

Report 1: Half Year Financial and Budget Update**1. Purpose of Report**

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

2. Recommendations

The Authority is recommended to:

- a. note the contents of the report; and
- b. approve the allocation of £112,400 of the additional 2021/22 surplus from general reserves to the budget.

3. Implications

- a. Financial: There are no financial implications arising from this report. The annual budget deficit increases due to the release of £112,400 from the general reserve, but this does not impact closing reserves.
- 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. Half Year 2022/23: Financial Performance

- a. The half year surplus as shown in table 1 was £858,900, this is compared to the planned surplus of £616,800; a positive overall variance of £242,200.

Table 1: Half Year Financial Performance

September 2022/23 YTD	Budget	Actual	Variance	Full Year Forecast Variance
National Park Grant	£1,536,900	£1,536,900	-	-
Operating Salary & Related Costs	(£1,107,100)	(£1,055,500)	£51,600	£37,100
Operating Expenditure	(£575,500)	(£503,000)	£72,500	£14,300
Operating Income	£417,600	£460,400	£42,800	£49,100
Operating Surplus	£271,900	£438,800	£166,900	£100,500
Sill Business Plan Expenditure	(£430,700)	(£421,800)	£8,900	(£29,600)
Sill Business Plan Income	£391,900	£429,400	£37,500	£59,800
Net Sill Business Plan Surplus/(Deficit)	(£38,800)	£7,600	£46,400	£30,200
Project Expenditure	(£465,900)	(£289,700)	£176,200	4,300
Project Income	£849,600	£702,300	(£147,300)	(5,400)
Net Project /(Deficit)	£383,700	£412,600	£28,900	(£1,100)
Net overall Surplus	£616,800	£858,900	£242,200	£129,600

Half Year to Date Operating Performance

- b. The operating salary and related costs budget is showing a positive variance of £51,600. This is largely made up of a budget surplus on salary, National Insurance and pension costs of £43,900. £20,400 of this surplus relates to the delay in the national agreement of the 2022/23 pay award which was agreed and paid in November 2022.
- c. The impact in the current year of the LGA pay offer is an additional cost of £112,400. The budget surplus from 2021/22 of £116,900 was added to the general reserve in anticipation of a higher than budgeted pay increase, and members are asked in this report to allocate £112,400 of this amount into the budget. Once this additional cost is absorbed, a full year positive variance on staff costs of £37,100 is forecast.
- d. Operating income at £460,400 is £42,800 ahead of target with a full year positive variance of £49,100 forecast.
- e. There is a budget surplus on Development Management fees of £55,400 as a result of two major planning applications being received in the year. The full year forecast, net of 20% ringfenced for planning improvements, is a budget surplus of £39,500.
- f. There is a budget surplus of £5,700, with a full year forecast surplus of £13,800 on income from staff services as projects are budgeted for which include a staff contribution to general operating costs.
- g. Car parking income is showing a £7,600 budget deficit at the half year as there has been a drop in visitors paying to park across our sites. Performance at both Walltown and Housesteads improved and was above target for October, which is likely due to the art installations at both sites. The installations have now been removed, and a prudent full year budget deficit of £10,000 is forecast.
- h. There is a £10,800 budget deficit on activity sponsorship and grants. There are a number of bids in with funders and it is anticipated that this target will be reached by the end of the year.
- i. Operating expenditure is behind budget by £72,500. This partly arises due to the timing of expenditure and a full year budget surplus of £14,300 is forecast. The individual variances in excess of £10,000 or of note are detailed below:
 - i. A budget deficit of £12,200 on marketing. This is due to timing as the spend was front ended over the summer months and the full year forecast is to outturn on budget.
 - ii. A £29,700 budget deficit on IT maintenance costs. This is largely due to the timing of expenditure, and the inclusion of contracts which stretch into the next financial year which have since been adjusted and accounted for in the appropriate financial years. Overall, a £5,000 budget surplus is forecast as the Manager has been able to recategorise the organisation as 'not for profit', significantly reducing ongoing costs.

- iii. A budget surplus of £28,900 on External Audit fees, as we have not yet received the scale variation fee for the financial year 20/21 or for any invoices for 21/22. We are awaiting the PSAA decision on the scale variation fees for 20/21 and 21/22, and at this stage, have forecast the outturn to be on budget.
- iv. A budget surplus of £11,100 against the general repairs budget. Spend has been low due to staff turnover and will pick up in the second half of the year. Savings of £2,900 are required to offset a forecast overspend on maintenance contracts for this amount and taken together, spend on budget is forecast.

Half Year to Date Sill Business Plan Performance

- j. Overall, The Sill Business Plan is showing a budget surplus of £46,400. The analysis of this overall surplus is:
 - Retail, £7,700 budget surplus
 - Sill Operational (includes direct staff costs, and building related costs), £22,900 budget surplus
 - Rental (includes room hire and YHA rental income) £12,100 budget surplus.
 - Sill promotion, £5,500 budget deficit
 - Car Parking £7,300 budget surplus
 - Sill Café £1,900 budget surplus
- k. Gross retail Sales are £20,200 ahead of budget at the half year and the target gross profit margin of 45% is being reached. Average spend per head of £2.02 has been achieved against a target of £1.75 Sales are forecast to outperform the budget by £26,800 by the year end. The overall forecast budget surplus is £10,700, taking into account the cost of sales.
- l. The Sill Operational surplus is made up of a £40,800 surplus on expenditure, and a £17,900 deficit 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 £1,900 is forecast. The deficit on income is largely made up of a deficit on Shared building costs income of £15,000, which arises due to the profiling of budgets and the timing of invoices. Overall, a budget deficit of £5,500 is forecast.
- m. The surplus on Sill rental income is mainly due to timing, as the quarter 2 rent invoice was raised in advance. A full year surplus of £3,100 is forecast, as a result of the 5 year rent review taking place, based on an index linked formula. This is offset by a forecast budget deficit on room hire income of £4,700.
- n. Sill car parking is forecast to outturn £3,500 ahead of budget.
- o. Café sales are £21,600 ahead of budget , and the achievement of a 76% profit margin against a budget of 75%, gives a budget surplus of £18,800 on gross

profit. This is offset by a budget deficit on staff costs which have helped in achieving the higher gross profit. Overall a budget surplus of £23,100 is forecast.

- p. Overall, the forecast surplus on The Sill Business Plan is a surplus of £30,200.

Half Year to Date Project Performance

- q. Project income is showing a net budget surplus of £28,900. 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

- r. The full year budget forecast is a budget surplus of £129,600.

5. Medium Term Budget Update

- a. The budget deficit for the year remains at £481,100 as per the Budget Update to Authority in September.
- b. At the June Authority meeting, members were advised that the 2021/22 outturn had made available £116,900 in additional funds. It was agreed that these funds would not be allocated until the impact of the LGA pay award was known. The award was agreed in November and the current year impact is an additional cost against budget of £112,400. Members are asked to agree the allocation of £112,400 into the budget to cover this.
- c. Assuming this is agreed the revised budget deficit for the year increases to £593,500.

6. Half Year Treasury Update

- a. Funds continue to be held in Barclays, Lloyds, Santander and HSBC. Bank interest for the year is forecast to be below target with £1,500 forecast to be received, against a budget of £3,000.

7. Conclusion

- a. This is a wide-ranging report, covering a number of different areas of the Authority's budget. The Finance and Audit Group discussed the content of the report in detail at their November meeting.
- b. The budget is forecast to outturn a surplus of £129,600. This is a very positive position and will be helpful in supporting the budget in the short term, to mitigate the major financial challenges arising from continued flat cash Defra grant. It does not, however, resolve the need to make ongoing reductions.

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