

FINANCIAL STRATEGY ADVISORY GROUP

Friday 21 November 2025 at 2.00 pm

Place: Council Chamber - Epsom Town Hall

The members listed below are summoned to attend the Financial Strategy Advisory Group meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Councillor Neil Dallen (Chair)
Councillor Kate Chinn
Councillor Alex Coley

Councillor Liz Frost
Councillor Peter O'Donovan
Councillor Clive Woodbridge

Yours sincerely



Chief Executive

For further information, please contact democraticservices@epsom-ewell.gov.uk or tel: 01372 732000

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- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building, but move to the assembly point at Dullshot Green and await further instructions; and
- Do not re-enter the building until told that it is safe to do so.

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Information about the terms of reference and membership of this Committee are available on the [Council's website](#). The website also provides copies of agendas, reports and minutes.

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Exclusion of the Press and the Public

There are no matters scheduled to be discussed at this meeting that would appear to disclose confidential or exempt information under the provisions Schedule 12A of the Local Government Act 1972 (as amended). Should any such matters arise during the course of discussion of the below items or should the Chair agree to discuss any other such matters on the grounds of urgency, the Committee may wish to resolve to exclude the press and public by virtue of the private nature of the business to be transacted.

Questions and statements from the Public

Questions and statements from the public are not permitted at meetings of this Committee. [Annex 4.2](#) of the Epsom & Ewell Borough Council Operating Framework sets out which Committees are able to receive public questions and statements, and the procedure for doing so.

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AGENDA

1. DECLARATIONS OF INTEREST

To receive declarations of any Disclosable Pecuniary Interests or other registrable or non-registrable interests from Members in respect of any item to be considered at the meeting.

2. MINUTES OF THE PREVIOUS MEETING (Pages 5 - 8)

The Group is asked to confirm as a true record the Minutes of the Meeting of the Group held on 26 September 2025 (attached) and to authorise the Chair to sign them.

3. 2025/26 MID-YEAR TREASURY MANAGEMENT (Pages 9 - 16)

This report provides an update on treasury management performance for the first six months of 2025/26

4. FINAL CAPITAL PROPOSALS - 2026/27 (To Follow)

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Minutes of the Meeting of the FINANCIAL STRATEGY ADVISORY GROUP held at the Council Chamber, Epsom Town Hall on 26 September 2025

PRESENT -

Councillor Neil Dallen (Chair); Councillors Kate Chinn, Alex Coley, Liz Frost and Clive Woodbridge

In Attendance: Councillor James Lawrence

Absent: Councillor Peter O'Donovan

Officers present: Cagdas Canbolat (Director of Corporate Services (S151)), Sue Emmons (Chief Accountant) and Tony Foxwell (Senior Surveyor)

5 DECLARATIONS OF INTEREST

No declarations of interest were made by councillors regarding items on the agenda for the meeting.

6 MINUTES OF THE PREVIOUS MEETING

The minutes of the Financial Policy Panel meeting held on 27 June 2025 were agreed as a true record to be signed by the Chair.

7 2024/25 TREASURY MANAGEMENT OUTTURN

The Group received a report presenting the Council's treasury management performance in 2024/25.

Members discussed the following issues:

- The purpose of the interest equalisation reserve; whether its current level is appropriate; falling interest rates and cash balances and their impact on treasury management income; and the amount of treasury management income budgeted for within the 2025/26 budget.
- The nature of the Council's cashflow, peaks and troughs and how this influences the way in which the Council utilises the different forms of investments available, such as fixed-terms deposits, money market funds and its interest-bearing account.

- How the Treasury Management Strategy governs how officers can invest Council funds.
- The drop in level of investments from £23.2m in March 2024 to £19.8m in March 2025 and how this can be seen in the decrease in the balance of useable reserves in the Council's 2024/25 Statement of Accounts.

Following consideration of the above matters and the report's contents, the Group moved to consider the report recommendations, which were agreed as follows:

- (1) Receive the report on the Council's treasury management performance in 2024/25;**
- (2) Receive the 2024/25 prudential indicators.**

8 INITIAL CAPITAL PROPOSALS 2026/27

The Group received a report presenting the initial proposals for the 2026/27 Capital Programme and seeking guidance as to which of them should be worked into detailed proposals for further consideration in November 2025.

Members discussed the following issues:

- What constitutes capital expenditure.
- The current year's capital programme and whether any grant funding would need to be returned if schemes are not delivered in time.
- Members requested that at its January 2026 meeting, Environment Committee consider releasing the capital budget for Alexandra Rec Dojo back to the capital programme, as it is understood that the spend to save criteria has now fallen away.
- Whether the review of reserves to be considered by this Group in November may identify additional funds to support the capital programme.
- Members then considered each proposal in turn and made the following comments:

Epsom Playhouse – Replacement of Auditorium Air Conditioning and controls

To be progressed to detail stage but to be combined with the Epsom Playhouse - Replacement boilers and controls scheme to come forward as one detailed proposal.

The Epsom Playhouse – Front of House toilet Refurbishment

To be progressed to the detailed stage.

Epsom Playhouse - Replacement boilers and controls

To be progressed to detail stage but to be combined with the Epsom Playhouse – Replacement of Auditorium Air Conditioning and controls scheme to come forward as one detailed proposal.

Bourne Hall - Replace lift controls

To be progressed to the detailed stage.

Bourne Hall - External Redecorations

This is considered revenue as it is maintenance. Members requested that it is considered for inclusion in the 2026/27 Planned Maintenance Programme to be considered by the Strategy & Resources Committee in January 2026.

Bourne Hall - Replacement of High-level roof covering & insulation

To be progressed to the detailed stage.

Bourne Hall - Bourne Hall Replacement of all heating and ventilation plant/air handling with energy efficient heat pumps

This proposal comprised of two options, both of which were requested to be progressed to the detailed stage. As part of the detailed proposal, Members asked for confirmation as to whether a contribution from Surrey County Council would be available for either scheme.

Ashley Centre Car Park - Level 5 Replacement of Lamp Columns

To be progressed to the detailed stage.

Ashley Centre multi-storey car park - overcoating waterproof membrane

To be progressed to the detailed stage.

Uppermill pond band replacement - Phase 2

To be progressed to the detailed stage.

West Ewell allotments - new fencing

This was considered as revenue as it is maintenance. Members asked officers to look for revenue funding to enable these works to take place.

Stew Ponds removal of silt

Members did not support this proposal progressing to the detailed stage and requested that Environment Committee consider releasing the existing committed capital funding of £150k to the main programme to fund higher priorities. This scheme should be reconsidered in the future should external match funding become available.

Following consideration of the report's contents, the Group moved to consider the report recommendations, which were agreed as follows:

- (1) Provide guidance on which of the initial schemes in the first draft 2026/27 capital programme should be developed for further consideration in November 2025.**

The meeting began at 2.00 pm and ended at 3.31 pm

COUNCILLOR NEIL DALLEN (CHAIR)

2025/26 MID-YEAR TREASURY MANAGEMENT

Head of Service:	Cagdas Canbolat, Director of Corporate Services and Section 151 Officer (Chief Finance Officer)
Report Author	Richard Appiah-Ampofo, Senior Accountant
Wards affected:	(All Wards);
Appendices (attached):	None.

Summary

This report provides an update on treasury management performance for the first six months of 2025/26

Recommendation (s)

The Group is asked to:

- (1) Receive the presentation from MUFG Corporate Markets (formerly Link Asset Services – Treasury Solutions);**
- (2) Note the performance on return of investments for the first six months of 2025/26;**
- (3) Note the current investment decisions being made within the terms set out in the Treasury Management Strategy;**
- (4) Note that 2026/27's Treasury Management Strategy, due to be presented to Financial Strategy Advisory Group in January 2026, ahead of recommendation to Full Council in February 2026, will continue to be based on the local government template provided by sector specialist MUFG Corporate Markets.**

1 Reason for Recommendation

- 1.1 The 2025/26 Treasury Management Strategy, agreed by Council in February, aims to ensure maximum return on investments for the Council within reasonable risk constraints. The Strategy requires a mid-year treasury management performance report to be brought before the Financial Strategy Advisory Group – the recommendations ensure that this requirement is met.

2 Background

- 2.1 The Council's Treasury Management Strategy (the Strategy) is consistent with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management in the Public Services. It supports the achievement of the council's Medium Term Financial Strategy and is based on a sector template provided by MUFG Corporate Markets.
- 2.2 This report covers the performance of the treasury management function for the period 01 April 2025 to 30 September 2025.
- 2.3 The CIPFA Code also requires that adequate training be provided to members with responsibility for treasury management. To meet this requirement, an officer from MUFG Corporate Markets will provide a presentation to members immediately prior to the group meeting on current treasury management issues. Members considered to have responsibility for treasury management are those sitting on Financial Strategy Advisory Group, Audit & Scrutiny and Strategy & Resources Committees, but the training is available for all members to join virtually. A Teams invitation has been sent to all members.
- 2.4 The treasury function deals with the management of cash funds held by the Council. The level of funds held during the year will vary but, on average, currently amounts to around £25.5 million at September 2025 (£30 million at September 2024).
- 2.5 The aim of treasury management is to ensure funds are invested with institutions that balance the need to maximise investment returns with that of minimising risk on the monies invested. This means, for example, not investing in banks/building societies that are offering high investment returns but are at high risk of defaulting.
- 2.6 Before an investment decision is made, officers will investigate any proposed counterparty to ensure its financial rating makes it eligible for investment. Even if the institution meets the criteria as set out in the financial strategy, independent advice will be sought from our external financial advisors before the investment is made.

3 Security, Liquidity and Yield

- 3.1 The Council's approved investment strategy and practice is to put security of investment at a higher priority than rate of return/yield. The day-to-day practice continues to be reviewed and refined, within the boundaries of the approved policy, in response to changing market conditions. The cornerstones of current policy/practice are:
 - 3.1.1 to restrict lending to only those institutions which fit the council's policy in terms of financial standing, credit ratings etc;

3.1.2 generally, to restrict lending to the short-term (under one year) or to cover precept dates for the remainder of the year;

3.1.3 to update financial limits to each institution depending on the quality of their financial ratings.

4 Current Performance

4.1 The average return from investments for 2025/26 was originally budgeted at 4.0%. This amounted to total income for the year of £1,000,000, to be generated on reserves, working balances and cash flow.

4.2 The performance for the first six months of 2025/26 on the council's investments is as follows;

01 April 2025 to 30 September 2025	Average Investment £'000	Net Interest Receivable £'000	Net Average Rate of Return %
Internally Managed Funds			
Money Market Funds	16,032	336	4.20%
Fixed Rate Deposits	10,833	257	4.74%
Interest Bearing Account	277	3	2.06%
Total	27,142	596	4.39%

4.3 During the first half of the year, £596,084 of interest had been earned, overachieving the profiled budgeted target of £500,000 for the same period.

4.4 While the Council has been able to capitalise on greater returns available in the market for the first half of 2025/26, the forecast for base rates to drop from the current 4% (as at October 2025) to 3.75% by the end of the financial year.

4.5 The average return achieved for the first six months of 4.39% compares slightly favourably with the average benchmark overnight SONIA (Sterling Overnight Index Average) rate of 4.19%.

5 Internally Managed Funds

Money Market Funds

- 5.1 Money market funds (MMFs) are pooled investments that allow instant access to these monies. The benefit of MMFs is that the risk on the investment is very low as money invested in the fund is spread across a range of counterparties, which limits the exposure of a significant sum being invested with a defaulting counterparty. In addition, cash balances can be called back from MMFs with no notice required, ensuring the council has liquidity to meet its daily cash flow requirements.
- 5.2 The average return made on MMFs was 4.20%. The average return has slowly reduced throughout the first half of the year, from an average of 4.44% during April 2025, falling to 3.88% in September 2025.

Fixed Rate Term Deposits

- 5.3 The Council had three fixed term deposits at 30 September 2025; the average return on these deposits was 4.74%. With a reduced forecast for base rates in the second half of this year, any maturing deposits may not achieve similar rates.

Interest Bearing Accounts

- 5.4 Interest bearing accounts offer similar instant access as money market funds and deliver a rate of return linked to base rate set by the Bank of England.
- 5.5 The risk on these investments is higher than money market funds as money is deposited with one counterparty. Funds invested in this type of investment tend to be surpluses of daily cash flows which need to be called back at short notice.
- 5.6 The return on the interest-bearing account was 2.06%. Officers use this account when counter party limits with other providers have been fully utilised.

6 Treasury Management Strategy

- 6.1 In the last few years, fixed rate deposit returns have matched or exceeded the returns of MMFs, and officers have moved more funds into these investments, within the approved Treasury Management Strategy risk framework. It is anticipated that fixed term deposits will continue to be utilised in the forthcoming period to maximise interest returns available, while still holding sufficient cash in money market funds to diversify risk and ensure the Council has sufficient headroom to meet all day-to-day cash flow requirements.

- 6.2 The Council's Treasury Management Strategy is based on the local government template provided by external treasury specialists, MUFG Corporate Markets, as it incorporates appropriate risk and counterparty controls for the sector. Members can view the current 2025/26 Treasury Management Strategy on the Council's [website](#), and are asked to note that 2026/27's strategy will continue to be based on MUFG Corporate Markets' sector-specific template, and will take into account any considerations arising from Local Government Reorganisation and the expectation that a section 24 direction will be in place during that financial year..

7 Risk Assessment

Legal or other duties

7.1 Equality Impact Assessment

7.1.1 None for the purposes of this report.

7.2 Crime & Disorder

7.2.1 None for the purposes of this report.

7.3 Safeguarding

7.3.1 None for the purposes of this report.

7.4 Dependencies

7.4.1 None for the purposes of this report.

7.5 Other

7.5.1 The Treasury Management Strategy sets out that investment decisions must be based first and foremost on security, then liquidity and finally yield, in order to minimise risk.

7.5.2 Investments in money market funds are considered low risk as the money invested in the fund is spread across a range of counterparties, this limits the exposure of a significant sum being invested with a defaulting counterparty.

8 Financial Implications

- 8.1 The council's budget anticipates the equivalent of £1,000,000 of interest to help fund services in 2025/26, calculated as follows:

	Budgeted £	Updated Forecast £
Interest earned in year	1,000,000	1,100,000
Less interest credited to specific provisions	(58,000)	(58,000)
Interest used to fund General Fund services	942,000	1,042,000

- 8.2 The forecast interest at the end of 2025/26 is now anticipated to overachieve the budgeted income by £100,000.
- 8.3 The Council's budget in future years is reliant on a significant level of interest being generated to fund services. To mitigate the risk that this income stream could reduce in future years (either due to reduced cash balances or interest rates), it is expected that any additional interest generated in 2025/26 will be set-aside in an earmarked Interest Equalisation Reserve to help smooth interest returns in future years. The balance of this reserve is currently £933,745 but this will be reviewed by Strategy & Resources at its meeting on 11 November 2025.
- 8.4 **Section 151 Officer's comments:** Financial implications are set out in the body of the report. As part of its medium-term financial strategy, the Council remains reliant on treasury income to support its budget. However, future interest rate expectations remain uncertain. The Council will take the latest forecasts into account when setting the budgeted income target for 2026/27. In anticipation of reduced balances and potentially lower interest rates going forward, plans have already been made to recognise and manage the expected reduction in treasury income.

9 Legal Implications

- 9.1 There are no particular legal implications directly arising from this report, other than the requirement to act within the Council's powers when undertaking treasury management borrowings and investments.
- 9.2 **Legal Officer's comments:** None arising from the content of this report.

10 Policies, Plans & Partnerships

- 10.1 **Council's Key Priorities:** The following Key Priorities are engaged:
- Effective Council
- 10.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

- 10.3 **Climate & Environmental Impact of recommendations:** None arising from the contents of this report.
- 10.4 **Sustainability Policy & Community Safety Implications:** None arising from the contents of this report.
- 10.5 **Partnerships:** None arising from the contents of this report.
- 10.6 **Local Government Reorganisation Implications:** None arising from the contents of this report. Following the latest announcement regarding Local Government Reorganisation it is expected that a section 24 direction will be in place during the financial year 2026/27. This will be taken into account when producing the Treasury Management Strategy for 2026/27.

11 Background papers

- 11.1 The documents referred to in compiling this report are as follows:

Previous reports:

- [2024-25 Treasury Management Year-End Performance – Financial Strategy Advisory Group – September 2025](#)
- [Budget Report 2025/26 – Full Council, February 2025](#)

Other papers:

- CIPFA Prudential Code
- Code of Practice for Treasury Management in Local Authorities (CIPFA)

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