



Lee Valley
Regional Park Authority

LEE VALLEY REGIONAL PARK AUTHORITY

EXECUTIVE COMMITTEE

21 SEPTEMBER 2017 AT 10:30

Agenda Item No:

6

Report No:

E/516/17

Q1 REVENUE BUDGET 2017/18 PERFORMANCE MONITORING

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

This report summarises monitoring of revenue expenditure to 30 July 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 2018. The overall net operational expenditure at the year-end is expected to be an estimated £168,000 over the approved budget for 2017/18. The major variations currently projected are summarised in the table below:

Service Description	Variance 2016/17	Impact in 2018/19
	£	£
Sponsorship Income	50,000	0
Property Management	22,000	0
Car Parking Charges	100,000	0
East India Dock Rental	10,000	0
Biodiversity	(40,000)	40,000
Lee Valley Farm Holyfield Hall	22,000	0
Other (Net)	4,000	0
Total Estimated Over Spend:	168,000	40,000

RECOMMENDATIONS

Members Approve: (1) the carry forward set out in paragraph 15 of the report; and

Members Note: (2) the report.

BACKGROUND

- 1 The Executive Committee recommended a budget for 2017/18 at its meeting in January 2017 (Paper E/477/17). This was approved by Members at the Authority meeting on 21 January 2017 (Paper A/4236/17). This report compares actual income and expenditure to 30 July 2017 with the budget and projected net expenditure through to the year end (31 March 2018).
- 2 Details of the financial position of each Authority 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 over spend of £168,000.
- 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 2017/18 and into future financial years and these are summarised in the following paragraphs. Overall, uncertainty exists in financial markets during negotiations 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 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 government retains its position on the public sector pay freeze at 1% for four years up to 2020 and the 1% currently built into the financial plan will be maintained unless circumstances materialise to the contrary.

- 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 2017/18. The 2017/18 target rate of return agreed by Members as part of the Annual Report on Treasury Management was approved at 0.6% (Paper E/497/17). This return 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 2017/18.

- 8 Locally the Authority is still awaiting the outcome of the 2010/17 rating appeal for Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre. Following discussion with the Authority's appointed rates consultant this could be settled in the Autumn. If a more favourable valuation is achieved this could yield a one-off benefit for the Authority although nothing is included at this point within the revenue monitoring.

All eligible centres that transferred to Lee Valley Leisure Trust Ltd (the Trust) received 80% mandatory relief for 2016/17. This amounted to a saving of £1.7million and this was again built into the 2017/18 budget and Trust management fee.

Nationally the major revaluation of business rates has been completed and implemented from April 2017 (delayed from April 2015). This has seen a marginal increase in business rates at the Trust venues in 2017/18 (circa £16K) and it is anticipated the Trust will be able to manage this within their existing budget and management fee for this year (2017/18).

A greater increase (circa £44K) has impacted on the Authority for Myddelton House. The financial plan assumed a proportion of this (£25K) would be recoverable as Abercrombie Lodge (occupied by the Trust) would be eligible for charitable rate relief from December 2016. In addition the need to vacate Abercrombie Lodge due to structural issues may provide additional savings for empty rates relief. On this basis the assumption is that Myddelton House will still achieve budget and no variation is currently projected for 2017/18. A further report on the structural issues relating to Abercrombie Lodge and the implications on office accommodation will be brought to Members in October.

For future years both the Trust and the Authority may need to uplift the base budget for business rates following the 2017 revaluation (currently circa £550K across both organisations) as transitional relief to reduce the impact of higher rating valuations falls away alongside any possible outcomes from outstanding rate appeals at Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre.

- 9 Inflation rates have recently seen small but steady increases. July's inflation for the Retail Price Index stood at 3.6% and Consumer Price Index at 2.6%.
- 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 is built into the 2017/18 budget and forward financial plan to achieve more income from external sponsorship. Although the Authority has been occasionally approached by major broadcasters seeking sponsorship benefits and/or ticketing deals at the major legacy venues the reality of cash funding has been difficult to achieve. Officers are continually striving to open up this income stream and will bring back to Members any tangible/beneficial offers as they emerge, but, it is unlikely that this stretch target will be achieved in 2017/18.

DIRECTOR OF CORPORATE SERVICES

12 Property Management (£22,000 over-spend)

Traveller incursions have required extra expenditure to put up added physical defences at Picketts Lock thereby increasing costs at this site. In addition increased costs have been incurred of significant expenditure in clearing/cleaning up fly-tipping. Other income from the use of the car park for motorcycle training (currently not included in the budget) will go some way to reduce this extra expenditure.

PARKLANDS & OPEN SPACES

13 Car Parking Charges - (£100,000 reduced income)

The implementation of this project across the Park has involved protracted negotiations as the Authority has sought support from various third parties to introduce charging in its car parks.

Epping Forest District Council (EFDC) has now confirmed that they are not in a position to assist the Authority until the Autumn. Car park schemes within Broxbourne Borough Council (BBC) are progressing and additional assistance from their Chief Executive has been engaged and it is now hoped that these will be launched in the Autumn.

Due to the slow progress officers have also explored various other delivery options and as such are working with a private company, Parking Eye (currently running the car parking at Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre). A provisional start date of 23rd October for the two car parks (Gunpowder Park and Waltham Abbey Gardens) has been agreed. Consideration is now being given to roll-out the Parking Eye contract to all the car parks within EFDC.

Discussions are also taking place with London Borough of Haringey and they are currently working on a scheme for Tottenham Marshes.

It is anticipated that this shortfall in income in this financial year will not have an impact in future years as schemes get up and running before the new financial year in 2018/19.

14 East India Dock Rental Agreement – (£10,000 reduced income)

The Authority's intention to lease land at East India Dock Basin to contractors for builder's cabins is still in the planning process. A decision is expected within the next few months. If permission is granted officers will finalise lease terms.

15 Biodiversity (£40,000 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 in progress before works commence on site and it is likely that implementation will span at least two financial years and will fall in

2017/18 and 2018/19. It is currently estimated that £25,000 will be spent in 2017/18 and Members are requested to approve a carry forward of £40,000 underspend in 2017/18 to complete these works in 2018/19.

16 Lee Valley Farm – Holyfield Hall (£22,000 reduced income)

The price paid for milk has been steadily on the rise and an additional £0.83ppl (pence per litre) has been announced for September; this equates to an additional £6,000 which is currently not included in the projected over spend above as its positive effect is outside Q1.

Officers are currently confident that reductions can be made in this loss of income as herd numbers are down which means savings in related cost codes i.e., feed, vet bills.

Grain will also miss the income budget due to the yields being reduced due to the adverse weather just before harvest.

Officers are in the process of appointing a farm consultant to review operational management options and this review will be undertaken over the winter, with a view to return the findings (and recommendations) to Members in early 2018.

The farm operation is also stretched due to the manager being on long term sick since May. Therefore daily management is currently been undertaken by the Assistant Manager with support from the Head of Parklands, which impacts on the staffing capacity of the venue.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 19 These are dealt with in the body of the report. Overall projections estimate an over-spend on the bottom line budget which would have a small impact on available general reserves (£4.126m). If this overspend materialises by the year end the Authority will dip just below its approved minimum reserve level of £4m. Officers will continue to review the budget and current year expenditure plans to reduce this projected over-spend to bring it back in line with the budget.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 22 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 will be incorporated into the Medium Term Financial Plan.
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PREVIOUS COMMITTEE REPORTS

Executive Committee	E/4497/17	Annual Report on Treasury Management Activity 2016/17 and Annual Investment Strategy 2017/18	25 May 2017
Authority	A/4236/17	2017/18 Revenue Budget & Levy 2017/18	19 January 2017
Executive Committee	E/477/17	2017/18 Revenue Budget & Levy 2017/18	19 January 2017

APPENDIX ATTACHED

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

YEAR 2017/18

PERIOD: 04 (July 2017)

	Actual To Date			Annual	Proposed	Variance	
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%
OPERATIONAL SERVICES							
Chief Executive	-55	494	439	1,124	1,171	47	4%
Corporate Services	-472	428	-44	325	348	23	7%
Financial Services	-163	245	82	1,005	997	-8	(1%)
Parklands and Open Spaces	-310	1,479	1,169	3,642	3,743	101	3%
Leisure Trust Contract	0	0	0	2,779	2,779	0	0%
FINANCING							
Interest Receivable	14	0	14	-80	-80	0	0%
Interest & Bank Charges	0	0	0	0	5	5	0%
Contributions to Earmarked Reserves	0	0	0	819	819	0	0%
Financing of Capital Expenditure	0	0	0	1,003	1,003	0	0%
Levies on Local Authorities	-4,702	0	-4,702	-10,187	-10,187	0	0%
Movement in General Fund				430	598	168	39%
General Fund Balance Brought Forward					-4,612		
General Fund Balance Carried Forward					-4,014		

YEAR 2017/18

PERIOD: 04 (July 2017)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance		
	Income	Expenditure	Net			£000s	%	
CHIEF EXECUTIVE								
Chief Executive	0	87	87	216	264	48	22%	NR
Committee Service	0	31	31	103	102	-1	(1%)	
PR / Communications	-5	229	224	499	499	0	0%	
Lee Valley Ice Centre - Feasibility Study	-50	147	97	306	306	0	0%	
TOTAL CHIEF EXECUTIVE	-55	494	439	1,124	1,171	47	4%	
CORPORATE SERVICES								
Legal Service	-1	117	116	349	350	1	0%	
Property Management	-471	133	-338	-786	-764	22	3%	
Planning and Strategic Partnerships	0	90	90	350	350	0	0%	PR
Asset Protection, Maintenance & Development	0	88	88	412	412	0	0%	
TOTAL CORPORATE SERVICES	-472	428	-44	325	348	23	7%	
FINANCIAL SERVICES								
Finance Management	0	56	56	257	257	0	0%	
Audit	0	4	4	84	84	0	0%	
Non Distributed Costs	0	17	17	73	70	-3	(4%)	
Corporate Training	0	0	0	36	36	0	0%	
Leisure Trust Employee Secondments	-154	154	0	0	0	0	0%	
Business Support	0	0	0	340	340	0	0%	
Sports Development	-9	14	5	75	70	-5	(7%)	PR
Leisure Contract Venues Insurance	0	0	0	140	140	0	0%	
TOTAL FINANCIAL SERVICES	-163	245	82	1,005	997	-8	(1%)	
PARKLANDS AND OPEN SPACES								
Management								
Operational Management	0	62	62	140	140	0	0%	PR
Policy and Performance	5	181	186	491	491	0	0%	
Myddelton House Management	-4	175	171	295	295	0	0%	
Parklands								
River Lee Country Park	-5	202	197	739	788	49	7%	NR
Gunpowder Park	0	37	37	168	189	21	13%	NR
Countryside Areas	-19	258	239	778	805	27	3%	NR
Abbey Gardens	-2	20	18	113	122	9	8%	NR
Three Mills	-10	1	-9	32	32	0	0%	NR
East India Dock and Bow Creek	0	6	6	32	42	10	31%	NR
Leyton Marsh	0	-2	-2	0	0	0	0%	NR
Broxbourne Riverside	-1	5	4	-13	-13	0	0%	NR
Fisheries	-105	41	-64	-20	-20	0	0%	
Visitor Attractions								
Myddelton House	-84	115	31	225	224	-1	(0%)	
Rye House Gatehouse	0	1	1	8	8	0	0%	NR

YEAR 2017/18

PERIOD: 04 (July 2017)

	Actual To Date			Annual	Proposed	Variance			
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%		
Park Projects									
Youth & Schools Service	-35	78	43	200	200	0	0%	NR	
Volunteers	-1	35	34	105	108	3	3%		
Biodiversity	0	32	32	166	126	-40	(24%)		
Countryside Live	0	0	0	10	10	0	0%		
Community Access	0	18	18	80	80	0	0%	NR	
Farms									
Lee Valley Farm, Holyfieldhall	-45	214	169	133	155	22	17%		
Initiatives and Partnerships									
King George Reservoir South	0	0	0	0	0	0	0%		
Lee Valley Boat Centre	0	0	0	-33	-33	0	0%		
Broxbourne Chalets	-4	0	-4	-7	-6	1	14%		
TOTAL PARKLAND AND OPEN SPACES	-310	1,479	1,169	3,642	3,743	101	3%		
TOTAL AUTHORITY	-1,000	2,646	1,646	6,096	6,259	163	3%		

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