

SALISBURY CITY COUNCIL

Report

Subject: Budget Monitoring Report for 2025/26 to the end of September
Committee: Full Council
Date: 10 November 2025
Author: Steve Bishop, Responsible Finance Officer (RFO)

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 April to September. Any budget headings showing variances over £50,000 are discussed in the report.
- 1.2. Budget monitoring reports will be presented to the Council and 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.
- 1.3. By the end of the first half year the Council had underspent its budgets by £740k and officers forecast a more realistic operational year-end underspend of £250k. However, as explained in paragraph 7.4 of this report, most of this will be utilised to address liabilities arising from previously mis-accounting for VAT.

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 Council is appended to this report – see **Appendices A – C**.
- 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 following information is provided in this budget monitoring report:
- 3.4. **Appendix A** sets out the full council-wide September-end revenue budget monitoring position for all cost centres.
- 3.5. **Appendix B** provides the equivalent for the small number of project cost centres which will be funded from either revenue or non-revenue sources.
- 3.6. **Appendix C** provides all major variances over £40k arising from detailed September-end budget monitoring information at account level.

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 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
- 4.2. 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.
- 4.3. 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 variances 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 C** sets out the September-end budget variances over £50,000 which are explained below.

Caravan Site Income (CCC ENV 73007)

- 5.4. The £88k apparent under-achievement of Camping and Caravan Site income is due to late receipt of 2024/25 profit share from the Camping and Caravan Club which was accrued² for at year-end. Officers can confirm that this has now been received in October.

Cremation Income (CRM ENV 71001)

- 5.5. The Crematorium is currently performing marginally below target. To safeguard income performance and mitigate the risk of further slippage, the planned adjustment to fees and charges was implemented in September, one month earlier than originally scheduled. Income is still £68k down at the half-year but this is expected to improve in the 2nd half of the year.

Equipment Maintenance (CRM ENV 40002)

- 5.6. The final uninvoiced payment for 2024/25 equipment maintenance was not accrued² for due to an officer error, resulting in the cost having to be charged to the first quarter of 2025/26, causing the £39k overspend. This has been noted, and measures are being taken to ensure that a similar oversight does not occur in future periods.

Dilapidations (FAC ENV 20005 & MEV BUS 20005)

- 5.7. The budget for residual dilapidation liabilities associated with the Council's exit from the former depot remains unspent, pending the conclusion of negotiations between the respective surveyors.

Irrecoverable VAT¹ (CRM ENV 52999 & FIN GEN 52999)

- 5.8. The underspending variance of £99k on FIN GEN is entirely due to accounting adjustments and timing. During 2024/25 the RFO found that the Council has been over-claiming for input⁴ 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.
- 5.9. The over-claimed amount for 2024/25 up to the change of process in December 2024 was estimated to be £99,150 and was accrued² for i.e. charged through 2024/25 accounts. Following proper accounting procedures this accrual² remains in 2025/26 budget monitoring until it is cleared by repayment to HMRC. As at the end of October this remains unpaid as we are waiting for an external VAT expert to verify the debt whilst performing the year-end VAT partial exemption³ calculation, hence causing the variance. This work is expected to be completed during November.
- 5.10. Our VAT expert has conducted a full detailed audit of our operations which indicates that other VAT-exempt income streams involving land rental and Lush House Car Park have been incorrectly accounted for. The RFO is rectifying these errors and will report the cumulative impact to the Finance Committee.

Ticket Sales (CSR BUS 45016)

- 5.11. As reported at outturn last year, the Council is temporarily holding ticket sales income due to a bus company whilst the correct VAT treatment is being determined. The

cumulative income covers an 18 month period, including an accrual² for 2024/25, which causes this variance. Officers continue to chase the bus company to resolve this before the year-end.

Tree Surgery

- 5.12. The tree surgery budget appears underspent in the appendix but is in fact on track to be fully used by the year-end. The 'variance' reflects an uneven spend profile over the year holding back budget ahead of the potential winter bad weather, which officers will rectify in time for next report.

Reactive Repairs & Maintenance (FAC ENV 20001)

- 5.13. The cumulative repairs and maintenance budgets are sufficient to cover the Council's priority needs and will be fully spent by the year-end. The temporary 'variance' reported in the appendix is due to timing differences, which officers will rectify by the next report to full Council

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 B** and **Appendix C**. There is one project with a variance over £50,000 which is explained below:

Rowbarrow s.106

- 6.2. The project has been concluded, except for final elements such as planting and seating. Several coding discrepancies were identified, and the remaining budget will be reallocated to machinery to support ongoing site maintenance.

7. Year-end Forecast

- 7.1. This budget monitoring report covers the first half of the year, which includes several 2024/25 year-end accruals² that have yet to 'unwind' (such as the Irrecoverable VAT variance explained in paragraph 5.5 above) and therefore distort the true position.
- 7.2. The £740k council-wide underspend for quarter 1 in **Appendix A** is welcome although is distorted by the delayed resolution of several year-end accrual adjustments. A more realistic operational underspend forecast once these accounting adjustments are factored out is £500k.
- 7.3. This level of forecast underspend is still higher than expected when compared with last year's revenue outturn underspend of £520k. Whilst the base budget for this year is substantially identical to last year, the savings achieved last year were largely due to urgent economising and cost-cutting interventions, which are not expected to be repeated this year. The officers have also reduced in-year budgets by over £80k this year which is 80% completion of this year's £100k Cost Improvement Plan required saving set in the Council budget. All indications are that this year will also return a large underspend, although lower than last year. The RFO and CEO predict an operational underspend in the region of £250k.
- 7.4. Unfortunately, in order to rectify the VAT discrepancies explained in paragraphs 5.8 – 5.10 above, the RFO anticipates that the liability to the HMRC will utilise most of this

year's underspend. Full details will be reported to the Finance Committee once the work has been completed.

8. **Recommendations:**

- 8.1. The Council notes the financial position at the end of September and officers' explanations for the variances 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**

Salisbury City Council Budget Monitoring Period 6 (end of September)

Revenue cost centres

Department	Cost Centre	FULL YEAR BUDGET BEFORE ADJUSTMENTS	FULL YEAR BUDGET AFTER ADJUSTMENTS	PROFILED BUDGET	ACTUAL NET EXPENDITURE / (INCOME)	VARIANCE £
<u>General</u>	EST Establishment	(5,682,005)	(5,607,831)	(5,838,299)	(5,862,955)	(24,657)
	HRP Human Resources & Payroll	289,749	261,542	114,666	118,019	3,353
	FIN Finance	830,685	334,258	210,261	74,573	(135,688)
	PWL Public Works Loans	313,500	313,500	156,460	156,206	(254)
		<u>(4,248,071)</u>	<u>(4,698,531)</u>	<u>(5,356,912)</u>	<u>(5,514,157)</u>	<u>(157,245)</u>
<u>Corporate</u>	DEM Corporate - Councillors	130,500	132,375	87,188	81,652	(5,536)
	CMC Civic & Mayoral	15,487	18,677	10,684	10,028	(656)
	ITT Information Technology & Telephony	303,421	301,018	150,509	139,591	(10,918)
	OFF Corporate - Officers	160,939	215,439	107,720	90,558	(17,162)
		<u>610,347</u>	<u>667,509</u>	<u>356,100</u>	<u>321,829</u>	<u>(34,271)</u>
<u>Environmental</u>	CRM Crematorium	(856,297)	(536,897)	(253,134)	(188,134)	65,000
	CRP Investment Properties	(472,685)	(310)	4,085	(34,143)	(38,228)
	CTV Closed Circuit Television	99,716	106,126	(28,817)	(14,664)	14,153
	FAC Facilities	1,074,382	384,579	181,196	(70,451)	(251,647)
	LBT Lower Bemerton Trust	5,100	6,360	9,373	902	(8,471)
	POS Parks & Open Spaces	1,218,919	1,372,814	693,407	521,012	(172,395)
	ALL Allotments	0	6,065	28,658	14,515	(14,143)
	PWC Public Conveniences	116,075	160,210	81,820	49,203	(32,617)
	SSS Street Scene	1,112,828	1,210,152	513,097	559,965	46,868
	CAR Car Parks	0	(182,409)	(86,945)	(114,709)	(27,764)
	CCC Camping & Caravan Club	0	(83,491)	4,255	90,767	86,513
	PAV Pavilions	0	62,695	43,764	41,369	(2,395)
	DEP Depot	0	152,369	85,786	88,699	2,913
	PRK Environmental-	242,660	0			
		<u>2,540,698</u>	<u>2,658,263</u>	<u>1,276,543</u>	<u>944,331</u>	<u>(332,212)</u>
<u>Communities</u>	BHC Communities	175,227	217,565	110,176	101,846	(7,805)
	YOU Communities - Youth	24,433	24,551	12,276	6,880	(5,396)
	EVE Communities - Events	2,150	12,800	6,400	8,343	1,943
	SPO Communities - Sports	3,730	3,730	1,865	2,571	706
	PRO Communities - Projects	29,364	32,281	16,141	17,958	1,818
	AOP Adults & Older People	35,254	35,854	17,927	17,555	(372)
	FAM Families & Children	26,845	26,845	13,423	11,658	(1,765)
	FRI Friary	0	13,198	6,719	5,750	(969)
	PAN The Pantry	31,350	45,949	22,975	23,828	854
	LUN Lunch Clubs	5,550	5,050	2,525	(455)	(2,980)
	ANT Grants	88,000	88,000	63,000	66,000	3,000
		<u>421,903</u>	<u>505,823</u>	<u>273,425</u>	<u>261,934</u>	<u>(10,966)</u>
<u>Business</u>	GUI Guildhall	20,437	260,053	172,052	107,068	(64,984)
	CSR Information Centre & ShopMobility	203,965	114,621	59,182	(12,723)	(71,905)
	SHO Shopmobility	0	140,223	72,510	67,872	(4,638)
	MEV Markets & Advertising	147,255	136,294	76,677	31,588	(45,089)
	COM Communications	0	47,928	23,964	23,009	(955)
	MEL Events - Mela	0	6,450	6,450	5,934	(516)
	SGD Events - St Georges Day	4,462	5,842	5,842	5,790	(52)
	FOT Events - Fair on the Square	(7,051)	15,263	15,263	18,677	3,414
	AFD Events - Armed Forces Day	4,425	6,161	6,161	2,778	(3,383)
	MIS Events - Miscellaneous	27,050	30,050	15,025	5,561	(9,464)
	LAR Events - Land Rental	(29,743)	(29,085)	(14,477)	(17,344)	(2,867)
	FUT Future Salisbury	49,250	24,747	12,374	0	(12,374)
	TRV Travel Trade	(500)	(500)	(250)	0	250
	WLT Wiltshire Towns	0	34,503	(21,099)	(2,234)	18,865
	CHF Events - Charter Fair	(21,575)	(17,535)	(5,532)	2,176	6,708
	CID Events - City Decoration *	28,000	28,000	5,600	0	(5,600)
	CHB Events - Christmas Begins *	9,437	11,457	3,217	470	(2,359)
	GRO Events - Grotto *	25,487	32,787	6,557	3,588	(2,969)
	COT Events - Christmas on the Square *	(5,263)	(1,668)	(334)	6,232	5,190
	FQS Events—Foodie Sunday	(100)	0	0	0	0
	GIF Gift-Fair	(2,025)	0			
		<u>453,511</u>	<u>845,591</u>	<u>439,182</u>	<u>248,442</u>	<u>(192,729)</u>
Total revenue cost centres		(221,612)	(21,346)	(3,011,662)	(3,737,621)	(727,422)
'Z' cost centres funded from revenue		0	30,000	30,000	17,416	(12,584)
Total revenue position (SoRP)		(221,612)	8,655	(2,981,662)	(3,720,205)	(740,006)

* Events not yet delivered

NOTE:	CIL income received in year (70005)	(67,689)
	S.106 income received in year (70003)	0
	Capital receipts in year (73009)	(2,250)
	Total balance sheet income	(69,939)

RECONCILIATION	Total revenue cost centres	(3,737,621)
	Total balance sheet income	(69,939)
	Total project cost centres	174,084
	Total reported	(3,633,476)
	Total ledger 10001 - 79999	(3,633,477)
	Difference	1

Appendix B

Salisbury City Council Budget Monitoring Period 6 (end of September)

Projects (previously called 'Capital Programme')

Cost Centre	Dept	FULL YEAR BUDGET BEFORE ADJUSTMENTS	FULL YEAR BUDGET AFTER ADJUSTMENTS	PROFILED BUDGET	ACTUAL EXPENDITURE / (INCOME)	VARIANCE £	VARIANCE %
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RECURRING

Z12	ENV	Urban Tree Challenge	-		8,000	8,000	
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PROJECTS - B/F FROM 2024/25

Z32	ENV	Rowbarrow s.106	171,065	171,065	114,235	(56,830)	(33%)
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	-	7,160	7,160
Z45	ENV	Poultry Cross urgent renovation		30,000	30,000	9,416	(20,584)
Z59	ENV	QE Gardens Bridges s.106				3,500	3,500
Z57	ENV	River Park tractor		75,000	0		0
						0	
			235,000	560,446	250,446	174,084	(76,362)

Funded from Capital receipts pot	150,000	199,381	49,381	38,933	(10,448)	
Funded from S.106 pot	0	246,065	171,065	117,735	(53,330)	
Funded from CIL pot	85,000	85,000	0	0	0	

Funded from Revenue	0	30,000	30,000	17,416	(12,584)	
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Appendix C

Salisbury City Council Budget Monitoring Period 6 (end of September)

Revenue Budget Variances over £50,000

Cost Centre	Dept	Code	Description	FULL YEAR BUDGET BEFORE ADJUSTMENTS	FULL YEAR OPENING BUDGET AFTER ADJUSTMENTS	PROFILED BUDGET	ACTUAL EXPENDITURE / (INCOME)	VARIANCE £	VARIANCE %
CCC	ENV	73007	Caravan Site Income		(92,000)	0	88,672	88,672	
CRM	ENV	71001	Cremation Income	(1,166,235)	(1,250,235)	(625,118)	(556,874)	68,244	(11%)
CRM	ENV	40002	Equipment Maintenance	125,000	147,000	73,500	113,037	39,537	54%
FAC	ENV	20005	Dilapidations				(150,000)	(150,000)	
FIN	GEN	52999	Irrecoverable VAT	130,000	30,000	-	(99,150)	(99,150)	
CSR	BUS	45016	Ticket Sales		50,000	25,000	(26,592)	(51,592)	(206%)
POS	ENV	28002	Tree Surgery	180,000	180,000	90,000	47,637	(42,363)	(47%)
FAC	ENV	20001	Repairs and Maintenance - REACTIVE	200,300	58,600	29,300	(11,442)	(40,742)	(139%)

Project Budget Variances over £50,000

Cost Centre	Dept	Budget Holder	FULL YEAR OPENING BUDGET AFTER ADJUSTMENTS	PROFILED BUDGET	ACTUAL EXPENDITURE / (INCOME)	VARIANCE £	VARIANCE %
Z32	ENV	Rowbarrow s.106	171,065	171,065	114,235	(56,830)	(33%)