

Committee(s): Natural Environment Board	Dated: 17 October 2024
Subject: Operational Finance Progress Report - Quarter 2 (August 2024) 2024/25 – Natural Environment Division	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 for Quarter 2 for 2024/25 for the Natural Environment Division’s revenue budget to date to the end of August 2024 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 Natural Environment Division services and Charities which fall within the remit of your Board.

As part of the ongoing Charity Review, future training sessions will be designed 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 to Members, 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 the Natural Environment Division as well as to provide assurance that the Executive Director Environment remains within her local risk resources for 2024/25.
2. To ensure your Board is kept informed, an update on progress made against budgets as well as other financial matters 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.

3. Members should also note that detailed information regarding the financial position of individual Natural Environment charities will be reported separately to the relevant service committees.
4. Please be advised 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

5. The latest budget for the Natural Environment Division (including City Gardens) for 2024/25 amounts to (£18.735m) net expenditure. Actual net expenditure currently amounts to (£3.677m), with a current forecast outturn for 2024/25 of (£18.987m) net expenditure. This amounts to a projected net overspend for 2024/25 of (£252k), equivalent to (1.35%) of the total net expenditure budget.
6. 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. Information has also been presented in a way that distinguishes between expenditure and income budgets in line with best practice for the financial reporting of charities. Please note that the information presented below comprises the division’s operating revenue budgets (local and central risk) as well as budgets for recharges and support services and repairs and maintenance budgets managed by the City Surveyor.

Table 1 – Revenue Operating Budget Summary – 2024/25

	Latest Budget	Actual - August 2024	Forecast Outturn	Budget Variance	% Variance
	£'000s	£'000s	£'000s	£'000s	%
Gross Expenditure	(33,355)	(9,374)	(34,259)	(904)	(2.71%)
Gross Income	14,620	5,697	15,272	652	4.46%
Net Expenditure	(18,735)	(3,677)	(18,987)	(252)	(1.35%)

7. As can be seen from the table above, the Natural Environment Division is currently forecasting an overspend of (£252k) compared with the total net expenditure budget for 2024/25. The primary reasons for the projected overspend are set out below:
 - (£149k) overspend for The Monument explained by income levels projected to be behind budget as income from admissions has not yet returned to pre-pandemic levels. Please also note that the Natural Environment Division are currently exploring future options for The Monument to address the existing budget shortfall.
 - (£113k) projected overspend at Epping Forest. This is primarily explained by additional expenditure being incurred on projects falling under the

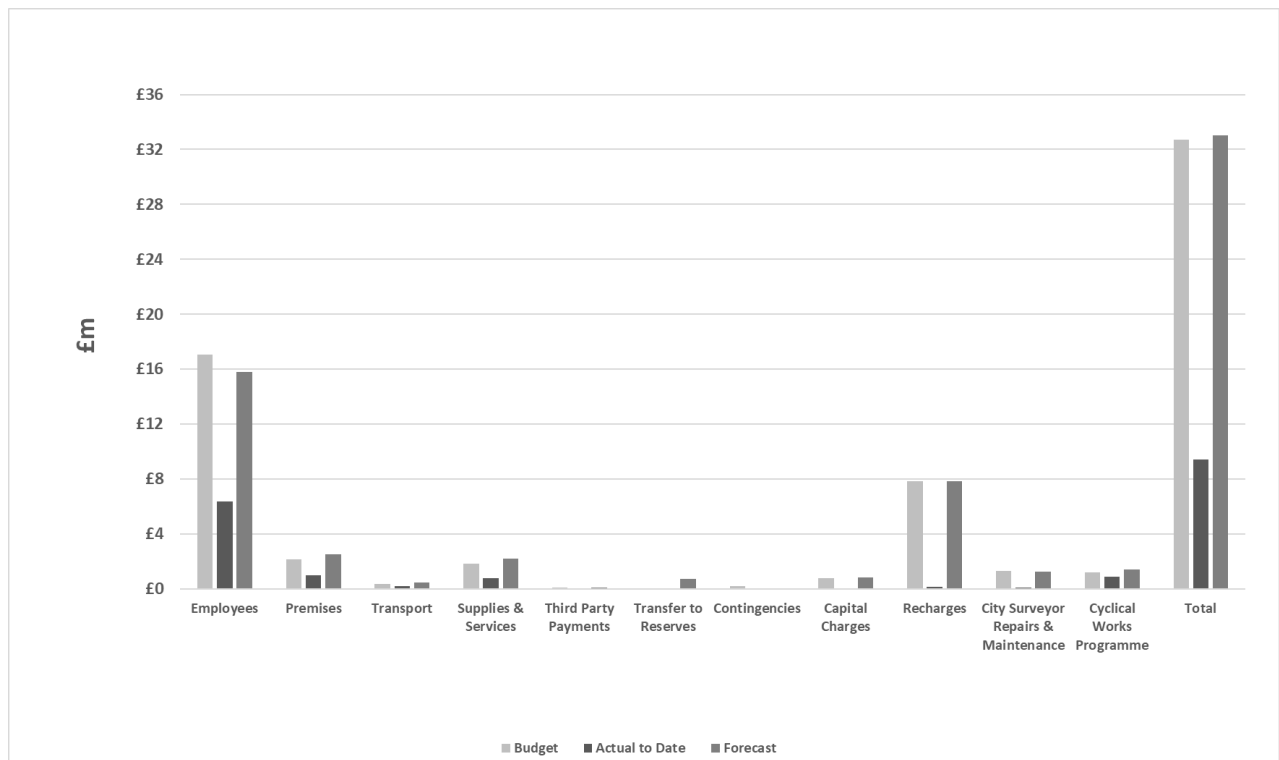
Cyclical Works Programme (CWP) managed by the City Surveyor as a result of the rephasing of CWP projects.

- (£71k) overspend currently forecast at Bunhill Fields. This is attributable to additional cyclical works expenditure incurred relating to conservation works and leaning wall repairs.

Expenditure

8. As at August 2024, total gross expenditure for the Natural Environment Division amounted to (£9.374m). This represents 28.10% of the division's total gross expenditure budget for 2024/25 of (£33.355m).
9. For 2024/25, the Natural Environment Division are currently forecasting total gross expenditure of (£34.259m), amounting to an overspend of (£904k) (2.71%) compared with the latest gross expenditure budget of (£33.355m).
10. The major variances on forecasted gross expenditure for 2024/25 compared with budget relate to Epping Forest which is forecasting an additional (£756k) in gross expenditure. This is explained by the charity forecasting additional expenditure on repairs and maintenance, energy costs and professional fees. This is in addition to the charity projecting a year-end transfer to reserves for unspent contributions from the Strategic Access Management and Monitoring Strategy (SAMMS) monies so that the funds are available for the charity to use in later years.
11. Graph 1 below provides a summary of the different categories of expenditure incurred by the Natural Environment Division in 2024/25 to date along with details of the current forecasts for 2024/25.

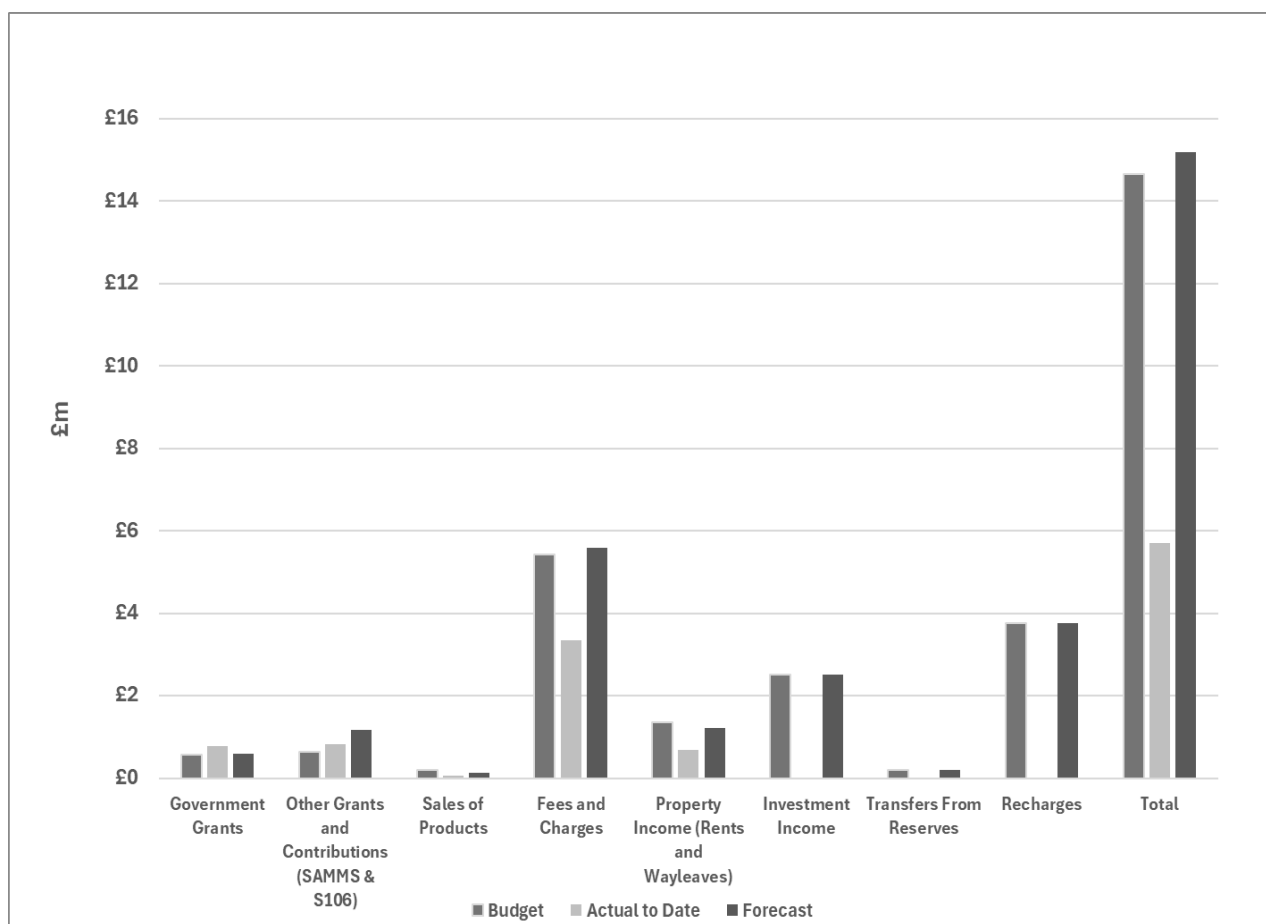
Graph 1 – Expenditure Categories – Natural Environment Division – 2024/25



Income

12. As at August 2024, total gross income for the Natural Environment Division amounted to £5.697m. This represents 38.97% of the division's total gross income budget for 2024/25 of £14.62m.
13. For 2024/25, the Natural Environment Division are currently forecasting total gross income of £15.272m, amounting to an increase in gross income of £652k (4.46%) compared with the latest gross income budget of £14.62m.
14. The major variances in relation to income include at Epping Forest where the charity is currently forecasting £643k in extra income compared to budget. This is explained by additional SAMMS monies having been received from local authorities in 2024/25 as set out above in paragraph 10. This in addition to extra income generated from filming licenses and golfing fees compared with budget.
15. In addition, there is forecast to be an additional £206k in income generated by Burnham Beeches compared with budget. This is explained by additional grant income having been received from the Rural Payments Agency as well as income received from large scale filming projects.
16. Graph 2 below provides a summary of the different categories of income received by the Natural Environment Division in 2024/25 to date along with current forecasts for 2024/25.

Graph 2 – Income Categories – Natural Environment Division – 2024/25



Capital Projects

17. Appendix 2 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 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.
18. Out of a current approved budget of £11.164m, £7.234m has been spent or committed to date, leaving a remaining budget of £3.93m to progress the various projects to the next project gateway, release of further capital funds or completion.

Outstanding Debts

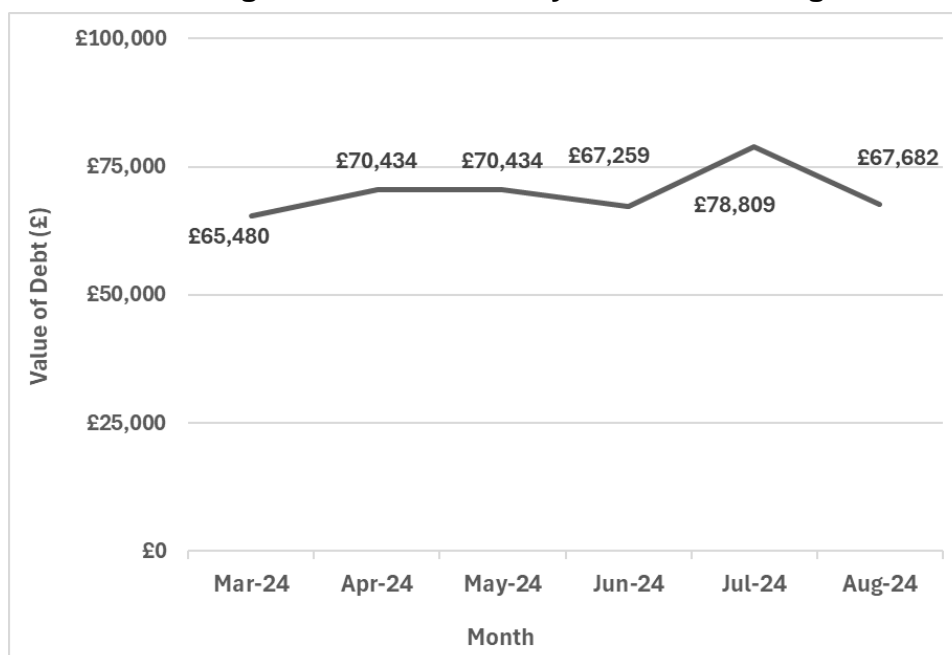
19. At the end of August 2024, total outstanding invoiced debt for the Natural Environment Division (including City Gardens) was £128,490. Table 2 below analyses the current level of outstanding debt according to the age of the debt:

Table 2 – Analysis of Outstanding Debts for Natural Environment Division – August 2024

Age of Debt	Outstanding Debts	% of Total Debt Outstanding
0-30 Days	£10,009	7.79%
31-60 Days	£24,751	19.26%
61-90 Days	£15,651	12.18%
91-120 Days	£10,397	8.09%
121-365 Days	£21,011	16.35%
Over 365 Days	£46,671	36.33%
Total Outstanding Debts	£128,490	100.00%

20. 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 division’s outstanding debts over 120 days over the previous six-month period. As can be seen from the graph, debts over 120 days amounted to £67,682 in August 2024, a reduction of £11,127 (14.12%) compared with the previous month.

Graph 3 – Outstanding Debts Over 120 Days – March to August 2024



21. Table 3 below also provides a breakdown of outstanding debts over 120 days according to each section of the division.

Table 3 – Natural Environment Outstanding Debts Over 120 Days – August 2024

Section	Outstanding Debts Over 120 Days	% of Total Debt Outstanding Over 120 Days
Ashtead Common	£360	0.53%
Burnham Beeches	£9,887	14.61%
City Gardens	£120	0.18%
Epping Forest	£35,773	52.85%
Hampstead Heath	£8,957	13.23%
Highgate Wood	£4,722	6.98%
Keats House	£5,998	8.86%
Queen's Park	£0	0.00%
West Ham Park	£462	0.68%
West Wickham & Coulsdon Commons	£1,403	2.08%
Total Outstanding Debts Over 120 Days	£67,682	100.00%

22. As can be seen, the majority of the amount owed comprised £35,773 (52.85%) in balances owed by debtors at Epping Forest. This includes an amount of £21,736 owed by a single debtor in relation to the Chingford Festival with a Letter Before Action having been issued in order to pursue the debt. The remaining balance of debts over 120 days includes £13,197 in property related debts at Epping Forest primarily comprising historic wayleave debts.

23. In addition, outstanding debts over 120 days includes £9,887 (14.61%) owed by customers at Burnham Beeches. This includes £6,750 owed in rent by a single customer with this debt currently being pursued.

24. £8,957 (13.23%) is also owed by debtors at Hampstead Heath. This includes £6,985 owed in property debts primarily consisting of amounts due related to rents and wayleaves from utility providers.

25. In addition, £5,998 (8.86%) is currently owed in debts over 120 days at Keats House in relation to room hire. These debts are currently being pursued by staff at Keats House.

26. Finally, total debts over 120 days comprise £4,722 (6.98%) relating to Highgate Wood. This is explained by amounts owed in outstanding utility bills as well as an unpaid invoice for football bookings. Members should note that £3,819 of the outstanding balance was subsequently settled after 31st August 2024.

27. Members may also wish to note that a separate detailed debt report is due to be presented to your Board in December 2024 setting out details of outstanding debt arrears for the Natural Environment Division and City Gardens to the end of September 2024.

Charity Funds (Restricted, Unrestricted, Designated and Endowments)

28. Appendix 3 (Epping Forest and Commons Committee) and Appendix 4 (Hampstead Heath, Highgate Wood & Queens Park Committee; West Ham Park; and Keats House) lists the various restricted, unrestricted, designated and endowment funds held by each charity. It details the opening balance for 2024/25 and any movements in the current financial year to date. Appendix 3 and Appendix 4 also provide a definition for each type of charity reserve fund.

29. A summary of the current balances held by each Natural Environment charity for each type of reserve fund is shown below in Table 4:

Table 4 – Natural Environment Charities Reserve Funds Summary – 2024/25

	Restricted Funds	Unrestricted Funds	Designated Funds	Endowments	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Ashtead Common	£0	£0	£3	£0	£3
Burnham Beeches	£986	£2	£990	£0	£1,978
Epping Forest	£1,157	£550	£6,522	£0	£8,229
Hampstead Heath (inc. Hampstead Heath Trust)	£34	£7	£22,485	£37,755	£60,281
Highgate Wood and Queen's Park	£0	£186	£210	£0	£396
Keats House	£159	£144	£49	£0	£352
West Ham Park	£0	£0	£935	£0	£935
West Wickham and Coulsdon Commons	£3	£3	£647	£0	£653
Total	£2,339	£892	£31,841	£37,755	£72,827

30. Members should be aware that funds held by an individual charity cannot be consolidated or utilised by a separate charity. It is key that individual charity funds are not viewed as being available to be 'offset' against each other, bearing in mind the different objects held by each charity.
31. It should also be noted that the external audit of the 2023/24 accounts for individual Natural Environment charities is still taking place and the opening balances shown for each reserve fund in Appendix 3 and Appendix 4 may be subject to revision.

Contributions from City's Estate

32. The current funding model is for each charity's total net expenditure 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 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 contribution required by the charity at year end. The total contribution 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.
33. Therefore, year on year there are variations in the contribution 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 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 contribution required) unless agreed by the relevant Committee within this annual process managed and reported by the Chamberlain to gain approval of the annual estimates.
34. The table below details the actual level of contribution provided from City's Estate to each of the individual Natural Environment charities for the previous four financial years along with the current forecast of the amount currently projected for 2024/25.
35. Please note that funding provided by City's Estate is unique to each individual charity and cannot be used to offset the level of funding provided to a separate charity. Please also be aware that the figures shown in Table 5 for 2023/24 are currently provisional as the external audit of the individual Natural Environment charities has not yet been completed.

Table 5 – Contributions from City’s Estate – 2020/21 to 2024/25

	2020/21	2021/22	2022/23	2023/24 (Prov.)	2024/25 (Est.)
	£'000s	£'000s	£'000s	£'000s	£'000s
Ashtead Common	511	471	524	609	543
Burnham Beeches and Stoke Common	1,036	896	1,051	972	886
Epping Forest	5,059	4,527	4,879	6,573	6,055
Hampstead Heath	6,451	5,356	4,842	8,591	3,920
Highgate Wood and Queen's Park Kilburn	1,364	1,033	1,255	1,533	1,851
Keats House	348	292	394	324	442
West Ham Park	1,279	1,250	1,933	1,234	1,313
West Wickham Common and Spring Park Wood, Coulsdon and Other Commons	1,094	1,046	1,249	1,014	1,292
Total Contribution from City’s Estate	17,142	14,871	16,127	20,850	16,302

36. As can be seen from the Table 5, there was an increase in the total contribution provided from City’s Estate to the various Natural Environment charities from £16.127m in 2022/23 to £20.85m for 2023/24. This can be explained by inflationary related price rises for staffing and energy costs affecting all charities which required an increase in the total contribution from City’s Estate for 2023/24. Moreover, 2023/24 saw an increase in the level of capital expenditure incurred, primarily at Hampstead Heath and Epping Forest, which resulted in a one-off higher level of contribution being required for these charities compared with 2022/23. Members may also wish to note that the reduced contribution provided for West Ham Park in 2023/24 is largely explained by a one-off capital purchase having taken place in 2022/23.
37. Table 5 also indicates a reduction in the total forecasted contribution projected to be received by the Natural Environment charities in 2024/25 compared with 2023/24. The decrease in the total forecasted contribution is largely explained by a reduced contribution at Hampstead Heath. This can be attributed to one-off capital expenditure relating to the Parliament Hill Athletics Track Resurfacing project having been funded from City’s Estate in 2023/24. This is in addition to an increase in total gross income projected to be generated at Hampstead Heath in 2024/25 compared with 2023/24 which will result in a lower level of contribution being required overall. Meanwhile, the reduced contribution projected at Epping Forest compared with 2023/24 can be explained by an increase in facilities income including in relation to filming licenses as well as the charity forecasting lower levels of expenditure on transport and equipment purchases.
38. Members should note that alternatives to the charities current funding model are 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

39. Members may wish to note that a review of the current recharges reallocation process from corporate departments has been undertaken following the Target Operating Model and the Governance Review to ensure that the recharges

appear more transparent and fairer across all services. The review was 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.

40. 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 – Natural Environment Division and City Gardens Revenue Budget – 2024/25

Appendix 2 – Natural Environment Capital Projects 2024/25 – Quarter 2

Appendix 3 – Charity Funds (Restricted, Unrestricted and Designated) - Epping Forest & Commons Committee

Appendix 4 - Charity Funds (Restricted, Unrestricted, Designated and Endowments) - Hampstead Heath, Highgate Wood and Queen's Park Committee; West Ham Park Committee; and Keats House

Contact

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

E: clem.harcourt@cityoflondon.gov.uk