

Q3 REVENUE BUDGET MONITORING 2022/23

Presented by the Head of Finance

EXECUTIVE SUMMARY

This report summarises monitoring of revenue expenditure to December 2022. It compares income and expenditure to the approved budget and includes a projection indicating the likely outturn position against the annual budget for the year ended 31 March 2023.

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 inflation impacting all areas of expenditure. The net deficit for 2022/23 was forecast at £818,000. A further report received on 17 November 2022 (Paper E/789/22) outlined the mitigating actions being taken to minimise the deficit position, reducing the net deficit forecast to £283,000. Since that report the new energy prices for October 2022-September 2023 were confirmed in late November and are lower than anticipated, which has improved the year-end outturn to a deficit of £126,000. The major variations currently projected are summarised in the table below.

| Service Description | Annual | Proposed | Variance |
|----------------------------------|------------|-------------|------------|
| | Net Budget | Net Outturn | £000s |
| Events (Incl Commonwealth Games) | 31 | -282 | -313 |
| Legal | 417 | 674 | 257 |
| Property | -1,142 | -1,296 | -154 |
| Leisure Services Contract | 2,681 | 3,263 | 582 |
| Parklands and Open Spaces | 2,605 | 2,524 | -81 |
| Small Venues | -1,005 | -806 | 199 |
| Corporate Insurance | 594 | 490 | -104 |
| Other | 3,937 | 3,791 | -156 |
| Financing | 1,787 | 1,536 | -251 |
| Levy | -9,768 | -9,768 | 0 |
| | 137 | 126 | -11 |

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 under spend of £11,000 against the net revenue budget deficit of £137,000. The net deficit for the year is forecast as £126,000.

GENERAL ECONOMIC FACTORS

4 Inflation

December's inflation for the Retail Price Index (RPI) stood at 13.4% and Consumer Price Index (CPI) at 10.5%. 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 4.0% on 2 February 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.

This price increase was considered as part of the 2022/23 budget process, with an expectation at that time of around 50% increase for gas and 20% for electricity built into the budget.

The revenue monitoring report presented to Executive Committee in November assumed the high-end price increase forecast by Laser. Our new prices for October 2022-September 2023 were confirmed in late November, and although they are considerable increases on previous prices (100% for electricity and 400% for gas), they are lower than feared. Laser were able to secure these prices at or below the Government's current Energy Bill Relief Scheme. These new prices mean the increase in utility costs for the Authority will be £260,000, down from £365,000.

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. The Authority has supported GLL in obtaining the same basket prices as us, which are fixed on the same tariff terms as we are. At quarter two we forecasted an additional cost of £395,000 in addition to the £310,000 contingency for this energy price risk. These new prices mean the increase in utility costs for the LSC will be £510,000, down from £705,000.

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.

Members agreed in November (Paper E/787/22) that 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.

BUDGET CHALLENGES AND SAVINGS

- 7 As reported to Executive Committee in October, the increased utilities prices and pay award detailed above pose a significant challenge to this year's budget. Mitigating actions continue to be taken to reduce the deficit position to one of a more manageable position.
- 8 As reported to Executive Committee in November, the following savings were identified to reduce the deficit.

| | | |
|---|--------------|---|
| 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 |
| Total Savings | (535) | |

- 9 This report reflects these savings as well as additional savings achieved through staff vacancies, increased income and a reduction in discretionary spending across the Authority following staff briefings and communications to help with the financial situation.

OPERATIONS OVERVIEW

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

FINANCING

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

The budget includes a £1million contribution 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 (£257,000 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 LSC and in dealing with other legal matters in particular following the departure of the Locum Property Solicitor in March.

13 Property Management (£154,000 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 years budgets.

14 PR / Communications (£12,000 surplus)

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

FINANCE AND SUPPORT SERVICES

15 Finance and Human Resources (£98,000 deficit)

An additional HR Advisor has been recruited to meet the Authority's needs, which had not been initially budgeted for in 2022/23. There has been a requirement for additional external financial support from KPMG with regards to the Sporting Income VAT claim; London Pension Fund Authority with regards to the Pension Fund agreement with GLL; and Montagu Evans in regards to Business Rates.

16 Corporate Insurances (£104,000 surplus)

A significant saving has been made following the removal of the majority of the risk from LSC venues from the Authority's insurance policies, in line with the Authority's responsibilities under the contract.

SPORT & LEISURE

17 Events (£313,000 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, although the hire period was for a longer period than originally budgeted by GLL. Officers are currently discussing the income position with GLL, which may result in a further payment to them to cover loss of income.

18 Active Communities (£65,000 underspend)

Officers had previously identified £45,000 saving through the saving exercise in November, which came from reductions to sports development grants, and community access savings due to the later opening of the Ice Centre. This has now increased to £65,000 through further delay to the Ice Centre, with handover now expected early March. This budget saving has been incorporated into the 2023/24 budget.

All allocated grants will be spent, but no further grants will be offered this year. The saving is against a total community programmes budget of circa £300,000 for 2022/23.

PARKLANDS AND OPEN SPACES

19 Countryside Areas (£66,000 underspend)

There have been a number of vacancies within the Ranger team this year which has led to savings. These vacant positions are being recruited to.

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

SMALL VENUES

20 Campsites (£152,000 over budget)

Campsites have been heavily impacted by the increase in utility costs, with a significant impact of around £120,000 additional costs for the year.

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 now available to book at both campsites and are expected to achieve good occupancy rates all year round due to their self-contained nature.

Despite this, the Campsite continue to return an overall surplus of around £500,000.

21 Marinas (£50,000 over budget)

The marinas have been impacted by the increased energy prices, expected to cost an additional £35,000. Springfield is exceeding income targets, but Stanstead has started to see the impact of the cost of living crisis, with demand for rechargeable works dropping off over the winter.

The Marinas also continue to return a profit for the Authority.

LEISURE SERVICES CONTRACT (£582,000 deficit)

- 22 The LSC commenced on 1 April 2022, with the transfer of the operation of the six major sporting venues to 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 Centre 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 £200,000 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 March, this will 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 £270,000 impact on the Management Fee has been included in the forecast.

FURTHER ISSUES

23 VAT Claim on Sporting Income

We await further information with regard to the “distortions of competition” issue in relation to the VAT claim on sporting income. Whilst we understand that HMRC may now concede on this point, the full details of the outcome, and the implications relating to both past claims and further treatment have not yet been released.

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

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

25 These are dealt with in the body of the report.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

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PREVIOUS COMMITTEE REPORTS

| | | | |
|---------------------|----------|---|-------------------|
| Executive Committee | E/789/22 | Q2 Revenue Budget Monitoring Update 2022/23 | 17 November 2022 |
| 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 | E/765/22 | Annual Report on Treasury Management Activity 2021/22 | 26 May 2022 |
| Authority | A/4312/22 | 2022/23 Revenue Budget & Levy | 20 January 2022 |
| Executive Committee | 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
YEAR 2022/23
PERIOD: 09 (December 2022)

LEE VALLEY REGIONAL PARK AUTHORITY

| | Actual To Date | | | Annual Net Budget | Proposed Net Outturn | Variance | |
|--|----------------|-------------|---------|----------------------|-------------------------|-------------|-------------|
| | Income | Expenditure | Net | | | £000s | % |
| OPERATIONAL SERVICES | | | | | | | |
| Chief Executive | (4) | 492 | 488 | 682 | 642 | (40) | (6%) |
| Corporate Services | (1,816) | 1,321 | (494) | (194) | (95) | 99 | 51% |
| Finance and Support Services | (45) | 1,182 | 1,137 | 2,366 | 2,245 | (121) | (5%) |
| Sport and Leisure | (1,298) | 1,520 | 223 | 983 | 586 | (397) | (40%) |
| Parklands and Open Spaces | (850) | 2,589 | 1,739 | 2,605 | 2,524 | (81) | (3%) |
| Small Venues | (3,472) | 2,570 | (902) | (1,004) | (806) | 198 | 20% |
| Leisure Services Contract | (1) | 217 | 216 | 2,681 | 3,263 | 582 | 22% |
| | (7,486) | 9,891 | 2,407 | 8,119 | 8,359 | 240 | 3% |
| FINANCING | | | | | | | |
| Interest Receivable | (31) | 0 | (31) | (8) | (35) | (27) | (338%) |
| Interest Payable & Bank Charges | 0 | 58 | 58 | 56 | 82 | 26 | 46% |
| 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 | (7,326) | 0 | (7,326) | (9,768) | (9,768) | 0 | 0% |
| Movement in General Fund | | | | 137 | 126 | (11) | (8%) |

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2022/23

PERIOD: 09 (December 2022)

| | Actual To Date | | Net | Annual Net Budget | Proposed Net Outturn | Variance | |
|---|----------------|--------------|--------------|----------------------|-------------------------|--------------|--------------|
| | Income | Expenditure | | | | £000s | % |
| CHIEF EXECUTIVE | | | | | | | |
| Chief Executive | 0 | 171 | 171 | 256 | 228 | (28) | (11%) |
| PR / Communications | (4) | 321 | 317 | 426 | 414 | (12) | (3%) |
| TOTAL CHIEF EXECUTIVE | (4) | 492 | 488 | 682 | 642 | (40) | (6%) |
| CORPORATE SERVICES | | | | | | | |
| Legal Service | (3) | 551 | 548 | 417 | 674 | 257 | 62% |
| Property Management | (1,811) | 279 | (1,533) | (1,142) | (1,296) | (154) | (13%) |
| Planning and Strategic Partnerships | 0 | 78 | 78 | 141 | 102 | (39) | (28%) |
| Asset Protection, Maintenance & Development | (2) | 327 | 326 | 278 | 309 | 31 | 11% |
| Committee Service | 0 | 86 | 86 | 112 | 116 | 4 | 4% |
| TOTAL CORPORATE SERVICES | (1,816) | 1,321 | (494) | (194) | (95) | 99 | 51% |
| FINANCE AND SUPPORT SERVICES | | | | | | | |
| Finance and Human Resources | 0 | 566 | 566 | 618 | 716 | 98 | 16% |
| Information Technology | (45) | 407 | 362 | 710 | 659 | (51) | (7%) |
| Corporate Insurances | 0 | 0 | 0 | 594 | 490 | (104) | (18%) |
| Audit / Health & Safety | 0 | 72 | 72 | 219 | 176 | (43) | (20%) |
| Non Distributed Costs | 0 | 48 | 48 | 69 | 69 | 0 | 0% |
| Corporate Training / Apprenticeships | 0 | 19 | 19 | 71 | 43 | (28) | (39%) |
| Project & Funding Delivery | 0 | 70 | 70 | 85 | 92 | 7 | 8% |
| TOTAL FINANCIAL SERVICES | (45) | 1,182 | 1,137 | 2,366 | 2,245 | (121) | (5%) |
| SPORT AND LEISURE | | | | | | | |
| Events | (1,234) | 874 | (360) | 31 | (282) | (313) | (1010%) |
| Sports Development | (37) | 41 | 4 | 123 | 58 | (65) | (53%) |
| Policy and Performance | 0 | 466 | 466 | 601 | 635 | 34 | 6% |
| Learning & Engagement Service | (27) | 118 | 92 | 148 | 132 | (16) | (11%) |
| Community Access | 0 | 21 | 21 | 80 | 43 | (37) | (46%) |
| TOTAL SPORT AND LEISURE | (1,298) | 1,520 | 223 | 983 | 586 | (397) | (40%) |

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2022/23

PERIOD: 09 (December 2022)

| | Actual To Date | | | Annual Net Budget | Proposed Net Outturn | Variance | |
|---------------------------------------|----------------|--------------|--------------|----------------------|-------------------------|-------------|-------------|
| | Income | Expenditure | Net | | | £000s | % |
| PARKLANDS AND OPEN SPACES | | | | | | | |
| Management | | | | | | | |
| Operational Management | 0 | 214 | 214 | 275 | 285 | 10 | 4% |
| Myddelton House Management | (12) | 236 | 223 | 293 | 331 | 38 | 13% |
| Parklands | | | | | | | |
| River Lee Country Park | (7) | 230 | 223 | 439 | 423 | (16) | (4%) |
| Gunpowder Park | (4) | 47 | 43 | 88 | 82 | (6) | (7%) |
| Countryside Areas | (118) | 833 | 715 | 1,055 | 989 | (66) | (6%) |
| Abbey Gardens | (2) | 58 | 56 | 94 | 82 | (12) | (13%) |
| Three Mills | (1) | 16 | 16 | 31 | 27 | (4) | (13%) |
| East India Dock and Bow Creek | (9) | 35 | 26 | 45 | 40 | (5) | (11%) |
| Broxbourne Riverside | (52) | 18 | (34) | 21 | 25 | 4 | 19% |
| Fisheries | (56) | 3 | (53) | (69) | (109) | (40) | (58%) |
| Visitor Attractions | | | | | | | |
| Myddelton House | (110) | 255 | 145 | 183 | 182 | (1) | (1%) |
| Rye House Gatehouse | 0 | 3 | 3 | 5 | 8 | 3 | 60% |
| Park Projects | | | | | | | |
| Volunteers | 0 | 32 | 32 | 42 | 44 | 2 | 5% |
| Biodiversity | 0 | 83 | 83 | 106 | 112 | 6 | 6% |
| Farms | | | | | | | |
| Lee Valley Farm, Holyfieldhall | (455) | 512 | 57 | 38 | 56 | 18 | 47% |
| Initiatives and Partnerships | | | | | | | |
| King George Reservoir South | (11) | 14 | 3 | (1) | (1) | 0 | 0% |
| Lee Valley Boat Centre | 0 | 0 | 0 | (41) | (41) | 0 | 0% |
| Broxbourne Chalets | (13) | 0 | (13) | 1 | (11) | (12) | (1200%) |
| TOTAL PARKLAND AND OPEN SPACES | (850) | 2,589 | 1,739 | 2,605 | 2,524 | (81) | (3%) |
| SMALL VENUES | | | | | | | |
| Lee Valley Marina Springfield | (841) | 489 | (352) | (345) | (357) | (12) | (3%) |
| Lee Valley Marina Stanstead | (637) | 557 | (80) | (58) | 4 | 62 | 107% |
| Lee Valley Waterworks Centre | (3) | 44 | 41 | 82 | 75 | (7) | (9%) |
| Lee Valley Farm Hayes Hill | 0 | 2 | 2 | 0 | 2 | 2 | 0% |
| Lee Valley Campsite (Sewardstone) | (463) | 333 | (130) | (91) | (67) | 24 | 26% |
| Lee Valley Caravan Park (Dobbs Weir) | (704) | 435 | (269) | (409) | (211) | 198 | 48% |
| Lee Valley Leisure Centre Campsite | (400) | 303 | (98) | 39 | (26) | (65) | (167%) |
| Lee Valley Leisure Centre Golf Course | (121) | 101 | (20) | 1 | 2 | 1 | 100% |
| Almost Wild Campsite | (43) | 24 | (19) | (16) | (21) | (5) | (31%) |
| Caravan Sales | (260) | 282 | 23 | (207) | (207) | 0 | 0% |
| TOTAL SMALL VENUES | (3,472) | 2,570 | (902) | (1,004) | (806) | 198 | 20% |

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2022/23

PERIOD: 09 (December 2022)

| | Actual To Date | | Net | Annual | Proposed | Variance | | |
|--|----------------|--------------|--------------|--------------|--------------|------------|------------|--|
| | Income | Expenditure | | Net Budget | Net Outturn | £000s | % | |
| LEISURE SERVICES CONTRACT | | | | | | | | |
| Management Fee | 0 | 0 | 0 | 2,261 | 2,261 | 0 | 0% | |
| Efficiencies / Increased Income | 0 | 0 | 0 | (60) | (30) | 30 | 50% | |
| LSC Support | 0 | 39 | 39 | 0 | 39 | 39 | 0% | |
| LSC Venues Direct Costs | (1) | 178 | 177 | 170 | 213 | 43 | 25% | |
| LSC Contingency (Utilities) | 0 | 0 | 0 | 310 | 510 | 200 | 65% | |
| LSC Operations (Ice Centre) | 0 | 0 | 0 | 0 | 270 | 270 | 0% | |
| TOTAL LSC VENUES AND BUSINESS SUPPORT | (1) | 217 | 216 | 2,681 | 3,263 | 582 | 22% | |
| OTHER OPERATIONAL SERVICES COSTS/INCOME | | | | | | | | |
| Budget Growth (Pay Rise) | 0 | 0 | 0 | 0 | 0 | 0 | 0% | |
| s106 Expenditure/Income | 0 | 1 | 1 | 0 | 0 | 0 | 0% | |
| TOTAL OPERATIONAL SERVICES | (7,486) | 9,892 | 2,406 | 8,119 | 8,359 | 240 | 3% | |