Strategy and Resources Committee
14 July 2026

2025-26 PROVISIONAL FINANCIAL OUTTURN

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

Summary

This report summarises the Council’s provisional financial performance for 2025/26 and details the capital budgets to be carried forward for schemes where costs will be incurred in 2026/27.

Recommendation (s)

The Committee is asked to:

(1) **Receive the report on provisional financial outturn for 2025/26;**

(2) **Approve the carry forward £2.619 million budget for capital schemes to be added to the 2026/27 capital programme.**

~~(3)~~ **Note that the provisional outturn position is subject to external audit. Should any material changes arise from the audit, these will be reported back to members.**

(4) **Agree to fund the 2025/26 adverse outturn position of £410,000 from the corporate projects reserve.**

(5) **Agree to fund the increased provision detailed in section 5.2 from the corporate projects reserve.**

1. Reason for Recommendation

1.1 This Committee has responsibility for the Council's overall budget framework and vital that members are made aware of the 2025/26 outturn position.

1.2 The Financial Regulations also require that the budget carry-forward requests be approved by Strategy & Resources Committee.

2. Background

2.1 The Council's financial performance is reported quarterly to members of Audit & Scrutiny Committee through the budget monitoring process. At year-end, the outturn position is formally reported to Strategy & Resources via this report, and to Audit & Scrutiny Committee via the Statement of Accounts report in Autumn.

2.2 Provisional outturn has already been circulated to all members via Members' News in July, this report formally presents the position to Strategy & Resources Committee.

2.3 The provisional outturn position will be subject to external audit over the summer and autumn. Should any material amendments arise following completion of the external audit, these would be reported back to members.

General Fund Summary Position

2.4 In summary, the outturn position for 2025/26 is:-

Table 1 - General Fund Summary	Original Budget	Current Budget	Provisional Outturn	Variance
	£'000	£'000	£'000	£'000
Strategy and Resources	1,330	50	(770)	(820)
Environment	3,803	4,612	4,484	(129)
Community & Wellbeing	5,798	6,300	7,660	1,360
Licensing & Planning Policy	1,279	1,248	1,246	(2)
Capital charges	(1,941)	(1,941)	(1,941)	(0)
Total Net Expenditure	**10,269**	**10,269**	**10,679**	**410**
Funded by:				
Council Tax precept	7,884	7,884	7,884	0
Revenue Support Grant	409	409	409	0
Share of Business Rates	2,109	2,109	2,109	0
Transfer from Collection Fund	(133)	(133)	(133)	0
Total Funding (Budget Requirement)	**10,269**	**10,269**	**10,269**	**(0)**
Total General Fund	**0**	**0**	**410**	**410**

2.5 As reported in the quarter 3 revenue budget monitoring report to Audit & Scrutiny Committee in February 2026, it is proposed the Council's £410,000 adverse variance for 2025/26 is funded by an appropriation from the corporate projects reserve. In previous years, any adverse position has been funded by the general fund working balance. The minimum required balance of that reserve is £1.5m and its current balance is £1.555m. Whereas the corporate projects reserve currently has an uncommitted balance of £1.76m and no minimum required balance.

2.6 Using £410,000 of the corporate projects reserve to fund the 2025/26 adverse position would leave a balance of £1.35m in the corporate projects reserve.

2.7 At Quarter 3, an equivalent probable outturn of £520,000 over budget had been forecast and reported to Strategic Leadership Team and Members.

2.8 Information on the main variations to budget were circulated to all members in July. The most significant adverse variances to budget in 2025/26 were as follows:

2.9 **Housing (£1.4m)** – the increased need for temporary accommodation has been the most significant pressure on the Council's budget, with demand growing faster than the measures being taken to manage the situation. The 2026/27 budget has seen an increase of £750,000 to the nightly paid budget, and new staffing positions created to help manage service demand.

2.10 **Tax Collection and Benefits (£0.2m)** – the majority of the adverse variance is attributable to supported accommodation subsidy loss. There has been an increase in the use of supported accommodation providers for which the Council is required to pay over housing benefit for, but for which it cannot reclaim the full subsidy.

2.11 **Cemetery (£0.04m)** – the cemetery service has seen an under-recovery of income in 2025/26 resulting in an adverse variance of £40,000. This has been addressed for 2026/27 by a reduction in budgeted income, to address the reduced demand which has arisen from the cessation of the sale of future plots and alternatives to burial gaining popularity.

2.12 The most significant favourable variances to budget in 2025/26 were as follows:

2.13 **Corporate Financial Management (£0.62m)** – the favourable variance within corporate financial management consists of £400,000 of unused contingencies, and higher than budgeted treasury management income, which was higher than forecast at quarter three due to interest rates not falling as quickly as expected.

2.14 **Land and Property (£0.2m)** – the favourable variance within land and property is as a result of back rent being received on two properties within the industrial estates. This additional income was not forecast at quarter 3 because we could not be certain of it until leases had been signed.

2.15 **Local Economy (£0.05m)** – The £50,000 favourable variance in local economy is due to consultancy budgets not being spent as the Council has had to divert staff to work on preparing for Local Government Reorganisation.

2.16 **Employee and Support Services (£0.08m)** – a favourable variance has arisen due to £54,000 back rent from the Police following the signing of a new lease for their accommodation within the Town Hall and a small salary saving from vacant posts.

2.17 **Environmental Services (£0.09m)** – an overall favourable variance of £89,000 has resulted from the additional Extended Producer Responsibility grant funding of £383,000, offset by a £40,000 adverse variance within cemeteries; and within Waste Services, an historic unachievable saving of £100,000, and under recovery of garden and trade waste income totalling £149k, combined with smaller ad hoc variances.

2.18 **Contracts Management (£0.04m)** – a £40,000 favourable position on verge cutting income has been realised within the team managing the contract with Surrey County Council.

3. Reserves

3.1 Transfers have been made to and from revenue and capital reserves in line with Council policy for the reserves and as approved for specific schemes during the year.

3.2 The following table shows the balances of strategic revenue reserves following preparation of the unaudited Statement of Accounts:

General Fund Revenue Reserves	Balance at 31 March 2025	Provisional Balance at 31 March 2026	Commitment & Forecast Transfers	Forecast Balance
	£'000	*£'000*	*£'000*	£'000
General Fund Working Balance	2,755	1,554	0	1,554
Corporate Projects Reserve	3,838	3,309	(1,631)	1,677
Sub-Total - Reserves available for general use	**6,593**	**4,863**	**(1,631)**	**3,231**
Repairs and Renewals	686	697	(18)	679
Insurance	420	323	(84)	239
Planned Maintenance	376	747	(527)	220
VAT Reserve	206	206	0	206
Collection Fund Equalisation Reserve	3,250	2,121	(170)	1,951
Commuted Sums	1,439	1,439	0	1,439
Interest Equalisation Reserve	934	434	0	434
Property Income Equalisation Reserve	6,694	5,214	0	5,214
Sub-Total - Contingencies unavailable for general use	**14,005**	**11,150**	**(799)**	**10,382**
Strategic Priorities Reserve	0	2,077	(489)	1,588
Community Safety	104	91	(19)	72
Sports & Leisure Development Projects Fund	121	65	(10)	55
Place Development Grants	590	542	(528)	14
Personalisation, Prevention & Partnership	93	97	(28)	69
Housing/Homelessness Support Grants	708	702	(674)	28
HIA Hardship Fund	124	124	0	124
Basic Payments Scheme	124	118	0	118
Other smaller grants	28	28	0	28
Renters rights & Civil sanction	0	33	0	33
Sub-Total - Ringfenced funds/grants for specific use	**1,892**	**3,877**	**(1,748)**	**2,096**
Total Revenue Reserves	**22,490**	**19,890**	**(4,178)**	**15,680**

3.3 The major movements in revenue reserves during the year of a net £2.6m were as follows:

3.4 Collection Fund Equalisation Reserve decreased by £1.16m (from £3.25m to £2.09m), as a result of £1m being transferred to the corporate projects reserve and £160,000 being used to smooth funding across financial years. The lowering of this reserve reflects the lower reliance on this due to good collection rates in council tax and business rates income plus positive outcome following the Fair Funding Review 2.0.

3.5 General Fund Working Balance reduced by £1.2m (from £2.75m to £1.55m), due to the transfer of balances to create the new Strategic Priorities reserve which was agreed by Full Council on 6 May 2025.

3.6 Strategic Priorities Reserve increased by £2.077m (from £0 to £2.077m), reflecting the creation of a new reserve to support corporate priorities, less use of £193,000 in year.

3.7 Corporate Projects Reserve decreased by a net sum of £0.530m (from £3.838m to £3.308m). This resulted from a net increase of £910,000 from other reserves, offset by approved use of funds for corporate initiatives, and assumes its use for funding the increased provision detailed in section 5.2 and the funding of the adverse outturn position, which are yet to be agreed.

3.8 The main initiatives funded by the corporate projects reserve in 2025/26 include the local plan workstream, the Epsom & Ewell Hub and appraisal and feasibility work of the Council's Hook Road Car Park and SGN Site.

3.9 Interest Equalisation Reserve decreased by £0.5m (from £0.934m to £0.434m), following agreement by Strategy & Resources Committee on 11 November 2025 to reappropriate this sum to the Planned Maintenance Reserve.

3.10 Planned Maintenance Reserve increased by a net £0.371m (from £0.376m to £0.747m), comprising of the £0.5m appropriation from the Interest Equalisation reserve and a budgeted contribution of £0.2m from investment property income, offset by use of £328,000 to support property maintenance requirements.

4. 2025/26 Additional Income/Savings Delivery

4.1 The 2025/26 budget required £126,000 of new additional income and savings to be delivered during the year. The delivery status of these is summarised in the following table:

Summary of Budgeted Additional Income/Savings - 2025/26	Committee	Achieved
		£000
Income from Commercial Property	S&R	38
Additional rental income from Parks buildings	ENV	30
Other Operational Efficiencies	All	58
Total Savings		**126**

4.2 As reported at Quarter 3, the full £126,000 of planned savings were successfully delivered in 2025/26.

5. Provisions

5.1 Following an analysis of general debtors, the associated bad debt provision has decreased by £28,000, from £263,000 to £235,000 at 31 March 2026. The £28,000 decrease consists of £31,000 write-offs charged against the provision and a £3,000 increase in the provision overall to reflect the current profile and balance of outstanding debtors. Outstanding debtors will be monitored and managed during 2026/27 in accordance with the Council's debtor procedures.

5.2 Following a review of a pending court case relating to a fatality, and in consultation specialist advisors, the Council has reassessed the level of financial risk. As a result, the provision has been increased from £250,000 to £500,000 to ensure that potential liabilities are more appropriately reflected. It is proposed that this be funded by an appropriation from the corporate projects reserve.

6. Pensions

6.1 Pensions have been treated within the accounts in accordance with recommended financial reporting standards for local authorities. The movement for accounting purposes has gone from a net liability of £6.9m at 31 March 2025 to a net liability of £12.1m at 31 March 2026. Although there has been an increase in the fair value of plan assets, from £99.6m at 31 March 2025 to £110.8m at 31 March 2026, under the IAS19 accounting standard, a net asset restriction is applied to adjust for the effect of limiting the defined benefit asset to the asset ceiling. The asset ceiling is the net present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The net liability of £12.1 million is after applying the asset ceiling.

6.2 Additional information on pension liabilities is included within the Statement of Accounts, which is prepared in accordance with International Accounting Standard 19 (IAS19). The IAS19 accounting valuation does not comprise a full re-valuation of the fund and does not impact the Council's contributions.

6.3 Although the IAS19 pension liability has an impact on the Council's balance sheet, the valuation methodology is affected by short-term economic market conditions and is not used to determine the impact on council tax of the cost of paying pensions. There are separate statutory arrangements for meeting the liability, which will be addressed by increased contributions to the scheme over the remaining working lives of the staff.

7. Capital Expenditure 2025/26

7.1 A summary report of the 2025/26 capital programme was issued to all Councillors via Members Update in July. The 2025/26 expenditure per Committee for the core capital programme is shown below:

Table 5 - Core Capital Programme	**2025/26 Approved Budget**	**2025/26 Outturn**	**Variance**
	£'000	**£'000**	**£'000**
Strategy & Resources	541	116	(424)
Environment	526	114	(412)
Community & Wellbeing	3,977	2,200	(1,777)
Licensing & Planning Policy	0	0	0
Total	**5,044**	**2,430**	**(2,614)**

7.2 The approved budget is £457,000 higher than reported at quarter 3 due to the purchase of two properties for temporary accommodation totalling £720,000, using grant funding from round 3 of the Local Authority Housing Fund (LAHF3) as agreed at Strategy & Resources Committee on 12 November 2024. This LAHF3 budget increase within Community & Wellbeing Committee nets against the removal of £320,000 of budget within Environmental Committee following the decision on 20 January 2026 to remove the Stew Ponds Silt Removal and Alexander Recreation Dojo replacement schemes from the capital programme. The Council also received a further £57,000 of Disabled Facilities Grant funding in March 2026.

7.3 On the core capital programme, actual expenditure was £2.43m which is £2.557m less than the current approved budget. The main projects contributing to the underspend are three LAHF3 funded temporary accommodation properties (£736k) Fairview Road temporary accommodation (£411k); Bourne Hall lodge refurbishment to be used for temporary accommodation (£340k); the Disabled Facilities Grant (£142k); ICT Programme of Works (£210k); the CRM and Data Warehouse project (£214k); and two schemes at the Wellbeing Centre (£120k).

7.4 The following 2025/26 projects remain in progress, or not started and it is requested that the budgets be carried forward to 2026/27:-

Table 6 - 2025/26 Capital Projects still in progress, or not started, at 01/04/26	Remaining Budget £'000s	Funding Source
Disabled Facilities Grant	199	External grant
Uppermill Pond Bank Replacement	139	Capital receipts
Wellbeing centre solar panel installation	60	Capital receipts
Wellbeing centre windows replacement	60	Capital receipts
Ashley Centre car park Waterproof membrane	184	Capital receipts
Fairview Road - TA	411	S106 receipts
ICT Programme of works/CRM & Data Warehouse	424	Capital receipts
Court Recreation 3G Pitch surface renewal	26	Capital receipts
Hardwicks Yard playground improvement	40	Capital receipts
LAHF3 3 Temporary accommodation properties	736	External grant/ S106 receipts
Bourne Hall refurbishment - TA	340	Capital receipts
Total budget carried forward into 2026/27	**2,619**	

7.5 The reason for the carry forward budget exceeding the variance on the 2025/26 capital programme is due to the lighting at the playhouse project running slightly over budget.

7.6 The carried forward budget of the two ICT schemes has been rolled into one.

Property Acquisition Funds – Commercial Property

7.7 The Council retains one in-Borough commercial property acquisition fund, which has a remaining balance of £49.6m available for investment. The fund can be financed from prudential borrowing. No commercial properties were acquired during 2025/26, and with Local Government Reorganisation due to take effect from 1 April 2027, no further acquisitions are planned.

7.8 The Council formally closed its out-of-Borough commercial property acquisition fund in February 2020, as part of agreeing the Medium Term Financial Strategy 2020-24, in order to comply with government's Statutory Guidance on Investments.

Financing

7.9 The financing of capital expenditure in 2025/26 is summarised in the following table:-

Table 8 - Financing of Capital	**2025/26 Approved Budget £'000s**
Expenditure	
Core Programme	2,430
CIL Neighbourhood 15% Schemes	170
Private Sector Landlord Property Leases	158
Total Expenditure	**2,758**
Financing	
Capital Receipts Reserve	310
Capital Grants - DFG	1,129
External Grants	298
Budgeted Revenue Contributions	508
Revenue Reserves	45
S106 Receipts	147
Community Infrastructure Levy	163
Total Financing	**2,600**
Vehicle Finance Lease - to be financed in future years	158
Total	**2,758**

8. Capital Receipts

8.1 One capital receipt was received for the 2025/26 financial year for a deed of easement to lift a restricted covenant on a residential property in Upper High Street, Epsom. The sale of 64-74 East street is due to complete in summer 2026 with an estimated receipt (after sale costs) of £3,060,500. Capital receipt balances are summarised in the following table:-

Table 9 - Capital Receipts Reserve	£'000s
Balance brought forward at 1 April 2025	3,461
Used to fund the 2025/26 capital programme	(310)
Capital Receipts received in 2025/26	95
Closing balance as at 31 March 2026	**3,246**
Earmarked for previous schemes not yet complete (balance rolled forward to be agreed by S&R Committee in July 2026)	(1,273)
Estimated capital receipts expected in 2026/27	3,060
Planned use for 2026/27 programme	(2,441)
Estimated balance at 31 March 2027	**2,592**

9. Risk Assessment

Legal or other duties

9.1 Equality Impact Assessment

9.1.1 None arising from the contents of this report.

9.2 Crime & Disorder

9.2.1 None arising from the contents of this report.

9.3 Safeguarding

9.3.1 None arising from the contents of this report.

9.4 Dependencies

9.4.1 None arising from the contents of this report.

9.5 Other

9.5.1 A risk assessment was included in the 2025/26 budget report. Monitoring arrangements during the year have allowed some corrective action to be taken on a number of budget variances, either during the year or as part of the Council’s longer-term service and financial planning.

9.5.2 An updated risk assessment was included in the 2026/27 budget report. Further budget monitoring will be carried out on any specific service where the financial position was materially worse than anticipated.

10. Financial Implications

10.1 Financial implications are included in the body of the report.

10.2 **Section 24 considerations:** Does not need shadow authority approval as it is reporting on the outturn position, i.e. no additional financial cost to the council

10.3 **Section 151 Officer's comments**: The adverse variance is proposed to be funded from the corporate projects reserve. Having reviewed the overall financial position, I am satisfied that this represents a prudent and sustainable approach, given the current level of reserves and the minimum balance requirement for the General Fund.

10.4 The report demonstrates that the Council continues to operate within an effective financial management framework, with appropriate monitoring arrangements in place throughout the year. While there remain ongoing financial pressures, particularly in demand led services, these have been appropriately reflected in both the outturn position and forward financial planning.

10.5 On this basis, I am satisfied that the Council's financial position remains sound and that the recommendations contained within the report are appropriate.

11. Legal Implications

11.1 **Legal Officer's comments**: None arising from the content 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.

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:** As a backward-looking report, the impact of LGR on the information contained within this report is limited.

13. Background papers

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

Previous reports:

- 2025/26 Budget Report to Full Council, 11 February 2025.
- Revenue Budget Monitoring Quarter 3 to Audit & Scrutiny Committee, 5 February 2026.
- Capital Budget Monitoring Quarter 3 to Audit & Scrutiny Committee, 5 February 2026.

Other papers:

- None.