

## REVENUE BUDGET MONITORING - QUARTER 3

<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>	None.

### Summary

This report presents the forecast revenue outturn position for the current financial year 2025/26, as at quarter 3 (31 December).

### Recommendation (s)

#### The Committee is asked to:

- (1) Receive the revenue budget monitoring report, which sets-out a projected deficit of £520,000 for 2025/26;
- (2) Note that the final outturn position will be reported to the Strategy & Resources Committee in July 2026, then to this committee in the Statement of Accounts in autumn.

## 1 Reason for Recommendation

- 1.1 To present the 2025/26 forecast revenue outturn position to members, as at quarter 3.

## 2 Background

- 2.1 In February 2025, Full Council agreed a net expenditure budget of £10.269m for 2025/26 for the whole council. Details can be found in the 2025/26 budget book.
- 2.2 At quarter 3, the Council is expected to be 5% above budget at year-end, with a £520,000 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.

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- 2.3 The budget position will continue to be monitored closely, with forecasts updated and reported to Chairs accordingly throughout 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	(3,260)	(3,260)	0
Economic Dev. & Prosperity	74	74	0
Employee and Support Services	(27)	(27)	0
Building Control Contract	106	106	0
Community Safety	120	120	0
<b>Subtotal Strategy &amp; Resources</b>	<b>706</b>	<b>206</b>	<b>(500)</b>
<u>Environment Committee</u>			
Car Parking	(2,616)	(2,586)	30
Environmental Services	3,462	3,262	(200)
Contract Management	84	84	0
Environmental Health	749	749	0
Countryside, Parks & Open Spaces	2,486	2,486	0
<b>Subtotal Environment</b>	<b>4,165</b>	<b>3,995</b>	<b>(170)</b>
<u>Community and Wellbeing Committee</u>			
Housing	2,825	4,000	1,175
Community Services (Route Call, Meals from Home, Community Alarm)	507	522	15
Support for Voluntary Orgs.	233	233	0
Community Centre	457	457	0
Health & Wellbeing	339	339	0
Sports, Leisure & Cultural	1,316	1,316	0
Precepting & Levying Bodies (NJMC & EWDC)	415	415	0
<b>Subtotal Community &amp; Wellbeing</b>	<b>6,092</b>	<b>7,282</b>	<b>1,190</b>
<u>Licensing &amp; Planning Policy Committee</u>			
Place Development	1,241	1,241	0
Licensing	7	7	0
<b>Subtotal Licensing &amp; Planning Policy</b>	<b>1,248</b>	<b>1,248</b>	<b>0</b>
Capital Charges	(1,941)	(1,941)	0
<b>Total General Fund</b>	<b>10,269</b>	<b>10,789</b>	<b>520</b>

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- 3.2 The £520,000 projected budget deficit across services for 2025/26 would require a contribution from reserves. The General Fund reserve currently stands at £1.555m, only £55,000 above the £1.5m minimum balance approved by Council in July 2025. Therefore, it is suggested that this deficit is met from the Corporate Projects reserve, decreasing the uncommitted balance from £2,630,000 to £2,110,000. The Corporate Projects reserve does not have a minimum balance.
- 3.3 The following section of the report details the individual budget variances that make up the projected deficit of £520,000 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>	

Environment Committee	Adverse / (Favourable) Variance £'000	Detail
Car Parking	30	The adverse variance within car parking relates to a predicted under-achievement of income at Hook Road car park. At its meeting in January 2026, Environment Committee considered a proposal to open the car park on Sundays to boost income. Environment Committee will also consider a proposal to keep parking fees at 2025/26 rates for 2026/27 which is expected to support demand for the service.

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Environment Committee	Adverse / (Favourable) Variance £'000	Detail
Environmental Services, Cemeteries	50	<p>The adverse variance for cemetery income is forecast to be higher than forecast at quarter 2 by another £30,000, giving an overall adverse position at quarter 2 of £50,000.</p> <p>The service estimates considered by Environment Committee at their January meeting include a proposed decrease in income budget for burial fees to address the structural deficit within the service.</p>
Environmental Services, Waste Services	(250)	<p>Trade waste income is forecast to under recover by up to £70,000. The customer base has declined since the pandemic and the cost-of-living crisis, as businesses continue to face financial pressures. Garden waste income is also forecast to underachieve, as the service has seen a decline in the uptake over the past 12-18 months. To try to reinvigorate these services, officers have proposed freezes to our 2026/27 trade waste and garden waste fees, with that action to form the basis of marketing campaigns.</p> <p>Difficulties in the recruitment market for Waste operatives has led to higher than budgeted agency staff costs. In addition, an historic saving within the service was put on hold due to delays to the government's still-incomplete national waste strategy and is not expected to be realised, creating a £100,000 adverse variance.</p> <p>These adverse positions will 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 £250,000 once these adverse positions are netted off.</p>
<b>Total Environment Variance</b>	<b>(170)</b>	

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Community & Wellbeing Committee	Adverse / (Favourable) Variance £'000	Detail
Housing/Homelessness	1,175	<p>The quarter 2 forecast position was based on an average number of 116-118 net placements in nightly paid accommodation, which resulted in a net adverse forecast of £1.175m.</p> <p>The forecast remains at this level for quarter 3 as although there had been a decrease in numbers in November, the cold weather has seen this rise again in line with the assumed average.</p> <p>Community &amp; Wellbeing Committee agreed to recommend service estimates for 2026/27 to Full Council at its meeting in January which include a net increase of budget for nightly paid accommodation costs of £750,000.</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>	

## 5 Employee Costs

- 5.1 At the end of quarter 3, the Council is tracking in line with its year-to-date employee budget of £12.05m.
- 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.

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### 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. This is on track to be fully received this financial year.

### 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 In November 2025 Strategy & Resources committee considered a Review of Reserves report and agreed to transfer £500,000 from the interest equalisation reserve to the Planned Maintenance reserve; and also c. £1 million from each of the property income equalisation and collection fund reserve to the corporate projects reserve. These transfers are reflected in the figures and table below.
- 8.3 Other revenue reserves are projected to stand at £11.4m at 31 March 2026, however, the majority of this balance is to manage specific risks and contingencies, including the loss of commercial property income and business rates income in future years.
- 8.4 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	2,630
<b>Subtotal - Reserves available for general use</b>	<b>6,593</b>	<b>4,185</b>
Contingencies unavailable for general use	13,591	11,245
Ringfenced funds/grants for specific use	1,892	2,153
<b>Subtotal - Reserves unavailable for general use</b>	<b>15,483</b>	<b>11,425</b>
<b>Total</b>	<b>22,076</b>	<b>17,583</b>

### 9 Risk Assessment

Legal or other duties

#### 9.1 Equality Impact Assessment

9.1.1 None arising directly from the contents of this report.



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### 9.2 Crime & Disorder

9.2.1 None arising directly from the contents of this report.

### 9.3 Safeguarding

9.3.1 None arising directly from the contents of this report.

### 9.4 Dependencies

9.4.1 None arising directly from the contents of this report.

### 9.5 Other

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

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

## 10 Financial Implications

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

10.2 **Section 151 Officer's comments:** The ongoing increase in temporary accommodation placements continues to place pressure on the Council's financial and operational resources. While this presents challenges for service delivery and the longer-term budget position, significant investment has been built into the 2026/27 budget to support a more sustainable approach going forward. The forecast overspend for 2025/26 will be managed through the use of reserves, providing stability while further coordinated action is taken to address the underlying pressures."

## 11 Legal Implications

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

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

## 12 Policies, Plans & Partnerships

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

- Effective Council.

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

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

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- 12.4 **Sustainability Policy & Community Safety Implications:** None arising from the contents of this report.
- 12.5 **Partnerships:** None arising from the contents of this report.
- 12.6 **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.
- 12.7 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.

### 13 Background papers

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

#### **Previous reports:**

- [Budget Report to Full Council – February 2025.](#)
- [Revenue Budget Monitoring – Quarter 1 to Audit & Scrutiny Committee – September 2025.](#)
- [Revenue Budget Monitoring – Quarter 2 to Audit & Scrutiny Committee – November 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.](#)
- [Review of Reserves to Strategy & Resources Committee, 11 November 2025.](#)