

| | |
|--|-----------------------------------|
| Committee(s) Hampstead Heath, Highgate Wood and Queen's Park | Dated: 28 November 2018 |
| Subject: Revenue & Capital Budgets – 2018/19 & 2019/20 | Public |
| Report of: The Chamberlain The Director of Open Spaces | For Decision |
| Report Author: Derek Cobbing – Chamberlains department | |

Summary

This report updates the Committee on its latest approved revenue budget for 2018/19 and seeks your approval for a provisional revenue budget for 2019/20, for subsequent submission to the Finance Committee. The budgets have been prepared within the resources allocated to the Director and the table below summarises.

| Summary of Table 1 | Original Budget | Latest Approved Budget | Original Budget | Movement |
|--------------------------------|-----------------|------------------------|-----------------|--|
| | 2018/19 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 OR to 2019/20 OR £000 |
| Expenditure | (10,253) | (9,214) | (9,172) | 1,081 |
| Income | 2,680 | 2,889 | 2,822 | 142 |
| Support Services | (1,282) | (1,455) | (1,551) | (269) |
| Total Net (Expenditure) | (8,855) | (7,780) | (7,901) | 954 |

Overall the provisional Original Budget for 2019/20 totals £7.901M, a decrease of £954,000 compared with the 2018/19 Original Budget. The main reason for this decrease is reflected by the re-phasing of the Cyclical Works Programme (CWP) over the three-year period, an increase in income, off-set by an increase in Recharges, which can be found in Table 1.

A breakdown is provided in Appendix 3 of the movement between the 2018/19 Local Risk Original Budget and the 2018/19 Local Risk Latest Approved Budget.

Recommendation

The Committee is requested to:

- Review the provisional 2019/20 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee;
- 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. Any changes over £50,000 would be reported to Committee.
- To delegate to the Chamberlain any minor budget changes for 2018/19 and 2019/20 as a result of the completion of the asset verification exercise.
- Review and approve the draft capital and supplementary revenue budget.

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 Hampstead Heath, Queen's Park and Highgate Wood which are registered charities and are funded from City's Cash. They are run at no cost to the communities that they serve, as they are funded principally by the City, together with donations, sponsorship, grants, and income from charges.
2. This report sets out the proposed revenue budget for 2019/20. 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.
5. Although the day to day management of Keats House falls under Hampstead Heath the budgets for Keats House are not included within this report as they are reported to the Culture, heritage and Libraries Committee.

Business Planning Priorities

6. The Open Spaces Departmental Business Plan 2018/19 identified three top line objectives which were agreed by this committee on 23 May 2018. The top line objectives are:-

- Open Spaces and historic sites are thriving and accessible.
- Spaces enrich people's lives.
- Business practices are responsible and sustainable.

For each objective a number of outcomes were identified together with a range of key programmes and projects, some of which are being delivered within divisions and some of which cross the Department. The activities of the Open Spaces Department reflect the charitable objectives of the preservation of open spaces and the provision of recreation and enjoyment for the public. Specific priorities for Hampstead Heath, Highgate Wood and Queens Park are:

- Deliver opportunities arising from improved management capability from the City of London Corporation (Open Spaces Bill).
- Work cross-departmentally through Asset Management Planning to maximise the values of our assets, including implementing agreed options for Heathfield House.
- Initiate and progress key capital and local risk projects including a playground, ancillary visitor and operational facilities at Hampstead Heath and Queens Park.
- Progress the Departmental Programmes including; Fleet, Energy Efficiency and Sports.
- Obtain agreement and implement the overarching Departmental and site specific 'events' policies.
- Progress reviews, drafting and completion of management plans at Hampstead Heath.

Proposed Revenue Budget for 2019/20

7. The proposed detailed Revenue Budget for 2019/20 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.

The provisional 2019/20 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. For 2019/20 there has been a 2% allowance for pay and price increases, this has been off-set by efficiency savings of 2%, both on Local Risk. The budget has been prepared within the resources allocated to the Director. In addition, there is a decrease of £36,000 to reflect a reduction in apprentice funding, a reduction of £24,000 due to the ending of the STEM and Policy Education Programme. The budget has been prepared within the resources allocated to the Director.

APPENDIX 6

| Analysis of Service Expenditure | Local or Central Risk | Actual 2017-18 £'000 | Original Budget 2018-19 £'000 | Latest Approved Budget 2018-19 £'000 | Original Budget 2019-20 £'000 | Movement 18-19OR to 19-20OR £'000 | Paragraph Reference |
|--|--------------------------------|--------------------------------|--|--|--|---|------------------------|
| EXPENDITURE | | | | | | | |
| Employees | L | (5,460) | (5,873) | (5,953) | (5,937) | (64) | 10 |
| Premises Related Expenses | L | (502) | (366) | (481) | (366) | - | |
| R & M (City Surveyor's Local Risk inc cleaning) | L | (1,645) | (3,185) | (1,862) | (2,032) | 1,153 | 11 |
| Transport Related Expenses | L | (83) | (101) | (101) | (101) | - | |
| Supplies & Services | L | (844) | (497) | (586) | (502) | (5) | |
| Supplies & Services | C | (49) | - | - | - | - | |
| Transfer to Reserves | L | (10) | - | - | - | - | |
| Transfer to Reserves – Capital Expenditure | C | (6) | - | - | - | - | |
| Capital Charges - Depreciation | C | (231) | (231) | (231) | (234) | (3) | |
| Total Expenditure | | (8,830) | (10,253) | (9,214) | (9,172) | 1,081 | |
| INCOME | | | | | | | |
| Other Grants, Reimbursements and Contributions | L | 22 | - | 2 | - | - | |
| Other Grants, Reimbursements and Contributions – Capital funding | C | 5 | - | - | - | - | |
| Customer, Client Receipts | L | 1,536 | 1,530 | 1,724 | 1,659 | 129 | 13 |
| Investment Income | C | 1,100 | 1,150 | 1,163 | 1,163 | 13 | |
| Transfer from Reserves | C | 1 | - | - | - | - | |
| Recharges to Capital Projects | L | 8 | - | - | - | - | |
| Total Income | | 2,672 | 2,680 | 2,889 | 2,822 | 142 | |
| TOTAL (EXPENDITURE) BEFORE SUPPORT SERVICES | | (6,158) | (7,573) | (6,325) | (6,350) | 1,223 | |
| SUPPORT SERVICES | | | | | | | |
| Central Support | | (1,320) | (1,222) | (1,357) | (1,341) | (119) | * |
| Recharges within Fund | | (94) | (53) | (76) | (188) | (135) | 14 |
| Recharges across Fund | | (21) | (7) | (22) | (22) | (15) | |
| Total Support Services | | (1,435) | (1,282) | (1,455) | (1,551) | (269) | |
| TOTAL NET (EXPENDITURE) | | (7,593) | (8,855) | (7,780) | (7,901) | 954 | |

*This is made up of smaller (under £50,000) increases and decreases in central support costs as shown in appendix 2.

8. Income, increases in income and reductions in expenditure are shown as positive balances, whereas brackets are used to denote expenditure, increases in expenditure, or shortfalls in income. 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 a decrease of £954,000 between the 2018/19 original budget and the 2019/20 original budget. This movement is explained in the following paragraphs.
10. There is an increase of £64,000 in employee expenditure between the 2018/19 original budget and the 2019/20 original budget. Factors influencing this overall increase are a provision for a pay award, and incremental progression.

| Table 2 - Staffing statement | Original Budget 2018/19 | | Latest Approved Budget 2018/19 | | Original Budget 2019/20 | |
|------------------------------|-------------------------------|---------------------|--------------------------------|---------------------|-------------------------------|---------------------|
| | Staffing Full-time equivalent | Estimated cost £000 | Staffing Full-time equivalent | Estimated cost £000 | Staffing Full-time equivalent | Estimated cost £000 |
| Hampstead Heath | 120.60 | (5,027) | 118.78 | (5,108) | 118.68 | (5,065) |
| Queen's Park | 11.80 | (497) | 11.80 | (493) | 11.80 | (508) |
| Highgate Wood | 7.55 | (349) | 7.55 | (352) | 7.55 | (364) |
| TOTAL | 139.95 | (5,873) | 138.13 | (5,953) | 138.03 | (5,937) |

11. The decrease of £1.153M from the 2018/19 Original Budget to the 2019/20 Original Budget in the City Surveyor (see Table 3 below) is mainly within the Additional Works and Cyclical Works Programme. The Cyclical Works Programme is subject to a bid for resources each year with funding not ring fenced to individual clients, monies vary considerably for departments as it is all based on an agreed prioritisation which considers health & safety, reputation, income generation and asset performance. Therefore the 2018/19 OR to 2019/20 OR budgets will reflect the change in bids each year and the amount of projects which are being delivered over the three years of the programme.
12. An asset verification exercise has now been completed across the Operational estate and has identified an additional 8% of assets to be maintained, including those in new buildings, that are not covered by the current contract. The outcome of this exercise has been reported to the relevant Corporation Committee and additional budgetary provision has been sought. Once this is agreed it is intended to adjust the relevant budget shown in this report as appropriate and Members are asked to agree a delegation to the Chamberlain to make these minor budgetary changes for both 2018/19 and 2019/20.

| TABLE 3 - CITY SURVEYOR LOCAL RISK | Original Budget 2018/19 £'000 | Latest Approved Budget 2018/19 £'000 | Original Budget 2019/20 £'000 |
|---|----------------------------------|---|----------------------------------|
| Repairs and Maintenance (including cleaning) | | | |
| Additional Works Programme/Cyclical Works Programme | | | |
| Hampstead Heath | (2,536) | (1,370) | (1,408) |
| Queen's Park | (145) | (7) | (89) |
| Highgate Wood | (241) | (77) | (118) |
| | (2,922) | (1,454) | (1,615) |
| Planned & Reactive Works (Breakdown & Servicing) | | | |
| Hampstead Heath | (188) | (316) | (324) |
| Queen's Park | (28) | (37) | (37) |
| Highgate Wood | (29) | (33) | (33) |
| | (245) | (386) | (394) |
| Cleaning | | | |
| Hampstead Heath | (18) | (22) | (23) |
| | (18) | (22) | (23) |
| Total City Surveyor | (3,185) | (1,862) | (2,032) |

13. The £129,000 increase in customer and client receipts is mainly due to a number of income budgets being uplifted in order to support efficiencies, these include; swimming (both the Lido and Ponds), car parking, sports facilities, filming, and cafes.

14. The £135,000 rise in Recharges within fund relates to the reinstated inflation uplift yet to be allocated in 2019/20 (see appendix 2).

Potential Further Budget Developments

15. The provisional nature of the 2019/20 revenue budget recognises that further revisions may be required, including in relation to:

- decisions on funding of the Cyclical Work Programme by the Resource Allocation Sub Committee.
- During the first half of 2018/19 there have been areas of significant exceptional spend which the Department had not specifically budgeted for. At the North London Open Spaces this particularly related to the increased costs of managing Oak Processionary Moth (OPM) totalling £94,000 for the Department (Epping: £8,000, The Commons: £29,000, North London Open Spaces: £57,000). Note that alongside the cost of dealing with the

Wanstead Flats fire, this may lead to an overspend potentially for the department at the end of the 2018/19 financial year. It is anticipated that the cost of managing tree pests and diseases in particular OPM in future years, will increase exponentially, potentially costing £250,000 in 2019/20. A growth bid for the Departments anticipated additional costs will be made within the Medium-Term Financial Plan report.

- The short-term City Bridge Trust funding the Department's Learning Programme ceases on 31 March 2019. The Learning programme delivers many of the Corporate priorities linked to education and learning, social mobility, health and wellbeing and delivers activities in some of London's more deprived communities. The Department will be requesting within the Medium-Term Financial Plan report, an increase in its base budget from April 2019 to fund a core learning offer. Pending such a decision the current budget estimates include only the three-month additional funding as agreed by Resource Allocation Sub-Committee on the 4th October 2018.

Revenue Budget 2018/19

16. The 2018/19 latest approved budget includes £30,000 funding from the reinstated inflation uplift to commission a feasibility study to provide a master plan for Parliament Hill, £23,000 towards contribution pay, a £16,000 carried forward balance to fund the remaining STEM and Policy Education Programme, and £10,000 to support the apprentice programme. Details of the movement between the 2018/19 Original budget and the 2018/19 Latest Approved Budget can be found in Appendix 3. The forecast outturn for the current year is in line with the latest approved budget of £7.780M.

Draft Capital and Supplementary Revenue Budgets

17. The latest estimated costs for the Committee's current capital and supplementary revenue projects are summarised in the Table below.

| Service Managed | Project | Exp. Pre 01/04/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | Later Years £'000 | Total £'000 |
|------------------------------|---------------------------------|-------------------------------|------------------|------------------|-------------------------|----------------|
| | | | | | | |
| | Pre-implementation | | | | | |
| Hampstead Heath | East Heath car park resurfacing | (10) | (12) | | | (22) |
| | Play areas redevelopment | | (14) | | | (14) |
| TOTAL HAMPSTEAD HEATH | | (10) | (26) | 0 | 0 | (36) |

18. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work.

19. It should be noted that the above figures exclude the implementation costs of schemes which have yet to receive authority to start work.

20. The latest Capital and Supplementary Revenue Project forecast expenditure on approved schemes will be presented to the Court of Common Council for formal approval in March 2019.

Appendices

- Appendix 1 – Analysis by Services Managed
- Appendix 2 – Analysis of Support Services
- Appendix 3 – Movement of Local Risk Budgets 2018/19 OR to 2018/19 LAB

Derek Cobbing

Chamberlains Department

T: 020 7332 3519

E: derek.cobbing@cityoflondon.gov.uk

Appendix 1

| Analysis by Service Managed | Actual 2017-18 £'000 | Original Budget 2018-19 £'000 | Latest Approved Budget 2018-19 £'000 | Original Budget 2019-20 £'000 | Movement 2018-19OR to 2019-20OR £'000 | Paragraph(s) Reference |
|--|----------------------------|--|--|--|---|---------------------------|
| <u>CITY CASH</u> | | | | | | |
| Hampstead Heath | (6,192) | (7,337) | (6,503) | (6,540) | 797 | a) |
| Hampstead Heath – STEM & Policy Education | (44) | (24) | (41) | - | 24 | |
| Queen's Park | (838) | (789) | (676) | (759) | 30 | |
| Highgate Wood | (519) | (705) | (560) | (602) | 103 | b) |
| TOTAL | (7,593) | (8,855) | (7,780) | (7,901) | 954 | |

- a) The reduction of £797,000 under Hampstead Heath is mainly due to a decrease in the City Surveyor's Repairs & Maintenance costs, the majority of which fall under the Additional/Cyclical Works Programme. Reasons can be found in paragraph 11 within the main report.
- b) The reduction of £103,000 under Highgate Wood is mainly due to a decrease in the City Surveyor's Repairs & Maintenance costs, the majority of which fall under the Additional/Cyclical Works Programme. Reasons can be found in paragraph 11 within the main report

Appendix 2

| Support Services to/from Hampstead Heath, Queen's Park & Highgate Woods Committee | Actual 2017-18 £'000 | Original Budget 2018-19 £'000 | Latest Approved Budget 2018-19 £'000 | Original Budget 2019-20 £'000 | Movement 2018-19OR to 2019-20OR £'000 | Paragraph Reference |
|--|----------------------------|--|--|--|---|------------------------|
| <u>Support Services</u> | | | | | | |
| Central Recharges- | | | | | | |
| City Surveyor's Employee Recharge | (275) | (283) | (307) | (307) | (24) | |
| Insurance | (92) | (110) | (94) | (97) | 13 | |
| I.S.Recharges - Chamberlain | (326) | (308) | (329) | (305) | 3 | |
| Support Services- | | | | | | |
| Chamberlain (inc CLPS recharges) | (172) | (129) | (165) | (167) | (38) | |
| Comptroller and City Solicitor | (102) | (50) | (101) | (98) | (48) | |
| Town Clerk | (262) | (255) | (268) | (273) | (18) | |
| City Surveyor | (91) | (87) | (93) | (94) | (7) | |
| Total Support Services | (1,320) | (1,222) | (1,357) | (1,341) | (119) | |
| <u>Recharges Within Fund</u> | | | | | | |
| Directorate Recharges | (131) | (137) | (159) | (224) | (87) | a) |
| Learning Recharges | (58) | (11) | (12) | (59) | (48) | |
| Corporate and Democratic Core | 95 | 95 | 95 | 95 | - | |
| Total Recharges Within Fund | (94) | (53) | (76) | (188) | (135) | |
| Total Recharges Across Fund – Reservoir Inspections | (21) | (7) | (22) | (22) | (15) | |
| Total Support Services | (1,435) | (1,282) | (1,455) | (1,551) | (269) | |

- a) The £87,000 uplift in recharges to the Directorate relates to the reinstated inflation uplift yet to be allocated in 2019/20.

Appendix 3

| Movement of Local Risk Budgets (inc. City Surveyor) | Risk | Original Budget 2018-19 £'000 | Latest Approved Budget 2018-19 £'000 | Movement 2018-19OR To 2018-19LAB £'000 | Paragraph Reference |
|---|------|--|--|--|------------------------|
| EXPENDITURE | | | | | |
| Employees | L | (5,873) | (5,953) | (80) | a) |
| Premises Related Expenses | L | (366) | (481) | (115) | b) |
| R & M (City Surveyor's Local Risk inc cleaning) | L | (3,185) | (1,862) | 1,323 | c) |
| Transport Related Expenses | L | (101) | (101) | - | |
| Supplies & Services | L | (497) | (586) | (89) | d) |
| INCOME | | | | | |
| Other Grants, Reimbursements and Customer, Client Receipts | L | - | 2 | 2 | |
| | L | 1,530 | 1,724 | 194 | e) |

- a) The £80,000 uplift in employee costs is mainly due to an increase in temporary lifeguards.
- b) The increase of £115,000 in premises related costs is due in part to a need to make adjustments in order to right size budgets in relation to council tax and fuel oil. Funds have also been allocated to general grounds maintenance, which will be used to facilitate planned improvements to the Adventure Playground at Parliament Hill. This has been possible as a result of additional achievement of income, as a result of the busy summer.
- c) When the original budget was set for the year, it included an estimation for the work within the Additional and Cyclical Works Programmes that would be delivered during the year. Officers plan and refine their projects during the start of the year and the budget is then revised to reflect their programme for the year to reflect operational requirements of occupying departments and more strategic changes.
- d) The increase of £89,000 in supplies and services related costs is due to the need for additional spend in relation to a range of matters which include managing Oak Processionary Moth and defending an increasing range of planning issues impacting upon the Heath.
- e) The increase of £194,000 in customer, client receipts, relates to achievement of additional income in a range of areas including the Parliament Hill Lido which was a result of the excellent summer. A range of filming activity has also provided additional income.