

Report 3: Third Quarter Financial Performance and Budget Update

1. Purpose of Report

The purpose of this report is to update Members on the third quarter financial performance and the Medium-Term Budget.

2. Recommendations

The Authority is recommended to note the contents of the report.

3. Implications

- a. **Financial:** The forecast annual budget surplus of £199,600 arising in this report is used as a planning assumption within the Medium-Term Budget Plan (Report 4 on this Agenda).
- b. **Equalities:** None
- c. **Link to Business Plan:** Financial performance and budget management are an integral part of resourcing all aspects of the Business Plan and of maintaining an organisation that is fit for the future (Aim 6 of the Business Plan).

4. Third Quarter to date 2021/22: Financial Performance

- a. The third quarter surplus as shown in Table 1 was £709,700, this is compared to the planned surplus of £83,700; a positive overall variance of £626,000.

Table 1: Third Quarter Financial Performance

December 2021/22 YTD	Budget	Actual	Variance	Full Year Forecast Variance
National Park Grant	£2,114,800	£2,114,800	-	-
Operating Salary & Related Costs	(£1,545,000)	(£1,476,200)	£68,800	£41,400
Operating Expenditure	(£806,300)	(£621,700)	£184,600	£63,200
Operating Income	£419,600	£466,200	£46,600	£42,600
Operating Surplus	£183,100	£483,100	£300,000	£147,200
Sill Business Plan Expenditure	(£532,900)	(£487,300)	£45,600	(£46,100)
Sill Business Plan Income	£449,600	£540,500	£90,900	£98,500
Net Sill Business Plan Surplus/ (Deficit)	(£83,300)	£53,200	£136,500	£52,400
Project Expenditure	(£992,100)	(£576,600)	£415,500	-
Project Income	£976,000	£750,000	(£226,000)	-
Net Project /(Deficit)	(£16,100)	£173,400	£189,500	-
Net overall Surplus	£83,700	£709,700	£626,000	£199,600

Third Quarter to Date Operating Performance

- b. The operating salary and related costs budget is showing a positive variance of £68,800. A full year budget surplus on operating salaries and related costs of £29,600 is forecast. Projected savings on leased car costs and travel and subsistence are £11,800, giving an overall forecast budget surplus of £41,400.
- c. Operating income at £466,200 is £46,600 ahead of target with a full year positive variance of £42,600 forecast.
- d. There is a surplus of £45,000 income from car park operations and a full year budget surplus of £44,300 is forecast.
- e. Operating expenditure is behind budget by £184,600. This partly arises due to the timing of expenditure with a full year budget surplus of £63,200 forecast. Individual variances to note include:
 - i. A budget surplus of £5,300 on Fundraising costs, and £13,400 on Fundraising Consultancy costs respectively. The Directors have agreed that this budget will be used to recruit a fixed term part time Fundraising post. Across the fundraising budgets, a forecast surplus of £18,000 has been included.
 - ii. A forecast surplus on volunteer costs, including travel and subsistence claims of £15,800 as these expenses have been included in the Sill Project budget and the Culture Recovery Fund project.
 - iii. A budget surplus of £8,600 on External Audit fees. This is due to no invoices having been received for this financial year from EY as the PSAA were reviewing their claim for an increase to the base fee from 2019/20. We have agreed the PSAA proposed increase of £11,772 for the financial year 2019/20; £10,000 was carried forward from 2020/21 in anticipation of this. The scale fee variation for 2020/21 has not yet been proposed but it is likely to be similar to this year. The forecast allows £13,300 for an increase in costs, and it has been assumed at this stage that this will be sufficient to cover the increase to both the 2020/21 and the current years scale fee, as well as extra costs paid to the Actuary as requested from our Auditors.

Third Quarter to Date Sill Business Plan Performance

- f. Overall, The Sill Business Plan is showing a budget surplus of £136,500. This is driven largely by surpluses in retail, operational costs and the café.
- g. Gross retail Sales are £53,700 ahead of budget at the half year and a gross profit margin of 44.3% is being reached against a target of 45%. Average spend per visitor of £2.02 has been achieved against a target of £1.31. Sales are forecast to outperform the budget by £53,300 by the year end, giving a forecast overall budget surplus of £20,600.
- h. The Sill Operational surplus is made up of a £38,700 surplus on expenditure, and a £37,700 surplus on income. The surplus on expenditure largely arises due to

the timing of expenditure and invoices received, and an expenditure budget deficit for the year of £15,200 is forecast. The surplus on Operational income includes a budget surplus of £45,000 on Local Authority Covid Grants and a forecast budget surplus of £49,000. Overall, there is a forecast surplus on The Sill Operations of £26,700.

- i. Sill car parking net income is forecast to outturn £3,800 ahead of budget.
- j. Café performance has led to a budget surplus of £12,400 on gross profit. Whilst café sales for the year are forecast to be £3,300 below target (due to Covid restrictions on opening), the gross profit is forecast to be a budget surplus of £11,400.

Third Quarter to Date Project Performance

- k. Excluding The Sill, net project income is showing a net budget surplus of £188,300. Where project expenditure is behind forecast, we are predicting that this will largely spend on budget, with some carry over in line with re-profiled budgets at the end of the year.

Full Year Forecast Summary

- l. The full year budget forecast is a budget surplus of £199,600.

5. Medium Term Budget Update

- a. The budget deficit for the year remains at £428,100 as per the Budget Update to Authority in December 2021.
- b. The following budget movements and changes which have no net budget impact have taken place in the quarter,
 - A budget of £15,100 has been added to both project income and expenditure as the Authority has become the lead for the Northumberland Upland Chain Local Nature Partnerships and will collect funds from the other members and allocate as appropriate. A further reduction in core budget expenditure of £5,000 and an increase in project expenditure has been made as our contribution is now shown under project costs.
 - A reduction in both costs and income of the Hadrian's Wall Recovering Nature project of £60,200 as the project works and associated claims have been re-profiled across the current Medium-Term Budget Plan.
 - A release of £1,700 from ringfenced planning fees to support the extension of additional hours for a staff member to archive planning documents.
 - Subject to the approval of the new medium term Budget plan from 2022/23 onwards, £35,100 of the additional staffing capacity budget line (arising from the surplus brought forward from 2020/21) has been

allocated to extend the Climate Change Officer post for a further 12 months, and to allow for the additional cost of a 24-month fixed term position (included in the last service review), following changes to the role requirement, to support the Data and Digital team as they transition through a number of significant IT projects.

6. Half Year Treasury Update

- a. Funds continue to be held in Barclays, Lloyds, Santander and HSBC. Bank interest received is below target and £1,000 is forecast to be received in the year against a budget of £2,500.

7. Conclusions

- a. This is a wide ranging report, covering a number of different areas of the Authority's budget. The budget is forecast to outturn a surplus of £199,600, made up of a £147,200 forecast operating budget surplus and a £52,400 forecast surplus on The Sill Business Plan. This amount has been included as our planning assumption increase to our opening reserves in the Medium-Term Budget report (Report 4 on this Agenda). This additional surplus is a key component in managing our finances over the next budget plan period.

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