

REVENUE BUDGET MONITORING - QUARTER 1

Head of Service:	Cagdas Canbolat, Director of Corporate Services and Section 151 Officer (Chief Finance Officer)
Report Author	Sue Emmons
Wards affected:	(All Wards);
Appendices (attached):	None

Summary

This report presents the forecast revenue outturn position for the current financial year 2025/26, as at Quarter 1 (30 June).

Recommendation (s)

The Committee is asked to:

- (1) Receive the revenue budget monitoring report, which sets-out a projected deficit of £485,000 for 2025/26;
- (2) Agree that regular reports continue to be prepared for Community & Wellbeing Committee to update members on progress against the Homelessness Strategy and Action Plan;
- (3) Agree that the updated Quarter 2 position will be reported back to Audit and Scrutiny Committee in November.

1 Reason for Recommendation

- 1.1 To present the 2025/26 forecast revenue outturn position to members, as at Quarter 1.

2 Background

- 2.1 In February 2025, Full Council agreed a net expenditure budget of £10.269m for 2025/26. The budget included a contribution of £79,000 from earmarked reserves.

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2.2 At Quarter 1, the Council is expected to be within 5.6% of the overall budget at year-end, with a £485,000 deficit forecast. The projected deficit is mainly due to the higher demand for housing/ homelessness services. This adverse variance is partially offset by two contingency budgets which are not required for 2025/26 and can be earmarked to mitigate the pressures elsewhere within the Council.

2.3 The budget position will continue to be monitored closely, with forecasts updated and reported to members accordingly through the year.

3 Forecast Position

3.1 A summary of the forecast outturn position by service area for 2025/26 is shown in the following table:

Forecast Outturn by Service	Current Approved Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
<u>Strategy & Resources Committee</u>			
Democratic & Civic	778	778	0
Corporate Functions	830	830	0
Corp Financial Management	776	376	(400)
Tax Collection & Benefits	1,313	1,313	0
Land Charges	22	22	0
Land & Property	(3,193)	(3,193)	0
Economic Dev. & Prosperity	74	74	0
Employee and Support Services	(155)	(155)	0
Building Control Contract	106	106	0
Community Safety	120	120	0
Subtotal Strategy & Resources	672	272	(400)
<u>Environment Committee</u>			
Car Parking	(2,606)	(2,606)	0
Environmental Services	3,478	3,488	10
Contract Management	54	54	0
Environmental Health	730	730	0
Countryside, Parks & Open Spaces	2,444	2,444	0
Subtotal Environment	4,100	4,110	10
<u>Community and Wellbeing Committee</u>			
Housing	2,845	3,720	875
Community Services (Route Call, Meals from Home, Community Alarm)	517	517	0
Support for Voluntary Orgs.	233	233	0
Community Centre	454	454	0

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Health & Wellbeing	339	339	0
Sports, Leisure & Cultural	1,325	1,325	0
Precepting & Levying Bodies (NJMC & EWDC)	415	415	0
Subtotal Community & Wellbeing	6,128	7,003	875
<u>Licensing & Planning Policy Committee</u>			
Place Development	1,305	1,305	0
Licensing	6	6	0
Subtotal Licensing & Planning Policy	1,311	1,311	0
Capital Charges	(1,941)	(1,941)	0
Total General Fund	10,269	10,754	485

3.2 The £485,000 projected budget deficit across services for 2025/26 would require a contribution from reserves. As the General Fund reserve currently stands as £1.555m, only £55,000 above the £1.5m minimum balance recommended by Council in July 2025; it is suggested that this deficit is met from the Corporate Projects reserve, decreasing the uncommitted balance from £811,000 to £326,000.

3.3 The following section of the report details the individual budget variances that make up the projected deficit of £485,000 within services.

4 Budget Variances

4.1 The main variances to budget are shown by Committee in the following tables.

Strategy & Resources Committee	Adverse / (Favourable) Variance £'000	Detail
Corporate Financial Management	(400)	A contingency created to cover potential loss of income under the new leisure centre contract is no longer required following the successful appointment of the new provider. It is proposed that this is ringfenced to offset pressures within Housing, alongside a further corporate of contingency that is held for in year pressures.
Total Strategy & Resources Variance	(400)	

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Environment Committee	Adverse / (Favourable) Variance £'000	Detail
Environmental Services, Cemeteries	10	<p>Cemetery income is forecast to under recovery by £10,000 following the withdrawal of in-advance plot purchases and the unpredictable nature of the service.</p> <p>Officers will continue to monitor the income throughout the year and report back if the situation worsens. Income levels will also be considered during the 2026/27 budget setting process.</p>
Environmental Services, Waste Services	0	<p>Trade waste income is forecast to under recover by up to £70,000 due to heavy competition from other providers. Officers are analysing the data to understand whether it is a long-term impact and this will be taken into account during the 2026/27 budget setting process.</p> <p>In addition, an historic saving within the service which was derailed by the government's delayed waste strategy, is not expected to be realised, creating a £100,000 adverse variance. In previous years this was mitigated by recycling credit gains from Surrey CC, but as the price of materials has fallen, no income is expected this year.</p> <p>Both of these adverse positions are expected to be offset by higher than expected grant income from the new Extended Producer Responsibility grant which the Council is receiving for the first time this year.</p>
Total Environment Variance	10	

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Community & Wellbeing Committee	Adverse / (Favourable) Variance £'000	Detail
Housing/Homelessness	875	Currently the level of the Council's nightly paid accommodation budget is set to accommodate an average of 70 households only in nightly paid accommodation. Due to ongoing elevated demand, the Council supported an average of 116 households during Q1 in nightly paid accommodation. This period also experienced a 19% increase in homelessness applications compared to Q1 of the previous year.
Total Community & Wellbeing Variance	875	

5 Employee Costs

- 5.1 At the end of quarter 1, the Council is tracking in line with its year-to-date employee budget of £3.96m.
- 5.2 Employee costs are monitored monthly to ensure any adverse variances are flagged promptly to Heads of Service, thereby enabling prompt mitigating action to be taken.

6 Epsom & Ewell Property Investment Company (EEPIC)

- 6.1 The Council's 2025/26 budget includes £1.35m expected dividend income from Epsom and Ewell Property Investment Company, generated from its two commercial properties.

7 Update on 2025/26 Savings/Additional Income Delivery

- 7.1 The 2025/26 budget requires new savings/additional income totalling £126,000 to be delivered during the year. The delivery status of these savings is summarised in the following table.

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Summary of Budgeted Additional Income/Savings - 2025/26	Committee	Achieved	In progress	Unlikely to be achieved in current year
		£000	£000	£000
Income from Commercial Property	S&R		38	
Additional rental income from Parks buildings	ENV		30	
Other Operational Efficiencies	All		58	
Total Savings		0	126	0

7.2 The RAG rating indicates whether the additional income/saving is considered at either low risk of non-delivery (green), medium risk (amber), or high risk of not being delivered in year (red). Commentary on the highest value and highest risk savings is provided in the following paragraphs:

7.2.1 The income from Commercial Property target is on track to be achieved, through higher rental income following a rent review agreed in 2024/25. Officers closely monitor the quarterly rental income due for collection, with no issues currently anticipated for the remainder of the year.

7.2.2 Additional rental income from buildings within Parks is currently forecast to be on budget by year end and therefore the expectation is that this target will be achieved.

7.2.3 The other operational efficiencies relate to energy savings in the Town Hall; the removal of an historic HR initiative, now delivered via other mechanisms; and a change of supplier for legal publications yielding a small saving.

8 Revenue Reserves

8.1 In July 2025, Full Council agreed to maintain a minimum balance of the general fund working balance reserve of £1.5m, after a previous decision in May 2025 to reduce it from £2.5m to £1m. After using £242,000 to fund the 2024/25 deficit and transferring £1.2m to create a Strategic Priorities reserve, the balance currently stands at £1.555m.

8.2 Other revenue reserves are projected to stand at £11.4m at 31 March 2026, however, £8.4m of this balance is to manage specific risks and contingencies, including the loss of commercial property income and business rates income in future years. A full review of revenue reserves and commitments will be reported to Financial Strategy Advisory Group in 21 November 2025.

8.3 The following table shows a breakdown of the council's revenue reserves, with only the General Fund working balance and corporate projects reserve available for general use:

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General Fund Revenue Reserves	01 April 2025 Opening Balance	31 March 2026 Forecast Uncommitted Balance
	£'000	£'000
General Fund	2,755	1,555
Corporate Projects Reserve	3,838	326
Subtotal - Reserves available for general use	6,593	1,881
Contingencies unavailable for general use	13,591	11,431
Ringfenced funds/grants for specific use	1,892	2,756
Subtotal - Reserves unavailable for general use	15,483	14,187
Total	22,076	16,068

- 8.4 The commitment to maintain a minimum balance on the general fund reserve of £1.5m leaves just £381,000 of available reserves, which the Council allocates on a business case basis, to ensure limited resources are utilised in line with corporate priorities.

9 Actions and Next Steps

- 9.1 To address the projected budget deficit for 2024/25, the Council's senior management is progressing the following key initiatives:
- 9.1.1 Regular reports will continue to be prepared for Community & Wellbeing Committee to update members on progress against the Homelessness Strategy and Action Plan; and consider how current pressures can be addressed through the 2026/27 budget setting process.
 - 9.1.2 Strategy & Resources Committee agreed in July 2025 a budget setting framework for 2026/27 which is being progressed by officers accordingly;
 - 9.1.3 Finance officers will continue to monitor the funding landscape to ensure the Council is kept aware of any new government (or other external) funding opportunities.
- 9.2 The Council's budget position is continuously monitored by the finance team and budget managers. It is expected that the next budget monitoring report to members will be the updated quarter two forecasts to Audit & Scrutiny Committee in November 2025.

10 Risk Assessment

Legal or other duties

- 10.1 Equality Impact Assessment

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10.1.1 None arising directly from the contents of this report

10.2 Crime & Disorder

10.2.1 None arising directly from the contents of this report

10.3 Safeguarding

10.3.1 None arising directly from the contents of this report

10.4 Dependencies

10.4.1 None arising directly from the contents of this report

10.5 Other

10.5.1 Ultimately, all services will be impacted in some way by the Council's overall budget position over the long term.

10.5.2 A full budget risk assessment is presented to Full Council within February's budget report each year

11 Financial Implications

11.1 Financial implications are set out in the body of the report.

11.2 Section 151 Officer's comments: The Q1 forecast presents a structural deficit especially in Housing, in particular Temporary Accommodation which will need to be addressed this year and as part of MTFS. While contingency budgets have helped mitigate some of the pressures the remaining shortfall will require a draw from earmarked reserves which is not sustainable in the long run.

11.3 A detailed analysis of Temporary Accommodation usage is essential to fully understand the drivers behind rising costs in this area. This will enable the Council to identify all controllable cost elements and implement targeted interventions to contain and reduce expenditure. Given the scale of the financial pressure, proactive monitoring and management of demand, placement types, and duration of stay will be critical.

12 Legal Implications

12.1 There are no direct legal implications arising from this report.

12.2 **Legal Officer's comments:** None arising from the contents of this report.

13 Policies, Plans & Partnerships

13.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- Effective Council.

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- 13.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 13.3 **Climate & Environmental Impact of recommendations:** None arising directly from the contents of this report.
- 13.4 **Sustainability Policy & Community Safety Implications:** None arising directly from the contents of this report.
- 13.5 **Partnerships:** None arising directly from the contents of this report.
- 13.6 **Local Government Reorganisation Implications:** Local Government Reorganisation (LGR) presents a significant degree of uncertainty and transition risk, which must be actively considered throughout the Council's revenue budget monitoring process. These risks may affect both short-term financial performance and longer-term budget planning.
- 13.7 As the structure and governance of local authorities continue to evolve, potential changes to funding streams, service delivery responsibilities, and strategic priorities may emerge. These developments could directly influence the assumptions underpinning the revenue budget, requiring ongoing review and adjustment to ensure financial sustainability and responsiveness to change.

14 Background papers

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

Previous reports:

- [Budget Report to Full Council – February 2025.](#)

Other papers:

- [EEBC Strategic Priorities 2025-2027 report to Full Council - May 2025.](#)
- [2026/27 Strategic Financial Planning report to Strategy & Resources - July 2025.](#)
- [Recommendation from Strategy and Resources Committee, 15 July 2025 report to Full Council - July 2025.](#)