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| Committee(s): West Ham Park Committee | Dated: 19/02/2024 |
| Subject: Operational Finance Progress Report (period 9 April – December 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 9 (April – December 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 the 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 Table 1 below, West Ham Park has an overall local risk net expenditure revenue budget of £629k as reported to the end of December 2023. The current forecast outturn for 2023/24 as @ period 9 (December) is £648k net expenditure, a forecast overspend of £19k amounting to 3.02% of the net expenditure budget for 2023/24. This represents an improvement of £18k compared with the local risk forecast position to the end of September 2023 reported previously to your Committee.

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

| West Ham Park Committee (City's Estate) | Approved Revised Budget 2023/24 £'000 | Forecast for the Year 2023/24 | |
|--|--|-----------------------------------|---|
| | | Projected Outturn £'000 | Variance from Approved Revised Budget £'000 |
| Total West Ham Park | (629) | (648) | (19) |

- 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 9 (December 2023), including reasons for significant budget variations.
- The overall local risk forecast overspend of £19k against the approved revised net expenditure budget of £629k is primarily due to the following:
 - £52k less income from tennis compared with budget;
 - £34k projected overspend on equipment and materials as a result of additional purchases being required for the playground; and
 - £22k overspend on premises related costs largely due to expenditure incurred on water following a leak as well as additional grounds maintenance costs being required.
- The overspend is partly mitigated by the following factors:
 - £40k additional rent and licence income forecast;
 - £33k underspend attributable to reduced expenditure on consultancy services; and
 - £20k projected savings on staff salaries compared to budget.

Local Risk Actual Position to Date

- 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.

8. Appendix 2 highlights that West Ham Park have received actual income to date of £251k against a budget to date of £216k, a favourable variance of £35k. The main income variance to date relates to rental income being ahead of the expected budget profile by £68k due to additional income achieved from The Cedars. This variance is partly offset by income from tennis being £37k less than profiled.
9. Appendix 3 highlights that West Ham Park have incurred actual expenditure to date of £729k against a budget to date of £718k, an unfavourable variance of £11k. The main expenditure variances primarily relate to a £43k overspend against profile for equipment and materials purchases required for the playground and a £18k overspend on premises related expenditure for additional water and grounds maintenance costs. The overspend on expenditure to date is partly offset by £37k savings in employment costs.
10. 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

11. 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.
12. 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, £922k has been spent or committed to date, leaving a remaining budget of £86k. This amount primarily consists of a contingency budget for the project of £77k which has not yet been utilised with the remaining £9k relating to unspent budgets for works and fees.

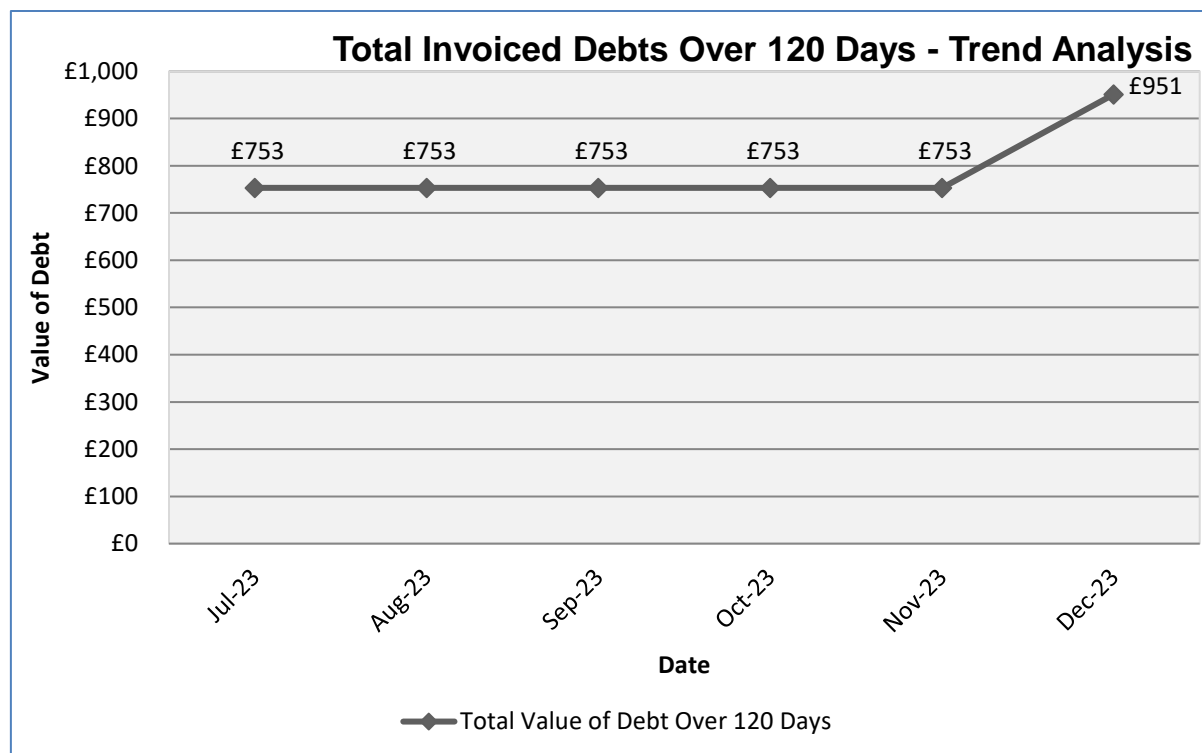
Table 2 – Live Capital Projects

| 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 | 6,594 | 0 | 85,979 |
| Total West Ham Park | 1,391,015 | 1,344,554 | 1,141,721 | 6,594 | 0 | 196,239 |

Outstanding Invoiced Debts

- At the end of December 2023, total outstanding invoiced debt for West Ham Park was £43,504 out of a total debt for the Natural Environment division (including City Gardens) of £249,412. Of this West Ham Park debt, £951 (2%) was over 120 days, and £42,553 (98%) was under 60 days.
- 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 @ December 2023 (period 9)



- As can be seen above, outstanding debts over 120 days to the end of December 2023 increased slightly from the position to the end of September 2023 reported previously to your Committee. The outstanding amount of £951 comprises £528 relating to cricket bookings as well as £225 in unpaid rent invoices and £198 in

School Sports Day pitch hires. Members may wish to note that the £198 owed in outstanding invoices for School Sports Day pitch hires was settled after December 2023. The remaining debts over 120 days are currently being pursued by staff at West Ham Park.

Charity Funds (Restricted, Unrestricted and Endowments)

16. 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 9 (April-December 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) December 2023 (Period 9)

| | 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 | 470 | | | 470 |
| Total West Ham Park | 955,572 | 470 | 0 | 0 | 956,042 |

17. 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.

18. 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 Estate 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 Estate.

- **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

19. 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 Estate. 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.
20. 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 Resource Allocation Sub Committee (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.
21. The table below details previous year's levels of deficit funding grant made from City's Estate 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 the charity as well as any CWP works and capital expenditure funded through City's Estate which comprises the total level of deficit funding required.

22. The projection for the current financial year is based on the forecast for local and central risk net expenditure (as at the end of December 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 Estate is unique to each individual charity and deficit funding cannot be used to offset the level of funding provided to a separate charity.

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

| West Ham Park | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--|----------------|----------------|----------------|----------------|
| | £'000s | £'000s | £'000s | (Est.) |
| | £'000s | £'000s | £'000s | £'000s |
| Gross Expenditure (excluding Cyclical Works) | 1,522 | 1,336 | 1,343 | 1,503 |
| Gross Income | 324 | 290 | 286 | 330 |
| Cyclical Works Expenditure | 90 | 65 | 110 | 0 |
| Capital Expenditure financed through Deficit Funding | | 148 | 792 | 249 |
| Total Deficit Funding - West Ham Park | 1,279 | 1,250 | 1,933 | 1,422 |

23. As can be seen from the table above, there was an increase in the 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 Estate. This was on top of an increase in CWP expenditure compared with 2021/22.
24. 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 as well as a projected increase in the level of income generated by the charity. 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. The reduction in deficit funding compared with 2022/23 is partly offset by an increase in gross expenditure forecast to be incurred by the charity to fund increased staffing, utilities and equipment costs.

Appendices

Appendix 1 – West Ham Park Local Risk and Central Risk Monitoring Reports @ December 2023 (period 9)

Appendix 2 - Income Performance 2023/24 as @ December 2023 (period 9)

Appendix 3 - Expenditure Performance 2023/24 as @ December 2023 (period 9)

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