

Committee(s): Hampstead Heath, Highgate Wood and Queen's Park Committee	Dated: 29/11/2023
Subject: Operational Finance Progress Report (Period 6 April - September) 2023/24 – 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: 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

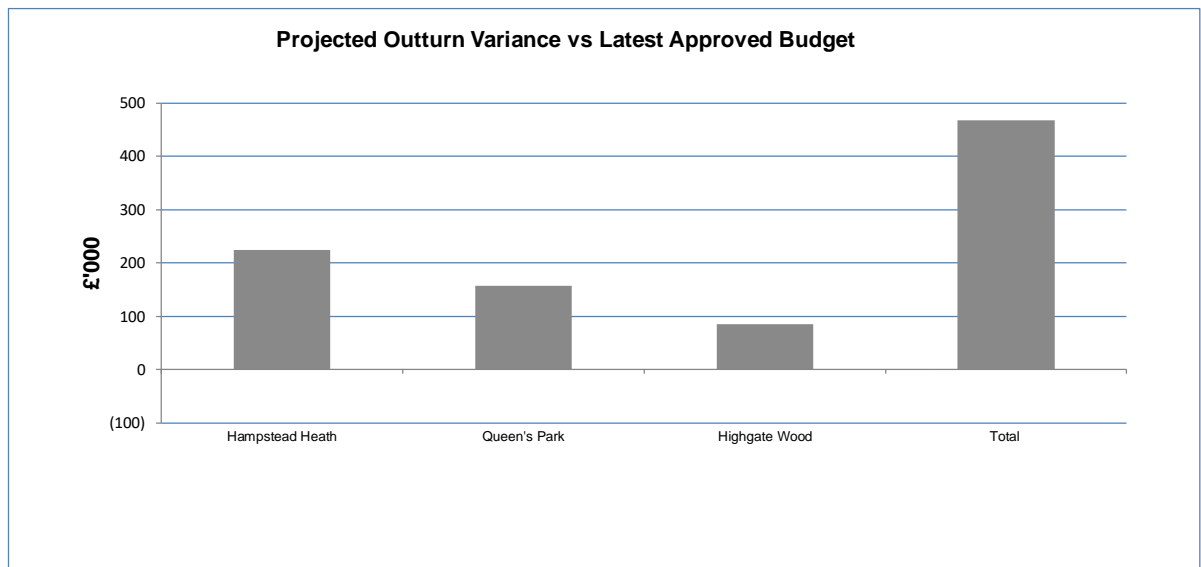
1. In order to improve financial reporting to your Committee, a set of various financial appendices and commentary have been produced to enable greater clarity of revenue and capital budgets and other financial information needed to allow greater scrutiny of the financial performance of the various divisions 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.

2. 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

3. The divisions of service and Charities that fall within the remit of your Committee has an overall net local risk expenditure revenue budget of £4.336m as reported at the end of September 2023. The current forecast outturn for 2023/24 as @ period 6 (September) is £3.868m, a forecast year-end underspend of £468k.
4. In the graph below, the forecast outturn budget performance by each individual division of service within your Committee is listed. The overall local risk forecast position currently projects an underspend of £468k (10.79%) for your Committee at year end against the latest budget. Appendix 1-3 sets out a more detailed financial analysis of each individual division of service reporting to your 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 £3.868m, representing a projected underspend of £468k against the latest approved budget of £4.336m.

5. 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.
6. The current projected underspend on your Committee's local risk budget as reported at the end of September 2023 is largely attributable to a favourable

variance of £224k relating to Hampstead Heath. This can be explained by additional income generated from the Ponds and Lido due to increased usage of the facilities over the summer months. This is in addition to underspends on staffing costs as a result of vacant posts as well as transport and grounds maintenance costs currently being lower than originally anticipated.

7. The favourable variance at Hampstead Heath is partly offset by additional swimming pool equipment being purchased and an overspend on water costs as a result of increased usage during the summer months. Additionally, there are some notable reductions in various forecast income streams relating to reduced income from sales as well as lower income from filming due to fewer filming projects taking place compared with 2022/23. This is in addition to reduced income from grants and contributions as a result of a self-funded post within the TOM2 structure not having yet been recruited. Members should also note that although there is currently projected to be an underspend of £224k on the local risk budget for 2023/24, it has subsequently been identified since finalising the September 2023 forecast outturn that this underspend will be used as a contribution from Hampstead Heath's local risk budget to help fund the costs of the Parliament Hill Athletics Track Resurfacing capital project, thereby eliminating the forecast underspend. This is in addition to necessary previously deferred health and safety needs that include significant vehicle and equipment repairs, staff training, and the costs of third-party supplemental security support.
8. In addition, as at the end of September 2023, there was projected to be an underspend of £158k on the local risk budget at Queen's Park. This can be explained by savings on employment costs as a result of vacant posts as well as additional income generated from memorial seats and fairground licenses. Additional health and safety costs will also be incurred at Queen's Park similar to Hampstead Heath, and the exact costs are being determined by Officers and will be reported at the next meeting.
9. Finally, there is projected to be an underspend of £86k at Highgate Wood. This can largely be explained by underspends on salaries due to vacant posts with new roles in the TOM2 structure unlikely to be recruited to until later in the financial year. Additional health and safety costs will also be incurred at Highgate Wood during 2022/23 and the exact costs are being determined by Officers and will be reported at the next meeting.

Local Risk Actual Position to Date

10. 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 your Committee.
11. Appendix 4 highlights that your Committee has received actual income to date of £2.579m against a budget to date of £1.409m, a favourable variance of £1.170m. This mainly relates to Hampstead Heath and can be explained by additional income generated from the Lido and Ponds as a result of increased usage of facilities, plus additional income from parking and tennis also being ahead of the budget profile to the end of September 2023.

12. Appendix 5 highlights that your Committee has incurred actual expenditure to date of £3.923m against a budget to date of £3.697m, an unfavourable variance of £226k to date.
13. The main expenditure variances relate to Hampstead Heath where there is a unfavourable position to date of £439k mainly due to additional expenditure being incurred on utilities and the purchase of equipment. This is in addition to an overspend on employment costs to date compared with the budget profile as a result of additional casual staffing costs being required over the summer. Finally, on transport we are also holding actual costs to date which will be transferred to a capital project for the costs of purchasing vehicles.
14. The overspend on expenditure to date is partly mitigated by underspends amounting to £130k and £83k at Queen’s Park and Highgate Wood respectively which is largely attributable to underspends on employment costs as a result of vacant posts.
15. 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.
16. To enable further detailed consideration of the service areas relating specifically to your Committee, Appendices 1-3 detail the individual division of service local risk and central risk monitoring reports to the end of September 2023.

Capital Projects

17. 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.
18. Out of a current approved budget of £3.024m, £2.663m has been spent or committed to date, leaving a remaining budget of £361k to progress the various projects to the next project gateway or release of further capital funds.

Table 1 – Live Capital Projects

Capital Projects by Division of Service	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
<u>Hampstead Heath, Highgate Wood and Queens Park</u>						
Hampstead Heath - Parliament Hill Athletics Track Resurfacing	2,299,687	1,999,686	5,810	1,520,340	217,089	256,447
Hampstead Heath Swimming Facilities - Safety, Access & Security Impr.	1,005,564	1,010,564	225,565	334,448	360,274	90,277
Queens Park Sandpit Refurb & Toilet Rebuild	14,025	14,000	0	0	0	14,000
Total	3,319,276	3,024,250	231,375	1,854,787	577,363	360,724

19. Members should note that it is proposed that the currently projected £300k forecast shortfall in the Parliament Hill Athletics Track Resurfacing project is projected to be funded through a £224k contribution from Hampstead Heath's local risk budget for 2023/24 and a £76k allocation from City's Cash capital contingency monies. Please note that this £76k allocation will require approval from Resource Allocation Sub-Committee (RASC). However, since this initial forecast overspend and additional funding proposal, the overall costs of this project are currently being reassessed as its likely they will exceed £300k.
20. 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.
21. 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, with none for Hampstead Heath.

Outstanding Invoiced Debts

22. At the end of September 2023, total outstanding invoiced debt for your Committee was £54,160 out of a total debt for the Natural Environment Division (including City Gardens) of £209,361. Relating to your Committee, £19,830 (37%) was over 120 days, £3,897 (7%) was between 60-120 days and £30,433 (56%) was under 60 days.
23. 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 top graph shows the time trend of the level of 120 day+ debt outstanding over the previous 6-month period.
24. The lower graph analyses the split of this debt across the various divisions of service for your Committee. The majority of the £19,830 outstanding 120 day+ debt balance relates to Hampstead Heath (£18,896/ 95%). This amount primarily relates to £6,434 owed in unpaid invoices for storage rental licenses with a Letter Before Action having been issued to the customer. The level of debt arrears over 120 days also includes £3,214 owed in football pitch bookings.

Charity Funds (Restricted, Unrestricted and Endowments)

25. Appendix 7 lists the various restricted, unrestricted and endowment funds held by both charities relevant to your Committee. It details the opening balance for the 2023/24 financial year and any movements up to period 6 (April-September 2023).
26. Movements within reserve funds since the start of the current financial year primarily relates to a £30k Community Infrastructure Levy (CIL) contribution from the London Borough of Brent to part fund the Sandpit & Playground Improvements project at Queen's Park.

27. It should also 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 7 may be subject to revision.
28. 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

29. 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 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.

30. 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.
31. The table below details previous year's levels of deficit funding grant made from City's Cash to the two 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 and capital expenditure funded through City's Cash which comprises the total level of deficit funding required for each charity.
32. 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 including 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

Hampstead Heath	2020/21	2021/22	2022/23	2023/24
	£'000s	£'000s	(Prov.)	(Est.)
	£'000s	£'000s	£'000s	£'000s
Gross Expenditure (excluding Cyclical Works)	8,732	8,772	8,963	8,676
Gross Income	3,009	4,533	4,605	5,512
Cyclical Works Expenditure	738	540	569	266
Capital Expenditure financed through Deficit Funding	152	429	62	
Total Deficit Funding - Hampstead Heath	6,451	5,356	4,842	3,430
Highgate Wood & Queen's Park Kilburn	2020/21	2021/22	2022/23	2023/24
	£'000s	£'000s	(Prov.)	(Est.)
	£'000s	£'000s	£'000s	£'000s
Gross Expenditure (excluding Cyclical Works)	1,387	1,294	1,338	1,375
Gross Income	153	321	233	235
Cyclical Works Expenditure	145	64	165	15
Total Deficit Funding - Highgate Wood & Queen's Park Kilburn	1,364	1,033	1,255	1,155
Committee Total	2020/21	2021/22	2022/23	2023/24
	£'000s	£'000s	(Prov.)	(Est.)
	£'000s	£'000s	£'000s	£'000s
Gross Expenditure (excluding Cyclical Works)	10,119	10,066	10,301	10,051
Gross Income	3,162	4,854	4,838	5,747
Cyclical Works Expenditure	883	604	734	281
Capital Expenditure financed through Deficit Funding	152	429	62	
Total Deficit Funding - Hampstead Heath, Highgate Wood & Queen's Park	7,815	6,389	6,097	4,585

33. As can be seen from the table above, 2022/23 saw a decrease in the level of deficit funding provided by City's Cash to Hampstead Heath compared with the previous year. This can be explained by one-off capital expenditure largely relating to the East Heath Car Park Resurfacing project being financed through deficit funding in 2021/22. This capital expenditure did not re-occur in 2022/23. The increase in deficit funding at Highgate Wood & Queen's Park Kilburn in 2022/23 is primarily attributable to a rephasing of projects falling under the CWP with the increase in expenditure resulting in an increased contribution from City's Cash. This is in addition to a reduction in income generated by the charity compared with 2021/22.
34. The current forecast for 2023/24 indicates a decrease in the amount of deficit funding due to be provided by City's Cash to the charities relevant to your Committee compared with the provisional outturn for 2022/23. This can be explained by an increase in the projected level of income expected to be generated in 2023/24 compared with the provisional outturn for 2022/23 which largely relates to additional income from the Hampstead Heath Trust. The decrease in deficit funding for 2023/24 can also be attributed to a rephasing of CWP projects compared with the level of expenditure incurred in 2022/23. 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.

Appendices

Appendix 1 to 3 - Hampstead Heath, Highgate Wood and Queen's Park Committee individual Division of Service Local Risk and Central Risk Monitoring Reports @ September 2023 (period 6)

Appendix 4 - Income Performance 2023/24 as @ September 2023 (period 6)

Appendix 5 - Expenditure Performance 2023/24 as @ September 2023 (period 6)

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

Appendix 7 – Charity Funds (Restricted, Unrestricted & Endowments)

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