SALISBURY CITY COUNCIL

Report

Subject: Budget Monitoring Report for 2025/26 to the end of June
Committee: Finance Committee
Date: 1 September 2025
Author: Steve Bishop, Responsible Finance Officer (RFO)

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1. **Report Summary**

1.1. This report provides the Committee with a statement of income and expenditure, comparing actual expenditure and income against that budgeted for April to June. Any budget heading showing variances over £50,000 are discussed in the report.

1.2. Budget monitoring reports will be presented to every committee meeting using the latest available monthly budget monitoring information in accordance with Financial Regulation 4.8 and the resolution of Full Council at its meeting on 4 March 2024.

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 and aids timely decision-making. Analysis of the variances during 2025/26 helps officers to take corrective action to keep within budgetary limits. Better understanding of this year's financial performance will also aid 2026/27 budget-setting and medium-term planning.

3. **Background Information**

Report format

3.1. The budget monitoring report for the Finance Committee is appended to this report – see **Appendix D**.

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)**

Whole Council budgets

3.3. The Committee is invited to consider the various appendices to this report in order to determine which budget monitoring information it wishes to consider at each meeting.

3.4. **Appendix A** provides the split of cost centre budgets by Committee (background information).

3.5. **Appendix B** sets out the full council-wide June-end revenue budget monitoring position for all cost centres and committees.

3.6. **Appendix C** provides the equivalent for the small number of project cost centres which will be funded from non-revenue sources.

3.7. **Appendix D** provides detailed June-end budget monitoring information at account level for the two cost centres allocated to this Committee.

3.8. In the past some councillors have preferred for this Committee to monitor the whole Council's performance (which duplicates Full Council reports), whilst other councillors have preferred to focus purely on the Finance-specific cost centres' performance.

3.9. The Committee is asked to indicate its budget monitoring reporting requirements.

4. Changes to Cost Centres and Fuller Service Costing for 2025/26

4.1. As part of our continuous improvements of financial reporting the RFO has worked with budget holders to revise the cost centre structure. The current full list of service cost centres is provided in **Appendix A**, which also allocates each to the most appropriate service committee.

4.2. The main changes from last year are:

- Additional 5 cost centres in Environmental Services to provide greater detail (Allotments, Car Parks, Camping and Caravan site, Depot, Pavilions)
- Additional 3 cost centres for Commercial Services (Shopmobility, Communications, Mela event)
- Additional cost centre for Communities Services (Friary)
- Discontinue historic 'PRK' Parks cost centre and 'GIF' Gift Fair cost centre

4.3. The RFO and budget holders are also splitting corporate costs in order to provide fuller costing information. So, for example, payroll costs are posted to service cost centres rather than aggregating them centrally. Utility costs, business rates and insurance premiums, among other costs, are similarly posted to the most appropriate cost centre now.

4.4. The changes made so far in 2025/26 provide better costing and budget monitoring information, but further improvements will follow – within the limitations of the Council's basic financial system.

5. Explanation of Revenue variance over £50,000

5.1. Budget holders are expected to scrutinise their regular budget monitoring reports throughout the year, taking corrective action as necessary and being able to explain any variances.

5.2. Financial Regulation 4.8 requires all budget holders to explain any material variances over £50,000. In addition budget holders are also invited to explain any other large variances up to £50,000 if considered of particular corporate importance.

5.3. **Appendix D** sets out the June-end results for the Finance Committee cost centres, showing variance from approved budget.

5.4. The report covers the first three months of the financial year. There is one large variance due to accounting conventions, which is explained below.

Irrecoverable VAT[1] (FIN GEN 52999)

5.5. This underspending variance of £99k is entirely due to accounting adjustments and timing. During 2024/25 the RFO found that the Council has been over-claiming for input[4] VAT arising on purchase invoices relating to its VAT-exempt services, most notably the Crematorium. As soon as this was detected and quantified the RFO alerted councillors and made a voluntary disclosure to HMRC. The Crematorium invoice-paying process was corrected to prevent a recurrence and the over-claimed amounts for 2022/23 and 2023/24 were repaid to HMRC.

5.6. The over-claimed amount for 2024/25 up to the change of process in December 2024 was estimated to be £99,150 and was accrued[2] for i.e. charged through 2024/25 accounts. Following proper accounting procedures this accrual[2] remains in 2025/26 budget monitoring until it is cleared by repayment to HMRC. As at the end of June this remains unpaid as we are waiting for an external VAT expert to verify the debt whilst performing the year-end VAT partial exemption[3] calculation, hence causing the variance. This work is expected to be completed by the end of September.

5.7. The £99k accrual[2] will absorb up to that amount of the final amount owing and payable to HMRC. There is additional annual budget of £130k which represents the increased base cost to the Council of not being able to routinely reclaim input[4] VAT relating to exempt services. This will be re-allocated to the affected services (Crematorium, Markets, Communities room hire, etc) later this year.

6. Explanation of Project variances over £50,000

6.1. In addition to the annual revenue budgets for providing everyday services, the Council also annually approves 'Projects' budgets (previously referred to as the 'capital programme'). These are reported in **Appendix C**. There are no Finance-specific projects; they are all environmental in nature.

7. Year-end Forecast

7.1. This is the first budget monitoring report of the year covering the first quarter only, which includes several 2024/25 year-end accruals that have yet to 'unwind' (such as the Irrecoverable VAT variance explained in paragraph 5.5 above) and therefore distort the true position. Subsequent budget monitoring reports will provide better quality data on which to forecast the year-end result.

7.2. The £380k council-wide underspend for quarter 1 in **Appendix B** is welcome and logical, given the base budget for this year is substantially identical to last year's, which returned a revenue outturn underspend of £520k. Last year's result was largely due to urgent economising and cost-cutting interventions, which are not expected to be repeated this year. All indications are that this year will also return a large underspend, although lower than last year.

7.3. The £106k Finance underspend reported in **Appendix B** and analysed in **Appendix D** is almost entirely due to a single accounting adjustment which will disappear in the coming months and is unrepresentative of the expected whole year performance. The £16k current underspend on Audit Fees will also disappear as that budget will need to be utilised to cover other professional fees arising from the auditing regulatory changes. The current forecast for Finance is that outturn will be on-budget.

8. **Recommendations:**

8.1. The Committee is asked to indicate its budget monitoring reporting requirements, for example whether it wishes to receive full council variance explanations and forecasts, or, information in respect of the two Finance-specific cost centres only.

8.2. The Committee notes the financial position at the end of June and officers' explanation for the variance over £50,000.

9. **Background Papers:**

None.

9.1. **Implications**

. **Financial**: As shown in this report
. **Legal:** Significant budget overspends and year-end losses can only be met from general reserves which, if seriously depleted can result in unlawful expenditure.
. **Personnel:** Nil in relation to this report
. **Environmental Impact:** Nil in relation to this report
. **Equalities Impact Statement**: Nil in relation to this

10. Glossary

1 ‘Irrecoverable VAT’: Most suppliers are VAT-registered and are required to add VAT to their invoices. The Council is required to pay the total invoice and for most services can recover the VAT element from HMRC. However, for any ‘VAT-exempt’ services which the Council delivers, we are prohibited from reclaiming the VAT from associated expenditure and should classify the VAT element of such invoices as ‘irrecoverable VAT’ instead in the accounts. Due to an oversight in the Finance team the Council has recovered VAT on all invoices for the past three years. The proportion relating to our exempt services has to be quantified, disclosed to HMRC and repaid.

2 ‘Accrual’ and ‘accrued’: Accounting principles require income and expenditure to be accurately charged to the correct accounting period. The correct accounting period is that in which the benefit of that transaction (goods or services) is received. For any goods or services received in 2024/25 which are yet to be invoiced and paid, we need to make an accounting adjustment to charge 2024/25 accounts with the correct amount. Similarly for any benefits such as annual insurance cover which straddle the year-end, we need to proportionately split the cost across the two financial years.

3 ‘Partial exemption’: For any VAT-registered organisation such as the Council, which delivers a mixture of standard VAT rated and VAT-exempt services, there is usually some expenditure which relates to both types. Examples are corporate subscriptions. VAT rules allow us to recover a proportion of such paid VAT. The ‘Partial Exemption’ calculation quantifies that proportion.

4 ‘Input VAT’: It is important to accurately account for VAT by not mixing up VAT paid out and VAT received. Consistent terminology helps and therefore the following conventions are used:

- **Input** VAT = paid to suppliers on purchase invoices regarding goods/services **in**
- **Output** VAT = charged to customers on sales invoices regarding goods/services **out**

Appendix A

2025/26 Split of cost centres by service committee

Environment Committee

Cost Centre ref	Cost centre description	2025/26 Expenditure £	2025/26 Income £	2025/26 Net £
POS	Parks & Open Spaces	1,412,764	(52,790)	1,359,974
SSS	Streetscene Services	1,201,712	(3,075)	1,198,637
CRM	Crematorium & Cemeteries	688,559	(1,350,098)	(661,539)
FAC	Facilities	564,773	0	564,773
CTV	CCTV	200,329	(95,513)	104,816
PWC	Public Conveniences	197,160	(41,000)	156,160
DEP	* Depot *	156,384	0	156,384
CRP	Commercial & Residential Properties	110,843	(147,785)	(36,942)
ALL	* Allotments *	49,525	(51,250)	(1,725)
CAR	* Car Parks *	47,591	(230,000)	(182,409)
PAV	* Pavilions *	40,345	0	40,345
CCC	* Camping & Caravan Club *	35,000	(131,000)	(96,000)
LBT	Lower Bemerton Trust	18,360	(12,000)	6,360
		4,723,345	(2,114,511)	2,608,834

Commercial Services Committee

		Exp £	Inc £	Net £
MEV	Markets and Advertising	468,214	(333,400)	134,814
GUI	Guildhall	428,777	(183,275)	245,502
CSR	Customer Services	216,122	(94,500)	121,622
SHO	* Shopmobility *	154,723	(21,000)	133,723
FUT	Future Salisbury	77,450	(28,200)	49,250
FOT	Fayre on the Square	64,500	(52,351)	12,149
GRO	Grotto	53,800	(21,013)	32,787
COM	* Communications *	50,928	0	50,928
WLT	Wiltshire Town	40,000	(35,000)	5,000
MIS	Misc Costs	36,550	(5,500)	31,050
CID	City Decoration	28,000	0	28,000
TRV	Travel Trade	15,700	(16,200)	(500)
CHB	Christmas Begins	14,020	(2,563)	11,457
COT	Christmas on the Square	9,850	(12,788)	(2,938)
CHF	Charter Fair	9,570	(27,075)	(17,505)
AFD	Armed Forces Day	9,320	(3,075)	6,245
SGD	St George's Day	8,130	(1,538)	6,592
MEL	* Mela *	6,450	(1,000)	5,450
LAR	Land Rental	1,378	(30,463)	(29,085)
EST	BID Levy	4,000	0	4,000
		1,697,482	(868,941)	828,541

Community Services Committee

BHC	Bemerton Heath Community	242,495	(18,400)	224,095
ANT	Community Grants	88,000	0	88,000
PAN	The Pantry	80,199	(35,750)	44,449
AOP	Community Development Adults & Older People	45,254	(10,000)	35,254
PRO	Community Development Projects	31,431	0	31,431
YOU	Community Youth	28,054	(3,503)	24,551
FAM	Community Development Family & Children	26,845	0	26,845
EVE	AVC Council Events	12,800	0	12,800
LUN	Lunch Clubs	7,700	(2,050)	5,650
FRI	* The Friary *	5,748	0	5,748
SPO	Sports Activity	3,730	0	3,730
		572,256	(69,703)	502,553

Governance, Policy & HR Committee

		Exp £	Inc £	Net £
		323,935	(5,943,766)	(5,619,831)
HRP	Human Resources & Payroll	306,402	0	306,402
DEM	Democratic and Councillor Activities	132,975	0	132,975
ITT	Information Technology & Telephony	301,018	0	301,018
OFF	Officer Activities	219,839	(37,500)	182,339
CMC	Civic and Mayoral Activities	19,190	(513)	18,677
		1,303,359	(5,981,779)	(4,678,420)

Finance Committee

		Exp £	Inc £	Net £
FIN	Finance	539,462	(105,815)	433,647
PWL	Public Works Loans	313,500	0	313,500
		852,962	(105,815)	747,147
	Total of above committees	**9,149,404**	**(9,140,749)**	**8,655**

Notes

1 * * new cost centre in 2025/26

Salisbury City Council Budget Monitoring Period 3 (end of June)
Revenue cost centres

Committee	Cost Centre		FULL YEAR BUDGET BEFORE ADJUSTMENTS	FULL YEAR OPENING BUDGET AFTER ADJUSTMENTS	PROFILED BUDGET	ACTUAL NET EXPENDITURE / (INCOME)	VARIANCE £
Environment	CRM	Crematorium	(856,297)	(661,539)	(146,490)	(82,474)	64,016
	CRP	Investment Properties	(472,685)	(36,942)	(2,876)	(44,462)	(41,587)
	CTV	Closed Circuit Television	99,716	104,816	(67,546)	(67,058)	488
	FAC	Facilities	1,074,382	564,773	93,361	(135,657)	(229,018)
	LBT	Lower Bemerton Trust	5,100	6,360	4,879	17,069	12,190
	POS	Parks & Open Spaces	1,218,919	1,359,974	358,054	292,530	(65,524)
	ALL	Allotments	0	(1,725)	12,381	5,578	(6,803)
	PWC	Public Conveniences	116,075	156,160	40,374	23,893	(16,481)
	SSS	Street Scene	1,112,828	1,198,637	311,059	294,626	(16,433)
	CAR	Car Parks	0	(182,409)	(45,602)	123,388	168,990
	CCC	Camping & Caravan Club	0	(96,000)	(1,000)	98,842	99,842
	PAV	Pavilions	0	40,345	28,710	35,148	6,438
	DEP	Depot	0	156,384	46,992	38,528	(8,464)
	~~PRK~~	~~Environmental~~	242,660	0			0
			2,540,698	2,608,834	632,297	599,951	(32,346)
Commercial Services	GUI	Guildhall	20,437	245,502	84,427	76,309	(8,118)
	CSR	Information Centre & ShopMobility	203,965	121,622	30,680	(15,351)	(46,031)
	SHO	Shopmobility	0	133,723	36,530	31,772	(4,758)
	MEV	Markets & Advertising	147,255	134,814	43,169	(1,588)	(44,757)
	COM	Communications	0	50,928	12,732	9,772	(2,960)
	MEL	Events - Mela	0	5,450	2,725	368	(2,357)
	SGD	Events - St Georges Day	4,462	6,592	6,592	5,790	(802)
	FOT	Events - Fair on the Square	(7,051)	12,149	4,860	15,891	11,031
	AFD	Events - Armed Forces Day	4,425	6,245	4,801	2,153	(2,648)
	MIS	Events - Miscellaneous	27,050	31,050	7,763	2,980	(4,783)
	LAR	Events - Land Rental	(29,743)	(29,085)	(7,238)	(9,215)	(1,977)
	FUT	Future Salisbury	49,250	49,250	12,313	0	(12,313)
	TRV	Travel Trade	(500)	(500)	(125)	0	125
	WLT	Wiltshire Towns	0	5,000	0	(35,000)	(35,000)
	CHF	Events - Charter Fair *	(21,575)	(17,505)	470	865	395
	CID	Events - City Decoration *	28,000	28,000	0	0	0
	CHB	Events - Christmas Begins *	9,437	11,457	470	470	0
	GRO	Events - Grotto *	25,487	32,787	0	(212)	(212)
	COT	Events - Christmas on the Square *	(5,263)	(2,938)	0	44	44
	~~FOS~~	~~Events - Foodie Sunday~~	(100)	0	0	0	0
	~~GIF~~	~~Gift Fair~~	(2,025)	0			0
			453,511	824,540	240,167	85,048	(155,119)
Community Services	BHC	Communities	175,227	224,095	57,491	51,715	(5,776)
	YOU	Communities - Youth	24,433	24,551	6,138	3,011	(3,127)
	EVE	Communities - Events	12,800	12,800	3,200	0	(3,200)
	SPO	Communities - Sports	3,730	3,730	933	1,756	824
	PRO	Communities - Projects	29,364	31,431	7,858	9,555	1,697
	AOP	Adults & Older People	35,254	35,254	8,814	9,524	711
	FAM	Families & Children	26,845	26,845	6,711	511	(6,200)
	FRI	Friary	0	5,748	1,497	2,350	853
	PAN	The Pantry	31,350	44,449	11,112	10,867	(245)
	LUN	Lunch Clubs	5,550	5,650	1,413	(126)	(1,539)
	ANT	Grants	88,000	88,000	0	0	0
			432,553	502,553	105,165	89,163	(16,002)
Governance, Policy & HR	EST	Establishment	(5,682,005)	(5,615,831)	(2,889,899)	(2,937,731)	(47,832)
	HRP	Human Resources & Payroll	289,749	306,402	76,601	63,545	(13,056)
	DEM	Corporate - Councillors	130,500	132,975	33,244	12,937	(20,307)
	CMC	Civic & Mayoral	15,487	18,677	6,687	9,123	2,436
	ITT	Information Technology & Telephony	303,421	301,018	75,255	72,842	(2,413)
	OFF	Corporate - Officers	160,939	182,339	45,585	49,248	3,663
			(4,781,909)	(4,674,420)	(2,652,529)	(2,730,036)	(77,507)
Finance	FIN	Finance	830,685	433,648	171,007	65,109	(105,898)
	PWL	Public Works Loans	313,500	313,500	24,400	24,368	(32)
			1,144,185	747,148	195,407	89,477	(105,930)
Total revenue cost centres			**(210,962)**	**8,655**	**(1,479,494)**	**(1,866,397)**	**(386,903)**
'Z' cost centres funded from revenue			0	0		6,626	6,626
Total revenue position (SoRP)			**(210,962)**	**8,655**		**(1,859,771)**	**(380,277)**

* Events not yet delivered

NOTE:		
	CIL income received in year	**(53,909)**
	S.106 income received in year	**0**
	Capital receipts in year	**0**

RECONCILIATION		
	Total revenue cost centres	**(1,866,397)**
	Total CIL receipts	**(53,909)**
	Total project cost centres	**123,345**
	Total reported	**(1,796,961)**
	Total ledger 10001 - 79999	**(1,796,961)**
	Difference	**(0)**

Appendix C

Salisbury City Council Budget Monitoring Period 3 (end of June)
Projects (previously called 'Capital Programme')

Cost Centre	Dept		FULL YEAR BUDGET BEFORE ADJUSTMENTS	FULL YEAR OPENING BUDGET AFTER ADJUSTMENTS	PROFILED BUDGET	ACTUAL EXPENDITURE / (INCOME)	VARIANCE £	VARIANCE %
RECURRING								
Z12	ENV	Urban Tree Challenge		-		3,996	3,996	#DIV/0!
PROJECTS - B/F FROM 2024/25								
Z32	ENV	Rowbarrow s.106		171,065	171,065	77,786	(93,279)	(55%)
Z55	ENV	Crematorium Wall		49,381	49,381	31,773	(17,608)	(36%)
PROJECTS - NEW								
Z13	ENV	Wyndham Park Wall	85,000	85,000			0	
Z16	ENV	Depot De-watering bay	150,000	150,000	150,000	7,160	(142,840)	(95%)
Z45	ENV	Poultry Cross urgent renovation				2,630	2,630	
Z59	ENV	QE Gardens Bridges s.106						
			235,000	455,446	370,446	123,345	(247,101)	
		Funded from Capital receipts pot	150,000	199,381	199,381	38,933	(160,448)	
		Funded from S.106 pot	0	171,065	171,065	77,786	(93,279)	
		Funded from CIL pot	85,000	85,000	0	0	0	
		Funded from Revenue	0	0	0	6,626	6,626	

Appendix D

Finance Committee Budget Monitoring Period 3 (end of June)

Finance cost centre

Cost Centre	Dept	Code	Description	FULL YEAR BUDGET BEFORE ADJUSTMENTS	FULL YEAR OPENING BUDGET AFTER ADJUSTMENTS	PROFILED BUDGET	ACTUAL EXPENDITURE / (INCOME)	VARIANCE £	VARIANCE %	Exceptional budget profile ?
FIN	GEN	10001	Salary Costs	137,226	137,226	34,307	32,584	(1,723)	(5%)	
FIN	GEN	10003	Employers NI	17,584	17,584	4,396	3,601	(795)	(18%)	
FIN	GEN	10004	Employers Pension	18,800	18,800	4,700	4,464	(236)	(5%)	
FIN	GEN	29001	Insurance Premiums	195,700	92,058	92,058	102,771	10,713	12%	Payable in June; y/e accrual
FIN	GEN	42005	Books & Stationery				6	6		
FIN	GEN	44005	Software Licences	10,000	10,000	2,500	2,295	(205)	(8%)	
FIN	GEN	45017	Hire of Consultant, Professional, Artist	25,000	40,000	40,000	45,103	5,103	13%	Payable in Qtr 1
FIN	GEN	51001	Bank Charges	10,000	10,000	2,500	1,929	(571)	(23%)	
FIN	GEN	52001	NNDR	314,000	15,795	-				Year-end if required
FIN	GEN	52999	Irrecoverable VAT	130,000	130,000	-	(99,150)	(99,150)		Year-end accrual
FIN	GEN	53003	Audit Fees	65,000	65,000	16,250	366	(15,884)	(98%)	
FIN	GEN	53020	Provision for Bad Debts	3,000	3,000	750		(750)	(100%)	
				926,310	539,463	197,461	93,969	(103,492)		
FIN	GEN	75001	Bank Interest & Treasury Management Returns	(95,625)	(105,815)	(26,454)	(28,860)	(2,406)	9%	
				(95,625)	(105,815)	(26,454)	(28,860)	(2,406)		
			Surplus/Deficit	**830,685**	**433,648**	**171,007**	**65,109**	**(105,898)**		

Public Works Loans

Cost Centre	Dept	Code	Description	FULL YEAR BUDGET BEFORE ADJUSTMENTS	FULL YEAR OPENING BUDGET AFTER ADJUSTMENTS	PROFILED BUDGET	ACTUAL EXPENDITURE / (INCOME)	VARIANCE £	VARIANCE %	Exceptional budget profile ?
PWL	GEN	51002	Loan Interest - Crematorium	16,000	16,000					As per PWLB repayment schedule
PWL	GEN	51003	Loan Principal - Crematorium	106,000	106,000					As per PWLB repayment schedule
PWL	GEN	51004	Loan Interest - Guildhall Roof	12,500	12,500	3,300	3,285	(15)	(0%)	As per PWLB repayment schedule
PWL	GEN	51005	Loan Principal - Guildhall Roof	60,000	60,000	21,100	21,083	(17)	(0%)	As per PWLB repayment schedule
PWL	GEN	51006	Loan Interest - Victoria Park	2,000	2,000					As per PWLB repayment schedule
PWL	GEN	51007	Loan Principal - Victoria Park	35,000	35,000					As per PWLB repayment schedule
PWL	GEN	51008	Loan Interest - New Depot	30,000	30,000					As per PWLB repayment schedule
PWL	GEN	51009	Loan Principal - New Depot	52,000	52,000					As per PWLB repayment schedule
			Total Expenditure	**313,500**	**313,500**	**24,400**	**24,368**	**(32)**		