State, through Section 15 (1) of the Local Government Act 2003, gave local authorities the power to spend up to 100% of capital receipts from the disposal of property, plant, and equipment assets on the revenue costs of reform projects. This flexibility is limited to the application of those capital receipts received in the years to which this direction applies and does not allow borrowing to finance the revenue costs of service reform.
- From 2016/17 Local Authorities were given the power to use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered, to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform; therefore, capital receipts realised before 2016/17 cannot be used flexibly under these arrangements.
- The Council has the flexibility to apply capital receipts to fund transformation projects as enabled by the Secretary of State's Direction and outlined in the Government's Statutory Guidance on the flexible use of capital receipts. The current extension of flexibility would have ceased in March 2025, but it was announced by Government alongside the Provisional Settlement on 18 December 2023 that the current scheme, which currently applies to expenditure and receipts incurred between 1st April 2022 and 31st March 2025, has been extended to 31st March 2030. Therefore, to make eligible use of the scheme the capital receipts, and any qualifying revenue expenditure, need to be incurred between **1st April 2022** and **31st March 2030**.
- The authority should prepare an annual strategy that includes separate disclosure of the individual projects that will be funded, or part funded through capital receipts flexibility and that the strategy is approved by Full Council or the equivalent.
- This initial Strategy may be replaced by another Strategy ("the revised Strategy") at any time during the year, on one or more occasions. The initial Strategy should specify the circumstances in which a revised Strategy is to be prepared, but a revised Strategy may be prepared in other circumstances, if at any time it is considered to be appropriate. When setting a revised Strategy its impact on the local authority's Prudential Indicators shall be considered and whether it is necessary to amend the Prudential Indicators at the same time
- Qualifying revenue expenditure is time-limited expenditure incurred by the Council on any project that is designed to generate ongoing revenue savings

in the delivery of public services and/or transform service delivery to reduce costs or demand for services in future years for any of the public sector delivery partners. Although set-up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure, the ongoing revenue costs of the new processes or arrangements are excluded.

- An important feature of this flexibility requires the Council to demonstrate the highest standards of accountability and transparency and each individual project that will be funded or part-funded in this way must be disclosed and approved by a meeting of the Council.
- For 2025/26 and through to the current available extended period (31st March 2030), the Council initially proposes to use the flexibility to fund up to **£2.222m** of qualifying transformation expenditure. **Table 2** below sets out specific projects which could qualify for the use of capital receipts. Further schemes may be identified during the year which meet the use of capital receipts criteria. In this case, these schemes will be reported to a meeting of the Committee.
- The Council's use of capital receipts to fund transformation projects will continue to be subject to development and approval of robust business cases. The business cases will need to demonstrate that:
 - (a) The initiative will transform services, generate future savings, or reduce future costs; and
 - (b) The costs being funded are implementation or set up costs and not on-going operational revenue costs.

2. Flexible Use of Capital Receipts Process

- Flexible use of capital receipts is a means to fund one-off project costs which enable the process of transformation and the resulting benefit realisation. In applying this funding, several measures have been applied to ensure that the qualifying funding criteria are met. These include a robust approval process that is applied whenever the use of capital receipts is considered and to ensure that this funding source is only applied to qualifying expenditure.
- Governance includes reporting accountability to the Committee and regular performance reporting with detailed monitoring undertaken to provide assurance over the value of qualifying spend benefits realisation and the delivery of anticipated outcomes.
- This strategy seeks to allow the flexible use of capital receipts but does not determine they have to be used for the purpose set out. It provides flexibility to use capital receipts to fund the expenditure detailed if it is determined that is the best funding stream to use.
- Approval of projects and allocation of funds arising from the use of flexible capital receipts will be at the discretion of the Committee in consultation with the Deputy Chief Executive (S151 officer), in accordance with this strategy.
- There are a wide range of projects that could generate qualifying expenditure, and the list below is not prescriptive. Examples of projects include:
 - Funding the cost of service, implementing the Council Best Value Inspection recommendations and the Improvement and Recovery Plan actions.
 - Sharing back-office and administrative services with one or more other council or public sector bodies.

- Investment in service reform feasibility work, e.g., setting up pilot schemes.
- Collaboration between local authorities and central government departments to free up land for economic use.
- Funding the cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation.
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations.
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training.
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and Integrating public facing services across two or more public sector bodies (for example children's social care or trading standards) to generate savings or to transform service delivery.

3. Impact on Affordability of Prudential Borrowing

- The Council will have due regard to the requirements of the Prudential Code and the impact on the prudential indicators. Capital receipts from the sale of assets are used to finance the Council's Capital Strategy. The Council currently has unallocated capital receipts which can be used to fund this Strategy, therefore the utilisation of receipts for capital receipts flexibility will not have an impact on the Council's prudential indicators.
- The incremental impact on the Council's Prudential Indicators of **£2.222m** additional Capital Expenditure in 2025/26 due to its Flexible use of Capital Receipts Strategy might slightly change the CFR balances set out in Table 1 below:

Table 1 – Flexible Use of Capital Receipts change to Prudential Indicators

Prudential Indicators	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Capital Financing Requirement	991.3	898.0	696.4	667.4
Operational Boundary	1,170	700	600	530
Authorised Borrowing Limited	1,270	900	700	700

4. Projects to be Funded from Flexible Use of Capital Receipts

4.1 The Council intends to apply capital receipts of up to **£2.222m** in 2025/26. Projects which are likely to qualify for the capital receipts flexibility include:

Table 2 – 2025/26 Projects to be Funded from Flexible Use of Capital Receipts

Project	Description of Project	Qualifying Expenditure	Service Transformation	Planned use of Capital Receipts £000	Committee
Surrey LGR	Contribution towards creation of new unitary and estimated cost of £35m across Surrey pre-vesting day	Contribution towards the Surrey LGR	As set out in LGR business case	500	CPRC
Finance Theme	To achieve financial sustainability through disciplined planning, effective governance, and transparent porting. Reducing operating costs	Costs relating to the Financial Accounts quality assurance, MRP and technical accounting, commercial accounting, Statement of Accounts, financial accounting, Statement of Accounts- capital accounting and fixed assets register, Grant, and Funding Analysis. Savings identification and delivery	As set out in the Improvement and Recovery Plan (IRP)	165	CPRC
Commercial Theme	To prepare the council for unitarisation by reducing its exposure to commercial risks whilst maximising the value of its property assets and protecting the public purse.	Specific consultant work on various projects including the work re Oast House and Assets Rationalisation advisers	As set out in the Improvement and Recovery Plan (IRP)	1,100	CPRC

Project	Description of Project	Qualifying Expenditure	Service Transformation	Planned use of Capital Receipts £000	Committee
	Evaluation of individual assets and working up disposal programme. Social Value Portal - working up social value measures for regeneration assets Assets Rationalisation advisers				
Regeneration and Housing Theme	To develop a strategy for the council's regeneration sites which provide realistic and credible plans for the sites, increases the provision of housing, reduces homelessness, and minimises the use of temporary accommodation and assessing the viability of Knowle Green Estates company	Costs re the review and options analysis of KGE- report by end of September 2025, Commuted sum expenditure on properties, work on surveys, red book valuations Backfill elements of Head of Independent Living postholders role so that he can assist with the homelessness review elements	As set out in the Improvement and Recovery Plan (IRP)	264	CPRC
Improvement and Recovery Plan	Coordinate, direct, and deliver the Council improvement and recovery plan as a result of a best value inspection and Government intervention. Spelthorne has to achieve challenging targets internally and to meet future requirements as we enter Local Government Reorganisation. This	Including Programme Director/Coordinator (£108k) and the Interim Programme Director support (£60k) and support training and assist audit office with CIPFA self-assessment (£25k).	As set out in the Improvement and Recovery Plan (IRP)	193	CPRC

Project	Description of Project	Qualifying Expenditure	Service Transformation	Planned use of Capital Receipts £000	Committee
	role provides an opportunity to lead on moving the Council to a position where we fulfil the “directions” as specified by the Government from the best value review.				
Total				2,222	

Appendix C

Net Expenditure Budget 2025/26 by Group Head's Remit

Services	Revised 2025/26 £000s	Proposed 2026/27 £000s	Revised Change from 2025/26 £000s
Assets			
Asset Mgn Administration	273	317	44
Development Properties	67	189	122
Facilities Management	699	683	(16)
General Property Expenses	(81)	(132)	(51)
Parks Properties Project	3	5	2
Planned Maintenance Programme	1,413	1,516	102
Staines Town Centre Management	(373)	(385)	(12)
Total	2,001	2,193	192
Community & Wellbeing			
Arts Development	29	32	3
Assets Homelessness	(60)	154	214
Community Care Administration	356	488	133
Community Centres	547	562	15
Community Development	39	39	0
General Grants	239	231	(8)
Home Improvement Agency	4	(42)	(46)
Homelessness	1,360	2,066	706
Housing Benefits Admin	395	535	140
Housing Benefits Payments	113	113	0
Housing Needs	1,736	1,853	118
Leisure Administration	379	418	39
Leisure Centres	64	(656)	(720)
Meals on Wheels	120	98	(22)
Museum	(5)	(5)	0
Opal High Needs	55	113	58
Refugee Schemes	128	(325)	(453)
Resource Centre	14	13	(0)
Social Prescribing	(135)	95	230
Sports and Active Lifestyle	13	13	0
Step-Down Accommodation	0	(0)	(0)
Sunbury Golf Club	(50)	(50)	0
Youth	19	19	0
Total	5,358	5,764	406
Commissioning & Transformation			
CServ Management & Support	1,236	1,363	126
Emergency Planning	76	76	0
Energy Initiatives	10	11	0
HR	454	489	36
Information & Comms Technology	1,234	1,272	38
Payroll	80	85	5
Project Management	721	785	63

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Services	Revised 2025/26 £000s	Proposed 2026/27 £000s	Revised Change from 2025/26 £000s
Water Courses & Land Drainage	26	27	1
Total	3,837	4,105	268
Finance & Corporate Services			
Accountancy	1,048	1,228	181
Chief Executive	245	262	17
Corporate Management	1,202	1,243	41
Corporate Publicity	443	428	(15)
Democratic Rep & Management	424	455	31
Deputy Chief Executives	320	351	31
Insurance	368	395	26
MAT Secretariat & Support	109	118	9
Unapportionable CentralO/heads	1,596	(506)	(2,102)
Total	5,752	3,971	(1,781)
Legal and Elections			
Audit	253	300	46
Committee Services	339	319	(20)
Corporate Governance	335	356	21
Elections	11	36	25
Electoral Registration	295	290	(5)
Legal	679	731	52
Total	1,912	2,032	119
Neighbourhood Services			
SAT	162	174	12
Abandoned Vehicles	4	4	0
Allotments	(22)	(24)	(2)
Bus Station	24	24	0
Car Parks	(484)	(419)	65
Cemeteries	(411)	(433)	(22)
Community Safety	325	342	17
Depot	121	123	2
Environmental Enhancements	14	14	0
Grounds Maintenance	1,832	1,853	21
Neighbourhood Serv Mgt Support	1,337	1,520	184
Parks Strategy	(12)	(12)	0
Public Halls	(22)	(24)	(2)
Refuse Collection	984	1,120	136
Staines Market	(61)	(59)	3
Street Cleaning	842	858	16
Waste Recycling	(1,174)	(1,623)	(449)
Total	3,457	3,438	(19)
Place, Protection & Prosperity			

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Net Expenditure Budget 2025/26 by Group Head's Remit

Services	Revised 2025/26 £000s	Proposed 2026/27 £000s	Revised Change from 2025/26 £000s
Building Control	21	110	89
Economic Development	230	296	66
Environmental Health Admin	1,506	1,664	158
Environmental Protection Act	145	97	(48)
Food Safety	1	1	0
Incubator	19	23	4
Land Charges	(28)	(3)	24
Licensing	95	38	(57)
Planning Development Control	888	1,025	136
Planning Policy	960	998	38
Public Health	5	14	10
Rodent & Pest Control	17	17	0
Taxi Licensing	(67)	(54)	14
Youth Hub	120	170	50
Total	3,912	4,394	482
Total Net Expenditure	26,229	25,897	(333)