

## 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**

<b>ITEM</b>	<b>Yes / No</b>	<b>Date</b>
Councillor engagement / input from Chair prior to briefing	<b>Yes</b>	<b>18/11/25</b>
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	<b>Yes</b>	<b>26/11/25</b>
Relevant Group Head review		
MAT+ review (to have been circulated <b>at least 5 working days before Stage 2</b> )	<b>Yes</b>	<b>04/11/25</b>
This item is on the Forward Plan for the relevant committee		
	<b>Reviewed by</b>	
Risk comments		
Legal comments	<b>LH</b>	
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**

<b>ITEM</b>	<b>Completed by</b>	<b>Date</b>
Monitoring Officer commentary – at least <b>5 working days before MAT</b>	<b>LH</b>	
S151 Officer commentary – at least <b>5 working days before MAT</b>	<b>T.Collier</b>	<b>26/11/25</b>
Confirm final report cleared by MAT		

# Corporate Policy & Resources Committee

**Date of meeting – 1 December 2025**

<b>Title</b>	Q2 Revenue Monitoring Report as at 30 September 2025
<b>Purpose of the report</b>	To acknowledge
<b>Report Author</b>	Ola Owolabi, Deputy Chief Finance Officer (Interim)
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	<p>Report – no <b>Appendix J</b> – yes.</p> <p>Investment Analysis contains exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to Information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in any contract or other type of negotiation with a prospective purchaser who could then know the position of the Council.</p>
<b>Corporate Priority</b>	Resilience
<b>Recommendation</b>	<p><b>Committee is asked to:</b></p> <p>Consider the forecast Revenue outturn that reflects the change in Minimum Revenue Provision (MRP) policy and debt refinancing discount approved at Full Council on 17 November 2025.</p>
<b>Reason for Recommendation</b>	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"> <li>• This report sets out the Council's estimated outturn based on financial information at the end of the second quarter (Q2) of the 2025/26 financial year with projected trends in income and expenditure.</li> <li>• As at 30 September 2025, the Q2 revenue position showed a small pre-Minimum Revenue Provision (MRP) Policy and re-financing adjustment underspend of £160k (paragraph 2.3) against a net budget of £17.1m for 2025/26. However, after applying revised MRP and discount from re-financing debt these changes to a net overspend of £16.4m (Table 3), which will be funded from reserves as part of the Council's approved financial planning strategy.</li> <li>• This represents a large proportion of the Council's remaining useable reserves. If all of the projected overspend were to be covered from available reserves on the balance sheet the projected closing balance for those reserves would be £19.9m at the end of 2025-26</li> <li>• The modest underspend before MRP and refinancing adjustments reflects effective cost control measures, ongoing vacancy management, and deferring the £1.6m refurbishment at Roundwood Avenue, Stockley Park.</li> <li>• The Council's vacancy and corporate savings programme continues to perform well, achieving £1.2m of savings by mid-year against a target of £1.1m, largely through post deletions and efficiency measures. These are expected to deliver ongoing benefits into 2026/27.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring the financial stability of the Council</li> <li>• Seek to protect the ability of the Council to set a balanced budget for 2026-27</li> <li>• Enabling councillors to be made aware of emerging issues on a timely basis to facilitate corrective action to be taken if required</li> </ul>
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> <li>• Continuing monitoring of Budget to ensure that the outturn remains on track to be within budget.</li> <li>• Measures to continue to review vacant posts, ensure any variances are reflected in medium term financial planning.</li> <li>• Focus on opportunities to deliver additional in-year savings in order to lessen the extent to which reserves are required to close the Budget gap at the year end</li> </ul>	<ul style="list-style-type: none"> <li>• Reassessment of 2025/26 budget assumptions</li> <li>• Reprioritisation of the savings programme</li> <li>• Use the updated projected use of reserves to feed into updated Reserves Strategy and Medium Term Financial Strategy figures.</li> </ul>

## 2 Key issues

- 2.1 This report provides the Committee with a forecast of the 2025/26 General Fund Revenue Budget outturn, based on expenditure incurred up to the end of September 2025. It reflects the adoption of a compliant MRP policy and discount from debt re-financing approved by Full Council on 17 November 2025.
- 2.2 At its meeting on 27<sup>th</sup> February 2025, the Council approved a Budget Requirement of £17.1 million for the year 2025-26, funded through a combination of government grants, council tax, business rates, and the use of earmarked reserves.
- 2.3 As at 30 September 2025, the Council's Quarter 2 revenue position showed, prior to the amendments relating to MRP and loan discount a small underspend of £160k, detailed within Appendix A2. The modest underspend against the original budget reflected effective cost control measures, ongoing vacancy management, and savings from deferring the £1.6m refurbishment at Roundwood Avenue, Stockley Park
- 2.4 After applying the changes to MRP and loan discount this shifts to a net projected overspend of £16.4m. The overspend will be funded from reserves as part of the Council's approved financial planning strategy. However, officers will seek to continue to maximise in-year savings in order to reduce that impact on reserves. The increase in MRP reflects statutory guidance and applying MRP on surplus regeneration assets which were omitted from the original 2025/26 budget.
- 2.5 The MRP charge has increased from £13m to £58m for 2025-26 as a result of the change in policy, loan discount for 2025/26 is £34m an interest costs will increase from £23m to £27m, investment income from £44.8m to £42.9m.

<b>Table 1 changes relating to MRP, discount and interest</b>	<b>2025/26 £m</b>	<b>2025/26 £m</b>
Re-stated MRP	57.6	45.0
Original MRP	(12.6)	
Interest payable	26.8	4.0
Original Interest	(22.8)	
Investment Income	(42.9)	1.9
Original Investment Income	(44.8)	
Discount £342m over 10 years, £34m per annum		(34.3)
<b>Net (surplus)/deficit to General Fund before other adjustments</b>		<b>16.6</b>

- 2.6 The reduced investment income in Q2 can also be attributed to the ongoing Asset Rationalisation programme, which supports the revised Medium-Term Financial Strategy. The planned disposal of investment properties in 2025/26 will reduce the rental income stream that has historically been used by the Council to support service budgets and meet loan interest obligations.
- 2.7 These changes will significantly affect the reserve outturn balances for 2025/26. The use of reserves maintains a balanced position but reduces future financial flexibility, requiring close monitoring of reserve adequacy and the capital financing model through the Medium-Term Financial Strategy (MTFS). After

taking into account the impact of these changes the overall projected net overspend is £16.4m (see Table 2 below). A drawdown of £16.4m represents a very large proportion of the remaining reserves balances.

- 2.8 The Council's vacancy and corporate savings programme continues to perform well, achieving £1.2m of savings by mid-year against a target of £1.1m, largely through post deletions and efficiency measures. These are expected to deliver ongoing benefits into 2026/27.
- 2.9 Looking ahead, the Council will continue to maintain strict financial discipline to, limit reliance on the use of reserves, managing the investment property portfolio, and delivering the asset rationalisation programme to restore long-term financial resilience.

### 3 General Fund Revenue 2025/26 – Projected Outturn

<b>Table 2 - Variance by service area summary</b>	<b>Budget Revised £000</b>	<b>Forecast Outturn £000</b>	<b>Q2 Variance £000</b>
Gross Expenditure	64,464	59,346	(5,118)
Less Housing Benefit grant	(21,759)	(15,725)	6,034
Less Specific fees and charges income	(16,476)	(17,636)	(1,160)
<b>Net Expenditure - broken down as below</b>	<b>26,229</b>	<b>25,985</b>	<b>(244)</b>
Assets Management.	2,086	2,655	569
Commissioning & Transformation	3,981	3,829	(151)
Community & Wellbeing	5,738	5,736	(2)
Finance & Corporate Services	5,034	5,524	490
Legal and Elections	1,913	1,732	(181)
Neighbourhood Services	3,566	2,854	(712)
Place, Protection & Prosperity	3,912	3,656	(256)
<b>Net Expenditure at Service Level</b>	<b>26,229</b>	<b>25,985</b>	<b>(244)</b>
Investment & Regeneration (see Table 3 below)	(45,581)	(42,973)	2,609
Minimum Revenue Provision	12,688	57,644	44,956
Loan Interest	22,866	26,882	4,016
Loan Discount	-	(34,261)	(34,261)
Debt Interest Payable (Non-Investment)	3,005	2,599	(407)
Interest Earnings	(2,222)	(2,405)	(183)
Contributions to/from Reserves	158	111	(48)
<b>Budget Requirement</b>	<b>17,143</b>	<b>33,581</b>	<b>16,437</b>
External Grants	(2,053)	(2,053)	-
National Non-Domestic Rates	(4,917)	(4,910)	7
<b>Net Budget Requirement</b>	<b>10,173</b>	<b>26,617</b>	<b>16,444</b>
Collection Fund Surplus/(deficit)	(877)	(877)	-
Income from Council Tax	(9,296)	(9,296)	-
<b>Net Position - Over/ (Under) budget</b>	<b>(0)</b>	<b>16,444</b>	<b>16,444</b>

- 3.1 The details broken down by service area, is summarised in Appendix A2. A detailed projection, analysed by committee, is provided in Appendix A.
- 3.2 The overall net budget requirement has risen from £17.1m to £33.5m, largely due to the technical adjustments described above. The corresponding movement is fully mitigated through an additional contribution from reserves of £16.4m, ensuring the overall net position remains balanced.

### Commissioners' Expenses

- 3.3 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.
- 3.4 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](#).
- 3.5 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.
- 3.6 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 3 - Commercial Assets**

	<b>Revised Budget</b>	<b>Projected Outturn</b>	<b>Variance</b>
<b>Investment &amp; Regeneration</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Rental Income	(44,400)	(40,648)	3,752
Regeneration Property Income	(4,023)	(4,055)	(32)
less: Landlord costs	7,224	6,112	(1,111)
<b>Net Rental Income receivable</b>	(41,199)	(38,591)	2,609
Contributions to reserve	1,003	1,003	-
Management costs	670	670	-
<b>Net cost before reserves usage</b>	(39,527)	(36,918)	2,609
Release from reserves	(6,054)	(6,054)	-
<b>Net Income (to fund Revenue budget)</b>	(45,581)	(42,973)	2,609

- 4.1 Table 3 above outlines the income and costs relating to investment properties, with an estimated a net contribution of £36.9m before the use of the sinking funds reserves, and £43.0m after including the use of the reserves. This is £2.6m 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. Detailed breakdowns are provided within the attached Appendix J - Investment Assets Analysis.
- 4.2 In addition, the asset management team has reviewed and subsequently deferred the planned £1.6 million refurbishment expenditure on Roundwood Avenue, Stockley Park, which had been assumed in the revenue budget.
- 4.3 The revenue budget assumed a net £5.1 million contribution from the sinking fund which was established to provide for future costs and variances to net income to support service provision including meeting future risks.

#### 5 2025/26 Salary Monitoring and Corporate Savings

- 5.1 The 2025/26 budget originally included a target of £0.5m which was then subsequently increased to £1m vacancy savings. As of 30 September 2025, savings of £1m have been realised (Appendix I), primarily through the deletion of various posts. Based on current trends, the Council has achieved the full-year vacancy savings target and is likely to exceed £1m should the vacancies review continue throughout the remainder of 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. These measures include £156k in cashable efficiency savings, as outlined in Appendix I.
- 5.3 The savings realised by the end of Quarter 2 amount to £1.2m, as detailed in Table 4 below. These savings will deliver a sustained financial benefit into 2026/27. Current projections indicate that the total savings will exceed the projected £1.2m by year-end. Any additional efficiencies identified during the remainder of the year will be monitored, recorded, and incorporated into future Budget revisions as appropriate.

<b>Table 4 – 2025/26 Corporate Savings</b>	<b>Revised Budget</b>	<b>Savings Banked as at September</b>	<b>Expected by 31 March 2026</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Vacancy-related deleted posts	1,000	1,034	>1,034*
Other Cashable Savings	156	149	>156
<b>Total</b>	<b>1,156</b>	<b>1,183</b>	<b>&gt;1,190</b>

\*>: greater than

## 6 Projected Movement in Earmarked Reserves

- 6.1 The level of earmarked reserves projected for discretionary or committed use by the Council is expected to decrease from £41.8 million as of 31 March 2025 to £19.9 million by 31 March 2026. The projected balances are detailed in Table 5 below. Note the original proposed use of reserves built into the Budget for 2025-26 was made up of £8.7million to offset anticipated writing off part of accumulated capitalised costs on housing sites, £0.4 million for specific growth pressures and £5.1 million net use of sinking funds balances. Subsequent to the Budget being set all of the abortive costs were dealt with as part of closing 2024-25 Accounts as a prior year issue and therefore is no longer required.

<b>Table 5 - Movement in Earmarked Reserves Summary</b>		
	<b>£'000</b>	<b>£'000</b>
<b>Useable Earmarked Reserves and available unapplied Revenue Grants set aside at 1st April 2025 (adjusted)</b>		<b>41,786</b>
2025/26 Approved Usage	(14,162)	
Aborted 2025/26 Usage - Capitalisation write off	8,710	
Q2 Projected Outturn at 30 September 2025	(16,444)	

Projected use of reserve – 2025/06		(21,896)
<b>Earmarked Reserves at 31<sup>st</sup> March 2026 (Projected)</b>		<b>19,890</b>

## **7 Options appraisal and proposal**

- 7.1 The current financial projection for 2025/26 at Q2 require continuing the existing mitigations to reduce expenditure and improve cashable efficiency savings. Officers will work to identify further offsetting savings to seek to reduce the extent of the draw down of reserves. The outturn overspend will be transferred and funded from reserves.

## **8 Risk implications**

- 8.1 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.
- 8.2 The Council faces ongoing financial and operational risks despite a broadly balanced forecast for 2025/26. The substantial increase in the Minimum Revenue Provision (MRP) introduces a recurring budgetary pressure that will constrain future financial flexibility, while reliance on reserves to balance the in-year position is only sustainable in the short term.
- 8.3 Reduced income from investment assets and continuing market uncertainty add further risk to the medium-term outlook. These risks collectively heighten the Council's exposure to financial instability if mitigations are not delivered as planned. Ongoing monitoring through the corporate risk register, alongside actions in the Improvement and Recovery Plan, will remain critical to ensuring the Council's long-term financial sustainability and its ability to deliver core services effectively.
- 8.4 Reserves can only be spent once, the Council commenced the year with available reserves balances on the Balance Sheet of £41.8 million, the greater the level of overspend in 2025-26 the greater the draw down of reserves in 2025-26 and the lower the reserves balances available to support the Medium Term Financial Strategy of smoothing transitional impacts in 2026-27 and beyond. The risk is that the reserves position becomes increasingly tight for future years.

## **9 Financial implications**

- 9.1 The financial implications are as set out and addressed in the body of this report. The report reinforces the importance of identifying in year additional savings, particularly those which are ongoing and can contribute towards closing the Budget gap for future years.

## **10 Legal comments**

- 10.1 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.



- 10.2 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.
- 10.3 This report enables the Committee to understand the financial position and supports in the discharge of the statutory duties. 4

## **Corporate implications**

### **11 S151 Officer comments.**

- 11.1 The shift from a projected £1.9m overspend in Q1 to a £160k pre-MRP adjustment underspend in Q2 represents a positive financial turnaround. It reflects effective in-year financial management, improved income forecasts, and proactive mitigation strategies. However, some volatility especially in areas like Investment & Regeneration and Housing Benefit grants warrants ongoing scrutiny to ensure the council remains within budget through the remainder of the financial year.
- 11.2 While the Council remains on course to deliver a balanced budget for 2025/26, the significant Quarter 2 movements post-MRP and refinancing variance of £16.4m highlight the sensitivity of the overall position to capital financing, debt reduction, and investment income assumptions. This is a very significant increase and represents a major drain on the Council's remaining reserves balances. In this context it is important that the Council intensifies its efforts to seek to identify and deliver any additional revenue savings. Continued close monitoring in Quarters 3 and 4 will be essential to ensure emerging pressures, particularly around borrowing costs and investment income, are effectively contained within the overall financial framework.
- 11.3 The Council will explore whether any of the transformation costs incurred in 2025–26 can be capitalised under the Flexible Use of Receipts Strategy, should the Strategy be approved by Council, with such expenditure to be funded from Capital Receipts.

### **12 Monitoring Officer comments.**

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

### **13 Procurement comments**

- 13.1 None

### **14 Equality and Diversity**

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

### **15 Sustainability/Climate Change Implications**

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

### **16 Other considerations**

- 16.1 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.

**17 Timetable for implementation.**

- 17.1 Not applicable.

**18 Contact**

- 18.1 Ola Owolabi, Deputy Chief Finance Officer (Interim) -  
[O.Owolabi@spelthorne.gov.uk](mailto:O.Owolabi@spelthorne.gov.uk).

**19 Background papers:**

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

**20 Appendices:**

- Appendix A – Q2 Revenue Analysis by Committee
- Appendix A2 – Movement between Q1 and Q2 Forecast Key Drivers
- Appendices B – H: Services Q2 Revenue Variance Analysis
- Appendix I – 2025/26 Salary/Corporate Savings -updates
- Appendix J - Investment Assets Analysis.