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|--|-----------------|-------------------------------|
| Committee(s): | Date(s): | Item no. |
| Epping Forest and Commons Committee | 3 November 2014 | |
| Subject: REVENUE & CAPITAL BUDGETS - EPPING FOREST 2014/15 & 2015/16 | | |
| Report of: The Chamberlain The Director of Open Spaces | | Public For Decision |

Summary

This report updates the Committee on Epping Forest's latest approved revenue budget for 2014/15 and seeks approval for a provisional revenue budget for 2015/16, for subsequent submission to the Finance Committee. The budgets have been prepared within the resources allocated to the Director and the table below summarises the position.

| Summary of Table 1 | Latest Approved Budget | Original Budget | Movement |
|------------------------------|------------------------|-----------------|----------|
| | 2014/15 £000 | 2015/16 £000 | £000 |
| Expenditure | 5,891 | 5,737 | (154) |
| Income | (2,123) | (1,774) | 349 |
| Support Services | 1,002 | 1,012 | 10 |
| Total Net Expenditure | 4,770 | 4,975 | 205 |

Overall the provisional Original budget for 2015/16 totals £4,975, an increase of £205,000 compared with the latest approved budget for 2014/15. The main reasons for this increase are :-

An increase of £144,000 in the City Surveyor's Local Risk (of which £139,000 relates to Repairs & Maintenance), a decrease of £268,000 in Other Grants, Reimbursements and Contributions, off-set by a reduction of £102,000 in Premises Related expenditure, a reduction of £57,000 in Supplies & Services, and a reduction of £94,000 in Transfer to Reserves.

Recommendations

The Committee is requested to:

- Review the provisional 2015/16 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee;
- Review and approve the draft Capital Budget;
- Authorise the Chamberlain, in consultation with the Director of Open Spaces, to revise these budgets to allow for any further implications arising from Corporate Projects, departmental reorganisations and other reviews, and changes to the Additional Works Programme.
- If specific service based review proposals included with this budget report are rejected by the Committee, or other Committees request that further proposals are pursued, that the substitution of other suitable proposals for a corresponding amount is delegated to the Town Clerk in discussion with the Chairman and Deputy Chairman of the relevant Committee. If the substituted saving is not considered to be straight forward in nature, then the Town Clerk shall also consult the Chairman and Deputy Chairmen of the Policy and Resources Committee prior to approving an alternative proposal(s).

Main Report

Introduction

1. The City of London Corporation owns and manages almost 11,000 acres of historic and natural Open Spaces for public recreation and enjoyment. This includes Epping Forest which is a registered charity and is funded from City's Cash. Epping is run at no cost to the communities that it serves as it is funded principally by the City, together with donations, sponsorship, grants and trading income.

2. This report sets out the proposed revenue budget and capital budgets for 2015/16. The Revenue Budget management arrangements are to:
 - Provide a clear distinction between local risk, central risk, and recharge budgets.
 - Place responsibility for budgetary control on departmental Chief Officers.
 - Apply a cash limit policy to Chief Officers' budgets.
3. The budget has been analysed by the service expenditure and compared with the latest approved budget for the current year.
4. The report also compares the current year's budget with the forecast outturn.

Business Planning Priorities

5. The key Projects for each Open Space for the next three years were included in the Open Spaces Department Business Plan for 2014-2017 which was approved in May 2014. These include :-
 - Completing of the Highams Park Dam strengthening works, and associated consultation with local residents and park users during disruption.
 - Continuation of the Grazing Expansion Plan, including completion of construction of new overwintering infrastructure at Great Gregories.
 - Detailed planning of savings, efficiencies and enhanced income as laid out in the CoL Service Based Review, with foundation work on known constraints, including drafting of a Various Powers Act

Proposed Revenue Budget for 2015/16

6. The proposed Revenue Budget for 2015/16 is shown in Table 1 analysed between:
 - Local Risk Budgets – these are budgets deemed to be largely within the Chief Officer's control.
 - Central Risk Budgets – these are budgets comprising specific items where a Chief Officer manages the underlying service, but where the eventual financial outturn can be strongly influenced by external factors outside of his/her control or are budgets of a corporate nature (e.g. interest on balances and rent incomes from investment properties).
 - Support Services and Capital Charges – these cover budgets for services provided by one activity to another. The control of these costs is exercised

at the point where the expenditure or income first arises as local or central risk. Further analysis can be found in Appendix 2.

7. The provisional 2015/16 budgets, under the control of the Director of Open Spaces being presented to your Committee, have been prepared in accordance with guidelines agreed by the Policy & Resources and Finance Committees. These include continuing the implementation of the required budget reductions across both local and central risks, as well as the proper control of transfers of non-staffing budgets to staffing budgets. As part of the Service Based Review a saving of £237,000 has been made in year one (2015/16), £135,000 in year two (16/17), and £120,000 in year three (17/18). The saving of £237,000 will be made through the ending of the City Bridge Trust grant for educational and volunteering activities. As part of the Service Based Review the educational activities of the department were judged to be suitable for funding from the Bridge House Estates charitable fund to support these activities and an application will be made through the City Bridge Trust before the start of the financial year. . The budget has been prepared within the resources allocated to the Director. Within these budgets it has been assumed that an application for long term grant funding at the same level as the current CBT grant will be successful. However, the results of any application will not be known until early in 2015. An allowance has also been given towards any potential pay and price increases of 2% in 2015/16.

TABLE 1

EPPING FOREST SUMMARY

| Analysis of Service Expenditure | Local or Central Risk | Actual 2013-14 £'000 | Latest Approved Budget 2014-15 £'000 | Original Budget 2015-16 £'000 | Movement 2014-15 to 2015-16 £'000 | Paragraph Reference |
|--|--------------------------------|--------------------------------|--|--|---|------------------------|
| EXPENDITURE | | | | | | |
| Employees | L | 2,792 | 2,641 | 2,679 | 38 | |
| Premises Related Expenses | L | 614 | 645 | 543 | (102) | 10 |
| R & M (City Surveyor's Local Risk including cleaning) | L | 1,234 | 1,057 | 1,201 | 144 | 11 |
| Transport Related Expenses | L | 231 | 241 | 252 | 11 | |
| Supplies & Services | L | 699 | 595 | 538 | (57) | 12 |
| Transfer to Reserves | L | 118 | 168 | 74 | (94) | 13 |
| Transfer to Reserves (To fund Capital Expenditure) | C | 788 | 0 | 0 | 0 | |
| Transfer to Reserves (Capital Charges) | C | 326 | 544 | 450 | (94) | 14 |
| Total Expenditure | | 6,802 | 5,891 | 5,737 | (154) | |
| INCOME | | | | | | |
| Government Grants | L | (323) | (247) | (247) | 0 | |
| Other Grants, Reimbursements and Contributions | L | (47) | (518) | (250) | 268 | 15 |
| Other Grants, Reimbursements and Contributions | C | (1,153) | 0 | 0 | 0 | |
| Customer, Client Receipts | L | (984) | (796) | (809) | (13) | |
| Investment Income | C | (7) | (18) | (18) | 0 | |
| Transfer from Reserves | L | (277) | 0 | 0 | 0 | |
| Transfer from Reserve (Capital Charges) | C | (326) | (544) | (450) | 94 | 16 |
| Total Income | | (3,117) | (2,123) | (1,774) | 349 | |
| TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES | | 3,685 | 3,768 | 3,963 | 195 | |
| SUPPORT SERVICES | | | | | | |
| Central Support | | 848 | 829 | 829 | 0 | |
| Recharges within Fund | | 131 | 159 | 168 | 9 | |
| Recharges Across Funds | | 1 | 14 | 15 | 1 | |
| Total Support Services | | 980 | 1,002 | 1,012 | 10 | |
| TOTAL NET EXPENDITURE/(INCOME) | | 4,665 | 4,770 | 4,975 | 205 | |

8. Income and favourable variances are presented in brackets. An analysis of this Revenue Expenditure by Service Managed is provided in Appendix 1. Only significant variances (generally those greater than £50,000) have been commented on in the following paragraphs.
9. Overall there is an increase of £205,000 between the 2014/15 latest approved budget and the 2015/16 original budget. This movement is explained in the following paragraphs.
10. The decrease of £102,000 in Premises Related Expenses is mainly due to a reduction in client funded Repairs & Maintenance work across the Assets Team and Epping.
11. The 2014/15 Latest Approved Budget reflects the re-allocation of the full programme to reflect the expenditure that is anticipated will be incurred in the year.

The main reason for the £144,000 increase in the City Surveyor's Local Risk (including cleaning) is due to a budget movement of £139,000 for Repairs & Maintenance which relates to the phasing and level of new bids within the Additional Works Programme.

The 2015/16 Additional Works Programme is based on the bids detailed in the report to your Committee in May 2014. The final sum which was endorsed by the Corporate Asset Sub Committee in June 2014 totalled £450,500. The anticipated balance of remaining Additional Works Programme schemes of £491,000 has also been incorporated.

The basis on which costs are charged under the Building Repairs and Maintenance contract is being reviewed. The present costs, which are based on a square footage basis, are to be replaced by costs relating to the individual assets of each property. The outcome of the review is likely to result in variations to the budgets that have been submitted for 2014/15 and 2015/16. The City Surveyor will report separately on any significant changes.

A decision on the funding of the programme will be made by the Resource Allocation Sub Committee. It may therefore be necessary to adjust the budgets to reflect the Resource Allocation Sub Committee's decision.

| TABLE 2 - CITY SURVEYOR LOCAL RISK | Latest Approved Budget 2014/15 £'000 | Original Budget 2015/16 £'000 |
|---|--|--|
| Repairs & Maintenance (including cleaning) | | |
| Additional Works Programme | | |
| Epping Forest | 796 | 942 |
| | 796 | 942 |
| Planned & Reactive Works (Breakdown & Servicing) | | |
| Epping Forest | 204 | 197 |
| | 204 | 197 |
| Cleaning | | |
| Epping Forest | 57 | 62 |
| | 57 | 62 |
| Total City Surveyor | 1,057 | 1,201 |

12. The £57,000 reduction in Supplies and Services in Local Risk is mainly due to a reduction in Professional Fees associated with HLF as the project has come to an end.
13. The £94,000 reduction in Transfer to Reserves is due to the ending of the HLF project which required Epping to make a contribution from Local Risk.
14. The net decrease of £94,000 in Central Risk Transfer to Reserves between the 2014/15 Latest Approved Budget and the 2015/16 original estimate relates mainly to the fall-out of a one-off charge of £160,000 to write-out the cost of the model yacht pond work partially off-set by increase in charges for the anticipated works to Higham's Park Lake and the cattle overwintering facilities at Great Gregories Farm.
15. The £268,000 reduction in other Grants, reimbursements and Contributions in Local Risk is mainly due to the fallout of the HLF Lottery Funding contribution as the project has come to an end, and the fallout of the Gifford Wood Grant.
16. The decrease of £94,000 in transfer from reserves is due to the reduction in capital charges reflected in paragraph 14.

17. Analysis of the movement in manpower and related staff costs are shown in Table 3 below.

| Table 3 - Manpower statement | Latest Approved Budget 2014/15 | | Original Budget 2015/16 | |
|---------------------------------------|-------------------------------------|---------------------------|-------------------------------------|---------------------------|
| | Manpower Full-time equivalent | Estimated cost £000 | Manpower Full-time Equivalent | Estimated cost £000 |
| Epping, Wanstead, Chingford, HLF, CBT | 74.28 | 2,641 | 72.80 | 2,679 |
| TOTAL EPPING | 74.28 | 2,641 | 72.80 | 2,679 |

The reduction in manpower numbers is due to the HLF Branching Out Project finishing in 2014/15. The increase in costs is due to an allowance for pay increases and the filling of vacant posts.

Larger Variances in Services Managed (Appendix 1)

18. The £209,000 increase in the Epping division of service is mainly due to an increase in Repairs & Maintenance within the City Surveyor's Local Risk, an increase in local Risk employee costs, off-set by a reduction in non-Government Grant income due to the ending of the Gifford Wood Appeal.

Potential Further Budget Developments

19. The provisional nature of the 2015/16 revenue budget recognises that further revisions may be required, including in relation to:
- budget reductions to capture savings arising from the on-going PP2P and Service Based Reviews;
 - decisions on funding of the Additional Work Programme by the Resource Allocation Sub Committee.
 - The basis on which costs are charged under the Building Repairs and Maintenance contract is being reviewed. The present costs, which are based on a square footage basis, are to be replaced by costs relating to the individual assets of each property. The outcome of the review is likely to result in variations to the budgets that have been submitted for 2014/15 and 2015/16. The City Surveyor will report separately on any significant changes.
 - If specific service based review proposals included with this budget report are rejected by the Committee, or other Committees request that further proposals are pursued, that the substitution of other suitable

proposals for a corresponding amount is delegated to the Town Clerk in discussion with the Chairman and Deputy Chairman of the relevant Committee. If the substituted saving is not considered to be straight forward in nature, then the Town Clerk shall also consult the Chairman and Deputy Chairmen of the Policy and Resources Committee prior to approving an alternative proposal(s).

Revenue Budget 2014/15

20. The forecast outturn for the current year is in line with the latest approved budget of £4.770M.

Draft Capital and Supplementary Revenue Budgets

21. The latest estimated costs for the Committee's draft capital and supplementary revenue projects are summarised in the tables below.

| Service Managed | Project | Exp. Pre 01/04/14 | 2014/15 | Later Years | Total |
|--|--|--------------------------|----------------|--------------------|--------------|
| | | £'000 | £'000 | £'000 | £'000 |
| <u>Pre-implementation</u> | | | | | |
| Epping Forest | Baldwins & Deer Sanctuary Ponds | | 12 | | 12 |
| <u>Authority to start work granted</u> | | | | | |
| Epping Forest | Branching Out | 4,307 | 297 | | 4,604 |
| Epping Forest | Highams Park Lake | 106 | 1,740 | | 1,846 |
| Epping Forest | Great Gregories Farm overwintering of cattle | 16 | 219 | | 235 |
| TOTAL EPPING FOREST | | 4,429 | 2,256 | 0 | 6,685 |

22. Pre-implementation costs comprise feasibility/option appraisal expenditure which have been approved in accordance with the project procedure, prior to authority to start work.
23. Implementation phases of the Baldwin's & Deer Sanctuary Ponds project are planned to be carried out in 2015/16.
24. The remaining schemes have received authority to start work and are in progress.
25. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for approval in March 2015.

Contact Officer: Mark Jarvis (1221) or Alison Elam (1081)

APPENDIX 1

| Analysis by Service Managed | Actual 2013-14 £'000 | Latest Approved Budget 2014-15 £'000 | Original Budget 2015-16 £'000 | Movement 2014-15 to 2015-16 £'000 | Paragraph(s) Reference |
|-----------------------------|----------------------------|--|--|---|---------------------------|
| <u>CITY CASH</u> | | | | | |
| Epping Forest | 4,538 | 4,657 | 4,866 | 209 | 18 |
| CBT* | 0 | 0 | 0 | 0 | |
| HLF | 13 | 7 | 0 | (7) | |
| Chingford Golf Course | (22) | (47) | (45) | 2 | |
| Wanstead Flats | 136 | 153 | 154 | 1 | |
| Woodredon & Warlies** | 0 | 0 | 0 | 0 | |
| TOTAL | 4,665 | 4,770 | 4,975 | 205 | |

* City Bridge Trust (CBT) is a restricted fund which nets to zero.

** Any shortfall or surplus from Woodredon & Warlies is transferred to City Fund and therefore nets to zero.

APPENDIX 2

| Support Services from/to Epping Forest | Actual 2013-14 £'000 | Latest Approved Budget 2014-15 £'000 | Original Budget 2015-16 £'000 | Movement 2014-15 to 2015-16 £'000 | Paragraph Reference |
|--|----------------------------|--|--|---|------------------------|
| <u>Support Services</u> | | | | | |
| Central Recharges- | | | | | |
| City Surveyor's Employee Recharge | 274 | 272 | 287 | 15 | |
| Insurance | 70 | 71 | 72 | 1 | |
| I.S.Recharges – Chamberlain | 95 | 81 | 73 | (8) | |
| Support Services- | | | | | |
| Chamberlain (inc CLPS recharges) | 124 | 110 | 113 | 3 | |
| Comptroller and City Solicitor | 69 | 71 | 68 | (3) | |
| Town Clerk | 108 | 110 | 106 | (4) | |
| City Surveyor | 87 | 92 | 92 | 0 | |
| Other Services* | 21 | 22 | 18 | (4) | |
| Total Support Services | 848 | 829 | 829 | 0 | |
| <u>Recharges Within Fund</u> | | | | | |
| Directorate Recharges | 169 | 197 | 206 | 9 | |
| Corporate and Democratic Core | (38) | (38) | (38) | 0 | |
| Total Recharges Within Fund | 131 | 159 | 168 | 9 | |
| <u>Recharges Across Funds</u> | | | | | |
| Woodredon & Warlies | 1 | 14 | 15 | 1 | |
| Total Recharges Across Funds | 1 | 14 | 15 | 1 | |
| Total Support Services | 980 | 1,002 | 1,012 | 10 | |

* Various services including central heating, corporate printing, occupational health, union costs, environmental and sustainability section.