

SALISBURY CITY COUNCIL

Report

Subject: Budget Monitoring Report to the end of January 2025
Committee: Full Council
Date: 3 March 2025
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 period. Any budget heading showing variances over £25,000 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 this Quarter 3 report covers the period April 2024 – January 2025, most of the 'Profiled budgets' are 10/12 of the budget for the year. Officers are steadily improving budget profiles to reflect uneven seasonal flows and reduce the number of spurious variances.

Overall financial position in Quarter 3

- 3.4. By the end of January the council had underspent its revenue budgets by just over £839k and underspent its 'capital' budgets being funded from revenue by £94k, producing a total revenue underspend of £933k. This is the aggregate of many different variances over the Council's 51 revenue cost centres, mostly 'good' and a few 'bad', as listed in **Appendix A**. The largest detailed variances are listed separately in **Appendix B** and explained below.

4. Explanation of revenue variances over £25,000

NI Repayments (EST GEN)

- 4.1. The variance of £56k in **Appendix B** is entirely due to accounting adjustments and timing, which has previously been explained in detail. This relates to the underpayment of national insurance contributions in the past. A voluntary disclosure has been made which HMRC has accepted. This variance will disappear in February 2025 after the debt is settled.

Bank Interest and Investment Income (FIN GEN)

- 4.2. The Council continues to over-achieve its annual investment income budget, with a £98k healthy variance in **Appendix B**, due to an unrealistically low income target set in this year's budget and prudent investments. The RFO has rectified this situation for 2025/26.

Tenancy Recharges and Property Rental (CRP GEN)

- 4.3. The investment properties cost centre is showing a healthy £214k combination of under-spending of expenditure budgets and over-achievement of income budgets in **Appendix A**. The largest factor is the £58k over-achievement on Tenancy Recharges in **Appendix B**, which is due to a long-overdue recharging of utility costs to our Camping and Caravan tenant (which will reduce the associated profit share). There are smaller variances caused by over-achievement of property rental and land rental, as well as a large underspend in repairs & maintenance. Officers will review and improve the profiling to ensure future reports are more accurate.

Cremation Income and Irrecoverable VAT (CRM ENV & MEV BUS)

- 4.4. The £101k overspend for the Crematorium cost centre (CRM) in **Appendix A** is due to two factors, both listed in Appendix B: £96k unbudgeted cost of irrecoverable VAT; and, £44k under-achievement of cremation income.
- 4.5. For the past three years the Council has not properly accounted for its input VAT relating to VAT-exempt services, such as the Crematorium and Markets, resulting in substantial liabilities to the HMRC. The HMRC has been informed and the identified debt settled; these liabilities are now being recognised in financial reporting. The Crematorium cost centre, CRM, faces the largest charge, causing this overspend variance. The Markets cost centre (MEV) faces a £25k overspend for the same reason.

- 4.6. Officers predicted an under-achievement of Crematorium income when the decision was taken to close the Crematorium for two months in late summer, in order to enhance the building with an upgraded roof. Whilst the alternative use of the Guildhall for services has been very popular with families, it could not provide the same volume and therefore bookings income has reduced. Since re-opening after the roof upgrade, the Crematorium's income has over-achieved its monthly targets and it may still be possible to achieve the annual target by year-end.

Old Depot Dilapidations

- 4.7. **Appendix A** shows that the Facilities (FAC) cost centre achieved a £45k underspend at the end of January. This is the net effect of several minor good and bad variances, and one large £77k underspend listed in **Appendix B**. This year's budget for residual dilapidation liability costs arising on the Council's exit from the old depot is unspent pending the outcome of negotiations between respective surveyors.

Guildhall Room Hire (GUI BUS)

- 4.8. The £90k healthy variance on the Guildhall in **Appendix A** is mainly due to the £93k over-achievement of the inside areas bookings income target for Quarter 3 in **Appendix B**. This is mostly due to the Home Office Enquiry's block booking of Guildhall rooms. This booking dwarfs the regular annual income target.
- 4.9. Feedback from the family of Dawn Sturgess and the Home Office has been very positive. Officers were proud to support this important event for the City.

Information Centre & Shop Mobility (CSR BUS)

- 4.10. There is a £34k underspend variance showing for the Information Centre and Shop Mobility in **Appendix A**. The only significant variance is an apparent £41k over-achievement of net ticket sales income. This is due to timing only, whilst the Council temporarily retains a tour operator's income pending a query over its VAT processes. Both variances are expected to disappear by year-end.

Pantry (PAN AVC)

- 4.11. **Appendix A** indicates that the Pantry is net £28k underspent at the end of January. This is a combination of being £13k underspent on its expenditure budgets and £15k up on its income targets.

Events – City Decoration (CID BUS)

- 4.12. The £27k profiled budget for City Decoration in **Appendix A** was completely unspent at the end of January due to the contractor changing their usual invoicing arrangement. This variance will disappear when the invoice is paid before the year-end.

Activity Income (POS ENV)

- 4.13. The £30k overspend showing as unachieved 'activity income' on the Parks and Open Spaces cost centre is an error. This was actually the original income budget for urban tree challenge Grant Receivable before the RFO created a separate holding account to better document the grant-funded transactions. The RFO will work with the Head of Environmental Services to reconcile the two budgets.

Market Stall Rents (MEV BUS)

- 4.14. The £26k under-achievement of Market Stall rents in Appendix B is due to several factors: increased income budget on the previous year without increased rent nor number of pitches; several market days before Christmas being cancelled or substantially reduced due to severe weather; and, one regular trader ceasing and not replaced yet.

Crematorium Gas (CRM ENV)

- 4.15. The £25k underspend of the Crematorium's gas budget in **Appendix B** is due mainly to the reduced operations of the facility whilst the building works took place.

City Safety & Enforcement (CTV ENV)

- 4.16. The £26k underspend on the CTV cost centre in **Appendix B** represents the planned surplus generated from this initiative.

Future Salisbury (FUT BUS)

- 4.17. Equipment Hire is £28k underspent for Future Salisbury activities in **Appendix B**. This is possibly due to miscodings with Wiltshire Towns activities. Officers will investigate and rectify any errors before the year-end.

Pension Costs (EST GEN)

- 4.18. **Appendix B** demonstrates that Employer's Pension costs are running at a £29k underspend which is due to the full year budget being miscalculated. This has been addressed and corrected for 2025/26.

Finance Consultancy (FIN GEN)

- 4.19. The £35k underspend at the end of January reported in **Appendix B** is a timing issue and the budget will be fully spent by the year-end on professional asset valuations, pension actuaries and external accounting consultants in order to produce the new format accounts which comply with CIPFA professional standards.

Investment Properties Electricity (CRP GEN)

- 4.20. The £35k underspend on Appendix B for investment properties' electricity appears to be another over-estimated budget for 2024/25 which will be rectified in 2025/26.

Parks Waste Disposal (POS ENV)

- 4.21. There is a £45k underspend for Park and Open Spaces Waste Disposal shown in **Appendix B**. Some of this is due to inaccurately decentralising the original single budget and will be transferred to other over-spending cost centres for Waste Disposal. Any remaining over-budgeted amount will be returned to the general reserve as part of the year-end surplus.

5. Explanation of large 'capital scheme' variances

- 5.1. **Appendix B** also contains the budget monitoring results for 'capital schemes' approved in this year's budget. 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 the general revenue reserve and other receipts.
- 5.2. There was a net underspend of £151k across all 'capital schemes' (irrespective of funding source). Two schemes are significantly underspent at the end of January:
- 5.3. Z05 (Planned infrastructure maintenance)
- 5.4. As officers reported previously, some of the larger planned works required costing, planning permission etc, which delayed spend and has caused the £74k underspend in **Appendix B**. All works have now been scheduled in to be completed by the end of the financial year.
- 5.5. Z55 (Crematorium wall)
- 5.6. This project was initially paused whilst the impact of the two months closure of the Crematorium was assessed, which is the cause of its apparent £63k underspend in **Appendix B**. However, the CEO unpaused the works late last year, planning permission has been granted and officers are hopeful that this project will be completed by year-end.

6. Predicted outturn for the year

- 6.1. The January-end budget monitoring reports are now the latest available which can inform the Council's 2024/25 outturn prediction. Cumulatively the total net revenue underspend at the end of January was £933k. For the purposes of the previous budget monitoring report to full council and for the 2025/26 budget-setting exercise, given the uncertainties arising from emerging legacy pressures, the Chief Executive Officer and RFO prudently forecast a breakeven position for the year-end. This assumption was factored into the medium term financial plan.
- 6.2. However, with only two months remaining of the financial year and all known legacy pressures accounted for, a healthy underspend surplus seems certain. As indicated in Appendix A, this will be between £170k – 900k, depending upon officer spend and any carried forward budgets. The CEO and RFO suggest a £0.5m underspend now seems likely.
- 6.3. Councillors are reminded that the Council experienced losses of over £800k in real terms over the last two financial years. The base budgets for 2024/25 were similar to 2023/24 and therefore any outturn less than a £400k loss, without any reduction in service delivery, is a significant achievement. The swing to a significant six figure surplus is even more impressive.
- 6.4. Officers remain focussed on economising wherever possible to maximise the surplus and replenish the General Reserve.

7. Latest Reserves Position

- 7.1. **Appendix C** sets out the latest position for the general reserve and the three other earmarked receipts pots. There has been no change since the previous report. There will be changes at year-end in order to fund the various Council 'capital' schemes, which will be explained in the outturn report.
- 7.2. As part of its consideration of the 2025/26 budget on 13 January 2025 Full Council approved a change in Financial Regulation 3.6, requiring the RFO to maintain the General Reserve at levels set out in the medium term financial plan and to never let it drop below £400k. As this report indicates, the Council complies with this revised regulation.

8. Recommendations:

- 8.1. The Council notes the financial position at the end of January 2025 and officers' explanations of the significant variances.
- 8.2. The Council notes the General Reserve and other receipts position which are compliant with Financial Regulations.
- 8.3. The Council notes officers' predicted year-end outturn surplus position which is significantly better than assumed in the 2025/26 budget and medium term financial plan.

9. Background Papers:

- 9.1. None.

10. Implications:

- 10.1. . **Financial:** As shown in this report
- 10.2. . **Legal:** Nil in relation to this report
- 10.3. . **Personnel:** Nil in relation to this report
- 10.4. . **Environmental Impact:** Nil in relation to this report
- 10.5. . **Equalities Impact Statement:** Nil in relation to this report

Salisbury City Council Budget Monitoring Period 10 January end						
Department	Cost Centre		ADJUSTED NET BUDGET AFTER CARRY FORWARDS & VIREMENTS	PROFILED NET BUDGET TO END OF JANUARY	ACTUAL NET EXPENDITURE / (INCOME)	VARIANCE £
General	EST	Establishment	(4,771,188)	(5,107,117)	(5,195,714)	(88,597)
	HRP	Human Resources & Payroll	219,345	183,954	132,070	(51,884)
	FIN	Finance	435,713	303,167	169,761	(133,406)
	PWL	Public Works Loans	313,500	261,250	239,502	(21,748)
			(3,802,630)	(4,358,746)	(4,654,381)	(295,635)
Corporate	DEM	Corporate - Councillors	67,000	55,833	46,918	(8,915)
	CMC	Civic & Mayoral	15,525	12,938	15,394	2,457
	ITT	Information Technology & Telephony	204,600	170,500	183,555	13,055
	OFF	Corporate - Officers	119,200	99,333	91,144	(8,189)
			406,325	338,604	337,011	(1,593)
Environmental	CRM	Crematorium	(575,149)	(475,767)	(374,103)	101,664
	CRP	Investment Properties	(271,892)	(67,515)	(281,874)	(214,359)
	CTV	Closed Circuit Television	85,200	60,444	37,217	(24,427)
	FAC	Facilities	284,271	236,893	191,250	(45,643)
	LBT	Lower Bemerton Trust	9,863	18,219	24,529	6,310
	POS	Parks & Open Spaces	1,000,596	884,338	822,907	(61,431)
	PRK	Environmental	191,570	164,444	159,205	(5,239)
	PWC	Public Conveniences	275,358	229,465	179,885	(49,580)
	SSS	Street Scene	953,273	794,132	767,281	(26,851)
			1,953,090	1,844,653	1,526,297	(319,556)
Communities	BHC	Communities	176,116	146,543	144,094	(2,449)
	YOU	Communities - Youth	25,770	21,475	18,419	(3,056)
	EVE	Communities - Events	10,650	9,585	8,706	(879)
	SPO	Communities - Sports	4,450	3,708	1,907	(1,801)
	PRO	Communities - Projects	23,500	19,583	18,272	(1,311)
	AOP	Adults & Older People	30,900	25,750	23,616	(2,134)
	FAM	Families & Children	27,600	23,000	20,610	(2,390)
	PAN	The Pantry	56,762	47,817	19,438	(28,379)
	LUN	Lunch Clubs	600	500	170	(330)
	ANT	Grants	88,000	88,000	84,177	(3,823)
			444,348	385,962	339,409	(46,553)
Business	GUI	Guildhall	152,844	126,369	36,034	(90,335)
	CSR	Information Centre & ShopMobility	171,472	142,575	108,606	(33,969)
	MEV	Markets & Advertising	132,051	115,355	145,009	29,654
	CID	Events - City Decoration	28,000	28,000	500	(27,500)
	CHB	Events - Christmas Begins	9,500	9,500	9,414	(86)
	GRO	Events - Grotto	22,470	22,470	12,050	(10,435)
	COT	Events - Christmas on the Square	(5,000)	(5,000)	(12,683)	(7,683)
	FOT	Events - Fair on the Square	5,038	5,038	(4,460)	(9,498)
	GIF	Events - Gift Fayre	(1,000)	(1,000)	(2,478)	(1,478)
	AFD	Events - Armed Forces Day	5,300	5,300	3,450	(1,850)
	FOS	Events - Foodie Sunday	9,000	9,000	10,146	1,146
	SGD	Events - St Georges Day	5,300	5,300	2,885	(2,415)
	MIS	Events - Miscellaneous	15,863	12,935	11,868	(1,067)
	CHF	Events - Charter Fair	(12,820)	(12,820)	(16,689)	(3,869)
	LAR	Events - Land Rental	(29,000)	(24,167)	(21,519)	2,648
	FUT	FutureSalisbury	50,000	41,667	34,090	(7,577)
	TRV	Travel Trade	8,000	6,667	2,350	(4,317)
	WLT	Wiltshire Towns	12,000	10,000	(2,383)	(7,383)
			579,018	497,190	316,190	(176,015)
Total revenue cost centres			(419,849)	(1,292,338)	(2,135,474)	(839,351)
'Z' cost centres funded from revenue			225,433	148,958	55,338	(93,620)
Total Revenue Position at end of January			(194,416)	(1,143,379)	(2,080,136)	(932,972)
Expected pressures before year-end:						
HMRC NI vol disc interest			24,300			24,300
Predicted outturn variance			(170,116)			(908,672)
			PESSIMISTIC			OPTIMISTIC
			ASSUMES ALL BUDGETS ARE 100% SPENT BY YEAR-END			ASSUMES BUDGET VARIANCES CONTINUE TO YEAR-END

Salisbury City Council Budget Monitoring Quarter 3 January end

REVENUE budget variances over £50,000 and other significant variances

Cost Centre ref	Cost Centre	Dept	Description	ADJUSTED BUDGET AFTER CARRY FORWARDS & VIREMENTS	PROFILED BUDGET TO END OF JANUARY	ACTUAL EXPENDITURE / (INCOME)	VARIANCE £	VARIANCE %
CRM	Crematorium	ENV	Irrecoverable VAT	40,000	40,000	135,962	95,962	240%
CRM	Crematorium	ENV	Crematorium Income	(1,110,700)	(925,583)	(881,262)	44,321	(5%)
PAN	Pantry	AVC	Resaleable Goods (Food)	0	0	32,858	32,858	
POS	Parks & Open Spaces	ENV	Activity Income	(37,383)	(31,153)	(281)	30,872	(99%)
MEV	Markets	BUS	Market Stall Rents	(292,000)	(243,333)	(217,631)	25,702	(11%)
MEV	Markets	BUS	Irrecoverable VAT	0	0	25,096	25,096	
CRM	Crematorium	ENV	Gas	115,738	96,448	70,869	(25,579)	(27%)
CTV	CCTV	ENV	City Safety & Enforcement	95,000	84,444	57,868	(26,576)	(31%)
CID	Christmas Decoration	BUS	Christmas Lights	28,000	28,000	0	(28,000)	(100%)
FUT	Future Salisbury	BUS	Equipment Hire	41,000	34,167	6,000	(28,167)	(82%)
EST	General	GEN	Employer's Pension	356,564	297,137	267,910	(29,227)	(10%)
CRP	Investment Properties	GEN	Property Rental	(92,000)	(76,667)	(109,865)	(33,198)	43%
FIN	Finance	GEN	Hire of Consultant, Professional, Artist	45,000	37,500	2,469	(35,031)	(93%)
CRP	Investment Properties	GEN	Electricity	47,827	39,856	4,182	(35,674)	(90%)
CRP	Investment Properties	GEN	Repairs & Maintenance	76,880	64,067	26,282	(37,785)	(59%)
CRP	Investment Properties	GEN	Land Rental	(8,400)	(7,000)	(46,519)	(39,519)	565%
CSR	Info Centre & Shopmobility	BUS	Information Centre Ticket Sales	0	0	(40,795)	(40,795)	
PAN	Pantry	AVC	The Pantry (obsolete account)	54,100	45,083	(96)	(45,179)	(100%)
POS	Parks & Open Spaces	ENV	Waste Disposal	64,060	56,586	11,290	(45,296)	(80%)
EST	General	GEN	NI Repayments	170,975	142,479	85,988	(56,491)	(40%)
CRP	Investment Properties	GEN	Tenancy Recharges	0	-	(58,432)	(58,432)	
FAC	Facilities	ENV	Old Depot Dilapidations	92,000	76,667	0	(76,667)	(100%)
GUI	Guildhall	BUS	GH Hire of Inside Areas	(115,000)	(95,833)	(188,880)	(93,047)	97%
FIN	Finance	GEN	Bank Interest and Investment Income	(25,000)	(25,000)	(123,628)	(98,628)	395%

CAPITAL budget variances over £50,000 and other significant variances

Cost Centre		Dept	Description	ADJUSTED BUDGET AFTER CARRY FORWARDS & VIREMENTS	PROFILED BUDGET TO END OF JANUARY	ACTUAL EXPENDITURE / (INCOME)	VARIANCE £	VARIANCE %
Z05	Environmental Infrastructure	ENV	Planned Infrastructure maintenance	115,000	95,833	22,247	(73,586)	(77%)
Z55	Crematorium	ENV	Crematorium wall	78,500	65,417	2,100	(63,317)	(97%)

Appendix C

Salisbury City Council Reserves

