

Report 1: Third Quarter Financial 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:

- a. Note the contents of the report.

3. Implications

- a. **Financial:** The forecast annual budget surplus of £139,600. The final surplus after carry forwards will increase General Reserves after the year end.
- 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 2022/23: Financial Performance

- a. The third quarter surplus as shown in table 1 was £401,900, this is compared to the planned surplus of £92,300; a positive overall variance of £309,600.

Table 1: Third Quarter Financial Performance December 2022/23 YTD	Budget	Actual	Variance	Full Year Forecast Variance
National Park Grant	£2,104,900	£2,104,900	-	-
Operating Salary & Related Costs	(£1,722,500)	(£1,675,400)	£47,100	£60,400
Operating Expenditure	(£861,600)	(£749,700)	£111,900	£31,700
Operating Income	£485,500	£536,600	£51,100	£26,600
Operating Surplus	£6,300	£216,400	£210,100	£118,700
Sill Business Plan Expenditure	(£622,100)	(£647,200)	(£25,100)	(£79,400)
Sill Business Plan Income	£525,700	£598,600	£72,900	£100,300
Net Sill Business Plan Surplus/(Deficit)	(£96,400)	(48,600)	£47,800	£20,900
Project Expenditure	(£937,700)	(£588,600)	£349,100	-
Project Income	£1,120,100	£822,700	(£297,400)	-
Net Project /(Deficit)	£182,400	£234,100	£51,700	-
Net overall Surplus	£92,300	£401,900	£309,600	£139,600

Third Quarter to date Operating Performance

- b. The operating salary and related costs budget is showing a positive variance of £47,100. A full year budget surplus of £60,400 is forecast. This is largely due to savings made on delays in recruiting and to efficiencies realised as a result of changes made within teams.
- c. Operating income at £536,600 is £51,100 ahead of target with a full year positive variance of £26,600 forecast.
 - i. There is a budget surplus on Development Management fees of £53,200 as a result of two major planning applications being received in the year. The full year forecast, net of 20% ringfenced for planning expenditure, is a budget surplus of £35,400
 - ii. There is a budget surplus of £20,600, with a full year forecast surplus of £21,100 on income from staff services as projects are budgeted for which include a staff contribution to general operating costs.
 - iii. There is a forecast budget deficit of £10,000 on car parking income. At the end of December, the budget deficit was £3,400 and given the performance to date, and the fact January did not meet the target a prudent assumption has been made.
 - iv. There is a budget deficit of £7,600 on Sponsorship income. Whilst there are a number of applications out with potential funders; none of these have yet come to fruition and no income is anticipated in this forecast. This results in a forecast budget deficit for the year of £20,000.
 - v. A £21,300 budget deficit on Activity Sponsorship and grants. There are a number of bids in with funders, and it is anticipated that a further £24,700 will be received by the end of the year, against further budgeted income of £10,900. This gives an overall forecast budget deficit for the year of £7,500.
- d. Operating expenditure is behind budget by £111,900. This partly arises due to the timing of expenditure with a full year budget surplus of £31,700 forecast. Individual variances to note include:
 - i. A £17,900 budget surplus on National Park Management Plan costs. The Management Plan is now at design stage and savings have been made by doing some of the budgeted work in house. A full year budget surplus of £8,400 is forecast.
 - ii. A net budget deficit on IT expenditure and IT Maintenance contracts of £8,600 arises, largely due to the timing of expenditure. A forecast budget deficit of £7,600 on IT costs, arising due to unplanned costs required to increase our cyber security is offset by forecast savings of £8,000 on the IT Maintenance contracts budget. The savings have been made on Office 365, due to the successful application to be re-

categorised as a not-for-profit organisation and a change to the way IT support services are delivered.

- iii. A budget surplus on general repairs of £16,000 and a full year budget surplus of £12,200 is forecast as spend has been low due to staff turnover. Savings of £5,100 are required to offset a forecast overspend on maintenance contracts for this amount, and taken together, there is a net forecast budget surplus of £7,100.

Third Quarter to date Sill Business Plan Performance

- e. Overall, The Sill Business Plan is showing a budget surplus of £47,800. The analysis of this overall surplus is:
 - Retail, £17,500 budget surplus
 - Sill Operational (includes direct staff costs, and building related costs), £17,600 budget surplus
 - Rental (includes room hire and YHA rental income) £20,200 budget surplus.
 - Sill promotion, £8,100 budget deficit
 - Car Parking £10,300 budget surplus
 - Sill Café £9,700 budget deficit
- f. Gross retail Sales are £42,700 ahead of budget at the half year and the target gross profit margin at 44.7%, is slightly below the 45% target. Average spend per head of £2.15 has been achieved against a target of £1.75 Sales are forecast to be on budget for the final quarter and to outperform the budget by £42,700 by the year end. The overall forecast budget surplus is £18,600, taking into account the cost of sales.
- g. The Sill Operational surplus is made up of a £43,000 surplus on expenditure, and a £25,400 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 £6,000 is forecast which includes a forecast budget deficit of £6,800 on repair costs. The deficit on income is largely made up of a deficit on Shared building costs income of £21,700, which arises due to the profiling of budgets and the timing of invoices. Overall, a net budget deficit of £8,700 is forecast.
- h. The surplus on Sill rental income is partly due to timing, as the quarter 3 rent invoice was raised in advance, giving a surplus of £14,700 on rental income. A full year budget surplus of £2,800 is forecast, as a result of the 5 year rent review taking place, based on an index linked formula. There is a budget surplus (and forecast budget surplus) of £10,100 on staff services as this year, we ran the member induction course on behalf of all National Parks for which a Service Level Agreement contribution was given by all every park to cover the staff cost of administering this. This is offset by a forecast budget deficit on room hire income of £4,700, and overall, a budget surplus of £8,200 is forecast.

- i. The deficit on The Sill Promotion budget arises as there has been no income received or confirmed as yet for Sponsorship Income target. This is part of the funding bids to charitable trusts being prepared by the Fundraising Team, and at this stage, this income stream is assumed to come in on target.
- j. Sill car parking is forecast to outturn £2,700 ahead of budget.
- k. Gross Café sales are £39,400 ahead of budget, and the achievement of a 80% profit margin against a budget of 75%, gives a budget surplus of £31,600 on gross profit. This is offset by a budget deficit on staff costs of £43,800, staffing levels were increased to manage increased trading levels, as well as the fact a 10% pay increase was awarded by the LGA verses a 2 % planning assumption for the majority of the café staff. When the forecast staff costs are taken into account against forecast profit for the year, a budget deficit of £28,000 arises. Last financial year, it was agreed that an expenditure budget of £36,000 from café profits (surplus to budget) would be carried forward, to invest in café equipment and to trial amendments to the staffing rota. £28,000 of this will be allocated to the café trading account in the current year and, when this is accounted for, the forecast is on budget.
- l. The Café was budgeted to make a profit of £11,300 in the year, whereas it is now forecast to cost the Authority £16,700 to run. The costs this year were subsidised with £28,000 from the previous year's surplus to enable learning around staffing models as well as absorb the impact of the significantly higher pay award.
- m. Overall, the forecast surplus on The Sill Business Plan is a surplus of £20,900.

Third Quarter to Date Project Performance

- n. Project income is showing a net budget surplus of £51,700. 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

- o. The full year budget forecast is a budget surplus of £139,600

5. Medium Term Budget updated

- a. The budget deficit for the year remains at £593,500 as per the Budget Update to Authority in September.

6. Third Quarter Treasury Update

- a. Funds continue to be held in Barclays, Lloyds, Santander and HSBC. Bank interest received is ahead of target due to increasing interest rates and £7,500 is forecast to be received in the year against a budget of £3,000.

7. Conclusion

- a. The budget is forecast to outturn a surplus of £139,600, made up of a £118,700 forecast operating budget surplus and a £20,900 forecast surplus on The Sill Business Plan.

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Background papers: None