

Corporate Policy & Resources Committee

Date of meeting – 17 February 2025



Title	Q3 Revenue Monitoring Report as at 31 December 2025
Purpose of the report	To acknowledge
Report Author	Altin Bozhani, Deputy Chief Finance Officer (Interim)
Ward(s) Affected	All Wards
Exempt	<p>Report – no</p> <p>Appendix J – 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>
Corporate Priority	Resilience
Recommendation	<p>Committee is asked to:</p> <ul style="list-style-type: none">• Consider the forecast Revenue outturn that reflects the latest forecast of budget holders.
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 third quarter (Q3) of the 2025/26 financial year with projected trends in income and expenditure.• As at 31st December 2025, the Quarter 3 revenue position showed a budget pressure of £13.7m; an improvement compared to Quarter 2 of £0.9m, before use of reserves to breakeven (Appendix A1) against a net Budget Forecast Requirement of £23.9m for 2025/26.• The bulk of the overspend (£15.8m) relates to MRP, Loan interest and Loan discount and reserve allocations. For more detail, please see Table 1 in paragraph 2.4.• If the projected overspend of £13.7m is covered from available reserves the projected closing balance for those available reserves would be £21.7m (paragraph 6.1, Table 5) at the end of 2025/26	<ul style="list-style-type: none">• Ensuring the financial stability of the Council• Seek to help the Council to set a balanced budget for 2026/27• Enabling councillors to be made aware of emerging issues on a timely basis to facilitate corrective action to be taken if required
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none">• Continuing monitoring of the Budget.• Measures to continue to review vacant posts, ensure any variances are reflected in medium term financial planning.• 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	<ul style="list-style-type: none">• Reassessment of 2025/26 budget assumptions to feed into 2026/27 Budget• Reprioritisation of the savings programme• Use the updated projected use of reserves to feed into updated Reserves Strategy and draft 2026/27 Budget figures.

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 December 2025. It reflects the adoption of a compliant MRP policy and the discount from debt re-financing approved by Full Council on 17 November 2025. Please see Appendix C for Local Government Finance Glossary.
- 2.2 As at 31 December 2025, the Council's Quarter 3 revenue position showed a budget overspend of £13.7m, prior to the use of reserves to breakeven. This represents a forecast improvement of £0.9m compared to Quarter 2, please see Appendix A1 for full details.

2.3 The material forecast outturn variances are:

- **Service Budgets, £1.102m underspend**

Underspends - £3.482m

- ✓ *Commissioning and Transformation*, underspend of £1.902m mainly due cost efficiencies across various areas and the use of flexible capital receipts to cover transformation costs.
- ✓ *Finance and Corporate Resources*, underspend of £0.068m is after charging £0.450m of Commissioners costs netted off by Improvement Recovery Programme Costs being funded by capital receipts.
- ✓ *Legal and Elections*, underspend of £0.201m driven mainly by staffing.
- ✓ *Neighbourhood Services (group of services)*, underspend of £0.940m mainly due to Packaging Extended Producer Responsibility grant allocation of £0.593m higher than expected and other areas (£347k).
- ✓ *Place, Protection & Prosperity*, underspend of £0.372m driven by staffing, other expenditure, and income.

Offset by Overspends - £2.380m

- ✓ *Assets Management*, overspend of £0.328m mainly due to unbudgeted void costs associated with holding Thameside House. However, the Council has accepted an offer to dispose of this asset.
- ✓ *Community & Wellbeing*, overspend of £2.052m. Housing Benefit Payments (£0.919m) because of net disbalance on payments out to claimants and grant reimbursement from central government; the rest due to Homelessness costs driven by increased demand.

- **Non-Service Budget (below Net Service Budget in the Budget summary), £14.799m overspend**

- ✓ *Minimum Revenue Position (MRP)*, overspend of £46.394m due to implementation of an MRP policy that is compliant with statutory guidance
- ✓ *Loan Interest costs*, overspend of £1.774m, increased interest costs after re-financing loans.
- ✓ *Net impact of reserve contributions and Housing Scheme Write off* £1.915m.

Offset by:

- ✓ *Loan discount*, net credit of £34.261m arising from amortising loan re-financing discount equally over 10 years, in accordance with accounting regulations.
- ✓ *Investment & Regeneration*, underspend of £0.954m mainly due to reduction in landlord costs (£2.507m) offset by lower rental income forecast of (£1.553m).
- ✓ *Interest earnings*, increased forecast of £0.068m because of more favourable lending rates.

- 2.4 After taking into account the impact of these changes the projected net overspend is £13.696m (see Table 2 below). This 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 Majority of the overall variance of £13.7m relative to the original 2025-26 Budget are set out in the Table 1 below.

Table 1 Budget areas contributing to the biggest overspends

	£'000
Minimum Revenue Provision	46,394
Loan Discount	(34,261)
Loan Interest	1,774
Prior year exp on Housing Scheme Write-Off transacted in 2024/25 rather than 2025/26	(8,710)
Reserves set aside for Housing Scheme Write Off not required and £1.915m relating to other reserve movements	10,625
Net Total	15,821
Other Variances	(2,125)
Overall Variance	13,696

- 2.5 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), Reserves Strategy projections and the Detailed Budget for 2026/26.
- 2.6 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

Table 2 – Variance by Service Area

Variance by Service Area Summary	2025/26 Budget	Qtr3 Forecast	Qtr3
	Original	Outturn	Variance Over/ (Under)
	£'000	£'000	£'000
Gross Expenditure	64,955	59,497	(5,457)
Less Housing Benefit grant	(16,618)	(15,699)	919
Less Specific fees and charges income	(21,556)	(18,120)	3,436
Net Expenditure - broken down as below	26,781	25,678	(1,102)
Assets Mgt.	2,086	2,413	328
Commissioning & Transformation	5,742	3,840	(1,902)
Community & Wellbeing	3,994	6,046	2,052
Finance & Corporate Services	5,269	5,201	(68)
Legal and Elections	1,974	1,773	(201)
Neighbourhood Services	3,806	2,866	(940)
Place, Protection & Prosperity	3,911	3,539	(372)
Net Expenditure at Service Level	26,781	25,678	(1,102)
Investment & Regeneration (see Table 3 below)	(45,581)	(46,536)	(954)
Minimum Revenue Provision *	13,025	59,418	46,394
Loan Interest*	25,425	27,198	1,774
Loan Discount *	0	(34,261)	(34,261)
Prior yr on yr exp on Housing Schemes write-off *	8,710	0	(8,710)
Interest Earnings	(2,112)	(2,180)	(68)
Contributions to/(from) Reserves*	(9,110)	1,515	10,625
Budget Requirement	17,137	30,832	13,696
External Grants	(2,053)	(2,053)	0
National Non-Domestic Rates	(4,910)	(4,910)	0
Net Budget Requirement	10,173	23,869	13,696
Collection Fund Surplus/(deficit)	(877)	(877)	0
Income from Council Tax	(9,296)	(9,296)	0
Net Position - Over/ (Under) budget	0	13,696	13,696

- 3.1 The overall net budget requirement has risen from £17.1m to £30.8m, largely due to the technical adjustments described above. The corresponding movement is fully mitigated through an additional contribution from reserves of £13.7m, ensuring the overall net position remains balanced.

Commissioners' Expenses

- 3.2 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.
- 3.3 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](#).
- 3.4 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.
- 3.5 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

Investment & Regeneration	Budget	Forecast	Q3
Assets	Revised	Outturn	Variance Over/ (Under)
	£'000	£'000	£'000
Rental Income	(44,400)	(42,555)	1,846
Regeneration Property Income	(4,023)	(4,316)	(293)
less: Landlord costs	7,224	4,716	(2,507)
Net Rental Income receivable	(41,199)	(42,154)	(954)
Sinking Funds - contributions to	1,003	1,003	0
Set Asides for specific revenue purposes	670	670	0
Net Costs before reserve usage	(39,527)	(40,482)	(954)
Sinking Funds - release from reserve	(6,054)	(6,054)	0
Net Costs	(45,581)	(46,536)	(954)

- 4.1 Table 3 above outlines the income and costs relating to investment properties, with an estimated a net (before landlord costs) rental income of £40.5m and £46.5m after including the budgeted use of reserves. This is £0.954m more than assumed in the revenue budget with lower landlord cost than anticipated. This variance is primarily due to lower-than-expected landlord costs (see Table 3)

offset by lower rental income because of vacancies, delays in lease renewals, and rent-free periods offered as incentives. Detailed breakdowns of monthly movements are provided in Appendix A1 and asset breakdown in Appendix J - Investment Assets Analysis.

- 4.2 In addition, the Asset 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 £5.384 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 a £1m vacancy saving. As of 31st December 2025, savings of £1m have been realised (Appendix B), 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. £208k is due to non-staffing efficiency and has been achieved,
- 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.
- 5.3 The savings realised by the end of Quarter 3 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.

Table 4 – 2025/26 Corporate Savings	Revised Budget	Savings Banked as at December	Expected by 31 March 2026
	£000	£000	£000
Vacancy-related deleted posts	1,000	1,034	>1,034*
Other Cashable Savings	208	170	>170
Total	1,208	1,204	>1,200

*>: 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 £40.9 million as of 31 March 2025 to £19.1m million by 31 March 2026. The projected balances are detailed in Table 5 overleaf.

Table 5 – Movement in Earmarked Reserves

Movement in earmarked Reserves Summary	£'000	£'000
Useable Earmarked Reserves and Available unapplied Revenue Grants set aside at 1st April 2025 (adjusted)		40,862
2025/26 Approved Usage	(5,452)	
Qtr3 Projected Outturn at 31st December 2025	(13,696)	
Projected use of reserve - 2025/26		(19,141)
Projected Earmarked Reserves at 31st March 2026		21,721

7 Options appraisal and proposal

- 7.1 The current financial projection for 2025/26 at Quarter 3 requires 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 forecast 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. Please see Appendix D for a detailed explanation of what is MRP.
- 8.3 The Council is under considerable pressure on core services because of rising demands. That pressure could lead to risk of offered savings being at risk of being able to be delivered.
- 8.4 Reduced income from investment assets and continuing market uncertainty adds 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 Governance Assurance 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.
- 8.5 Reserves can only be spent once, the Council commenced the year with available reserves balances on the Balance Sheet of £56.2m, 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.
- 10.4 Periodic budgetary monitoring is within the remit of Corporate Policy and Resources Committee (parr 3(b) of the Constitution).

Corporate implications

11 S151 Officer comments.

- 11.1 The reduction from a projected £14.5m overspend (before use of reserves) in Quarter 2 to a £13.7m overspend (before use of reserves) in Quarter 3 represents a positive improvement. It reflects effective in-year financial management, using flexible capital receipts to offset revenue costs, and reductions in MRP and loan interest payable. However, some volatility especially in areas like Investment and Regeneration warrants ongoing scrutiny to ensure the Council remains within budget through the remainder of the financial year. Equally it is important to understand the extent to that the variances are ongoing in nature and will impact on the draft 2026/27 Budget.
- 11.2 The overspend is mainly due to MRP and capital financing adjustments, which were not anticipated at the time the Budget was set. This is a very significant increase and represents a major drain on the Council's remaining reserves balances. This change was to comply with statutory guidance and address the Statutory Direction. In this context it is important that the Council intensifies its efforts to seek to identify and deliver any additional revenue savings. Equally it makes it particularly important that the Assets rationalisation programme is progressed in 2026 and beyond. Continued close monitoring in Quarter 4 will be essential to ensure emerging pressures, particularly around borrowing costs and investment income, are effectively contained within the overall financial framework.

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 Altin Bozhani, Deputy Chief Finance Officer (Interim)
altin.bozhani@spelthorne.gov.uk.

19 Background papers:

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

20 Appendices:

- Appendix A - Appendix A - Q3 Budget Monitoring Committee Structure
- Appendix A1 - Quarterly Variance Movement Analysing
- Appendix B - Corporate Savings 2025-26
- Appendix C - Local Government Finance Glossary
- Appendix D - What is the Minimum Revenue Provision
- Appendix J - Investment Assets Analysis (Pre MRP Adjustments)

Committee Report Checklist

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

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing	Yes	02/02/26
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	Yes	09/02/26
Relevant Group Head review	Yes	20/01/26
MAT+ review (to have been circulated at least 5 working days before Stage 2)	Yes	27/01/26
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Finance comments (circulate to Finance)	AB	30/01/26
Risk comments	LO	29/01/26
Legal comments	LH	29/01/26
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	29/01/26
S151 Officer commentary – at least 5 working days before MAT	T.Collier	18/01/26
Confirm final report cleared by MAT	Yes	20/01/26