

SALISBURY CITY COUNCIL

Report

Subject: Revenue Budget Monitoring Report for Quarter 3
Committee: Full Council
Date: 4 March 2024
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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 period. 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 councillors in accordance with Financial Regulation 4.8. Previously such reports were submitted to the Finance and Governance Committee rather than Full Council.

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, aids timely decision-making and informs financial planning.

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 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)**

- 3.3. All budgets, other than receipt of precept and payments of business rates, are spread across the year evenly, 1/12 per month. Therefore as the Quarter 3 report covers the period April – December 2023 most of the 'Profiled budgets' are 9/12 of the budget for the year.

Overall financial position at the end of Quarter 3

- 3.4. By the end of quarter 3 the council had underspent its revenue budgets by just over £171,000. This is the aggregate of many different variances over the Council's seventeen revenue cost centres, some 'good' and some 'bad'. The largest are explained below.

4. Explanation of variances over £50,000

Establishment (EST GEN)

- 4.1. There have been several vacancies during the year including two senior managers, resulting in a significant underspend on the salary costs code (10001) and associated costs. The total underspend across the various payroll budgets is almost £355,000.
- 4.2. This was partly offset by the use of agency staff, resulting in an overspend of almost £34,000 on that budget head.

Environmental Services (PRK ENV)

- 4.3. The Poultry Cross was damaged by a carelessly-driven vehicle in 2022 which the Council had a duty to repair. These works were completed this year but were not budgeted for, resulting in the £52,120 adverse variance. However the Council was reimbursed through its insurance policy, creating an opposite variance to offset it.

Cremation Income (CRM ENV)

- 4.4. Crematorium income is 23% down on the average of the previous three years as summarised in the table below:

	2020/21 £,000	2021/22 £,000	2022/23 £,000	2023/24 £,000
Qtr 3 to end of December	826	831	859	642
Full year	1,212	1,150	1,186	

- 4.5. Several factors have influenced this reduction in income. There have been no extreme weather events (hot or cold) during the year so the death rate and numbers of cremations are 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.

Repairs and Maintenance (FAC ENV)

- 4.6. The £99,000 budget for the year was expended earlier in the year and by the end of Quarter 3 the Council's expenditure is almost double the full year's budget, being 159% over the profiled budget.
- 4.7. The Council has a diverse and aging property portfolio which has not been adequately maintained in the past. The Environmental Services Manager has taken a risk-based approach to addressing the backlog in priority order which has necessitated significant expenditure this year.

- 4.8. 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. Furthermore, councillors are asked to note the possibility of future discussions if the budget expenditure is forecast to exceed budgets provided. Officers will do all to avoid this but recognise the Council's Financial Regulations prohibit officers over-spending budgets.

Electricity (FAC ENV)

- 4.9. Both electricity costs and gas costs are significantly down on the budget due to late billing by suppliers. Several long-outstanding bills were submitted shortly after the quarter-end. Officers are working with an energy management company to improve the timing and accuracy of utility invoices and will assess whether the budget could be better profiled for future monitoring reports.

Tree Surgery (POS ENV)

- 4.10. This budget is a similar situation to the Repairs and Maintenance budget discussed above in as much as the Council's current and foreseeable operational demands significantly exceed its budgetary provision.
- 4.11. 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 asked to note that this budget has previously overspent and will be closely monitored by Officers.

Waste Disposal (SSS ENV)

- 4.12. There is no actual variance over £50,000 requiring explanation. The £57,466 bad variance on SSS ENV 27004 needs to be set off against the £33,884 good variance on PRK ENV 27004 as this budget monitoring exercise has indicated mis postings between the two codes. This problem will not recur next year.

Guildhall hire of inside areas (GUI BUS)

- 4.13. There is no actual variance over £50,000 requiring explanation. The £92,732 good variance on GUI BUS 72009 Guildhall Hire of Inside Areas includes over £50,000 prepaid income for bookings in 2024/25, which should be excluded from this year. Once this is adjusted the actual income for this year is closer to budget. The Responsible Finance Officer (RFO) will work with budget holders to avoid this mis-presentation issue in future.

Activity Income (MEV BUS)

- 4.14. There is no actual variance over £50,000 requiring explanation. The £101,627 good variance on MEV BUS 72003 Activity Income and other minor good variances (over-achievements of income budgets) need to be set off against multiple minor bad variances (over-spending of expenditure). This reflects the successful practice of generating revenue from seasonal activities which are not budgeted. The RFO will work with budget holders to make better use of matching income and expenditure budget virements to keep track of such activities without causing spurious variances

Ticket Sales (CSR BUS)

- 4.15. 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.
- 4.16. The £75,000 variance on Ticket Sales Expenditure (code 45016) is only partly offset by the equivalent £42,000 variance on Ticket Sales Income (code 74004). There appear to be mispostings which need further investigating by the RFO.

5. Predicted outturn for the year

- 5.1. The overall net under-spending position at the end of Quarter 3 is a welcome headline after limited budget monitoring information during 2023/2024. However, there are several factors that cause Officer's concern.
- 5.2. All but the precept and business rates have been profiled evenly over the year which cause 'false' variances. For example, electricity, gas (and water to a lesser extent) contribute £172,000 to the net underspending position but are not expected to significantly underspend by year-end. This is purely a budget timing issue and officers will seek to re-profile budgets more accurately in future.
- 5.3. The base budgets built into this year, next financial year and the rest of the Council's medium term plan for Repairs and Maintenance and Tree Surgery (discussed above) appear to be significantly under-estimated. Expenditure in these areas will continue to rise in quarter 4, increasing overspends further.
- 5.4. There will be other new under-budgeted pressures in quarter 4 for example the cost of works required at Harnham depot to discharge contractual obligations on the recommendation of our consultant surveyor, which officers estimate to be approximately £70,000 this year (plus possibly more next year subject to ongoing negotiations); and, several others amounting to at least £100,000.
- 5.5. Given these factors officers predict it is likely that the Council will face a council-wide net overspend position at the year-end. Whilst undesirable this may not be wholly unexpected.
- 5.6. The Council's balances (reserves) are significantly above the minimum level of approximately £1.35m set down in Financial Regulations and there is sufficient headroom to absorb this year's net deficit. This will address the short term impact, however officers are concerned that the 2024/25 budget may face similar strain. Close budget monitoring will be essential to identify pressures early in order to consider corrective actions.

- 5.7. A detailed and accurate Quarter 4 outturn report will provide a full analysis of areas coming in within budget and those exceeding their budgets at the end of this year. This will be a valuable exercise in identifying those base budgets which are perhaps in need of revision.
- 5.8. There will always be unexpected events affecting a complex organisation of the Council's size. A corporate contingency budget would provide greater ability to absorb cost pressures in future.

6 Future budget monitoring reports to councillors

- 6.1 Financial Regulation 4.8 specifies that budget monitoring reports should be presented at least quarterly to Full Council, hence this report. However, previously such reports were submitted to the Finance and Governance Committee rather than Full Council. Councillors are asked to determine which forum they would like to receive future reports.

7 Recommendations:

- 7.1 The Council notes the financial position at the end of December 2023 and officers' explanations of the variances over £50,000.
- 7.2 The Council notes the predicted outturn of a net overspend and consequential expected use of balances to meet this pressure.
- 7.3 The Council determines which forum should receive future budget monitoring reports.

8 Background Papers:

None.

9 Implications:

- 9.1 . **Financial:** As shown in this report
- 9.2 . **Legal:** Nil in relation to this report
- 9.3 . **Personnel:** Nil in relation to this report
- 9.4 . **Environmental Impact:** Nil in relation to this report
- 9.5 . **Equalities Impact Statement:** Nil in relation to this report