

Committee(s): Epping Forest & Commons Committee	Dated: 23/11/2023
Subject: Operational Finance Progress Report (Period 6 April - September) 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 6 (April – September) 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 and Charities 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

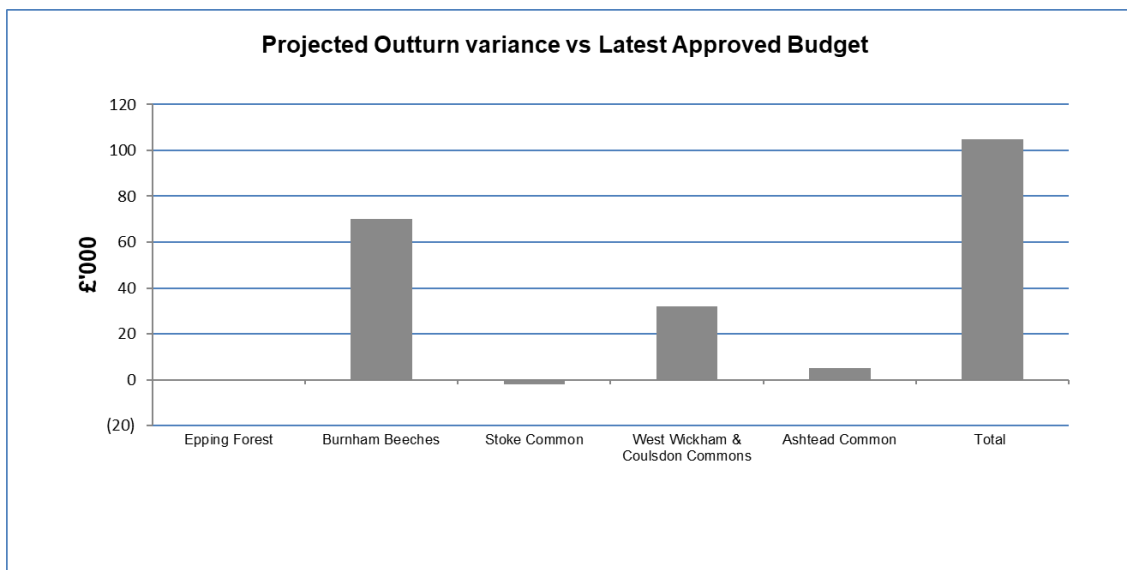
Background

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 and capital budgets and other financial information needed to allow greater scrutiny of the financial performance of the various divisions of services and Charities 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 divisions of service and Charities that fall within the remit of your Committee has an overall net local risk expenditure revenue budget of £4.957m as reported at the end of September 2023. The current forecast outturn for 2023/24 as @ period 6 (September) is £4.853m, a forecast year-end underspend of £104k. This represents an increase in the projected underspend of £90k compared with the position to the end of June 2023, reported previously to your Committee.
- This forecast underspend is part of a wider underspend currently projected for other divisions of service within the Natural Environment Division of £286k reported at the end of September 2023.
- In the graph 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 £4.853m, representing a projected underspend of £104k against the latest approved budget of £4.957m.
- The overall local risk forecast position is currently relatively close to the latest budget, with a small underspend of £104k (2.10%) 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. It should also be noted that the latest local risk budgets for 2023/24 have been adjusted to reflect the new Target Operating Model (TOM2) staffing structure within the Natural Environment division.
8. The main outturn variances projected are at Burnham Beeches where there is currently forecast to be a £69k underspend compared with the latest approved budget. This can be explained by additional income generated from filming projects as well as underspends in employment costs attributable to staff vacancies. The projected underspend is partly offset by additional grounds maintenance costs and reduced income from car parking.
9. In addition there is projected to be an underspend of £32k on the local risk budget at West Wickham & Coulsdon Commons. This can be explained by underspends on salary costs due to a staff vacancy, as well as additional income generated from the sale of vehicles. These underspends are partly offset by an overspend on grounds maintenance costs.
10. Finally, outturn variances for Epping Forest relate to salary underspends as a result of existing staff vacancies from the new TOM2 structure yet to be recruited. This in addition to extra income generated from sales at the Visitor Centre and from Chingford Golf Course. These underspends are planned to be fully offset by additional spending relating to new vehicle purchases and grounds maintenance costs, as well as professional fees incurred due to there being a greater need for the use of contractors due to staff vacancies whilst the TOM2 staffing restructure has been undertaken.

Local Risk Actual Position to Date

11. 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.
12. Appendix 2 highlights that your Committee has received actual income to date of £1.460m against a budget to date of £1.248m, a favourable variance of £212k.
13. The above variation is largely explained by income at Epping Forest being £184k greater than the income budget profile to date. This can be explained by additional income generated from Chingford Golf Course as well as the Visitor Centre.
14. In addition, income from West Wickham & Coulsdon Commons is £48k higher than the expected budget profile. This is attributable to grant income received being greater than budgeted as well as additional income generated from sale of vehicles and rent.
15. Appendix 3 highlights that your Committee has incurred actual expenditure to date of £3.345m against a budget to date of £3.887m, a favourable variance of £542k to date.
16. The main expenditure variances relate to Epping Forest where there is a favourable position to date of £434k mainly due to underspends on salary costs due to vacant posts in the new TOM2 structure yet to be recruited.

17. In addition, expenditure at Burnham Beeches is currently £85k underspent against profile mainly due to vacant posts.
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 September 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.
22. It should be noted that the current estimate for the total cost of the 'Climate Action Strategy Carbon Removals Year 1' project is projected to underspent compared with the project's latest budget. This is due to the budget for contingencies which is not currently expected to be utilised and the cost of feasibility studies and works currently forecast to be underspent.

Table 1 – Live Capital Projects

Epping Forest and Commons - Capital Projects - September 2023 (Period 6)

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
<u>Epping Forest</u>						
Artificial Grass Pitch Provision at Wanstead Flats (Parklife)	10,000,000	70,000	41,426	0	0	28,574
Climate Action Strategy - Carbon Removals Year 1	154,684	504,905	132,676	573	0	371,656
Epping Forest - COVID-19 Path Restoration Project	250,000	0	0	0	0	0
Epping Forest Various Sites - BEMS Upgrade Phase 2	357,520	0	0	0	0	0
Wanstead Park Ponds Project	1,142,501	241,000	166,821	(641)	0	74,820
Baldwins & Birch Hall Park Ponds	1,740,938	502,600	233,644	42	2,450	266,464
TOTAL EPPING FOREST AND COMMONS COMMITTEE	13,645,643	1,318,505	574,568	(27)	2,450	741,515

23. 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.

24. Four new City Cash bids totalling £1.122m were submitted to the Chamberlain in this process relating to projects at Epping Forest, The Commons and West Ham Park. These were considered at the recent Priorities Board where all three of the bids relating to this Committee were successfully approved for onward submission to RASC in November, to be considered by Members as part of the annual capital bid process:
 - City Commons – boundary livestock fencing replacement £92k;
 - City Commons – entrance board replacement £160k; and
 - Epping Forest - Copped Hall Park Tudor Square pond sluice gates £470k.

Outstanding Invoiced Debts

25. At the end of September 2023, total outstanding invoiced debt for your Committee was £142,185 out of a total debt for the Natural Environment Division (including City Gardens) of £209,361. Relating to your Committee, £67,636 (48%) was over 120 days, £3,557 (2%) was between 60-120 days and £70,992 (50%) was under 60 days.
26. 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.
27. The lower graph analyses the split of this debt across the various divisions of service for your Committee. The majority of the £67,636 outstanding 120 day+ debt balance relates to Epping Forest (£59,201 / 88%). The overall debt for your Committee is made up of £25,578 in rent receivable debtors and £42,058 in other debtors, including £21,736 owed by one individual debtor with this debt currently being pursued by the Comptroller & City Solicitor's department.
28. The increase in outstanding debts over 120 days compared with the position reported at the end of June 2023 can be explained by £19,000 currently being owed by an individual debtor. This debt is currently being pursued by staff at Epping Forest.

Charity Funds (Restricted, Unrestricted and Endowments)

29. 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 6 (April-September 2023).
30. 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 donations income which amounts to a total of £11,178 received for all charities related to your Committee.

31. 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.
32. 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

33. The current funding model is for each charity's total net expenditure (local risk, central risk and recharges) to be fully funded from City's Cash. This also includes the cost of any capital expenditure incurred during the year as well any

works managed by the City Surveyor under the Cyclical Works Programme (CWP) carried out over the course of the year. It should be noted that any changes to the amount of expenditure incurred or income generated over the course of the year by an individual charity will have an impact on the overall level of deficit funding required by the relevant charity at year end. The amount of deficit funding for each charity is therefore calculated based on its **actual total net running costs for the year** in addition to any capital expenditure and CWP costs incurred during the year.

34. Therefore year on year there are variations in the level of deficit funding received depending upon actual total net running costs incurred for the year. However, at the start of the following year, available budget funding is reset to the levels agreed by your Committee at the estimates review, so as to remain within the resource envelope set by RASC. At no stage is the budget reduced (and potentially the level of deficit funding required) unless agreed by your Committee within this annual process managed and reported by the Chamberlain to gain approval of the annual estimates.
35. The table below details previous year's levels of deficit funding grant made from City's Cash to the various Natural Environment charities within your Committee, with a forecast of that sum currently required for 2023/24. This is broken down by the level of expenditure and income generated by each charity as well as any CWP works and capital expenditure funded through City's Cash which comprises the total level of deficit funding required for each charity.
36. The projection for the current financial year is based on the forecast for local and central risk net expenditure (as at the end of September 2023) in addition to latest budgets for recharges and budgets managed by the City Surveyor, for CWP projects. Please note that the amount of deficit funding provided by City's Cash is unique to each individual charity and deficit funding cannot be used to offset the level of funding provided to a separate charity. Please also 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 – 2020/21 to 2023/24

Ashtead Common	2020/21	2021/22	2022/23	2023/24
	£'000s	£'000s	(Prov.)	(Est.)
	£'000s	£'000s	£'000s	£'000s
Gross Expenditure (excluding Cyclical Works)	525	491	542	567
Gross Income	32	12	35	60
Cyclical Works Expenditure	18	(8)	17	0
Capital Expenditure financed through Deficit Funding	0	0	0	0
Total Deficit Funding - Ashtead Common	511	471	524	507
Burnham Beeches & Stoke Common	2020/21	2021/22	2022/23	2023/24
	£'000s	£'000s	(Prov.)	(Est.)
	£'000s	£'000s	£'000s	£'000s
Gross Expenditure (excluding Cyclical Works)	1,124	1,088	1,324	1,294
Gross Income	281	411	486	495
Cyclical Works Expenditure	-9	131	134	0
Capital Expenditure financed through Deficit Funding	202	88	79	
Total Deficit Funding - Burnham Beeches & Stoke Common	1,036	896	1,051	799
Epping Forest	2020/21	2021/22	2022/23	2023/24
	£'000s	£'000s	(Prov.)	(Est.)
	£'000s	£'000s	£'000s	£'000s
Gross Expenditure (excluding Cyclical Works)	6,316	6,871	7,308	8,003
Gross Income	1,581	2,737	3,310	2,305
Cyclical Works Expenditure	349	480	293	610
Capital Expenditure financed through Deficit Funding	67	57	197	
Total Deficit Funding - Epping Forest	5,059	4,527	4,879	6,308
West Wickham & Coulsdon Common	2020/21	2021/22	2022/23	2023/24
	£'000s	£'000s	(Prov.)	(Est.)
	£'000s	£'000s	£'000s	£'000s
Gross Expenditure (excluding Cyclical Works)	1,266	1,113	1,224	1,036
Gross Income	231	239	158	181
Cyclical Works Expenditure	124	14	198	0
Capital Expenditure financed through Deficit Funding	89	158	0	
Total Deficit Funding - West Wickham & Coulsdon Common	1,094	1,046	1,264	855
Committee Total	2020/21	2021/22	2022/23	2023/24
	£'000s	£'000s	(Prov.)	(Est.)
	£'000s	£'000s	£'000s	£'000s
Gross Expenditure (excluding Cyclical Works)	9,231	9,563	10,398	10,900
Gross Income	2,125	3,399	3,989	3,041
Cyclical Works Expenditure	482	617	642	610
Capital Expenditure financed through Deficit Funding	358	303	276	
Total Deficit Funding - Epping Forest & Commons Committee	7,700	6,940	7,718	8,469

37. 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 an increase in gross expenditure partly related to an increase in recharges from the Natural Environment Directorate as well as the re-phasing of projects under the CWP managed by City Surveyor's. 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 Projects and Procurement Sub-Committee as part of closing of accounts. The increase in deficit funding at Epping Forest compared with 2021/22 was partly offset by an increase in income generated in 2022/23 which was attributable to additional income from both car parking and the Visitor Centre as well as the proceeds received from an insurance settlement relating to Loughton Golf Course.

38. The current forecast for 2023/24 indicates an increase in the amount of deficit funding due to be provided to your Committee's charities overall by City's Cash compared with the provisional outturn for 2022/23. This can largely be explained by an increase in Epping Forest's local risk net expenditure budget for 2023/24 as a result of additional resources being provided following the introduction of the new TOM2 restructure. The increase is partly offset by a reduction in the level of expenditure forecast for West Wickham and Coulsdon Commons as a result of a decrease in repairs and maintenance costs managed by the City Surveyor compared with 2022/23.

Other Relevant Financial Issues

39. Members may also wish to note that Finance Committee recently agreed to provide £210k in additional funding from City's Cash contingency monies to support works on known dangerous trees at Epping Forest during 2023/24.

Appendices

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

Appendix 2 - Income Performance 2023/24 as @ September 2023 (period 6)

Appendix 3 - Expenditure Performance 2023/24 as @ September 2023 (period 6)

Appendix 4 - Outstanding Invoiced Debt 120 Days as @ September 2023 (period 6)

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 @ September 2023 (period 6)

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