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| Committee(s): West Ham Park Committee | Dated: 05/12/2022 |
| Subject: Operational Finance Progress Report (period 6 April - September) 2022/23 – 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: Neil Chambers, Chamberlain’s Department Simon Owen, Chamberlain’s Department | |

Summary

This report provides an update on the operational finance position as @ period 6 (April - September) 2022/23 for West Ham Parks 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 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 Executive Director Environment is responsible for to successfully manage the operations and finances of West Ham Park which sits within her 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 budgets and other financial information needed to allow greater scrutiny of the financial performance of West Ham Park, to ensure they remain within the Executive Director Environments local risk resources for 2022/23.

- 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 2022/23

- As detailed in the Table 1 below, West Ham Park has an overall net local risk expenditure revenue budget of £636k. The current forecast outturn for 2022/23 as @ period 6 (September) is £596k, a forecast underspend of £40k currently.

Table 1 – Local Risk Revenue Budget Forecast Outturn 2022/23

| West Ham Park Committee (City's Cash) | Latest Approved Budget 2022/23 £'000 | Forecast for the Year 2022/23 | |
|--|--|-----------------------------------|-----------------------------------|
| | | Projected Outturn £'000 | Variance from LAB £'000 |
| Total West Ham Park | (636) | (596) | 40 |

- This forecast underspend is part of a wider overall overspend projected for other services within the Natural Environment Division of £292k, partly offset by other underspends of £76k within the Executive Directors other Service Committees, giving a total net forecast overspend for the Environment Department of £176k overall for 2022/23.
- Appendix 1 sets out a more detailed financial analysis of West Ham Parks local risk and central risk monitoring report for period 6, including reasons for significant budget variations.
- The overall local risk forecast underspend of £40k (6.3%) against the approved budget of £636k is due to staffing vacancies and reduced training costs.

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 the division.
- Appendix 2 highlights that West Ham Park have received actual income to date of £166k against a budget to date of £144k, a favourable variance of £22k. The main income variance to date relates to receiving rental income ahead of expected budget profile, though this is expected to be on budget for year end outturn.
- Appendix 3 highlights that West Ham Park have incurred actual expenditure to date of £405k against a budget to date of £485k, a favourable variance of £80k to date. The main expenditure variances to date relate to staffing vacancies and reduced training costs incurred, plus underspends on some of the running budgets for premises and supplies & services, which are expected to be fully utilised by year end.

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 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.

Table 2 – Live Capital Projects

| Capital Projects – West Ham Park | Total Estimated Cost of Project | Current Approved Budget | Prior Year Actual Spend | In Year Actual Expenditure | In Year Committed Expenditure | Current Approved Budget Unspent |
|---|--|--|------------------------------------|---|--|--|
| | £'s | £'s | £'s | £'s | £'s | £'s |
| West Ham Park Nursery | 337,038 | 337,035 | 219,275 | 7,500 | 0 | 110,260 |
| Total | 337,038 | 337,035 | 219,275 | 7,500 | 0 | 110,260 |

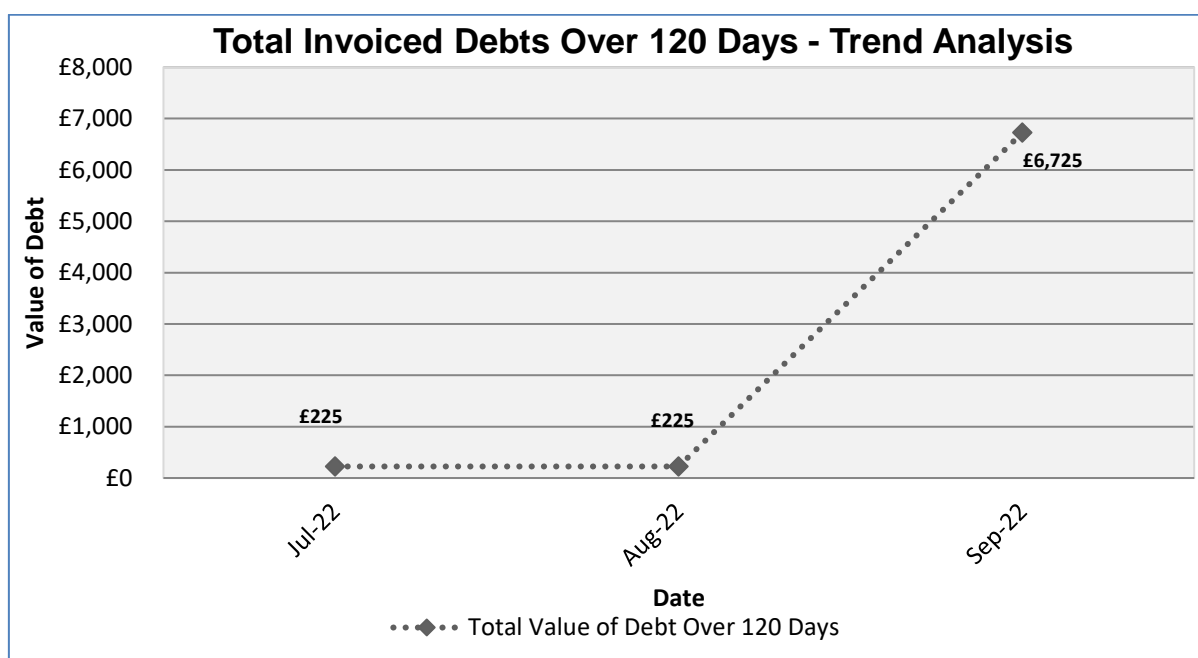
13. In light of the current financial climate and with the implication of inflation and other cost pressures (construction inflation is expected to rise as high as 20% and CPI rose by 9.9% in the last 12 months), Resource Allocation Sub-Committee (RASC), supported by the Operational Property and Projects Sub Committee, agreed to pause the business as usual (BAU) capital programme and carry out a Capital Review. The goal of the Capital Review is to ensure that projects do not exceed current overall estimated capital budgets across City Fund and City's Cash for the financial year 2022-23 and 2023-24.
14. The BAU Capital Review is looking at projects funded through the Corporation's own resources, and it excludes projects funded through ring-fenced pots. This will be achieved by: (1) pausing/stopping projects that are low priority/identify as desirable and (2) reviewing the scope of higher priority projects to ensure the Corporation obtains value-for-money in the current economic climate.

15. The nursery project identified in Table 2 above has been considered within this Capital Review and discussed by RASC when a follow-up report was tabled by the Chamberlain on the 9th November. Following on from the RASC meeting, this project was given approval by RASC to progress.
16. As a result of this Capital Review, for the financial year 2023/24, no new capital bids will be taken forward, however, a £3m contingency has been set aside in City's Cash for essential health and safety capital schemes.

Outstanding Invoiced Debts

17. At the end of September 2022, total outstanding invoiced debt for West Ham Park was £10,722 out of a total debt for Natural Environment Division (including City Gardens) of £274,180. Of this West Ham Park debt, £6,725 (63%) was over 120 days+, £828 (7%) was between 60-120 days and £3,169 (30%) was under 60 days.
18. 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 3-month period (debts over 120 day+ from April 2022 to June 2022 were zero).

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



19. The debt spike in September 2022 related to a single invoice of £6,500 for one mobile refreshment license fee to Frank Federico, for which there is an agreement to pay by instalments to settle the debt.
20. A further detailed debt report of all outstanding debts (not just the balance over 120 days+) will be provided as per normal business practice to report periodic monitoring for Chief Officers on the level of debt arrears to Service Committees at the next available Open Spaces and City Gardens Committee.

Charity Funds (Restricted, Unrestricted and Endowments)

21. Table 4 below lists the various restricted, unrestricted and endowment funds held by West Ham Park charity. It details the opening balance for the 2022-23 financial year and any movements up to period 6 (April-September 2022).

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

| | Opening Balance 2022/23 £'s | Income £'s | Expenditure £'s | Gains, (Losses) & Transfers £'s | Closing Balance 2022/23 £'s |
|---|-----------------------------------|---------------|--------------------|--|-----------------------------------|
| Restricted Income Funds: | | | | | |
| Campaign Donations - Playground Refurbishment Project | 1,396 | | | | 1,396 |
| Designated (Unrestricted Income Fund): | | | | | |
| Tangible Fixed Assets (Equipment) | 109,888 | | | | 109,888 |
| Total West Ham Park Committee | 111,284 | 0 | 0 | 0 | 111,284 |

22. 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.

23. 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

24. The current funding model is for each charity's total net expenditure (local risk, central risk and recharges) to be funded from City's Cash. The table below details the previous year's levels of deficit funding grant made from City's Cash to the various Natural Environment charities, with a forecast of that sum currently required for 2022/23.

Table 5 – Deficit Funding by City Cash

| Charity | Actual 2018/19 £'000 | Actual 2019/20 £'000 | Actual 2020/21 £'000 | Actual 2021/22 £'000 | Estimate 2022/23 £'000 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|------------------------------|
| Epping Forest | 4,643 | 5,209 | 4,928 | 4,500 | 4,376 |
| Burnham Beeches & Stoke Common | 864 | 1,005 | 818 | 792 | 690 |
| West Wickham & Coulsdon | 1,194 | 1,071 | 1,166 | 949 | 992 |
| Ashted Common | 511 | 505 | 513 | 463 | 435 |
| Sub-Total Epping Forest and Commons | 7,212 | 7,790 | 7,425 | 6,704 | 6,493 |
| Hampstead Heath Consolidated | 5,988 | 6,134 | 5,872 | 4,776 | 4,083 |
| Highgate Wood & Queen's Park Kilburn | 1,245 | 1,348 | 1,372 | 1,034 | 1,054 |
| West Ham Park | 1,186 | 1,331 | 1,271 | 1,172 | 972 |
| Keats House | 358 | 540 | 335 | 275 | 264 |
| Total Natural Environment Division | 15,989 | 17,143 | 16,275 | 13,961 | 12,886 |

25. The main reason for the forecast reduction in deficit funding required in 2022/23, largely relates to reductions in the City Surveyors cyclical works programme (CWP) forecast to be spent this 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 2023/24. The carry-over of unspent balances 2022/23 will be reported to Operational Property and Project Sub Committee as part of closing of accounts.

Gift Aid

26. One option identified to help generate future additional funding as we move through the Charity Review, is maximising Gift Aid contributions, which have not historically provided value for money to claim, given low levels of donations income on which claims could be made compared to the costs of administering the claims.

27. In order to progress this income generating option for the Natural Environment charities, a Gift Aid pilot project for Hampstead Heath has been established and is progressing well. New bank accounts have been allocated, which has allowed the Natural Environment Division to proceed to register with HMRC. The Natural Environment Division have submitted the registration pack to HMRC and are currently in the waiting period for this to be processed but have been advised it could take 6-7 weeks. A “Just Giving” page has already been created and once successful notification back from HMRC is received, Natural Environment Division staff will be able to start processing Gift Aid on eligible contributions.

Appendices

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

Appendix 2 - Income Performance 2022/23 as @ September (period 6)

Appendix 3 - Expenditure Performance 2022/23 as @ September (period 6)

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