

Committee(s): Hampstead Heath, Highgate Wood and Queen's Park Committee	Dated: 07/12/2022
Subject: Operational Finance Progress Report (period 6 April - September) 2022/23 – Hampstead Heath, Highgate Wood and Queen's 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: The Chamberlain	For Information
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Summary

This report provides an update on the operational finance position as @ period 6 (April - September) 2022/23 for Hampstead Heath, Highgate Wood and Queen's Park 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 Hampstead Heath, Highgate Wood and Queen's 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 Hampstead Heath, Highgate Wood and Queen's Park, to ensure they remain within the Executive Director Environments local risk resources for 2022/23.
2. 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

3. As detailed in the Table 1 below, Hampstead Heath, Highgate Wood and Queen's Park has an overall net local risk expenditure revenue budget of £4.679m. The current forecast outturn for 2022/23 as @ period 6 (September) is £4.624m, a forecast underspend of £55k currently.

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

Hampstead Heath, Highgate Wood and Queen's Park Committee (City's Cash)	Latest Approved Budget 2022/23 £'000	Forecast for the Year 2022/23	
		Projected Outturn £'000	Variance from LAB £'000
Hampstead Heath	(3,899)	(3,899)	0
Highgate Wood	(333)	(333)	0
Queen's Park	(447)	(392)	55
Total	(4,679)	(4,624)	55

4. This forecast underspend is part of a wider overall overspend projected for other services within the Natural Environment Division of £307k, 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.
5. To enable further detailed consideration of the service areas relating specifically to Hampstead Heath, Highgate Wood and Queen's Park, Appendices 1-3 sets out a more detailed financial analysis of local risk and central risk monitoring reports for period 6, including reasons for significant budget variations.
6. The overall local risk forecast underspend of £55k (1.2%) against the approved budget of £4.679m is due to staffing vacancies.

Local Risk Actual Position to Date

7. Appendices 4 and 5 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 committee.
8. Appendix 4 highlights that we have received actual income to date of £2.161m against a budget to date of £1.175m, a favourable variance of £986k. The main income variance to date relate to Hampstead Heath receiving fees & charges income from the swimming ponds and lido ahead of expected budget profile. Though this is expected to be on budget for year-end outturn currently, income projections will need to be reviewed in light of this positive performance to date.
9. Appendix 5 highlights that we have incurred actual expenditure to date of £3.495m against a budget to date of £3.461m, an unfavourable variance of £34k to date. The main expenditure variances to date relate to Hampstead Heath incurring spend ahead of budget profile on various budget lines for equipment, furniture & materials; fees & services and premises related costs, which are partly offset by staffing vacancies savings and transport underspends. This unfavourable net variance is also partly offset by a favourable variance to date at Queen's Park due to savings on salary costs due to vacancies, which are expected to continue until 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 various Hampstead Heath projects listed, out of a current approved budget of £710k, £544k has been spent or committed to date, leaving a remaining budget of £166k to progress the projects to the next project gateway, release of further capital funds or completion.

Table 2 – Live Capital Projects

Capital Projects – Hampstead Heath	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
East Heath Car Park Resurfacing	395,878	408,000	405,764	(9,388)	9,613	2,011
Parliament Hill Athletics Track	2,000,000	111,000	0	0	0	111,000
Hampstead Heath Swimming Facilities	775,705	190,700	20,808	85,421	31,828	52,643
Total	3,171,583	709,700	426,572	76,034	41,440	165,654

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 projects identified in Table 2 above have been considered within this Capital Review and were discussed by RASC when a follow-up report was tabled by the Chamberlain on the 9th November. Following on from the RASC meeting, all of the projects listed in Table 2 were given approval by RASC to progress, with the following caveat:
- **Parliament Hill Athletics Track** - though recommended to pause in the Chamberlain report to RASC, it was agreed by RASC to take the project forward but they wanted further information back on the project detail.
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 Hampstead Heath, Highgate Wood and Queen's Park was £48,230 out of a total debt for Natural Environment Division (including City Gardens) of £274,180. Of this Hampstead Heath, Highgate Wood and Queen's Park debt, £23,166 (48%) was over 120 days+, £9,886 (21%) was between 60-120 days and £15,178 (31%) was under 60 days.

18. Appendix 6 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 first graph shows the time trend of the level of 120 day+ debt outstanding over the previous 6-month period. The debt spike in July 2022 related mainly to the Arts Fair £63k (The Affordable Art Fair Ltd) and Easter Fair £22k (The Showman's Guild of Great Britain) for fairs held on East Heath. These debts have now been fully settled.
19. The lower graph analyses the split of this debt across the various Hampstead Heath, Highgate Wood and Queen's Park divisions of service. The majority of the £23,166 outstanding debt balance relates to Hampstead Heath (£21,826 / 94%). This is made up of £7,262 National Grid Gas PLC; £4,437 North Thames Gas (now settled); £4,300 The Showman's Guild of Great Britain-fairground license (now settled); and £7,167 numerous other small debtors.
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. Appendix 7 lists the various restricted, unrestricted and endowment funds held by Hampstead Heath, Highgate Wood and Queen's Park charities. It details the opening balance for the 2022-23 financial year and any movements up to period 6 (April-September 2022).
22. It should be noted that the various charity funds listed in Appendix 7 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 3 – 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
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
Sub-Total HH, HW & QP	7,233	7,482	7,244	5,810	5,137
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
West Ham Park	1,186	1,331	1,271	1,172	992
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 – Hampstead Heath Local Risk and Central Risk Monitoring Reports @ September (period 6)

Appendix 2 – Highgate Wood Local Risk and Central Risk Monitoring Reports @ September (period 6)

Appendix 3 – Queen’s Park Local Risk and Central Risk Monitoring Reports @ September (period 6)

Appendix 4 - Income Performance 2022/23 as @ September (period 6)

Appendix 5 - Expenditure Performance 2022/23 as @ September (period 6)

Appendix 6 - Outstanding Invoiced Debt 120 Days+ as @ September (period 6)

Appendix 7 - Reserve Funds & Endowments Hampstead Heath, Highgate Wood and Queen’s Park Committee

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