

## **2024/25 REVENUE BUDGET AND LEVY**

Presented by the Chief Executive and Head of Finance

### **SUMMARY**

The Executive Committee considered the attached paper (Annex A, Paper E/838/24) at their meeting this morning (18 January 2024) which sets out budget proposals to support delivery of the Authority's ambitions and objectives over the coming years as part of the new Business Plan (2024-2027).

A verbal update will be provided to Members at the Authority meeting regarding the recommendations/proposals put forward by the Executive Committee at their meeting.

### **RECOMMENDATIONS**

- Members Approve:
- (1) the proposed Levy for 2024/25 as set out in paragraph 30 of Paper E/838/24, Annex A to this report, as recommended by Executive Committee; and
  - (2) allocation of £1.8m to general reserves as set out in paragraph 25 of Paper E/838/24, Annex A to this report.

### **BACKGROUND**

- 1 A Budget Workshop was held on 14 December 2023 to consider proposals for the 2024/25 budget and levy. The views of the Workshop were considered as part of the paper presented to Executive Committee this morning as set out in Annex A to this report (Paper E/838/24).
- 2 The views of the Workshop and recommendations from Executive Committee need to be considered and approved by the full Authority.
- 3 The Authority is required to set a budget and levy annually by 24 January and notify contributing authorities by no later than 15 February in the year preceding that levy.

## **ENVIRONMENTAL IMPLICATIONS**

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

## **EQUALITY IMPLICATIONS**

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

## **FINANCIAL IMPLICATIONS**

- 6 These are dealt with in the body of the report attached as Annex A to this report (Paper E/838/24).

## **HUMAN RESOURCE IMPLICATIONS**

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

## **LEGAL IMPLICATIONS**

- 8 The Authority is required to set a budget and levy annually by 24 January and notify contributing authorities by no later than 15 February in the year preceding that levy.

## **RISK MANAGEMENT IMPLICATIONS**

- 9 These are dealt with in the body of the report attached as Annex A to this report (Paper E/838/24).

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## **ANNEX ATTACHED**

Annex A                      Paper E/838/24

## **PREVIOUS COMMITTEE REPORTS**

Executive	E/838/24	2024/25 Revenue Budget and Levy	18 January 2024
Executive	E/823/23	Authority Fees & Charges Review 2024/25	23 November 2023
Authority	A/4330/23	Proposed Capital Programme 2022/23 (Revised) to 2026/27	19 January 2023
Authority	A/4324/22	Fees and Charges Policy	20 October 2022

 <p><b>LEE VALLEY REGIONAL PARK AUTHORITY</b></p> <p><b>EXECUTIVE COMMITTEE</b></p> <p><b>18 JANUARY 2024 AT 11:30</b></p>	<p><u>Agenda Item No:</u></p>  <p><u>Report No:</u></p> <p><b>E/838/24</b></p>
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## **2024/25 REVENUE BUDGET AND LEVY**

Presented by the Chief Executive and Head of Finance

### **EXECUTIVE SUMMARY**

The context for setting the 2024/25 budget is responding to the continued high-energy prices, stubbornly high general inflation which peaked at over 11% and its compounding impact, plus responding to the need for the Authority to continue its recovery and rebuild general reserves.

The Authority has recently approved its Business Plan for 2024-2027 which includes a range of business development/investment projects in the medium term, 2 to 4 years. The objective is that these projects will both enhance the Park and deliver additional income streams.

The current Levy for 2023/24 is £10.646mill (which is 34.1% of the maximum chargeable). This equates to £0.90p per person in Herts, Essex and London. Members approved an increase of 9% on the Levy for 2023/24 in response to the significant impact that resulted from the high inflation and energy costs. The Authority was faced with a significant increase in costs for 2023/24 of £3.2mill, and whilst being able to identify £1.9mill of savings, there was still a funding gap of £1.3mill. The Levy increase contributed £0.9mill, but we were still faced with needing to draw £0.4mill from reserves. This in turn pushed our General Fund balance below the approved minimum level of £3mill.

The Authority is required to set a budget and Levy for 2024/25 by 24 January 2024 and notify contributing authorities by 15 February 2024.

This paper sets out a budget and Levy proposal to support delivery of the Authority's ambitions and objectives over the coming years as part of the new Business Plan (2024-2027).

Appendices attached to this report detail the Medium Term Financial Forecast (Appendix A), Earmarked Reserves balances (Appendix B), and an indication of the change to each contributing authority's Levy as a result of this paper (Appendix C).

### **RECOMMENDATIONS**

Members recommend to Authority: (1) a proposed Levy for 2024/25 as set out in paragraph 30; and

- (2) allocation of £1.8m to general reserves as set out in paragraph 25.

## **BACKGROUND**

### **1 Business Strategy**

The Authority's business philosophy is to be "community focused and commercially driven". It continues in its commitment to increase value and to enhance the visitor offer for constituent boroughs, whilst reducing the cost of the Lee Valley Regional Park to the taxpayer.

### **2 As set out in the Authority's current Business Plan the aspiration is:**

- to become a world class leisure destination;
- to establish a strong commercial base;
- to increase regional relevance and value; and
- to have an enhanced reputation and stronger political position.

### **3 Levy Strategy**

Between 2010/11 and 2020/21 Members approved a strategy of a reduction in the Levy as a part of an overall decision to become more commercial and to generate resources from existing assets and so reduce the financial burden on the regional tax payer. The need to respond to, initially the Covid-19 pandemic, and then the cost of living crisis, has led to an increase in two of the past three years. However, there has been an overall **7.54% reduction in Levy since 2013/14, which represents a real term reduction of 53.86%.**

<b>Year</b>	<b>Levy Movement</b>	<b>Cash Reduction</b>	<b>Real Term Reduction</b>	<b>Levy as a proportion of the Maximum Chargeable</b>
	<b>%</b>	<b>£000s</b>	<b>£000s</b>	<b>%</b>
2013/14	- 2%	-£235	0	52.6%
2014/15	- 2%	-£230	-£593	49.9%
2015/16	- 2%	-£226	-£1,088	47.9%
2016/17	- 2%	-£221	-£1,403	46.6%
2017/18	- 6%	-£650	-£2,303	42.9%
2018/19	- 6%	-£611	-£3,396	38.8%
2019/20	0%	£0	-£3,820	37.6%
2020/21	0%	£0	-£4,145	36.7%
2021/22	+ 2%	+£192	-£4,109	37.0%
2022/23	0%	£0	-£4,783	35.3%
2023/24	+ 9%	+£879	-£5,743	<b>34.1%</b>

The current levy for 2023/24 represents 34.2% of the total budgeted income receivable for the Authority's operational estate (which includes LSC income). Contrast this against a total of 49.4% of total income in 2013/14, and 67.7% in 2010/11, this demonstrates the reliance on the Levy has almost halved in the last 13 years.

### **4 Funding Strategy**

The Authority has focused on the following areas to reduce its reliance on the Levy:

- implementing the retendered Leisure Services Contract (LSC) for the six sporting venues;
  - continual investment in and developing the sports and non-sporting venues;
  - investing in new business development, e.g. Lee Valley Ice Centre;
  - developing new opportunities e.g. Picketts Lock site, Lee Valley White Water Centre, Broxbourne Riverside and Eton Manor.
- 5 The LSC with Greenwich Leisure Limited (GLL) which commenced on 1 April 2022 will contribute to removing the financial risk of exposure to changes in both expenditure and income at the sports venues in the long term. The current Leisure Operators Base Trading Account (LOBTA) which determines the Management Fee payable, shows a net payment to the Authority over the life of the LSC of **£4.3mill**. The profile sees a payment to GLL in the first two years (2022/23 and 2023/24) which reflects the recovery from Covid-19, and the opening and operation of the new Lee Valley Ice Centre. Year 3, 2024/25, will see the first year where the payment flow is back to the Authority of **£488,000**, increasing to **£1.277mill** by Year 10 (2031/32).

However, the risk share agreement regarding Utilities is being extended for the duration of the LSC to help address the uncertainty around future energy prices. This will put the consumption risk with GLL, whereas the price risk is with the Authority. An annual benchmarking exercise will revise the annual targets, reflect both changes in energy prices and consumption change from LED investment and efficiencies.

#### **DEMANDS ON THE AUTHORITY**

- 6 The demands on the organisation over the next few years are significant:
- responding to the major financial impact caused by the huge increase in energy prices;
  - building a greater resilience against potential impact from future events;
  - successfully ensuring the continued operation and enhancement of the non-sporting venues transferred back to the Authority;
  - generating additional income through a range of investment projects across all the Venues and the Park's open spaces;
  - maintaining the standard and relevance of major sports venues which are now 11-17 years old;
  - enhancing the Regional Park as a visitor destination through a number of new developments; and marketing the Park to a regional audience and delivering greater value to the communities of London, Essex and Herts.

#### **AUTHORITY'S CURRENT FINANCIAL POSITION**

- 7 The Authority approaches 2024/25 with a cautious financial approach. Current projections are for a deficit of **£0.35mill** in the current year, which will take our general reserves down to **£2.6mill**. This, however, is against a budget forecast of a **£0.46mill** deficit, so a small improvement.
- 8 The Medium Term Financial Plan (MTFP) has been updated to assist the budget and Levy setting process. It provides a snapshot in time as it is difficult to predict with any level of certainty beyond the next financial year. The figures beyond 2024/25 should only be used as a guide to determine the general direction of travel. Assumptions made, that have been incorporated into the

MTFP, are listed below.

9 The key risk areas in relation to the MTFP are set out below.

- **Inflation** – current CPI inflation is **3.9%**, and RPI **5.3%** as of November 2023. However, CPI inflation has risen as high as 11.1% in the past year. Whilst there is an expectation that inflation will continue to fall throughout the next calendar year, the compounding effect of the high inflation rates have had a significant impact on the cost of goods and services. Current estimates by the Bank of England is that inflation will remain at a level above their target position of **2%** well into 2025.
- The MTFP includes an assumption around employee pay rise of **4%** for 2024/25. The national pay review for 2023/24 added **£1,925** to every scale point on the NJC grade, and Members additionally approved a **3.88%** rise for those employees above this. This represented an average pay rise for Authority employees of **5.40%**. An increase of 1% will add approximately **£90,000** to the budget. Based on current inflation prediction for 2024, officers feel that this assumption is appropriate. However, National Employers await the trade union claim for 2024/25 in the coming weeks, and we will report if this, or the initial response, is received before 18 January.
- **Energy costs** - our current agreement with Laser (public bodies energy procurement consortium) for the period October 2023 to September 2024, saw energy prices increase by around 7% against the previous year. However, these prices represent around a 13% saving against those estimated this time last year. GLL has been able to secure prices similar to ours. The forward estimates are for prices to remain at similar levels for the foreseeable future. We have costed the increase from October 2024 at an estimated price that takes into account Laser's forecast for that time, although it would be prudent to allow some contingency for any price increase above the estimated level i.e. for the second half of 2024/25.
- **Income** – Members approved the Fees and Charges for 2024/25 in November (Paper E/823/23), and on average prices were increased by 6%. However the current economic climate will continue to be a challenge to income budgets, and whilst we have seen increases of around 10% in 2023/24 to established income streams, newer offers have yet to start delivering expected returns. A focus will be on generating income in these areas over the next year. Whilst our overall risk exposure to income has fallen significantly with GLL running the major Sporting Venues, a 5% fall would still see a reduction in income of around **£270,000** to our variable non LSC (i.e. non-rental) income.
- **Management Fee for the Leisure Services Contract** - currently the base fee set for 2024/25 is a payment to the Authority of **£0.49mill**. However, as part of the shared risk position for utilities at the LSC venues, the Authority takes the risk for tariff and GLL takes the risk for utility consumption. This arrangement was due to end after the first two contract years, however both parties are discussing an amendment to the contract to agree the most beneficial risk profile. We have costed, based on GLL and our assumptions, and have included provision for a payment of c. **£0.95m** in the MTFP. This is however, subject to

consumption levels and energy price changes.

10 **Table 1: Draft 2024/25 Budget Summary**

	2023/24 £000s	2024/25 £000s
Base Budget Authority	7,659.8	7,659.8
Base Adjustments	(720.0)	882.1
LSC Management Fee	1,034.5	(487.8)
LSC Utilities Risk Share	1,360.0	950.0
Borrowing Costs (Ice Centre)	1,585.0	1,722.0
Contingency	0	50.0
Levy	(10,646.7)	(10,646.7)
<b>Total Base Budget</b>	<b>272.6</b>	<b>156.4</b>
Outturn Against Budget 2023/24	73.1	0.0
Net Growth & Savings	0	197.5
<b>Levy Increase 3%</b>	<b>0</b>	<b>(319.4)</b>
<b>Deficit/(Surplus) before savings</b>	<b>345.7</b>	<b>7.5</b>

**Appendix A** sets out the Medium Term Financial Forecast, along with detailed changes to the base budget.

- 11 The MTFP currently shows that a 3% increase to the Levy will set a near balanced budget.

**BUDGET GROWTH, SAVINGS AND EFFICIENCIES**

- 12 The proposed expenditure growth, savings, and additional income for 2024/25 is set out in Appendix A. These represent an overall net budget growth of **£197,500** and a summary of the key budget implications is set out below.

13 **Budget Growth**

- **Corporate Training (£32,000)** - As a result of the new Health and Safety Contract, additional training needs have been identified at venues and business support. Officers are reviewing all training provision throughout the Park to ensure all staff have the appropriate training for their post.
- **Audit Fees (£40,000)** - The new Public Sector Audit Appointments (PSAA) contract for provision of audit services will commence for five years from 2024/25. PSAA have recently announced that the increase in base scale fee will be 151% to more accurately reflect the cost of delivering the audit requirements. This will increase our annual scale fee to **£65,770**.
- **Security and Grounds Maintenance Contracts (£150,000)** - The retendering of the security contract with Parkguard has resulted in an annual increase of **£80,000**. This was reported to Members in November (Paper E/831/23). Additionally, following the administration of Lee Valley Ice Centre contractor Buckingham, there is a requirement to procure the grounds maintenance contract at Lee Valley Ice Centre, which would have been covered for the first five years by Buckingham. This is

currently estimated at **£60,000** per annum. A further **£10,000** growth is required for the Countryside Areas Meadows Cut contract.

- **Stakeholder Audit / Marketing Campaigns (£35,000)** - Stakeholder perception is one of the Authority's KPIs and is something that hasn't been measured for a number of years. A stakeholder audit is planned for 2024. The Paris 2024 Olympics and Paralympics coincides with the tenth anniversary of the opening of Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre so there is an opportunity for major marketing campaigns.

#### 14 Budget Efficiencies and Savings

##### Changes relating to the Leisure Services Contract (LSC)

- The base LSC Management Fee reverts to a payment from GLL to the Authority of **£487,800**, a net improvement of **£1mill**.

The reduction to energy prices, the investment in LED lighting at all LSC venues, as well as improvements to consumption management is forecast to result in a reduction to the Utility Risk share payment of **£410,000**.

- 15 - **Car Parking (£25,000)** - The current car parking management includes a budget of **£25,000** for general expenses relating to installation of parking facilities. This is being removed from the base budget to be included in future proposals around delivery of EV charging points. The majority of Authority car parks now have electricity supply, and costs are offset against income by car park management.
- **Visitor Counters (£16,300)** - The current visitor counters do not deliver the data requirements at venues. A new solution is proposed to be procured which will more accurately track visitors to venues and open spaces, and the development in counter technology will result in a net saving.
- **Investment Income (£170,000)** - The Authority's base budget only includes provision for **£30,000** of investment income. With interest rates on savings at around **5%** currently, we expect to significantly over achieve this amount. The expected reduction in Authority cash over the next year is still expected to deliver a return of at least **£200,000** based on current interest rate forecasts.
- **New Investment In Lee Valley VeloPark (£25,000)** - Papers were presented to Members on 14 December relating to the Proposed Capital Investment at Lee Valley VeloPark (Paper E/833/23 & E/834/23). These papers set out the full financial implications, but the net revenue benefit to the Authority in 2024/25 will be **£25,000**, increasing to **£100,000** pa from 2025/26.

#### 16 Marinas Staffing Restructure

Members were briefed in November around the proposed restructure of Marina operations. The headline indication was that additional costs would be around **£270,000** pa. Members requested that officers review this, and present a fully



costed Business Plan for the Marinas to reduce this deficit, and ensure that both marinas were delivering a surplus. Officers will present a revised and improved budget plan to Members in February. In the meantime, the base cost is still being shown, although this is expected to improve significantly by February when the revised plan is presented. Any reduction from this £270,000 will initially be added to General Contingency, which in turn may result in a contribution to General Reserves. However, Members will have the opportunity at that time to identify if they wish for an alternative allocation.

## **REVENUE CONTRIBUTION ASSET MANAGEMENT RESERVES AND CAPITAL**

- 17 The Authority makes an annual base contribution to Earmarked Reserves for Asset Maintenance, Repairs and Renewals of **£1.43mill**. This is to fund any asset management or replacement projects that have been identified, along with some contingency for unexpected events.
- 18 The value of these reserves is anticipated to be **£1.2mill** at 31 March 2024. In order to help with the budget deficit in 2023/24 contributions to these funds were reduced by **£720,000**. However, this reduction is not sustainable in the long term, and with a programme in excess of **£1.4mill** over 2024/25 across the Authority estate, it is proposed to reinstate the majority of these contributions. A small reduction of **£100,000** is however proposed while officers review the Authority's asset renewal programme over the next five years.
- 19 It should also be noted that the Authority does not currently make any contribution from Revenue to directly fund its Capital Programme, outside of the statutory requirement to fund past capital expenditure financed by borrowing. Current capital is funded from existing and new capital receipts and external borrowing. The Capital Strategy (Paper E/836/24) and Capital Budget (Paper E/837/24) reports on the same agenda, have more detail on the financing of the Authority's capital programme.

A longer term aspiration should be to finance, at least in part, the capital programme directly in year from revenue contributions rather than rely on future capital receipts, which may not be forthcoming, or borrowing.

External borrowing has implications related to inflation and rates risks, as well as the need to finance repayment of any loans from revenue. The Authority is already highly geared with the £25million short-term loans to fund the Lee Valley Ice Centre redevelopment, and should avoid looking at external borrowing to fund future capital investment.

- 20 Due to the number of major assets the Authority owns, and the maintenance requirements to keep these venues in prime operational condition, Members should consider whether it would be appropriate to establish as a minimum, an Olympic/Major Venues Sinking Fund, to help finance any future maintenance requirements. Members will be aware that we have recently invested **£0.9mill** in the upgrade and maintenance of the pumps at Lee Valley White Water Centre, and **£0.6mill** on the track replacement at Lee Valley Athletics Centre. There was no existing specific reserve in place to fund these, so we had to fund from existing capital receipts. With other venues, such as Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre, now over 12 years old, officers are in the process of reviewing, based on the recent conditions surveys, the future maintenance needs of these venues that sit outside of the requirements of GLL under the LSC.

Whilst there is no specific provision within 2024/25 for this fund, Members may wish to consider whether this could be established from any potential year end surplus, or as direct contributions from 2025/26.

**THE LEVY**

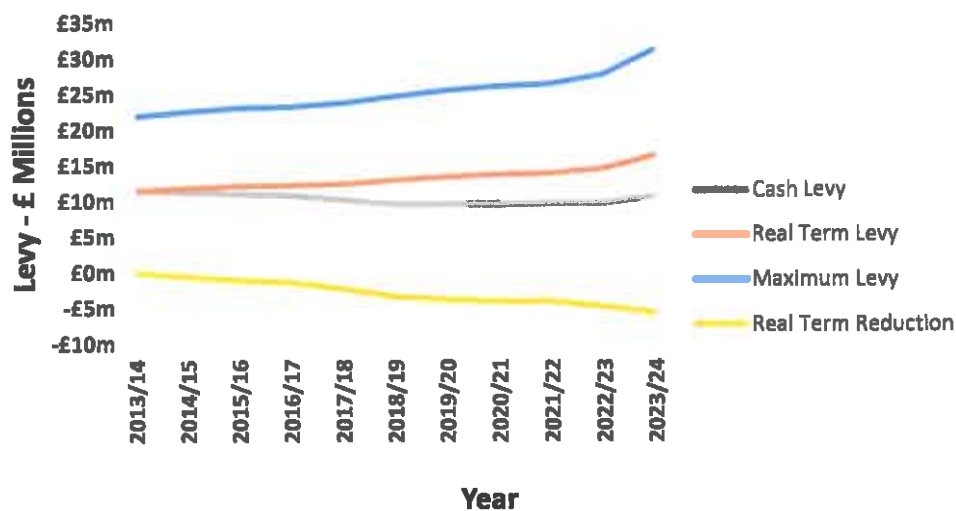
- 21 The maximum Levy is determined by law. The annual increase for the maximum Levy in the year ahead is based on the Retail Price Index (RPI) as at the preceding September. The RPI for September 2023 was 8.66%. Therefore the maximum Levy for 2024/25 is set at £33.9mill (2023/24 was £31.2mill).
- 22 A 1% movement in the Levy equates to approximately £106k per annum for the Authority. Whilst a 1% movement in the Levy impacts between £200 and £12,900 for the smallest (Corporation of London) and the largest contributing authority (Essex) respectively, with the majority of contributing authorities falling between £1,200 and £3,400 per annum.
- 23 Over the last 10 years changes in the Levy have been significantly below inflation (RPI) with a real term decrease of around 46% over the last ten years.

	Actual Cash Levy £m	Real Term Levy (if had increased with inflation) £m	Maximum Levy £m
2013/14	£11.514	£11.514	£21.906
2023/24	£10.646	£16.390	£31.181

Levy Decrease	- 7.54%
RPI Increase	+ 42.34%

The current Levy of £10.646mill represents an overall reduction against the real term inflated Levy of £16.390mill of 53.9% (-£5.743mill).

**Levy Trend 2013/14 to 2023/24**



- 24 The Levy is apportioned to contributing authorities, based on proportion of each authority's Council Tax Band D figure, against a combined figure for all

contributing authorities. **Appendix C** sets out how the 2023/24 Levy was apportioned to the contributing authorities.

## RESERVES

- 25 Any decision taken by Members that does not provide for a balanced budget will have a downward impact on reserves. The unallocated General Fund reserve was **£2.9mill** as at 1 April 2023. The projected outturn for 2023/24 is expected to decrease this to around **£2.6mill** by 31 March 2024. This level is under constant review, and reported to Members at the quarterly revenue monitoring throughout the year.

The current general reserves policy is for general reserves of between £3mill - £4mill. Members agreed a temporary reduction below £3mill for 2023/24 due to the significant budget pressures, with an emphasis on building reserves back up above the £3mill minimum level in the medium term.

The Authority benefitted from a **£1.811mill** refund of VAT from HMRC in September 2023. This was presented to Members in October (Paper E/821/23). Members agreed that rather than try to allocate this sum to specific areas or schemes, that it should be held in the General Fund.

A further option was to utilise part or all of this receipt to finance the Lee Valley Ice Centre redevelopment, and thus reduce the requirement for external debt. The full annual charge, in respect of statutory Minimum Revenue Provision (MRP), on £25million of external debt, as per our MRP policy, would be £625,000 pa. In addition, there would be related borrowing interest cost.

However, the £1.8m would only represent a reduction in MRP of £45,000, and whilst there will be a reduction to interest costs, the opportunity to utilise these funds elsewhere will be lost, along with the short-term gain receivable in terms of investment income.

Also, the flexibility of allocating these monies to the General Fund does not then prevent the Authority from making a decision to any of this in a different way, i.e. for capital financing, in the future.

The recommendation remains that this sum is held within the General Fund.

However, Members should also be mindful that there is an outstanding retention fee of around **£800,000** due to Buckingham for the construction of Lee Valley Ice Centre. With Buckingham now in administration, the Authority is having to fund outstanding snagging works on the venue. Whilst we are confident following external legal advice that our costs can be offset against the retention, until there is a final settlement we may be subject to payment of the retention to the Administrator.

- 26 **To use reserves to fund any ongoing deficit is not recommended;** unless it is a sum that doesn't leave the reserves at too low a level and only for a temporary period, i.e. one/two years and that it can be demonstrated there is a clear plan to address the ongoing deficit. The external auditor has previously highlighted the unsustainability of relying on general reserves to fund budget deficits.
- 27 Members annually review the existing policy on revenue reserves ensuring

minimum levels of cash reserves are maintained to deal with unforeseen circumstances. The previous level Members agreed for general reserves to remain around was **£3mill - £4mill**.

The new LSC has transferred the risk for income from the Authority to the contractor and minimises the need to consider shortfalls in income at these major venues as an ongoing risk.

When considering reserve levels financial risks should be assessed and these include:

- further impact of energy price increases;
- assumptions around inflation and interest rates;
- estimates and timing of capital receipts and expenditure;
- the treatment of demand led pressures;
- the treatment of planned efficiency savings;
- the availability of existing reserves; and
- the general economic climate.

Based on the risk factors set out in this paper, it is recommended that the current minimum level reserves policy should be maintained at **£3mill**, with a recommended level at, or above, **£4mill**, which will allow for any short term annual fluctuations that may materialise.

Whilst there is no statutory calculation of reserve levels, and each authority is required to set its own prudent level, and based on the proposed budget for 2024/25, using a level of **20%** of gross expenditure, this gives a reserve figure of **£3.75mill**. The Authority has a large property and open space portfolio, and includes not only legacy Olympic venues, as well as leading national sporting venues, but an extensive network of open spaces, and infrastructure, accessible to all. Having capacity and flexibility to react to any potential maintenance and management need is a key consideration for the level of reserves policy.

- 28 There are a number of factors which are outside of the Authority's direct control – utility price increases, pay negotiations - which in themselves do show the need to hold sufficient reserves to respond to such events. Therefore it is proposed that the current policy of a General Fund reserve of between **£3mill-£4mill** be maintained.

Due to the size of the Authority's asset holding, and the fact we are far more reliant on cash income rather than the Levy, means that using an absolute cash value for reserves is more prudent than basing on a percentage in our circumstances, and suggests reserves at the higher end would be more appropriate.

- 29 An analysis of Revenue Reserves is presented in Appendix B to this report. It sets out movement on these reserves in line with MTFP, and how the balances change over the period. It also includes the balances relating to capital resources.

#### **PROPOSED LEVY FOR 2024/25**

- 30 Subject to the underlying assumptions and risks/uncertainties as set out, the proposed budget for 2024/25 is **£10.966mill**, and represents a **3%** increase to

the current Levy.

- 31 As mentioned in para 20 above, Members may want to look at creating a Sinking Fund for Olympic venues, and whether any contribution could be made in 2024/25, be that as a direct contribution, or by allocation of any possible year-end surplus.
- 32 **Appendix C** sets out the Levy for contributing authorities based upon the 2023/24 Council Tax Band D calculations submitted, with an indicative position on what a 1% and 3% rise would be. These calculations usually change between years and therefore will affect the actual sum charged in 2024/25.

## **FUTURE PROJECTS AND INVESTMENTS**

- 33 Officers are continuing to work on a number of projects and initiatives designed to provide additional income, and/or efficiencies and savings in future years.

Recent project approved to provide additional income streams, and efficiency savings at the LSC venues include Health & Fitness investment at both Lee Valley Athletics Centre, and Lee Valley VeloPark, the Equine Simulator at the Lee Valley Riding Centre, and LED lighting across all venues. These will fully mature over the next few years. The annual net benefit to the Authority over the remaining 8 years of the LSC is £1.886m for the activity investments, plus a saving in energy consumption for the LED investment.

The restructure of Marina operations whilst initially being a net cost to the Authority, will provide sufficient resource and capacity to enable the Marinas to develop and to deliver profitable businesses.

Further details will be brought to Members for discussion and approval as they are developed.

- 34 In addition, officers are looking at a variety of additional income generating projects, which will help to further facilitate investment across the Park. These include:

- Development of Area 4 at Lee Valley White Water Centre;
- Potential visitor accommodation at WaterWorks Centre;
- Picketts Lock site;
- Eton Manor;
- Spitalbrook;
- Investment at Sewardstone Campsite; and
- EV charging points across the Park.

GLL is expected to present a number of further proposals for capital investment at the LSC venues. These will all be income generating, and will benefit the Authority by an increase in the annual payment from GLL to the Authority. All future investment proposals will be subject to presentation of business cases, and will require Member approval.

- 35 In addition, in light of the changes to office accommodation requirements and the high cost of managing the Myddelton House site, over the next year officers will be exploring alternative office accommodation options.

- 36 Members also approved entering into a Memorandum of Understanding with the London Borough of Enfield (Paper E/818/23) for the proposed disposal of land west of Rammey Marsh. Site studies have been jointly commissioned looking at transport, ground conditions and the ecology. This is the first step in preparing for market testing the site.

## CONCLUSIONS

- 37 The Authority has significant demands over the next year in responding to the current economic climate, the demands that this will have on purchasing costs, the probable reduction in demand for services and activities and resultant fall to income and energy prices.

The requirement to increase the Levy to respond to these demands is essential in enabling the Authority to fulfil its statutory duties, deliver its corporate objectives and ensure that there is greater confidence regarding the current financial uncertainties over the coming year.

- 38 The Authority will continue to strive to increase value to the regional constituency, whilst reducing the cost of the Lee Valley Regional Park to the taxpayer. A number of major projects are being looked at for future years, which should help to start to bring the Levy back down again. These involve both income generating and efficiency savings schemes that should start to show return from 2024/25.

## NEXT STEPS

- 39 Executive Committee are required to make a recommendation to the full Authority on 18 January 2024.
- 40 The Authority will then approve a budget and Levy for 2024/25.

## LEGAL IMPLICATIONS

- 41 The Authority is required to set a budget and Levy annually by 24 January and notify contributing authorities by no later than the 15 February in the year preceding the Levy.

## RISK MANAGEMENT IMPLICATIONS

- 42 Paragraph 9 sets out the main risks and uncertainties the Authority faces in achieving the budget during 2024/25. Most significantly the economic climate remains extremely uncertain, particularly against the back-drop of the inflationary pressures and increases to energy costs and could impact significantly on any of the assumptions made.

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## APPENDICES ATTACHED

Appendix A	Medium Term Financial Forecast Summary
Appendix B	Summary of Reserves
Appendix C	Levy Apportionment 2023/24 and Indicative 2024/25

**PREVIOUS COMMITTEE REPORTS**

Executive	E/823/23	Authority Fees & Charges Review 2024/25	23 November 2023
Authority	A/4329/23	2023/24 Revenue Budget and Levy	19 January 2023
Authority	A/4330/23	Proposed Capital Programme 2022/23 (Revised) to 2026/27	19 January 2023
Authority	A/4324/22	Fees and Charges Policy	20 October 2022

**LIST OF ABBREVIATIONS**

MTFP	Medium Term Financial Plan
RPI	Retail Price Index
CPI	Consumer Price Index
GLA	Greater London Authority
LSC	Leisure Services Contract
Park Act	Lee Valley Regional Park Act 1966
GLL	Greenwich Leisure Limited
PSAA	Public Sector Audit Appointments
MF	Management Fee
LOBTA	Leisure Operators Base Trading Account

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	2023/24 BUDGET £000s	2023/24 OUTTURN £000s	2024/25 REBASED MTFP £000s	2025/26 MTFP £000s	2026/27 MTFP £000s
Authority Base	7,659.8	7,659.8	7,659.8	8,541.9	8,541.9
Base Adjustments	(720.0)	(720.0)	299.4	(66.5)	(82.4)
Inflation Adjustments			582.7	408.1	761.2
Outturn		73.1		0.0	0.0
<b>Updated Authority Base</b>	<b>6,939.8</b>	<b>6,939.8</b>	<b>8,541.9</b>	<b>8,883.5</b>	<b>9,220.7</b>
Ice Loan Repayments	1,522.0	1,585.0	1,722.0	1,672.0	1,622.0
LSC Management Fee	360.9	514.2	(487.8)	(528.1)	(804.0)
LSC Utilities	1,430.0	1,360.0	950.0	850.0	820.0
LSC Other (Ice Delay)	250.0	520.3	0.0	0.0	0.0
Levy	(10,646.7)	(10,646.7)	(10,646.7)	(10,646.7)	(10,646.7)
	(144.0)	345.7	79.4	230.7	212.0
General Contingency	600.0	0.0	50.0	0.0	0.0
Growth & Savings			197.5	115.3	120.9
Further Growth & Savings			0.0	0.0	0.0
Levy Increase 3%, 0%, 0%			(319.4)	(319.4)	(319.4)
<b>NET BUDGET</b>	<b>456.0</b>	<b>345.7</b>	<b>7.5</b>	<b>26.6</b>	<b>13.5</b>
Opening General Fund	(2,959.7)	(2,959.7)	(4,425.0)	(4,417.5)	(4,390.9)
Budget (Surplus)/Deficit	456.0	345.7	7.5	26.6	13.5
HMRC VAT Refund		(1,811.0)			
<b>Closing General Fund Balance</b>	<b>(2,503.7)</b>	<b>(4,425.0)</b>	<b>(4,417.5)</b>	<b>(4,390.9)</b>	<b>(4,377.4)</b>
<b>GROWTH &amp; SAVINGS</b>					
Corporate Training			32.0	33.6	34.9
External Audit Fees			40.0	40.0	40.0
Parkguard Security Contract			80.0	84.0	87.4
Workplace Health			5.0	5.0	5.0
Ice Centre Grounds Maintenance			60.0	63.0	65.5
Countryside Areas Meadows Cuts			10.0	10.5	10.9
PR/Comms Stakeholder Audit/Campaign			35.0	0.0	0.0
Marina Restructure *			271.8	273.6	263.4
Car Parking Expenses			(25.0)	(26.3)	(27.4)
Visitor Counters Contract			(16.3)	(18.1)	(18.8)
Investment Income			(170.0)	(150.0)	(140.0)
Reduce R&R Contributions			(100.0)	(100.0)	(100.0)
Velopark Health & Fitness Project			(25.0)	(100.0)	(100.0)
<b>TOTAL</b>			<b>197.5</b>	<b>115.3</b>	<b>120.9</b>

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000s	£000s	£000s	£000s	£000s
<b>USABLE RESERVES</b>					
<b>Revenue Reserves</b>					
General Fund	(2,960)	(4,425)	(4,418)	(4,391)	(4,377)
Insurance Fund	(445)	(439)	(319)	(299)	(279)
Repairs & Renewals Funds	(1,318)	(1,050)	(1,032)	(1,014)	(996)
<b>Sub Total Revenue Reserves</b>	<b>(4,723)</b>	<b>(5,914)</b>	<b>(5,769)</b>	<b>(5,704)</b>	<b>(5,652)</b>
<b>Capital and Asset Based Reserves</b>					
Asset Maintenance Reserve	(329)	(189)	(86)	(45)	(610)
Usable Capital Receipts	(16,520)	(8,102)	(7,007)	(7,007)	(7,007)
<b>Sub Total Capital Reserves</b>	<b>(16,849)</b>	<b>(8,291)</b>	<b>(7,093)</b>	<b>(7,052)</b>	<b>(7,617)</b>
<b>Total Usable Reserves</b>	<b>(21,572)</b>	<b>(14,205)</b>	<b>(12,862)</b>	<b>(12,756)</b>	<b>(13,269)</b>
<b>Capital Financing &amp; Borrowing</b>					
Capital Financing Requirement (pre-2007)	10,755	10,323	9,908	9,509	9,125
Assets Under Construction	27,147	0	0	0	0
Capital Financing Requirement (Ice Centre)	0	22,597	22,618	21,822	21,233
Capital Financing Requirement (Velopark)	0	508	445	381	318
External Borrowing	(25,000)	(25,000)	(23,200)	(22,405)	(21,815)
<b>Net Internal Borrowing</b>	<b>12,902</b>	<b>8,428</b>	<b>9,771</b>	<b>9,307</b>	<b>8,860</b>
<b>Cash Flow - General Liabilities</b>	<b>(2,123)</b>	<b>(3,100)</b>	<b>(2,100)</b>	<b>(1,600)</b>	<b>(1,600)</b>
<b>Net Closing Cash Balance</b>	<b>(10,793)</b>	<b>(8,877)</b>	<b>(5,191)</b>	<b>(5,049)</b>	<b>(6,009)</b>

Authority	Levy	Indicative Levy Increase 2024/25		
	2023/24	3%	Increase	1%
<b>Corporation of London</b>	<b>22,517</b>	<b>23,192</b>	<b>675</b>	<b>225</b>
London Borough of Camden	235,139	242,193	7,054	2,351
London Borough of Greenwich	217,756	224,289	6,533	2,178
London Borough of Hackney	195,897	201,774	5,877	1,959
London Borough of Hammersmith & Fulham	213,242	219,639	6,397	2,132
London Borough of Islington	208,024	214,265	6,241	2,080
Royal Borough of Kensington & Chelsea	248,291	255,740	7,449	2,483
London Borough of Lambeth	286,396	294,988	8,592	2,864
London Borough of Lewisham	225,722	232,494	6,772	2,257
London Borough of Southwark	277,360	285,681	8,321	2,774
London Borough of Tower Hamlets	286,953	295,561	8,608	2,870
London Borough of Wandsworth	358,253	369,000	10,747	3,583
City of Westminster	345,399	355,761	10,362	3,454
London Borough of Barking & Dagenham	135,479	139,543	4,064	1,355
London Borough of Barnet	388,886	400,553	11,667	3,889
London Borough of Bexley	211,178	217,513	6,335	2,112
London Borough of Brent	257,069	264,781	7,712	2,571
London Borough of Bromley	340,667	350,887	10,220	3,407
London Borough of Croydon	348,639	359,098	10,459	3,486
London Borough of Ealing	308,961	318,230	9,269	3,090
London Borough of Enfield	245,908	253,285	7,377	2,459
London Borough of Haringey	202,526	208,602	6,076	2,025
London Borough of Harrow	226,323	233,113	6,790	2,263
London Borough of Havering	228,973	235,842	6,869	2,290
London Borough of Hillingdon	263,262	271,160	7,898	2,633
London Borough of Hounslow	226,891	233,698	6,807	2,269
Royal Borough of Kingston upon Thames	164,039	168,960	4,921	1,640
London Borough of Merton	197,385	203,306	5,921	1,974
London Borough of Newham	217,945	224,483	6,538	2,179
London Borough of Redbridge	229,847	236,742	6,895	2,298
London Borough of Richmond upon Thames	226,841	233,647	6,806	2,268
London Borough of Sutton	187,897	193,534	5,637	1,879
London Borough of Waltham Forest	203,550	209,656	6,106	2,035
	<b>7,933,215</b>	<b>8,171,210</b>	<b>237,996</b>	<b>79,332</b>
Hertfordshire County Council	1,180,337	1,215,748	35,411	11,803
Essex County Council	1,399,812	1,441,806	41,994	13,998
Thurrock Council	133,337	137,337	4,000	1,333
	<b>10,646,701</b>	<b>10,966,101</b>	<b>319,401</b>	<b>106,466</b>

NB: Levy apportionment is based on individual authorities Council Tax Band D base, as a percentage of the Total, so final figures will be slightly different to those shown above

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