

CAPITAL BUDGET MONITORING QUARTER 1

Head of Service:	Cagdas Canbolat Director of Corporate Services and Section S151 Officer (Chief Finance Officer)
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Wards affected:	(All Wards);
Appendices (attached):	Appendix 1: Update of Capital Project Progress

Summary

This report presents the capital monitoring position at Quarter 1 for the current financial year 2025/26.

Recommendation (s)

The Committee is asked to:

- (1) Receive the capital monitoring position at quarter 1, as set out in the report:**
- (2) Note the progress of capital projects as set out in Appendix 1.**

1 Reason for Recommendation

- 1.1 To present the capital budget monitoring position to members for quarter 1 and to provide an update on the progress of individual capital projects.

2 Background

- 2.1 This report summarises the capital monitoring information at the end of the first quarter of 2025/26. It details actual capital expenditure and receipts against capital budgets and financing. The report also provides the forecast outturn position and variances as at 30 June 2025.
- 2.2 The core capital programme does not include investments made through the property acquisition funds, this activity is summarised within section 5.

3 Core Capital Programme

- 3.1 The expenditure budget per Committee for the core capital programme is shown below:

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Committee	2025/26 Original Budget £'000	Carry forwards from 2024/25 £'000	Additions during 2025/26 £'000	2025/26 Current Approved Schemes £'000
Strategy & Resources	0	541	0	541
Environment	654	22	0	676
Community & Wellbeing	1,199	1,360	45	2,604
Licensing & Planning Policy	0	0	0	0
Total	1,853	1,923	45	3,821

- 3.2 The 2025/26 core capital programme budgets were agreed by full Council in February 2025. The budgets carried forward from 2024/25 were approved at Strategy & Resources Committee on 15 July 2025.
- 3.3 The £7m Town Hall relocation project was halted following a decision at Council on 6 May 2025 due to the uncertainty created by the Local Government Reorganisation, therefore this has not been included within this report.
- 3.4 There has been a budget addition in the first quarter of £45,000 for Epsom Playhouse lighting and dimmers which has been funded from revenue reserves. This addition was required to upgrade the house lights.
- 3.5 Actual expenditure on the core capital programme to the end of June 2025 and a full year forecast is summarised below:

Committee	2025/26 Current Approved £'000	YTD Expenditure £'000	Forecast Outturn £'000	Forecast Variance £'000
Strategy & Resources	541	12	513	(28)
Environment	676	0	179	(497)
Community & Wellbeing	2,604	740	1,909	(695)
Licensing & Planning Policy	0	0	0	0
Total	3,821	752	2,601	(1,220)

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3.6 On the core capital programme, the forecast outturn for the full year is £2.6m. The forecast variance of £1.2m comprises of:

3.6.1 £27,000 ICT projects and £20,000 underspend on Sewerage contamination additional works. These are offset by an adverse variance of £16,000 for Bourne Hall Window replacements due to the window type change required to adhere to the conservation officer's specifications after the tender was approved.

3.6.2 Schemes that have been paused - £422,000 Construction of three Temporary Accommodation units due to a pending land registry tribunal; £170,000 on the Alexander Recreation Dojo scheme whilst additional funding is sought, and the two Wellbeing centre schemes totalling £120,000 being deferred due to the uncertainty created by the Local Government Reorganisation.

3.6.3 Schemes deferred to the next financial year are £184,000 Ashley centre car park Waterproof membrane due to tender being above budget; £143,162 Stew Ponds removal of silt due to the nesting season and safe relocation of fish and £150,000 Uppermill Pond Bank replacement as works estimate higher than budget.

3.7 An update on the progress of individual schemes is set out in Appendix 1.

4 Financing of Capital Expenditure 2025/26

4.1 The provisional financing of the 2025/26 core capital programme is summarised below:

Financing of Core Capital Programme	2025/26 Current Approved Budget £'000
Capital Receipts Reserves	1,580
Capital Grants-DFG	1,271
Budgeted Revenue Contributions	500
Revenue Reserves	45
Section 106	425
Total	3,821

5 Property Acquisition Funds

Commercial Property

5.1 The Council retains one in-Borough commercial property acquisition fund, which has a remaining balance of £49.6m available borrowing headroom for investment. Please note, this is not a reserve that the Council holds; it is a limit (approved by Full Council) up to which borrowing could be undertaken.

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Residential Property

- 5.2 In 2016/17, the Council established a £3m fund to purchase residential property, principally to assist the Council to manage homelessness and reduce associated costs.
- 5.3 At the November 2024 Strategy & Resources committee, it was agreed that the remaining balance of funds within the Residential Property Acquisition Fund should be repurposed to create a Residential Property Repair and Maintenance Reserve. With the exhaustion of the balance of funds, this fund will no longer be reported on within this report.

6 S106 Developer Contributions

- 6.1 The balance of S106 funds held by the authority are set out in the following table:

	£'000	£'000
Section 106 funds held as at 1 April 2025		1,703
Section 106 net receipts to 30 June 2025		0
Balance of S106 Funds held as 30 June 2025		1,703
Less:		
Funds held due to SCC and other organisations	(130)	
Funds committed and approved for specific schemes	(1,216)	
		(1,346)
Unallocated S106 funds as at 30 June 2025		357

- 6.2 The balance of unallocated S106 balances are all within Affordable Housing; this funding is used to facilitate provision within the Borough where the development is not financially viable without additional funding. Planning officers work with providers to identify schemes where the affordable housing would not be deliverable without the additional support.
- 6.3 The £1.2m funds allocated for specific schemes include:
- 6.3.1 £699k of Affordable Housing S106 funds to part match government grant of £1.5m under the Local Authority Housing Fund 3, as agreed at Strategy & Resources Committee on 12 November 2024.
 - 6.3.2 £422k of Affordable Housing S106 funds which has been earmarked for temporary accommodation use microhomes at Fairview Road;

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6.3.3 The remaining balance comprises of small schemes such as park bench and signage replacement and maintenance of play equipment.

7 Community Infrastructure Levy

7.1 The Council raised demand notices totalling £421,577 for Community Infrastructure Levy (CIL) for the period 1 April 2025 to 30 June 2025.

7.2 5% is used for administering the scheme and 15% is ring fenced for a local CIL Neighbourhood Scheme. CIL balances are set out in the following table:

	Main Fund (80%) £'000	Community Fund (15%) £'000	Admin Fee (5%) £'000	Total £'000
CIL funds held at 1 April 2025	7,843	1,471	490	9,804
CIL invoices raised to 30 June 2025	337	63	21	422
Invoices outstanding at 30 June 2025	(421)	(79)	(26)	(526)
Receipt held as charge against property	(1)	0	0	(1)
CIL Payments made to 30 June 2025	0	0	0	0
CIL Funds held at 30 June 2025	8,347	1,298	174	9,819
<i>Less commitments:</i>				
CIL Neighbourhood Fund 2024/25	0	(332)	0	(332)
Monitoring CIL scheme in 2024/25	0	0	(103)	(103)
<u>Strategic CIL Fund in 2024/25</u>				
Ewell Village Public Realm Enhancements	(1,250)	0	0	(1,250)
Priest Hill Football Development – Full size 3G football pitch	(405)	0	0	(405)
New Clubhouse at Old schools Lane, Ewell	(100)	0	0	(100)
Unallocated CIL funds at 30 June 2025	6,003	1,123	382	7,508

7.3 Large sums are collected in instalments so not all the cash has been received at this date. Of the £526k of invoices/demand notices raised not yet collected, £273k relates to 2025/26, £238k relates to 2024/25, £15k relates to financial years prior to 2024/25.

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- 7.4 At its meeting on 17 October 2024, LPPC Committee recommended to S&R Committee that CIL funding allocations totalling £2.25m be approved. At the S&R committee meeting on 12 November 2024, strategic CIL funding allocations of £1.755m were approved and have been added as commitments in the table above.

8 CIL Neighbourhood Scheme (15%)

- 8.1 CIL 15% Neighbourhood Scheme projects are reported separately to Licencing & Planning Policy Committee. LPPC considered proposals for the 2024/25 scheme at its meeting on 17 October 2024 and S&R committee on 12 November 2024 approved neighbourhood CIL funding allocations of £332k. This amount has been added as commitments in the table above. Updates have been made through the Member News channel.

9 Capital Receipts

- 9.1 The expected balance of capital receipt reserves is shown below:

Capital Reserves	Capital Receipts Reserve £'000
Balance brought forward at 1 April 2025	3,461
Funding of 2025/26 capital programme	(1,580)
Capital receipts received to 30 June 2025	95
Balance at 30 June 2025	1,976

- 9.2 During 2025/26, the Council has received a net receipt of £95k for the release of a restrictive covenant on a residential property.

10 Treasury Management Performance

- 10.1 The Council's budget for 2025/26 includes income of £1,000,000 to be generated on reserves, working balances and cash flow. The budget was based on an assume average return from investments of 4% for the year.
- 10.2 The performance for the first quarter of 2025/26 on the council's investments is as follows:

01 April to 30 June 2025	Average Investment £'m	Interest Receivable £'000	Average Rate of Return %
Internally Managed Funds			
Money Market Funds	14.58	156.7	4.32
Fixed Rate Deposits	10.00	124.4	4.89

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Interest Bearing Account	0.02	0.1	2.50
Total	24.60	281.2	4.57

- 10.3 During the first quarter of the year, £281,197 of interest had been earned, overachieving the profiled budgeted target of £250,000 for the same period.
- 10.4 Whilst the Council has been able to capitalise on greater returns available in the market for the first quarter of 2025/26, the current forecast is for base rates to drop to between 3.50% and 3.75% by the end of the financial year.

11 Risk Assessment

Legal or other duties

11.1 Equality Impact Assessment

11.1.1 The impact of each scheme is assessed during the capital appraisal process.

11.2 Crime & Disorder

11.2.1 None arising directly from the contents of this report.

11.3 Safeguarding

11.3.1 None arising directly from the contents of this report.

11.4 Dependencies

11.4.1 None arising directly from the contents of this report.

11.5 Other

11.5.1 Global events and rising inflation have caused firms to significantly increase their quotes for works, having a major impact on the Council's ability to source contractors within budget. This is likely to impact on both current and future capital projects.

12 Financial Implications

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

12.2 **Section 151 Officer's comments:** If members have detailed question(s) on particular capital projects, it is requested that these be submitted in advance where possible, to enable officers to investigate with the relevant scheme manager.

13 Legal Implications

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

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

14 Policies, Plans & Partnerships

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

- Effective Council.

14.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

14.3 **Climate & Environmental Impact of recommendations:** The impact of each scheme is assessed during the capital bidding process.

14.4 **Sustainability Policy & Community Safety Implications:** None for the purposes of this report.

14.5 **Partnerships:** None arising directly from the contents of this report.

14.6 **Local Government Reorganisation Implications:** LGR introduces a significant degree of uncertainty and transition risk that must be carefully considered in the management of the Council's capital programme.

14.7 As the structure and governance of local authorities evolve, there may be changes to funding arrangements, asset ownership, delivery responsibilities, and strategic priorities. These changes could directly affect the viability, scope, and timing of capital schemes currently in development or delivery.

15 Background papers

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

Previous reports:

- [Budget Report to Full Council – 11 February 2025](#)
- [2024-25 Provisional Financial Outturn – carry forward capital balances, Strategy & Resources Committee, 15th July 2025](#)

Other papers:

- [Residential property repair and maintenance fund report, Strategy & Resources Committee, 12 November 2024.](#)
- [Local Authority Housing Fund: Round 3 report, Strategy & Resources Committee, 12 November 2024.](#)
- [2024/25 Mid-year Treasury Management, Financial Strategy Advisory Group, 22 November 2024.](#)