

## Report 2: 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 is £59,200. This is used as a planning assumption for the opening reserves position in Medium Term Budget Plan 2024/25 to 2026/27 (Report 3 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 (Outcome 6 of the Business Plan).

### 4. Third Quarter to date 2023/24: Financial Performance

- a. The third quarter surplus as shown in table 1 was £284,200, this is compared to the planned deficit of £39,000; a positive overall variance of £323,300.

<b>Table 1: Third Quarter Financial Performance December 2023/24 YTD</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Full Year Forecast Variance</b>
National Park Grant	£2,005,200	£2,005,200	-	-
Operating Salary & Related Costs	(£1,822,900)	(£1,770,400)	£52,500	£9,400
Operating Expenditure	(£875,200)	(£585,100)	£290,100	£9,500
Operating Income	£548,000	£494,500	(£53,500)	£21,500
<b>Operating Surplus/ (Deficit)</b>	<b>(£144,900)</b>	<b>£144,200</b>	<b>£289,100</b>	<b>£40,400</b>
Sill Business Plan Expenditure	(£737,500)	(£660,700)	£76,800	£27,300
Sill Business Plan Income	£691,000	£650,000	(£41,000)	(£9,300)
<b>Net Sill Business Plan Surplus/ (Deficit)</b>	<b>(£46,500)</b>	<b>(£10,700)</b>	<b>£35,800</b>	<b>£18,000</b>
Project Expenditure	(£1,118,000)	(£578,000)	£540,000	£23,000
Project Income	£1,270,400	£728,700	(£541,700)	(£22,200)
<b>Net Project / (Deficit)</b>	<b>£152,400</b>	<b>£150,700</b>	<b>(£1,700)</b>	<b>£800</b>
<b>Net overall Surplus / (Deficit)</b>	<b>(£39,000)</b>	<b>£284,200</b>	<b>£323,300</b>	<b>£59,200</b>

### Third Quarter to date Operating Performance

- b. The operating salary and related costs budget is showing a positive variance of £52,500. A full year budget surplus of £9,400 is forecast. This is largely due to savings made on delays in recruiting and post holders starting at a lower scale point than budgeted.
- c. Operating income at £494,500 is £53,500 behind target with a full year positive variance of £21,500 forecast.
  - i. There is a budget deficit on external services income of £13,400 but based on items in the pipeline and projects coming on stream, it is expected that budgeted income will be achieved.
  - ii. There is a budget deficit of £18,700 on Sponsorship income. A £10,000 grant from BMW and £18,000 from Northumberland National Park Foundation will be received in Quarter 4 and the forecast is to come in £3,000 ahead of budget.
  - iii. There is a surplus on bank interest receivable of £29,800 as interest rates remain favourable and higher levels of cash have been held on deposit. The forecast surplus for the year is £40,000.
  - iv. Activity sponsorship and grants income is showing a budget deficit of £42,000 as income of £33,000 has been received against a full year target of £75,000. A further £20,000 has been pledged and will be drawn down from the National Park Foundation in March 2024. There are a number of applications for funds out and the forecast is to meet the target by the end of the year, although by its very nature achievement of this is at risk.
- d. Operating expenditure is behind budget by £290,100. This partly arises due to the timing of expenditure with a full year budget surplus of £9,500 forecast. Individual variances to note include:
  - i. A budget surplus of £10,900 arises on Consultancy and Freelance fees, as we were awaiting information from the Government on Biodiversity Net Gain. £10,000 was paid to NCC in January 2024 for BNG technical support. The budget has increased due to the confirmation of £49,100 in funding for the current year and is forecast to be drawn down in full.
  - ii. There is a budget surplus of £41,200 on the IT Finance System budget. £55,000 was released from the investment fund to purchase and implement a new Finance system. The implementation is now scheduled for the financial year 2024/25 and the budget will be carried forward in full.
  - iii. There is a surplus on External Audit fees of £46,300 as the scale variation charges for the financial years 2020/21 and 2021/22 were not received until January 2024 following determination by the PSAA. The variation fees for these years, together with the expected fees for

2022/23 and 2023/24, result in a forecast budget deficit for the year of £57,600. Representations have been made to Defra about the amount of audit work now required, and the resulting costs to National Park Authorities, but it has been confirmed no additional assistance will be provided to fund this additional burden at this time.

- iv. There is a £25,000 budget surplus on consultancy as the external support for the business case for the Walltown Wider Horizons Project has not been commissioned yet. The schedule for this project has slipped and the budget will be carried forward.
- v. There is a budget surplus of £14,300 on electricity costs with a £16,100 budget surplus forecast. The budget was based on prices in quarter 4 of 2022/23 and a two-year fixed price contract gives some certainty.
- vi. There is a budget surplus of £6,900 on gas costs with a £21,500 budget surplus forecast due to a two-year fixed price contract being negotiated at rates more favourable than budgeted.
- vii. There is a budget surplus on office reactive repairs of £22,900. This budget includes a carry forward from the prior financial year of £15,900 which has not yet been utilised. Based on current spending plans the forecast is a surplus of £13,700

### **Third Quarter to date Sill Business Plan Performance**

- e. Overall, The Sill Business Plan is showing a budget surplus of £35,800. The analysis of this overall surplus is:
  - Retail, £3,200 budget deficit;
  - Sill Operational (includes direct staff costs, and building related costs), £24,700 budget surplus;
  - Rental (includes room hire and YHA rental income) £13,800 budget deficit;
  - Sill promotion, £7,900 budget deficit;
  - Car Parking £9,300 budget surplus; and
  - Sill Café £26,700 budget surplus.
- f. Gross retail sales are £14,000 or 6% behind target at the end of Quarter 3, and the target gross profit margin at 45.6%, is slightly above the 45% target. Average spend per head of £2.03 has been achieved against a target of £2.22. The same period last year achieved spend per head of £2.15. Sales are forecast to continue to be 6% (£15,600) behind budget for the final quarter, giving an overall forecast deficit of £6,000.
- g. The Sill Operational surplus is made up of a £64,300 surplus on expenditure, and a £39,600 deficit on income. The surplus on expenditure partly arises due to timing but includes surpluses of £19,300 on electricity and £15,200 on gas costs.

The electricity savings arise as a result of the new contracts referred to previously in this report and the surplus on gas arises as historical issues with the BMS and heat meters has meant consumption was overestimated and unit prices are lower than the estimates included in the budget. The forecast for expenditure for the year is a surplus of £39,900 (£38,200 of which relates to savings on utilities). The deficit on income is largely made up of a deficit on Shared building costs income of £32,900, which arises partly due to the profiling of budgets but also reflects the reduced unit rates of electricity and gas. The forecast annual deficit on income is £14,600, and overall, a net budget surplus of £25,300 is forecast.

- h. The deficit on Sill rental income is partly due to timing, as the quarter 4 rent invoice was raised in January, giving a deficit of £13,800 on rental income. A full year budget deficit of £2,700, relating to room hire is forecast.
- i. The deficit on The Sill Promotion budget arises as there is an £8,200 budget deficit against the £15,000 main general sponsorship target. A prudent forecast has been made that no further income will come in, and a budget deficit of £10,800 is forecast. Fundraising was successful in this area bringing in a further £15,000 towards the Dark Skies exhibition however, all this money was expended to deliver the exhibition and therefore is not contributing to existing budgeted costs so not towards the main target.
- j. Sill car parking is forecast to outturn £6,600 ahead of budget.
- k. Gross Café sales are £16,600 ahead of budget, and the achievement of a 72% profit margin against a budget of 75%, gives a budget surplus of £5,500 after costs of producing the food and beverages sold are allowed for. The year end forecast is a net surplus of £5,600.
- l. Overall, the forecast surplus on The Sill Business Plan is a surplus of £18,000.

#### **Third Quarter to Date Project Performance**

- m. Project income is showing a net budget deficit of £1,700. We are predicting that project income and expenditure 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**

- n. The full year budget forecast is a budget surplus of £59,200

### **5. Medium Term Budget Update**

- a. The budget deficit for the year remains at £448,300 as per the Budget Update to Authority in December.
- b. A budget of £70,300 has been set up for both income and expenditure for the Facilitation Fund project to account for some additional areas. There is no net impact on the overall budget.
- c. A budget of £49,100 has been set up for both income and expenditure for the 2023/24 Biodiversity Net Gain funding awarded.

**6. Conclusions**

- a. The budget is forecast to outturn a surplus of £59,200 made up of a £40,400 forecast operating budget surplus, a surplus of £800 on projects and an £18,000 forecast surplus on The Sill Business Plan. This has been included as a planning assumption for the opening reserves position in the Medium-Term Budget Plan 2024/25 to 2026/27 (Report 3 on this Agenda).

**Contact Officer:** For further information contact: Tracey Craft, Finance Manager on 01434 611523 or [tracey.craft@nnpa.org.uk](mailto:tracey.craft@nnpa.org.uk)