

Report to: Cabinet

Date of meeting: 2 March 2021

By: Chief Operating Officer

Title: The Conservators of Ashdown Forest – 2020/21 Outturn position and 2021/22 Interim Budget

Purpose: To present the forecast financial position as at the end of 2020/21 and the Conservators' interim budget for 2021/22

RECOMMENDATIONS

Cabinet is recommended to:

1. note the financial outturn position for the Conservators' Core Budget for 2020/21;
 2. approve the provision of £69,792 as one-off financial support to meet the overall deficit in 2020/21, arising primarily as a consequence of the Covid-19 pandemic;
 3. approve the Conservators' Core interim budget for 2021/22, noting that the Board of Conservators has provided assurance that the balanced budget is deliverable and there is no requirement for the County Council to provide additional funding in 2021/22
 4. approve the annual grant for 2020/21 from the Ashdown Forest Trust Fund
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1 Background

1.1 This report sets out the financial position of the Conservators of the Ashdown Forest (COAF) for 2020/21, against the approved balanced budget agreed by the Board of Conservators at their meeting on 25 November 2019 and presented to Cabinet in January 2020. A challenging year, due to COVID-19 and staffing changes, has led to a projected deficit of £69,792, including lost income of circa £53,000 due to the pandemic. There is a surplus on the Countryside Stewardship Fund of £20,294, which is restricted under the agreement and not offset against the core budget deficit.

1.2 The report sets out the draft budget for 2021/22 approved by the Board of Conservators on 1 February 2021. Due to the challenges face by the COAF this draft budget is considered an interim budget, with the COAF committing to presenting a revised budget in September 2021, alongside a medium-term strategy and financial plan.

1.3 As part of the Reconciling Policy, Performance and Resources process in setting a balanced budget, the Council approved the total removal of the £61,000 Ashdown Forest budget from the authority's revenue budget, in two phases, 2019/20 £31,000 and 2020/21 £30,000.

2 Supporting information

Current Financial Year 2020/21

2.1 As a result of the administrative changes in the organisation, there have been changes in officers, together with a new Chief Executive who joined in January 2021. Officers from the Council's Human Resources, Legal Service and Finance Teams have been working closely with the COAF over recent months in support of these changes and continue to engage regularly.

2.2 Over the last quarter, it has become clear that Covid-19 has had a detrimental impact on the operation, particularly on the income received, resulting in a forecast deficit of £69,792 in the Core budget for 2020/21 (see Appendix 1).

2.3 The Countryside Stewardship (CS) budget is forecast to underspend by £20,294, this is restricted under the agreement and has not been set off against the deficit on the core budget.

2.4 The COAF Board have provided a briefing note in support of the forecast deficit, Appendix 2, which attributes the unachieved income to factors outside of their control and arising from the impact of Covid-19. The two items of material impact are the loss of £23,000 income from the Ice Cream vendor and £30,000 unachieved income from the planned Memorial wall on the golf course. The briefing note includes reference to the Ashdown Forest Act which stipulates that any deficit is the liability of the Council.

Interim Budget 2021/22

2.5 The Conservators' budget is formed of the Core Budget (General Fund) and the Countryside Stewardship (CS) budget. The Conservators balanced Core Budget for 2021/22 is summarised at Appendix 4, with supporting narrative in a briefing note, Appendix 3. This was approved by the Board of Conservators at their meeting on 1 February 2021.

2.6 The draft Countryside Stewardship (CS) budget is shown at Appendix 6. (The draft CS budget is shown for information only.)

2.7 The Conservators Core Budget receives a grant from the Ashdown Forest Trust for which ESCC is the trustee. The balance of the Trust Fund is estimated to be £161,499 at 1 April 2021. (The Ashdown Forest Trust position is shown at Appendix 5.) The Conservators' draft Core Budget assumes the level of grant from the Trust Fund will continue at £65,100. The lease to the Ashdown Forest Golf Club was reviewed in early 2020 and remains unchanged so this assumption is reasonable.

2.8 The interim balanced budget for 2021/22 has been approved by the Board of Conservators. In doing so, the Board has provided assurance that the balanced budget is deliverable and there is no requirement for the County Council to provide additional funding in 2021/22. The Board has committed to providing quarterly update reports and work to deliver a Medium Term Financial Plan by September 2021, that will support the strategic objectives of the COAF. The 2021/22 interim budget does include an income contribution of £150,000 from the recently formed charitable body, The Ashdown Forest Foundation (TAFF) which will be generated by private donations, fund raising initiatives and the recovery of gift aid. Many of these proposed income streams are new and will have an element of uncertainty, there is risk that they will not be achieved.

2.9 The expenditure budget includes the additional cost of essential building and equipment maintenance which have been neglected in recent years and are in critical condition. The Conservators are aware that the organisation needs to review expenditure on its core operations and secure sustainable income streams to achieve financial stability.

2.10 COAF Board members and the Chief Executive are currently working with officers of the Council to explore options for sustainable income generation and these will be reported to Cabinet as part of the revised budget and medium-term plan scheduled for September 2021. The September budget proposal is an opportunity for the performance and robustness of these initiatives to be clarified.

2.11 An investigation by the Rural Payment Agency (RPA) in 2019/20 raised questions regarding some of the areas that the Conservators have been claiming for under the Countryside Stewardship (CS) Natural England grant terms. This has resulted in a £36,000 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 (£108,000), the timing of which is currently unknown. An appeal is in process, along with a request to phase any resulting repayments, rather than one lump sum which will drastically affect the COAF reserves.

2.12 With the Countryside Stewardship (CS) Natural England grant funding to the value of c. £500,000 being paid at least one year in arrears by the RPA, this is having a significant impact on the Conservators' cash flow. At the financial year ending 31 March 2020, the Conservators reported £600,000 owing from the RPA. Supporting this programme year on year has impacted on the ability of the Conservators to access its Core reserves which are forecast to be £307,005 for the year ending March 2022.

3. Recommended Funding

3.1 It is recommended that the Council makes a financial contribution to the COAF of £69,792 in this financial year 2020/21. This is in recognition that the organisation has been severely impacted by the lockdown and social distancing regulations imposed by the government during the pandemic. In providing the one-off funding, it should also be recognised that during the course of 2020/21 a significant amount of officer time and professional support, from the County Council, was provided, for which no charge was raised.

3.2 Annual income to the Trust Fund, from a long-term lease with the Royal Ashdown Forest Golf Club, amounts to £70,000 with the addition of bank interest. The contribution to the Conservators from the Trust Fund can therefore be maintained at £65,100 in 2021/22.

3.3 Awarding the grant from the Trust Fund at the recommended level would support the Conservators to manage the operation within the proposed balanced budget for 2021/22.

4. Conclusion

4.1 While the County Council has a statutory obligation to meet the shortfall between expenditure and income of the Conservators, it also has the responsibility for approving the level of expenditure. It is recognised that the 2020/21 deficit in the Core budget has arisen as a result of the Covid-19 pandemic and was not foreseeable when the budget was agreed.

4.2 The interim budget for 2021/22 has been approved by the Board of Conservators. In doing so, the Board has provided assurance that the balanced budget is deliverable and there is no requirement for the County Council to provide additional funding in 2021/22. The Board has committed to providing quarterly update reports and work to deliver a Medium Term Financial Plan by September 2021, that will support the strategic objectives of the COAF.

4.3 Cabinet is recommended to:

- To approve the provision of £69,792 in one-off financial support to meet the overall deficit in 2020/21, arising primarily as a consequence of the Covid-19 pandemic;
- Approve the interim budget as submitted by the Board of Conservators for 2021/22, noting that the Board of Conservators has provided assurance that the balanced budget is deliverable and there is no requirement for the County Council to provide additional funding in 2021/22;
- Approve a £65,100 grant for 2021/22 from the Ashdown Forest Trust Fund.

PHIL HALL

Interim Chief Operating Officer

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LOCAL MEMBERS

Councillors Galley, Stogdon, Tidy & Whetstone

ESCC MEMBERS ON THE BOARD OF CONSERVATORS

Councillors Barnes, Stephen Shing, Tidy, Whetstone, Elkin and Stogdon

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

TOTAL EXPENDITURE	910,334	1,015,862
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SURPLUS OF INCOME OVER EXPENDITURE	(49,498)	4,053
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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

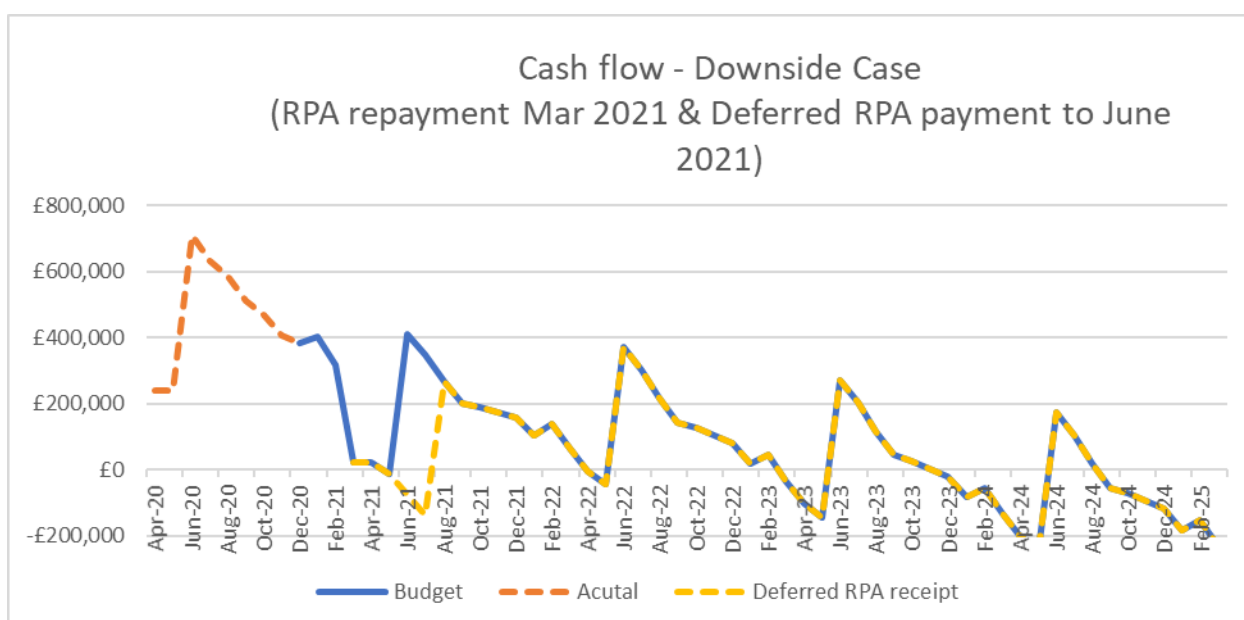
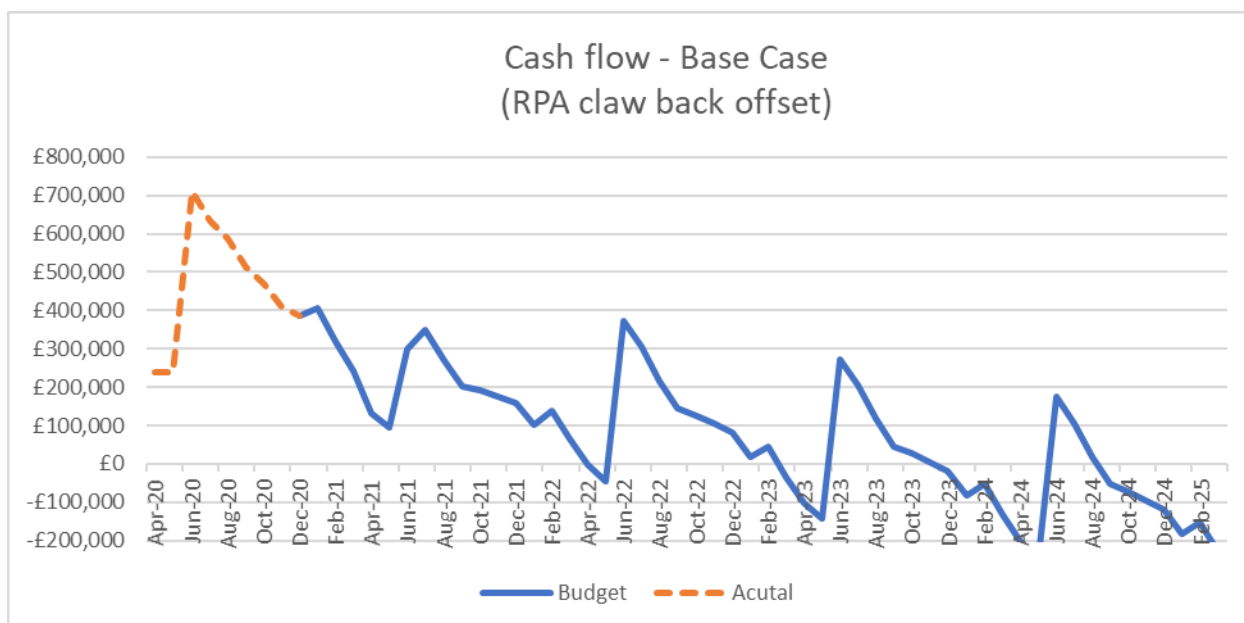
With the success of expanding the licencing for refreshments on the Forest, the Conservators could also grant a licence for Pooh Car Park (owned by ESCC, maintained by COAF) pending further to discussion regarding the terms with ESCC. If an agreement can be reached, it is possible that this initiative 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
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TOTAL CORE INCOME	494,269	555,215	657,614
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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
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Total Core Capital Expenditure	2,190	1,000	30,000
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TOTAL CORE EXPENDITURE	564,061	558,735	655,675
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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