

Corporate Policy & Resources Committee



12 May 2025

Title	<i>Q4 Revenue Provisional Outturn Report as at 31 March 2025</i>
Purpose of the report	To make a decision
Report Author	<i>Ola Owolabi, Deputy Chief Finance Officer</i>
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Addressing Housing Need Resilience Environment Service Delivery
Recommendations	<p>The Committee is asked to acknowledge the forecast outturn for 2024/25 as at 31 March 2025 and approve the following recommendations:</p> <ol style="list-style-type: none"> 1. The (£3,112k) underspend for the year to 31 March 2025, before the recommendations below, as set out in table 2.1 below. 2. Approve the following transfers to reserves: <ol style="list-style-type: none"> a. £2,300k to Business Rates (National Non-Domestic Rates) Equalisation Reserve b. £812k to the General Fund Reserve
Reason for Recommendation	<p>This report sets out the Council's provisional Revenue outturn for 2024/25, year ended 31st March 2025. The position is provisional until the external auditors (Grant Thornton) have concluded their audit and presented their findings to the Audit Committee and confirmed that there are no material errors or omissions that have been identified from their audit.</p> <p>The draft unaudited accounts for the year ended 31 March 2025 must be published on the Council's website by 30 June 2025.</p>

1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none">• The Committee is required to agree the 2024-25 Revenue Outturn report and approved the specific transfers to Reserves, as set out in the report (section 2.1 below) or make other recommendations.• Noting that as the Council is required to publish it draft unaudited by 30 June, i.e., the Statement of Accounts will reflect these recommendations, and any subsequent adjustments made by the Committee will be reflected in the final Statement of Accounts as part of the statutory audit process.• Overall, this is a positive outturn with the Council increasing its cash backed reserves by £5,091k, being the sum of in-year movements of £1,979k (ref section 3.7) and the recommendation movements of £3,112k (section 3.10), strengthening its ability to face any external uncertainties ahead.• Several transfers are being made to Earmarked Reserves as part of the yearend accounting process, i.e., the unspent grants for use in future years, which are highlighted in section 2.10 below.• In section 2.9 below, National Non-Domestic Rates (Business Rates) Surplus - the share due to the Council from the Collection Fund shows a surplus of just under £2,300k. The recommendation is that the surplus funds are transferred to Earmarked Reserves and not utilised.	<ul style="list-style-type: none">• At the end of the financial year, Council must agree how to utilise any surplus, being mindful of the challenges highlighted in the Medium-Term Financial Plan• Deal with the grants received in year as per section 3.7 below.
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none">• Review the report and appendices attached.• Question Budget Managers, Chief Accountant and Chair of the Committee about any issues/queries the Committee may have.	<ul style="list-style-type: none">• Approve the recommendations made in the Report.

2. Overview

- 2.1 This report provides an overview on the provisional revenue outturn as it compares against the latest approved Budget, and reserves position for the 2024/25 financial year, which ended 31 March 2025. It is based on the latest information available and could change as the statutory accounts are still being prepared. The provisional outturn position for the Council in respect of the financial year 2024-25 shows a net provisional underspend of £3,112k.

Description	(under)/ overspend £000	Cumulative (under)/ overspend £000
Underspend before recommendations to be approved	-	(£3,112)
<u>Recommendations above:</u>		
Business Rates (National Non-Domestic Rates) Reserve (<i>section 2.9 below</i>)	£2,300	(£812)
Contribution to General Fund Reserves – <i>proposed</i>	£812	£0

The use of underspend recommendations above (if approved) will impact the overall reserves closing balance, with the current projected balance of £75,156k increasing to £78,372k, as detailed with specific balances below:

- **Business Rates Reserve** projected balance would increase from £8,871k to £11,171k, i.e. an increase of £2,300k. The reserve balance will be required in future years to fund the collection fund deficit, and to offset potential future reductions in business rates income following central government's Fair Funding Review. The reserve may also be used to offset any significant, future successful appeals against business rate bills, and to manage variations in annual council tax income.
 - Contribution to **General Fund Reserves**, will allow the balance to increase from £3,083k to £3,895k, as a result of the £812k use of underspend. The higher level of reserves will provide additional flexibility for the Council in 2025/26 and later years. The use of reserves however should be part of the wider strategy to ensure financial resilience.
- 2.2 In February 2024, the Council agreed its 2024/25 General Fund revenue budget. At the end of each quarter, officers prepare financial forecasts for each service showing forecast income and expenditure and the impact this will have on reserves and balances. This report is produced each quarter to ensure that the Committee can participate fully in the financial management of the Council's budgets.
- 2.3 This year continues to be an exceptionally challenging financial environment. Increases in employment costs, ongoing housing crisis and significant economic uncertainty have seen many councils reporting financial challenges.

- 2.4 The Council continues to take prompt action to achieve a better, sustainable financial position and work continues on the development of the other transformation ideas. Following on from the Best Value Inspection report, this will be taken forwards as part of the Improvement and Recovery Plan in collaboration with the Commissioners, if they are appointed.
- 2.5 With local government finance becoming even more complex, we must remain focused on ensuring budget managers have the skills and support to keep pace with an ever changing and challenging financial landscape, which include managing the increased demand on critical services and the forthcoming Local Government Reorganisation.
- 2.6 The Table below summarises the report based on **Appendix A** for each section of the budget and shows the key aggregate variances (Q4 & Q3) for each area of the budget. At Quarter 3, a probable outturn of £1,019k under budget had been forecasted and reported to Members. The Q4 provisional underspend will be used in preparing and publishing the unaudited draft Statement of Accounts, by 30 June in accordance with the statutory deadline:

2024-25 Net Revenue Budget Provisional Outturn - SUMMARY				
Description	2024/25 Budget Revised £000	2024/25 Actuals Outturn £000	2024/25 Q4 Variance £000	2024/25 Q3 Variance £000
Corporate Policy & Resources	11,025	7,633	(3,392)	(909)
Community Wellbeing & Housing	5,800	3,526	(2,274)	(1,923)
Business Infrastructure & Growth	2,532	3,112	580	596
Environment & Sustainability	6,903	4,555	(2,348)	660
NET EXPENDITURE AT SERVICE LEVEL	26,259	18,825	(7,434)	(1,576)
Net Investment Income, Interest and Capital Financing	(9,087)	(7,678)	1,409	2,422
Appropriation from Reserves	(1,936)	(1,242)	694	-
External Grants	(5,399)	(7,716)	(2,317)	(992)
Contributions to Reserves	-	6,842	6,842	671
Contributions from Reserves	(1,210)	(3,263)	(2,054)	(1,290)
Collection Fund (Surplus)/deficit	100	(153)	(253)	(254)
Income from Council Tax	(8,728)	(8,728)	-	-
Net Position - Over/ (Under) budget	-	(3,112)	(3,112)	(1,019)

- 2.7 **Net expenditure at Service Level** (Committee level) – The (£7,434) Quarter 4 provisional underspend (compared to the forecast outturn position in Quarter 3) has arisen for some of the following reasons:
- (a) (£2,966k) of unspent Local Authority Housing Fund (LAHF) Revenue Grant, Prevent Homelessness, HO Asylum Dispersal grant, Afghan Scheme Grant funding, Homes for Ukraine Grant funding, DWP HB Implementation of welfare reform changes, etc., grants, which officers are recommending is transferred to Earmarked Revenue Reserves, to cover future expenditure meeting the criteria of the grants.
 - (b) (£3,733k) - developer contributions relating to CIL/S106, which are required be transferred to Earmarked Revenue Reserves for future use.
 - (c) (£2,900k) – this relates to grant balance of £2.9m being removed from the creditors balance sheet code and relates to a net balance remaining after the various COVID Business support grants advanced to the Council during the Pandemic and paid out to local businesses. This is provisional and subject to audit but following extensive review of exchanges with the Department for Business, Energy, and Industrial Strategy (BEIS), we are satisfied that there is no outstanding balance due to BEIS and that therefore we will be releasing the credit which we will then put into reserves (this then potentially provides an opportunity to strengthen sinking fund reserves).
 - (d) Interest Earnings - (£871k) additional interest received, due to higher than predicted interest rates in on the overnight money markets and inter local authority lending market. This also relate to the drawdown of pooled funds which enabled rates of 5-6%.
 - (e) Investment Assets Rents Received – £795k shortfall - This is an expected fluctuation linked to the rent top up budget of £4m for Charter Building, which was utilised in FY 2023/24, but is offset by adjustment on rent free periods.
 - (f) Landlord costs (£98k) - Underspend relates to landlord's fit out works, which has led to a reduction in number of lettings in 2024/25. Spending on these works will be now incurred in 2025/26. There is also underspend on business rates as full empty rates allowance was applied.
- 2.8 Appropriation to Capital Financing – £277k – additional contribution to capital outlay to fund various capital expenditures, i.e., Ashford Cemetery Lodge (£81k), River Ash Broad Walk (£101k) and Electric Vans from UK Shared Prosperity Fund (UKSPF) (£184k).
- 2.9 National Non-Domestic Rates (NNDR) – (£2,300k) - National Non-Domestic Rates Surplus (£2,300k) on the Collection Account – the recommendation is to transfer any surplus into the Business Rate Retention reserves. Any surplus that are due to timing difference will be paid in later years to Government and preceptors (Surrey County Council) and the balance will be retained in reserves as a specific contingency against the significant risks of variations in future income and the Government resetting the scheme.

2.10 **Contribution to reserves** – £6,842k.

- (a) Community Infrastructure (CIL)/S106 (£3,728k) transferred from net expenditure at service level. This relates to developers' contributions received during the year which are to be set aside until applied for the approved purposes they have been earmarked for.
- (b) NNDR Retention Fund (£46k) - this is supporting economic development - money was borrowed from this reserve to fund share prosperity fund works in 2023-24 and was to be reimbursed in 2024-25 when the larger Shared Prosperity Fund grant was received.
- (c) Carry Forward Reserve (£48k) transferred to fund the Thames Tower 11th Floor Refurbishment that will improve the chance of an early letting.
- (d) Earmarked Reserves (£2,966k) - unspent Local Authority Housing Fund (LAHF) Revenue Grant, Cyber Security Grant, Weekly food & collections grant, Prevent Homelessness, Home Office Asylum Dispersal grant, Rough Sleep Initiative, Domestic Abuse, Afghan Scheme Grant funding, Homes for Ukraine Grant funding, Department for Work and Pensions (DWP) Real Time Information, DWP HB Implementation of welfare reform changes, DWP Housing Benefits Award Accuracy Initiative, Provision of Wellbeing Prescribing, etc, grants, which officers are recommending are transferred to Earmarked Revenue Reserves, to cover future earmarked expenditure.
- (e) (£54k) relates to the White House, Harper House and CIL Reserves.

2.11 **Contribution from reserves** – (£2,054k) reduced reserves usage, the narrative below explains in more detail the purpose for which the reserves are held and sets out that the majority of the useable revenue reserves that are committed/approved as part of the 2024/25 budget to be spent in supporting existing planned expenditure -

- (a) Green initiatives Fund (£24k) over recovery for Committee approved projects.
- (b) Earmarked Reserves (£85k).
- (c) Building Control Reserve (£8k) - the reserve is used to support the Building Control losses and gains.
- (d) Business Rates Equalisation (£286k) – required to deal with S31 grant adjustments.
- (e) Planning Performance Agreement £19k
- (f) Community Infrastructure Levy (CIL) Reserve (£1,433k) - this reflects levy received which need to be set aside on balance sheet until applied for the purposes it has been received.
- (g) Bronzefield Reserve (£106k).
- (h) Business Rates Retention (BRR) Retention £61k.
- (i) Green Belt Fighting Fund (£191k).

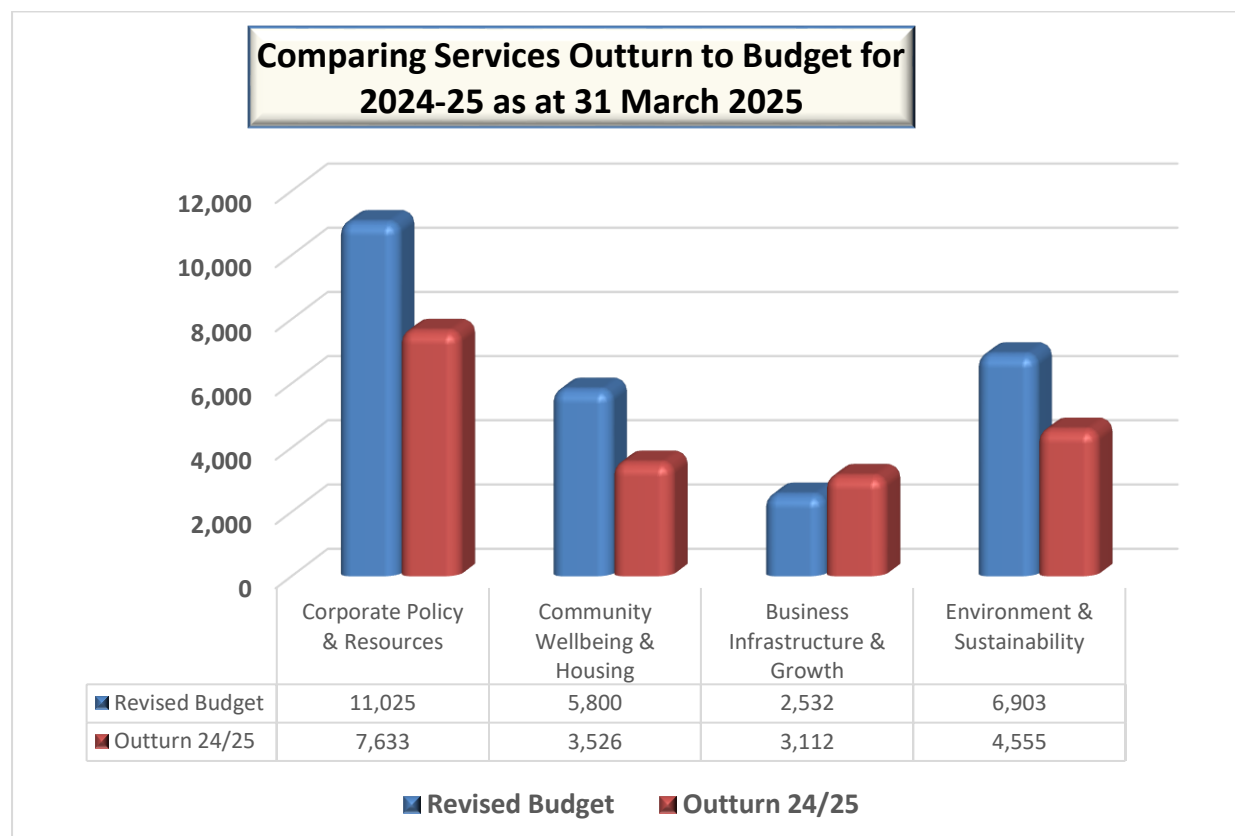
- 2.12 Please note that a detailed breakdown of all variances by Committee over £20k are attached as Appendices C to H to this report.
- 2.13 Officers have highlighted several alternative options that the Committee may wish to consider in section 5 below.

3. Key issues

- 3.1 The Draft unaudited financial statements for the year ended 31 March 2025 must be published on the Council's website by 30 June 2025, and the accounts will be prepared on the basis that Committee will approve the above recommendations.

Should Committee make any changes to the recommendations, the draft unaudited financial statements will be updated as part of the final audit process.

- 3.2 The report considers the Council's financial position in the light of the potential reduction in Bank of England base rates, the Cost-of-Living crisis, and the Council's Medium Term Financial Plan (MTFP) that indicates that the Council is facing substantial potential risks and significant budget gaps in the future, as shown in the 2025-26 Outline Budget Report approved by Council on 27 February 2025. The services budgets and outturn are shown in the chart below. Key variances are summarised in the table below, with a more detailed information on the variances by committee shown in section 2.



- 3.3 **Grants Received & Earmarked Reserves** - Reserves are an essential element of the Council's finances, and a sufficient level of balances should be held, to mitigate risks within the budget and operations of the Council. The Council holds a range of Reserves for a variety of reasons.
- 3.4 The actual number and value fluctuate over the year as monies are spent on projects, new money is received from funders (most often from Government but not exclusively) and new reserves are created to respond to changing financial pressures. The Reserves are held as funding for specific projects, against known or potential expenditure or to meet future costs or allow for service developments and to allow value for money improvements.
- 3.5 The level of General Fund reserve and earmarked reserves held by the Council were increased as part of the final financial year end position for 2023/24. This brought the level of the reserves up to the value that was set out in risk assessed level of reserves required to support the council's budget for 2024/25 and included in the budget report in February 2024. This provides additional capacity and resilience to support the financial position in 2024/25, supports the financial risks within the budget and allows lead in time for transformation and to reshape services to deliver on-going financial resilience and sustainability.
- 3.6 The movement in the Council's earmarked reserves is shown in Appendix A for the breakdown and in the table below in aggregate, with further breakdowns provided in this report as appropriate:

Reserves for the year ended 31st March 2025	31 Mar 24 Restated	Transfers to Reserves	Used in revenue funding	31 Mar 25
<u>Earmarked Reserves</u>	£'000	£'000	£'000	£'000
Revenue Grants unapplied	(5,926)	(2,966)	156	(8,736)
Capital Fund	(1,443)	-	-	(1,443)
Insurance Fund	(50)	-	-	(50)
Planned Spending Funds	(6,218)	(94)	956	(5,356)
Business Rates Equalisation	(9,157)	-	286	(8,871)
Sinking Fund Reserves	(35,038)	(1,251)	2,850	(33,439)
Youth Fund	(20)	-	-	(20)
Local Environmental Assessment Fund	(154)	-	-	(154)
Green Belt	(900)	-	281	(619)
Harper & White House Accommodation Fund	(104)	(48)	-	(152)
Woodthorpe Rec & Fordbridge Park	(80)	-	-	(80)
Contributions from Developers	(11,108)	(3,733)	1,584	(13,257)
Earmarked Reserves 31st March	(70,198)	(8,092)	6,113	(72,177)
General Fund Balance	(3,083)	-	-	(3,083)
Balance carried forward 31st March	(73,281)	(8,092)	6,113	(75,260)

- 3.7 During the year Council the net movement in Earmarked Reserves was an increase of £1,979k (£8,092k - £6,113k above).
- 3.8 The net contribution from the Sinking Fund reserves was £1,599k ((£1,251k) + £2,850k).

- 3.9 Overall net cashback reserves held by the Council increased by £1,979k (moving from £73,281k to £75,260k), if one excludes contributions from developers held for specific purposes total available cash backed reserves as at 31st March total £62,003k. This is at a time many councils are reducing their net cash backed reserves. At the end of 2023-24, Spelthorne had the one of the highest ratios of Revenue Reserves to Net Budget within district/borough councils in England. There is of course, an important driver as to why Spelthorne holds significant reserves as part of a strategy of mitigating risk relating to investment assets and against risks in achieving positive financial outcomes on its housing/regeneration sites.
- 3.10 **Projected Movement in Reserves: if the recommendations above re the underspend usage are approved by the Committee, the table below provides an indicative overall reserve balances representing an overall increase in reserves of £5,091k (£1,979k + £3,112k), i.e., the overall reserves closing balance will be £78,372k as detailed below:**

Summary of Movement in Reserves (Projected)	£'000	£'000
Projected General Fund Balance at 31st March 2025		(75,260)
<i><u>Transfer/Planned use of the 2024/25 Underspend:</u></i>		
Business Rates Equalisation Reserve	(2,300)	
General Fund Reserve	(812)	(3,112)
General Fund Reserve Closing Balance 2024/25		(78,372)

- 3.11 **Please note that any revenue and capital grants have two options:**
- (a) Funding is provided for a specific purpose and once that objective is received or the time limit passed, any remaining unused funding is repaid to the donor. (When Council acts as **Agent** and no impact on Council's finances)
 - (b) Funding is provided for a specific purpose with no time limit on its use, in this case, the relevant cost of service received the grant funding and any unused funds at the end of each year are credited to an earmarked reserve for future years use. (When Council acts as **Principal** and there is an impact on the Council's finances), Officers have provided Council with more detail on the Revenue grants received, as shown in the tables in 2.8 above and appendix A which summarises the grants received, funds allocated between each fund, and the approved Council funding to/from reserves, so that our finances and funding are more transparent to Councillors.
- 3.12 **Carry Forwards 2024-25** - Each financial year the Council receives a number of grants government and some of these are ring-fenced, which means they can only be spent on a specific activity. They are effectively revenue grants and fortunately can be carried forward to future financial years if they are unspent at year end. The Council carries forward these amounts of unspent money as a reserve to be released in the following year. Carry Forwards request reports were on the agenda for this meeting and the Committee.

4. Committee commentary

- 4.1 The following tables identify the significant (greater than £20k) aggregate differences from budget for the Cost Centre within each Committee. Figures shown without brackets represent an overspend or under-recovery of income; figures with brackets represent an (underspend) or (over-recovery) of income.

(a) Corporate Policy & Resources

Service	Variance £'000	Comment
Corporate Management	(2,766)	This net underspend is due to the grant balance of £2.9m being removed from the creditors balance sheet code that relates to various COVID Business support grants advanced to the Council during the Pandemic. Following extensive review of exchanges with BEIS the Council is satisfied that there is no outstanding balance due to BEIS and therefore releasing the credit into reserves. There are other additional payments of £197k relating to Best Value Inspection, £93k against external Audit fees, additional Local Government Association Improvement Grant funding of £50k & £28k relating to Redmond review Local Audit Grant.
Corporate Publicity	(75)	Underspend due to vacancies (£29k) and additional savings (£46K) achieved against software budget.
Legal Services	(21)	Savings achieved due to vacant posts, partially covered by agency staff.
Committee Services	(43)	Underspend due to vacancies.
Corporate Services Management & Support	(102)	Service restructure is in progress but will be completed in 2025-26 once a new automated systems is in place. Also, an additional underspend due to vacant posts, partially covered by agency staff and overtime payments.
Electoral Registration	(36)	Net underspend relates to the Electoral Integrity Programme new Burden Grant funding from Government.
Information & Comms Technology	(178)	Savings achieved due to vacant posts (£114k), partially covered by temporary staff and additional savings (£47k) through the Microsoft & Virtual Desktop Interface (VDI) Licensing costs, £15k Cyber Security Qual.
Misc Expenses	229	Bad Debts provision for 2024-25 has been increased by £185k based on outstanding sales ledger invoices. Year-end stock adjustments of £24k relating to fuel costs and remainder adjustment relating to VAT Suspense Account
Project Management	(34)	Savings achieved due to vacant posts. Difficulties in recruiting into information governance and gap when climate change officer left before new staff member started
Unapportionable Central O/Heads	(416)	Superannuation payments & Compensation added years payments to SCC are lower based on number of staff. No actuals cost against growth budget of £200k during the year and no income reflected against other savings budget, i.e. business improvements, procurement and other cashable savings budget of £355k giving net deficit of £155k against the budget. Also, additional legal & court costs of £84k relating to Employment tribunal cases, partially offset by lower expenditure against security services.

Service	Variance £'000	Comment
Other under/overspend	51	The remaining under/overspends are due to other minor variations.
Total significant net variances	(3,391)	For the complete list of variances including those under £20k, please refer to Appendix C

(b) Community Wellbeing & Housing

Service	Variance £'000	Comment
Community Care Administration	(371)	Underspend due to income received from Home Improvement Agency, Disabled Facilities Grant (DFG) Management Fees (£223k) and DFG Surrey County Council Reimbursement (£60k) as well as Social Prescribing Better Care Fund (£225k), which was not included in the original budget. Also, an additional expenditure for Home Improvement Agency, DFG Operational Equipment Maintenance of £111k.
Community Centres	84	Appetito contract cost increased for food costs (£116k) in addition to the increase in income from sale of food of (£36k).
Housing Needs	35	Additional costs incurred for overtime and temporary staff.
Homelessness	(147)	Due to £39k re Housing officer on secondment for specialised intensive case work, (£192k) due to the moving of residents to LAHF properties and additional grant received for Homelessness Prevention as well as HO Asylum Dispersal Grant.
Refugee Schemes	(1,738)	Due to £29k additional cost for temporary staff, and an additional grant funding (£2,190k) received for Home Office Supported Asylum Seeker accommodation. LAHF grant to offset additional LAHF revenue expenditure for refurbishments and repairs and maintenance of £582k.
Housing Benefits Admin	(50)	Underspend due to vacant posts within the service
Housing Benefits Payments	35	Net Housing Benefits subsidy payments received from the central government
Spelthorne Leisure Centre	(32)	Net variance due to additional cost for Eclipse Leisure Centre, legal cost £110k, insurance £206k & electricity £91k and dilapidations settlement received from SLM Community Leisure of £350k
Taxi Licensing	22	Due to licences expiration at different times of year.
SAT	(24)	Savings achieved due to vacant post, partially covered by temporary staff
Other under/overspend	(88)	The remaining under/overspends are due to other minor variations.
Total significant net variances	(2,274)	For the complete list of variances including those under £20k, please refer to Appendix D

(c) **Business Infrastructure & Growth**

Service	Variance £'000	Comment
Asset Mgn Administration	(149)	Net underspend due to consultants' fees as the Staines masterplan work was not progressed.
Development Properties	1,055	Net overspends due to unbudgeted running costs of £430k for Thameside House as the original intention was to demolish the building but this was not progressed due to preferred disposal option, hence ongoing void costs incurred. The Hanover House overspend of £133k was mainly due to budget under provision for NNDR rates. The majority of overspend on Oast House relates to the extra cost for vacant Council Tax on No. 34 Kingston Road, one off graffiti and pigeon guano removal and making the site safe for Councillors' inspection. The overspend on Ashford Victory Place of £48k is due to ongoing security costs as the site remains vacant and is subject to antisocial behaviour. These costs were previously capitalised but since suspension of the Capital projects by the Council, all capital costs have been expensed to revenue. Further £413k relates to final settlement with the contractor that was responsible for Benwell Phase 1 works.
Facilities Management	58	Overspend due to utility bills costs higher than anticipated increased cleaning costs, and increased requests by staff for operational equipment i.e. special chairs and foot stools. Also, the reimbursement from Knowle Green Estate - West Wing utility costs that were not invoiced due to previous years' charges being too high.
General Property Expenses	(73)	Underspend relates to the additional income from the recovery of rents from Kempton Park Racecourse dating from 2018 to 2024.
Planned Maintenance Programme	48	The net overspend is due to works which were unforeseen but required to ensure structural integrity and health and safety of public who use the respective Council sites.
Economic Development	(80)	Underspend was due to vacancies and there has been an overall reduction within the Economic Development expenditure.
Shared Prosperity Fund	(548)	The net underspend was due to the receipt of an additional funding regarding the Youth Hub and the expansion of the Incubator at the Summit Centre.
Youth Hub	298	Net overspends due to vacancies and the set-up costs for new unit at Elmsleigh Centre.
Other under/overspend	(29)	The remaining under/overspends are due to other minor variations.
Total significant net variances	580	For the complete list of variances including those under £20k, please refer to Appendix E.

(d) **Environment & Sustainability**

Service	Variance £'000	Comment
Planning Development Control	215	Overspend (£72k) resulting from planning appeals relating to Running Horse, Hazelwood Drive, Stanwell Farm, & Sheep Walk and (£156k) due to a reduction in planning applications which has impacted upon planning application fees.
Planning Policy	152	Mainly due to staffing costs (£50k) for overtime from local plan work and agency cover for CIL officer and (£171k) largely attributable to local plan work throughout the year in the run up to and including the Examination, and additional costs in developing the Design Code. There is a contribution of £69k from CIL Admin to fund staff costs from CIL changes in year - agency and staff sickness.
Environmental Enhancements	(24)	£40k funded through Higher Level Stewardship (HLS) Reserve and £4k through Bronzefield reserves. Additional 'Countryside Stewardship Grant' income (£69k) from Rural Payments agency is moved to reserves
Cemeteries	(96)	Increases in income due to more burials
Depot	32	Increased costs of utilities
Neighbourhood Serv Mgt Support	(183)	Savings of £62k achieved due to vacant posts partially covered by additional overtime payments. Also, savings of £13k achieved against Internal Printing, £18k against Insurance excess costs, £9k against Marketing and remainder against Legal & court cost budget. Additional one-off income of £30k from Heathrow for managing PSPO taxis & remainder higher penalty notices income.
Grounds Maintenance	(338)	Savings of £90k achieved due to vacant posts, partially covered by Agency staff, and savings of £40k achieved mainly against Operational equipment Leasing and remainder against Vehicle fuel budget. Additional grounds maintenance income of £192k mainly from Surrey County Council to carry out extra grass cut and tree shrub maintenance work and remainder relating to additional Forestry commission Grant income
Refuse Collection	28	Savings of £29k achieved due to vacant posts, partially covered by agency staff and efficient use of resources to run the service. Vehicle maintenance costs are higher by £187k relating to leased vehicles, partially off-set by lower fuel costs. Additional £66k relating to 'Simpler Recycling food waste collection grant' income received from DEFRA.
Waste Recycling	292	Additional Recycling payments of £157k made to Surrey Heath BC for previous financial year and expected to be paid this year due to change of financial mechanism and income is lower for this financial year by £134k.
Car Parks	(115)	Overall Business rates are lower by £280k against the budget mainly due to credits adjustments for few car parks for previous years from 2017-2024, and car Park fees income is lower mainly due to a delay in the implementation of the Parking Order amendment.
Community Infrastructure Levy	1,427	An expenditure of £2.4m is largely from CIL Strategic for A308 works and £1.03m was received in the year. The spend has been funded by drawing down from the relevant CIL reserves,

Service	Variance £'000	Comment
		which have been accrued from previous years CIL payments received.
Section 106	(3,728)	£3.85m from Fairview Homes for Old Telephone exchange site. Adjustments have been made to earmarked reserves as these are ringfenced developer contributions and expenditure of £142k relates to various S106 agreements.
Other under/overspend	(10)	The remaining under/overspends are due to other minor variations.
Total significant net variances	(2,348)	For the complete list of variances including those under £20k, please refer to Appendix F.

4.2 Net Asset Income (Commercial and Regeneration Assets)

The tables below show the latest monitoring position for the Council's investment and regeneration assets, the net income is used to meet net additional expenditure resulting from reduced government grant, Surrey County Council funding and other pressures.

Commercial & Regeneration Assets (Aggregated)	Revised Budget £'000	Outturn £'000	Variance £'000
Rental Income	(50,947)	(50,152)	794
Landlord Costs	6,828	6,730	(98)
Loan Interest Payable	24,933	25,937	1,003
Minimum Revenue Provision	12,919	12,707	(212)
Sinking Funds - contributions to	834	1,251	417
Sinking Funds - release from	(2,850)	(2,850)	-
Set Asides for specific revenue purposes	650	650	-
Net Asset Income (to fund Revenue budget)	(7,633)	(5,727)	1,904

4.3 The increase in the Loan Interest Payable was due to - £620k LA Borrowing, £100k PWLB, £61k Interest due on rent deposits (estimate), £90k estimate interest for leases (IFRS16). A key driver for the higher interest payable was financing the additional LAHF properties which were not anticipated when the Budget was set but will deliver savings on the Homelessness budget and will be offset in future by interest receivable from KGE.

4.4 The Council places a significant amount of the income earned into Sinking Funds, with £1,251k to cover future changes in circumstance, such as capital refurbishments or rent-free periods, and (£2,850k) applied during the year, decreasing the Council's Sinking Fund reserve by (£1,599m) to a closing balance of £33,439k.

	Balance 31/03/24 £'000	Additions 2024/25 £'000	Applied 2024/25 £'000	Balance 31/03/25 £'000
Proposed Allocation to Sinking Fund Reserves	35,038	1,251	(2,850)	33,439

- 4.5 **Knowle Green Estates Ltd (KGE)** is a wholly owned company set up to meet the housing needs of residents, including affordable rented and private rented accommodation and key worker homes. In terms of the Spelthorne Group Accounts, any financial support will be neutral, as the intercompany financial support is eliminated on consolidation. Noting that KGE is assisting the Council to reduce its Homelessness costs by around Bed & Breakfast by approximately £1,200k per annum, because of placing these tenants into temporary accommodation.
- 4.6 The audit of the accounts for KGE for the year ended 31 March 2025, is scheduled for May, with the final audited accounts due with the KGE Board in June.
- 4.7 Rental income continues to increase, particularly as a result of the additional LAHF units acquired during the year £2,028k (2023-24: £1,214k).
- 4.8 **Spelthorne Direct Services Ltd** is a wholly owned company set up to trade in commercial waste disposal, with directly employed staff. The audit of the accounts for the year ended 31 March 2025 is scheduled to take place in May, with the final audited accounts due with the Board in June.
- 4.9 The company is growing steadily, achieving annual turnover of £613k (2023-24: £580k).
- 4.10 The profit for the year is £80k (2023-24: £55k).

5. Options analysis and proposal

- 5.1 **General Fund** – there were several options for Council to consider on how to use the projected underspend of (£3,112k) at Outturn, as per the table in 2.6 above and these included:
- (a) Place the surplus funds into earmarked reserves, for a specific Council approved future project, either using an existing earmarked reserved, i.e., Green Initiatives Fund or Cost-of-Living or top up the Earmarked Sinking Funds reserves
 - (b) Alternatively, Council could approve to establish a new earmarked reserve, again for a specific future purpose.
 - (c) Council could approve the transfer of the surplus entirely to the General Fund, effectively the Council's profit and loss account. Just like earmarked reserves, only the Council can approve how the General Fund is used once funds are transferred into the reserve. The aim of the General Fund is to provide resilience to the Council's funding and provide funds to cover unexpected eventualities, crisis, etc, without impacting on the future plans or funding of projects from Council's earmarked reserves. Over the last 5 years, during a period of turbulent externalities, the Council has sought year by year, whenever it has head room to increase its General Fund Reserve.
 - (d) Therefore, officers are recommending to the committee that £812k of the underspend from the Outturn are transferred to the General Fund for future approved use by Council.

6. Financial management implications

- 6.1 Financial implications are as set out within the report and appendices and are subject to the final audit for the Council and its subsidiaries.

7. Risk management considerations.

- 7.1 There are no risk implications arising from the report at 31 March 2025, other than those mentioned above.
- 7.2 Going beyond 2025-26 there are several substantial risks on the horizon, including:
- (a) Addressing the risks identified in the Best Value Inspection report and from Sinking Funds analysis there is a need to improve the financial headroom of the Council in future years.
 - (b) The Council has identified significant budget gaps in its Medium-Term Financial projections for the years 2026-27 to 2028-29. This will be addressed through the Improvement and Recovery Plan to be agreed with the Commissioners including assets disposals and debt reduction and service transformation.
 - (c) Local Government Reorganisation process with Spelthorne potentially ceasing to be a sovereign authority from April 2027 there will be focus on ensuring that the Council is in a robust financial position by that time.
- 7.3 Economic uncertainties relating to impact of global tariffs uncertainty, impacts on business rates collection of the reduction in business rates relief for leisure, hospitality and retail from 75% to 40% from April 2025 and at same time increase in employers' National Insurance contributions. These are significant factors in officers' recommendation to transfer £812k to the General Fund, to increase General Fund Reserve (Council's main contingency fund).

8. Procurement

- 8.1 None

9. Legal considerations

- 9.1 The Local Government Act 2003 imposes a duty on the Council to review its budget throughout the year, make allowances for the uncertainties and risks, and take action if deemed necessary.

10. Other considerations

There are no further considerations.

11. Equality, Diversity, and Inclusion

- 11.1 There are no specific areas to highlight. However, equality, diversity, and inclusion (EDI) are central to everything that Council does and are woven throughout Council's Corporate Plans.

12. Sustainability/Climate Change Implications

- 12.1 There are no significant implications arising from the report.

13. Timetable for implementation.

- 13.1 The above recommendations will be incorporated into the draft unaudited accounts, which will be published on our website by 30 June, in accordance with the Government deadline, any amendments to this report will be reflected in the final audited set of accounts.

14. Contact

- 14.1 Ola Owolabi, Deputy Chief Finance Officer - O.Owolabi@spelthorne.gov.uk.

Background papers: 2024-25 Revenue Carry Forward requests, which will be discussed at this Committee meeting.

Appendices:

Appendix A – Net Revenue Budget Monitoring – 2024-25

Appendix B – Expenditure and Income Summary – 2024-25

Appendix C - Net Revenue Budget Monitoring CP&R Committee – 2024-25

Appendix D - Net Revenue Budget Monitoring W&H Committee – 2024-25

Appendix E – Net Revenue Budget Monitoring BI&G Committee – 2024-25

Appendix F – Net Revenue Budget Monitoring E&S Committee – 2024-25