

Committee(s): West Ham Park Committee	Dated: 04/12/2023
Subject: Operational Finance Progress Report (period 6 April – September 2023) 2023/24 – West Ham Park	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	n/a
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain’s Department?	n/a
Report of: Chamberlain	For Information
Report author: Clem Harcourt, Chamberlain’s Department	

Summary

This report provides an update on the operational finance position as @ period 6 (April – September 2023) 2023/24 for West Ham Park’s local risk revenue budget to date and projected year-end outturn position, current live capital projects and outstanding debt position. It also provides additional information on the various reserve funds and endowment balances held and other relevant finance information for the division of service and Charity which fall within the remit of your Committee.

This report does not specifically concentrate on just charity finance in isolation, as this work will be part of the ongoing Charity Review and will be developed in conjunction with that project. As part of the Charity Review, future training sessions will be designed for both Members and Officers on key aspects of charity finance. This report is designed to also report on budgetary management issues that the Interim Executive Director Environment is responsible for to successfully manage the operations and finances of West Ham Park which sits within his Natural Environment Division.

Recommendation

Members are asked to:

- Note the content of this report and its appendices.

Main Report

Background

1. In order to improve financial reporting to Committee, a set of various financial appendices and commentary have been produced to enable greater clarity of revenue and capital budgets and other financial information needed to allow greater scrutiny of the financial performance of West Ham Park Charity, to ensure they remain within the Interim Executive Director Environment’s local risk resources for 2023/24.

- To ensure your Committee is kept informed, an update on progress made against budgets will be reported to you on a periodic (quarterly) basis. This approach will allow Members to ask questions and have a timely input into areas of particular importance to them.

Local Risk Revenue Forecast Outturn 2023/24

- As detailed in the Table 1 below, West Ham Park has an overall local risk net expenditure revenue budget of £598k as reported to the end of September 2023. The current forecast outturn for 2023/24 as @ period 6 (September) is £635k net expenditure, a forecast overspend of £37k amounting to 6.19% of the latest net expenditure budget for 2023/24. This represents a worsening of £107k compared with the local risk forecast position to the end of June 2023 reported previously to your Committee.

Table 1 – Local Risk Revenue Budget Forecast Outturn 2023/24

West Ham Park Committee (City's Cash)	Latest Budget 2023/24 £'000	Forecast for the Year 2023/24	
		Projected Outturn £'000	Variance from Latest Budget £'000
Total West Ham Park	(598)	(635)	(37)

- This forecast overspend is part of a wider net underspend currently projected for other divisions of service within the Natural Environment division of £286k reported at the end of September 2023.
- To enable further detailed consideration of West Ham Park, Appendix 1 sets out a more detailed financial analysis of West Ham Park's local risk and central risk monitoring report for period 6 (September 2023), including reasons for significant budget variations.
- It should also be noted that the latest local risk budgets for 2023/24 have been adjusted to reflect the new Target Operating Model (TOM2) staffing structure within the Natural Environment division.
- The overall local risk forecast overspend of £37k against the latest net expenditure budget of £598k is primarily due to £52k reduced income from tennis; projected overspend of £36k on equipment and materials as a result of additional purchases being required for the playground; and £23k overspend on premises related costs due to additional expenditure incurred on water. The overspend is partly mitigated by additional rent and licence income forecast of £40k and £23k underspend attributable to reduced expenditure on consultancy services.

Local Risk Actual Position to Date

8. Appendices 2 and 3 set out the year-to-date income and expenditure actual position against year-to-date budget, including notes for significant budget variations. In addition, there is a graphical split of the mix of the type of income and expenditure categories making up these actual figures for West Ham Park.
9. Appendix 2 highlights that West Ham Park have received actual income to date of £162k against a budget to date of £144k, a favourable variance of £18k. The main income variance to date relates to rental income being ahead of the expected budget profile by £33k due to additional income achieved from The Cedars. This variance is partly offset by income from tennis and other services being £15k less than profiled.
10. Appendix 3 highlights that West Ham Park have incurred actual expenditure to date of £513k against a budget to date of £477k, an unfavourable variance of £36k. The main expenditure variances primarily relate to an overspend of £64k on premises costs for additional water costs, plus repairs and maintenance expenditure which needs to be recharged to City Surveyor budgets. This is an addition to a £29k overspend against profile for equipment and materials purchases for the playground. The overspend on expenditure to date is partly offset by £37k savings on employment costs and a £24k underspend on fees and services expenditure.
11. Variances to date can be incurred due to a variety of reasons including timing differences, incorrect budget profiling, new items of income or expenditure that weren't originally budgeted or planned, as well as genuine increases/decreases in expenditure or income. They do not always mean that these will result in a year-end overspend or underspend, as the Department look to offset ups and downs and make budget adjustments to control unexpected items to remain within overall budget constraints.

Capital Projects

12. Table 2 below outlines the current live capital projects in progress against their currently approved budget. It should be noted that the "current approved budget" is the amount currently agreed by Committee to progress the project to either the next project gateway or until Officers request further release of capital funds to progress the scheme and may not equal the total estimated cost of the project to finalisation.
13. For the West Ham Park Nursery project, out of a current approved budget of £337k, £227k has been spent or committed to date, leaving a remaining budget of £110k to progress the project to the next project gateway, release of further capital funds or completion. In terms of the West Ham Park Playground project, out of a current approved budget of £1.008m, £917k has been spent or committed to date, leaving a remaining budget of £91k.

Table 2 – Live Capital Projects

Capital Projects by Division of Service	Total Estimated Cost of Project £'s	Current Approved Budget £'s	Prior Year Actual Spend £'s	In Year Actual Expenditure £'s	In Year Committed Expenditure £'s	Current Approved Budget Unspent £'s
West Ham Park						
West Ham Park Nursery	337,038	337,035	226,775	0	0	110,260
West Ham Park Playground	1,053,977	1,007,519	914,946	(22,976)	25,000	90,549
Total West Ham Park	1,391,015	1,344,554	1,141,721	(22,976)	25,000	200,809

14. The capital bidding process for 2024/25 is currently underway for new capital projects with a pot of £20m being made available within City Fund and £5m for City's Cash services. New capital bids are to be reviewed against the department's overall capital programme and timescales for delivery with bids only expected to be put forward on a by exception basis and on the assumption that the projects will commence in 2024/25.

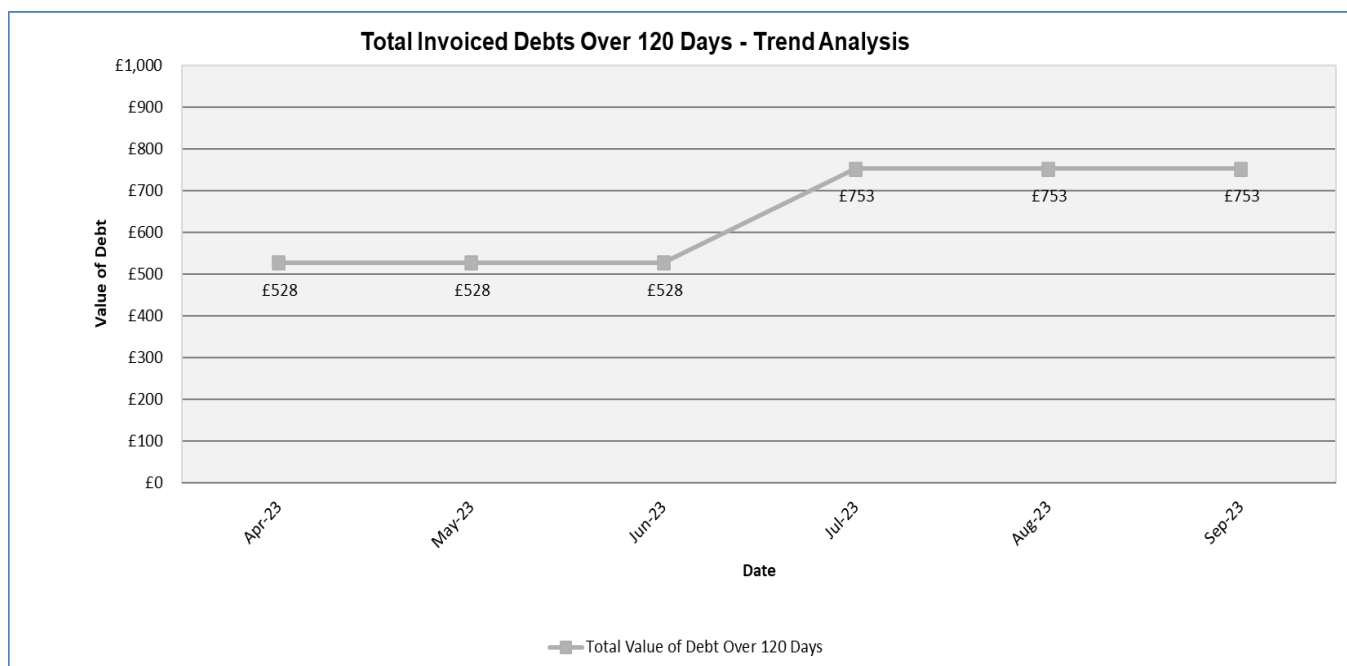
15. Four new City Cash bids totalling £1.122m were submitted to the Chamberlain in this process relating to projects at Epping Forest, The Commons and West Ham Park. These were considered at the recent Priorities Board where it was decided that the £400k capital bid relating to the West Ham Park Development project would not be recommended for consideration by Members at Resource Allocation Sub-Committee (RASC) due to the current uncertainty of what future option would be recommended. Members should however note that £80k of additional funding from the Operational Property Reserve is to be made available to support community engagement work to progress the disposal of the nursery site.

Outstanding Invoiced Debts

16. At the end of September 2023, total outstanding invoiced debt for West Ham Park was £1,818 out of a total debt for the Natural Environment division (including City Gardens) of £209,361. Of this West Ham Park debt, £753 (41%) was over 120 days, £924 (51%) was between 60-120 days and £141 (8%) was under 60 days.

17. Table 3 below shows a graphical representation of the total invoiced debts over 120 days outstanding, which is the maximum age of debt set by the Chamberlain to recover outstanding sums. The graph shows the time trend of the level of 120 day+ debt outstanding over the previous 6-month period.

Table 3 – Outstanding Invoiced Debt as @ September 2023 (period 6)



18. As can be seen from the graph above, outstanding debts over 120 days of £753 as at the end of September 2023 was unchanged from the previous few months. This outstanding amount comprises £528 relating to cricket bookings as well as £225 in unpaid rent invoices. These debts are currently being pursued by staff at West Ham Park.

Charity Funds (Restricted, Unrestricted and Endowments)

19. Table 4 below lists the various restricted, unrestricted and endowment funds held by the West Ham Park charity. It details the opening balance for the 2023/24 financial year and any movements up to period 6 (April-September 2023). Movements in reserve funds in the current financial year to date relates to the receipt of unrestricted donations income.

Table 4 – Charity Funds (Restricted, Unrestricted and Endowments) September (Period 6)

	Opening Balance 2023/24	Income	Expenditure	Gains, (Losses) & Transfers	Closing Balance 2023/24
	£'s	£'s	£'s	£'s	£'s
West Ham Park Committee					
Restricted Income Funds:					
Campaign Donations - Playground Refurbishment Project	1,481				1,481
Designated (Unrestricted Income Fund):					
Tangible Fixed Assets (Equipment)	954,091				954,091
Unrestricted Funds					
General Funds	0	410			410
Total West Ham Park	955,572	410	0	0	955,982

20. It should be noted that the various charity funds listed above in Table 4 should not give the impression that the individual funds held by each individual charity can be either consolidated or cross-utilised. It is key that individual charity funds are not viewed as available to be 'offset' against each other, bearing in mind the different objects held.
21. Members should also note that the external audit of the West Ham Park charity accounts for 2022/23 is currently taking place and the above opening balances stated for 2023/24 may be subject to revision.
22. There are various types of restricted, unrestricted and endowment funds held by the Natural Environment charities which have different rules as to how they can be spent and time periods held. These are categorised in the following way:
- **Restricted Income Fund** - funds have been given to a charity for application for a specific element of the charity's objects and can only be spent in accordance with the requests of the donor or the specific campaign under which funds were raised. As these are income funds they should be spent within a reasonable period of time.
 - **Unrestricted Income Fund** - incoming resources that become available to a charity and can be applied by the Trustee to any of the charity's objects. Unrestricted income funds should be spent within a reasonable period of time and should not be held for the long term, although the Trustee should set a policy for the minimum required level of funds which is a target minimum to be held in case of particular identified risk. In the case of the City's Cash funded charities, the current deficit funding model means that no such minimum can be identified, as at year end the difference between income and expenditure is balanced by the deficit funding grant from City's Cash.
 - **Designated (Unrestricted Income Fund)** - are those unrestricted funds which have been set aside by the Trustee for an essential spend or future purpose. Whilst there is no legal restriction on their use for general purposes, and they can be undesignated by those acting on behalf of the Trustee at any time, these funds are effectively 'ring-fenced' and no longer form part of your free reserves/general funds. Designated funds must be spent within a reasonable period of time and should not be held for the long term.
 - **Endowment** - these are funds of the charity that must be invested and are intended to be held for the long term. There are two classes of endowment (see below):
 - **Permanent Endowment** - must be invested and held in perpetuity. These funds can either be invested to provide income to support the charity's purposes e.g. the Hampstead Heath Trust Fund. The other class of permanent endowment is a functional permanent endowment where assets must be retained and used for the charity's purposes.
 - **Expendable Endowment** - an expendable endowment fund is a fund that must be invested to produce income, but the Trustee has the power to convert all or part of it into an income fund which can then be spent.

Deficit Funding

23. The current funding model is for each charity's total net expenditure (local risk, central risk and recharges) to be fully funded from City's Cash. This also includes the cost of any capital expenditure incurred during the year as well any

works managed by the City Surveyor under the Cyclical Works Programme (CWP) carried out over the course of the year. It should be noted that any changes to the amount of expenditure incurred or income generated over the course of the year by an individual charity will have an impact on the overall level of deficit funding required by the relevant charity at year end. The amount of deficit funding for each charity is therefore calculated based on its **actual total net running costs for the year** in addition to any capital expenditure and CWP costs incurred during the year.

24. Therefore year on year there are variations in the level of deficit funding received depending upon actual total net running costs incurred for the year. However, at the start of the following year, available budget funding is reset to the levels agreed by your Committee at the estimates review, so as to remain within the resource envelope set by RASC. At no stage is the budget reduced (and potentially the level of deficit funding required) unless agreed by your Committee within this annual process managed and reported by the Chamberlain to gain approval of the annual estimates.

25. The table below details previous year's levels of deficit funding grant made from City's Cash to the West Ham Park charity with a forecast of that sum currently required for 2023/24. This is broken down by the level of expenditure and income generated by each charity as well as any CWP works and capital expenditure funded through City's Cash which comprises the total level of deficit funding required for each charity.

26. The projection for the current financial year is based on the forecast for local and central risk net expenditure (as at the end of September 2023) in addition to latest budgets for recharges and budgets managed by the City Surveyor, for CWP projects. Please note that the amount of deficit funding provided by City's Cash is unique to each individual charity and deficit funding cannot be used to offset the level of funding provided to a separate charity. Please also be aware that deficit funding figures shown for 2022/23 are currently provisional as the external audit for the West Ham Park charity has not yet been completed.

Table 5 – Deficit Funding – 2020/21 to 2023/24

West Ham Park	2020/21	2021/22	2022/23 (Prov.)	2023/24 (Est.)
	£'000s	£'000s	£'000s	£'000s
Gross Expenditure (excluding Cyclical Works)	1,522	1,336	1,343	1,486
Gross Income	324	290	286	294
Cyclical Works Expenditure	90	65	110	0
Capital Expenditure financed through Deficit Funding		148	792	
Total Deficit Funding - West Ham Park	1,279	1,250	1,933	1,192

27. As can be seen from the table above, there was an increase in the provisional level of deficit funding provided to the West Ham Park charity in 2022/23 compared with the previous year. This is due to capital expenditure being incurred on the playground project during 2022/23 which required an increase in

the level of deficit funding provided by City's Cash. This was on top of an increase in CWP expenditure compared with 2021/22.

28. The level of capital expenditure incurred during 2022/23 also explains the projected reduction in deficit funding required for 2023/24. This is in addition to a decrease in CWP expenditure forecast to be spent in the current financial year. The CWP does not form part of the City Surveyor's local risk budget and is a programme of works over multiple financial years, with any variances carried over to future years. The carry-over of unspent balances from 2023/24 will be reported to the Projects and Procurement Sub-Committee as part of closing of accounts.

Appendices

Appendix 1 – West Ham Park Local Risk and Central Risk Monitoring Reports @ September 2023 (period 6)

Appendix 2 - Income Performance 2023/24 as @ September 2023 (period 6)

Appendix 3 - Expenditure Performance 2023/24 as @ September 2023 (period 6)

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