

Committee(s): Hampstead Heath, Highgate Wood and Queen's Park Committee	Dated: 22 October 2024
Subject: Operational Finance Progress Report 2024/25 (Period 5 April - August) – Hampstead Heath	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: Niranjan Shanmuganathan, Chamberlain's Department	

Summary

This report provides an update on the operational finance position as at period 5 (April – August) 2024/25 for the Hampstead Heath charity (charity registration number: 803392) 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.

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 Hampstead Heath charity (charity registration number: 803392), 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 periodic (ideally 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 Hampstead Heath charity for 2024/25 currently amounts to (£3.490m) net expenditure. As at August 2024, actual net expenditure amounted to (£745k), with a current forecast outturn for 2024/25 of (£4.525m) net expenditure. This amounts to a projected net overspend of (£1.035m), equivalent to 29.67% 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 – August 2024

	Latest Budget £'000s	Actual Aug 2024 £'000s	Forecast Outturn £'000s	Budget Variance £'000s	Variance %
Gross Expenditure	(9,478)	(2,926)	(9,613)	(135)	(1.43%)
Gross Income	5,988	2,181	5,088	(900)	(15.03%)
Net Expenditure	(3,490)	(745)	(4,525)	(1,035)	(29.67%)

Expenditure

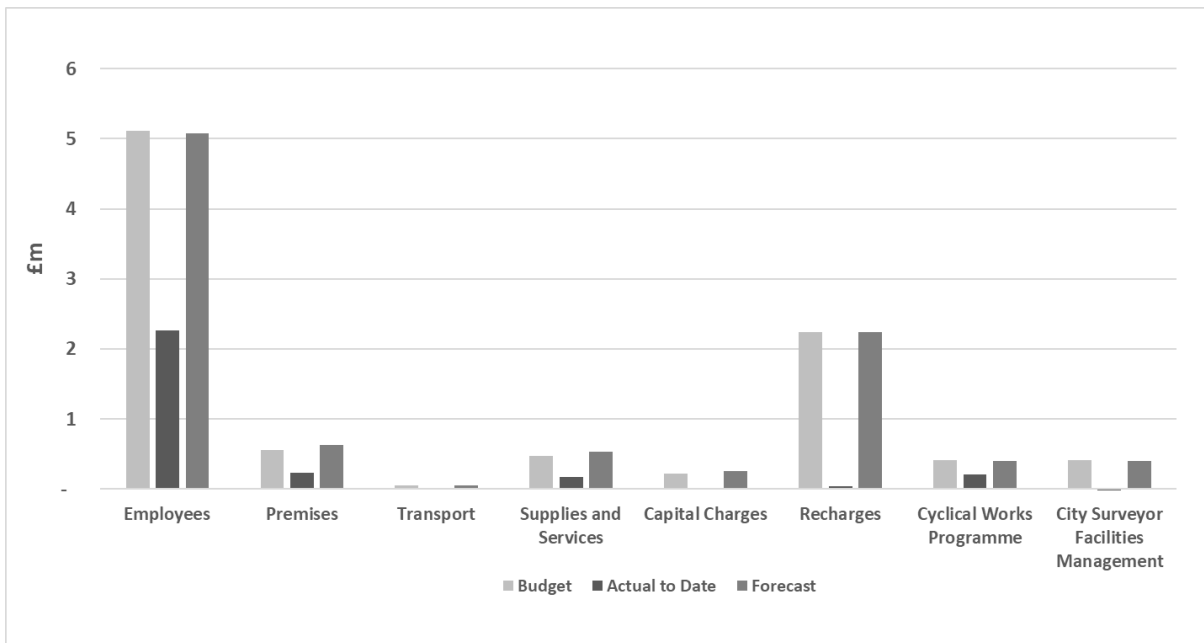
6. A breakdown and analysis of the latest gross expenditure position for 2024/25 is set out in Table 2 below:

Table 2 – Expenditure Summary – August 2024

	Latest Budget £'000s	Actual Aug 2024 £'000s	Forecast Outturn £'000s	Budget Variance £'000s	Variance %
Direct Operating Budgets	(6,411)	(2,689)	(6,558)	(147)	(2.29%)
Recharges and Support Services	(2,242)	(47)	(2,242)	0	0.00%
City Surveyor Repairs and Maintenance	(825)	(191)	(813)	12	1.41%
Total Gross Expenditure	(9,478)	(2,926)	(9,613)	(135)	(1.43%)

7. As shown in Table 2, total gross expenditure to the end of August 2024 amounted to (£2.926m), amounting to 30.87% of the total gross expenditure budget for 2024/25 of (£9.478m). Graph 1 below also provides a graphical summary of the categories of expenditure incurred by the charity for April to August 2024.

Graph 1 – Expenditure Categories – April to August 2024



8. The charity is currently forecasting total gross expenditure for 2024/25 of (£9.613m), a projected overspend of (£135k) equivalent to (1.43%) compared with a total gross expenditure budget of (£9.478m). This overspend is primarily explained by the following:
- (£91k) increase in energy costs as a result of significant energy rate increases. Potentially there may be further central contingency funding to meet this;
 - (£64k) forecasted increase in professional and consultant fees to XN Leisure relating to building a new leisure management system for the swimming facilities;
 - (£45k) increase in depreciation charges due to asset additions to vehicles and improvements to the swimming facilities
 - (£23k) additional cleaning material overspend and refuse collection/waste disposal costs. The level of expenditure will be kept under review;
 - Partly offset by £33k salary underspend expected due to vacancy of Head of Business Development role currently being recruited, as well as other vacancy savings offset against temporary staff expenditure, and;
 - £45k reduced forecast in repairs and maintenance needed to maintain the preservation of the Heath.

Income

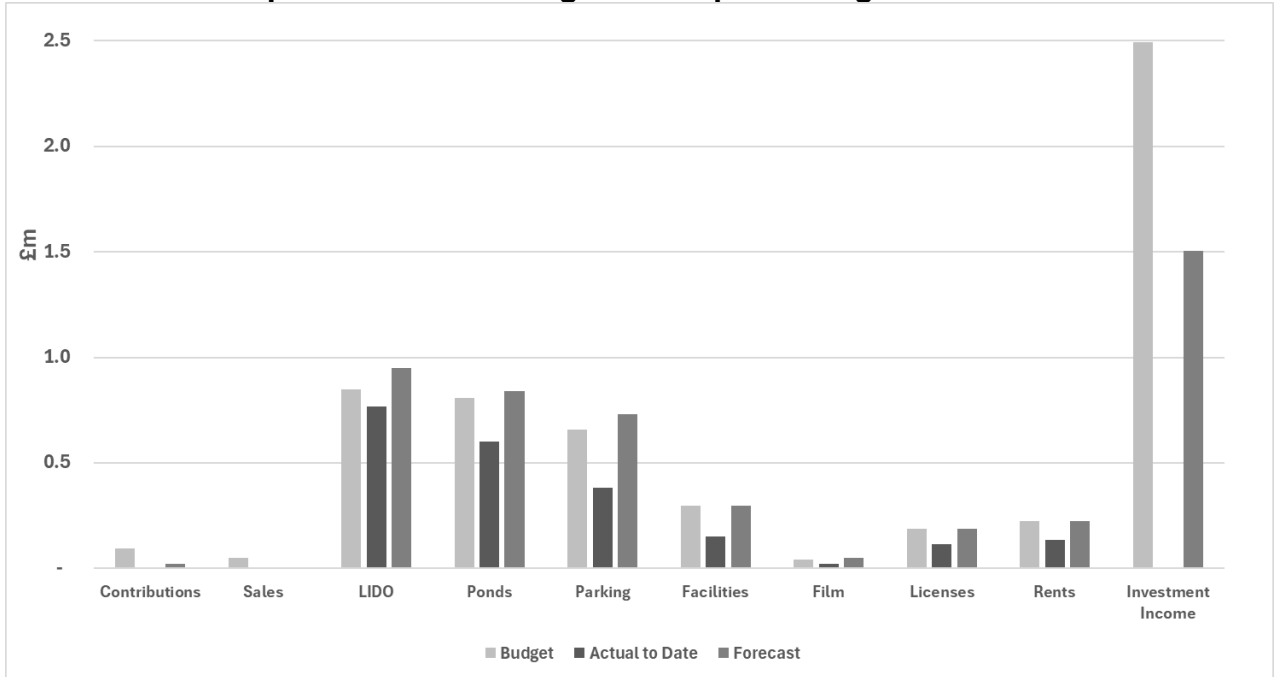
9. A breakdown and analysis of the latest gross income position for 2024/25 is set out in Table 3 below:

Table 3 – Income Summary — August 2024

	Latest Budget	Actual - August 2024	Forecast Outturn	Budget Variance	Variance
	£'000s	£'000s	£'000s	£'000s	%
Direct Operating Budgets	5,713	2,181	4,813	(900)	(15.75%)
Recharges and Support Services	275	0	275	0	0.00%
Total Gross Income	5,988	2,181	5,088	(900)	(15.03%)

10. As shown in Table 3, total income to the end of August 2024 amounted to £2.181m, amounting to 38.18% of the total gross income budget to be achieved for 2024/25 of £5.988m. Graph 2 below also provides a graphical summary of the categories of income generated by the charity for April to August 2024.

Graph 2 – Income Categories – April to August 2024



11. The charity is currently forecasting gross income for 2024/25 of £5.088m, amounting to (£900k) in reduced income (15.03%) compared with a total gross income budget of £5.988m for the current financial year.
12. This is largely explained by a (£988k) investment income shortfall expected based on a projected dividend yield which is calculated as dividend income distributed in the period divided by average month-end net asset value in the period. The fund made several strategic adjustments to manage risk and optimize long-term growth during 2023/24 which included trimming positions in certain high-performing stocks and reallocating capital. Whilst these adjustments were necessary for maintaining portfolio balance and positioning for future growth, they have resulted in lower dividend income in the short term compared against the original budget for 2024/25.

The budget is currently based on the maximum contribution set out in The London Government Reorganisation Order 1989 which states that if the relevant year (2024/25 in this case) is the third year of a relevant period, the maximum contribution is equal to the amount of the maximum contribution for the second year plus the annual adjustment relating to the change in the value of average earnings index between April of the prior financial year against April of the preceding year. For the 2025/26 budget setting process, we will be reviewing whether the maximum contribution determination is the most appropriate method in calculating the investment income budget.

13. The remaining gross income forecast variances against gross income budget is explained as follows:
- (£71k) reduction in donations and contributions income as it is expected to be no more than was achieved in 2023/24;
 - (£49k) reduction in sales (mostly from metal recycling) which are not expected to yield more than £1k for the year. Future years budget will be corrected to reflect this;
 - Partly offset by £130k increase in LIDO and ponds revenue expected due to additional usage in the spring and summer periods;
 - £70k increase in parking fees with the new parking enforcement ANPR system expected to yield 10% more income than budgeted, and;
 - £8k extra filming income as a result of filming Bridget Jones in the Heath.

Capital Projects

14. 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 and may not equal the total estimated cost of the project to finalisation.
15. Out of a current approved budget of £1.189m, £843k has been spent or committed to date, leaving a remaining budget of £345k to progress the various projects to the next project gateway, release of further capital funds or completion.

Table 4 – Live Capital Projects

Capital Projects - Hampstead Heath	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
HH Swimming Facilities - Safety, Access & Security Improvements	919,285	919,285	715,487	97,870	24,355	81,573
Parliament Hill Lido Photovoltaic Panels (Climate Action Strategy)	269,409	269,409	0	5,940	0	263,469
TOTAL HAMPSTEAD HEATH	1,188,694	1,188,694	715,487	103,810	24,355	345,042

Outstanding Invoiced Debts

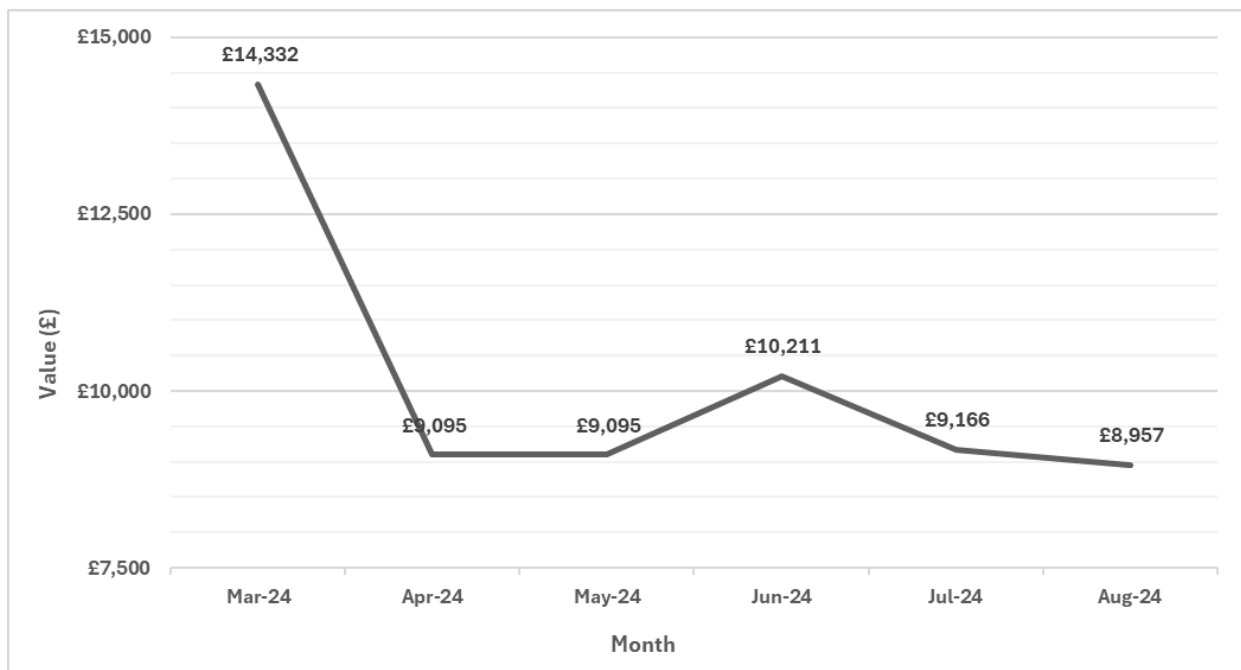
16. At the end of August 2024, total outstanding invoiced debt was £20,342. Table 5 analyses the current level of outstanding debt for the charity according to the age of the debt:

Table 5 – Analysis of Outstanding Invoiced Debts – August 2024

Age of Debt	Outstanding Debts	% of Total Debt Outstanding
0-30 Days	£6,991	34.37%
31-60 Days	£1,649	8.11%
61-90 Days	£2,560	12.58%
91-120 Days	£185	0.91%
121-365 Days	(£139)	(0.68%)
Over 365 Days	£9,096	44.71%
Total Outstanding Debts	£20,342	100.00%

17. 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 £8,957 in August 2024, a decrease of £209 compared with July 2024.

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



18. Current outstanding debts over 120 days mainly relates to £6,577 owed in outstanding rent and wayleave invoices which is currently being pursued and £1,972 for football facilities which is expected to be settled in the next period.

Charity Reserve Funds

19. Table 6 below provides a summary of the different reserves held by Hampstead Heath charity as at the end of August 2024, including movements in reserve funds since the start of 2024/25:

20. Further detail is provided in Appendix 2 which lists the individual restricted, unrestricted and designated funds held by Hampstead Heath charity and Hampstead Heath Trust Fund. 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 – August 2024

Hampstead Heath	Opening Balance 2024/25	Income	Expenditure	Current Balance
Restricted Funds	£33,820	£330	£0	£34,150
Unrestricted Funds	£7,312	£152	£0	£7,464
Designated Funds	£22,485,136	£0	£0	£22,485,136
Total	£22,507,734	£482	£0	£22,508,216

Hampstead Heath Trust Fund	Opening Balance 2024/25	Income	Expenditure	Current Balance
Permanent Endowment	£36,025,459	£0	£0	£36,025,459
Expendable Endowment	£827,434	£0	£0	£827,434
Unrestricted Funds	£902,261	£0	£0	£902,261
Total	£37,755,154	£0	£0	£37,755,154

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 Hampstead Heath charity accounts has not yet been completed.

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

Hampstead Heath	2020/21	2021/22	2022/23	2023/24	2024/25 (Est.)
	£'000s	£'000s	£'000s	£'000s	£'000s
Gross Expenditure	(8,732)	(8,772)	(8,963)	(9,459)	(9,162)
Cyclical Works Expenditure	(738)	(540)	(569)	(565)	(406)
Capital Expenditure	(152)	(429)	(62)	(3,233)	(473)
Gross Income	3,009	4,533	4,605	4,666	4,928
Total Contribution from City of London	(6,613)	(5,208)	(4,989)	(8,591)	(5,114)

24. As can be seen from the Table 7, 2023/24 saw a significant increase in the contribution from City's Estate to Hampstead Heath charity compared with the previous year. This is mainly driven by an increase in capital expenditure on the Parliament Hill Athletics Track Resurfacing project as well as an increase in gross expenditure relating to staff and premise costs which required an increase in the level of deficit funding provided by City's Estate.
25. Table 7 indicates a decrease in the forecasted contribution required from City's Estate for 2024/25 compared with the previous financial year mainly due to a significant reduction in capital expenditure as a result of the completion of the resurfacing of the athletics track, reductions in gross expenditure due to removal of administrative support staff budgets, as well as reductions in premise and professional fees. Additionally there are projected increases in gross income as a result of more filming expected and greater lido/ponds activity.
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 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 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 – Hampstead Heath Charity – Revenue Operating Budget – 2024/25

Appendix 2 – Hampstead Heath Charity - Reserve Funds – August 2024

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