

Report 1: Half Year Financial 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.

3. Implications

- a. Financial: The forecast annual budget surplus is £75,300. A quarter 3 re-estimate of outturn may be included as a planning assumption going into the next budget planning round.
- 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 (Outcome 6 of the Business Plan).

4. Half Year 2023/24: Financial Performance

- a. The half year surplus as shown in table 1 was £373,400, this is compared to the planned surplus of £319,300; a positive overall variance of £54,100.

Table 1: Half Year Financial Performance

September 2023/24 YTD	Budget	Actual	Variance	Full Year Forecast Variance
National Park Grant	£1,336,800	£1,336,800	-	-
Operating Salary & Related Costs	(£1,155,600)	(£1,051,000)	£104,600	£11,600
Operating Expenditure	(£600,800)	(£455,600)	£145,200	£15,800
Operating Income	£440,500	£399,900	(£40,600)	£16,200
Operating Surplus	£20,900	£230,100	£209,200	£43,600
Sill Business Plan Expenditure	(£497,200)	(£425,200)	£72,000	£34,000
Sill Business Plan Income	£505,500	£486,100	(£19,400)	(£2,300)
Net Sill Business Plan Surplus	£8,300	£60,900	£52,600	£31,700
Project Expenditure	(£545,800)	(£282,500)	£263,300	-
Project Income	£835,900	£364,900	(£471,000)	-
Net Project Surplus /(Deficit)	£290,100	£82,400	(£207,700)	-
Net overall Surplus	£319,300	£373,400	£54,100	£75,300

Half Year Operating performance

- a. The operating salary and related costs budget is showing a positive variance of £104,600. £44,000 of this surplus relates to the delay in the national agreement of the 2023/24 pay award which was agreed in October 2023. The award of £1,925 per employee was as budgeted and therefore, this element of the surplus relates to timing only.
- b. There is a budget surplus of £18,000 on the Strategic Projects Officer position, for which £35,900 was released from the Projects and Investments earmarked reserve for the year. Recruitment for this post is likely to commence in quarter 4 but due to the uncertainty of timing at the time of writing the report, no saving has been forecast at this stage.
- c. There is a further surplus of £15,300 on the Marketing and Communications Officer Post as this post was vacant prior to the appointment of the current post holder in October. Savings have been vired to bring in additional support in the form of freelance support.
- d. Overall, there is a forecast saving of £11,600 on Operating salary and related costs, because of delays between post holders leaving or being seconded and the positions being filled.
- e. Operating income at £399,900 is £40,600 behind target with a full year positive variance of £16,200 forecast.
- f. There is an income deficit of £22,500 relating to the grant for the Woodland Creation Officer as delays in the signing of the agreement resulted in us receiving the prior year's grant payment in November. No income has been received to date in respect of the second year funding for the Great Northumberland Forest project, leading to a further budget deficit of £12,400. It is anticipated that this funding will be drawn down in full.
- g. There is a budget deficit of £12,400 on sponsorship income. Whilst there are several applications in the pipeline, a prudent forecast of a £10,000 deficit has been made.
- h. Bank interest receivable is showing a budget surplus of £16,600 and a full year surplus of £35,000 is forecast, due to higher than anticipated cash balances because of the supplementary National Park Grant in March, as well as favourable interest rates.
- i. Operating expenditure is behind budget by £142,200. This partly arises due to the timing of expenditure and a full year budget surplus of £15,800 is forecast. The individual variances in excess of £10,000 or of note are detailed below:
- j. There is a surplus on External Audit fees of £40,600 as we have not received the scale fee variation charges for the financial years 2020/21 and 2021/22 or the standard fee for the 2022/23 Audit. A budget deficit of £39,200 has been forecast for the year. This is made up of a scale fee increase for 2022/23 of £6,000 and an estimated variation fee of £10,000 for that year, together with a potential charge for 2023/24 of £45,600 (this amount is currently being consulted on with the PSAA). Representations are being made to Defra about the amount of audit work now required, and the resulting

costs to National Park Authorities, but it is assumed at this stage that no assistance will be provided.

- k. The fixed term contracts that were in place for electricity and gas ended in October and the budget had assumed significant increases on renewal due to market forecasts at the time. The unit rates that we have secured in the new two-year fixed term contracts are lower than budgeted, resulting in a forecast budget surplus for the year on electricity of £16,100 and £21,500 on gas.
- l. There is a forecast budget surplus on business rates of £7,800. The rates budget was updated in line with the Ratings List Valuation 2023 update but did not allow for the transitional relief scheme which sees the increases phased gradually over several years.
- m. Overall, there is a forecast budget surplus of £15,800 on operating expenditure.

Half Year Sill Business Plan Performance

- n. Overall, The Sill Business Plan is showing a budget surplus of £52,600. The analysis of this overall surplus is:
 - Retail, £1,000 budget deficit;
 - Sill Operational (includes direct staff costs, and building related costs), £12,200 budget surplus;
 - Rental (includes room hire and YHA rental income) £3,000 budget deficit;
 - Sill promotion, £5,200 budget deficit;
 - Car Parking £7,600 budget surplus; and
 - Sill Café £42,100 budget surplus.
- o. Gross retail Sales are behind target by £7,700, or 5%, with a gross profit margin of 46% against a target of 45%. Average spend per head of £1.91 has been achieved against a target of £2.05. Sales are forecast to continue at 95% of target for the year and to achieve the target profit margin, giving a forecast deficit of £5,900.
- p. The Sill Operational surplus is made up of a £43,600 surplus on expenditure, and a £31,400 deficit on income. The surplus on expenditure largely arises due to the timing of expenditure and invoices received, as well as the impact of the delayed LGA pay award. There are forecast savings for the year of £20,900 on electricity and £14,100 on gas as a result of the unit rates in the new contracts being lower than budgeted. The deficit on income is made up of a deficit on shared building costs income and the apportionment of café costs. This largely arises due to the profiling of budgets and the timing of invoices. The recharge of utilities to both the YHA and the Café will be impacted by the reduction in costs, and an income budget deficit for the year of £11,300 is forecast.
- q. The deficit on Sill rental income is mainly due room hire income, which is showing a deficit of £2,300. A full year deficit of £4,700 is forecast.
- r. The budget deficit on Sill promotion relates to the general sponsorship target. This is forecast to achieve at this stage.

- s. Sill car parking is forecast to outturn £5,700 ahead of budget.
- t. Café sales are £17,900 ahead of budget, and the achievement of a 77% profit margin against a budget of 73%. The results are based on estimated costs of sales per item. A stock take carried out in November, confirmed that some of the carrying values are too low. The results of the stocktake adjusted the profit margin to 71.4%. Taking this into account a budget surplus of £900 on gross profit is forecast.
- u. A budget surplus of £13,800 arises on salary costs as the LGA pay award had not been awarded and some employees did not join the pension scheme.
- v. There is a budget surplus on rates of £5,900 with a forecast surplus for the year of £10,700. This is due to the late notification of a further year of rates reduction to support businesses following Covid, as well as the transitional relief on the revaluation of the café not being budgeted for.
- w. Overall, a surplus on the Café of £13,400 is forecast.
- x. The forecast for The Sill Business Plan is a budget surplus of £31,700.

Half Year to Date Project Performance

- y. Project income is showing a net budget deficit of £214,400, with a number of projects showing variances due to the timing of expenditure. This includes a deficit of £50,800 on the Farm Business Support as there have been delays in signing the agreement. The funders have indicated that they should be able to reprofile the budget over the three-year term and no deficit has been forecast for the year. The deficit also includes £191,500 on the FIPL project due to a delay in receiving the grant award. The grants for Quarters 1 and 2 were received in November.

Full Year Forecast Summary

- z. The full year budget forecast is a budget surplus of £75,300.

5. Medium Term Budget Update

- a. Table 2 shows an updated budget following the decision to transfer £130,500 from the newly created Projects and Investments Reserve to fund additional temporary staff capacity and a budget for a new finance system and £35,000 from the IT capital replacement reserve to fund a new server at The Sill. This is over the term of the current Medium-Term Budget Plan.

Table 2 Summary of Budget Changes	2023/24	2024/25	2025/26
September 2023 Reported Budget Deficit	(£356,100)	(£76,900)	(£120,600)
Addition of temporary staff capacity and budget for a new finance system, funded from Projects and Investment reserve	(£57,200)	(£34,200)	(£39,100)
Server at The Sill funded from IT Capital replacement reserve	(35,000)	—	—
December 2023 reported Budget Deficit	(£448,300)	(£111,100)	(£159,700)

- b. Table 3 shows the revised reserves position as a result of the budget adjustments summarised in Table 2. This is a release from earmarked reserves and therefore there is no impact on the general reserve other than timing.

Table 3 Reserves Summary	2023/24	2024/25	2025/26
Opening Reserves	£1,927,600	£1,479,300	£1,368,200
Budget Plan Surplus/ (Deficit)	(£448,300)	(£111,100)	(£159,700)
Closing Reserves	£1,479,300	£1,368,200	£1,208,500
Earmarked Reserves:			
IT Capital Replacement Reserve	(£0)	(£0)	(£5,000)
Planning Contingency	(£75,000)	(£75,000)	(£75,000)
Planning Fees Improvements Reserve	(£24,200)	(£24,200)	(£24,200)
Exhibition Maintenance Reserve	(£10,700)	(£10,700)	(£10,700)
Sill Cyclical Maintenance Reserve	(£45,200)	(£45,200)	(£45,200)
Climate Change Action Plan Reserve	(£26,000)	(£26,000)	(£26,000)
HW National Trail Capital Projects Reserve	(£92,200)	(£92,200)	(£92,200)
Major Repairs Reserve	(£57,000)	(£67,000)	(£77,000)
Northern Upland Chain Local Nature Partnership Reserve	(£35,400)	(£35,400)	(£35,400)
Projects and Investment Reserve	(£317,800)	(£317,800)	(£317,800)
Total Earmarked Reserves	(£683,500)	(£693,500)	(£708,500)
Total General Reserve	£795,800	£674,700	£500,000

- c. The following budget changes have a net nil impact on the budget deficit:
- A £20,000 budget surplus generated by the vacancy of the Marketing and Communications Officer Post for the first half of the year has been vired to freelance fees as capacity is added to the team in an alternative form.
 - A budget for £15,000 of both income and expenditure for the Dark Skies exhibition as funding has been received from the Sir James Knott Trust for this purpose via the Northumberland National Park Foundation.
 - A budget for £4,400 of both income and expenditure to account for NCC funding for work at Hareshaw Linn.
 - The inclusion of an income and expenditure budget of £25,000 for the New to Nature Project

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 ahead of target with £42,000 forecast to be received, against a budget of £7,000.

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 £75,300. The two key financial risks in the budget have been negated as the LGA pay award came in at the budgeted level and the utility contracts were entered into at rates more favourable than budgeted. This is a very positive position and shows we can expect to have additional funds to support the next budget round. This is welcome news as the level of National Park Grant going forward remains a risk.

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