

## CAPITAL BUDGET MONITORING QUARTER 3

<b>Head of Service:</b>	Cagdas Canbolat Director of Corporate Services and Section S151 Officer (Chief Finance Officer)
<b>Report Author</b>	Vanessa Newton, Senior Accountant
<b>Wards affected:</b>	(All Wards);
<b>Appendices (attached):</b>	Appendix 1: Update on Capital Projects

### Summary

This report presents the capital monitoring position at quarter 3 for the current financial year 2025/26.

### Recommendation (s)

#### The Committee is asked to:

- (1) Receive the capital monitoring position at quarter 3, 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 3 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 third 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 31 December 2025.
- 2.2 The core capital programme does not include investments made through the property acquisition fund, this activity is summarised within section 6.

## 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	810	3,370
Licensing & Planning Policy	0	0	0	0
<b>Total</b>	<b>1,853</b>	<b>1,923</b>	<b>810</b>	<b>4,587</b>

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 A budget addition of £45,000 was agreed in quarter 1 for the Epsom Playhouse lighting scheme to include the upgrade of the house lights, funded from revenue reserves. In quarter 2, there were three further budget additions: £340,000 for Bourne Hall lodge refurbishment as agreed at S&R committee on 15th July 2025; and two allocations of grant funding from the Local Authority Housing Fund (LAHF3) - £375,000 grant to Town & Country Housing for the Afghan Resettlement property; and £50,000 for the refurbishment of a temporary accommodation property as agreed at S&R committee on 25 September 2025.

3.4 Actual expenditure on the core capital programme to the end of December 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	29	159	(382)
Environment	676	100	183	(493)
Community & Wellbeing	3,370	1,761	2,080	(1,290)
Licensing & Planning Policy	0	0	0	0

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Total	4,587	1,890	2,422	(2,165)
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3.5 On the core capital programme, the forecast outturn for the full year is £2.42m. The variance of £2.16m. comprises of:

3.5.1 **Underspends** due to reprofiling of spend into future financial years comprise: £417,000 for the construction of three temporary accommodation units; £382,000 on ICT projects; Disabled Facilities Grant £271,000; and £340,000 on Bourne Hall lodge refurbishment.

3.5.2 **Underspends** resulting from schemes being delivered under budget include: £13,000 on Court Recreation 3D pitch surface renewal; and £21,000 on the sewerage contamination works at the depot. These are offset by an adverse variances of £20,000 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; and £8,000 for the Playhouse lighting and dimmers due to the lighting upgrade.

3.5.3 Schemes that have been paused include: £170,000 on the Alexander Recreation Dojo scheme due for review at Environment committee in January 2026; and the two Wellbeing centre schemes totalling £120,000 being deferred awaiting asset review.

3.5.4 Two schemes have been paused due to additional funds being required; the Ashley Centre car park waterproof membrane scheme, budgeted at £184,000; and the Uppermill Pond bank replacement scheme budgeted at £150,000. There is a current forecast of £25,000 against the Uppermill Pond scheme which will need to be transferred to revenue should the additional funding not be agreed.

3.5.5 The additional capital funding for these projects was supported by Financial Strategy Advisory Group (FSAG) in November 2025 and will be reviewed by Environment committee in January 2026 for recommendation to Full Council in February 2026.

3.5.6 Stew Ponds removal of silt project which shows an underspend of £150,000, required additional capital funding which was not recommended to be progressed following FSAG's review of initial proposals on 26 September 2025. FSAG have requested that the Environment committee consider next steps at its January 2026 meeting.

## 4 Movement in Forecasts since Quarter 2

4.1 Movements in the year-end forecasts since Quarter 2 are detailed in the table below:

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Committee	Forecast Outturn Q2	Forecast Outturn Q3	Change
	£'000	£'000	£'000
Strategy & Resources	417	159	(258)
Environment	156	183	27
Community & Wellbeing	2,377	2,080	(297)
Licensing & Planning Policy	0	0	0
<b>Total Core Capital Programme</b>	<b>2,950</b>	<b>2,422</b>	<b>(528)</b>

### 4.2 The changes in forecasts are as follows:

4.2.1 Strategy & Resources – a decrease in forecast of £258,000 for ICT projects.

4.2.2 Environment – an increase mainly due to works of £25,000 forecast for Uppermill Pond Bank replacement.

4.2.3 Community & Wellbeing – a decrease of £297,000 due to a projected underspend of £271,000 within Disabled Facilities Grants; a forecast spend of £30,000 on Bourne Hall lodge refurbishment being deferred to the following financial year; netted against an increase of £4,000 for construction of three temporary accommodation units due to legal costs.

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

## 5 Financing of Capital Expenditure 2025/26

5.1 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	1,581
Capital Grants-DFG	1,271
Budgeted Revenue Contributions	500
Revenue Reserves	45
Section 106	918
External Grant	272

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Total	4,587
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### 6 Property Acquisition Fund

#### Commercial Property

- 6.1 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.
- 6.2 The £49.6 million referenced is not a reserve or cash holding, but rather a borrowing facility. Any utilisation of this facility would require the Council to undertake borrowing, which would be subject to interest charges and ongoing debt repayment obligations.
- 6.3 Furthermore, each proposed use of the facility would need to be brought forward through a separate, detailed report for Member approval.
- 6.4 Given the current context of Local Government Reorganisation, it is increasingly unlikely that this facility will be progressed in the near term.

### 7 S106 Developer Contributions

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

	£'000	£'000
<b>Section 106 funds held as at 1 April 2025</b>		<b>1,703</b>
Section 106 net receipts to 31 December 2025		18
<b>Balance of S106 Funds held as 31 December 2025</b>		<b>1,721</b>
Less:		
Funds held due to SCC and other organisations	(130)	
Funds committed and approved for specific schemes	(1,556)	
		(1,686)
<b>Unallocated S106 funds as at 31 December 2025</b>		<b>35</b>

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- 7.2 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.
- 7.3 The £18k receipt received to 31 December 2025 was for a specific agreement which stipulated that interest should accrue on the outstanding balance. As that balance has now been spent, there will be no further income relating to this agreement. As the balance was for affordable housing, this income has been classified for the same purpose.
- 7.4 The £1.5m funds allocated for specific schemes include:
- 7.4.1 £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.
- 7.4.2 £422k of Affordable Housing S106 funds which has been earmarked for microhomes for temporary accommodation use at Fairview Road, as agreed at Strategy & Resources Committee on 12 November 2024.
- 7.4.3 £340k of Affordable House S106 funds has been earmarked for the refurbishment of Bourne Hall Lodge for temporary accommodation use, as agreed at Strategy & Resources Committee on 23 January 2023.
- 7.4.4 The remaining balance comprises of small schemes such as park bench and signage replacement and maintenance of play equipment.

## 8 Community Infrastructure Levy

- 8.1 The Council raised demand notices totalling £544,000 for Community Infrastructure Levy (CIL) for the period 1 April 2025 to 31 December 2025.
- 8.2 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:

	<b>Main Fund (80%) £'000</b>	<b>Community Fund (15%) £'000</b>	<b>Admin Fee (5%) £'000</b>	<b>Total £'000</b>
<b>CIL funds held at 1 April 2025</b>	<b>7,843</b>	<b>1,471</b>	<b>490</b>	<b>9,804</b>
CIL invoices raised to 31 December 2025	436	82	26	544
Invoices outstanding at 31 December 2025	(298)	(56)	(18)	(372)

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Receipt held as charge against property	(1)	0	0	(1)
CIL Payments made to 31 December 2025	0	0	0	0
<b>CIL Funds held at 31 December 2025</b>	<b>7,980</b>	<b>1,497</b>	<b>498</b>	<b>9,975</b>
<i>Less commitments:</i>				
<u>Strategic CIL Fund 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)
<u>CIL Neighbourhood Fund 2024/25</u>	0	(332)	0	(332)
<u>Strategic CIL Fund in 2025/26</u>				
Ash Dieback Essential Safety works and Treescape Restoration	(200)	0	0	(200)
ANPR Surrey Police	(36)	0	0	(36)
B284 Ruxley Lane, West Ewell, Epsom – Road Safety Scheme	(75)	0	0	(75)
Parks recreation and play for young people and families	(1,060)	0	0	(1,060)
<u>CIL Neighbourhood Fund 2025/26</u>	0	(237)	0	(237)
Monitoring CIL scheme in 2025/26	0	0	(103)	(103)
<b>Unallocated CIL funds at 31 December 2025</b>	<b>4,854</b>	<b>928</b>	<b>395</b>	<b>6,177</b>

- 8.3 Large sums are collected in instalments so not all the cash has been received at this date. Of the £372k of invoices/demand notices raised not yet collected, £166k relates to 2025/26, £191k relates to 2024/25, £15k relates to financial years prior to 2024/25.
- 8.4 At the S&R committee meeting on 12 November 2024, 2024/25 strategic CIL funding allocations of £1.755m were approved and have been added as commitments in the table above.
- 8.5 At the S&R committee meeting on 25 September 2025, 2025/26 strategic CIL funding allocations of £1.371m were approved and have been added to the above table.

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### 9 CIL Neighbourhood Scheme (15%)

- 9.1 At the S&R committee meeting on 12 November 2024, 2024/25 neighbourhood CIL funding allocations of £332k were approved. This amount has been added as commitments in the table above.
- 9.2 At the S&R committee meeting on 25 September 2025, 2025/26 neighbourhood CIL funding allocations of £237k were approved and have been added into the table above. Updates have been made through the Member News channel.

### 10 Capital Receipts

- 10.1 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	(1,581)
Capital receipts received to 31 December 2025	95
Forecast balance at 31 December 2025	1,975

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

### 11 Treasury Management Performance

- 11.1 The Council's budget for 2025/26 includes income of £1 million 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.
- 11.2 The performance from 1 April 2025 to 31 December 2025 on the council's investments is as follows:

01 April to 31 December 2025	Average Investment £'000	Interest Receivable £'000	Average Rate of Return %
<b>Internally Managed Funds</b>			
Money Market Funds	16,429	508	4.11%
Fixed Rate Deposits	10,556	390	4.91%
Interest Bearing Account	510	8	2.02%
<b>Total</b>	<b>27,494</b>	<b>906</b>	<b>4.38%</b>



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- 11.3 During the first three quarters of the year, £905,867 of interest has been earned, overachieving the profiled budgeted target of £750,000 for the same period.
- 11.4 Whilst the Council has been able to capitalise on greater returns available in the market for the first part of 2025/26, the current forecast is for base rates to drop to between 3.00% and 3.50% by the end of this financial year.
- 11.5 No borrowing has taken place during the year to 31 December 2025 and there is no proposed update to the existing prudential indicators as set out in the Treasury Management Strategy 2025/26 agreed by Full Council in February 2025.

## 12 Risk Assessment

### Legal or other duties

#### 12.1 Equality Impact Assessment

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

#### 12.2 Crime & Disorder

- 12.2.1 None arising directly from the contents of this report.

#### 12.3 Safeguarding

- 12.3.1 None arising directly from the contents of this report.

#### 12.4 Dependencies

- 12.4.1 None arising directly from the contents of this report.

#### 12.5 Other

- 12.5.1 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.

## 13 Financial Implications

- 13.1 Financial implications are set out in the body of the report.

- 13.2 **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.

## 14 Legal Implications

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

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

### 15 Policies, Plans & Partnerships

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

- Effective Council.

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

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

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

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

15.6 **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.

15.7 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.

### 16 Background papers

16.1 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, 15<sup>th</sup> July 2025.](#)
- [Capital Budget Monitoring Quarter 1 – 30 September 2025.](#)
- [Capital Budget Monitoring Quarter 2 – 13 November 2025.](#)

#### **Other papers:**

- [Residential property repair and maintenance fund report, Strategy & Resources Committee, 12 November 2024.](#)

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- [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.](#)