

<b>Committee(s):</b> Natural Environment Board	<b>Dated:</b> 06/02/2025
<b>Subject:</b> Operational Finance Progress Report - Quarter 3 (December 2024) 2024/25 – Natural Environment Division	<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>	No
<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> Clem Harcourt, Chamberlain’s Department	

### Summary

This report provides an update on the operational finance position for Quarter 3 for 2024/25 for the Natural Environment Division’s (including City Gardens) revenue budget to date to the end of December 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 and City Gardens 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 (£21.697m) net expenditure. Actual net expenditure as at December 2024 currently amounts to (£11.367m), with a current forecast outturn for 2024/25 of (£21.722m) net expenditure. This amounts to a projected net overspend for 2024/25 of (£25k), equivalent to (0.12%) of the total net expenditure budget. This represents an improvement of £227k in the projected net overspend for 2024/25 compared with the forecasted overspend of (£252k) to the end of August 2024 reported previously to your Board.
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 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**

	<b>Latest Budget £'000s</b>	<b>Actual – Dec 2024 £'000s</b>	<b>Forecast Outturn £'000s</b>	<b>Budget Variance £'000s</b>	<b>Variance %</b>
<b>Gross Expenditure</b>	(35,525)	(19,519)	(36,532)	(1,007)	(2.83)
<b>Gross Income</b>	13,828	8,152	14,810	982	7.10
<b>Net Expenditure</b>	(21,697)	(11,367)	(21,722)	(25)	(0.12)

7. As can be seen from the table above, the Natural Environment Division and City Gardens are currently forecasting a total net overspend of (£25k) compared with the total net expenditure budget for 2024/25. The primary reasons for the projected overspend are set out below:
  - (£207k) 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 with discussions ongoing regarding the potential transfer of The Monument to another department.

- (£139k) projected overspend at West Ham Park. This is attributable to the rephasing of projects falling under the Cyclical Works Programme (CWP) managed by the City Surveyor. This is on top of the charity's incurring additional depreciation expenses compared to budget following the purchase of equipment for the playground in the previous financial year.
- (£138k) overspend currently forecast for City Gardens. This is explained by additional costs incurred on cyclical cleaning, safety checks and the maintenance of irrigation and ornamental sites managed by the Highways Division.
- (£105k) projected overspend at West Wickham and Coulsdon Commons. This is due to additional costs incurred on the building repairs and maintenance contract managed by City Surveyors and additional expenditure required on tree safety.

8. The current forecasted overspend for 2024/25 is partly mitigated by the following:

- £399k total net underspend currently projected at Highgate Wood and Queen's Park Kilburn. This is explained by lower than anticipated staffing costs as a result of vacant posts. This is in addition to extra income generated from tennis as well as lower than anticipated CWP expenditure following a rephasing of CWP projects related to the charity.
- £128k underspend forecast for Epping Forest. This is a result of employment costs projected to be less than budgeted for 2024/25 due to current staffing vacancies, plus additional income from filming licenses and golfing fees being greater than anticipated.

## **Expenditure**

9. As at December 2024, total gross expenditure for the Natural Environment Division amounted to (£19.519m). This represents 54.94% of the division's total gross expenditure budget for 2024/25 of (£35.525m).

10. For 2024/25, the Natural Environment Division are currently forecasting total gross expenditure of (£36.532m), amounting to an overspend of (£1.007m) (2.83%) compared with the latest gross expenditure budget for 2024/25 of (£35.525m).

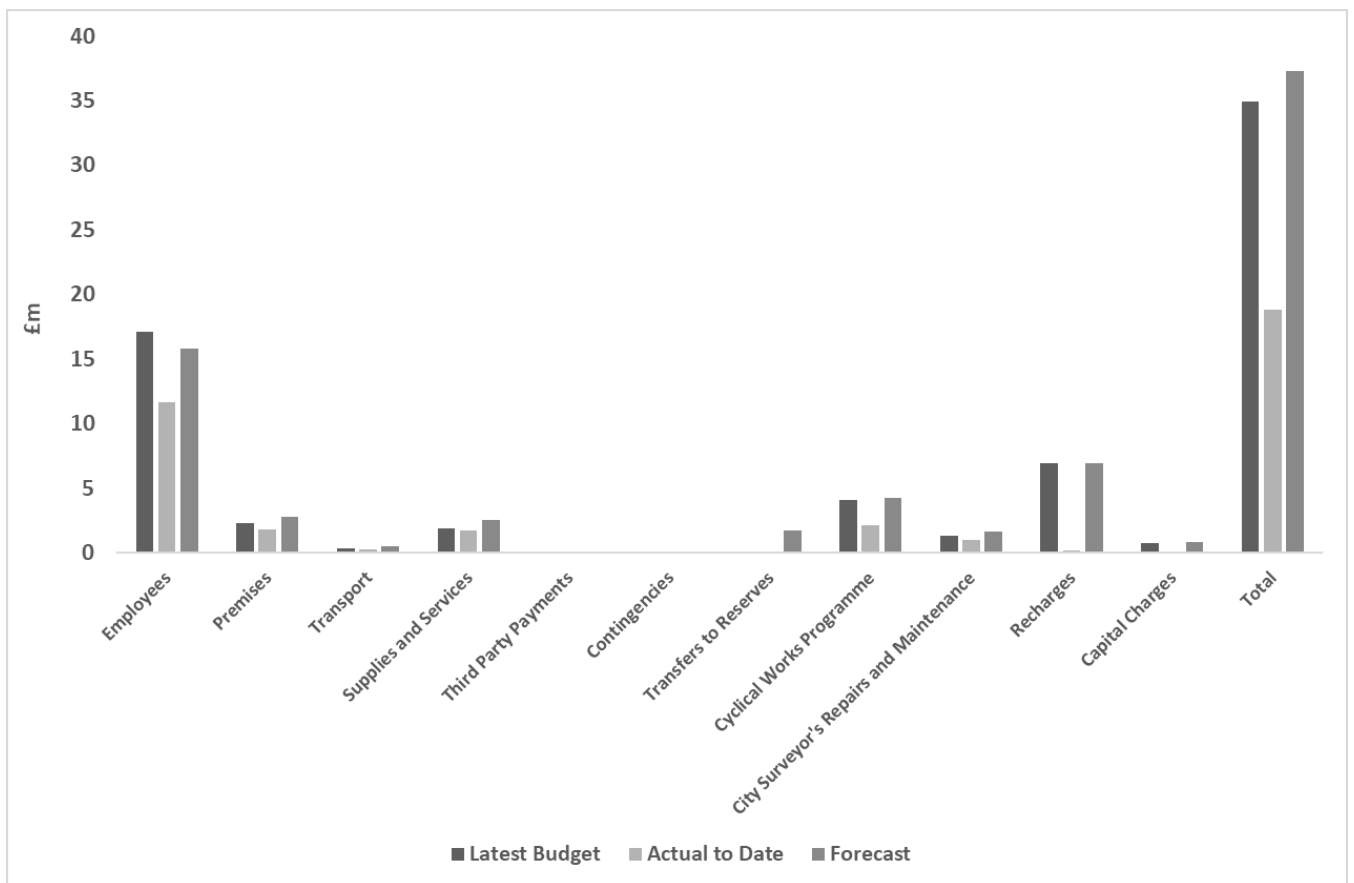
11. The major adverse variances in relation to forecasted gross expenditure for 2024/25 include (£1.227m) at Epping Forest. This is largely explained by transfers to the charity's reserves forecast to take place for additional income received from government grants and contributions from the Strategic Access Management and Monitoring Strategy (SAMMS). This is in addition to extra vehicle and equipment purchases planned for 2024/25.

12. In addition, Ashted Common are currently forecasting an overspend of (£282k) on gross expenditure as a result of transfers to the charity's reserves due to take place for additional grant income having been received earlier in the year.

13. Finally, there is a forecasted overspend of (£195k) in relation to expenditure at City Gardens. This can be explained by cyclical cleaning, safety checks and maintenance costs overseen by the Highways Division in addition to signage and equipment being required at City Gardens during 2024/25.

14. 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 current forecasts for 2024/25.

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



**Income**

15. As at December 2024, total gross income for the Natural Environment Division and City Gardens amounted to £8.152m. This represents 58.95% of the division's total gross income budget for 2024/25 of £13.828m.

16. For 2024/25, the Natural Environment Division are currently forecasting total gross income of £14.810m, amounting to an increase in gross income of £982k, 7.10%, compared with the latest gross income budget of £13.828m.

17. The major favourable variances in relation to gross income include at Epping Forest where the charity is currently forecasting £1.355m in extra income. This is explained by additional SAMMS monies and income from the Countryside

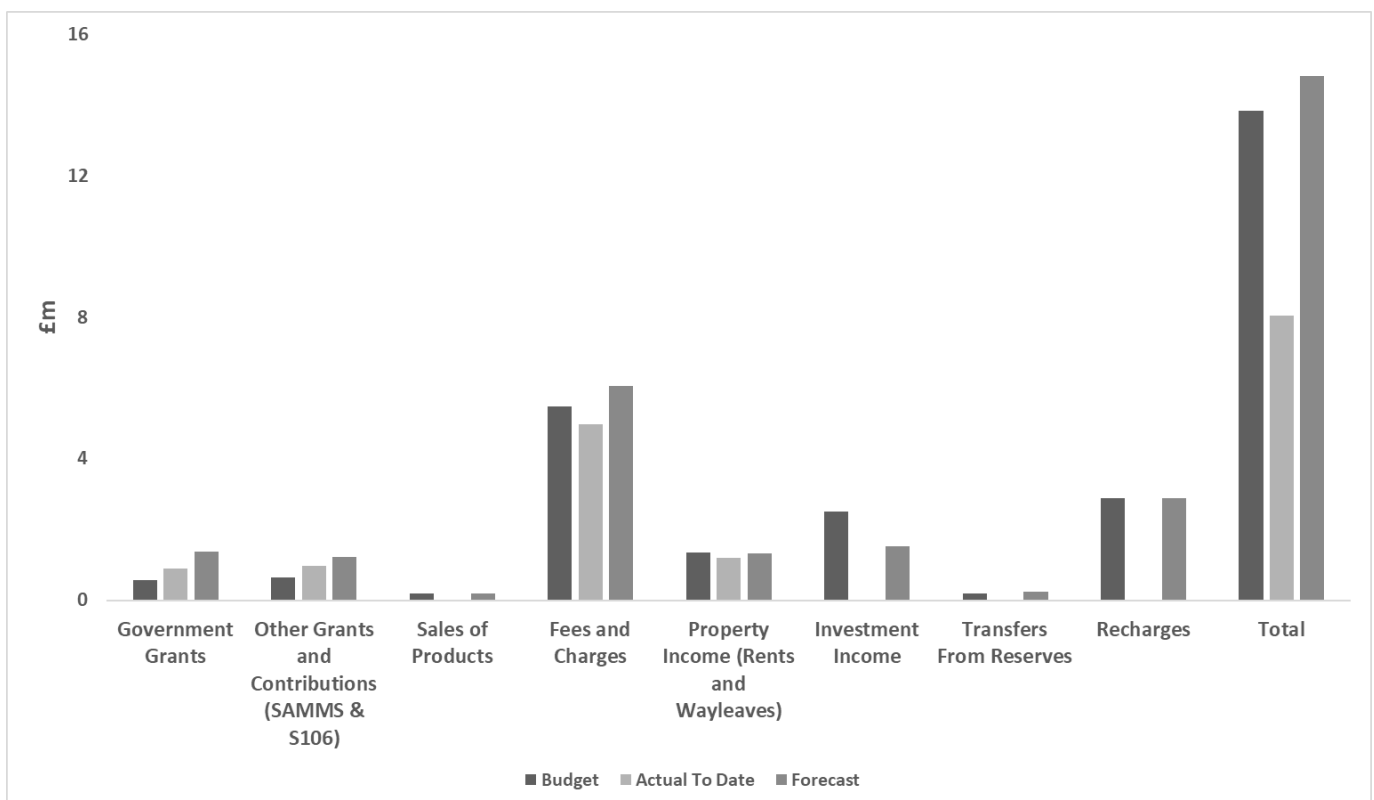
Stewardship Scheme having been received during 2024/25 which is due to be transferred to the charity’s restricted reserves as referenced in paragraph 11. This in addition to extra income generated from filming licenses and golfing fees compared with budget.

18. In addition, there is forecast to be an additional £262k in income generated by Ashted Common compared with budget. This is a result of additional income having been received in 2024/25 from the Countryside Stewardship Scheme.

19. Meanwhile, income at Burnham Beeches for 2024/25 is forecast to be £174k greater than budgeted with extra income received from government grants as well as large scale filming projects having taken place during the current financial year.

20. Graph 2 below provides a summary of the different categories of income received by the Natural Environment Division to December 2024 along with current forecasts for 2024/25.

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



### Capital Projects

21. 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.

22. Out of a current approved budget of £13.457m, £7.785m has been spent or committed to date, leaving a remaining budget of £5.672m to progress the various projects to the next project gateway, release of further capital funds or completion.

### Outstanding Debts

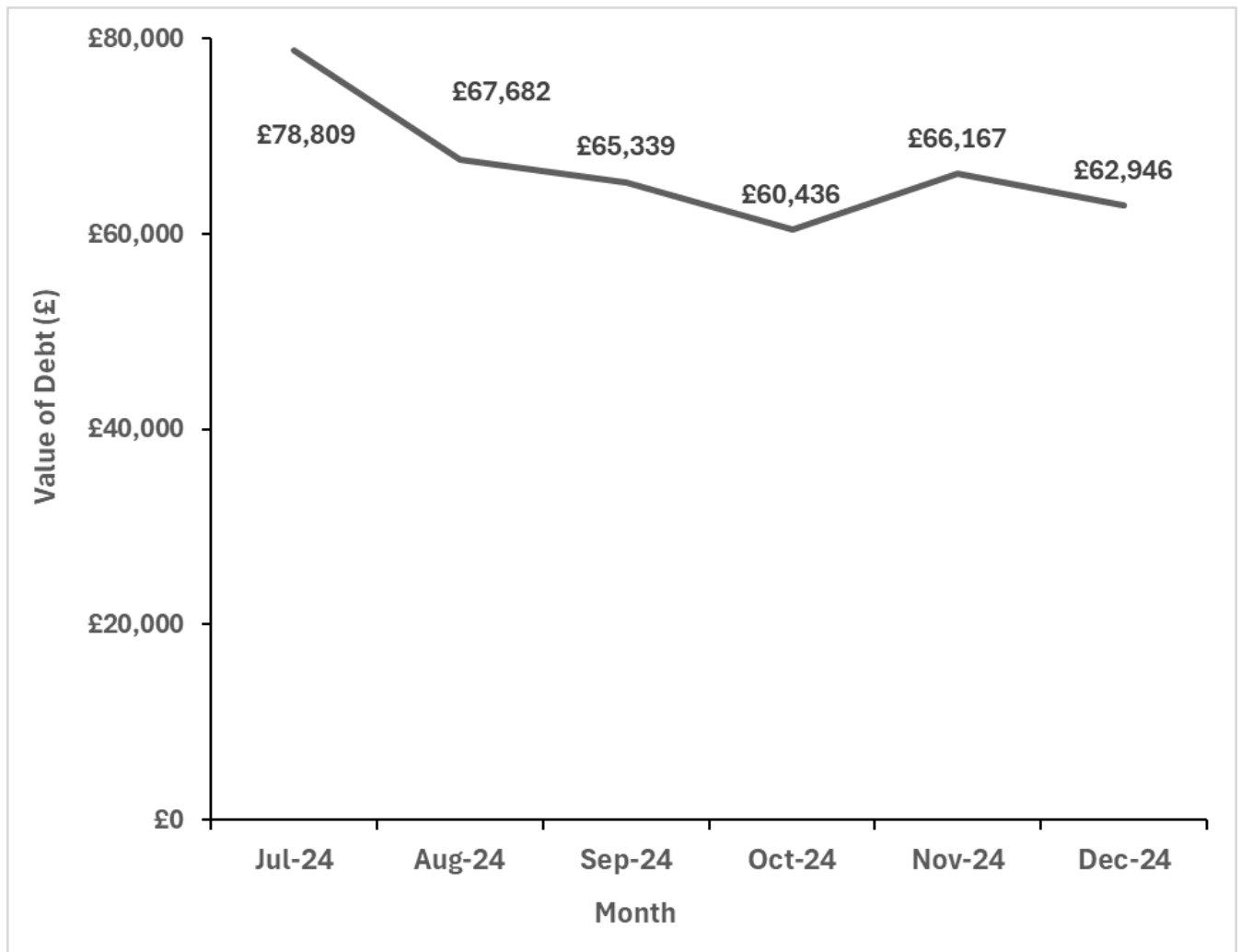
23. At the end of December 2024, total outstanding debt for the Natural Environment Division was £222,041. Table 2 below analyses the current level of outstanding debt according to the age of the debt:

**Table 2 – Outstanding Debt Natural Environment Division – December 2024**

Age of Debt	Outstanding Debts	% of Total Debt Outstanding
0-30 Days	£122,161	55.01%
31-60 Days	£10,191	4.59%
61-90 Days	£5,186	2.34%
91-120 Days	£21,557	9.71%
121-365 Days	£14,024	6.32%
Over 365 Days	£48,922	22.03%
<b>Total Outstanding Debts</b>	<b>£222,041</b>	<b>100.00%</b>

24. 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 £62,946 in December 2024, a reduction of £3,221 (4.87%) compared with the previous month and a decrease of £15,863 (20.13%) over the six-month period.

**Graph 3 – Outstanding Debts Over 120 Days – July to December 2024**



25. 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 – December 2024**

<b>Section</b>	<b>Outstanding Debts Over 120 Days</b>	<b>% of Total Debt Outstanding Over 120 Days</b>
Ashtead Common	£0	0.00%
Burnham Beeches	£3,520	5.59%
City Gardens	£0	0.00%
Epping Forest	£37,545	59.65%
Hampstead Heath	£14,066	22.35%
Highgate Wood	£21	0.03%
Keats House	£4,972	7.90%
Learning Team	£1,485	2.36%
Queen's Park	£0	0.00%
West Ham Park	£0	0.00%
West Wickham & Coulsdon Commons	£1,337	2.12%
<b>Total Outstanding Debts Over 120 Days</b>	<b>£62,946</b>	<b>100.00%</b>

26. As can be seen above, the majority of the amount owed comprised £37,545 (59.65%) relating to debtors at Epping Forest. This includes £21,736 owed by a single debtor in relation to the Chingford Festival with the debt currently being negotiated by the Comptroller and City Solicitor. The remaining amount of £15,809 consists of property related debts for historic wayleave and rent debts which are being pursued by staff at Epping Forest.

27. Debts over 120 days also includes £14,066 (22.35%) owed by customers at Hampstead Heath. This primarily relates to historic rent and wayleaves owed by utility providers with these debts currently being pursued.

28. In addition, £4,972 (7.90%) is currently owed by customers at Keats House in relation to room hire. These debts are currently being pursued by staff at Keats House. This includes £1,250 owed by a customer on a payment plan with this debt currently being on track to be cleared by the end of the payment plan.



29. Finally, outstanding debts over 120 days includes £3,520 (5.59%) owed by customers at Burnham Beeches. This primarily relates to historic wayleave debts which are currently being pursued.

### Charity Funds (Restricted, Unrestricted, Designated and Endowments)

30. 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.

31. 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**

	<b>Restricted Funds</b>	<b>Unrestricted Funds</b>	<b>Designated Funds</b>	<b>Endowments</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Ashtead Common	£243	£0	£3	£0	£246
Burnham Beeches	£1,072	£3	£989	£0	£2,064
Epping Forest	£1,311	£550	£6,526	£0	£8,387
Hampstead Heath (inc. Hampstead Heath Trust)	£36	£7	£22,485	£37,755	£60,283
Highgate Wood and Queen's Park Kilburn	£0	£186	£210	£0	£396
Keats House	£158	£144	£48	£0	£350
West Ham Park	£1	£0	£935	£0	£936
West Wickham and Coulsdon Commons	£3	£3	£647	£0	£653
<b>Total</b>	<b>£2,824</b>	<b>£893</b>	<b>£31,843</b>	<b>£37,755</b>	<b>£73,315</b>

32. 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.

33. It should also be noted that the external audit of the 2023/24 accounts for some of the individual Natural Environment charities is still taking place and the opening balances shown for reserve funds in Appendix 3 and Appendix 4 may be subject to revision.

### **Contributions from City's Estate**

34. 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.
35. 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.
36. 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.
37. 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 for some of the charities as the external audit has not yet been completed for all Natural Environment charities.

**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
Ashted Common	511	471	524	609	539
Burnham Beeches and Stoke Common	1,036	896	1,051	949	888
Epping Forest	5,059	4,527	4,879	6,573	7,589
Hampstead Heath	6,451	5,356	4,842	8,591	4,448
Highgate Wood and Queen's Park Kilburn	1,364	1,033	1,255	1,533	1,859
Keats House	348	292	394	324	360
West Ham Park	1,279	1,250	1,933	1,234	1,427
West Wickham Common and Spring Park Wood, Coulsdon and Other Commons	1,094	1,046	1,249	1,014	1,701
<b>Total Contribution from City's Estate</b>	<b>17,142</b>	<b>14,871</b>	<b>16,127</b>	<b>20,827</b>	<b>18,811</b>

38. 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 £20.827m 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 compared with 2022/23. Members may also wish to note that the reduced contribution for West Ham Park in 2023/24 is largely explained by a one-off capital purchase having taken place during 2022/23.
39. Table 5 also indicates a reduction in the total forecasted contribution projected to be received by the Natural Environment charities in 2024/25 with the total contribution currently estimated at £18.811m compared with £20.827m in 2023/24. The decrease 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 extra income projected to be generated from the swimming facilities at Hampstead Heath compared with the previous year.
40. The projected overall reduction in the contribution from City’s Estate is however partly offset by an increase in the contribution anticipated to be received at Epping Forest. This can be explained by an increase in employment costs following inflationary pay rises to staff and a number of vacant posts having now been filled. This is in addition to extra expenditure expected to be incurred on CWP and capital projects at Epping Forest compared with the previous year. Meanwhile, there is currently anticipated to be an increase in the contribution received by West Wickham & Coulsdon Commons for 2024/25. This is attributable to additional expenditure on staffing, CWP and repairs and maintenance costs as well as reduced income generated from car parking and livestock sales compared with the previous year. Finally, the increased contribution forecast at Highgate Wood & Queen’s Park Kilburn is largely explained by an increase in staffing costs following pay rises to staff and a number of vacant roles having been recruited to during 2024/25.

41. Members should note that alternatives to the charity's current funding model proposed by the Corporation's Natural Environment Charity Review are being implemented. This will involve moving to a grant on local risk budgets for West Ham Park and Epping Forest from 1st April 2025 and using 2025/26 to undergo further work to understand what this level of grant looks like across local risk, central risk and recharge budgets in addition to budgets for capital and CWP projects. This will also be the case for the remaining six charities from 1st April 2026, with 2026/27 being used to finalise the model for all charities.

### **Other Relevant Financial Issues**

42. 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 report was originally presented to Finance Committee in September 2024 providing Members with a range of options on changes proposed to recharges for 2024/25 and future years. Finance Committee requested this report to be revised and to be re-presented at a future Committee meeting. Further details will be provided to Members in due course once available following agreement by Finance Committee.
43. 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 3

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

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