

Committee(s): Epping Forest & Commons Committee	Dated: 26/01/2023
Subject: Operational Finance Progress Report (Period 8 April - November) 2022/23 – Epping Forest and Commons	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 8 (April - November) 2022/23 for the Epping Forest and Commons Committee 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 divisions of service 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 the Epping Forest and Commons which sit within her Natural Environment Division.

Recommendation

Members are asked to:

- Note the content of this report and its appendices.

Main Report

Background

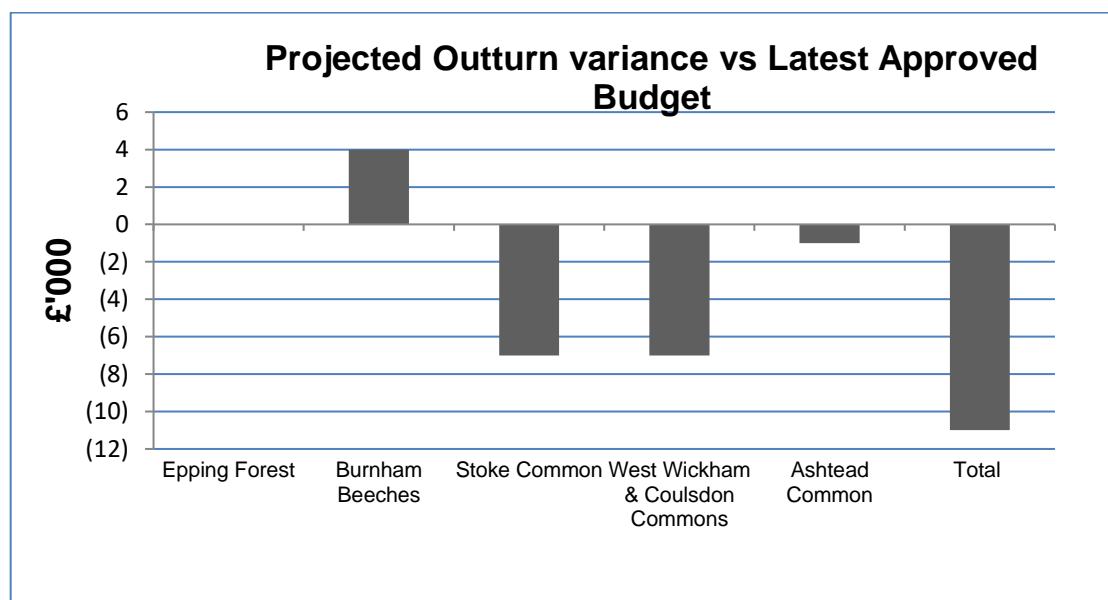
1. In order to improve financial reporting to Committee, a set of various financial appendices and commentary have been produced to enable greater clarity of revenue budgets and other financial information needed to allow greater scrutiny of the financial performance of the various divisions of services within the Natural Environment Division that report to Epping Forest and Commons Committee, 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. The services that fall within the remit of Epping Forest and Commons Committee have an overall net local risk expenditure revenue budget of £3.823m. The current forecast outturn for 2022/23 as @ period 8 (November) is £3.834m, a forecast year end overspend of £11k currently. This is an improvement of £28k on the previous reported overspend position of £39k as @ period 6 (September).
4. This forecast overspend is part of a wider overspend projected for other services within the Natural Environment Division of £39k. Overall the Executive Director Environment is forecasting a total net overspend for the Environment Department of £50k for 2022/23 (previously £176k as @ period 6 September) when adjusting for other Service Committees within her remit.
5. In the table below, the forecast outturn budget performance by each Epping Forest and Commons individual division of service is listed. Appendix 1 sets out a more detailed financial analysis of each individual division of service reporting to Epping Forest and Commons Committee, including reasons for significant budget variations.



Notes:

1. Zero is the baseline latest approved budget for each Division of Service.
2. Graph shows projected outturn position against the latest approved budget.
3. A variance above the baseline is favourable i.e. either additional income or reduced expenditure.
4. A variance below the baseline is unfavourable i.e. additional expenditure or reduced income.
5. Forecast outturn is £3.834m, representing a projected overspend of £11k against the latest approved budget of £3.823m.

6. The overall local risk forecast position is currently extremely close to budget, with only a minimal £11k (0.29%) overspend variance forecast at year end against the approved budget. Though there are variations within these net figures, they offset each other overall and are close to matching the overall budget. Details of all the offsetting variations can be seen within Appendices 6-10.
7. The main outturn variances projected are at West Wickham and Coulsdon Commons where additional transport costs of £71k due to the purchase of 3 vehicles prior to the ULEZ expansion and increased fuel and repair costs, plus unidentified contingency savings required as part of the TOM 12% savings exercise £33k. These are offset by salary vacancies £133k due to vacant posts.
8. Other main variances forecast relate to Burnham Beeches for additional transport costs £91k due to the purchase of a replacement vehicle required prior to ULEZ expansion not previously planned and extra fuel and vehicle repair costs, plus unidentified contingency savings required as part of the TOM 12% savings exercise £39k, additional premises costs £35k and supplies & services costs £41k for materials and equipment, which enabled additional projects to proceed. These additional costs are fully offset by forecast additional income relating mostly to filming income £142k and S106 payments in advance £53k, plus salary underspends £23k.
9. Finally outturn variances for Epping Forest relate to salary underspends from vacancies £106k, additional income from golf green fees £87k and extra licence fees £204k. These are fully offset by a host of net overspends on premises £66k (mainly lodge improvements), supplies & services £157k and transport £76k related expenditure. Additionally, we have extra income that relates an insurance claim settlement at Loughton Golf Course £317k and further monies to complete specific work relating to the cattle grazing contract £108k and Countryside Stewardship Scheme £126k, these will be offset by transfers to reserves at year end for use in the following years for any unspent balance.

Local Risk Actual Position to Date

10. 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.
11. Appendix 2 highlights that Epping Forest and Commons have received actual income to date of £2.941m against a budget to date of £1.517m, a favourable variance of £1.424m.
12. The main income variances to date relate to Epping Forest where we have a favourable position to date £0.920m mainly due to an insurance claim settlement @ Loughton Golf Course circa £317k that will need to be transferred to the existing South Lodge the Warren designated reserve; transfers to revenue from designated & restricted reserves to complete specific work relating to the cattle grazing contract £108k and Countryside Stewardship Scheme £126k, where any unspent balances at the year-end will again be transferred back to the existing respective designated & restricted reserves and used for the following financial

year 2023/24; higher than expected income from golf green fees £121k; and additional licensing income £167k.

13. Other favourable income variances to date are at Burnham Beeches £472k, mainly from additional film income £158k and upfront S106 income contributions from Slough Borough Council to pay for 5-year staffing costs in advance £296k. The amount of this relating to future years staffing costs will be transferred to reserves at year end and drawdown each year as required.
14. Appendix 3 highlights that Epping Forest and Commons have incurred actual expenditure to date of £4.659m against a budget to date of £4.257m, an unfavourable variance of £0.402m to date.
15. The main expenditure variances to date relate to Epping Forest where we have an unfavourable position to date of £0.421m mainly due to overspends in equipment & materials £161k, additional repairs & maintenance work for the lodges £103k, rates paid ahead of budget profile £38k and transfer to reserves £317k for the Loughton Golf Club insurance claim settlement. This is partly offset by underspends to date on grounds maintenance costs £107k and salary savings due to staff vacancies £78k.
16. 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.
17. To enable further detailed consideration of the service areas relating specifically to Epping Forest & Commons Committee, Appendices 6-10 detail the individual division of service local risk and central risk monitoring reports for period 8.

Capital Projects

18. Table 1 below outlines the current list of 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.
19. Out of a current approved budget of £1.319m, £0.462m has been spent or committed to date, leaving a remaining budget of £0.857m to progress the various projects to the next project gateway or release of further capital funds.

Table 1 – Live Capital Projects

Capital Projects - Epping Forest & Commons	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
Artificial Grass Pitches Wanstead Flats	6,500,000	70,000	35,426	6,000	0	28,574
Climate Action Strategy - Carbon Removal	1,618,319	504,905	101,272	11,046	18,512	374,075
Epping Forest Path Restoration Project	250,000	0	0	0	0	0
Wanstead Park Ponds Project	1,150,000	241,000	59,536	1,900	0	179,565
Baldwins & Birch Hall Park Ponds	2,262,627	502,600	81,917	114,708	31,383	274,591
Total	11,780,946	1,318,505	278,151	133,654	49,896	856,805

20. 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 was 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.
21. The BAU Capital Review was 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.
22. The projects identified in Table 1 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 1 were given approval by RASC to progress, with the following caveat:
 - **Artificial Grass Pitch Provision at Wanstead Flats** – currently alternative sources of funding are being investigated which might go some way to reducing the burden on the City. There should be a clearer picture regarding project scope and finances in the new calendar year with the Football Foundation giving a concrete decision sometime in March 2023. However, it is unlikely external parties will fund the scheme without the City contributing towards it. If further external funding is not achieved, this project will need to be stopped/paused until sufficient funding is available, therefore the project is currently paused.
23. 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

24. At the end of November 2022, total outstanding invoiced debt for Epping Forest and Commons was £193,865 out of a total debt for Natural Environment Division (including City Gardens) of £274,680. Of this Epping Forest and Commons debt only, £138,302 (71%) was over 120 days+, £32,335 (17%) was between 60-120 days and £23,228 (12%) was under 60 days.
25. Appendix 4 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 top graph shows the time trend of the level of 120 day+ debt outstanding over the previous 6-month period.
26. The lower graph analyses the split of this debt across the various Epping Forest and Commons divisions of service. The majority of the £138,302 outstanding 120 day+ debt balance relates to Epping Forest (£128,564 / 93%). The overall debt is made up of £89,490 Thames Water utilities; £23,164 wayleave rents; £20,179 rent receivables; and £5,469 numerous other small debtors.
27. 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 suitable Open Spaces and City Gardens Committee in 2023.

Charity Funds (Restricted, Unrestricted and Endowments)

28. Appendix 5 lists the various restricted, unrestricted and endowment funds held by each charity. It details the opening balance for the 2022-23 financial year and any movements up to period 8 (April-November 2022).
29. There was one notable movement since the previous report in period 6 and this relates to a capital receipt of £286,652 which was credited to the Epping Forest Fund Reserve (Capital Fund). This has increased the balance held to £705,135.
30. 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:
 - **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

31. 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.

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	992
Keats House	358	540	335	275	264
Total Natural Environment Division	15,989	17,143	16,275	13,961	12,886

32. 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

33. 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.
34. 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 complete its HMRC registration, which has now been confirmed by HMRC. Everything is now in place with Just Giving, so we are currently in the process of awaiting the first payments to be received into the bank account to be able to start processing Gift Aid through our systems.

Appendices

Appendix 1 - Local Risk Revenue Budget Forecast Outturn 2022/23

Appendix 2 - Income Performance 2022/23 as @ November (period 8)

Appendix 3 - Expenditure Performance 2022/23 as @ November (period 8)

Appendix 4 - Outstanding Invoiced Debt 120 Days as @ November (period 8)

Appendix 5 – Charity Funds (Restricted, Unrestricted & Endowments)

Appendix 6 to Appendix 10 - Epping Forest & Commons Committee individual Division of Service Local Risk and Central Risk Monitoring Reports @ November (period 8)

Contacts

Neil Chambers, Interim Charity Project Accountant, Chamberlain's Department
E: neil.chambers@cityoflondon.gov.uk

Simon Owen, Head of Finance for Environment, Chamberlain's Department
E: simon.owen@cityoflondon.gov.uk