

**Q3 REVENUE BUDGET 2016/17
PERFORMANCE MONITORING**

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

This report summarises monitoring of revenue expenditure to 29 January 2017. It compares actual income and expenditure to the budget. It also provides a projection indicating the likely out-turn position against the annual budget for the year ending 31 March 2017. The overall net operational expenditure at the year end is expected to be an estimated £220,000 under the approved budget for 2016/17. The major variations are summarised in the table below:

| Service Description | Variance 2016/17 | Impact in 2017/18 |
|-----------------------------------------------------------------|-----------------------------|----------------------------------|
| | £ | £ |
| Investment Income | 49,000 | 90,000 |
| Sponsorship Income | 50,000 | 0 |
| Ice Centre – Feasibility | (243,000) | 243,000 |
| Property Management | (36,000) | (45,000) |
| Planning & Strategic Partnerships | (15,000) | 0 |
| Myddelton House Management | (15,000) | 0 |
| Car Parking Charges River Lee Country Park and Abbey Gardens | 46,000 | 0 |
| Biodiversity | (68,000) | 65,000 |
| Lee Valley Farm Holyfield Hall | 52,000 | 0 |
| Other (Net) | (40,000) | (5,000) |
| Total Estimated Under Spend: | (220,000) | 348,000 |

RECOMMENDATIONS

Members Approve (1) the carried forward set out in paragraph 12 of the report; and

Members Note: (2) the report.

BACKGROUND

- 1 The Executive Committee recommended a budget for 2016/17 at its meeting in January 2016 (Paper E/434/16). This was approved by Members at the Authority meeting on 21 January 2016 (Paper A/4222/16). This report compares actual income and expenditure to 29 January 2017 with the budget and projected net expenditure through to the year end (31 March 2017).
- 2 Details of the financial position of each service or facility are shown in Appendix A to this report.
- 3 Currently it is estimated that at the year-end there will be a projected under spend of £220,000.
- 4 Where significant over/under spends are projected at the year end for particular facilities/services a brief explanation is provided below.

GENERAL ECONOMIC FACTORS

- 5 Certain financial and economic factors have and will continue to impact on the budget during 2016/17 and into future financial years and these are summarised in the following paragraphs. Overall, uncertainty exists in financial markets following the referendum vote to leave the European Union and officers will monitor closely developments that may have a direct impact on the Authority's budget, for example interest rates.
- 6 Members received a paper in June 2016 (Paper E/452/16) which set out that agreement had been reached by employers and the relevant unions in respect of the pay award for National Joint Council (NJC) for local government services.

The agreed pay award of 1% for 2016/17 and a further 1% in 2017/18 formed part of a national agreement and was applied to all officers up to scale point 49 with effect from 1 April 2016. In addition Members approved that posts above scale point 49 would also receive this inflationary increase. These increases were estimated and included in the 2016/17 and now the 2017/18 budget and medium term financial plan for future years and therefore will have no additional impact above that already budgeted for.

For future years beyond 2017/18 the Chancellor announced in his budget a public sector pay freeze at 1% for four years up to 2020 and therefore it is likely that the 1% currently built into the financial plan will be sufficient.

- 7 Continued uncertainty in the banking sector has had an impact on investment returns and certainty around where investments are deposited. The Authority has significantly adjusted its base level of investment income downwards and this formed part of the budget setting process for 2016/17. The 2016/17 target rate of return agreed by Members as part of the Annual Report on Treasury Management was approved at 0.9% (Paper E/448/16). In reality actual returns are lower with estimated returns at £121,000, £49,000 lower than anticipated. The impact in future years has been built into the 2017/18 budget, although this figure could still change subject to interest rate changes, use of capital resources to fund schemes and potential land sales generating further receipts.

The Director of Finance & Resources continues to monitor Authority investments and the institutions that they are invested and will keep Members updated on this position through the quarterly monitoring reports in 2016/17.

8. Locally the Authority is still awaiting the outcome of the 2010/17 rating appeal for Lee Valley VeloPark. The Lee Valley White Water Centre (LVWWC) rating appeal was settled in May 2016 with a rebate resulting in a one-off refund of £250,000. The Valuation Office noted the significant investment carried out by the Authority post Olympics without an upward change occurring in the assessment. This sum was accrued into the accounts in 2015/16.

All eligible centres that transferred to the Trust received 80% mandatory relief for 2015/16. This amounted to a saving of £1.7million and this was again built into the 2016/17 budget and Trust management fee.

Nationally the major revaluation of business rates has been completed for implementation from April 2017 (delayed from April 2015). This is unlikely to see a large increase in business rates at Authority and Trust venues in 2017/18, due to transitional relief, a lower proposed multiplier rate (49.7p down to 47.9p) and a lower than anticipated valuation at the LVWWC. The management fee incorporates funding for 20% of business rates at Trust venues.

- 9 Inflation rates have remained low for most of the year but are now starting to rise. January inflation for the Retail Price Index stood at 2.6% and Consumer Price Index at 1.8%.
- 10 The main variances against this year's budget are described below.

CHIEF EXECUTIVE

11 Sponsorship Income (£50,000 reduced income)

A stretch income target of £50,000 was built into the 2016/17 budget to achieve more income from external sponsorship. This target was set to increase to £170,000 from 2017/18. Officers are working on one specific deal which may be completed towards the year end but it is unlikely that this stretch target will be completely achieved to the level originally set. The revised budget now set for future years remains at £50,000 and is incorporated into the Medium Term Financial Plan going forward from 2017/18.

12 Ice Centre Feasibility Study (£243,000)

In June Members approved (Paper A/4228/16) to earmark one-off funding from reserves of £400,000 for the next stage of the Ice Centre feasibility project to work up the design and the capital funding model. The precursor to this work was the appointment of consultants ultimately to design and deliver the project through to completion, although, this part of the study was limited to the early design stages. The London Borough of Waltham Forest agreed to fund £50,000 to this stage of the project. There is currently slippage within the Ice Centre development project caused by the delay in appointing the project management consultants and design team. This delay was due to an extended procurement process and longer than anticipated negotiation period with the consultant. This part of the project has now begun with some stage payments to be made in the last quarter of this year and the balance is due for completion up to July 2017. Members are therefore requested to carry forward the balance of this funding

into 2017/18.

DIRECTOR OF CORPORATE SERVICES

13 Property Management (£36,000 increased income)

Turnover rent from the Youth Hostel in Cheshunt has produced surpluses on this budget head over the past few years. Currently the budget is set by aggregating the base rent and the originally anticipated profit share (circa £30,000 per year) but continuing higher occupancy rates and therefore income means the Authority's share of this increased yield has exceeded the budget. As long as this improved occupancy is maintained it is likely that the Authority will continue to receive above budgeted income. The current lease is for 125 years expiring in 2128, but there is a tenant's option to break the agreement at the expiration of the 15th year on 31 December 2018. No indication has been given recently that the Youth Hostel Association (YHA) will exercise this right. The budget for 2017/18 has been uplifted to reflect this anticipated improved additional return.

14 Planning & Strategic Partnerships (£15,000 under spend)

The underspend has been caused by delays in the work on the Park Development Framework (PDF) due to having to resolve the complaint on process and to identify issues emerging from the Land and Property Review.

PARKLANDS & OPEN SPACES

15 Myddelton House Management (£15,000 saving)

This current year saving is due to the retirement of the facility manager with current recruitment on hold while this service area is reviewed as part of the corporate business plan. New proposals for on-going management have been implemented and longer term savings have been built into the 2017/18 budget.

16 Car Parking Charges - River Lee Country Park and Abbey Gardens (£46,000 reduced income)

The schemes have been delayed due to various reasons out of the Authority's control. Epping Forest District Council has informed us that they cannot start the scheme until September 2017. Officers are chasing Broxbourne Borough Council to get a precise date but again it is proving difficult. Officers are now considering an alternative management option as the income from these charges are a vital component to the levy reduction strategy Members have approved.

17 Lee Valley Farm – Holyfield Hall (£52,000 reduced income)

As highlighted to Members in the first quarter monitoring report (paper E/456/16), the milk price is still the major factor in the farm's income loss. From quarter 1 the farm has managed to reduce the negative impact as reported by £24,000, this has been achieved through staff savings, input savings such as feed and vet fee's and increase in grain yields. Officers are progressing with the milk vending and this will be launched in the Spring. In addition alterations have been made to the arable planting, with grains being replaced with grass to

reduce the feed costs in 2017. All avenues of input and output efficiencies are continuously being explored/reviewed to improve performance and mitigate the reduced income. Members should note that there are a number of additional and wider benefits to Holyfield Farm with associated cost savings which are not apparent on the face of this budget, for example Nature Conservation Grazing and broader land management.

- 18 Members will also recall that as part of the Work Programme options are being considered at Holyfield Farm to see if investment in the site could provide further opportunity for efficiency and income generation.

19 Biodiversity (£68,000 under spend)

Paper E/454/16 set out the receipt of monies on completion of a S106 agreement to complete the environmental improvements to land adjacent to Glen Faba. The agreement has now been signed and £75,000 has been transferred from Hertfordshire County Council to fund these works. Project development and planning is required before works commence on site and it is likely that implementation will span at least two financial years and will fall mainly in 2017/18. It is currently estimated that £10,000 will be spent in 2016/17. Members approved (Paper E/463/16) to carry forward £65,000 underspend in 2016/17 to complete these works in future years.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

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

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 25 Spending of the budget is important in achieving the Authority's corporate objectives. The projected spend to the end of this financial year will have an impact on the Authority's budget in future years and has been incorporated into the recently approved Medium Term Financial Plan.

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PREVIOUS COMMITTEE REPORTS

| | | | |
|---------------------|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Executive Committee | E/463/16 | Q2 Revenue Budget 2016/17 Performance Monitoring | 20 October 2016 |
| Executive Committee | E/456/16 | Q1 Revenue Budget 2016/17 Performance Monitoring | 21 July 2016 |
| Authority | A/4228/16 | Outcome of the Ice Centre Feasibility Exercise & Proposed Next Steps | 16 June 2016 |
| Executive Committee | E/454/16 | Completion of a side agreement related to an agreement under section 106 of the Town & Country Planning Act 1990 (As Amended) for environmental enhancements to Glen Faba | 16 June 2016 |
| Executive Committee | E/452/16 | Revenue Budget 2015/16 Performance Provisional Outturn | 26 May 2016 |
| Executive Committee | E/448/16 | Annual Report on Treasury Management Activity 2015/16 and Annual Investment Strategy 2016/17 | 26 May 2016 |
| Authority | A/4222/16 | Proposed Budget & Levy 2016/2017 | 21 January 2016 |

APPENDIX ATTACHED

Appendix A Details of the financial position of each Authority service or facility

YEAR 2016/17

PERIOD: 09 (December 2016)

| | Actual To Date | | | Annual Net Budget | Proposed Net Outturn | Variance | | |
|--------------------------------------|----------------|-------------|--------|----------------------|-------------------------|-------------|--------------|--|
| | Income | Expenditure | Net | | | £000s | % | |
| OPERATIONAL SERVICES | | | | | | | | |
| Chief Executive | -16 | 642 | 626 | 1,134 | 929 | -205 | (18%) | |
| Corporate Services | -719 | 1,007 | 288 | 374 | 335 | -39 | (10%) | |
| Financial Services | -366 | 764 | 398 | 927 | 908 | -19 | (2%) | |
| Parklands and Open Spaces | -685 | 3,339 | 2,654 | 3,691 | 3,685 | -6 | (0%) | |
| Leisure Trust Contract | 0 | 2,400 | 2,400 | 3,159 | 3,159 | 0 | 0% | |
| FINANCING | | | | | | | | |
| Interest Receivable | -52 | 0 | -52 | -170 | -121 | 49 | 29% | |
| Interest Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0% | |
| Contributions to Earmarked Reserves | 0 | 35 | 35 | 825 | 825 | 0 | 0% | |
| Financing of Capital Expenditure | 0 | 0 | 0 | 1,526 | 1,526 | 0 | 0% | |
| Levies on Local Authorities | -8,128 | 0 | -8,128 | -10,837 | -10,837 | 0 | 0% | |
| Movement in General Fund | | | | 629 | 409 | -220 | (35%) | |
| General Fund Balance Brought Forward | | | | | -4,780 | | | |
| General Fund Balance Carried Forward | | | | | -4,371 | | | |

YEAR 2016/17

PERIOD: 09 (December 2016)

| | Actual To Date | | | Annual Net Budget | Proposed Net Outturn | Variance | |
|---------------------------------------------|----------------|--------------|------------|----------------------|-------------------------|-------------|--------------|
| | Income | Expenditure | Net | | | £000s | % |
| CHIEF EXECUTIVE | | | | | | | |
| Chief Executive | 0 | 202 | 202 | 212 | 262 | 50 | 24% |
| Committee Service | 0 | 68 | 68 | 101 | 99 | -2 | (2%) |
| PR / Communications | -12 | 345 | 333 | 438 | 428 | -10 | (2%) |
| Lee Valley Ice Centre - Feasibility Study | -4 | 27 | 23 | 383 | 140 | -243 | (63%) |
| TOTAL CHIEF EXECUTIVE | -16 | 642 | 626 | 1,134 | 929 | -205 | (18%) |
| CORPORATE SERVICES | | | | | | | |
| Legal Service | -2 | 242 | 240 | 349 | 361 | 12 | 3% |
| Property Management | -716 | 338 | -378 | -739 | -775 | -36 | (5%) |
| Planning and Strategic Partnerships | 0 | 219 | 219 | 356 | 341 | -15 | (4%) |
| Asset Protection, Maintenance & Development | -1 | 208 | 207 | 408 | 408 | 0 | 0% |
| TOTAL CORPORATE SERVICES | -719 | 1,007 | 288 | 374 | 335 | -39 | (10%) |
| FINANCIAL SERVICES | | | | | | | |
| Finance Management | -3 | 159 | 156 | 257 | 244 | -13 | (5%) PR |
| Audit | 0 | 29 | 29 | 84 | 83 | -1 | (1%) |
| Non Distributed Costs | 0 | 48 | 48 | 77 | 72 | -5 | (6%) |
| Corporate Training | 0 | 0 | 0 | 0 | 0 | 0 | 0% NR |
| Leisure Trust Employee Secondments | -347 | 347 | 0 | 0 | 0 | 0 | 0% |
| Business Support | 0 | 0 | 0 | 300 | 300 | 0 | 0% |
| Sports Development | -16 | 47 | 31 | 75 | 75 | 0 | 0% |
| Leisure Contract Venues Insurance | 0 | 134 | 134 | 134 | 134 | 0 | 0% |
| TOTAL FINANCIAL SERVICES | -366 | 764 | 398 | 927 | 908 | -19 | (2%) |
| PARKLANDS AND OPEN SPACES | | | | | | | |
| Management | | | | | | | |
| Operational Management | 0 | 153 | 153 | 208 | 198 | -10 | (5%) |
| Policy and Performance | -8 | 388 | 380 | 456 | 452 | -4 | (1%) |
| Myddelton House Management | -8 | 270 | 262 | 332 | 317 | -15 | (5%) |
| Parklands | | | | | | | |
| River Lee Country Park | -9 | 507 | 498 | 705 | 739 | 34 | 5% |
| Gunpowder Park | -1 | 128 | 127 | 196 | 196 | 0 | 0% |
| Countryside Areas | -38 | 527 | 489 | 797 | 797 | 0 | 0% |
| Abbey Gardens | -1 | 71 | 70 | 110 | 122 | 12 | 11% |
| Three Mills | -8 | 18 | 10 | 32 | 32 | 0 | 0% |
| East India Dock and Bow Creek | -3 | 37 | 34 | 52 | 52 | 0 | 0% |
| Leyton Marsh | 0 | 4 | 4 | 16 | 16 | 0 | 0% |
| Broxbourne Riverside | -23 | 20 | -3 | -13 | -13 | 0 | 0% |
| Fisheries | -148 | 102 | -46 | -20 | -20 | 0 | 0% |
| Visitor Attractions | | | | | | | |
| Myddelton House | -144 | 283 | 139 | 251 | 246 | -5 | (2%) |
| Rye House Gatehouse | -1 | 7 | 6 | 8 | 8 | 0 | 0% |

YEAR 2016/17

PERIOD: 09 (December 2016)

| | Actual To Date | | | Annual Net Budget | Proposed Net Outturn | Variance | | |
|---------------------------------------|----------------|--------------|--------------|----------------------|-------------------------|-------------|-------------|--|
| | Income | Expenditure | Net | | | £000s | % | |
| Park Projects | | | | | | | | |
| Youth & Schools Service | -39 | 173 | 134 | 180 | 183 | 3 | 2% | |
| Volunteers | -7 | 78 | 71 | 94 | 94 | 0 | 0% | |
| Biodiversity | 0 | -4 | -4 | 100 | 32 | -68 | (68%) | |
| Countryside Live | 0 | 16 | 16 | 20 | 20 | 0 | 0% | |
| Community Access | 0 | 68 | 68 | 84 | 84 | 0 | 0% | |
| Farms | | | | | | | | |
| Lee Valley Farm, Holyfieldhall | -193 | 480 | 287 | 117 | 169 | 52 | 44% | |
| Initiatives and Partnerships | | | | | | | | |
| King George Reservoir South | -8 | 5 | -3 | 0 | 0 | 0 | 0% | |
| Lee Valley Boat Centre | -37 | 6 | -31 | -33 | -31 | 2 | 6% | |
| Broxbourne Chalets | -9 | 2 | -7 | -1 | -8 | -7 | (700%) | |
| TOTAL PARKLAND AND OPEN SPACES | -685 | 3,339 | 2,654 | 3,691 | 3,685 | -6 | (0%) | |
| TOTAL AUTHORITY | -1,786 | 5,752 | 3,966 | 6,126 | 5,857 | -269 | (4%) | |

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