

Committee(s): Hampstead Heath, Highgate Wood and Queen's Park Committee	Dated: 12/02/2024
Subject: Operational Finance Progress Report (Period 9 April - December) 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 9 (April – December) 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

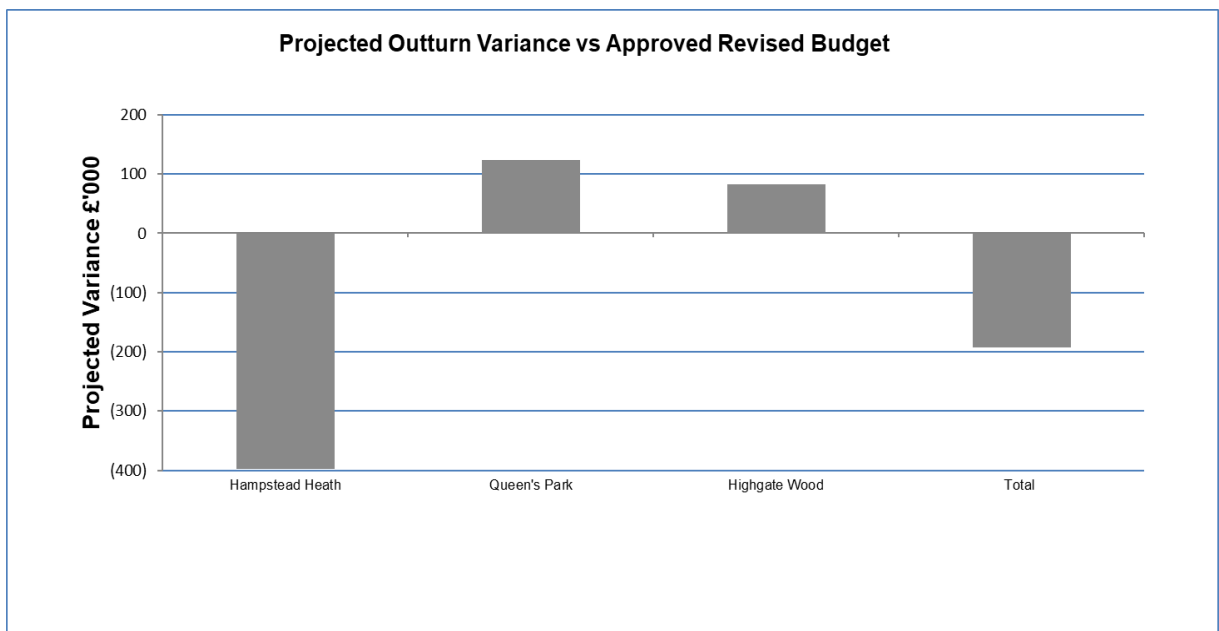
1. In order to improve financial reporting to your Committee, a set of various financial appendices and commentary have been produced to enable greater clarity of revenue and capital budgets and other financial information needed to allow greater scrutiny of the financial performance of the various divisions 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 £4.571m as reported at the end of December 2023. The current forecast outturn for 2023/24 as @ period 9 (December) is £4.763m, a forecast year-end overspend of £192k.
- 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 overspend of £192k (4.20%) for your Committee at year end against the approved revised budget. This represents a worsening of £660k in the projected local risk budgetary position for 2023/24 compared with the projected outturn to the end of September 2023 of £468k underspend, reported previously to your Committee. 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:

- Zero is the baseline approved revised budget for each Division of Service.
- Graph shows projected outturn position against the approved revised 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 £4.763m, representing a projected overspend of £192k against the approved revised budget of £4.571m.

5. The current projected net overspend on your Committee's local risk budget is largely attributable to an adverse variance of £397k relating to Hampstead Heath. This overspend is explained by:
 - Projected £322k additional contribution from the local risk budget to help fund additional costs on the Parliament Hill Athletics Track capital project, with the remaining £76k shortfall on the capital project proposed to be funded from City's Estate reserves. This is subject to approval from Resource Allocation Sub Committee (RASC).
 - Additional £263k expected to be incurred on fees and services. This is attributable to additional costs due to contractors for the provision of security staff and additional professional fees being required for the Parliament Hill Masterplan.
 - £114k overspend on equipment and materials relating to the purchase of swimming pool cleaning equipment as well as costs needing to be incurred on essential health and safety maintenance expenditure.
 - Additional water costs are currently forecast to be £96k overspent compared to budget due to additional usage of the facilities over the summer months.
 - Reduced income from contributions is currently forecast to be £61k less than budgeted as a result of decreased income from grants and donations compared with the previous year, plus lower income from sales is forecast to be £60k less than budgeted for 2023/24 due to a reduction in sales volumes.
6. The projected overspend on Hampstead Heath's local risk budget is partly mitigated by an additional £475k income expected to be generated from the Ponds and Lido, as well as an extra £60k in income from parking fees. The overall overspend at Hampstead Heath is also partly offset by expenditure savings relating to staffing costs £45k, transport related expenditure £41k and grounds maintenance cost savings £34k.
7. Meanwhile, the current local risk net overspend projected for your Committee is mitigated by a forecasted underspend of £123k on the local risk budget at Queen's Park. This is predominantly explained by savings on staffing costs as a result of vacant posts as well as additional income generated from fees and services such as memorial seats and fairground licenses. The current underspend at Queen's Park is partly offset by lower than budgeted income generated from rents.
8. Finally, there is projected to be an underspend of £82k 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. The underspend is however partly offset by reduced income from rents as well as additional repairs and maintenance costs likely to be required before the end of March 2024.

Local Risk Actual Position to Date

9. 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.
10. Appendix 4 highlights that your Committee has received actual income to date of £3.085m against a budget to date of £2m, a favourable variance of £1.085m. This primarily relates to Hampstead Heath and can be explained by additional income generated from the Lido and Ponds as a result of increased usage of the facilities, plus additional income achieved from parking in the current financial year to date.
11. Appendix 5 highlights that your Committee has incurred actual expenditure to date of £5.97m against a budget to date of £5.65m, an unfavourable variance of £320k to date.
12. The main expenditure variances relate to Hampstead Heath where there is a unfavourable position to date of £637k 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 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.
13. The overspend on expenditure to date is partly mitigated by underspends amounting to £208k and £109k at Queen's Park and Highgate Wood respectively, which is largely attributable to underspends on employment costs as a result of vacant posts. This is in addition to lower than expected costs on supplies and services and grounds maintenance costs at Queen's Park.
14. 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.
15. 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 December 2023.

Capital Projects

16. 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.

17. Out of a current approved budget of £3.024m, £2.758m has been spent or committed to date, leaving a remaining budget of £266k 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	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
Hampstead Heath, Highgate Wood and Queens Park						
Hampstead Heath - Parliament Hill Athletics Track Resurfacing	2,397,323	1,999,686	0	1,835,239	0	164,447
Hampstead Heath Swimming Facilities - Safety, Access & Security Impr.	1,005,564	1,010,564	138,649	558,860	225,674	87,381
Queens Park Sandpit Refurb & Toilet Rebuild	14,025	14,000	0	0	0	14,000
Queens Park Play Area and Sandpit Replacement of Equipment	149,475	0	0	0	0	0
Total	3,566,387	3,024,250	138,649	2,394,099	225,674	265,828

18. Members should note that it is proposed that the currently projected £398k forecast shortfall in the Parliament Hill Athletics Track Resurfacing project is anticipated to be funded through a £322k contribution from Hampstead Heath's local risk budget for 2023/24 as noted in paragraph 5. This is in addition to a £76k allocation from City's Estate capital contingency monies. Please note that this allocation will require approval from RASC.
19. Please also be aware that the relevant approvals are currently being sought for funding in relation to the Queen's Park Play Area and Sandpit Replacement of Equipment project. It is proposed that this project is funded from a number of sources comprising £55k from City's Estate monies, £45k Community Infrastructure Levy (CIL) funding from the London Borough of Brent and £14k from donations with the remaining £35k being met from your Committee's local risk budget.

Outstanding Invoiced Debts

20. At the end of December 2023, total outstanding invoiced debt for your Committee was £25,900 out of a total debt for the Natural Environment Division (including City Gardens) of £249,412. Relating to your Committee, £6,995 (27%) was over 120 days, £5,131 (20%) was between 60-120 days and £13,774 (53%) was under 60 days.
21. 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.
22. The lower graph analyses the split of this debt across the various divisions of service for your Committee. The majority of the £6,995 outstanding 120 day+ debt balance relates to Hampstead Heath (£6,841/ 98%). This amount primarily relates to £6,253 owed by three customers in relation to football pitch and training sessions. Members may wish to note that £2,164 of this amount has subsequently been settled with the remaining debts currently being pursued by staff at Hampstead Heath.

23. It should also be noted that the level of outstanding debts over 120 days as at December 2023 has reduced by £12,835 compared with the position at the end of September 2023 reported previously to your Committee. This can largely be explained by the writing off of outstanding debts comprising £6,444 in storage licenses and £1,008 in filming fees as well as £2,754 in payments being received from utilities companies to settle outstanding rent and wayleave invoices.

Charity Funds (Restricted, Unrestricted and Endowments)

24. 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 9 (April-December 2023).
25. Movements within reserve funds since the start of the current financial year primarily relates to grant monies for the installation of non-turf pitches being fully spent at Hampstead Heath as well as a £30k CIL contribution from the London Borough of Brent being received to part fund the Sandpit & Playground Improvements project at Queen's Park. This is in addition to donations income being received during 2023/24 which has increased the level of reserves held.
26. At the time this report was written, it should be noted that the external audit of the 2022/23 accounts for individual Natural Environment charities was still taking place and the 2023/24 opening balances shown for each reserve fund in Appendix 7 may be subject to revision.
27. 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 Estate 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 Estate.
 - **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

28. 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 Estate. 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.
29. 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.
30. The table below details previous year's levels of deficit funding grant made from City's Estate 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 Estate which comprises the total level of deficit funding required for each charity.
31. The projection for the current financial year is based on the forecast for local and central risk net expenditure (as at the end of December 2023). This is in addition to the estimated cost of recharges and budgets managed by the City Surveyor including CWP projects as well as any capital expenditure projected to be incurred in 2023/24 which is being funded by City's Estate monies. Please note that the amount of deficit funding provided by City's Estate 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 of the individual Natural Environment charities had not been completed at the time that this report was written.

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	9,369
Gross Income	3,009	4,533	4,605	5,776
Cyclical Works Expenditure	738	540	569	266
Capital Expenditure financed through Deficit Funding	152	429	62	3,264
Total Deficit Funding - Hampstead Heath	6,451	5,356	4,842	7,123
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	1,437
Gross Income	153	321	233	220
Cyclical Works Expenditure	145	64	165	15
Capital Expenditure financed through Deficit Funding	0	0	0	55
Total Deficit Funding - Highgate Wood & Queen's Park Kilburn	1,364	1,033	1,255	1,287
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	10,806
Gross Income	3,162	4,854	4,838	5,996
Cyclical Works Expenditure	883	604	734	281
Capital Expenditure financed through Deficit Funding	152	429	62	3,319
Total Deficit Funding - Hampstead Heath, Highgate Wood & Queen's Park	7,815	6,389	6,097	8,410

32. As can be seen from the table above, 2022/23 saw a decrease in the level of deficit funding provided by City's Estate 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 Estate. This is in addition to a reduction in income generated by the charity compared with 2021/22.
33. The current forecast for 2023/24 indicates an increase in the amount of deficit funding due to be provided by City's Estate to both charities relevant to your Committee compared with the provisional outturn for 2022/23. This can be explained by an increase in the level of gross expenditure currently projected to be incurred by the charities with additional deficit funding being needed to fund increased costs relating to staffing, premises related expenditure and fees and

services costs. The forecasted increase in deficit funding for 2023/24 is also attributable to a projected increase in capital expenditure being funded through City's Estate monies compared with 2022/23. This is largely attributable to funding from City's Estate to meet the cost of the Parliament Hill athletics track and swimming facilities projects at Hampstead Heath.

34. The projected increase in deficit funding for 2023/24 is partly offset by an increase in the total level of income currently forecast to be generated compared with 2022/23. This is explained by an increase in the level of income expected to be achieved from facilities at Hampstead Heath as well as additional income forecast from the Hampstead Heath Trust compared with 2022/23. Contributions from the Trust are assessed on a triennial basis with the level of contribution being increased annually in accordance with the average earnings index. In addition, the projected increase in deficit funding for 2023/24 is partly offset by the 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 @ December 2023 (period 9)

Appendix 4 - Income Performance 2023/24 as @ December 2023 (period 9)

Appendix 5 - Expenditure Performance 2023/24 as @ December 2023 (period 9)

Appendix 6 - Outstanding Invoiced Debt 120 Days as @ December 2023 (period 9)

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

Contact

Clem Harcourt, Finance Business Partner (Natural Environment), Chamberlain's Department

E: clem.harcourt@cityoflondon.gov.uk