

## REVENUE BUDGET MONITORING - QUARTER 2

<b>Head of Service:</b>	Cagdas Canbolat, Director of Corporate Services and Section 151 Officer (Chief Finance Officer)
<b>Report Author</b>	Sue Emmons, Chief Accountant
<b>Wards affected:</b>	(All Wards);
<b>Appendices (attached):</b>	<b>Appendix 1</b> – Temporary Accommodation

### Summary

This report presents the forecast revenue outturn position for the current financial year 2025/26, as at quarter 2 (30 September).

### Recommendation (s)

#### The Committee is asked to:

- (1) Receive the revenue budget monitoring report, which sets-out a projected deficit of £510,000 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 3 position will be reported back to Audit and Scrutiny Committee in February.

### 1 Reason for Recommendation

- 1.1 To present the 2025/26 forecast revenue outturn position to members, as at quarter 2.

### 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 2, the Council is expected to be 5% above budget at year-end, with a £510,000 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 Chairs 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:

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Forecast Outturn by Service	Current Approved Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
<u>Strategy &amp; Resources Committee</u>	-		
Democratic & Civic	778	778	0
Corporate Functions	830	830	0
Corp Financial Management	749	249	(500)
Tax Collection & Benefits	1,313	1,313	0
Land Charges	22	22	0
Land & Property	(3,211)	(3,211)	0
Economic Dev. & Prosperity	74	74	0
Employee and Support Services	(126)	(126)	0
Building Control Contract	106	106	0
Community Safety	120	120	0
<b>Subtotal Strategy &amp; Resources</b>	<b>656</b>	<b>156</b>	<b>(500)</b>
<u>Environment Committee</u>			
Car Parking	(2,606)	(2,606)	0
Environmental Services	3,512	3,332	(180)
Contract Management	62	62	0
Environmental Health	730	730	0
Countryside, Parks & Open Spaces	2,445	2,445	0
<b>Subtotal Environment</b>	<b>4,143</b>	<b>3,963</b>	<b>(180)</b>
<u>Community and Wellbeing Committee</u>			
Housing	2,845	4,020	1,175
Community Services (Route Call, Meals from Home, Community Alarm)	520	535	15
Support for Voluntary Orgs.	233	233	0
Community Centre	454	454	0
Health & Wellbeing	339	339	0
Sports, Leisure & Cultural	1,309	1,309	0
Precepting & Levying Bodies (NJMC & EWDC)	415	415	0
<b>Subtotal Community &amp; Wellbeing</b>	<b>6,115</b>	<b>7,305</b>	<b>1,190</b>
<u>Licensing &amp; Planning Policy Committee</u>			
Place Development	1,291	1,291	0
Licensing	6	6	0
<b>Subtotal Licensing &amp; Planning Policy</b>	<b>1,297</b>	<b>1,297</b>	<b>0</b>
Capital Charges	(1,941)	(1,941)	0
<b>Total General Fund</b>	<b>10,269</b>	<b>10,779</b>	<b>510</b>

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- 3.2 The £510,000 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 £301,000.

The following section of the report details the individual budget variances that make up the projected deficit of £510,000 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	(500)	A contingency created to mitigate any losses from a contract negotiation is no longer required. 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, totalling £400,000. In addition to this, income from Treasury Management is forecast to achieve £100,000 more income than budgeted.
<b>Total Strategy &amp; Resources Variance</b>	<b>(500)</b>	

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Environment Committee	Adverse / (Favourable) Variance £'000	Detail
Environmental Services, Cemeteries	20	<p>The £10,000 adverse variance for cemetery income is forecast to be higher than forecast at quarter 1 by another £10,000, giving an overall adverse position at quarter 2 of £20,000.</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	(200)	<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>Furthermore, whilst at quarter 1 it was believed that these adverse positions would net off against higher than expected grant income from the new Extended Producer Responsibility grant which the Council is receiving for the first time this year, updated estimates of this income are that there will actually be a favourable variance of £200,000 once these adverse positions are netted off.</p>
<b>Total Environment Variance</b>	<b>(180)</b>	

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Community & Wellbeing Committee	Adverse / (Favourable) Variance £'000	Detail
Housing/Homelessness	1,175	<p>In terms of performance monitoring, the Q1 report projected an average of 116-118 net placements (NP) based on April–June data, with the expectation that this figure would decline over the remainder of the year.</p> <p>However, now that April–September data is available, the average remains at 116, and it is now anticipated that this level will persist through year end, contrary to earlier expectations in Q1 reporting, see details in Appendix 1.</p>
Community Services (Meals from Home)	15	<p>Although income budgets were reduced within the Meal from Home service through the 2025/26 budget setting process, demand continues to fall due to competition in the field. This will be revisited during the 2026/27 budget setting process to ensure a realistic budget is set for the new financial year.</p>
<b>Total Community &amp; Wellbeing Variance</b>	<b>1,190</b>	

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### 5 Employee Costs

- 5.1 At the end of quarter 2, the Council is tracking in line with its year-to-date employee budget of £8.03m.
- 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.

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	
<b>Total Savings</b>		<b>0</b>	<b>126</b>	<b>0</b>

- 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.

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### 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 revoking 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.
- 8.3 Other than the additional £25,000 required from the corporate projects reserve to fund the increase in overall deficit from quarter 1 to quarter 2, there has been no movement in the reserves position since quarter 1. A report will be considered at Strategy Resources committee on 11 November 2025 that will review reserve balances and make recommendations for these going forward.
- 8.4 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:

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	301
<b>Subtotal - Reserves available for general use</b>	<b>6,593</b>	<b>1,856</b>
Contingencies unavailable for general use	13,591	11,431
Ringfenced funds/grants for specific use	1,892	2,756
<b>Subtotal - Reserves unavailable for general use</b>	<b>15,483</b>	<b>14,187</b>
<b>Total</b>	<b>22,076</b>	<b>16,043</b>

- 8.5 The commitment to maintain a minimum balance on the general fund reserve of £1.5m leaves just £356,000 of available reserves (£55,000 of general fund and £301,000 of corporate projects reserve), which the Council allocates on a business case basis, to ensure limited resources are utilised in line with corporate priorities.



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### 9 Actions and Next Steps

- 9.1 To address the projected budget deficit for 2025/26, 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 three forecasts to Audit & Scrutiny Committee in February 2026.

### 10 Risk Assessment

Legal or other duties

#### 10.1 Equality Impact Assessment

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.

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### 11 Financial Implications

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

11.2 **Section 151 Officer's comments:** The continued rise in temporary accommodation placements is placing unsustainable pressure on the Council's financial and operational resources. This trend is not only challenging our ability to deliver statutory services effectively but also risks undermining the long-term stability of our budget. Without decisive and coordinated action the situation will escalate further, with serious implications for service delivery and fiscal resilience.

### 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.

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

13.3 **Climate & Environmental Impact of recommendations:** None arising from the contents of this report.

13.4 **Sustainability Policy & Community Safety Implications:** None arising from the contents of this report.

13.5 **Partnerships:** None arising 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:

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### **Previous reports:**

- [Budget Report to Full Council – February 2025.](#)
- [Revenue Budget Monitoring – Quarter 1 to Audit & Scrutiny Committee – September 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.](#)