

SALISBURY CITY COUNCIL

Report

Subject: Budget Monitoring Report to the end of August

Committee: Full Council

Date: 4 November 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 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 2 report covers the period April – August 2024 most of the 'Profiled budgets' are 5/12 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 2

- 3.4. By the end of August the council had underspent its revenue budgets by almost £464k. 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

NI Repayments (EST GEN)

- 4.1. This variance of £85k 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. Once the HMRC has calculated any interest and invoiced the Council, this variance will disappear.

Bank Interest and Investment Income (FIN GEN)

- 4.2. The Council is already over-achieving its annual investment income budget of £25,000 due to an unrealistically low budget and prudent investments. The RFO has sought to rectify this situation by recommending increasing the income budget as part of the 2025/26 budget-setting process.

Tree Surgery (POS ENV)

- 4.3. The Parks and Open Spaces cost centre (POS) is currently almost £29k overspent in **Appendix A**, due chiefly to two large overspend variances. The first is the spend to date on tree surgery work, which is currently almost £49k overspent in **Appendix B**.
- 4.4. The £42k tree surgery budget to the end of August is based on the annual £126k budget, spread across the year according to seasonal spend pattern. This annual budget is unrealistically low given average annual spend, which should be addressed in the 2025/26 budget-setting exercise.
- 4.5. The almost £91k expenditure to the end of August reflects (i) a substantial amount of 2023/24 work invoiced late (which should be prevented by using year-end accounting accruals in future years) and (ii) significant spring activity, before the Senior Management Team halted non-essential spend in order to keep within budget – as per Financial Regulations.
- 4.6. Officers will prioritise tree surgery work in order to keep within the £126k budget this year.

Property Rental (CRP GEN)

- 4.7. The investment properties cost centre is showing a healthy £87k combination of under-spending of expenditure budgets and over-achievement of income budgets in **Appendix A**. The largest factor is the £30k over-achievement on property rental income in **Appendix B**.

Cremation Income (CRM ENV)

- 4.8. The £43k overspend for the Crematorium cost centre (CRM) in **Appendix A** is due to the almost £59k under-achievement of cremation income in **Appendix B**.
- 4.9. Officers predicted an under-achievement of this income stream when the decision was taken to close the Crematorium for two months 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.
- 4.10. Given the Council's low level of general reserve balances and risk to cashflow, officers have postponed the Crematorium Wall capital project. The combination of this postponement and the mitigation of utilising the Guildhall for Crematorium services should compensate for the net reduced cremation income. Officers will monitor and explain in subsequent reports whether income has recovered.

Old Depot Dilapidations

- 4.11. **Appendix A** shows that the Facilities (FAC) cost centre achieved a £15k underspend at the end of August. This is the net effect of several minor good and bad variances, and one large £38k 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.

Business Operations (GUI BUS)

- 4.12. The £73k variance on the Guildhall in **Appendix A** is mostly due to the £67k over-achievement of the inside areas bookings income target for Quarter 2 in **Appendix B**. This is mostly due to the timing of the Home Office Enquiry's block booking of Guildhall rooms in Quarter 3. This booking was paid in advance and dwarfs the August income target. This timing effect will disappear by the end of Quarter 3.

Information Centre & Shop Mobility (CSR BUS)

- 4.13. There is a £50k underspend variance showing for the Information Centre and Shop Mobility in **Appendix A**. Other than a generic council-wide underspend in payroll budgets due to the annual pay award not having yet been implemented, the only other significant variance is an apparent £27k 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

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. 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 £131k across all 'capital schemes'. Four schemes are significantly underspent at the end of August:
- 5.3. Z05 (Planned infrastructure maintenance)
- 5.4. Some of the larger planned works required costing, planning permission etc. Most works have now been scheduled in to be completed by the end of the financial year.
- 5.5. Z11 (Crematorium Roof)
- 5.6. This project commenced in July with works due to be complete by end of September. Interim payments are made after sign-off by the architect and these do not match the budget profile.
- 5.7. Z55 (Crematorium wall)
- 5.8. As detailed in paragraph 4.11, this project was postponed as part of officers' due diligence in ensuring that overall budgets relating to the crematorium remain healthy. Once the overall impact of the crematorium being closed for roof works in August and September has been assessed from budget monitoring reports, an evidence-based decision can be made as to whether the project is resumed in this financial year or not.
- 5.9. Z56 (Churchill Gardens)
- 5.10. Works commenced on 2nd September and are due to be completed by the beginning of December.

6. Predicted outturn for the year

- 6.1. A common thread throughout budget monitoring reports this year continues to be inaccurate budget profiling, where we compare low actual spend against a much higher assumed level of budget usage by that point in the year, resulting in a spurious underspend variance. Officers are addressing this problem with the accuracy and usefulness of financial reporting information steadily improving.
- 6.2. However, these budget profiling variances do not explain the entirety of the August end variances and the Council has does appear to be heading towards a much healthier year-end result compared to last year. The special cost-reduction measures introduced by the Senior Management Team and implemented by all staff appear to be effective.
- 6.3. Officers will start predicting the year-end outturn as part of October-end budget monitoring, which will inform the 2025/26 budget-setting process.

7. Latest Reserves Position

- 7.1. **Appendix C** sets out the latest position for the general reserve and the three other earmarked receipts pots. These will be reported regularly as part of the budget monitoring report so that councillors will be able to track changes. In quarter two there

was a £64k movement between the s.106 receipts and general reserve following the discharge of one s.106 agreement's obligations.

4 Recommendations:

- 4.1 The Council notes the financial position at the end of August 2024 and officers' explanations of the significant variances.
- 4.2 The Council notes the low level of the general reserve which continues to be in breach of the Council's stipulated minimum level.

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

| Salisbury City Council Budget Monitoring Quarter 2 August end | | | | | | |
|---|-------------|------------------------------------|--|--------------------------------------|-----------------------------------|------------------|
| Department | Cost Centre | | ADJUSTED NET BUDGET AFTER CARRY FORWARDS & VIREMENTS | PROFILED NET BUDGET TO END OF AUGUST | ACTUAL NET EXPENDITURE / (INCOME) | VARIANCE £ |
| <u>General</u> | EST | Establishment | (4,896,328) | (2,531,193) | (2,666,006) | (134,813) |
| | HRP | Human Resources & Payroll | 209,389 | 91,329 | 79,915 | (11,414) |
| | FIN | Finance | 488,689 | 242,782 | 173,116 | (69,666) |
| | PWL | Public Works Loans | 313,500 | 75,250 | 83,296 | 8,046 |
| | | | <u>(3,884,750)</u> | <u>(2,121,832)</u> | <u>(2,329,679)</u> | <u>(207,847)</u> |
| <u>Corporate</u> | DEM | Corporate - Councillors | 67,000 | 27,917 | 20,719 | (7,198) |
| | CMC | Civic & Mayoral | 16,025 | 6,677 | 9,397 | 2,720 |
| | ITT | Information Technology & Telephony | 217,104 | 90,460 | 93,107 | 2,647 |
| | OFF | Corporate - Officers | 146,699 | 61,125 | 47,419 | (13,706) |
| | | | <u>446,828</u> | <u>186,178</u> | <u>170,642</u> | <u>(15,536)</u> |
| <u>Environmental</u> | PRK | Environmental | 219,358 | 110,066 | 127,976 | 17,910 |
| | CRM | Crematorium | (572,178) | (249,407) | (205,879) | 43,528 |
| | CTV | Closed Circuit Television | 88,134 | (37,166) | (41,909) | (4,743) |
| | FAC | Facilities | 270,703 | 112,793 | 97,666 | (15,127) |
| | POS | Parks & Open Spaces | 1,043,289 | 419,537 | 416,804 | (2,733) |
| | PWC | Public Conveniences | 285,358 | 118,899 | 104,620 | (14,279) |
| | SSS | Street Scene | 980,108 | 407,462 | 391,586 | (15,876) |
| | CRP | Investment Properties | (271,892) | 27,929 | (59,269) | (87,198) |
| | LBT | Lower Bemerton Trust | 9,863 | 4,110 | 22,921 | 18,811 |
| | | | <u>2,052,743</u> | <u>914,222</u> | <u>854,516</u> | <u>(59,706)</u> |
| <u>Communities</u> | BHC | Communities | 136,024 | 55,905 | 67,068 | 11,163 |
| | YOU | Communities - Youth | 33,620 | 14,008 | 14,080 | 72 |
| | EVE | Communities - Events | 10,650 | 9,585 | 7,141 | (2,444) |
| | SPO | Communities - Sports | 4,450 | 1,854 | 425 | (1,429) |
| | PRO | Communities - Projects | 24,275 | 10,115 | 7,460 | (2,655) |
| | AOP | Adults & Older People | 31,799 | 13,250 | 11,795 | (1,455) |
| | FAM | Families & Children | 28,375 | 11,823 | 10,756 | (1,067) |
| | PAN | The Pantry | 57,858 | 23,205 | 10,757 | (12,448) |
| | LUN | Lunch Clubs | 600 | 250 | (2,361) | (2,611) |
| | ANT | Grants | 88,000 | 88,000 | 78,927 | (9,073) |
| | | | <u>415,651</u> | <u>227,995</u> | <u>206,048</u> | <u>(21,947)</u> |
| <u>Business</u> | GUI | Guildhall | 155,403 | 61,248 | (12,335) | (73,583) |
| | CSR | Information Centre & ShopMobility | 217,817 | 89,644 | 39,550 | (50,094) |
| | MEV | Markets & Advertising | 112,541 | 45,487 | 37,009 | (8,478) |
| | CID | Events - City Decoration | 28,000 | 0 | 0 | 0 |
| | CHB | Events - Christmas Begins | 9,500 | 0 | 0 | 0 |
| | GRO | Events - Grotto | 22,470 | 0 | 1,000 | 1,000 |
| | COT | Events - Christmas on the Square | (5,000) | 0 | 0 | 0 |
| | FOT | Events - Fair on the Square | 5,038 | 14,031 | (52) | (14,083) |
| | GIF | Events - Gift Fayre | (1,000) | (417) | 4,698 | 5,115 |
| | AFD | Events - Armed Forces Day | 5,300 | 5,300 | 4,917 | (383) |
| | FOS | Events - Foodie Sunday | 9,000 | 3,000 | (965) | (3,965) |
| | SGD | Events - St Georges Day | 5,300 | 5,300 | 2,885 | (2,415) |
| | MIS | Events - Miscellaneous | 30,563 | 11,741 | 3,867 | (7,874) |
| | CHF | Events - Charter Fair | (12,820) | 0 | (19,570) | (19,570) |
| | LAR | Events - Land Rental | (20,000) | (8,333) | (13,701) | (5,368) |
| | FUT | Future Salisbury | 50,000 | 20,833 | 28,090 | 7,257 |
| | TRV | Travel Trade | 8,000 | 3,333 | 2,350 | (983) |
| | WLT | Wiltshire Towns | (35,000) | (14,583) | 0 | 14,583 |
| | | | <u>585,112</u> | <u>236,583</u> | <u>77,743</u> | <u>(158,840)</u> |
| Total | | | <u>(384,416)</u> | <u>(556,854)</u> | <u>(1,020,730)</u> | <u>(463,876)</u> |

Salisbury City Council Budget Monitoring Quarter 2 August end

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

| Cost Centre | Dept | Description | ADJUSTED BUDGET AFTER CARRY FORWARDS & VIREMENTS | PROFILED BUDGET TO END OF AUGUST | ACTUAL EXPENDITURE / (INCOME) | VARIANCE £ | VARIANCE % |
|-------------|------|-------------------------|---|-------------------------------------|----------------------------------|---------------|---------------|
| EST | GEN | NI Repayments | 170,975 | 71,239 | (13,505) | (84,744) | (119%) |
| FIN | GEN | Bank Interest | (25,000) | (10,417) | (55,896) | (45,479) | 437% |
| POS | ENV | Tree Surgery | 126,000 | 42,000 | 90,886 | 48,886 | 116% |
| CRP | GEN | Property Rental | (92,000) | (38,333) | (68,346) | (30,013) | 78% |
| CRM | ENV | Crematorium Income | (1,110,700) | (462,792) | (404,067) | 58,725 | (13%) |
| FAC | ENV | Old Depot Dilapidations | 92,000 | 38,333 | 0 | (38,333) | (100%) |
| GUI | BUS | GH Hire of Inside Areas | (115,000) | (47,917) | (115,344) | (67,427) | 141% |
| CSR | BUS | Ticket Sales | 0 | 0 | (26,708) | (26,708) | |

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 AUGUST | ACTUAL EXPENDITURE / (INCOME) | VARIANCE £ | VARIANCE % |
|----------------------|------|------------------------------------|---|-------------------------------------|----------------------------------|---------------|---------------|
| Z05 | ENV | Planned Infrastructure maintenance | 115,000 | 47,917 | 11,865 | (36,052) | (75%) |
| Z11 ^(z48) | ENV | Crematorium Roof | 175,000 | 58,333 | 34,456 | (23,877) | (41%) |
| Z55 | ENV | Crematorium wall | 78,500 | 32,708 | 490 | (32,218) | (99%) |
| Z56 | ENV | Churchill Gds project | 81,500 | 33,958 | 0 | (33,958) | (100%) |

Appendix C Salisbury City Council Reserves

