

# SALISBURY CITY COUNCIL

## Report

**Subject:** Budget Monitoring Report for Quarter 1  
**Committee:** Full Council  
**Date:** 2 September 2024  
**Author:** Steve Bishop, Responsible Finance Officer

Agenda Item 14

---

### 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 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, 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 (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)**

- 3.3. Most budgets are spread across the year evenly, 1/12 per month. Therefore, as the Quarter 1 report covers the period April – June 2024 most of the 'Profiled budgets' are 3/12 of the budget for the year.

## Overall financial position at the end of Quarter 1

- 3.4. By the end of quarter 1 the council had underspent its revenue budgets by just over £167,000. This is the aggregate of many different variances over the Council's 45 revenue cost centres, some 'good' and some 'bad', as listed in Appendix A. The largest variances are listed separately in Appendix B and explained below.

### **4. Explanation of revenue variances over £50,000**

#### Establishment (EST GEN)

- 4.1. The £147,000 underspend variance on National Insurance payments is an accounting convention rather than a true financial variance. The RFO accounted for the Council's voluntary disclosure to the HMRC of an historic underpayment of national insurance of approximately £97,000 last year. This adjustment remains as a credit in the accounts until HMRC invoice the Council and the debt is settled. HMRC has acknowledged the voluntary disclosure but have indicated there may be a delay of several months before it is able to deal with the matter
- 4.2. This accounting variance is compounded by the approval of a £50,000 budget in this year when other officers assumed the disclosure would be made later. This budget provides a useful 'buffer' should the final cost exceed £97,000.

#### Environmental Services (CRP GEN)

- 4.3. The £202,750 variance on CRP GEN (Investment Properties) is another accounting variance due to timing differences. In previous years the convention was to credit the current year with the previous year's Caravan Site income. This is not proper practice and the whole year's income was accrued for in the 2023/24 accounts, resulting in an adjustment in this year which will be cancelled by the receipt of income in July.

#### Business Operations (GUI BUS)

- 4.4. The £74,380 variance on the Guildhall is an over-achievement of the income target for Quarter 1. This is mostly due to the timing of the Home Office Enquiry's block booking of Guildhall rooms later this year. This booking was paid in advance and dwarfs the Quarter 1 income target. This timing effect will disappear at Quarter 3.

#### Environmental Services (POS ENV)

- 4.5. There are two overspend variances on the POS (Parks and Open Spaces) cost centre. The first is a £38,683 overspend on Tree Surgery's profiled budget for Quarter 1. At the beginning of the year officers continued to follow the Council's approved Tree Policy in relation to ordering works, which usually results in a significant overspend of the budget. However, once the Council's depletion in general reserves came to light (see paragraph 6.3 below), the Chief Executive Officer immediately curtailed unbudgeted expenditure. As a result, no proactive tree investigation works are now taking place so spend has been brought back under control. Some budget is prudently being held back ahead of winter. Once the budget is spent, no further works will take place.
- 4.6. The other variance on Parks is the £41,856 overspend on vehicle leasing. The budget has been split evenly across 12 months, however some vehicles are paid yearly rather

than monthly so this variance is chiefly due to timing. Officers will revisit and revise the profiling of this budget. There will be no overspend by the end of the financial year.

## **5. Explanation of large 'capital scheme' variances**

- 5.1. Appendix C contains the budget monitoring results for 'capital schemes' approved in this year's budget. Under proper accounting rules only projects that meet a strict definition of capital expenditure are actually 'capital schemes'. This will be made clear in future annual budgets and medium term plans. For ease, the 2024/25 schemes will continue to be referred to as 'capital schemes', even though those which do not meet the proper definition of 'capital expenditure' will be funded from general revenue reserve.
- 5.2. There was a net underspend of £107,378 across all 'capital schemes'. Two schemes had not started in Quarter 1: Z32 (Rowbarrow s.106) was still awaiting quotations to be signed off by the quantity surveyor and, once confirmed, officers will move to the planning stage of the project; Z48 (Crematorium Roof) commenced in July with works due to be complete by end of September.
- 5.3. The overspend against the profiled budget on Z43 (Camping and Caravan Club refurbishment of toilet blocks) is another timing variance. The project was actually completed in budget.

## **6. Predicted outturn for the year**

- 6.1. As reported to the Full Council at its meeting on 24 June, the RFO has analysed the Council's £2.3m of 'reserves'. This demonstrated that most of the reserves are in fact earmarked for specific purposes:
  - £1.2m s.106 receipts, to meet planning obligations;
  - £0.3m CIL receipts to fund community infrastructure projects ;
  - £0.4m capital receipts, to fund capital expenditure projects.
- 6.2. This leaves just over £0.4m general reserves. The Council's Financial Regulation 3.6 stipulates that "the RFO shall maintain a minimum reserve equivalent to two month's gross expenditure", which equates to approximately £1.3m. Clearly the Council's current general reserve falls far short of this target. Equally worrying is the fact that the actual loss incurred by the Council in 2023/24 was greater than the remaining general reserve, meaning that a similar result this year would exhaust the reserve and cause the Council to act unlawfully.
- 6.3. As soon as the RFO reported this situation to the Chief Executive Officer, special measures were introduced by officers to curtail all non-essential expenditure and minimise any potential loss being incurred this year. Officers will use all efforts to generate a surplus at year-end, to add to the general reserve. Budget-setting and medium term planning for 2025/26 will set out the solution for restoring the Council's financial stability.
- 6.4. The net underspends on revenue and capital at the end of Quarter 1 is encouraging. It is too early in the year for any meaningful prediction of the year-end position to be made. Officers will be able to more usefully assess the effects of special measures and to predict the year-end outturn from the end of Quarter 2 onwards.

## 7. Latest Reserves Position

- 7.1. Appendix D sets out the latest position for the general reserve and the three other earmarked receipts. These will be reported regularly as part of the budget monitoring report so that councillors will be able to track changes. Any movements will be explained.

## 4 Recommendations:

- 4.1 The Council notes the financial position at the end of June 2024 and officers' explanations of the variances over £50,000.
- 4.2 The Council notes the low level of the general reserve which is in breach of the Council's stipulated minimum level.
- 4.3 That Councillors endorse the special measures introduced by officers in order to minimise further pressures on the reserve.

## 5 Background Papers:

None.

## 6 Implications:

- 6.1 . **Financial:** As shown in this report
- 6.2 . **Legal:** Nil in relation to this report
- 6.3 . **Personnel:** Nil in relation to this report
- 6.4 . **Environmental Impact:** Nil in relation to this report
- 6.5 . **Equalities Impact Statement:** Nil in relation to this report