

Ashdown Forest Finances to 31 March 2022
Income and Expenditure Forecast and Budget Summary
Core Budget and Countryside Stewardship Budget Combined

| INCOME SUMMARY | 2020/21 Forecast £ | 2021/22 Budget £ |
|---|-----------------------------------|---------------------------------|
| Licences & Forest Rate | 179,027 | 211,915 |
| Unrestricted funding (WDC, AFT, T/PCs) | 128,100 | 228,100 |
| Income generation and Donations | 12,011 | 10,200 |
| Forest Products incl. Meat and Deer Carcasses | 40,115 | 37,935 |
| Visitors | 3,260 | 11,200 |
| Financial | 200 | 200 |
| Total Core Income | 362,713 | 499,550 |
| Countryside Stewardship Funding from Natural England | 486,115 | 486,115 |
| Other Restricted Funding/Grants (designated for a specific purpose) | 12,008 | 34,250 |
| Total Funding Received for Specific Purposes | 498,123 | 520,365 |
| TOTAL INCOME | 860,836 | 1,019,915 |

| EXPENDITURE SUMMARY | 2020/21 £ | 2021/22 £ |
|----------------------------|----------------------|----------------------|
| Core Forest Staff Costs | 369,107 | 354,600 |
| Operational expenses | 111,363 | 166,915 |
| Administration Overheads | 52,791 | 66,850 |
| Financial | 11,260 | 22,010 |
| Visitors | 100 | 3,300 |
| Capital purchases - Core | 2,190 | 30,000 |
| Governance/Charity set-up | | - |

| | | |
|-------------------------------|----------------|----------------|
| | 5,250 | |
| Total Core Expenditure | 552,061 | 643,675 |

| | | |
|---|----------------|----------------|
| Countryside Stewardship Work Programme Project Expenditure | 183,798 | 199,215 |
| Staff Costs (Countryside Stewardship) | 162,475 | 160,972 |
| Expenditure from Ringfenced Funding (primarily education programme) | 12,000 | 12,000 |
| | 358,273 | 372,187 |

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|--------------------------|----------------|------------------|
| TOTAL EXPENDITURE | 910,334 | 1,015,862 |
|--------------------------|----------------|------------------|

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|---|-----------------|--------------|
| SURPLUS OF INCOME OVER EXPENDITURE | (49,498) | 4,053 |
|---|-----------------|--------------|

Note: Allocation of surplus

| | | |
|---|-----------------|--------------|
| Surplus / (Deficit) attributable to Core Budget | (69,792) | 1,939 |
| Surplus / (Deficit) attributable to Countryside Stewardship | 20,294 | 2,114 |
| | (49,498) | 4,053 |

Summary: 2020/21

The core budget 20/21 has a forecast deficit of £70,000. The key factors affecting the budget balance are outlined below; the significant factor is the change in income. The Countryside Stewardship budget 20/21 is forecast to underspend by £20,000, thereby resulting in an aggregate deficit of £50,000.

The COAF have reserved their right to seek any shortfall or deficit for the 2020/21 financial year in accordance with the Act.

Key Factors Affecting Forecast Budget 2020/21**INCOME**

The first recast budget for 2020/21 showed a reduction in income of around 10%. The main reasons for this are reduced income from operating licences, visitors to the Forest Centre, and the Memorial Wall build not progressing.

Covid Impact**Ice Cream Vendor Licence**

In May this year the Conservators' long-term ice cream vendor terminated their operating licence, valued at £23k p.a., due to the impact of Covid. This gave the Conservators the opportunity to revisit the licence and diversify. As a result, two non-competitive suppliers have licences to provide ice cream and hot drinks across several car park sites on the Forest. One has signed a licence to the value of £22k for one year and the other will be contributing 10% of sales, which the Conservators hope to see raise considerably more. This has contributed to a temporary reduction in income, which should now be recovered in 2021/22 under the new licences.

Visitors

Income from visitors was negatively affected by Covid restrictions, despite the substantial increase in footfall on the Forest, with the shop and associated visitor services and events – including the Pop Up Café - being shut down primarily due to the fact that these are run by volunteers.

Covid restrictions impacted on plans to run a sponsored walk on the Forest which would have raised substantial funds.

In-person donations were affected at the Forest Centre, which normally raises c. £2k.

Countryside Stewardship Recharge

The recharge from in-house staff undertaking conservation-funded work is forecast to be underbudget, partly because activity was affected during the first lockdown. However, much of the countryside work is carried out during winter and there may be an opportunity to catch up, thereby increasing the recharge to core by the year end.

Memorial Wall

A substantial amount of work was undertaken with regards to the Commemorative Wall, including architect plans, however the process hit an obstacle with Section 38 (works on Commons) which delayed progress. The memorial wall income was forecast at £45k, with a related build cost of £15k. The net loss to the budget for this year due to the wall build not progressing is £30k.

Conservators Pony Grazing

The Conservators acquired a pony grazing project, which is a commercial activity as the ponies acquired as part of the project are loaned out for grazing. The project brought with it some assets and cash capital. There is an associated expenditure related to the programme; the overall project will break even this year.

Donations and TAFF

Donations for other memorial structures and general donations were diverted to the newly established The

Ashdown Forest Foundation (TAFF) this year to establish TAFF as a fundraising vehicle and in order to reclaim Gift Aid. The 2020/21 budget assumes that £30,000 of unrestricted fund will be provided to COAF from TAFF.

EXPENDITURE

Forecast staff costs are under budget due to staff changes including removal of administration assistant post, a reduction in one role to part time, and the reduction in CEO salary as the post remained vacant for several months.

Operational expenses exceeded budget primarily due to the cost of a HR investigation (£11k) and the introduction of the pony grazing programme (£30k).

Key Factors Affecting Budget 2021/22

Summary: 2021/22

A draft budget for 2021/22 has been developed, which includes operational costs for essential work on the Forest, staff training and increased repair and maintenance contingency. An asset replacement schedule and an operations schedule for key core activities have been developed to support these figures (see appendix 1). It is anticipated that the purchase of assets required will, in the first instance, be sought from grant funding as benefactors prefer to fund tangible items. This has been reflected in the budget income along with a funding target of £150,000 from TAFF

Expenditure for the year has been balanced with income generated from The Ashdown Forest Foundation. A strategy for this will start to be developed at the Board away day on 1st February.

With the appointment of a CEO to the organisation and a staff restructure underway, the Conservators of Ashdown Forest are at a critical turning point. COAF have agreed to provide regular quarterly financial updates and to work with ESCC on the 2022/23 budget from September 2021 along with the development of a Medium Term Financial Plan.

The budget notes detail income and expenditure areas revised to build and balance the 2021/22 budget.

Expenditure reductions are expected to be made through a staff restructuring consultation process, with 10% reduction in salaries budgeted for both Core and CS staff expenditure. A one-off restructuring cost of £55k has been included. A more accurate estimate of the reduction and allocation between Core and CS budgets will only be available after the consultation process has been finalised in Q1 2021.

Core expenditure is budgeted to be £645k. It is proposed that the deficit will be met in the first instance from unrestricted donations via The Ashdown Forest Foundation as a fundraising vehicle (hence there is a requirement to retain sufficient capital within TAFF to advance fund raising initiatives). This is a significant stretch target of c £150,000 and will require significant effort to achieve. It is however possible that this could be augmented by other projects under development, which have not been budgeted for at this time, referred to below under Future Considerations.

Historical and Current Considerations

With the Countryside Stewardship (CS) grant funding to the value of c. £500k being paid at least one year in arrears, this is having a significant impact on the Conservators' cash flow. At the financial year ending 31 March 2020, the Conservators reported £600k owing from the Rural Payment Agency (RPA). Supporting this programme year on year has impacted on the ability of the Conservators to access its Core reserves, reported at the year-end as £360k.

A recent investigation by the RPA raised questions regarding some of the areas that the Conservators have been claiming for under the CS terms. This has resulted in a £36k p.a. reduction in grant funding, which was withheld in 2020 (for the calendar year 2019), with three years' backdated payment to be recouped by the RPA (£108k), the timing of which is currently unknown. This repayment has been modelled in two cash flow forecast scenarios as part of the budget document.

Income opportunities are limited due to restriction in the Ashdown Forest Act. The Ashdown Forest Foundation was registered with the Charity Commission as a fundraising vehicle in June 2019. In one year, with limited activity, £70k has been raised but not all of these funds are considered unrestricted. Restricted funds will only be requested by the COAF when the designated projects the funds have been provided for can be initiated.

Future Considerations

Parking Charges

In 2016 it was estimated that Ashdown Forest received 4,500 visitors per day. Since Covid restrictions were put in place last March, there has been a significant increase in visitors to the Forest with most car parks now regularly full. Over the past two years the Conservators trialled text donations and a membership scheme (for frequent visitors) for parking. This has not been successful and so enforced parking charges will need to be considered and COAF would welcome discussing such an initiative with ESCC in the near term.

CS/HLS Reserves

Discussions will take place with Natural England with regards the recharge of overhead and administrative support to support the Core budgets in order to address any potential cross subsidisation of CS from Core. Historically, the CS programme has underspent by £350k since 2016 (as at 31 March 2020); however, it is likely this full reserve will be required to fulfil the COAF obligations under the CS program in the medium term which will have significant impact on liquidity. The 4 year liquidity profile (below) assumes that the CS reserve is fully utilised over the next 4 years.

Future Licences

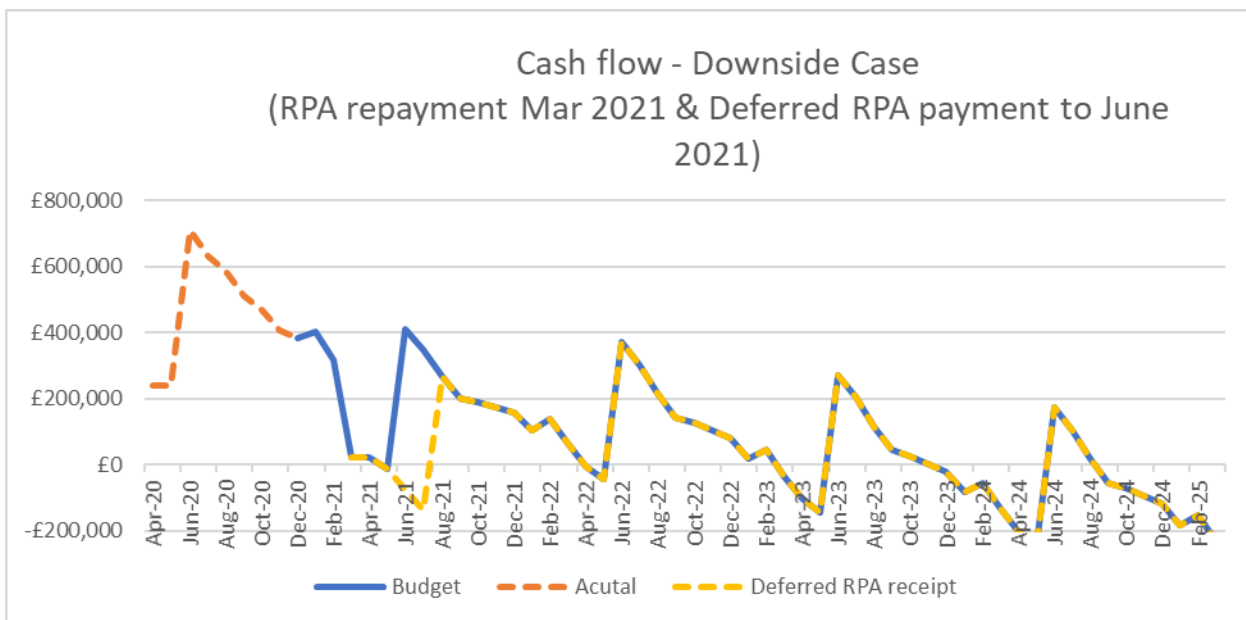
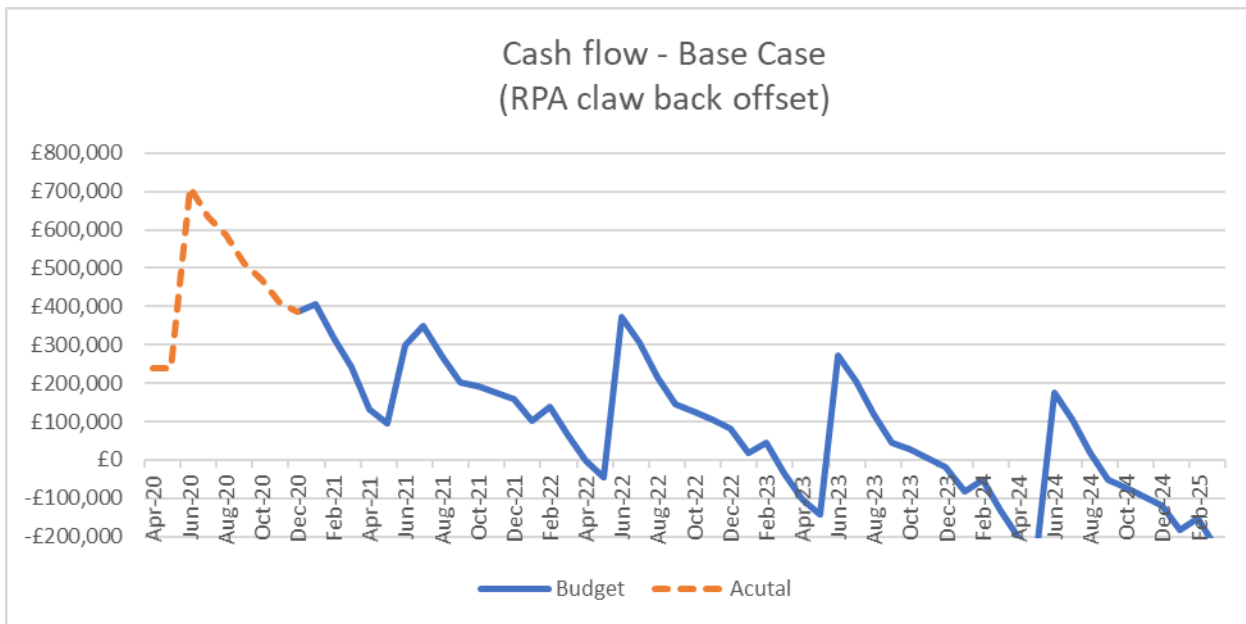
With the success of expanding the licencing for refreshments on the Forest, the Conservators could also grant a licence for Pooh Car Park (owned by ESCC, maintained by COAF) pending further to discussion regarding the terms with ESCC. If an agreement can be reached, it is possible that this initiative could provide c £10-20,000 of additional recurring income.

Liquidity

Given the delayed payment schedule from RPA, the requirement to refund or offset an overpayment by the RPA and the likely requirement to spend the CS reserve to fulfil the obligations under the CS program, the liquidity profile of the COAF will continue to deteriorate over the next 4 years.

This assumes a steady state of operations namely no changes in resources or operational approach. It however does account for c 2% of inflation of costs from 2022/23.

As a base case projection, the COAF will require further funding or bridge finance to meet its operational cash requirements from mid 2023. Under a downside scenario where COAF have to make an upfront refund of the RPA overpayments and the RPA payments are delayed until June 2021, then the shortfall in cash will likely occur sooner in mid 2021.



Proposal and Consideration for ESCC for 2020/21 and 2021/22

The Conservators of Ashdown Forest’s Executive Committee and finance officer have been in discussion with ESCC to support and clarify the 2020/21 forecast and to consult on the 2021/22 formal budget submission by COAF.

These meetings have been extremely collaborative and constructive.; and it has been agreed moving forward, that the COAF will work more closely with the ESCC to ensure that the ESCC Officers are advised and knowledgeable of both the financial position and key operational issues on a quarterly basis.

The clear objective will be to develop a Medium Term Financial Plan in consultation with ESCC so that the COAF can provide a balanced budget (limiting future financial reliance on ESCC).

The 2021/22 Budget assumes that TAFF would be able to achieve a minimum fund raise of £150,000. This will ensure a balanced budget in 2021/22 and create a solid income foundation on which to build in future years. In this financial year to date, with minimal fundraising activity, £70,000 has already been raised. An offsite Board meeting is being held on 1st February to discuss the strategy as it is imperative that TAFF fundraising capabilities are initiated.

ESCC have also been briefed on the liquidity position of COAF. There are two key issues which are likely to impact operational cash flow:

- (i) the impact that any delay in the payment arrangements for CS and /or up front repayment to the RPA will have on operational cash flow; and
- (ii) the likely requirement to draw on the full CS/HLS reserves to achieve the CS objectives over the next 4-5 years

The impact of these issues mean that the liquidity position of the COAF will likely be insufficient to maintain operations, however, the timing is dependent the current discussions with NE and /or the rate at which the CS/HLS reserves are drawn down.

The Conservators will need to consider a bridging loan in order to meet its short-term liabilities; however, discussions are also taking place with the RPA regarding payment timings.

ESCC have indicated that they would willing to continue discussions with the COAF to explore a range of options that would enable the COAF to stabilise its financial position until the CS funding is made whole and /or replacement programs are available for COAF to continue the conservation work post CS. As outlined in the cash flow projections, the COAF liquidity is at risk until the full amount owed under the CS program can be collected.

The Conservators of Ashdown Forest – 2020/21 Outturn Forecast and Proposed 2021/22 Interim Core Budget

| INCOME SUMMARY | 2020/21 FORECAST £ | 2020/21 Budget £ | 2021/22 Budget £ |
|---|-----------------------------------|---------------------------------|---------------------------------|
| Licences & Forest Rate | 179,027 | 200,255 | 211,915 |
| Countryside Stewardship Staff Recharge | 119,548 | 137,480 | 123,814 |
| Unrestricted funding (ESCC, WDC, AFT, PCs) | 128,100 | 92,100 | 228,100 |
| Income generation and Donations | 12,011 | 74,000 | 10,200 |
| Forest Products incl. Meat and Deer Carcasses | 40,115 | 26,780 | 37,935 |
| Visitors | 3,260 | 22,900 | 11,200 |
| Financial | 200 | 1,700 | 200 |
| TOTAL UNRESTRICTED CORE INCOME | 482,261 | 555,215 | 623,364 |

| | | | |
|---|--------|---|--------|
| Restricted Funds (to be spent under terms of funding restrictions only) | 12,008 | - | 34,250 |
|---|--------|---|--------|

| | | | |
|--------------------------|----------------|----------------|----------------|
| TOTAL CORE INCOME | 494,269 | 555,215 | 657,614 |
|--------------------------|----------------|----------------|----------------|

| EXPENDITURE SUMMARY | 2020/21 FORECAST £ | 2020/21 Budget £ | 2021/22 Budget £ |
|---|-----------------------------------|---------------------------------|---------------------------------|
| Core Forest Staff Costs | 369,107 | 407,732 | 354,600 |
| Operational expenses | 111,363 | 73,101 | 166,915 |
| Administration Overheads | 52,791 | 50,192 | 66,850 |
| Financial | 11,260 | 18,160 | 22,010 |
| Visitors | 100 | 3,300 | 3,300 |
| Governance/Charity set up | 5,250 | 5,250 | - |
| TOTAL NON CAPITAL CORE EXPENDITURE | 549,871 | 557,735 | 613,675 |

| | | | |
|--|---------------|----------|---------------|
| Expenditure from Ringfenced Funding | 12,000 | - | 12,000 |
|--|---------------|----------|---------------|

| | | | |
|---------------------------------------|--------------|--------------|---------------|
| Total Core Capital Expenditure | 2,190 | 1,000 | 30,000 |
|---------------------------------------|--------------|--------------|---------------|

| | | | |
|-------------------------------|----------------|----------------|----------------|
| TOTAL CORE EXPENDITURE | 564,061 | 558,735 | 655,675 |
|-------------------------------|----------------|----------------|----------------|

| CORE 2020/21 YEAR END SUMMARY | FORECAST £ | BUDGET 20/21 £ | BUDGET 21/22 £ |
|--------------------------------------|-----------------------|---------------------------|---------------------------|
| Total Forecast Income | 494,269 | 555,215 | 657,614 |
| Total Forecast Expenditure | (564,061) | (558,735) | 655,675 |
| Surplus/(Deficit) | (69,792) | (3,520) | 1,939 |

FORECAST CORE RESERVES TO YEAR END 2020/21

| | |
|--|-----------------|
| Reserves b/f YE 2019/20 | 374,858 |
| Forecast Surplus/(Deficit) year ending 2020/21 | <u>(69,792)</u> |
| Reserves balance Forecast to YE 2020/21 | 305,066 |
| Forecast Surplus/(Deficit) year ending 2021/22 | <u>1,939</u> |
| Reserves balance Forecast to YE 2021/22 | 307,005 |

Ashdown Forest Trust Fund 2021/22 Projected Income and Expenditure

| ASHDOWN FOREST TRUST FUND | Forecast 2020/21 | Budget 2021/22 |
|--|-----------------------------|---------------------------|
| | | |
| Income | £ | £ |
| Royal Ashdown Forest Golf Club- Rent | 70,000 | 70,000 |
| Bank Interest | 130 | 20 |
| Total Income | 70,130 | 70,020 |
| Expenditure | | |
| Conservators of Ashdown Forest- Annual Grant | 65,100 | 65,100 |
| Professional & Audit Fees | 480 | 540 |
| Total Expenditure | 65,580 | 65,640 |
| | | |
| Surplus/(Deficit) | 4,550 | 4,380 |
| Balance Brought Forward | 158,303 | 162,853 |
| Balance Carried Forward | 162,853 | 167,233 |

Countryside Stewardship Budget 2021/22

Approved by Conservators Board 1 February 2021

| RESERVE FORECAST TO YEAR END 2022 | £ |
|--|----------------|
| Surplus brought forward at Year End 31 March 2020 | 317,539 |
| FORECAST Income/Expenditure Surplus for Year Ending 31 March 2021 | 20,294 |
| FORECAST surplus/(deficit) forecast to be carried forward at 31 March 2021 | 337,833 |
| FORECAST Income/Expenditure Surplus for Year Ending 31 March 2022 | 2,114 |
| Total surplus/deficit forecast to be carried forward at 31 March 2022 | 339,947 |

INCOME/EXPENDITURE SUMMARY

| | Income Budget 20/21 | Expenditure Budget 20/21 | Income Budget 21/22 | Expenditure Budget 21/22 |
|--|----------------------------|---------------------------------|----------------------------|---------------------------------|
| Heathland Area Projects (LH1) | 395,214 | 449,300 | 395,214 | 396,901 |
| Bracken Supplement (SP3) | 33,651 | 33,651 | 33,651 | 33,651 |
| Educational Visits (ED1) | 7,250 | 1,000 | 7,250 | 7,250 |
| Woodland CS (WD2): Deer Project | 45,000 | 45,000 | 45,000 | 41,199 |
| Woodland CS (WD2): Woodland Management | 5,000 | 5,000 | 5,000 | 5,000 |
| Other Income | | | | |
| TOTALS | 486,115 | 533,951 | 486,115 | 484,001 |