

SALISBURY CITY COUNCIL

Report

Subject: Budget Monitoring Outturn Report for 2023/24
Committee: Full Council
Date: 24 June 2024
Author: Steve Bishop, Responsible Finance Officer

1. Report Summary

- 1.1. This report provides the Council with a statement of income and expenditure, comparing actual expenditure and income against that budgeted for the year. Any budget heading showing variances over £50,000 are discussed in the report.
- 1.2. Budget monitoring reports will be presented at least quarterly to Full Council in accordance with Financial Regulation 4.8.

2. Policy Considerations

- 2.1. Financial Regulations are an integral part of the Council's systems of internal control and governance which ensure sound financial stewardship of public money. Regular monitoring of the Council's financial performance is good business practice and aids timely decision-making. Analysis of outturn variances at year-end inform financial planning for 2024/25 and budget-setting for 2025/26.

3. Background Information:

Report format

- 3.1. The council-wide budget monitoring report is appended to this report – see Appendix A. The format can be adapted if Councillors prefer an alternative. The Responsible Finance Officer (RFO) would welcome any feedback on the format.
- 3.2. The report uses the following conventions:

In the Budget and Actual columns

- Expenditure is shown as **black numbers**
- Income is shown as **(red numbers in brackets)**

In the Variance columns

- 'Bad' variances (over-spends) are shown as **black numbers**
- 'Good' variances (under-spends) are shown as **(red numbers in brackets)**

4. Explanation of Revenue variances over £50,000

- 4.1. Budget holders are expected to scrutinise their regular budget monitoring reports throughout the year, taking corrective action as necessary and being able to explain any variances.

- 4.2. Financial Regulation 4.8 requires all budget holders to explain any material variances over £50,000 to Full Council. In addition budget holders are also invited to explain any large variances up to £50,000 if considered of particular corporate importance.
- 4.3. **Appendix A** sets out the year-end results for all revenue cost centres, showing variance from approved budget. **Appendix B** sets out the year-end results for all capital schemes, showing variance from approved budget. All material variances over £50,000 are listed in **Appendix C**.
- 4.4. It should be borne in mind that the absence of an RFO for much of 2023 disrupted the budget monitoring reporting cycle, leaving budget holders bereft of management information until January 2024. Officer explanations for all material variances are provided below:

Salary Costs (EST GEN 10001) and Agency Staff (EST GEN 10007)

- 4.5. The salary budget includes overtime and ancillary salary adjustments as well as basic wage/salary costs. The £162k (7%) underspend for the year is due to several vacant posts including two senior managers. A 7% underspend due to vacancies is not uncommon.
- 4.6. This was partly offset by the use of agency staff, resulting in an overspend of over £46k (75%) on that budget head. Half of that overspend was due to a high level senior manager backfilling a member of the Senior Management Team (SMT). This is an exceptional event and not expected to repeat this year.

Employers National Insurance costs (EST GEN 10003)

- 4.7. Employers NI costs were £71k (33%) overspent compared with the £218k budget. This is due to the RFO including a provision for £97k in order to settle a historic liability for underpaid national insurance in previous years. Without this provision this budget would have been comfortably underspent.

Employers Pension costs (EST GEN 10004)

- 4.8. Employers Pension costs were almost £48k (14%) underspent compared with the £335k budget. It appears that the budget was mis-calculated however officers are still investigating this variance.

Business Rates NNDR (EST GEN 52001)

- 4.9. Last year (2022/23) business rates totalled £259k for the year. This year they totalled £292k. Therefore the budget of £339k appears excessive and is the principal explanation for the variance. Officers propose that this budget be adjusted during the 2025/26 budget-setting process.

Parish Poll (EST GEN 53008)

- 4.10. An unplanned parish poll exercise arose in 2023/24 and therefore no budgetary provision existed for it, causing the £39k adverse variance.

Bank Interest income (EST GEN 75001)

- 4.11. The council over-achieved its income budget target of £25k by more than £59k (202%) due to a combination of steadily increasing interest rates and smarter investing. Further improvements in the use of treasury management money markets are likely to achieve even higher returns and this income budget can be raised during 2025/26 budget-setting.

Parking Income (CRP GEN 73001)

- 4.12. Last year (2022/23) the Council achieved £212k parking income and this year £255k. Therefore the budget of £160k is significantly under-estimated and accounts for the 60% variance. This income budget can be raised for 2025/26.

Caravan Site Income (CRP GEN 73007)

- 4.13. The Council's caravan site is managed by an independent company which calculates the Council's profit share proportion after its year-end. The company's financial year ends in February. In prior years the convention has been to wait until the company's audited accounts are available in June and post the prior year's profit-share into the current year – in effect being 13 months late. This is not proper accounting practice and therefore 2023/24 is the 'catch-up' year which has received an additional 13 months' income to the norm, causing the £113k (66%) positive variance. This is a one-off windfall. The £170k base budget is slightly high given this year's £159k income.

Waste Disposal (PRK & SSS ENV 27004)

- 4.14. Unfortunately Waste Disposal costs and budgets are split between the general Environmental cost centre (PRK) and Streetscene's cost centre (SSS). When these are combined the total costs for the year were £129k against a combined budget of £109k i.e. a £20k or 18% overspend, which is within tolerances. These budgets will be assessed for accuracy during the 2025/26 budget-setting process.

Cremation direct costs (CRM ENV 53002)

- 4.15. This cost category comprises the various fees which the Council has to pay in order to arrange cremations, for example grave-digging, medical examiner fees, audio-visual consultancy for funeral presentations. In addition to these regular fees, last year there were also additional fees payable to Holy Redeemer Church to hold services when the Council had to close Salisbury Crematorium for re-roofing work.
- 4.16. Last year the actual costs were £55k, which would have been similar to this year, had the Crematorium not had to close. So this budget appears to be in need of updating as part of the 2025/26 budget-setting exercise.

Cremation Income (CRM ENV 71001)

- 4.17. Crematorium income is £105k (10%) down on the £1.042m budget for the year. Looking at previous years in the following table, this budget does not appear unrealistic:

	2020/21 £,000	2021/22 £,000	2022/23 £,000	2023/24 £,000
Cremation income	1,212	1,150	1,186	937

- 4.18. This year's variance is caused by a 20% drop in income, relative to the 2020/21 – 2022/23 three year average to that point. Several factors have influenced the drop in this reduction in income. There were no extreme weather events (hot or cold) during the year so the death rate and numbers of cremations were down. The closure of the chapel during the crematorium roof work and closure of a local cremation firm with whom we had a business arrangement also adversely affected income. Officers will need to assess the achievability of this major income budget as part of budget-setting.

Repairs and Maintenance (FAC ENV 20001)

- 4.19. The Council has a diverse and aging property portfolio which has not been adequately maintained in the past. The Head of Environmental Services has taken a risk-based approach to addressing the backlog in priority order which has necessitated significant expenditure this year.
- 4.20. Officers were aware early on in the year that the £99,000 budget for the year was inadequate. Officers had no choice but to break Financial Regulations by committing to unbudgeted expenditure in order to address property defects. The final overspend totalled £157k or 159% of the budget.
- 4.21. This situation is unacceptable but is likely to recur in 2024/25 unless special measures are taken. Councillors are asked to advise whether officers in the 2024/25 financial year are expected to limit expenditure to the £115k budget provided, given that the Council's Financial Regulations prohibit officers over-spending budgets.
- 4.22. The maintenance backlog will not be resolved in this year and further significant expenditure is predicted in the foreseeable years to come. Councillors are urged to provide for significant increases to this budget during the 2025/26 budget-setting and medium term financial planning exercises.

Tree Surgery (POS ENV 28002)

- 4.23. This budget is a similar situation to the Repairs and Maintenance budget discussed above as the Council's current and foreseeable operational demands significantly exceed its budgetary provision. The budget of £110k was overspent by £86k (78%) and significantly overspends every year. The budget was inadequate and needs uplift in 2025/26 onwards.
- 4.24. The Council provides a good standard of tree surgery works as directed by the Council's Tree Policy and which are carried out in priority order. Councillors are recommended to re-assess the standard required and to confirm whether officers are expected to breach Financial Regulations in 2024/25 by committing to spend when the budget is exhausted mid-year.

Activity Income (MEV BUS 72003)

- 4.25. The Markets, Events and Advertising cost centre has been used as a 'departmental corral' for a multitude of uses, including discrete one-off projects, annual events and continuous services. This has made outturn analysis particularly difficult but officers are

commended for returning sufficient surpluses on the events to achieve this over-achievement of the £44.5k budget by £95k (213%).

- 4.26. For 2024/25 this cost centre has been split into multiple new cost centres to provide the granular detail required to keep the various uses and budgets separate, which will aid budget monitoring and helpful commentary. The income budgets will be uplifted as required to more realistic levels.

Ticket Sales (CSR BUS 45016 and 74004)

- 4.27. The Information Centre sells a variety of tourist tickets on behalf of a number of third party organisations such as the bus company. The ticket sale income is accounted for through the Council's finance system before being passed on to those organisations. Other than timing differences between receipt and payment there should be nil net financial effect on the Council other than the officer time spent undertaking this service and the 5 – 10% commission earned.
- 4.28. The apparent loss on ticket sales has been investigated and the cause has been found and addressed. The RFO continues to seek recoupment of the £5,600 2023/24 loss, but in the meantime, from 2024/25 onwards the anticipated commission surplus of £5,400 will be achieved.

5. Explanation of Capital variances over £50,000

- 5.1. In addition to the annual revenue budgets for providing everyday services, the Council also approves an annual capital programme, comprising projects to be funded from capital reserves.
- 5.2. At the end of 2023/24 there were four capital schemes with variances of over £50,000. These are explained below.

Tollgate Road Depot (Z44 ENV)

- 5.3. During 2023/24 the Council took a major investment decision, to purchase the freehold of a new depot site, to replace the old depot whose lease was due to expire in February 2024. The Council's budget of £385k to prepare the site and fit out the depot for Council use proved to be optimistic and has been overspent by £120k (31%).
- 5.4. A report will be submitted to the Environment and Climate Committee, which will provide a more detailed explanation of the project and reasons for cost overrun.

Public Conveniences (Z49 ENV)

- 5.5. This scheme's budget of £175k was underspent by £62k (35%). The budget was intended to cover potentially several public conveniences. However, the age and poor condition of the Council's public conveniences (with the exception of Lush House & Millstream approach, which have both already been refurbished) meant that only Fisherton Recreation toilets were completed, within the budget, leaving the unspent surplus.

River Park s.106 contribution (Z57 ENV)

- 5.6. Under S.106 of the Town and Country Planning Act 1990, as amended, contributions can be sought from developers towards the costs of providing community and social

infrastructure, the need for which has arisen as a result of a new development taking place. This funding is commonly known as "Section 106".

- 5.7. The Council has received multiple s.106 receipts over the years and in 2023/24 we received our largest ever s.106 receipt of £716k from the Environment Agency to fund the Council's maintenance obligations at River Park for the next 50 years. This was unbudgeted and therefore appears unhelpfully in this report (and in the Council's annual AGAR accounting statement) as windfall income. Under the principal authority 'full code' accounting requirements which constrain the Council from 2024/25 all s.106 contributions must be accounted for in earmarked reserves, so cannot be treated as 'income'.

Capital Funding – CIL Receipts (Z99 GEN)

- 5.8. The Community Infrastructure Levy (or 'CIL') is a similar scheme to s.106, inasmuch as developers pay such a levy to the planning authority, for sharing with local councils, who must use the funds to improve the local amenities in order to support the development and alleviate resulting pressures.
- 5.9. The uncertainties over planning decisions and development timeframes make budgeting for CIL very difficult and many councils, like Salisbury, do not attempt to. As a result, any receipts represent unbudgeted windfalls and for 2023/24 they totalled £98k.
- 5.10. Like s.106 where CIL receipts have obligations placed upon the Council, they must be ringfenced. But often they are relatively unfettered and officers will seek to utilise such funding on eligible schemes which the Council is minded to do, effectively reducing Council expenditure.

6. Overall Financial Position at Year-end

- 6.1. The comparison between the various budget headings and their associated actual expenditure or income discussed above is important. However, it can be misleading as we dissect the Council and scrutinise budgetary performance at the micro level. We should also step back and look at the entirety of the Council's overall financial position without the distraction of budgets.
- 6.2. Appendix D sets out the Council's 2023/24 result in a simple bottom line profit/loss format, looking purely at the actual income generated and expenditure incurred.
- 6.3. Excluding precept, the Council's revenue cost centres i.e. the income and expenditure involved in providing the Council's everyday services cost £4.637m during the year. After the £5.152m precept is factored in, the services produced a net surplus of £515k. Meanwhile the capital programme outturned at a net cost of £169k, which meant that overall, the Council achieved a 'profit' of £345k.
- 6.4. However, this 'profit' only arose after treating both £716k s.106 contribution and £98k CIL receipts as in-year windfall income. As explained above, this treatment is not permitted from 2024/25 when these receipts will have to be earmarked. So, once these are omitted from the equation, the Council made a real loss of £468k which has to be met from reserves. This follows a loss of £365k in 2022/23.

6.5. This is not good news as the Council's reserves are not inexhaustible. The RFO is currently checking and analysing the Council's various reserves for accuracy and to ensure compliance with the new accounting regime. The verified reserves will be reported to Full Council at the earliest opportunity and in time to consider as part of the 2025/26 budget-setting and medium term financial planning exercise.

7. **Recommendations:**

7.1. The Council notes the financial position at the end of the 2023/24 year and officers' explanations of the variances over £50,000.

7.2. Acknowledging the financial overspends in the past two years, officers will be supported to comply with Financial Regulations and where necessary pause services where finances have been exhausted in year.

8. **Background Papers:**

None.

8.1. **Implications**

- . **Financial:** As shown in this report
- . **Legal:** Nil in relation to this report
- . **Personnel:** Nil in relation to this report
- . **Environmental Impact:** Nil in relation to this report
- . **Equalities Impact Statement:** Nil in relation to this