

## Appendix A2

### Movement between Q1 and Q2 Forecast Key Drivers and the Projected Variance Analysis by Service

#### 1 Movement between Q1 and Q2 Forecast

- 1.1 The Quarter 2 (Q2) is projecting an underspend of £160k pre-MRP and refinancing adjustment. An overspend of £16.4m post-MRP adjustment, which will be funded largely through the use of reserves. The details broken down by service area, is summarised in Table 1a and 1b below. A detailed projection, analysed by committee, is provided in Appendix A.
- 1.2 The revised budget provides a more accurate representation of the Council's expected financial position and activity for the year.

**Table 1a – Q2 2025/26 Budget Monitoring Statement (*pre-MRP Adjustments*)**

| Net Revenue Budget Monitoring - As at the end of 30 September 2025 - Q2 |                        |                          |                     |
|---|------------------------|--------------------------|---------------------|
|   | 2025/26                |                          |                     |
|   | Budget Revised<br>£000 | Forecast Outturn<br>£000 | Q2 Variance<br>£000 |
| Gross Expenditure   | 64,464                 | 59,345                   | (5,119)             |
| 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 Mgt.   | 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                    | 491                 |
| Legal and Elections   | 1,913                  | 1,732                    | (181)               |
| Neighbourhood Services  | 3,566                  | 2,854                    | (712)               |
| Place, Protection & Prosperity  | 3,913                  | 3,656                    | (257)               |
| <b>Net Expenditure at Service Level</b>                                 | <b>26,229</b>          | <b>25,985</b>            | <b>(244)</b>        |
| Investment & Regeneration   | (10,028)               | (9,312)                  | 716                 |
| 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>16,977</b>            | <b>(167)</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>10,014</b>            | <b>(160)</b>        |
| Collection Fund Surplus/(deficit)                                       | (877)                  | (877)                    | -                   |
| Income from Council Tax   | (9,296)                | (9,296)                  | -                   |
| <b>Net Position - Over/ (Under) budget</b>                              | <b>-</b>               | <b>(160)</b>             | <b>(160)</b>        |
| Contribution (from)/to Reserve  | -                      | 160                      | 160                 |
| <b>Balance at Year-end</b>  | <b>-</b>               | <b>-</b>                 | <b>-</b>            |

- 1.3 The updated Quarter 2 (Q2) is projecting an overspend of £16.4m post-MRP adjustment, which will be funded through the use of reserves. The details broken down by service area, is summarised in Table 2b below.

**Table 1b – Q2 2025/26 Budget Monitoring Statement (*post-MRP Adjustments*)**

| Net Revenue Budget Monitoring - As at the end of 30 September 2025 - Q2 |               |                 |               |              |               |
|---|---------------|-----------------|---------------|--------------|---------------|
|   | 2025/26       |                 |               |              |               |
|   | Budget        | Forecast        |               |              | Movement      |
|   | Revised       | Outturn         | Q2            | Q1           | between Q1    |
|   | £000          | £000            | Variance      | Variance     | and Q2        |
|   |               |                 | £000          | £000         | Forecast      |
|   |               |                 |               |              | £000          |
| Gross Expenditure   | 64,464        | 59,346          | (5,118)       | (5,206)      | 88            |
| Less Housing Benefit grant  | (21,759)      | (15,725)        | 6,034         | 6,156        | (122)         |
| Less Specific fees and charges income                                   | (16,476)      | (17,636)        | (1,160)       | (967)        | (193)         |
| <b>Net Expenditure - broken down as below</b>                           | <b>26,229</b> | <b>25,985</b>   | <b>(244)</b>  | <b>(16)</b>  | <b>(228)</b>  |
| Assets Mgt.   | 2,086         | 2,655           | 569           | 598          | (29)          |
| Commissioning & Transformation  | 3,981         | 3,829           | (151)         | (165)        | 13            |
| Community & Wellbeing   | 5,738         | 5,736           | (2)           | 114          | (116)         |
| Finance & Corporate Services  | 5,034         | 5,524           | 490           | 498          | (8)           |
| Legal and Elections   | 1,913         | 1,732           | (181)         | (180)        | (1)           |
| Neighbourhood Services  | 3,566         | 2,854           | (712)         | (948)        | 236           |
| Place, Protection & Prosperity  | 3,912         | 3,656           | (256)         | 67           | (323)         |
| <b>Net Expenditure at Service Level</b>                                 | <b>26,229</b> | <b>25,985</b>   | <b>(244)</b>  | <b>(16)</b>  | <b>(228)</b>  |
| Investment & Regeneration   | (45,581)      | (42,973)        | 2,609         | 2,116        | 492           |
| Minimum Revenue Provision   | <b>12,688</b> | <b>57,644</b>   | 44,956        | -            | 44,956        |
| Loan Interest   | <b>22,866</b> | <b>26,882</b>   | 4,016         | -            | 4,016         |
| Loan Discount   | -             | <b>(34,261)</b> | (34,261)      | -            | (34,261)      |
| Debt Interest Payable (Non-Investment)                                  | 3,005         | 2,599           | (407)         | (407)        | -             |
| Interest Earnings   | (2,222)       | (2,405)         | (183)         | 221          | (405)         |
| Contributions to/from Reserves  | 158           | 111             | (48)          | (23)         | (25)          |
| <b>Budget Requirement</b>   | <b>17,143</b> | <b>33,581</b>   | <b>16,438</b> | <b>1,892</b> | <b>14,546</b> |
| External Grants   | (2,053)       | (2,053)         | -             | 0            | -             |
| National Non-Domestic Rates   | (4,917)       | (4,910)         | 7             | 0            | 7             |
| <b>Net Budget Requirement</b>   | <b>10,173</b> | <b>26,617</b>   | <b>16,445</b> | <b>1,892</b> | <b>14,553</b> |
| Collection Fund Surplus/(deficit)                                       | (877)         | (877)           | -             | 0            | -             |
| Income from Council Tax   | (9,296)       | (9,296)         | -             | 0            | -             |
| <b>Net Position - Over/ (Under) budget</b>                              | <b>(0)</b>    | <b>16,444</b>   | <b>16,445</b> | <b>1,892</b> | <b>14,553</b> |

### Movement between Q1 and Q2 Forecast

- 1.4 As at the end of September 2025 (Quarter 2), the Council's net revenue forecast outturn position shows a balanced budget after proposed use of reserves, consistent with the approved financial strategy. However, there have been notable movements between the Quarter 1 and Quarter 2 positions, driven by both service-level variations and significant movements within capital financing and investment activities.

## **Key Drivers of Variance between Q1 and Q2**

- 1.5 The Council's gross expenditure forecast at Quarter 2 stands at £59.3m, representing a reduction of £5.1m against the revised budget of £64.4m. This reflects a marginal upward movement of £87k compared to the Quarter 1 variance of £5.2m. The improvement is primarily offset by changes in income streams, particularly housing benefit grant and fees and charges, resulting in an overall net service expenditure underspend of £244k compared to the budget.
- 1.6 At the service level, performance remains generally stable, with the following notable variances and movements since Quarter 1:
- **Assets Management:** The service continues to forecast a pressure of £569k, a marginal improvement of £29k from Q1. This primarily relates to ongoing cost pressures in property maintenance and rental income shortfalls, partly mitigated by reduced utility costs.
  - **Commissioning & Transformation:** A continued underspend of £151k, reflecting a slight adverse movement of £13k, largely due to revised staffing forecasts and project rescheduling.
  - **Community & Wellbeing:** Now broadly on budget (£2k underspend), representing an improved position of £115k from Quarter 1. The improvement reflects additional grant income and vacancy management within community development programmes.
  - **Finance & Corporate Services:** A modest pressure of £491k, broadly unchanged (movement of £7k), reflecting ongoing temporary staffing and system improvement costs.
  - **Legal & Elections:** A stable underspend of £181k, driven by lower legal casework costs and deferred election preparation expenditure.
  - **Neighbourhood Services:** The most significant service improvement, with a reduced underspend from £948k to £712k, a movement of £236k, largely due to increased waste contract expenditure and fleet maintenance costs.
  - **Place, Protection & Prosperity:** Improved position from a £67k overspend in Q1 to a £257k underspend in Q2, a favourable movement of £324k, reflecting higher than anticipated planning and licensing income and staffing savings.
- 1.7 Overall, the aggregate service-level underspend of £244k indicates strong budgetary discipline across most service areas, despite localised pressures.

## **2 Projected Variance Analysis by Service**

- 2.1 At service level, the net budget is projected to show a favourable variance of £244k. 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 Q2 Revenue Variance Analysis for each service.

**2.1.1 Asset Management** is forecasting an overspend of £569k.

| <b>Service</b>               | <b>Variance<br/>£'000</b> | <b>Comment</b>   |
|------------------------------|---------------------------|--|
| Development Properties       | 489                       | <p>An adverse variance has arisen due to unbudgeted void costs associated with holding Thameside House. However, the Council has accepted an offer to dispose of this asset, which will bring any unanticipated revenue costs to an end.</p> <p>Weekly inspections are ongoing at Hanover House, alongside security measures and the rental of steel shutters at Ashford Victory Place. The majority of the overspend on Oast House relates to additional costs for vacant Council Tax on 34 Kingston Road (with demolition being considered) and ongoing pest control services.</p> |
| <b>Other under/overspend</b> | 80                        | 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 (£11k), general property expenses, etc.   |
| <b>Total net variances</b>   | <b>569</b>                |  |

**2.1.2 Commissioning & Transformation** services are projecting an underspend of £151k.

| <b>Service</b>                           | <b>Variance<br/>£'000</b> | <b>Comment</b>  |
|--|---------------------------|---|
| 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                    | (51)                      | The remaining under/overspends are due to other minor variations including various vacancies across the service.  |
| <b>Total net variances</b>               | <b>(151)</b>              |   |

**2.1.3 Community Wellbeing & Housing** services are projecting a net underspend of £2k,

| <b>Service</b>                 | <b>Variance<br/>£'000</b> | <b>Comment</b>  |
|--------------------------------|---------------------------|---|
| Assets<br>Homelessness         | 186                       | Staffing costs have increased by £93k, 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 £90k. |
| Other<br>under/overspend       | (188)                     | The remaining under/overspends are due to other variations including expected savings from vacancies.   |
| <b>Total net<br/>variances</b> | <b>(2)</b>                |   |

**2.1.4 Finance & Corporate Services** are projecting an overspend of £491k.

| <b>Service</b>                     | <b>Variance<br/>£'000</b> | <b>Comment</b>  |
|------------------------------------|---------------------------|---|
| Accountancy                        | 264                       | Additional payments of approximately £225k are expected to be made to interim specialists recruited to support finalising the 2024/25 accounts. This includes addressing recommendations from audit findings from the 2023/24 accounts which were disclaimed. There are also higher software charges due to an increased maintenance fee for the financial system and additional costs re fixed asset register software.  |
| Corporate<br>Management            | 378                       | 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<br>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<br>under/overspend           | (47)                      |   |
| <b>Total net<br/>variances</b>     | <b>491</b>                |   |

**2.1.5 Legal & Elections** services are projecting an underspend of £181k.

| <b>Service</b>             | <b>Variance<br/>£'000</b> | <b>Comment</b>   |
|----------------------------|---------------------------|--|
| Committee Services         | (100)                     | Projected underspends from anticipated savings on vacancies, although agency staff temporarily fills some positions. |
| Other under/overspend      | (81)                      |  |
| <b>Total net variances</b> | <b>(181)</b>              |  |

**2.1.6 Neighbourhood Services** are projecting an underspend of £712k.

| <b>Service</b>             | <b>Variance<br/>£'000</b> | <b>Comment</b>   |
|----------------------------|---------------------------|--|
| 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            | (409)                     | 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. |
| Other under/overspend      | (169)                     | <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>Savings expected due to vacant posts, partially being covered by agency &amp; temporary staff. Additional income of £30k from Heathrow Airport Ltd for Site Patrols and data capturing for Stanwell Taxi exclusion zone is offset by overtime costs and remainder for expected higher Penalty Notices income due to more activity.</p>  |
| <b>Total net variances</b> | <b>(712)</b>              |  |

**2.1.7 Place, Protection & Prosperity Services** are projecting an underspend of £257k.

| <b>Service</b>                 | <b>Variance<br/>£'000</b> | <b>Comment</b>   |
|--------------------------------|---------------------------|--|
| Planning Policy                | (164)                     | Projected underspends from anticipated savings on vacancies, and recent restructuring, which included a reduction in hours for planning posts. Also, a projected underspend from the Local Plan growth bid by £100K. |
| Other underspend               | (93)                      |  |
| <b>Total net<br/>variances</b> | <b>(257)</b>              |  |