

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		
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	Yes	29.08.25
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	
Risk comments		
Legal comments	LH	20/08/25
HR comments (if applicable)		

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	20/08/25
S151 Officer commentary – at least 5 working days before MAT	Terry Collier	11/8/25
Confirm final report cleared by MAT		

Corporate Policy & Resources Committee

Date of meeting - 8 September 2025

Title	Q1 Revenue Monitoring Report as at 30 June 2025
Purpose of the report	To note
Report Author	Ola Owolabi, Deputy Chief Finance Officer (Interim)
Ward(s) Affected	All Wards
Exempt	Report – no
Corporate Priority	Resilience
Recommendation	Committee is asked to: Consider the forecast Revenue Budget overspend of £1.9 million for the financial year 2025–26, based on expenditure to 30th June 2025.
Reason for Recommendation	The Committee needs to be informed of the Council's General Fund revenue budget position and consider any action required as appropriate.

1 Executive summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none">• This report sets out the Council's estimated outturn based on financial information at the end of the first quarter (Q1) of the 2025/26 financial year with projected trends in income and expenditure, and anticipated changes to Council funding.• As of the end of Q1, the Council is projecting an unfavourable year-end variance of £1.9 million against its £17.1 million Budget Requirement.• The bulk of the Council's overspend relates to lower than anticipated investment property income of £2.1 million, with an anticipated net surplus for the year of £1.9m compared to the budgeted surplus of £4.0m before a contribution from reserves.	<ul style="list-style-type: none">• Ensuring the financial stability of the Council

This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> • Immediate mitigation measures will include spending controls, i.e., freezing non-essential spending, review of vacant posts, etc. • Acceleration of income collection initiatives, exploring grant opportunities. • Reviews of high-cost services for potential redesign or efficiencies. • Reviewing the need for refurbishment spend on 3 Roundwood Avenue, Stockley Park. • Ensure any variances are reflected in medium term financial planning 	<ul style="list-style-type: none"> • Reassessment of 2025/26 budget assumptions • Reprioritisation of the savings programme. • Increase revenue streams through rent restructuring and adjust rent levels within legal frameworks to better reflect property value and market conditions. • Reduce void times: Improve turnaround on empty properties to reduce lost rent. • Improve operational efficiency through the use of technology to manage investment assets more efficiently.

2 Key issues

- 2.1 This report provides the Committee with a forecast to year end for the General Fund Revenue Budget for 2025/26 based on expenditure to the end of June 2025.
- 2.2 At its meeting on 27 February 2025, the Council approved a budget requirement of £17.1 million for the year, funded through a combination of government grants, council tax, business rates and the use of earmarked reserves.
- 2.3 The report highlights a number of significant variances to the budget, the bulk of which relates to lower than anticipated investment property income of £2.1 million. The net variance of £1.9 million is after the cost of Commissioners and additional resources to address Improvement and Recovery actions. These costs are mitigated by an increase in the extended producer responsibility grant allocation of £593k for waste packaging than anticipated in the budget.
- 2.4 A review of Minimum Revenue Provision (MRP) is currently being undertaken to address the recommendations in the Best Value Inspection report and those by the External Auditor Grant Thornton is likely to increase costs. Options are being explored to mitigate any increase. A full report that sets out any changes and mitigations will come to the next meeting of CPRC on 13 October 2025.

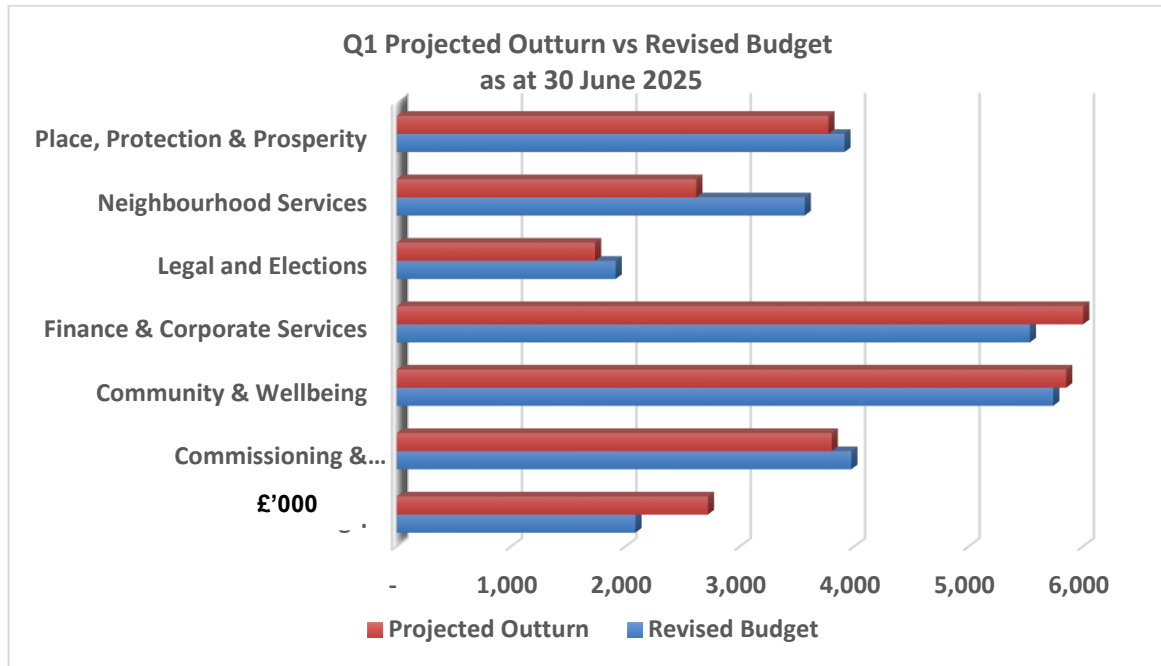
3 General Fund Revenue 2025/26 – Projected Outturn

- 3.1 The quarter 1 (Q1) projection – and overspend of £1.9 million, broken down by service area is summarised in table 1 below. A projection analysed by committee is attached as Appendix A.

- 3.2 Variances are shown against the revised budget that reflects an update from that originally approved in February 2025. This revision reflects the removal of planned write-off of previously capitalised expenditure that was initially included in the 2025/26 budget which was planned to be funded from earmarked reserves. Upon further review, it was determined that these write-offs, should be accounted for in 2024/25. As a result, the costs and reserve funding have been removed from the 2025/26 budget. The changes to the original budget are set out in Appendix A2.
- 3.3 The revised budget provides a more accurate reflection of the Council's expected financial activity for the year.

Table 1 – Q1 2025/26 Budget Monitoring Statement

Net Revenue Budget Monitoring - by Committee			
As at the end of 30 JUNE 2025			
	2025/26 Budget Revised £000	2025/26 Forecast Outturn £000	2025/26 Variance Over/(Under) spent £000
Gross Expenditure	64,964	59,758	(5,206)
Less Housing Benefit grant	(21,759)	(15,603)	6,156
Less Specific fees and charges income	(16,483)	(17,450)	(967)
Net Expenditure - broken down as below	26,722	26,706	(16)
Corporate Policy & Resources	11,302	11,488	186
Community Wellbeing & Housing	6,268	6,395	126
Business Infrastructure & Growth	2,413	2,954	541
Environment & Sustainability	6,739	5,869	(870)
Net Expenditure at Service Level	26,722	26,706	(16)
Investment & Regeneration (see Table 2 below)	(10,028)	(7,911)	2,116
Capital Financing	3,005	2,599	(407)
Interest Earnings	(2,222)	(2,001)	221
Contributions to/from Reserves	(342)	(364)	(23)
Budget Requirement	17,136	19,028	1,892
External Grants	(2,053)	(2,053)	-
National Non-Domestic Rates	(4,910)	(4,910)	-
Net Budget Requirement	10,173	12,065	1,892
Collection Fund Surplus/(deficit)	(877)	(877)	-
Income from Council Tax	(9,296)	(9,296)	-
Net Position - Over/ (Under) budget	-	1,892	1,892



Mitigations

3.4 In order to mitigate the impact of the overspend the following actions are planned:

- Spending controls, i.e. freezing non-essential spending, review of vacant posts, etc.
- Acceleration of income collection initiatives, exploring grant opportunities.
- Reviews of high-cost services for potential redesign or efficiencies.
- Reviewing the need for refurbishment spend on 3 Roundwood Avenue, Stockley Park.
- Reprioritisation of the savings programme.
- Increase revenue streams through rent restructuring and adjust rent levels within legal frameworks to better reflect property value and market conditions.
- Reduce void times: Improve turnaround on empty properties to reduce lost rent.
- Improve operational efficiency through the use of technology to manage investment assets more efficiently.

Variance by Service

3.5 At service level, the net budget is projected to show a favourable variance of £16k. A full breakdown of variances is provided below, highlighting the most significant deviations, those exceeding £100k from the budget for each service. In these tables, figures without brackets indicate an overspend or income shortfall, while figures in brackets represent an underspend or income over-recovery. Appendices B to H contain the Q1 Revenue Variance Analysis for each service.

3.5.1 Asset Management is forecasting an overspend of £598k.

Service	Variance £'000	Comment												
Development Properties	431	<p>An adverse variance of £431k has arisen due to unbudgeted holding costs associated with various development properties, most notably Thameside House. The original budget did not include provisions for Thameside House, as the Council had initially been approached with a potential proposal to redevelop the existing structure. Consequently, no allowance was made for associated business rates or other holding costs.</p> <p>The Council has since incurred unforeseen revenue expenditure across several development properties. These costs include Business Rates, Premises Insurance, Consultant Fees, Security Services, Marketing, and other related expenses. A breakdown of the adverse variances by property is as follows:</p> <table><tr><th>Development Properties</th><th>Variance £</th></tr><tr><td>Hanover House</td><td>60,700</td></tr><tr><td>Thameside House</td><td>314,700</td></tr><tr><td>Oast House</td><td>21,200</td></tr><tr><td>Ashford Hospital - Victory Place</td><td><u>34,200</u></td></tr><tr><td>Total</td><td>430,800</td></tr></table>	Development Properties	Variance £	Hanover House	60,700	Thameside House	314,700	Oast House	21,200	Ashford Hospital - Victory Place	<u>34,200</u>	Total	430,800
Development Properties	Variance £													
Hanover House	60,700													
Thameside House	314,700													
Oast House	21,200													
Ashford Hospital - Victory Place	<u>34,200</u>													
Total	430,800													
Other under/overspend	167	The remaining under/overspends are due to various variations including the increase in the Property Management, Accounting system and license costs, additional expenditure forecasted for a property consultant to support the improvement plan (£75k), general property expenses, etc.												
Total net variances	598													

3.5.2 Commissioning & Transformation services are projecting an underspend of £165k.

Service	Variance £'000	Comment
Customer Services Management and Support	(100)	An underspend is expected due to vacant posts, although this is partially offset by additional overtime payments.
Other under/overspend	(65)	The remaining under/overspends are due to other minor variations including various vacancies across the service.
Total net variances	(165)	

3.5.3 Community Wellbeing & Housing services are projecting an overspend of £114k,

Service	Variance £'000	Comment
Assets Homelessness (Whitehouse and Harper House)	125	Staffing costs have increased by £58k, driven by the use of agency staff and overtime to cover vacancies, sickness, and holidays. This is a temporary measure pending a more comprehensive staffing review scheduled for later in 2025. The service has also experienced two long-term property voids due to maintenance issues and poor management of repairs by the previous provider prior to the service being brought in house, resulting in a loss of service income of approximately £117k.
Housing Benefits Payments	(200)	A net underspend in Housing Benefit spending is expected due to the transfer of working-age claimants to Universal Credit.
Other under/overspend	189	The remaining under/overspends are due to other variations including expected savings from vacancies.
Total net variances	114	

3.5.4 Finance & Corporate Services are projecting an overspend of £498k.

Service	Variance £'000	Comment
Accountancy	264	Additional payments of approximately £225k are expected to be made to interim specialists recruited to support finalising the 2024/25 accounts which have not been fully audited since 2017/18. This includes addressing recommendations from audit findings from the 2023/24 accounts which were disclaimed. There are also higher software charges of £27k due to an increased maintenance fee for the financial system and additional costs of £12k related to fixed asset register software.
Corporate Management	362	The net overspend primarily results from unbudgeted expenditure of £450k associated with the costs of the Commissioners appointed the Minister of State for Local Government and English Devolution. Additional contributing factors include costs related to Green Initiative activities, such as energy efficiency improvements to the Scout hut. These overspends are partially offset by an increase of £67k in the Audit Backlog Grant received from the Government.
Unapportionable Central O/Heads	(104)	A projected underspend is anticipated based on monthly superannuation payments to SCC, which are expected to be lower due to a reduced number of staff occupying the posts.
Other under/overspend	(24)	

Service	Variance £'000	Comment
Total net variances	498	

3.5.5 Legal & Elections services are projecting an underspend of £180k.

Service	Variance £'000	Comment
Committee Services	(100)	Projected underspends from anticipated savings on vacancies, although agency staff temporarily fills some positions.
Other under/overspend	(80)	
Total net variances	(180)	

3.5.6 Neighbourhood Services are projecting an underspend of £948k.

Service	Variance £'000	Comment
Grounds Maintenance	(134)	There is an increase of £284k in contract income related to managing highway verges and weed maintenance within Spelthorne, on behalf of Surrey County Council. This is reduced by a £150k increase in salary costs, which are expected to rise because of this contract work.
Waste Recycling	(593)	An additional Extended Producer Responsibility (EPR) allocation of £593k in packaging grant has been notified for 2025/26., the Council reflected in its Budget the original allocation of £907k however it has recently been notified that this allocation has increased to £1,500k (most Surrey districts and boroughs have had similar increases). This UK-wide initiative requires producers of packaging to fund the full cost of managing household packaging waste, shifting the financial burden from taxpayers to producers. The grant supports local authorities in covering the costs of collecting, sorting, treating, and recycling packaging waste, thereby encouraging more sustainable packaging practices.

Service	Variance £'000	Comment
Other under/overspend	(221)	<p>The remaining under- and overspends are attributable to other minor variances, including increased income due to higher fees being implemented since October 2024 as a result of the parking order revision.</p> <p>All car parks combined had a year on year decrease of 1.6% in customer numbers and 19% average increase in income this quarter, so at this stage we are not suggesting any shortfall in revenue income, we project an extra £89k additional income this year based on information we have for the first quarter.</p>
Total net variances	(948)	

3.5.7 Place, Protection & Prosperity Services

The Place, Protection & Prosperity services are projecting a net underspend of £67k. This position is primarily due to staff vacancies and a recent restructuring, which included a reduction in hours for three Planning posts. The net underspend reflects the offset of an in-year bid of £93.5k for two additional permanent staff within the Environmental Health team to focus on residential work and HMOs (which as agreed by the CWH committee in April 2025). An additional one-off budget of £90k is also required to clear the current backlog of current HMO licence applications so the team are on a strong footing to deal more effectively with HMOs moving forwards.

Commissioners Expenses

- 3.6 In May 2025, the Secretary of State for Housing, Communities and Local Government issued Directions under sections 15(5) and 15(6) of the Local Government Act 1999 ("the Act") in relation to the Council. These Directions followed concerns about the Council's performance, prompting the appointment of Commissioners with expertise in leadership, decision-making, governance, finance, regeneration, property management, procurement, and commercial investments.
- 3.7 The Directions stipulate that the Council is responsible for covering the Commissioners' reasonable expenses and such fees as the Secretary of State determines. Appointment letters can be seen [here](#).
- 3.8 In setting these fees, the Secretary of State has been mindful of the need to ensure value for money for local taxpayers. In light of the scale and complexity of the intervention, the Secretary of State has set the daily fees at £1,200 for the Lead Commissioner and £1,100 for the other three Commissioners which is consistent with other interventions. Commissioners are able to claim up to 150 days pa but are currently estimated to be working less than this.
- 3.9 The current projected costs to the Council for the financial year 2025/26 is estimated as £450k for the year. Commissioners' expenses are published on the Council's [website](#).

4 Commercial/Investment Assets

Table 2 - Commercial Assets

	Revised Budget	Projected Outturn	Variance
Investment & Regeneration	£'000	£'000	£'000
Rental Income	(44,980)	(42,885)	2,095
Regeneration Property Income	(4,085)	(3,835)	250
/ess: Landlord costs	7,865	7,637	(229)
Net Rental Income receivable	(41,199)	(39,083)	2,116
Loan Interest Payable	22,866	22,866	0
Minimum Revenue Provision*	12,688	12,688	0
Sinking Funds - contributions to	1,003	1,003	0
Set Asides for specific revenue purposes	670	670	0
Net cost before reserves usage	(3,973)	(1,857)	0
Sinking Funds - release from reserves	(6,054)	(6,054)	0
Net Income (to fund Revenue budget)	(10,028)	(7,911)	2,116

* subject to review

- 4.1 The table above outlines the income and costs relating to investment properties, with an estimated a net contribution of £1.9 million before the use of the sinking fund reserve, and £7.9 million excluding the use of the reserve. This is £2.1 million less than assumed in the revenue budget with lower income than anticipated. This variance is primarily due to lower-than-expected occupancy levels, delays in lease renewals, and rent-free periods offered as incentives.
- 4.2 The revenue budget assumed a £6.1 million contribution from the sinking fund which was established to provide for future costs and variances to net income to support service provision below £10 million per annum. The level of sinking funds reserves set aside to meet future risks and available to provide for future support to revenue will be updated in the revised MTFS.
- 4.3 Officers recently reviewed the Investment Property rental income projections and provided an overall summary for the next five years, consolidating Income and Expenditure. It has been agreed that, going forward, quarterly updates of Asset business plans will be aligned with quarterly budget monitoring reports. This alignment will ensure that business plans feed directly into budget reports and that both use the same bottom-line accrued figures, ensuring consistency.
- 4.4 The projected income shortfall remains a concern and requires continued close monitoring. This projected deficit poses a significant pressure on the Council's overall revenue position.
- 4.5 The asset management team are considering whether the planned £1.65 million refurbishment expenditure on Roundwood Avenue, Stockley Park assumed in the revenue budget will proceed to mitigate costs.

5 2025/26 Salary Monitoring and Corporate Savings

- 5.1 The 2025/26 budget included vacancy savings of £1 million. Savings of £280k have been realised as of 30 June 2025. These savings (which will be ongoing and contribute towards closing the 2026/27 Budget gap) are based on the deletion of posts. Given current trends, the Council is on track to achieve its

revised (from original budgeted target of £0.5m) full-year vacancy savings target of £1 million, assuming similar patterns of turnover and post deletion continue throughout the year.

- 5.2 As part of the 2025/26 budget approved by Council in February 2025, several corporate savings measures were agreed to ensure a balanced budget for the year, which include £156k in cashable efficiency savings outlined in Appendix I.
- 5.3 The underlying savings achieved at the end of Q1 that will have a continuing impact in 2026/27— amount to £421k, as shown in Table 3 below. Future savings identified during the year are tracked, banked and adjustments are made to the Budget to reflect them.

Table 3 – Banked 2025/26 Corporate Savings	Revised Budget	Savings Banked as at June	Expected by 31 March 2026
	£000	£000	£000
Vacancy-related deleted posts (Appendix I)	1,000	280	1,000
Other Cashable Efficiency Savings	156	141	156
Total	1,156	421	1,156

6 Options appraisal and proposal

- 6.1 The current financial projection for 2025/26 at Q1 is not sustainable and poses a risk to the budget planning process for 2026/27. If the mitigations to reduce the overspend are not achieved reserves would have to be used to balance the budget as set in the Table below. These should be considered as a fall back to the extent that further in year offsetting savings are not found.

Table 4 – Addressing the Projected Outturn - options		
	£'000	£'000
Q1 Projected Outturn at 30 June 2025		1,892
Homelessness Prevention Grants from reserve	(125)	
Resettlement Coordinator funded from reserve	(114)	
Investment Fund deficit/Sinking Fund Usage	(1,653)	
Projected use of reserve – 2025/06		(1,892)
Projected outturn as at 31 March 2026		0

7 Risk implications

- 7.1 While vacancy savings can offer financial benefits, they also pose a risk to the Council's ability to deliver its full range of services. In particular, unfilled roles in specialist or technical areas may lead to critical gaps in expertise and the potential loss of recognised knowledge, which can adversely affect decision-making and service continuity. This challenge, of recruiting and retaining the right people is one being experienced across local authorities in Surrey.
- 7.2 Outturn figures may change over the course of the year, including for revising Minimum Revenue Provision (MRP) charges recommended by the External Auditor and Best Value Inspection. Although mitigations for these increases are being explored.

8 Financial implications

- 8.1 The financial implications are as set out and addressed in the body of this report. The report highlights the risk of an adverse outturn for the year putting pressure on the Council's reserves at the year end. This reinforces the importance of identifying in year additional savings, particularly those which are ongoing and can contribute towards closing the Budget gap for 2025/26.
- 8.2 The Medium-Term Financial Strategy (MTFS) for 2025/26 to 2028/29, presented to Council on 27 February 2025, required savings to address the projected shortfall of approximately £3.9 million in the 2026/27 financial year. Work has already started to update this position which will be reported to the October CPRC committee.

9 Legal comments

- 9.1 Under the provisions of the Local Government Act 2003 the Council has a statutory duty to review and monitor its budget throughout the year, make allowances for the uncertainties and risks, and take action if deemed necessary.
- 9.2 Section 151 of the Local Government Act 1972 imposes a duty on the Council to make arrangements for the proper administration of its financial affairs.
- 9.3 This report enables the Committee to understand the financial position and supports in the discharge of the statutory duties.

Corporate implications

10 S151 Officer comments.

- 10.1 The projected net adverse variance of £1.9 million highlights the importance of the Council continuing to work to identify ongoing savings which can be implemented in year to deliver part year savings and ongoing full year savings. To the extent that offsetting savings cannot be identified the projection suggests that there will be some need to draw on reserves at the year end to balance the outturn position.

11 Monitoring Officer comments.

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

12 Procurement comments

12.1 None

13 Equality and Diversity

13.1 Equality, diversity, and inclusion (EDI) are central to everything that we do and are woven throughout our Strategic Plans.

14 Sustainability/Climate Change Implications

14.1 There are no climate change implications arising directly from this report. However, prudent financial management contributes indirectly by enabling future investment in sustainability initiatives.

15 Other considerations

15.1 Regular monitoring and reporting of the revenue budgets enable decisions to be taken in a timely manner, which may produce revenue benefits and will improve financial control within the Council. The projections are made against the latest approved budget and based on data received from Budget Managers.

16 Timetable for implementation.

16.1 Not applicable.

17 Contact

17.1 Ola Owolabi, Deputy Chief Finance Officer (Interim) -
O.Owolabi@spelthorne.gov.uk.

18 Background papers:

18.1 Detailed Revenue Budget for 2025-26. Council, 27 February 2025

19 Appendices:

- Appendix A - Q1 Revenue Analysis by Committee
- Appendix A2 – 2025/26 Original and Revised Budget movements
- Appendices B – H: Services Q1 Revenue Variance Analysis
- Appendix I – 2025/26 Salary Monitoring and Corporate Savings -updates