

**Q2 REVENUE BUDGET MONITORING UPDATE 2022/23**

Presented by the Head of Finance

**EXECUTIVE SUMMARY**

The Executive Committee received a report at its meeting on 20 October 2022 (Paper E/781/22) outlining the budget challenges being faced this year, notably the increases in energy costs and pay award. The net deficit for 2022/23 was forecast at £818,000. Officers have been taking mitigating actions to minimise the deficit position and this report includes the anticipated savings from these actions within the outturn. The overall net operational expenditure at the year-end is now expected to be £283,000 over the approved budget for 2022/23, an improvement of £535,000. The major variations currently projected are summarised in the table below, which shows the impact of savings in mitigating the budget challenges.

Service Description	Annual Net Budget	Proposed Net Outturn	Variance £000s
Events (incl Commonwealth Games)	31	(221)	(252)
Legal	417	591	174
Property	(1,142)	(1,380)	(238)
Leisure Services Contract	2,681	2,813	132
Parklands and Open Spaces	2,605	2,558	(47)
Small Venues	(798)	(747)	51
Corporate Insurance	594	490	(104)
Other	3,730	3,558	(172)
Financing	1,787	1,479	(308)
Levy	(9,768)	(9,768)	0
<b>Forecast Outturn</b>	<b>137</b>	<b>(627)</b>	<b>(764)</b>
<b>Budget Challenges</b>			
Above budget Pay Rise (c. 5%)	0	168	168
Utilities Price Increase – Lee Valley	0	365	365
Utilities Price Increase – GLL (incl. contingency)	0	395	395
NI Reduction	0	(18)	(18)
<b>Forecast Outturn</b>	<b>137</b>	<b>283</b>	<b>146</b>

## **RECOMMENDATION**

Members Note: (1) the report

## **BACKGROUND**

- 1 The Executive Committee recommended a budget for 2022/23 at its meeting in January 2022 (Paper E/767/22). Members approved this at the Authority meeting on 20 January 2022 (Paper A/4312/22). This report compares income and expenditure to 31 March 2023 with the budget.
- 2 The summary financial position of each Authority service or facility is shown in Appendix A to this report.
- 3 The year-end position shows a projected net over-spend of £146,000 against the net revenue budget deficit of £137,000. The net deficit for the year is forecast as £283,000.

## **GENERAL ECONOMIC FACTORS**

### **4 Inflation**

September's inflation for the Retail Price Index (RPI) stood at 12.6% and Consumer Price Index (CPI) at 10.1%. Inflation was expected to rise to around 11% in the final quarter of 2022, with the Bank of England forecasting a decline towards the target rate of 2% in the medium term (Bank of England Monetary Policy Committee (MPC) Report November 2022). The Bank of England increased the base rate to 3% on 3 November as it continues to try to control inflation.

### **5 Energy Costs**

In line with our signed contracts for accessing the 2020-2024 Laser framework, our initial contract period was secured with fixed prices. We agreed to this fixed cost for 24 months, so the market price movements of wholesale electricity and gas prices did not affect us until October 2022. We have now joined the flexible basket arrangement in line with our agreement, although we still await final details of exact costs from Laser, which are expected at the end of November.

Whilst this was considered as part of the budget process, along with an expectation of around 50% increase for gas and 20% for electricity at the time, the wholesale price has risen significantly, and we are now seeing increases of around 150% for electricity and 500% for gas.

As part of the shared risk position for utility pricing at the Leisure Services Contract (LSC) venues (for the first 2 years only), with Greenwich Leisure Ltd (GLL) taking the risk for utility consumption for the entirety of the contract, we expect to see a substantial increase to the Management Fee for the first two years. After this, we are required to rebase the utility position for year 3 onwards, when GLL will take on both the cost and consumption risk, but the current Management Fee position for years 3-10 will likely be affected.

However, the Gas at Dobbs Weir Caravan Park is supplied by Avanti, and we have a fixed price contract with them until the end of March 2023, so we will not see these prices increase until 2023/24 financial year.

## 6 Pay Award

The Authority was notified on 1 November 2022 that agreement had been reached by employers and the relevant unions in respect of the 2022/23 pay award for National Joint Council (NJC) for local government services. The agreed pay award effective 1 April 2022 is an increase of £1,925 on all NJC pay points 1 to 43. Part of this national agreement is to also pay an increased London Weighting Rate for Outer London Allowance (currently £2,011 per annum) with a 4.04% increase to be applied to all officers up to pay point 43 with effect from 1 April 2022.

A separate paper will be presented to Members (E/787/22) as to whether the Authority should set a pay award for 2022/23 for officers on pay point 44 and above in line with the NJC scale.

The 2022/23 budget included provision for a 2% pay award, but this award averages a 5% increase and will increase costs by £168,000.

If Members do not approve the discretionary pay award to Senior Officers, this would result in a saving of £36,700 to the outturn reported in this report.

## BUDGET CHALLENGES AND SAVINGS

- 7 As reported to Executive in October, the increased utilities prices and pay award detailed above pose a significant challenge to this year's budget. Mitigating actions are being taken to reduce the deficit position to one of a more manageable position.
- 8 The net deficit reported in October was £818,000. Savings have been identified in the following areas to bring this forecast down to a net deficit of £283,000.

	Net Outturn	Notes
<b>Outturn (reported in October)</b>	<b>818</b>	
<b>Savings identified</b>		
Contributions to/from Earmarked Reserves	(250)	Reduced Asset Management Contributions
PR / Communications	(21)	Savings on discretionary budgets
Property Management	(64)	Increased income identified
Asset Protection, Maintenance & Development	(88)	Revenue expenditure identified as capital
Sports Development	(18)	Saving (Sports Development Grants)
Community Access	(27)	Saving (Community Access Fund)
Countryside Areas	(58)	Increased income (Car Parking)
Other	(9)	Net impact of all other cost centres
<b>Total Savings</b>	<b>(535)</b>	
<b>Outturn (reported in November)</b>	<b>283</b>	

- 9 An officer working group has been set up to look at opportunities for energy saving and generation that will generate further savings this year and in future

years.

## **OPERATIONS OVERVIEW**

- 10 The main variances against this year's budget are described below, including more detail on these savings.

## **FINANCING**

- 11 **Contributions to/from Earmarked Reserves (£250,000 saving)**

The budget includes £1,000,000 of contributions to the Asset Management fund. This fund is used to deliver the asset management programme that has been profiled over the next ten years to deliver all scheduled work. The fund is at a healthy level and the planned programme can be delivered without variation with this reduced contribution.

## **CORPORATE SERVICES**

- 12 **Legal Service (£174,000 deficit)**

Additional expenditure on external legal support has been required to defend the dispute with Lee Valley Leisure Trust Limited regarding the 2019/20 Management Fee payment and end of contract liabilities. Additional external support has also been required in relation to the new Leisure Services Contract and in dealing with other legal matters in particular following the departure of the Locum Property solicitor in March.

- 13 **Property Management (£238,000 surplus)**

Additional rental income has been achieved across the Authority's commercial accommodation and countryside areas. This includes both one-off sums received this year for backdated rental payments as well as ongoing income that will be built into future year budgets.

- 14 **Asset Protection, Maintenance & Development (£88,000 saving)**

A review of revenue expenditure identified a significant number of items that relate to capital projects that can be allocated to capital expenditure. There is sufficient budget within the capital programme for these items.

- 15 **PR / Communications (£21,000 saving)**

Savings have been identified across several budget areas including a reduced spend on the 10 years Olympics anniversary campaign, not attending events as exhibitors, reducing tourist board memberships, reducing new artwork and photography and savings on our press cuttings contract.

## **SPORT & LEISURE**

- 16 **Events (£252,000 surplus)**

Lee Valley VeloPark hosted the track cycling events of the 2022 Commonwealth Games. This required exclusive hire of the venue for four weeks during July and August. The Authority received a net income from this hire which was not

included in the budget. The Management Fee agreed with GLL reflects a loss of income during this period.

**17 Active Communities (£45,000 saving)**

Savings have been identified against the sports development grants and community access fund budgets. All allocated grants will be spent, but no further grants will be offered this year. The £45,000 saving is against a total community programmes budget of circa £300,000 for 2022/23.

**PARKLANDS AND OPEN SPACES**

**18 Countryside Areas (£58,000 Additional Income)**

Income received for the Broxbourne Station car park managed by Broxbourne Council is higher than anticipated.

**SMALL VENUES**

**19 Campsites (£237,000 deficit)**

The campsites continue to recover from the impact of Covid restrictions, which led to a loss of business from European visitors, and reduction in visitors staying to visit and work in London. Edmonton Campsite has seen a particularly strong recovery this year after a slower recovery than the other campsites who benefited more from the staycation trend last year.

Members agreed investment into new glamping units at Sewardstone and Dobbs Weir in November 2021 (Paper E/743/21), and the additional income they are forecast to generate was built into the 2022/23 budget. Installation has been delayed by a few months which has impacted this year's income. Units are available to book from late summer at Sewardstone and winter at Dobbs Weir, and are expected to achieve good occupancy rates all year round due to their self-contained nature.

However, campsites have also been heavily impacted by the increase in utility costs, with a significant impact of around £180,000 additional costs for the year.

**LEISURE SERVICES CONTRACT (£132,000 deficit)**

**20** The Leisure Services Contract (LSC) commenced on 1 April 2022, with the transfer of the operation of the six major sporting venues to Greenwich Leisure Limited (GLL). In the first two years of the contract the Authority will make a Management Fee payment to GLL. From year three onwards, this becomes a payment to the Authority.

In addition to the Management Fee there will be some additional expenditure in the first year. The Authority has picked up costs for some repair and maintenance work which wasn't possible to complete prior to commencement of the LSC, notably repairs to the pumps at Lee Valley White Water Centre. Due to a delay in the transfer of the venues to GLL's own booking system there is a cost for the short term extension of the software licence for Clarity which was the Authority's booking system to continue to manage venue bookings and payments.

Investment projects at the venues that were scheduled to be completed during 2022/23 have been budgeted to increase income and achieve cost savings. These include the meeting room development at Lee Valley White Water Centre and LED lighting at Lee Valley VeloPark. Due to planning delays with the Lee Valley White Water project the forecast for this year reflects a reduced period of achieving these savings.

The budget includes £310,000 contingency for the LSC for increased utility costs. It is anticipated that an additional £395,000 will be required in addition to this contingency to cover the higher than expected price rises.

A further issue is around the handover of Lee Valley Ice Centre, and the earliest operational date. As handover is likely to be late December, this may have an impact on the 2022/23 Management Fee. The position won't be known until the financial year end, but officers are discussing with GLL to fully assess any implications for both this year and 2023/24. A provision of £60,000 impact on the Management Fee has been included in the forecast.

## **FURTHER ISSUES**

### **21 VAT Claim on Sporting Income**

We await further information with regards to the "distortions of competition" issue in relation to the VAT claim on sporting income. Whilst, the first argument over non-business treatment was conceded by HMRC, it requires a further decision on the competition issue before we would expect any rebate to be received.

We are awaiting further details from KPMG and Chelmsford City Council on how this will be taken forward.

### **22 Litigation with Lee Valley Leisure Trust Ltd (the Trust)**

The Authority has agreed a Settlement Agreement with the litigator in respect of the Management Fee and End of Contract liabilities claim. The Agreement is subject to a confidentiality clause which prevents us from disclosing the terms of the Proceedings without written consent of the other parties.

## **ENVIRONMENTAL IMPLICATIONS**

- 23 There are no environmental implications arising directly from the recommendations in this report.

## **FINANCIAL IMPLICATIONS**

- 24 These are dealt with in the body of the report.

### **25 2023/24 Budget Planning**

Officers have started the process of budget planning for 2023/24, and revising the Medium Term Financial Plan. The budget for 2023/24, and outlook for future years, needs to address the impact on the Authority's reserves in 2022/23, the implications of higher inflation, and increased costs, and the need to review income across the Park's activities.

There will be a need to review both the Authority's cost and income base to reflect what is likely to be a difficult few years ahead.

Officers are continuing to review what can be done over the next years to reduce the deficit, including:

- reduction to discretionary spend;
- continuation of investment across all venues, with a view to efficiencies, savings, and additional income generating projects;
- review of fees and charges, in both price increases, and pricing to capacity programming;
- varying the LSC with GLL, for efficiencies at sports venues;
- deferring expenditure in areas where this can be done, without having a direct effect on operation e.g. asset maintenance; and
- managing asset maintenance to ensure improved lifetime usage of plant and equipment.

- 26 There will be a Budget Workshop held in December 2022 where officers will present the outcome of the planning and savings/efficiencies exercise with regards to the 2023/24 financial year and beyond.

#### **HUMAN RESOURCE IMPLICATIONS**

- 27 There are no human resource implications arising directly from the recommendations in this report.

#### **LEGAL IMPLICATIONS**

- 28 There are no legal implications arising directly from the recommendations in this report.

#### **RISK MANAGEMENT IMPLICATIONS**

- 29 There are no risk management implications arising directly from the recommendations in this report.

#### **EQUALITY IMPLICATIONS**

- 30 There are no equality implications arising directly from the recommendations in this report.

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#### **PREVIOUS COMMITTEE REPORTS**

Executive Committee	E/781/22	Q2 Revenue Budget Monitoring 2022/and Budget Challenges	20 October 2022
Executive Committee	E/774/22	Q1 Revenue Budget Monitoring 2022/23	22 September 2022
Executive Committee	E/767/22	Q4 Revenue Budget Monitoring 2021/22	26 May 2022

Executive Committee Authority	E/765/22	Annual Report on Treasury Management Activity 2021/22	26 May 2022
Executive Committee	A/4312/22	2022/23 Revenue Budget & Levy	20 January 2022
	E/751/22	2022/23 Revenue Budget & Levy	20 January 2022

**APPENDIX ATTACHED**

Appendix A Detailed outturn forecast

**LIST OF ABBREVIATIONS**

LSC	Leisure Services Contract
GLL	Greenwich Leisure Limited
the Trust	Lee Valley Leisure Trust Ltd (t/a Vibrant Partnerships)
NJC	National Joint Council



## OPERATIONAL OUTTURN SUMMARY

## LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2022/23

PERIOD: 06 (September 2022)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
<b>OPERATIONAL SERVICES</b>							
Chief Executive	(4)	338	334	682	648	(34)	(5%)
Corporate Services	(961)	828	(133)	(194)	(310)	(116)	(60%)
Finance and Support Services	(35)	797	762	2,366	2,274	(92)	(4%)
Sport and Leisure	(1,160)	1,109	(52)	983	682	(301)	(31%)
Parklands and Open Spaces	(487)	1,612	1,126	2,605	2,719	114	4%
Small Venues	(2,509)	1,712	(795)	(1,004)	(649)	355	35%
Leisure Services Contract	(9)	255	245	2,681	3,208	527	20%
	(5,165)	6,651	1,487	8,119	8,572	459	6%
<b>FINANCING</b>							
Interest Receivable	(16)	0	(16)	(8)	(15)	(7)	(88%)
Interest Payable & Bank Charges	0	2	2	56	6	(50)	(89%)
Contributions to/from Earmarked Reserves	0	0	0	1,000	750	(250)	(25%)
Financing of Capital Expenditure	0	0	0	290	290	0	0%
Minimum Revenue Provision	0	0	0	448	448	0	0%
Levies on Local Authorities	(4,884)	0	(4,884)	(9,768)	(9,768)	0	0%
<b>Movement in General Fund</b>				<b>137</b>	<b>283</b>	<b>146</b>	<b>107%</b>

## OPERATIONAL OUTFURN SUMMARY

## LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2022/23

PERIOD: 06 (September 2022)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
<b>CHIEF EXECUTIVE</b>							
Chief Executive	0	111	111	256	229	(27)	(11%)
PR / Communications	(4)	227	223	426	419	(7)	(2%)
<b>TOTAL CHIEF EXECUTIVE</b>	<b>(4)</b>	<b>338</b>	<b>334</b>	<b>682</b>	<b>648</b>	<b>(34)</b>	<b>(5%)</b>
<b>CORPORATE SERVICES</b>							
Legal Service	(1)	293	292	417	591	174	42%
Property Management	(960)	186	(774)	(1,142)	(1,374)	(232)	(20%)
Planning and Strategic Partnerships	0	54	54	141	129	(12)	(9%)
Asset Protection, Maintenance & Development	0	241	241	278	228	(50)	(18%)
Committee Service	0	54	54	112	116	4	4%
<b>TOTAL CORPORATE SERVICES</b>	<b>(961)</b>	<b>828</b>	<b>(133)</b>	<b>(194)</b>	<b>(310)</b>	<b>(116)</b>	<b>(60%)</b>
<b>FINANCE AND SUPPORT SERVICES</b>							
Finance and Human Resources	0	410	410	618	717	99	16%
Information Technology	(35)	256	221	710	680	(30)	(4%)
Corporate Insurances	0	0	0	594	480	(104)	(18%)
Audit / Health & Safety	0	43	43	219	158	(60)	(27%)
Non Distributed Costs	0	33	33	69	69	0	0%
Corporate Training / Apprenticeships	0	9	9	71	71	0	0%
Project & Funding Delivery	0	46	46	85	88	3	4%
<b>TOTAL FINANCIAL SERVICES</b>	<b>(35)</b>	<b>797</b>	<b>762</b>	<b>2,366</b>	<b>2,274</b>	<b>(92)</b>	<b>(4%)</b>
<b>SPORT AND LEISURE</b>							
Events	(1,107)	700	(407)	31	(217)	(248)	(800%)
Sports Development	(36)	29	(7)	123	69	(54)	(44%)
Policy and Performance	0	297	297	601	621	20	3%
Learning & Engagement Service	(17)	77	59	148	156	8	5%
Community Access	0	6	6	80	53	(27)	(34%)
<b>TOTAL SPORT AND LEISURE</b>	<b>(1,160)</b>	<b>1,109</b>	<b>(52)</b>	<b>983</b>	<b>682</b>	<b>(301)</b>	<b>(31%)</b>

## OPERATIONAL OUTTURN SUMMARY

## LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2022/23

PERIOD: 06 (September 2022)

	Actual To Date			Annual	Proposed	Variance	
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%
<b>PARKLANDS AND OPEN SPACES</b>							
<b>Management</b>							
Operational Management	0	138	138	275	283	8	3%
Myddelton House Management	(9)	187	178	293	354	61	21%
<b>Parklands</b>							
River Lee Country Park	(7)	137	130	439	435	(4)	(1%)
Gunpowder Park	0	27	27	88	98	10	11%
Countryside Areas	(84)	501	417	1,055	1,058	3	0%
Abbey Gardens	(2)	39	31	94	98	4	4%
Three Mills	(1)	11	11	31	31	0	0%
East India Dock and Bow Creek	(5)	22	17	45	42	(3)	(7%)
Broxbourne Riverside	0	7	7	21	26	5	24%
Fisheries	(28)	3	(26)	(69)	(98)	(29)	(42%)
<b>Visitor Attractions</b>							
Myddelton House	(85)	164	80	183	209	26	14%
Rye House Gatehouse	0	0	0	5	6	1	20%
<b>Park Projects</b>							
Volunteers	0	19	19	42	45	3	7%
Biodiversity	0	53	53	106	113	7	7%
<b>Farms</b>							
Lee Valley Farm, Holyfieldhall	(246)	300	54	38	74	36	95%
<b>Initiatives and Partnerships</b>							
King George Reservoir South	(7)	10	3	(1)	(1)	0	0%
Lee Valley Boat Centre	0	0	0	(41)	(41)	0	0%
Broxbourne Chalets	(13)	0	(13)	1	(13)	(14)	(1400%)
<b>TOTAL PARKLAND AND OPEN SPACES</b>	<b>(487)</b>	<b>1,612</b>	<b>1,126</b>	<b>2,605</b>	<b>2,719</b>	<b>114</b>	<b>4%</b>
<b>SMALL VENUES</b>							
Lee Valley Marina Springfield	(543)	316	(226)	(345)	(327)	18	5%
Lee Valley Marina Stanstead	(418)	356	(62)	(58)	(12)	46	79%
Lee Valley Waterworks Centre	(1)	28	27	82	102	20	24%
Lee Valley Farm Hayes Hill	0	2	2	0	2	2	0%
Lee Valley Campsite (Sewardstone)	(376)	223	(153)	(91)	(52)	39	43%
Lee Valley Caravan Park (Dobbs Weir)	(571)	274	(297)	(409)	(157)	252	62%
Lee Valley Leisure Centre Campsite	(320)	185	(135)	39	(27)	(66)	(169%)
Lee Valley Leisure Centre Golf Course	(97)	70	(27)	1	33	32	3200%
Almost Wild Campsite	(40)	19	(20)	(16)	(5)	11	69%
Caravan Sales	(143)	239	96	(207)	(206)	1	0%
<b>TOTAL SMALL VENUES</b>	<b>(2,509)</b>	<b>1,712</b>	<b>(795)</b>	<b>(1,004)</b>	<b>(649)</b>	<b>355</b>	<b>35%</b>

OPERATIONAL OUTFURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2022/23

PERIOD: 06 (September 2022)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
<b>LEISURE SERVICES CONTRACT</b>							
Management Fee	0	0	0	2,171	2,626	455	21%
Efficiencies / increased income	0	0	0	(60)	(30)	30	50%
LSC Support	0	39	39	0	39	39	0%
LSC Venues Direct Costs	(9)	216	206	170	173	3	2%
LSC Contingency	0	0	0	400	400	0	0%
<b>TOTAL LSC VENUES AND BUSINESS SUPPORT</b>	<b>(9)</b>	<b>255</b>	<b>245</b>	<b>2,681</b>	<b>3,208</b>	<b>527</b>	<b>20%</b>
<b>OTHER OPERATIONAL SERVICES COSTS/INCOME</b>							
Budget Growth (Pay Rise)	0	0	0	0	0	0	0%
£106 Expenditure/Income	0	1	1	0	0	0	0%
<b>TOTAL OPERATIONAL SERVICES</b>	<b>(5,165)</b>	<b>6,852</b>	<b>1,687</b>	<b>8,119</b>	<b>8,572</b>	<b>453</b>	<b>6%</b>