

<b>Committee(s):</b> Hampstead Heath, Highgate Wood and Queen's Park Committee	<b>Dated:</b> 22 October 2024
<b>Subject:</b> Operational Finance Progress Report 2024/25 (Period 5 April - August) – Highgate Wood & Queen's Park	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	n/a
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	n/a
<b>What is the source of Funding?</b>	n/a
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	n/a
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> 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 Highgate Wood & Queen's Park charity (charity registration number: 232986) 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 Highgate Wood & Queen's Park charity (charity registration number: 232986), 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 Highgate Wood & Queen's Park charity for 2024/25 currently amounts to (£1.903m) net expenditure. As at August 2024, actual net expenditure amounted to (£503k), with a current forecast outturn for 2024/25 of (£1.842m) net expenditure. This amounts to a projected net underspend of £61k, equivalent to 3.19% 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 & 2, 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**

	<b>Latest Budget £'000s</b>	<b>Actual Aug 2024 £'000s</b>	<b>Forecast Outturn £'000s</b>	<b>Budget Variance £'000s</b>	<b>Variance %</b>
<b>Gross Expenditure</b>	<b>(2,124)</b>	<b>(624)</b>	<b>(2,072)</b>	<b>52</b>	<b>2.43%</b>
<b>Gross Income</b>	<b>221</b>	<b>120</b>	<b>230</b>	<b>9</b>	<b>4.07%</b>
<b>Net Expenditure</b>	<b>(1,903)</b>	<b>(503)</b>	<b>(1,842)</b>	<b>61</b>	<b>3.19%</b>

## Expenditure

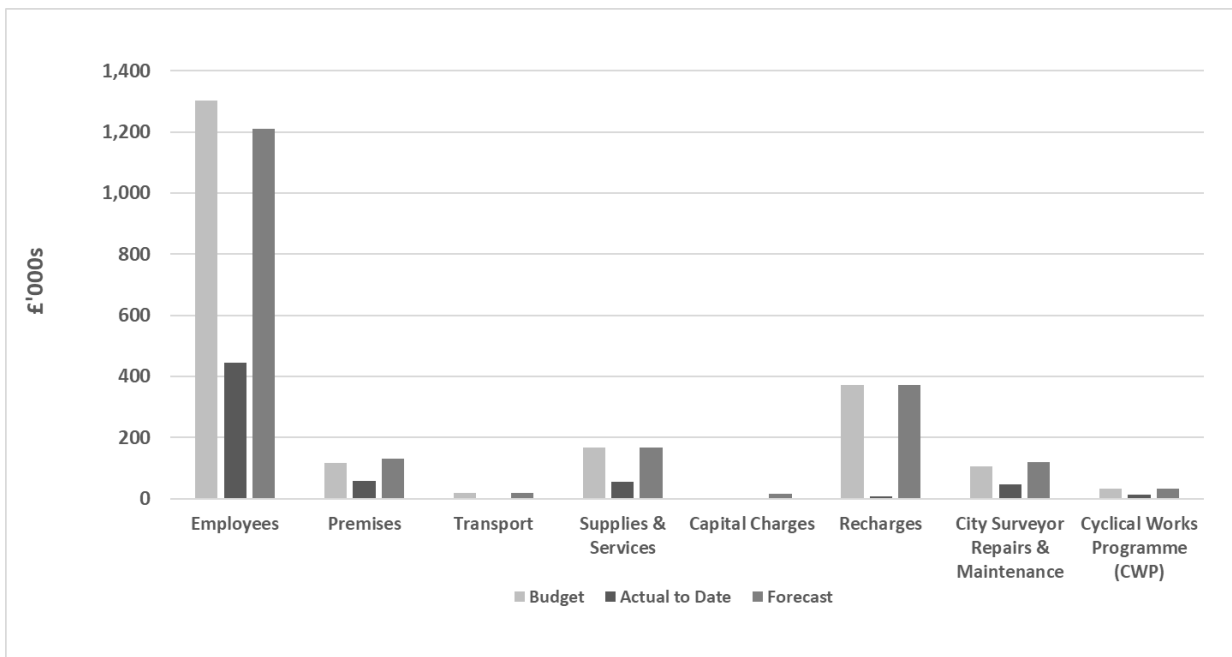
6. A breakdown and analysis of the latest gross expenditure position for 2024/25 is set out in Table 2 below:

**Table 2 – Expenditure Summary – August 2024**

	Latest Budget £'000s	Actual Aug 2024 £'000s	Forecast Outturn £'000s	Budget Variance £'000s	Variance %
<b>Direct Operating Budgets</b>	<b>(1,611)</b>	<b>(558)</b>	<b>(1,545)</b>	<b>66</b>	<b>4.10%</b>
<b>Recharges and Support Services</b>	<b>(373)</b>	<b>(6)</b>	<b>(373)</b>	<b>0</b>	<b>0.00%</b>
<b>City Surveyor Repairs and Maintenance</b>	<b>(140)</b>	<b>(59)</b>	<b>(154)</b>	<b>(14)</b>	<b>(10.21)%</b>
<b>Total Gross Expenditure</b>	<b>(2,124)</b>	<b>(624)</b>	<b>(2,072)</b>	<b>52</b>	<b>2.43%</b>

7. As shown in Table 2, total gross expenditure to the end of August 2024 amounted to (£624k), amounting to 29.36% of the total gross expenditure budget for 2024/25 of (£2.124m). Graph 1 below also provides a graphical summary of the categories of expenditure incurred by the charity for April to August 2024 against 2024/25 Forecast Outturn.

**Graph 1 – Expenditure Categories – April to August 2024**



8. The charity is currently forecasting total gross expenditure for 2024/25 of (£2.072m), a projected underspend of £52k (2.43%) compared with a total gross expenditure budget of (£2.124m). This underspend is primarily explained by the following:

- £92k staffing underspend due to delayed recruitment of operative ranger and gardener roles across both Highgate Wood and Queens’s Park;
- (£8k) energy costs are expected to be overspent as a result of increased energy prices. Potentially there may be further central contingency funding to meet this;
- (£7k) overspend on rates as a result of increases in 24/25 council tax;
- (£12k) increase in depreciation after the addition of equipment purchased at Queen's Park Play Area;
- (£12k) net increase in City Surveyors mainly due to breakdown of equipment of the Queen’s Park bandstand

### Income

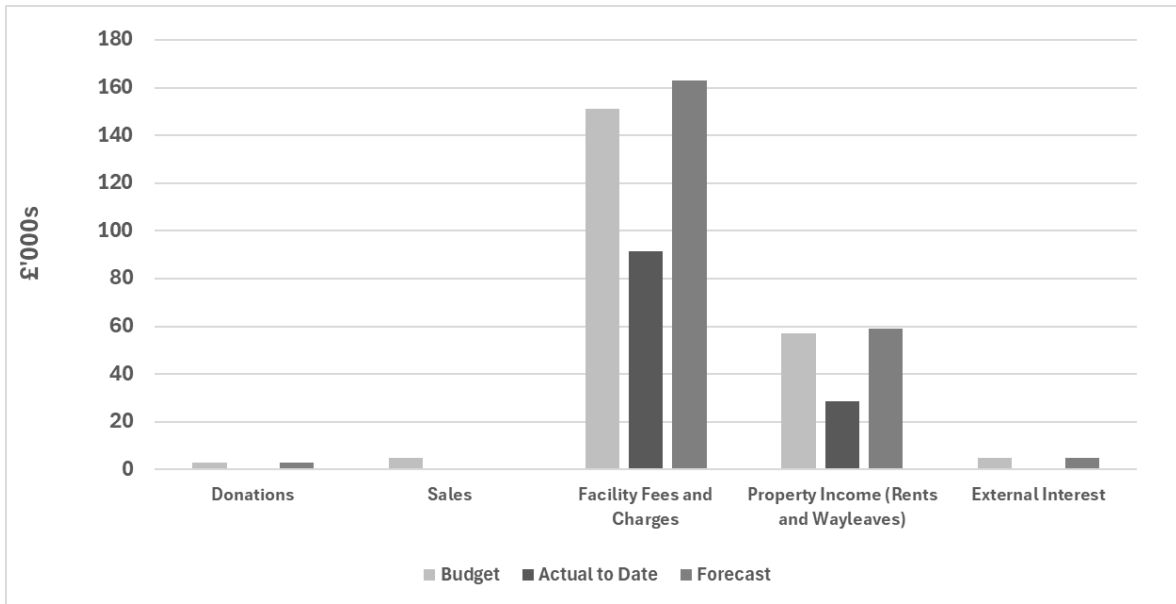
9. A breakdown and analysis of the latest gross income position for 2024/25 is set out in Table 3 below:

**Table 3 – Income Summary — August 2024**

	<b>Latest Budget £'000s</b>	<b>Actual Aug 2024 £'000s</b>	<b>Forecast Outturn £'000s</b>	<b>Budget Variance £'000s</b>	<b>Variance %</b>
<b>Direct Operating Budgets</b>	<b>221</b>	<b>120</b>	<b>230</b>	<b>9</b>	<b>4.07%</b>
<b>Recharges and Support Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
<b>Total Gross Income</b>	<b>221</b>	<b>120</b>	<b>230</b>	<b>9</b>	<b>4.07%</b>

10. As shown in Table 3, total income to the end of August 2024 amounted to £120k, amounting to 54.43% of the total gross income budget to be achieved for 2024/25 of £221k. 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 £230k, amounting to £9k in extra income (4.07%) compared with a total gross income budget of £221k for the current financial year. This is largely explained by the following:

- £12k increase in tennis fees expected to yield another 15% on top of budget;
- £2k extra rental income forecasted which is expected to match 2023/24 income
- Partly offset by a (£5k) reduction in sales as no sales expected, there will be no budget here in future years.

### 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 and may not equal the total estimated cost of the project to finalisation.

13. Out of a current approved budget of £152k, £149k has been spent or committed to date, leaving a remaining budget of £3k to progress the various projects to the next project gateway, release of further capital funds or completion.

**Table 4 – Live Capital Projects**

Capital Projects - Queen's Park	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
QP Play Area and Sandpit replacement of equipment	105,955	152,000	105,955	38,266	4,319	3,460
<b>TOTAL QUEEN'S PARK</b>	<b>105,955</b>	<b>152,000</b>	<b>105,955</b>	<b>38,266</b>	<b>4,319</b>	<b>3,460</b>

**Outstanding Invoiced Debts**

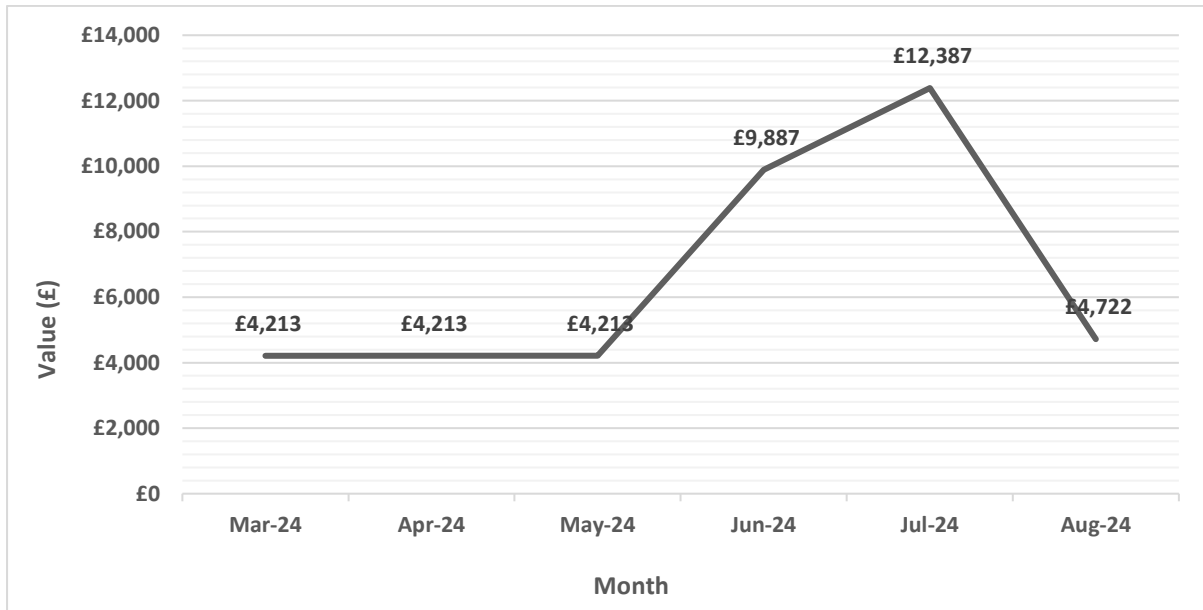
14. At the end of August 2024, total outstanding invoiced debt was £8,825. Table 5 analyses the current level of outstanding debt for the charity according to the age of the debt:

**Table 5 – Analysis of Outstanding Invoiced Debts – August 2024**

Age of Debt	Outstanding Debts	% of Total Debt Outstanding
0-30 Days	£441	4.99%
31-60 Days	£1,461	16.55%
61-90 Days	£1,475	16.72%
91-120 Days	£726	8.23%
121-365 Days	£3,818	43.27%
Over 365 Days	£904	10.24%
<b>Total Outstanding Debts</b>	<b>£8,825</b>	<b>100.00%</b>

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 £4,722 in August 2024, a decrease of £7,664 compared with July 2024.

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



16. Current outstanding debts over 120 days include £3,818 owed by a tenant for gas usage, it is understood that this payment will be settled shortly. The outstanding amount of £904 is associated with unpaid sundry invoices which are currently being pursued.

### Charity Reserve Funds

17. Table 6 below provides a summary of the different reserves held by Highgate Wood & Queen’s Park charity as at the end of August 2024, including movements in reserve funds since the start of 2024/25:
18. Further detail is provided in Appendix 3 which lists the individual restricted, unrestricted and designated funds held by Highgate Wood & Queen’s Park charity. It details the opening balance for 2024/25 and any movements in the current financial year to date. Appendix 3 also provides a technical definition for each of the different types of reserve funds held.

**Table 6 - Reserve Funds Summary – August 2024**

	Opening Balance 2024/25	Income	Expenditure	Current Balance
<b>Restricted Funds</b>	£0	£0	£0	£0
<b>Unrestricted Funds</b>	£186,630	£0	£0	£186,630
<b>Designated Funds</b>	£209,526	£0	£0	£209,526
<b>Total</b>	<b>£396,156</b>	<b>£0</b>	<b>£0</b>	<b>£396,156</b>

19. 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

20. 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.
21. 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 Highgate Wood & Queen's Park charity accounts has not yet been completed.

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

Highgate Wood & Queens Park	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	2024/25 (Est.) £'000s
Gross Expenditure	(1,387)	(1,294)	(1,338)	16	0
Cyclical Works Expenditure	(145)	(64)	(165)	0	0
Capital Expenditure	0	0	0	(46)	0
Gross Income	153	321	233	0	0
<b>Total Contribution from City of London</b>	<b>(1,379)</b>	<b>(1,037)</b>	<b>(1,270)</b>	<b>(30)</b>	<b>0</b>

22. As can be seen from the Table 7, 2023/24 saw an increase in the contribution from City's Estate to Highgate Wood & Queen's Park charity compared with the previous year. This is mostly due to gross expenditure increase of (£390k) driven by energy and professional fees doubling in 2023/24 which required an increase in the level of deficit funding provided by City's Estate. This was on top of an increase in capital expenditure (£46k) on the Queen's Park Sandpit.
23. Table 7 indicates an increase in the forecasted contribution required from City's Estate for 2024/25 compared with the previous financial year due to an increase in gross expenditure as a result of an increase in staff costs as most TOM2 roles and vacancies have been recruited.



24. 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**

25. 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.

26. 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 – Highgate Wood & Queen's Park Charity – Revenue Operating Budget – 2024/25

Appendix 2 – Queen's Park Charity – Revenue Operating Budget – 2024/25

Appendix 3 – Highgate Wood & Queen's Park Charity - Reserve Funds – August 2024

### **Contact**

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