



LEE VALLEY REGIONAL PARK AUTHORITY

EXECUTIVE COMMITTEE

23 MAY 2024 AT 10:30

Agenda Item No:

5

Report No:

E/853/24

Q4 REVENUE BUDGET MONITORING 2023/24

Presented by the Head of Finance

EXECUTIVE SUMMARY

This report summarises service spending for 2023/24 compared to budget. Figures are 'near final' and are only likely to be the subject of small changes during the remainder of the closure of accounts process. The overall net operational surplus at the year-end is expected to be £236,000.

The budget was set in the context of high energy prices that were expected to rise again in October, and high inflation and cost of living pressures on customers that were anticipated to negatively impact income. A contingency of £600,000 was included within the budget to mitigate these risks, without which the net budget would have been a £144,000 surplus, so the reported outturn is an improvement of £92,000 against this.

This represents an improvement on the position reported to Members at Quarter 3 (Paper E/841/24) with explanations provided within this report. This improvement is mainly due to works that were scheduled for late 2023/24 not being able to take place until 2024/25 due to unsuitable weather conditions, savings made against consultant budgets and from staff vacancies, increased interest income, and some business areas outperforming income expectations. Budget totalling £155,000 is requested to be carried forward to 2024/25, which effectively reduces the net surplus to £81,000.

Description	Annual Budget	Forecast Outturn	Variance
Interest Payable	828	1,023	195
Interest Receivable	-30	-675	-645
Campsites	-911	-639	272
Marinas	-479	-516	-37
Parklands and Open Spaces	2,825	2,693	-132
Leisure Services Contract	2,274	2,574	300
Minimum Revenue Provision (Ice)	700	646	-54
Corporate Services	-295	-395	-100
Business Support Services	2,487	2,698	211
Sport & Leisure	988	945	-43

Other	2,116	2,057	-59
Levies	-10,647	-10,647	0
SUB-TOTAL	-144	-236	-92
Budget Carry Forward to 24/25		155	
TOTAL	-144	-81	

RECOMMENDATIONS

- Members Note: (1) the report; and
- Members Approve: (2) the budget carry forward as stated in paragraph 21 of this report.

BACKGROUND

- 1 The Executive Committee recommended a budget for 2023/24 at its meeting in January 2023 (Paper E/795/23). Members approved this at the Authority meeting on 19 January 2023 (Paper A/4329/23). This report compares income and expenditure to 31 March 2024 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 total net under spend of £692,000 against the net revenue budget deficit of £456,000, which included the £600,000 contingency. The net surplus for the year is expected to be £236,000.

GENERAL ECONOMIC FACTORS

4 Inflation

March's inflation for the Retail Price Index (RPI) stood at 4.3% and Consumer Price Index (CPI) at 3.2%. The Bank of England expect inflation to fall to 2% in the Spring before rising slightly (Bank of England Monetary Policy Committee Report May 2024). The Bank of England increased the base rate to 5.25% on 3 August in an effort to try to control inflation and voted on 9 May to hold the base rate at this level.

5 Energy Costs

The Authority purchases energy through the Laser framework that has secured energy prices below market rates and has protected the Authority from the worst of the energy price increases over recent years. The current agreement started in October 2023 and has fixed prices until September 2024.

The 2023/24 energy budgets were built based on actual energy consumption, energy tariffs secured to September 2023, and Laser's forecast at that time for the new tariff from October 2023.

Consumption across Authority venues is being monitored closely and overall there has been 7% reduced consumption compared to last year. The new tariffs from October 2023 to September 2024 were received in November. Electricity tariffs increased by less than expected, and gas tariffs reduced. Overall these

tariffs are a 7% saving compared to the budget assumption, and combined with consumption levels we have achieved a **£150,000 (20%) saving** across energy budgets, spread across the venues.

As part of the shared risk position for utilities at the Leisure Services Contract (LSC) venues, the Authority takes the risk for tariff and Greenwich Leisure Ltd (GLL) takes the risk for utility consumption. This arrangement is 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.

The 2023/24 budget includes £1.43 million to cover this tariff risk. Consumption savings of 7% have been achieved across the LSC venues due to the LED investment at Lee Valley VeloPark and good management practices across the venues. Consumption savings from the further LED investment projects across other LSC venues, as agreed by Executive in February 2023 (Paper E/802/23), will be seen in 2024/25. GLL have also received better than anticipated tariffs, and combined with reduced consumption the Authority will make an estimated **saving of £120,000** against this budget, which will be confirmed with GLL in line with the contract.

MAIN VARIANCES FROM BUDGET

- 6 The main variances against this year's budget are described below.

FINANCING

- 7 **Interest Receivable (£645,000 Additional Income) and Interest Payable (£195,000 Additional Expenditure)**

The increased rates of interest have impacted both the income received on investments, and interest payable on loans. Interest receivable has been significantly increased due to a higher than anticipated cash holding and effective treasury management. Interest received on the VAT rebate, detailed in paragraph 20, is included within this figure. The Treasury Management Report (Paper E/855/24) on the same agenda sets out the total investment income received in the year.

- 8 **Minimum Revenue Provision / Contribution to Capital (£54,000 Saving Against Budget)**

Under the Prudential Code, we are required to make a statutory provision for repayment of debt, be that external or internal. This is based on a calculation of the Capital Financing Requirement (CFR) as at the prior year balance sheet date.

The redevelopment of the Ice Centre is our one area of external borrowing, and the 2023/24 budget was built on the expectation that we would have borrowed, and thus have an obligation to repay, £28million with the venue coming into operation in February 2023.

Members also agreed (Paper A/4330/23) that £5million of the capital receipt for Mile and Langley Nursery should be used to finance the Ice Centre redevelopment scheme rather than using external borrowing. This would have reduced the Minimum Revenue Provision (MRP) to £575,000 for 2023/24.

However, with the delay to the handover until May 2023, the CFR for the Ice Centre redevelopment based on the balance sheet was £NIL with no statutory requirement for any MRP. Whilst the operational CFR for the Ice Centre is £0 for 2023/24, we still do have this external borrowing that requires financing. Therefore, we have included the £575,000 (based on a £23 million cost over 40 years life) as a voluntary contribution to fund capital, and thus reduce the future requirement for external borrowing. Without this voluntary contribution, repayment of borrowing would be extended by a year, along with the associated interest costs.

An additional £71,000 contribution to capital has been funded from the returns delivered by the investment projects at Lee Valley Athletics Centre and Lee Valley Riding Centre, and as agreed by Executive Committee (9 January 2023, Paper E/797/23) is a contribution to replacing the capital the Authority directly invested in the schemes.

CORPORATE SERVICES

9 Legal Service (£94,000 Reduced Expenditure)

In recent years the Authority has needed significant external legal support due to the scale and complexity of litigation and legal matters. This year there has been a saving against the budget in this area where this level of external support has not been required. However, with the uncertainty around the Buckingham contract this may be required in future years. However, this will be managed/reported in year if required, rather than carrying a budget provision forward.

10 Planning and Strategic Partnerships (£55,000 Reduced Expenditure)

The budget included an additional planning officer post which was not recruited to during the year.

11 Asset Protection, Maintenance & Development (£71,000 Additional Expenditure)

Additional support from external consultants has been required due to the volume of planned, reactive and investment work. This has included support for energy reduction projects across the venues.

BUSINESS SUPPORT SERVICES

12 Financial Management (£214,000 Additional Expenditure)

Additional consultancy support has been required which includes support from KPMG that resulted in the VAT rebate detailed in paragraph 20 of this report.

SPORT AND LEISURE

13 Sports Development (£32,000 Reduced Expenditure)

The Ice Centre Transition Fund was established to support coaches and clubs in the period from the closure of the old Ice Centre until they had reestablished themselves at the new Ice Centre (Paper A/4300/21). This fund has been used to support a number of coaches and clubs this year, but as yet has not been

fully utilised and there is a requirement for £30,000 remaining budget to be carried forward into 2024/25.

PARKLANDS AND OPEN SPACES

14 Parklands (£105,000 Reduced Expenditure)

Parklands and open spaces were reported as an expected overspend at Q3 due to additional costs for security and meadow cut contracts, additional staffing costs to cover long term illness, increased arboriculture works following storms and major instances of fly tipping.

However, the outturn position is now an underspend. Large scale fly tipping has occurred this year and a provision had been included at Q3 for removal. A further large scale fly tipping incident that occurred in February 2024 was not able to be removed until early April 2024 due to the size and nature of the waste. Budget of £100,000 is requested to be carried forward to cover this expenditure. Officers will continue to monitor and record levels of fly-tipping and cost involved in subsequent clear ups, including those that do not require third-party waste management.

Works to install electricity at Authority car parks for parking meters did not take place and £25,000 budget will need to be carried forward so that this work can be completed in 2024/25.

There were also a number of arboriculture, habitat and grounds maintenance works that were planned for the fourth quarter of the year have been delayed until 2024/25 due to unsuitable weather conditions. The costs of these will be managed within approved budgets while works to establish future requirements are ongoing.

SMALL VENUES

15 Marinas (£37,000 Increased Income / Reduced Expenditure)

The marinas continue to operate profitably, generating an overall surplus of £516,000, which is an improvement from £380,000 in 2022/23.

At Stanstead Marina the cost of living has had a more noticeable impact, with a higher turnover of moorers than in previous years. There is demand to replace these moorings, with just a few vacant hardstanding moorings during the summer. Demand for rechargeable works is down on previous years. This is mainly attributed to the cost of living, with customers looking to delay works, carry them out themselves, or use cheaper competitors where available for smaller jobs.

Springfield Marina exceeded income targets in the mooring and chandlery areas of the business. Some expenditure savings were due to insufficient staffing resources to manage contractors to complete works, and these works will need to be completed in future years.

We are currently carrying out a review at both marinas, and following a presentation to Members in November a report will be brought back to Executive once officers have been able to fully assess requirements.

16 Campsites (£272,000 Reduced Income / Increased Expenditure)

The campsites generated an overall surplus of £639,000, which includes £282,000 from caravan sales. This is an improvement from £339,000 in 2022/23 which included £141,000 from caravan sales. However, this is £272,000 (30%) behind the annual net budget of £911,000.

Income from the investment projects (Pods, customer Wi-Fi and Airbnb offer) at Dobbs Weir, and to a lesser extent Sewardstone, has not achieved the budget targets. We have experienced some delays in delivery, and demand is building more slowly than hoped. These are now more established and we anticipate achieving the revised budget targets for 2024/25.

Across the campsites occupancy levels for touring and rental accommodation have generally been in line with last year, with Sewardstone performing particularly well.

LEISURE SERVICES CONTRACT**17 Management Fee (£161,000 Additional Expenditure / Savings not Achieved)**

The second year of the LSC commenced on 1 April 2023. The Authority has paid a management fee payment to GLL this year, then from year three onwards this becomes a payment to the Authority. Adjustments to the management fee and other payments to GLL are explained below.

The Executive Committee (Paper E/743/21) approved the capital project to build a new Kayak Slalom Ramp at Lee Valley White Water Centre. This was completed in May 2023. The ramp was used for the Kayak Cross events at the 2023 Canoe Slalom World Championships held at the venue in September 2023. During the build there were restrictions to the programme on the Olympic Course, and a loss of income payment of £16,745 was agreed by Authority (Paper A/4341/23).

The contractors were required to return to site in January to carry out remedial work which meant that the Olympic Course could not be used for four days. A further loss of income payment is due to GLL, and a figure of £7,500 has been agreed.

Additionally, Members approved (Authority A/4341/23) an additional £23,400 be added to the LOBTA for an engineer at the Lee Valley Ice Centre to ensure that the building and plant is maintained to a high standard

The Authority is working with GLL on a number of planned investment projects across the venues. Members approved two projects in January 2023 (Paper E/796/23). The health and fitness redevelopment at Lee Valley Athletics Centre and the mechanical horse at Lee Valley Riding Centre have both been completed. These projects will generate an additional income which will adjust the management fee by £75,000 this year. Once these two projects have reached full maturity, the annual return will be around £220,000.

Following investment in the LED lighting project at Lee Valley VeloPark, Members approved further spend to save LED investment at Lee Valley Hockey and Tennis Centre, Lee Valley Athletics Centre, Lee Valley Riding Centre and Lee Valley White Water Centre (Paper E/802/23). These projects are underway

and consumption savings will benefit future years' utility risk share expenditure. There is also an associated saving on lighting lifecycle replacement costs, with a £10,000 saving this year.

18 Utilities (£120,000 Reduced Expenditure)

As explained earlier in this report we forecast a £120,000 saving against the LSC Utilities budget. However, this still represents a payment of £1.31million in respect of the tariff risk element of total LSC utility costs.

19 Ice Centre (£270,000 Additional Expenditure)

The new Lee Valley Ice Centre opened to the public in June 2023, later than originally planned. A management fee adjustment of £520,000 has been agreed that reflects the loss of income associated with the delay. This reflects the longer than expected delay assumed at the time of setting the £250,000 budget provision.

Members received a report in October 2023 (Paper A/4341/23) that detailed this and a number of other management fee adjustments and approved the values for payment to GLL. This additional expenditure will be covered by the budget contingency.

FURTHER ISSUES

20 VAT Claim on Sporting Income

Following the conclusion of the legal case around VAT on local authority non-business income, the Authority received a refund from HMRC along with accrued interest, which after fees for KPMG have been deducted results in a net receipt of £1.8m.

In January Members approved the 2024/25 Budget (Paper A/4346/24) and for the £1.818m refund to be held in the General Fund. The accrued interest and KPMG fees are included within the outturn within Investment income, and Business Support Services appropriately.

BUDGET CARRY FORWARDS

21 The following budgets are requested to be carried forward to 2024/25:

Description	Budget Carry Forward
Countryside Areas – Fly Tip	100
Countryside Areas – Car Parking Electric	25
Ice Centre Transition Fund	30
Total Impact on 2024/25 Budget	155

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 23 As a result of the reported surplus of £2.052m (this includes the £1.818m VAT rebate) for 2023/24, the Unallocated General Fund balance will increase to £4.993m as at 31/03/2024. This also includes two other adjustments that are currently charged to revenue, but not reported in the outturn. These are a £52,000 cost relating to Rammey Marsh studies (reported in Q4 Capital Outturn E854/24), which would be capitalised in the result of a capital receipt, and £29,000 relating to year end stock valuations at Holyfieldhall Farm which fluctuates year-on-year.

The Authority's approved minimum reserve balance is £3m (Authority A4346/24), but with a recommended level at, or above £4m to allow for any short term annual fluctuations that may materialise.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

Author: Keith Kellard, 01992 709 864, kkellard@leevalleypark.org.uk

PREVIOUS COMMITTEE REPORTS

Executive Committee	E/841/24	Q3 Revenue Budget Monitoring 2023/24	29 February 2024
Executive Committee	E/827/23	Q2 Revenue Budget Monitoring 2023/24	23 November 2023
Executive Committee	E/816/23	Q1 Revenue Budget Monitoring 2023/24	21 September 2023
Authority	A/4329/23	2023/24 Revenue Budget & Levy	19 January 2023
Executive Committee	E/795/23	2023/24 Revenue Budget & Levy	19 January 2023

APPENDIX ATTACHED

Appendix A Detailed outturn forecast

LIST OF ABBREVIATIONS

LSC	Leisure Services Contract
GLL	Greenwich Leisure Limited
CFR	Capital Financing Requirement
MRP	Minimum Revenue Provision
RPI	Retail Price Index
CPI	Consumer Price Index
LOBTA	Leisure Operator Base Trading Account

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Appendix A to Paper E/853/24

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2023/24

PERIOD: 13 (March 2024)

	Actual To Date		Net	Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure				£000s	%
OPERATIONAL SERVICES							
Chief Executive	-5	602	597	609	597	-12	(2%)
Corporate Services	-1,829	1,433	-396	-295	-396	-101	(34%)
Business Support Services	-48	2,748	2,700	2,487	2,699	212	9%
Sport and Leisure	-267	1,211	944	988	945	-43	(4%)
Parklands and Open Spaces	-911	3,605	2,694	2,825	2,693	-132	(5%)
Small Venues	-5,268	4,196	-1,072	-1,253	-1,070	183	15%
Leisure Services Contract	0	2,574	2,574	2,274	2,574	300	13%
	-8,928	16,369	8,041	7,635	8,042	407	5%
FINANCING							
Interest Receivable	-675	0	-675	-30	-675	-645	(2150%)
Interest Payable & Bank Charges	0	1,023	1,023	828	1,023	195	24%
Contributions to/from Earmarked Reserves	0	945	945	940	945	5	1%
Financing of Capital Expenditure	0	646	646	0	646	646	0%
Minimum Revenue Provision (Pre-2007)	0	430	430	430	430	0	0%
Minimum Revenue Provision (Ice Centre)	0	0	0	700	0	-700	(100%)
						0	
Levies on Local Authorities	-10,647	0	-10,647	-10,647	-10,647	0	0%
Income And Energy Contingency	0	0	0	600	0		
Movement in General Fund				456	-236	-692	(152%)
VAT refund - allocated to General Fund	-1,818	0	-1,818	0	-1,818		
TOTAL MOVEMENT IN GENERAL FUND					-2,052		

YEAR 2023/24

PERIOD: 13 (March 2024)

	Actual To Date		Net	Annual	Proposed	Variance	
	Income	Expenditure		Net Budget	Net Outturn	£000s	%
CHIEF EXECUTIVE							
Chief Executive	0	230	230	234	230	-4	(2%)
PR / Communications	-5	372	367	375	367	-8	(2%)
TOTAL CHIEF EXECUTIVE	-5	602	597	609	597	-12	(2%)
CORPORATE SERVICES							
Legal Service	-5	450	445	539	445	-94	(17%)
Property Management	-1,824	392	-1,432	-1,406	-1,432	-26	(2%)
Planning and Strategic Partnerships	0	100	100	155	100	-55	(35%)
Asset Protection, Maintenance & Development	0	363	363	292	363	71	24%
Committee Service	0	128	128	125	128	3	2%
TOTAL CORPORATE SERVICES	-1,829	1,433	-396	-295	-396	-101	(34%)
BUSINESS SUPPORT SERVICES							
Financial Management	2	714	715	502	715	213	42%
Human Resources Management	0	231	231	217	231	14	6%
Information Technology	-33	901	868	871	868	-3	(0%)
Corporate Insurances	0	456	456	489	456	-33	(7%)
Audit / Health & Safety	-17	231	214	206	214	8	4%
Non Distributed Costs	0	62	62	62	62	0	0%
Corporate Training / Apprenticeships	0	53	53	42	53	11	26%
Project & Funding Delivery	0	100	100	98	100	2	2%
TOTAL FINANCIAL SERVICES	-48	2,748	2,700	2,487	2,699	212	9%
SPORT AND LEISURE							
Events	-233	290	58	41	58	17	41%
Sports Development	-5	62	57	89	57	-32	(36%)
Policy and Performance	0	659	659	682	659	-23	(3%)
Learning & Engagement Service	-26	156	130	136	130	-6	(4%)
Community Access	-3	44	41	40	41	1	3%
TOTAL SPORT AND LEISURE	-267	1,211	944	968	945	-43	(4%)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
PARKLANDS AND OPEN SPACES							
Management							
Operational Management	0	296	296	294	296	2	1%
Myddelton House Management	-22	408	387	371	387	16	4%
Parklands							
River Lee Country Park	-32	328	295	356	295	-61	(17%)
Gunpowder Park	-2	84	81	89	81	-8	(9%)
Countryside Areas	-211	1,449	1,239	1,250	1,239	-11	(1%)
Abbey Gardens	-2	72	70	81	70	-11	(14%)
Three Mills	-2	23	21	25	21	-4	(16%)
East India Dock and Bow Creek	-6	22	16	27	16	-11	(41%)
Leyton Marsh	0	0	0	0	0	0	0%
Broxbourne Riverside	-1	20	19	18	19	1	6%
Fisheries	-119	27	-92	-72	-92	-20	(28%)
Visitor Attractions							
Myddelton House	-174	353	179	178	179	1	1%
Rye House Gatehouse	0	2	2	5	2	-3	(60%)
Park Projects							
Volunteers	0	48	48	46	48	2	4%
Biodiversity Management	0	117	117	118	117	-1	(1%)
Farms							
Lee Valley Farm, Holyfieldhall	-272	342	70	93	70	-23	(25%)
Initiatives and Partnerships							
King George Reservoir South	-14	14	-1	-1	-1	0	0%
Lee Valley Boat Centre	-41	0	-41	-41	-41	0	0%
Broxbourne Chalets	-13	0	-13	-12	-13	-1	(8%)
TOTAL PARKLAND AND OPEN SPACES	-911	3,605	2,694	2,825	2,693	-132	(5%)
Small Venues							
Lee Valley Marina Springfield	-1,194	736	-457	-391	-457	-66	(17%)
Lee Valley Marina Stanstead	-858	798	-59	-88	-59	29	33%
Lee Valley Waterworks Centre	-11	68	57	84	57	-27	(32%)
Lee Valley Campsite (Sewardstone)	-675	559	-117	-154	-117	37	24%
Lee Valley Caravan Park (Dobbs Weir)	-927	809	-117	-391	-117	274	70%
Lee Valley Leisure Centre Campsite	-608	505	-104	-108	-104	4	4%
Lee Valley Leisure Centre Golf Course	-129	157	28	53	28	-25	(47%)
Almost Wild Campsite	-52	32	-19	-15	-19	-4	(27%)
Caravan Sales	-814	532	-282	-243	-282	-39	(16%)
TOTAL SMALL VENUES	-5,268	4,196	-1,072	-1,253	-1,070	183	15%

YEAR 2023/24

PERIOD: 13 (March 2024)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
LEISURE SERVICES CONTRACT							
Management Fee	0	522	522	361	522	161	45%
Efficiencies / Increased Income	0	0	0	0	0	0	0%
LSC Support	0	0	0	0	0	0	0%
LSC Venues Direct Costs	0	222	222	233	222	-11	(5%)
LSC Contingency (Utilities)	0	1,310	1,310	1,430	1,310	-120	(8%)
LSC Operations (Ice Centre)	0	520	520	250	520	270	108%
TOTAL LSC VENUES AND BUSINESS SUPPORT	0	2,574	2,574	2,274	2,574	300	13%
TOTAL OPERATIONAL SERVICES	-8,328	16,369	8,041	7,635	8,042	407	5%