

2026/27 BUDGET TARGETS

Head of Service:	Cagdas Canbolat, Director of Corporate Services and Section 151 Officer (Chief Finance Officer)
Report Author	Richard Appiah-Ampofo
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	None

Summary

This report informs the Committee of the Council's revenue budget targets presented to the Strategy & Resources Committee in July. The report seeks guidance on the preparation of the Committee's service estimates for 2026/27.

Recommendation (s)

The Committee is asked to:

- (1) Note the implications of the budget targets presented to Strategy & Resources Committee on 15 July 2025.
- (2) Note that owing to the Council's projected budget deficit, any additional new revenue growth items (i.e. service enhancements resulting in increased net expenditure) supported by Policy Committees will need to be fully funded from existing budgets.

1 Reason for Recommendation

- 1.1 The recommendations will provide a clear framework for officers to develop a balanced budget for 2026/27, which is a statutory requirement.

2 Background

- 2.1 At its meeting on 15 July 2025, Strategy and Resources Committee agreed the budget targets and workstreams to enable the Council to work towards setting a balanced budget for 2026/27.

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- 2.2 The committee noted that for financial planning purposes, latest forecasts show that the Council faces a projected budget deficit of £1.93 million in 2026/27, rising to £5.06 million by 2028/29.

3 Full Proposals

- 3.1 To address the deficit detailed in 2.2, Strategy & Resources Committee agreed that the following workstreams should be progressed by officers:
- 3.1.1 Re-review opportunities considered in the past.
 - 3.1.2 Ongoing review of existing asset utilisation to realise cost reductions in Council operational buildings and increased income from investment properties.
 - 3.1.3 Ensure any new powers are considered to generate additional income for the Council.
 - 3.1.4 Undertake a review of reserves to be reported to Financial Strategy Advisory Group to seek support for recommended minimum reserve balances and support the MTFS process.
 - 3.1.5 A comprehensive review of fees and charges. Heads of Service review fees and charges annually to ensure any increases are achievable and report to policy committees for approval.
 - 3.1.6 To maximise external funding and partnership opportunities, for example submitting grant applications as opportunities arise.
 - 3.1.7 Monitor the assumptions throughout the year and assess the impact on the council's medium term financial strategy.
- 3.2 The Medium Term Financial Plan recommends an average increase in fees and charges for 2026/27 of CPI + 1%. Individual fees and charges will be based on an assessment of what is achievable for each service.
- 3.3 Officers will maintain engagement with policy chairs and members throughout the budgeting process, and budget forecasts and assumptions will continue to be reviewed and updated throughout the process.
- 3.4 Furthermore, owing to the Council's projected budget deficit, for any additional new revenue growth items (i.e. service enhancements resulting in increased net expenditure) supported by policy committees, the committee or Council will need to identify how these can be fully funded from existing budgets.
- 3.5 The 2026/27 Strategic Financial Planning report to Strategy & Resources on 15 July 2025 set out an updated Medium Term Financial Strategy. This included an additional £500,000 to fund the structural deficit in the temporary accommodation budget and also removed the previously agreed saving within the service from 2026/27 of £300,000.

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- 3.6 The removal of the £300,000 previously agreed saving means that this Committee will not be asked to find this saving from existing budgets. The additional £500,000 within the temporary accommodation budget aims to address the current adverse position forecast at the quarter 1 revenue budget monitoring stage, and does not impact on any other budgets within the Committee.

4 Risk Assessment

Legal or other duties

4.1 Equality Impact Assessment

4.1.1 None for the purposes of this report.

4.2 Crime & Disorder

4.2.1 None for the purposes of this report.

4.3 Safeguarding

4.3.1 None for the purposes of this report.

4.4 Dependencies

4.4.1 None for the purposes of this report.

4.5 Other

4.5.1 The Council has a statutory duty to set a balanced budget each year, demonstrating how planned expenditure on services will be fully funded.

4.5.2 Should the Council not progress the proposed budget strategy and fail to achieve a significant net reduction in its cost of services, there is a clear risk that reserves will continue to diminish with the Council eventually becoming unable to set a balanced budget.

4.5.3 Financial risk assessments will be completed with service estimates for this Committee in January 2026 and for Council in February 2026.

5 Financial Implications

5.1 The provisional financial outlook for 2026/27 and future years is covered in this report.

5.2 The Council has adequate resources to carry out a budget review supporting the delivery of the efficiency plan. Should the Council require a more comprehensive review of services, additional resources and expertise may be required.

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- 5.3 **Section 151 Officer's comments:** It is important that the budgets target recommendations be agreed to maintain the future financial health of the Council. Each service area must undertake a thorough review of its costs, identify opportunities for efficiency, and implement measures to reduce expenditure.

6 Legal Implications

- 6.1 The Council has a statutory responsibility to set a balanced budget each year.
- 6.2 **Legal Officer's comments:** None for the purposes of this report.

7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities:** The following Key Priorities are engaged:
- Effective Council.
- 7.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations:** None for the purposes of this report.
- 7.4 **Sustainability Policy & Community Safety Implications:** None for the purposes of this report.
- 7.5 **Partnerships:** None for the purposes of this report.
- 7.6 **Local Government Reorganisation Implications:** It is important to note that these forecasts are made at a time of uncertainty in local government finance, particularly in Surrey as it responds to the Local Government Reorganisation. Following the December 2024 English Devolution White Paper, council has submitted its unitary proposal and awaits the outcome which is expected in October. In the meantime, it would be expected that those councils which are due to become part of any future East Surrey authority should set budgets that are sustainable and prudent.

8 Background papers

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

Previous reports:

- [2026/27 Strategic Financial Planning report to Strategy & Resources – 15 July 2025.](#)

Other papers:

- [Budget Book 2025/26.](#)

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- [Medium Term Financial Plan 2024-28.](#)