

COMMITTEE REPORT

Subject:	<i>Review of single year profitability</i>
Committee	<i>Commercial Services</i>
Item Number:	<i>12</i>
Date:	<i>2 November 2026</i>
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Report status:	<i>Noting</i>
Confidential / Exempt:	<i>No</i>

1. Summary

- 1.1. The graph appended to this note provide a basic income vs expenditure view of profitability for 2025/26 outturn across the Council's major income streams. This was an ask made by Members at the July 2026 Commercial Services Committee meeting.
- 1.2. This note provides a number of caveats against drawing conclusions too readily from the graphs. Whilst an accurate reflection of last year's financial performance, the graphs represent only a single year and need to be viewed with caution.

2. Recommendations

It is recommended that the Committee:

- 2.1 Notes the profitability of the various income streams for 2025/26 and raises any points for discussion with officers.

3. Background

- 3.1 Councillors have long requested more information about the financial performance of particular services, activities and income streams. The Responsible Finance Officer and Senior Management Team restructured cost centres and the apportionment of budgets during 2024/25 and 2025/26 to provide greater financial analysis.
- 3.2 The budget monitoring reports presented to the various committees now provide greater information, more frequently, than in the past. Hopefully this report and will improve awareness.

4. Caveats about the graphs

- 4.1 For this first review, the methodology used to view profitability is a simple comparison of income against expenditure (including all direct costs such as salaries), which produces either a surplus (profit) or deficit (loss). It is accurate but is of limited use and should not be used to draw any service-impacting decisions.
- 4.2 The following limitations should be borne in mind when viewing the graphs:
- 4.2.1 This is a single year's data and that year (2025/26) may not be truly representative of that service's usual performance. The use of a time series would overcome this constraint in future.
 - 4.2.2 Whilst all income data is correctly coded to the respective service and is therefore complete, due to the limitations of the current finance system and payroll bureau service, not all costs are accurately coded to the correct service. For example, heads of service salary costs are charged to a single cost centre; some cross-departmental subsidising occurs (for example Parks' costs of maintaining the Crematorium are not charged to the Crematorium cost centre); support services are not recharged across user departments. This will improve once new finance and payroll systems are rolled out.
 - 4.2.3 Income-expenditure comparisons ignore other infrequent but expensive life cycle costs such as resurfacing car parks, re-roofing our buildings, renewing the cremators and major plant. Officers plan to introduce true life-cycle costing of major assets when capacity allows.
 - 4.2.4 The appended comparisons also ignore capital employed to generate these income streams. For example, the Guildhall asset ties up a considerable amount of public money (£20m at last valuation), as does the Crematorium (£3m), Depot and other buildings. Officers plan to introduce Return on Capital Employed (ROCE) and Return on Investment (ROI) comparisons in future when capacity allows.
 - 4.2.5 This simple view ignores the many other non-financial benefits (and disbenefits) which provide the essential holistic view needed before taking any long term service decisions. For example, the Pantry relies on a multitude of volunteers, which are ignored in this exercise. The money equivalent saving of such volunteers is over £100,000 per annum.

7. Appendices / Background Papers

7.1 Appendix A – Commercial Viability of Service

Appendix A - Commercial Viability of Service

