

Q2 REVENUE BUDGET MONITORING 2023/24

Presented by the Head of Finance

EXECUTIVE SUMMARY

This report summarises monitoring of revenue expenditure to September 2023. 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 ending 31 March 2024.

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.

The year-end position shows a projected net under spend of £119,000 against the net revenue budget deficit of £456,000. The net deficit for the year is forecast as £337,000. The major variations currently projected are summarised in the table below.

Description	Annual Budget	Forecast Outturn	Variance
Interest Payable	828	1,010	182
Interest Receivable	-30	-370	-340
Campsites	-911	-684	227
Marinas	-479	-397	82
Parklands and Open Spaces	2,825	2,870	45
Leisure Services Contract	2,274	2,599	325
Minimum Revenue Provision (Ice)	700	575	-125
Other	5,296	5,291	-5
Levies	-10,647	-10,647	0
SUB-TOTAL	-144	247	391
Energy and General Contingency	600	0	-600
Pay Award (Above 4% included in Budget)	0	90	90
TOTAL	456	337	-119

RECOMMENDATION

Members Note: (1) the 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 forecast 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 net revenue budget was set at a deficit of £456,000. The year-end position is forecast as £337,000 deficit, which is a £119,000 improvement on budget.

GENERAL ECONOMIC FACTORS

4 Inflation

September's inflation for the Retail Price Index (RPI) stood at 8.9% and Consumer Price Index (CPI) at 6.7%. The Bank of England expect inflation to fall to around 4.5% this year and meet their target rate of 2% by early 2025 (Bank of England Monetary Policy Committee Report November 2023). The Bank of England increased the base rate to 5.25% on 3 August as it continues to try to control inflation.

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 the last year. The current agreement has fixed prices until September 2023, with new tariffs from October 2023.

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 is in line with last year. The new tariffs from October 2023 to September 2024 were received in early November. Electricity tariffs have increased by less than expected and gas tariffs have reduced. Overall these tariffs are a 7% saving compared to the budget assumption, and combined with consumption levels we forecast a £40,000 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. To date consumption savings have been achieved across the LSC venues due to the LED investment at Lee Valley VeloPark and good management practices across the venues. Anticipated consumption savings from the further LED

investment projects across other LSC venues, as agreed by Executive in February 2023 (Paper E/802/23), have not yet been factored in until these projects are agreed with timelines for installation. GLL have yet to inform us of their new tariffs, but a conservative forecast of a £70,000 saving against this budget has been included in the outturn.

6 Pay Award

In February the National Employers made a full and final offer for the 2023/24 pay award of an increase of £1,925 on all National Joint Council (NJC) pay points 1 to 43, an increase of 3.88% on all pay points above 43, and an increase of 3.88% on London Weighting. Initially the unions rejected the offer, but it was announced on 1 November 2023 that Unison and GMB have accepted the offer and, whilst Unite have refused, a majority decision has been reached to accept the offer.

A separate paper will be presented to Members on this agenda as to whether the Authority should set a pay award for 2023/24 for officers on pay point 44 and above in line with the NJC scale.

The 2023/24 budget included provision for a 4% pay award. The current offer represents an approximate 5% increase, which equates to £90,000 additional expenditure against the approved budget.

MAIN VARIANCES FROM BUDGET

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

FINANCING

8 Interest Receivable (£340,000 additional income) and Interest Payable (£180,000 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. This includes money that will be owed to GLL that they have not yet invoiced for (Management Fee, Year 1 Utilities risk share and investment projects at venues). This interest figure will increase with further investments to year end.

9 Minimum Revenue Provision (£125,000 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 Lee Valley 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, £28 million with the venue coming into operation in February 2023.

Members also agreed (Paper A/4330/23) that £5 million 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 Lee Valley Ice Centre redevelopment based on the balance sheet was £NIL with no statutory requirement for any MRP. Whilst the CFR for Lee Valley Ice Centre is £0 for 2023/24, we still do have this external borrowing that requires financing. Therefore, we have included the £575,000 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.

SPORT & LEISURE

10 Events (£30,000 reduced income)

In 2021 Three Mills Green suffered a significant amount of damage and required remediation works to address drainage issues and restore the site fully. Due to the significant expenditure, and the need to let the site settle before it has any further heavy footfall, it has been agreed to not use the site again for large scale events in 2023 to allow for reinstatement, which in turn will impact income levels this year.

PARKLANDS AND OPEN SPACES

11 Countryside Areas (£48,000 additional expenditure)

Meadow cuts sit outside of the main grounds maintenance contract and actual costs for this year have come back higher than anticipated in the budget. Ranger staffing has been brought back up to the required level this year. Due to long term staff sickness there has been a requirement for additional staffing expenditure to maintain service delivery.

SMALL VENUES

12 Marinas (£82,000 overspend)

The cost of living is having an impact at the marinas, with a higher turnover of moorers than in previous years. There is demand to replace these moorings, with just a few vacant hardstanding moorings at Stanstead during the summer. The chandlery at Stanstead has seen a slight downturn in trade. Demand for rechargeable works started the year down on previous years, but it has picked up over the summer. This was 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.

We are currently carrying out a review at both marinas, focussing on all operations, but primarily on efficiency around the chandlery and rechargeable business.

Also at Stanstead, the lease for land rented at Rye House for moorings has been completed. The rent to be paid this year is £20,000, which was not included in the budget.

13 Campsites (£227,000 overspend)

Across the campsites occupancy levels for touring and rental accommodation have generally been in line with last year. However, the introduction of the

extended ULEZ zone from August has had an impact. Edmonton Campsite is inside the zone, and Sewardstone is just outside. Touring bookings have dropped significantly at Edmonton and although we have been able to re-direct most impacted bookings to Sewardstone, where we have seen increased occupancy, there is a risk that overall income will be down.

Income from new investment projects at Dobbs Weir and Sewardstone (Pods, customer Wi-Fi and Holiday Homes) is not expected to achieve budget targets. We have experienced some delays in delivery and demand is building more slowly than hoped. Marketing campaigns are being used to push these products and demand is expected to pick up during the year.

There has been additional spend on casual staffing and overtime to provide sufficient operational cover, and additional spend related to health and safety recommendations.

Caravan sales are forecast to achieve budget, with sales expected for the five new plots at Dobbs Weir.

LEISURE SERVICES CONTRACT

14 Management Fee

The second year of the LSC commenced on 1 April 2023. The Authority is due to make 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.

15 Efficiencies / Increased Income (£125,000 savings not achieved)

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 is underway and the mechanical horse at Lee Valley Riding Centre has been installed and is open for bookings. 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). Authority and GLL officers are working together to agree the project timeline and legals, once in place the projected consumption savings will be fed into the outturn.

Members also approved the new barrier at Lee Valley VeloPark (Paper A/4340/23). The installation work was expected to be undertaken in December, with a loss of income payment approved by Members in October (Paper A/4341/23). Unfortunately, supply issues with specially fabricated and cut Perspex has meant there will be a delay to this project. We are discussing with GLL to identify a suitable date for installation and will have to revisit the loss of income calculation.

16 Utilities (£70,000 reduced expenditure)

As explained earlier in this report we forecast a £70,000 saving against the LSC Utilities budget. However, this still represents a payment of £1.36 million in respect of the tariff risk element of total LSC utility costs.

17 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**18 VAT Claim on Sporting Income**

The legal case led by Chelmsford City Council, and supported by the Authority, regarding treating leisure services as non-business for VAT purposes has been concluded and found in the favour of local authorities and the Authority. The Authority has now received a refund from HMRC along with accrued interest, which after fees for KPMG have been deducted results in a net receipt of £1.8 million.

Members received a report in October 2023 (Paper E/821/23) that set out options for how best to use this receipt. These options will be fully explored by officers and Members as part of the 2024/25 budget process. This has not yet been included in the outturn.

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

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

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

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PREVIOUS COMMITTEE REPORTS

Executive Committee	E/816/23	Q1 Revenue Budget Monitoring 2023/24	21 September 2023
Executive Committee	E/812/23	Q4 Revenue Budget Monitoring 2022/23	25 May 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
NJC	National Joint Council
CFR	Capital Financing Requirement
MRP	Minimum Revenue Provision

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OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2023/24

PERIOD: 06 (September 2023)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
OPERATIONAL SERVICES							
Chief Executive	0	286	286	609	604	-5	(1%)
Corporate Services	-835	628	-207	-295	-316	-21	(7%)
Business Support Services	-12	1,278	1,266	2,487	2,491	4	0%
Sport and Leisure	-247	576	329	988	1,004	16	2%
Parklands and Open Spaces	-572	1,667	1,095	2,825	2,870	45	2%
Small Venues	-2,749	2,044	-705	-1,253	-943	310	25%
Leisure Services Contract	0	0	0	2,274	2,599	325	14%
	-4,415	6,479	2,064	7,695	8,309	674	9%
FINANCING							
Interest Receivable	-318	0	-318	-30	-370	-340	(1133%)
Interest Payable & Bank Charges	0	-48	-48	828	1,010	182	22%
Contributions to/from Earmarked Reserves	0	0	0	940	940	0	0%
Financing of Capital Expenditure	0	0	0	0	575	575	0%
Minimum Revenue Provision (Pre-2007)	0	0	0	430	430	0	0%
Minimum Revenue Provision (Ice Centre)	0	0	0	700	0	-700	(100%)
						0	
Levies on Local Authorities	-5,323	0	-5,323	-10,647	-10,647	0	0%
Income And Energy Contingency	0	0	0	600	0	-600	(100%)
Pay Award (Above 4% included in Budget)	0	0	0	0	90	90	0%
						0	
Movement in General Fund				456	337	-119	(26%)

Appendix A to Paper E/827/23

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2023/24

PERIOD: 06 (September 2023)

	Actual To Date			Annual Net Budget	Proposed Net Dartturn	Variance		
	Income	Expenditure	Net			£000s	%	
CHIEF EXECUTIVE								
Chief Executive	0	111	111	234	234	0	0%	
PR / Communications	0	175	175	375	370	-5	(1%)	
TOTAL CHIEF EXECUTIVE	0	286	286	609	604	-5	(1%)	
CORPORATE SERVICES								
Legal Service	-2	212	211	539	532	-7	(1%)	
Property Management	-933	170	-663	-1,406	-1,414	-8	(1%)	
Planning and Strategic Partnerships	0	51	51	155	185	-20	(13%)	
Asset Protection, Maintenance & Development	0	134	134	292	307	15	5%	
Committee Service	0	61	61	125	124	-1	(1%)	
TOTAL CORPORATE SERVICES	-935	628	-207	-295	-316	-21	(7%)	
BUSINESS SUPPORT SERVICES								
Financial Management	0	386	386	502	508	1	0%	
Human Resources Management	0	119	119	217	229	12	6%	
Information Technology	-12	383	371	871	839	-12	(1%)	
Corporate Insurances	0	217	217	489	489	0	0%	
Audit / Health & Safety	0	72	72	206	206	0	0%	
Non Distributed Costs	0	21	21	62	62	0	0%	
Corporate Training / Apprenticeships	0	30	30	42	43	1	2%	
Project & Funding Delivery	0	50	50	98	100	2	2%	
TOTAL FINANCIAL SERVICES	-12	1,278	1,266	2,487	2,481	4	0%	
SPORT AND LEISURE								
Events	-221	152	-70	41	71	30	73%	
Sports Development	-6	20	14	89	85	-4	(4%)	
Policy and Performance	0	327	327	682	683	1	0%	
Learning & Engagement Service	-17	70	53	136	128	-8	(6%)	
Community Access	-3	7	4	40	37	-3	(8%)	
TOTAL SPORT AND LEISURE	-247	576	329	988	1,004	16	2%	

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR: 2023/24

PERIOD: 06 (September 2023)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
PARKLANDS AND OPEN SPACES							
Management							
Operational Management	0	141	141	294	294	0	0%
Myddelton House Management	-7	248	241	371	367	-4	(1%)
Parklands							
River Lee Country Park	-4	166	162	356	369	13	4%
Gunpowder Park	0	39	39	89	92	3	3%
Countryside Areas	-106	611	506	1,250	1,298	48	4%
Abbey Gardens	-2	39	37	81	83	2	2%
Three Mills	0	11	11	25	26	1	4%
East India Dock and Bow Creek	-4	14	9	27	24	-3	(11%)
Leyton Marsh	0	0	0	0	0	0	0%
Broxbourne Riverside	0	11	11	18	21	3	17%
Fisheries	-32	8	-24	-72	-78	-6	(8%)
Visitor Attractions							
Myddelton House	-102	158	55	178	167	-11	(6%)
Rye House Gatehouse	0	1	1	5	5	0	0%
Park Projects							
Volunteers	0	21	21	46	46	0	0%
Biodiversity Management	0	56	56	118	118	0	0%
Farms							
Lee Valley Farm, Holyfieldhall	-264	136	-128	93	92	-1	(1%)
Initiatives and Partnerships							
King George Reservoir South	-7	7	0	-1	-1	0	0%
Lee Valley Boat Centre	-34	0	-34	-41	-41	0	0%
Broxbourne Chalets	-10	0	-10	-12	-12	0	0%
TOTAL PARKLAND AND OPEN SPACES	-572	1,667	1,095	2,825	2,870	45	2%
Small Venues							
Lee Valley Marina Springfield	-551	320	-231	-391	-378	13	3%
Lee Valley Marina Stanstead	-430	492	62	-88	-19	69	78%
Lee Valley Waterworks Centre	-1	33	33	84	86	2	2%
Lee Valley Campsite (Sewardstone)	-508	265	-242	-154	-129	25	16%
Lee Valley Caravan Park (Dobbs Weir)	-663	350	-313	-391	-258	133	34%
Lee Valley Leisure Centre Campsite	-425	231	-194	-108	-34	74	69%
Lee Valley Leisure Centre Golf Course	-77	70	-8	53	52	-1	(2%)
Almost Wild Campsite	-45	24	-22	-15	-18	-3	(20%)
Caravan Sales	-49	259	210	-243	-245	-2	(1%)
TOTAL SMALL VENUES	-2,749	2,044	-705	-1,253	-943	310	25%

Appendix A to Paper E/827/23

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2023/24

PERIOD: 06 (September 2023)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
LEISURE SERVICES CONTRACT							
Management Fee	0	0	0	561	561	0	0%
Efficiencies / Increased Income	0	0	0	-200	-75	125	63%
LSC Support	0	0	0	0	0	0	0%
LSC Venues Direct Costs	0	0	0	233	233	0	0%
LSC Contingency (Utilities)	0	0	0	1,430	1,360	-70	(5%)
LSC Operations (Ice Centre)	0	0	0	250	530	270	108%
TOTAL LSC VENUES AND BUSINESS SUPPORT	0	0	0	2,274	2,599	325	14%
TOTAL OPERATIONAL SERVICES	-4,415	6,479	2,064	7,635	8,309	674	9%