

Committee(s): West Ham Park Committee	Dated: 16/10/2023
Subject: Operational Finance Progress Report (period 3 April – June 2023) 2023/24 – 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: 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 West Ham Park'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 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 Interim Executive Director Environment is responsible for to successfully manage the operations and finances of West Ham Park which sits within his 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 Interim Executive Director Environment's local risk resources for 2023/24.
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 2023/24

- As detailed in the Table 1 below, West Ham Park has an overall net local risk expenditure revenue budget of £639k as reported to the end of June 2023. The current forecast outturn for 2023/24 as @ period 3 (June) is £569k, a forecast underspend of £70k currently.

Table 1 – Local Risk Revenue Budget Forecast Outturn 2023/24

West Ham Park Committee (City's Cash)	Latest Approved Budget 2023/24 £'000	Forecast for the Year 2023/24	
		Projected Outturn £'000	Variance from LAB £'000
Total West Ham Park	(639)	(569)	70

- This forecast underspend is part of a wider underspend projected for other services within the Natural Environment Division of £688k 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 Heathrow Animal Reception Centre.
- To enable further detailed consideration of West Ham Park, Appendix 1 sets out a more detailed financial analysis of West Ham Park's local risk and central risk monitoring report for period 3, including reasons for significant budget variations.
- The overall local risk forecast underspend of £70k (11%) against the approved budget of £639k is primarily due to savings from staffing vacancies £63k; projected savings on consultancy costs £23k; additional rent income generated £29k; and increased fees & charges income from filming and school sports £25k. This is partly offset by reduced income generated from tennis £52k.

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 £99k against a budget to date of £72k, a favourable variance of £27k. The main income variance to date relates to receiving rental income ahead of expected budget profile £35k due to additional income achieved from the Cedars. This variance is partly offset by income from tennis being £8k less than profiled.

9. Appendix 3 highlights that West Ham Park have incurred actual expenditure to date of £231k against a budget to date of £243k, a favourable variance of £12k. The main expenditure variances to date primarily relate to savings due to staffing vacancies £17k as well as underspends on fees and services consultancy costs and third-party payments totalling £14k. This is partly offset by an overspend of £22k due to additional equipment and materials needing to be purchased for the playground.
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 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.

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. In terms of the West Ham Park playground project, out of a current approved budget of £1.008m, £917k has been spent or committed to date, leaving a remaining budget of £91k.

Table 2 – Live Capital Projects

Capital Projects by Division of Service	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						
West Ham Park Nursery	337,048	337,035	249,751	(22,976)	0	110,260
West Ham Park Playground	1,053,977	1,007,519	891,970	0	25,000	90,549
Total West Ham Park	1,391,025	1,344,554	1,141,721	(22,976)	25,000	200,809

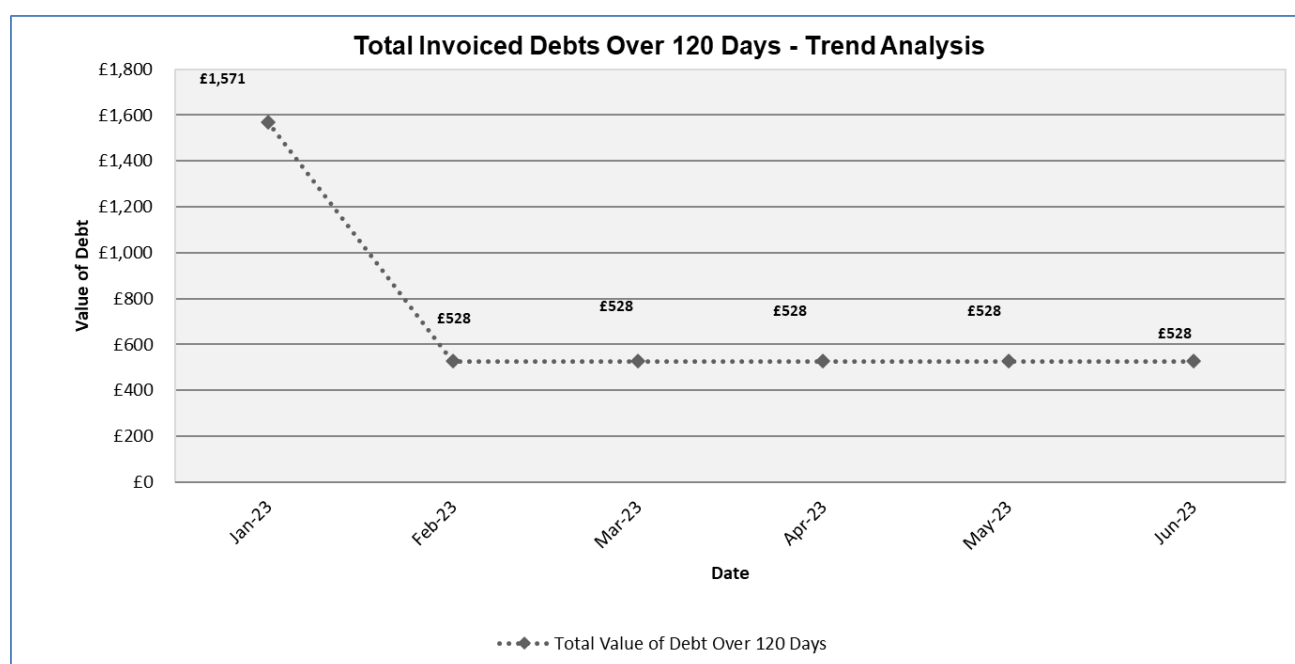
13. The capital bidding process for 2024/25 is currently underway for new capital projects with a pot of £20m being made available within City Fund and £5m for City's Cash services. New capital bids are to be reviewed against the department's overall capital programme and timescales for delivery with bids only expected to be put forward on a by exception basis and on the assumption that the projects will commence in 2024/25.

14. 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 and further submitted to Members is yet to be made by Priorities Board.

Outstanding Invoiced Debts

15. At the end of June 2023, total outstanding invoiced debt for West Ham Park was £8,161 out of a total debt for the Natural Environment Division (including City Gardens) of £187,056. Of this West Ham Park debt, £528 (6%) was over 120 days+, £225 (3%) was between 60-120 days and £7,408 (91%) was under 60 days.
16. 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 6-month period.

Table 3 – Outstanding Invoiced Debt as @ June 2023 (period 3)



17. As can be seen from the graph above, outstanding debts over 120 days of £528 as at the end of June 2023 was unchanged from the previous month. This outstanding amount relates to a single debtor in relation to an unpaid invoice for cricket bookings and this debt is currently being pursued by staff at West Ham Park.
18. A further detailed debt report of all outstanding debts (not just the balance over 120 days) as at the end of September 2023 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)

19. Table 4 below lists the various restricted, unrestricted and endowment funds held by West Ham Park charity. It details the opening balance for the 2023/24 financial year and any movements up to period 3 (April-June 2023).

Table 4 – Charity Funds (Restricted, Unrestricted and Endowments) June (Period 3)

	Opening Balance 2023/24	Income	Expenditure	Gains, (Losses) & Transfers	Closing Balance 2023/24
	£'s	£'s	£'s	£'s	£'s
West Ham Park Committee					
Restricted Income Funds:					
Campaign Donations - Playground Refurbishment Project	1,481				1,481
Designated (Unrestricted Income Fund):					
Tangible Fixed Assets (Equipment)	954,091				954,091
Unrestricted Funds					
General Funds	0				0
Total West Ham Park	955,572	0	0	0	955,572

20. 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.
21. Members should also note that the external audit of the West Ham Park charity accounts for 2022/23 is currently taking place and the above opening balances stated for 2023/24 may be subject to revision.
22. 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

23. 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 years' levels of deficit funding grant made from City's Cash to the various Natural Environment charities, with a forecast of that sum currently projected for 2023/24.

Table 5 – Deficit Funding by City's Cash

Charity	Actuals 2019/20 £000	Actuals 2020/21 £000	Actuals 2021/22 £000	Provisional Actuals 2022/23 £000	Estimate 2023/24 £000
Ashted 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	3,461
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	4,704
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	13,671

24. As can be seen from the table above, there was an increase in the level of deficit funding provided to the West Ham Park charity in 2022/23 compared with the previous year. This is due to capital expenditure being incurred on the playground project during 2022/23 which required an increase in the level of deficit funding provided by City's Cash. Under the current model, deficit funding provided to the charity covers both any capital expenditure incurred during the year as well as the charity's total net revenue expenditure.

25. The level of capital expenditure incurred during 2022/23 also explains the projected reduction in deficit funding required for 2023/24. This is in addition to a decrease in the City Surveyor's Cyclical Works Programme (CWP) expenditure

forecast to be spent in the current 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 future years. The carry-over of unspent balances from 2023/24 will be reported to the Operational Property and Project Sub Committee as part of closing of accounts.

Other Relevant Financial Issues

26. 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 a net decrease of £78k to West Ham Park'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 04 December 2023.
27. Members may also wish to note that an additional £80k has been agreed from the Transformation Fund to assist the Environment Department in the Operational Property review. This funding is only available until 31 March 2024.

Appendices

Appendix 1 – West Ham Park Local Risk and Central Risk Monitoring Reports @ June 2023 (period 3)

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

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

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