

Committee(s): Epping Forest & Commons Committee	Dated: 19/09/2024
Subject: Operational Finance Progress Report 2024/25 (Period 3 April - June) – Epping Forest charity	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 at period 3 (April – June) 2024/25 for the Epping Forest charity (charity registration number: 232990) and sets out the charity’s revenue operating budget position to date and projected year-end outturn, current live capital projects and outstanding debt position. It also provides additional information on the various reserve funds held and other relevant finance information relevant to the charity. Members should note that unlike in previous years, two separate quarterly finance reports will be provided to your Committee, one report relating to Epping Forest charity and a separate report for the various Commons charities.

As part of the ongoing Charity Review, future training sessions will continue to be developed for both Members and Officers on key aspects of charity finance.

Recommendation

Members are asked to:

- Note the content of this report and its appendices.

Main Report

Background

1. In order to improve financial reporting related to the Epping Forest charity (charity registration no: 232990), a set of financial appendices and commentary has been produced to enable greater clarity of revenue and capital budgets, reserve balances and other financial information needed to allow greater scrutiny of the financial performance of the charity as well as to provide assurance that the Executive Director Environment remains within her overall local risk resources for 2024/25.
2. To ensure your Committee is kept informed about the financial performance of the charity, an update on progress made against budgets as well as other financial matters 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.

3. Please also note that in the report below, expenditure and adverse variances are represented by brackets, whereas figures without brackets indicate income or favourable variances.

Revenue Operating Budget – 2024/25

4. The latest budget for Epping Forest charity for 2024/25 currently amounts to (£6.361m) net expenditure. As at June 2024, actual net expenditure amounted to (£615k), with a current forecast outturn for 2024/25 of (£6.423m) net expenditure. This amounts to a projected net overspend of (£62k), equivalent to (0.97%) of total budget.
5. A summary of the latest revenue budget position for 2024/25 is shown in Table 1 below, with further detailed information provided in Appendix 1, including reasons for significant budget variances. Budgetary information has been separated to show more clearly the different elements of the budget, comprising direct operating budgets (local and central risk), recharges & support service budgets and City Surveyor managed repairs and maintenance budgets. Information has also been presented in a way that distinguishes between the charity's expenditure and income budgets.

Table 1 – Revenue Operating Budget Summary – June 2024

	Latest Budget	Actual - June 2024	Forecast Outturn	Budget Variance	Percentage Variance
	£'000s	£'000s	£'000s	£'000s	%
Gross Expenditure	(8,693)	(1,360)	(9,367)	(674)	(7.75%)
Gross Income	2,332	745	2,944	612	26.24%
Net Expenditure	(6,361)	(615)	(6,423)	(62)	(0.97%)

Expenditure

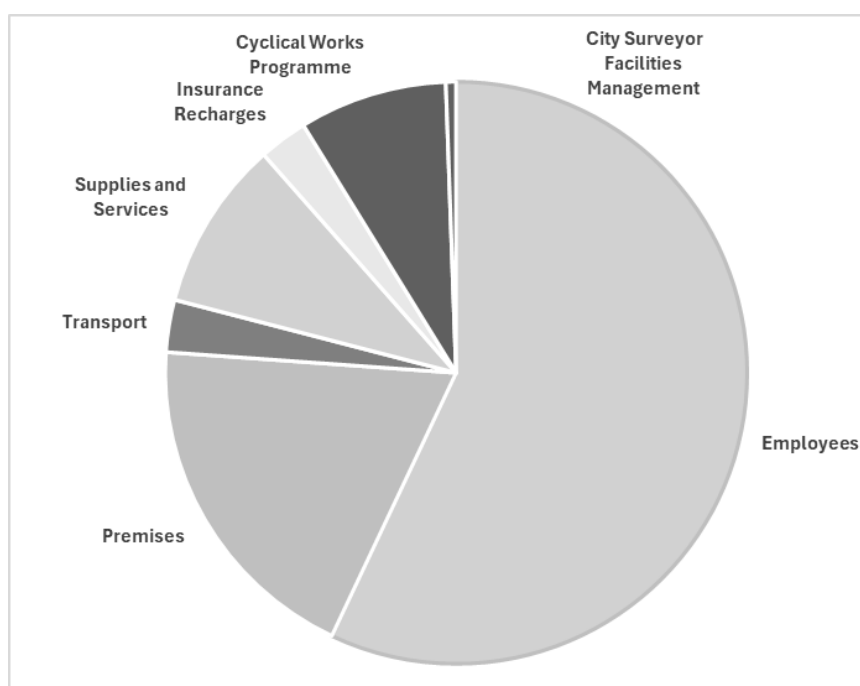
6. A breakdown and analysis of the latest gross expenditure position for 2024/25 is set out in Table 2 below:

Table 2 – Expenditure Summary – June 2024

	Latest Budget	Actual - June 2024	Forecast Outturn	Budget Variance	Percentage Variance
	£'000s	£'000s	£'000s	£'000s	
Direct Operating Budgets	(6,224)	(1,204)	(6,886)	(662)	(10.63%)
Recharges and Support Services	(1,959)	(37)	(1,959)	0	0.00%
City Surveyor Repairs and Maintenance	(510)	(119)	(522)	(12)	(2.35%)
Total Gross Expenditure	(8,693)	(1,360)	(9,367)	(674)	(7.75%)

7. As shown in Table 2, total gross expenditure to the end of June 2024 amounted to (£1.36m), amounting to 15.64% of the total gross expenditure budget for 2024/25 of (£8.693m). Graph 1 below also provides a graphical summary of the categories of expenditure incurred by the charity for April to June 2024.

Graph 1 – Expenditure Categories – April to June 2024



8. The charity is currently forecasting total gross expenditure for 2024/25 of (£9.367m), a projected overspend of (£674k) (7.75%) compared with a total gross expenditure budget of (£8.693m). This overspend is primarily explained by the following:

- (£709k) transfers to reserves for Strategic Access Management and Monitoring Strategy (SAMMS) monies received in 2024/25 for use in future years;
- £762k projected underspend on staff salaries as a result of vacancies in the new staffing structure having yet to be recruited;
- (£150k) additional expenditure on fees and services due to spend on contractors being required whilst the charity has held staffing vacancies following the implementation of the TOM2 staffing structure;
- (£100k) projected overspend on energy costs following increases in energy prices;
- (£97k) overspend on transport-related expenditure associated with the running costs of vehicles with additional costs incurred in connection with the repair and maintenance of vehicles;
- (£64k) increase in grounds maintenance costs with additional tree works expected to take place during 2024/25;
- (£63k) additional equipment and materials costs including in relation to the purchase of new equipment such as chillers;
- (£62k) additional costs on the Cyclical Works Programme (CWP) as a result of re-phasing of projects falling under the CWP;
- (£51k) increase in depreciation following the acquisition of a number of capital items including the purchase of several vehicles during 2023/24; and
- (£50k) increase in Council Tax liabilities.

Income

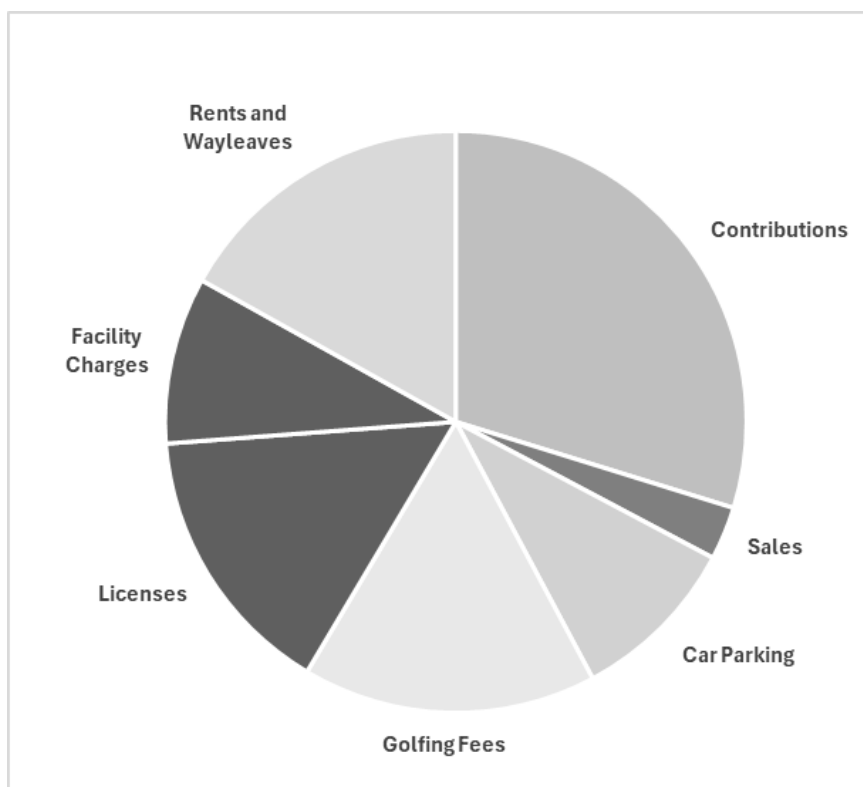
9. A breakdown and analysis of the latest gross income position for 2024/25 is set out in Table 3 below:

Table 3 – Income Summary — June 2024

	Latest Budget	Actual - June 2024	Forecast Outturn	Budget Variance	Percentage Variance
	£'000s	£'000s	£'000s	£'000s	%
Direct Operating Budgets	2,212	745	2,824	612	27.67%
Recharges and Support Services	120	0	120	0	0.00%
Total Gross Income	2,332	745	2,944	612	26.24%

10. As shown in Table 3, total income to the end of June 2024 amounted to £745k, amounting to 31.95% of the total gross income budget to be achieved for 2024/25 of £2.332m. Graph 2 below also provides a graphical summary of the categories of income generated by the charity for April to June 2024.

Graph 2 – Income Categories – April to June 2024



11. The charity is currently forecasting gross income for 2024/25 of £2.944m, amounting to £612k in extra income (26.24%) compared with a total gross income budget of £2.332m for the current financial year. This is largely explained by the following:

- £706k additional income from SAMMS monies which is due to be transferred to a restricted charity reserve;
- £51k extra income from licenses due to additional income from filming licenses; and
- (£149k) lower than originally budgeted income forecast from rents and wayleaves.

Capital Projects

12. Table 4 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.

13. Out of a current approved budget of £3.449m, £1.003m has been spent or committed to date, leaving a remaining budget of £2.446m to progress the various projects to the next project gateway or release of further capital funds.

Table 4 – Live Capital Projects

Capital Projects - Epping Forest	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
Baldwins & Birch Hall Park Ponds	1,748,794	502,600	298,981	1,063	1,543	201,013
Climate Action Strategy - Carbon Removals Phase 2	200,000	200,000	85,033	(265)	80,515	34,717
Epping Forest Various Sites - BEIMS Upgrade Phase 2	275,247	138,978	0	0	0	138,978
Great Gregories Yard - Future Proofing Building	408,747	408,744	13,063	135,546	218,070	42,065
The Warren - Carbon Reduction Measures (Climate Action Strategy)	462,612	462,612	0	0	0	462,612
Wanstead Park Ponds Project	1,062,500	241,000	169,277	289	0	71,434
Epping Forest - Window Replacements (CWP)	207,000	207,000	0	0	0	207,000
Epping Forest H & V Works (CWP)	325,000	325,000	0	0	0	325,000
Epping Forest Roof Works (CWP)	758,000	758,000	0	0	0	758,000
Great Gregories Farm - Electrical Housing Replacement (CWP)	60,000	60,000	0	0	0	60,000
Wanstead Flats - Landscaping Jubilee Pond (CWP)	145,000	145,000	0	0	0	145,000
TOTAL EPPING FOREST	5,652,900	3,448,934	566,354	136,633	300,128	2,445,819

Outstanding Invoiced Debts

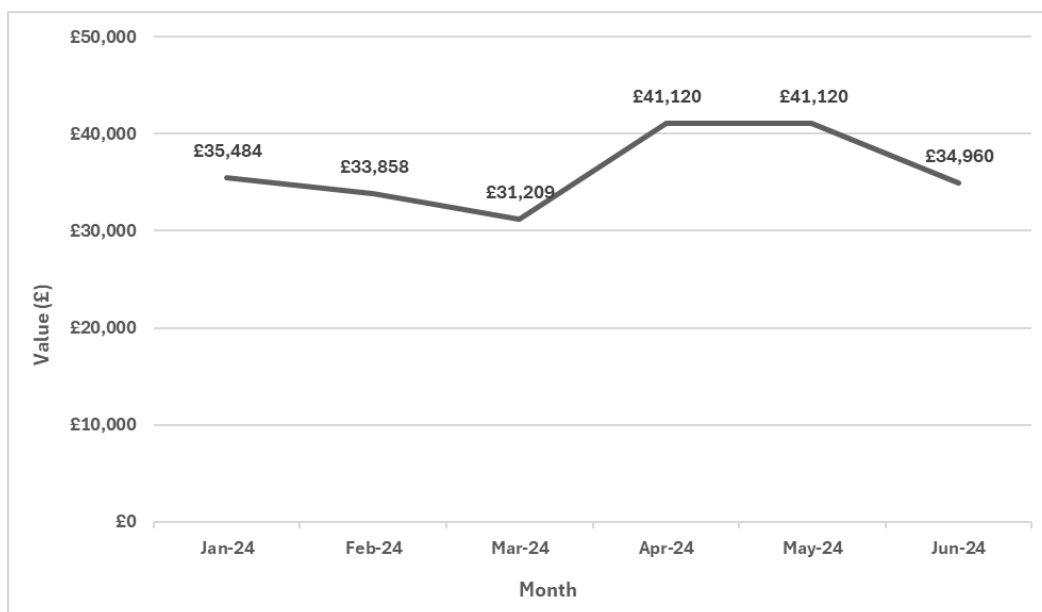
14. At the end of June 2024, total outstanding invoiced debt was £80,486. Table 5 analyses the current level of outstanding debt for the charity according to the age of the debt:

Table 5 – Analysis of Outstanding Invoiced Debts – June 2024

Age of Debt	Outstanding Debts	% of Total Debt Outstanding
0-30 Days	£36,785	45.70%
31-60 Days	(£880)	(1.09%)
61-90 Days	£4,249	5.28%
91-120 Days	£5,372	6.67%
121-365 Days	£7,389	9.18%
Over 365 Days	£27,571	34.26%
Total Outstanding Debts	£80,486	100.00%

15. As part of a previous best value review into outstanding debts, the maximum age of debt set by the Chamberlain to fully recover outstanding sums was set at 120 days. During this period automatic debt reminder letters, physical debt chasing of customers and liaison with Comptrollers & City Solicitors takes place to ensure debts are resolved within the corporately agreed debt repayment terms. Graph 3 below sets out the trend of the charity's outstanding debts over 120 days over the previous six-month period. As can be seen, debts over 120 days amounted to £34,960 in June 2024, a reduction of £6,160 compared with May 2024.

Graph 3 – Outstanding Debts Over 120 Days – January to June 2024



16. Current outstanding debts over 120 days include £21,736 owed in sundry debts by a single debtor in relation to the Chingford Festival. This debt is being pursued and is currently subject to an internal review from the Comptroller and City Solicitor. The remaining balance of £13,224 comprises amounts owed for outstanding rent and wayleaves debts.

Charity Reserve Funds

17. Table 6 below provides a summary of the different reserves held by Epping Forest charity as at the end of June 2024, including movements in reserve funds since the start of 2024/25:

18. Further detail is provided in Appendix 2 which lists the individual restricted, unrestricted and designated funds held by Epping Forest charity. It details the opening balance for 2024/25 and any movements in the current financial year to date. Appendix 2 also provides a technical definition for each of the different types of reserve funds held.

Table 6 - Reserve Funds Summary – June 2024

	Opening Balance 2024/25	Income	Expenditure	Current Balance
Restricted Funds	£494,109	£273,526	£0	£767,635
Unrestricted Funds	£549,782	£0	£0	£549,782
Designated Funds	£6,517,241	£4,151	(£1,595)	£6,519,797
Total	£7,561,132	£277,677	(£1,595)	£7,837,214

19. The primary movement in reserve funds during 2024/25 to date is explained by additional SAMMS contributions being received from local authorities which has been credited to the relevant restricted reserve. As at the end of June 2024, the balance on the SAMMS reserve amounted to £424,899 which relates to funds restricted for use on SAMMS related purposes.
20. The charity's general/free unrestricted reserves currently amount to £549,782. This amount is primarily explained by your Committee agreeing to 'undesignate' £543,284 in previously designated income funds at your meeting in March 2024. These funds are currently available to be spent on any of your charity's objects subject to the relevant designations being approved by the Trustee.
21. It should also be noted that the external audit of the 2023/24 accounts by Crowe U.K. LLP has not yet been completed and the opening balances shown for each reserve may be subject to revision.

Contributions from City of London

22. The current funding model is for the charity's total net expenditure to be fully funded from City's Estate. This also includes the cost of any capital expenditure incurred during the year as well any works managed under the CWP. It should be noted that any change to the amount of expenditure incurred or income generated over the course of the year will have an impact on the overall level of contribution from the City required by the charity at year end. The total contribution is therefore calculated based on the charity's **actual total net running costs for the year** in addition to any capital expenditure and CWP costs incurred during the year.
23. The table below sets out the contribution provided from City's Estate to the charity over a five-year period. This includes a forecast of the contribution currently expected to be required for 2024/25. This is broken down by the level of gross expenditure and income generated as well as any CWP works and capital expenditure funded through City's Estate. Please also be aware that figures shown for 2023/24 are currently provisional as the external audit of the Epping Forest charity accounts has not yet been completed.

Table 7 – Contributions from City’s Estate – 2020/21 to 2024/25

Epping Forest	2020/21	2021/22	2022/23	2023/24	2024/25 (Est.)
	£'000s	£'000s	£'000s	£'000s	£'000s
Gross Expenditure	(6,316)	(6,871)	(7,308)	(8,154)	(8,036)
Cyclical Works Expenditure	(349)	(480)	(293)	(199)	(132)
Capital Expenditure	(67)	(57)	(197)	(778)	(713)
Gross Income	1,581	2,737	3,310	2,455	2,863
Total Contribution from City of London - Epping Forest	5,059	4,527	4,879	6,573	6,099

24. As can be seen from the Table 7, 2023/24 saw an increase in the contribution from City’s Estate to Epping Forest charity compared with the previous year. This can be explained by an increase in gross revenue expenditure mainly for additional energy and grounds maintenance costs. This was in addition to funding received from City’s Estate for capital purchases including for the purchase of a number of vehicles during 2023/24. Additional contributions from City’s Estate in 2023/24 were also required due to reduced income levels compared with the previous year, due to the proceeds of a one-off insurance claim relating to Loughton Golf Course having been received in 2022/23.
25. Table 7 indicates a reduction in the forecasted contribution required from City’s Estate for 2024/25 compared with the previous financial year due mainly to an increase in facilities income projected to be achieved by the charity including in relation to filming licenses and lower levels of transport and equipment purchases currently forecast.
26. Members should note that alternatives to the charity’s current funding model are currently being explored by the Corporation’s Charity Review with proposed changes to the existing model due to be presented to Policy and Resources Committee and Finance Committee in December 2024.

Other Relevant Financial Issues

27. Members may wish to note that a review of the current recharges reallocation process from corporate departments is currently being finalised following the Target Operating Model and the Governance Review to ensure that the recharges appear more transparent and fairer across all services. The review is due to be presented to Finance Committee in September 2024 providing Members with a range of options on changes to recharges for 2024/25 and future years. Further details will be provided to Members in due course once available.
28. Additionally, as part of the budget setting process for the new financial year 2025/26, no capital bidding exercise will be undertaken corporately for new capital projects funded by City’s Estate or City Fund. There will, however, be a reduced central contingency held of £2m for City’s Estate and £7.5m for City Fund for essential new capital projects.

Appendices

Appendix 1 – Epping Forest Charity – Revenue Operating Budget – 2024/25

Appendix 2 – Epping Forest Charity - Reserve Funds – June 2024

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