

Committee(s): Epping Forest & Commons Committee	Dated: 14/09/2023
Subject: Operational Finance Progress Report (Period 3 April - June) 2023/24 – 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: Clem Harcourt, Chamberlain’s Department	

Summary

This report provides an update on the operational finance position as @ period 3 (April – June 2023) 2023/24 for your Committee’s 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 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 Interim Executive Director Environment is responsible for to successfully manage the operations and finances of your Committee which sits within the Natural Environment Division.

Recommendation

Members are asked to:

- Note the content of this report and its appendices.

Main Report

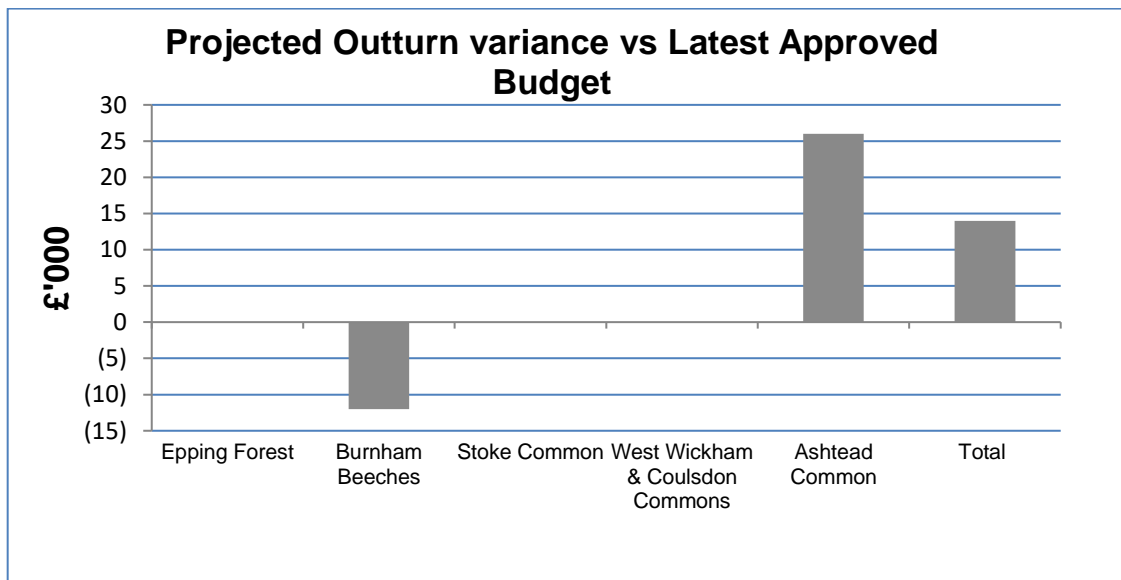
Background

1. In order to improve financial reporting to your 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 your Committee, to ensure they remain within the Interim Executive Director Environment’s local risk resources for 2023/24.

- To ensure your Committee is kept informed, an update on progress made against budgets will be reported to you on a quarterly basis. This approach will allow Members to ask questions and have a timely input into areas of particular importance.

Local Risk Revenue Forecast Outturn 2023/24

- The services that fall within the remit of your Committee has an overall net local risk expenditure revenue budget of £4.005m as reported at the end of June 2023. The current forecast outturn for 2023/24 as @ period 3 (June) is £3.991m, a forecast year-end underspend of £14k.
- This forecast underspend is part of a wider underspend projected for other services within the Natural Environment Division of £744k reported at the end of June 2023 which is largely attributable to additional income generated at Hampstead Heath. Overall, the Interim Executive Director Environment is forecasting a total net overspend for the Environment Department of £1.427m for 2023/24 on his local risk budget when adjusting for other Service Committees within his remit. The projected overspend as at June 2023 can largely be explained by a loss of income at the Heathrow Animal Reception Centre.
- In the table below, the forecast outturn budget performance by each individual division of service within your Committee is listed. Appendix 1 sets out a more detailed financial analysis of each individual division of service reporting to your Committee, including reasons for significant budget variations.



Notes:

- Zero is the baseline latest approved budget for each Division of Service.
 - Graph shows projected outturn position against the latest approved budget.
 - A variance above the baseline is favourable i.e. either additional income or reduced expenditure.
 - A variance below the baseline is unfavourable i.e. additional expenditure or reduced income.
 - Forecast outturn is £3.991m, representing a projected underspend of £14k against the latest approved budget of £4.005m.
- The overall local risk forecast position is currently extremely close to budget, with only a minimal £14k (0.35%) underspend 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 Ashted Common where there is currently projected to be a £26k underspend compared with the latest budget. This can be explained by additional income expected to be generated from government grants related to the number of trees being worked on.
8. Other main variances relate to Burnham Beeches where there is a projected overspend on its local risk revenue budget of £12k as reported in June 2023. This can be explained by additional premises related costs for grounds maintenance as well as reduced income from car parking which is forecast to continue for the remainder of 2023/24. The projected overspend is partly offset by underspends in employment costs as a result of vacant posts as well as additional income projected to be generated from filming projects.
9. Finally outturn variances for Epping Forest relate to salary underspends as a result of existing staff vacancies in addition to extra income generated from sales at the Visitor Centre and other fees and charges at Chingford Golf Course. These underspends are planned to be fully offset by overspends in other budget areas primarily relating to contracted works, grounds maintenance costs and the purchase of necessary vehicles and machinery.

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 your Committee.
11. Appendix 2 highlights that your Committee has received actual income to date of £602k against a budget to date of £669k, an adverse variance of £67k.
12. The above variation is largely explained by variances at both Burnham Beeches and Stoke Common as a result of government grant income from 2022/23 raised as a listed debtor but still not having yet been physically received.
13. The above variance is partly offset by additional income generated at West Wickham & Coulsdon Commons explained by government grant income received currently being ahead of the budget profile.
14. Local risk income generated at Epping Forest is also £14k ahead of profile which can be partly explained by extra sales income generated from the Visitor Centre.
15. Appendix 3 highlights that your Committee has incurred actual expenditure to date of £1.561m against a budget to date of £1.669m, a favourable variance of £108k to date.
16. The main expenditure variances relate to Epping Forest where there is a favourable position to date of £71k mainly due to underspends on salary costs due to vacant posts as well as transport related costs incurred to date being lower than anticipated.
17. The underspend to date on local risk expenditure can also be explained by expenditure at West Wickham & Coulsdon Common being lower than anticipated as a result of underspends on salaries and grounds maintenance costs. In

addition, the underspend relating to Ashted Common can be explained by lower premises related costs.

18. 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 a 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.
19. To enable further detailed consideration of the service areas relating specifically to your Committee, Appendices 6-10 detail the individual division of service local risk and central risk monitoring reports to the end of June 2023.

Capital Projects

20. 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 Members 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.
21. Out of a current approved budget of £1.319m, £577k has been spent or committed to date, leaving a remaining budget of £742k 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	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
Artificial Grass Pitch Provision at Wanstead Flats	10,000,000	70,000	41,426	0	0	28,574
Climate Action Strategy - Carbon Removals Year 1	2,596,924	504,905	132,676	573	0	371,656
Epping Forest - COVID-19 Path Restoration Project	250,000	0	0	0	0	0
Wanstead Park Ponds Project	1,142,501	241,000	166,180	0	0	74,820
Baldwins & Birch Hall Park Ponds	1,760,018	502,600	233,644	0	2,491	266,465
TOTAL EPPING FOREST AND COMMONS COMMITTEE	15,749,443	1,318,505	573,926	573	2,491	741,515

22. The capital bidding process for 2024/25 is currently underway for new capital projects with a pot of £20m being made available within City Fund and £5m for

City's Cash services. New capital bids are to be reviewed against the department's overall capital programme and timescales for delivery with bids only expected to be put forward on a by exception basis and on the assumption that the projects will commence in 2024/25.

23. Four new City Cash bids totalling £1.122m have been submitted to the Chamberlain in this process relating to projects at Epping Forest, The Commons and West Ham Park. A decision on whether these will be agreed is yet to be made.

Outstanding Invoiced Debts

24. At the end of June 2023, total outstanding invoiced debt for your Committee was £106,384 out of a total debt for the Natural Environment Division (including City Gardens) of £187,056. Relating to your Committee, £49,400 (46%) was over 120 days+, £212 (<1%) was between 60-120 days and £56,772 (53%) 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 divisions of service for your Committee. The majority of the £49,400 outstanding 120 day+ debt balance relates to Epping Forest (£40,191 / 81%). The overall debt is made up of £26,342 in rent receivable debtors and £23,058 in other debtors including £21,736 owed by one individual debtor with this debt currently being pursued by the Comptroller & City Solicitor's department.
27. A further detailed debt report of all outstanding debts 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 Natural Environment Board meeting in December 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 2023/24 financial year and any movements up to period 3 (April-June 2023).
29. Movements within reserve funds since the start of the current financial year primarily relates to a capital receipt of £99k which was credited to the Epping Forest Fund Reserve (Capital Fund) in relation to a deed of grant easement received for an individual property. This has increased the balance held to £894,162. All other movements in reserve funds in 2023/24 to date relate to the receipt of unrestricted donations income.
30. It should be noted that the external audit of the 2022/23 accounts for individual Natural Environment charities is currently taking place and the 2023/24 opening balances shown for each reserve fund in Appendix 5 may be subject to revision.

31. 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

32. 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 2023/24. The projection for the current financial year is based on the forecast for local and central risk net expenditure (as at the end of June 2023) in addition to latest budgets for recharges and budgets managed by the City Surveyor. Please be aware that deficit funding figures shown for 2022/23 are

currently provisional as the external audit for the individual Natural Environment charities has not yet been completed.

Table 2 – Deficit Funding – 2019/20 to 2023/24

Charity	Actuals	Actuals	Actuals	Provisional	Estimate
	2019/20	2020/21	2021/22	Actuals	2023/24
	£000	£000	£000	2022/23	£000
Ashtead Common	512	511	471	524	472
Burnham Beeches & Stoke Common	1,089	1,036	896	1,051	844
Epping Forest	5,257	5,059	4,527	4,879	5,397
West Wickham & Coulsdon	1,071	1,094	1,046	1,264	827
Epping Forest and Commons	7,929	7,700	6,940	7,718	7,540
Hampstead Heath	6,230	6,451	5,356	4,842	5,696
Highgate Wood & Queen's Park Kilburn	1,348	1,364	1,033	1,255	1,243
Hampstead Heath, Highgate Wood & Queen's Park	7,578	7,815	6,389	6,097	6,939
West Ham Park	1,339	1,279	1,250	1,933	1,127
West Ham Park	1,339	1,279	1,250	1,933	1,127
Keats House	553	348	292	394	300
Keats House	553	348	292	394	300
Total	17,399	17,142	14,871	16,142	15,906

33. As can be seen from the table above, 2022/23 saw an increase in the amount of deficit funding provided by City's Cash to each of the charities related to your Committee compared with the previous year. This can be explained by increased expenditure incurred as a result of the re-phasing of projects under the Cyclical Works Programme (CWP) managed by City Surveyor's in addition to increased recharges from the Natural Environment Directorate. Please note that 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 future financial years. The carry-over of unspent balances are reported to the Operational Property and Project Sub Committee as part of closing of accounts.

34. There is currently forecast to be a reduction in the amount of deficit funding provided to the charities related to your Committee for 2023/24 compared with the provisional outturn for 2022/23. This can be explained by the rephasing of projects falling under the CWP with reduced expenditure on projects compared with 2022/23 which is currently forecast to result in a reduction in the amount of deficit funding provided by City's Cash compared with the previous year. The one exception relates to Epping Forest which is currently projected to see an increase in the amount of deficit funding provided compared with 2022/23. This is attributable to an increase in CWP project expenditure currently forecast for 2023/24 compared with the provisional outturn for 2022/23.

Other Relevant Financial Issues

35. As reported to your Committee on 13 July 2023, the request to carry forward £210k from 2022/23 local risk underspends to support essential health & safety works on known dangerous trees at Epping Forest was not approved by the

Chairman and Deputy Chairman of the Resource and Allocation Sub Committee (RASC). As a result, funding is now being sought to cover the cost of these works using City Cash contingency monies held by Finance Committee at the next meeting on the 19th September.

36. Following the implementation of the second phase of the Target Operating Model (TOM2) within the Natural Environment Division, local risk budgets have recently been adjusted to reflect the new staffing structure. This has resulted in an increase of £793k to Epping Forest & Commons Committee's local risk net expenditure budget and these adjustments will be reflected in the next Operational Finance Progress Report to the end of period 6 (September 2023) due to be reported to your Committee on 23 November 2023.
37. Members may also wish to be aware that the Chairman and Deputy Chairman of RASC have approved two central risk carry forward bids relevant to your Committee from Priorities Investment Pot (PIP) monies for use in 2023/24. This comprises £61k to support the 'Licences, Leases and Wayleaves' project at Epping Forest and £6k in relation to the 'Biodiversity net gain' project at Burnham Beeches. Please note that this funding is only available until 31 March 2024. Additionally, £80k has been agreed from the Transformation Fund to assist the Environment Department in the Operational Property review.

Appendices

Appendix 1 - Local Risk Revenue Budget Forecast Outturn 2023/24

Appendix 2 - Income Performance 2023/24 as @ June 2023 (period 3)

Appendix 3 - Expenditure Performance 2023/24 as @ June 2023 (period 3)

Appendix 4 - Outstanding Invoiced Debt 120 Days as @ June 2023 (period 3)

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 @ June 2023 (period 3)

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