

2019/20 REVENUE BUDGET AND LEVY

Presented by the Director of Finance & Resources

SUMMARY

The Executive Committee considered the attached paper (Annex A, Paper E/604/19) at their meeting this morning (17 January 2019) which sets out budget proposals to support the delivery of the Authority's ambitions and objectives over the coming years (as set out in its business plan to 2020).

A verbal update will be provided to Members at the Authority meeting regarding the recommendations/proposals put forward by the Executive Committee at their meeting.

RECOMMENDATIONS

- Members Approve:
- (1) a 0% increase in the levy for 2019/20;
 - (2) additional expenditure, income and efficiencies as set out in Appendix B to paper E/604/19;
 - (3) financing for the capital programme and revenue contribution to capital of £1.2m as set out in paragraph 21 of paper E/604/19;
 - (4) a net revenue budget of £9.55m as set out in paragraph 31 of paper E/604/19; and
 - (5) a minimum level of reserves of £4m be maintained as set out in paragraph 30 of paper E/604/19.

BACKGROUND

- 1 A Budget Workshop was held on 13 December 2018 to consider proposals for the 2019/20 budget and levy. The views of the Workshop were considered as part of the paper presented to Executive Committee this morning as set out in Annex A to this report (Paper E/604/19).
- 2 The views of the Workshop and recommendations from Executive Committee need to be considered and approved by the full Authority.

- 3 The Authority is required to set a budget and levy annually by 24 January and notify contributing authorities by no later than 15 February in the year preceding that levy.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 6 These are dealt with in the body of the report attached as Annex A to this report (Paper E/604/19).

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

- 8 The Authority is required to set a budget and levy annually by 24 January and notify contributing authorities by no later than 15 February in the year preceding that levy.

RISK MANAGEMENT IMPLICATIONS

- 9 These are dealt with in the body of the report attached as Annex A to this report (Paper E/604/19).


Author: Simon Sheldon, 01992 709 859, ssheldon@leevalleypark.org.uk

PREVIOUS COMMITTEE REPORTS

Executive	E/604/19	2019/20 Revenue Budget and Levy	17 January 2019
Executive	E/600/18	Proposed Capital Programme 2018/19 Revised to 2022/23	13 December 2018
Executive	E/596/18	Authority Fees & Charges Review 2019/20	22 November 2018
Executive	E/589/18	2019/209 Budget Methodology, Assumptions, and Timetable	18 October 2018
Authority	A/4252/18	Proposed Budget & Levy 2018/19	18 January 2018

ANNEX ATTACHED

Annex A Paper E/604/19

 <p>LEE VALLEY REGIONAL PARK AUTHORITY</p> <p>EXECUTIVE COMMITTEE</p> <p>17 JANUARY 2019 AT 11:00</p>	<p><u>Agenda Item No:</u></p> <p><u>Report No:</u></p> <p>E/604/19</p>
---	--

2019/20 REVENUE BUDGET AND LEVY

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

The Authority, like most public sector organisations, is facing a very challenging time with enormous pressures on public funding and the levy. The Authority is striving to be a community focused world class leisure destination, which is supported by a strong commercial base. It continues to seek an increase value to the regional constituency, whilst reducing the cost of Lee Valley Regional Park to the taxpayer.

The Authority has come through an exceptional period with the establishing of three Olympic legacy venues; the ongoing delivery of a range of business development/ investment projects; transferring the operation and management of venues and services to Lee Valley Leisure Trust Ltd and reducing the significant business rates liability it faced as a result of inheriting the legacy venues on its land.

The current levy was reduced by 6% for 2018/19 and this was the eighth consecutive year of reduction. The levy for 2019/20 onwards is yet to be determined, but will be subject to the significant challenges facing the Authority over the coming period.

The actual levy for 2018/19 is £9.576m (which is 38.8% of the maximum chargeable). This equated to £0.81p per person in Herts, Essex and London. The budget included a net management fee of £2.3m to Lee Valley Leisure Trust Ltd to fund the net cost of venues and support service costs.

The Authority is required to set a budget and levy for 2019/20 by 24 January 2019 and notify contributing authorities by 15 February 2019.

This paper sets out budget proposals to support the delivery of the Authority's ambitions and objectives over the coming years (as set out in its Business Strategy for 2010-2020 and the revised Business Plan 2016-2019).

The Budget Methodology & Assumptions report (Paper E/589/18) set out the assumptions for preparing the budget and the Levy Strategy Working Group's recommendation to significantly decrease the levy and maintain its downward trajectory.

RECOMMENDATIONS

- Members Recommend to Authority
- (1) a proposed 0% increase in the levy for 2019/20;
 - (2) additional expenditure, income and efficiencies as set out in Appendix B to this report;
 - (3) financing for the capital programme and revenue contribution of £1.2m as set out in paragraph 21 of this report;
 - (4) a net revenue budget of £9.55m as set out in paragraph 31 of this report; and
 - (5) a minimum level of reserves of £4m be maintained as set out in paragraph 30 of this report.

BACKGROUND

1 Remit

The Authority and its Members have a statutory duty to develop the 10,000 acre Park as a regional destination, but it is not required to deliver developments or activities directly itself. The Authority's vision for 2020 is that the Lee Valley Regional Park should be "A World Class Leisure Destination". A new vision and business strategy (2020-2030) is now being developed by officers for Member approval in 2019/20 and this will drive a new business plan from 2020 onwards.

2 Business Strategy

The Authority is continuing to be "community focused and commercially driven" as it works to deliver this vision. It continues to increase value and to enhance the visitor offer for constituent boroughs, whilst reducing the cost of Lee Valley Regional Park to the taxpayer. Following the 6% decrease in 2018/19 the levy is 38.8% of the maximum chargeable. The cost per head of population from London, Essex and Herts reduced to £0.81p in 2018/19 (see Appendix E to this report). The future levy direction is considered as part of the Levy Strategy Working Group and the revised Business Plan 2016-2019.

3 As set out in the Authority's current Business Plan the aspiration is:

- to become a world class leisure destination;
- to establish a strong commercial base;
- to increase regional relevance and value; and
- to have an enhanced reputation and stronger political position.

4 Levy Strategy

Since 2011/12 Members have approved a continuous reduction in the levy as a conscious strategy to reduce the financial burden on the regional tax payer. As part of the 2016-19 business plan a Member led Levy Strategy Working Group was established to review the levy policy going forward. Its objective was to look at options for a significant reduction of the levy.

Year	Levy Reduction	Levy as a proportion of the Maximum Chargeable
2011/12	2%	59.3%
2012/13	2%	55.1%
2013/14	2%	52.6%
2014/15	2%	49.9%
2015/16	2%	47.9%
2016/17	2%	46.6%
2017/18	6%	42.9%
2018/19	6%	38.8%
Total	24%	

5 Funding Strategy

The Authority recognises the importance of developing new income streams, making efficiency savings and maximising the return from its assets to enable it to reduce its reliance on the levy and at the same time enhance the Park through further investment. Over the past eight years the Authority has successfully applied a measured approach to reducing the levy by 2% per annum since 2011/12 and 6% in both 2017/18 and 2018/19, managed by realistic increases in income, some stretch targets and expenditure efficiencies, whilst incorporating major parts of the Olympic Legacy into its property portfolio and increasing the quality and value of its services.

6 The Authority continues to focus on the following areas to reduce its reliance on the levy:

- break-even (excluding overheads) business plans for the legacy venues on Queen Elizabeth Olympic Park (Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre) via Lee Valley Leisure Trust Ltd (the Trust);
- completion of the final phase of the Dobbs Weir site and ongoing development of Lee Valley White Water Centre;
- income generation schemes at Lee Valley Athletics Centre, working towards a break-even position (excluding overheads);
- investment in venues e.g. Lee Valley Hockey & Tennis Centre to reduce costs and generate further income; and
- identifying new business development opportunities, e.g. Ice Centre, Picketts Lock site, Broxbourne Riverside and Eton Manor.

7 Work is in progress on all of the above areas and detailed reports (have been) and will continue to be presented to Executive Committee and/or Authority for consideration and approval in the coming months.

8 Contributing Authorities – Funding

On the 29 October 2018 the Chancellor delivered the Autumn Statement. The detail of the provisional Local Government Finance Settlement for 2019/20 was published on 13 December 2018. Appendix F to this report sets out the published provisional settlement figures for contributing authorities and the percentage change over this period.

9 Under the provisional financial settlement for 2019/20, authorities who contribute to the levy face a decrease/increase in their funding settlement ranging from -0.3% to +5.4% with the average (mean) being an increase of +2.4%.

- 10 Each year the Mayor publishes a Budget Guidance document to aid the GLA and GLA Group in preparing their budgets for the next financial year. The Mayor published his budget guidance for 2019-20 on 29 June 2018. A draft consolidated budget was published on 20 December 2018. The GLA 2018/19 budget proposes a total increase in the band D from £294.23 in 2018/19 to £320.51 in 2019/20 an increase of just less than 9% - the non-police element of the precept increasing by the maximum 2.99%.

DEMANDS ON THE AUTHORITY

- 11 The demands on the organisation over the next few years are significant:
- successfully re-letting the Leisure Services Contract (LSC) from 2020;
 - successfully ensuring the continued operation of the three Olympic legacy sports venues – Lee Valley VeloPark, Lee Valley Hockey & Tennis Centre and Lee Valley White Water Centre;
 - generating additional income through a range of investment projects across the Venues and the Park's open spaces;
 - enhancing the Regional Park as a visitor destination through a number of developments; and marketing the Park to a regional audience and delivering greater value to the communities of London, Essex and Herts.
- 12 The Authority has had to absorb the operating and maintenance costs of the legacy venues on its land – Lee Valley VeloPark, Lee Valley Hockey & Tennis Centre and Lee Valley White Water Centre. No additional external funding was provided to the Authority for running these venues. The transfer of management for these and other venues to the Trust secured savings of £2m including business rate savings of £1.7m from 2015/16. The Trust is currently working to further reduce this cost through a mixture of income generation and cost savings to enable a break-even position (excluding central overheads) to be achieved by 2019/20. A target and principal set out in the LSC.

AUTHORITY'S CURRENT FINANCIAL POSITION

- 13 The Authority has a strong financial base. This has been achieved through prudent and efficient financial management with direct income (i.e., fees and charges/rents) now estimated to achieve over 70% of the Authority's/Trust's gross expenditure compared to 35% in 2010/11.
- 14 The Medium Term Financial Plan (MTFP) has been developed to assist the delivery of the Authority's vision to 2020 and its three year Business Plan. It provides a snapshot in time as it is difficult to predict with any level of certainty beyond a two year period. The figures beyond 2019/20 should only be used as a guide to determine the general direction of travel.
- 15 The MTFP is attached at Appendix A to this report reflecting the direction of travel resulting from the previous work of the Levy Strategy Working Group. The proposal for the 2019/20 budget and levy is set out in Table 1 below. Future years (2019/20 to 2022/23) assume maintaining the downward trend in the levy which is in line with previous assumptions. Members of the Levy Strategy Working Group will continue to develop proposals for future years going forward.

16 **Table 1: Summary Medium Term Financial Plan**

		2019/20 £'000s
1.	Base budget 2018/19 Authority Trust	7,372 2,319
2.	Total Base Budget	9,691
3.	Authority Net In year inflation and base adjustments	606
4.	Authority 2019/20 net income/efficiencies	(2)
	LSC Management Fee Adjustments	(749)
5.	Total Net Adjustments	(145)
6.	Revised Budget Requirement	9,546
7.	Base Budget 2019/20 Authority	7,976
	Trust	1,570
8.	Revised Total Budget	9,546
9.	2018/19 Levy	(9,576)
10	Levy 0%,	0
11	2019/20 Proposed Levy	(9,576)
12	Deficit/(Surplus)	(30)

- 17 Proposed expenditure/savings/additional income for 2019/20, which will enable delivery of the corporate priorities, are set out in Appendix B to this report. A balanced budget will be delivered by achieving on-going net savings/income of £303,000 in the 2019/20 proposed budget. A summary of the proposal is set out below:

Main Proposal

- 0% Reduction in the levy in 2019/20
- Future year levy reduction of 6% in 2021/22 and 7% in 2022/23
- Community Access Fund maintained at £80,000 in 2019/20
- Cumulative levy decrease within 5 years up to 25% by 2022/23
- Future year surpluses to be invested in the Park
- Proposed Budget in 2019/20 £9.546m
- Proposed Levy in 2019/20 at £9.576m
- Potential one-off clause 14 adjustments (where approved by Members) are proposed to be funded from reserves – currently projected at £237K

- 18 The key risk areas in relation to the current MTFP are set out below:

- **Inflation** - the re-costed base budget assumes pay increases at 2% for 2019/20 in line with the public sector pay award. It covers a 4.0% increase assumed for insurances; an 8% increase for electricity, 10% increase for gas and 3.5% increase for water; 0.75% for investment income; and 0% for contractual arrangements/supplies and services except grounds maintenance which has a contractual uplift built-in linked to CPI at 2.4%. However, the economic climate is uncertain at present and inflation has previously peaked at 5.6% (September 2011). A 1% variance in inflation could impact on the base budget by up to an additional £100k. The latest Consumer Price Index (CPI) is currently running at around 2.4% and 3.3% for RPI (October 2018). These figures will be monitored on a regular basis

and any variation reported to Members through the quarterly revenue monitoring reports.

- **Contaminated Land** – the Regional Park contains a legacy created by a variety of uses, some of which have resulted in land contamination. The Authority (led by a Member task and finish group reporting to the Executive Committee) has developed and approved a Contaminated Land Strategy and a Contaminated Land Policy Statement. Work on site investigations have been completed with no material financial impact identified in the short-term. The Authority will need to consider land contamination where change of use is granted or new development proposals come forward. There is currently limited budget available for dealing with any land contamination issues that may arise.
- **Major International Events for the Legacy Venues** – major international events have been an important feature of the three Lee Valley legacy venues. Before the 2012 Games there was a drive from the national governing bodies, UK Sport, regional bodies, the Boroughs and the Authority, to secure major events post 2012 Games across all the legacy venues. Bids were submitted for a host of events including three at the Authority venues - 2016 Track Cycling World Championships, 2015 Canoe Slalom World Championships and 2015 European Hockey Championships. All three bids were successful and the Authority along with a range of partner agencies committed funding support for these major international events.

There is significant value to be gained for the Authority in hosting major international events. Extensive press and media coverage (including TV) will promote the venues and Lee Valley Regional Park to a regional, national and international audience. Officers will work to translate this high level of exposure into increased business. Naming rights sponsors and category sponsors are attracted by venues which host major, high profile events, so having major events in the venues programme assist in attracting sponsors. Investment in future major events is subject to meeting specific criteria and subject to a business case with one-off funding met via reserves subject to Executive approval. The 2018/19 budget included funding for two major events in 2018/19 – the Women's Hockey World Cup (£90K approved, paper E/486/17) and the Track Cycling World championships (£85k approved, paper E/533/17). Further events planned include the canoeing World Cup in 2019/20 (£68K) and the canoeing European Championships in 2020/21 (£68K). Following the retender of the LSC it is anticipated that the allocation of allocated days for major events within the contract will remove the direct financial support for such events required from the Authority.

- **Budget uncertainties** – in addition to the above, there are a number of budget uncertainties. These include the level of sponsorship, car parking income, grain and milk prices and income levels generated as a result of the economic climate. Estimates for these areas have been included within the budget proposals based on previous experience/usage. However there may be some variation to these figures, which will be reported to Members through the quarterly revenue monitoring reports.
- **Management Fee** – the management fee for 2018/19 was set at £2.3m.

Ongoing clause 14 claims, returning secondments, decoupling of business support services and budget pressures in the Trust as they prepare for retendering in either a potential win/no win scenario mean the original base fee will be adjusted for those movements. Returning secondees and business support staff will increase the Authority's direct bottom line expenditure but will also result in a decreasing management fee as the Authority meets the costs directly. Currently the base 2019/20 management fee is estimated at £1.6m. This is subject to discussion and agreement with the Trust who have submitted an initial estimate of £1.8m. The simple (main) difference between the two calculations is reflected by the item in the growth and savings schedule (line 12 of Appendix B to this report and relates to lost income re Lee Valley VeloPark sponsorship and rental). Thus it is budgeted for but in accounting/contractual terms rests with the Authority. This is just a presentational issue.

The Trust's proposed management fee was received on 6 December 2018 and requires detailed analysis to ensure it reflects all the adjustments as agreed to date and those incorporated into the Authority's estimate.

Future years beyond 2019/20 will be totally dependent on the LSC retendering exercise and only provisional sums have been included to reflect start-up costs and potential asset maintenance costs. In October 2019 the Authority will have a lot more certainty over the fee for 2020/21 and the years ahead.

- **Investment Income** – low levels of investment income are anticipated as current investments mature in the coming months. Currently these investments are securing on average a 0.75% return. It is possible that similar reinvestments will continue to achieve this level of return. Future year returns will depend on investment periods, demands placed on the capital programme (resulting in outgoing of capital funds) and potential future land sales.
 - **Income from fees and charges** - forms a major part (circa 70%) of the Authority/Trust's funding. Changes in demand caused by weather, economic factors, terrorism, bad publicity, etc, could have a material effect in any given year on achieving a balanced budget. Both organisations carry business interruption insurance but this does not insure against risks like bad weather or bad publicity. The Authority mitigates some of this risk by maintaining reasonable levels of reserves; the Trust also needs to build its own level of reserves to mitigate this risk.
- 19 Subject to the underlying assumptions and risks/uncertainties as set out above, a proposed balanced and surplus budget can be achieved. One-off items for expenditure in 2019/20 will be funded by reserves following a report to Executive Committee detailing the proposal and the business case that would support the release of this funding, for example, clause 14 adjustments.

REVENUE CONTRIBUTION TO CAPITAL

- 20 The Authority is in a new phase of capital programming. Over the last couple of years there has been a shift from replacement and renewal to maintenance of assets and investment in existing assets/business development projects to increase income. The annual contribution has been reduced over recent years.

In the short-term the Authority is increasing its capital investment in asset management by £2m in the next 18 months to ensure that the venues that fall within the LSC are in a good shape and fit for purpose from 2020. This was identified through the asset condition survey for the contracted-out venues carried out last summer, in preparation for the retendering exercise. This was considered by Members as part of the capital programme presented to Executive Committee (Paper E/600/18). Longer term additional contributions and investment will be needed to ensure the wider estate is maintained to the standard required and this will be identified through further condition surveys.

There are now some key sites where development will be considered, for example, redevelopment/relocation of the Ice Centre, the Picketts Lock site, Broxbourne Riverside and Lea Bridge Road master planning. These developments will continue to place pressure on the Authority's planned capital programme going forward.

- 21 **It is proposed to maintain the annual revenue contribution at £1.2m** and this will enable delivery of the current capital programme and enable the estate to be maintained. A major part of the programme going forward is reliant upon land sale receipts to support future investment proposals. The Authority can also consider borrowing to fund any potential developments. Given the current favourable borrowing rates, it may be beneficial for the Authority to undertake borrowing at this time if required. Any loan repayments would however need to be funded from the levy/additional income or savings.
- 22 The revised capital programme 2018/19 to 2022/23 was considered by the Executive Committee on 13 December 2018 (Paper E/600/18). Based on the proposed capital programme and financing (assuming land sales are actually achieved), capital reserves are projected to stand at an estimated £12.9m at the end of 2022/23.

THE LEVY

- 23 The maximum levy is determined by law. The annual increase for the maximum levy is based on the Retail Price Index (RPI) as at September. The RPI for September 2018 was 3.3%. Therefore the maximum levy for 2019/20 is set at £25.5m (2018/19 was £24.7m).
- 24 A 1% movement in the levy equates to approximately £96k per annum for the Authority. Whilst a 1% movement in the levy impacts between £174 and £12,579 for the smallest and largest contributing authorities respectively, with the majority of contributing authorities falling between £1.2k and £3.4k per annum.
- 25 Over the last three, five and ten years, the levy has been significantly below inflation (RPI) with a real term decrease of over 47% over the last 10 years.

	3 Year Change	5 Year Change	10 Year Change
Levy decrease	-14.0%	-18.0%	-22.5%
RPI increase	6.7%	12.2%	24.6%
	-20.7%	-30.2%	-47.1%

The change in the levy compared to RPI and other indicators such as the

headline increase in Council Tax and Local Authority funding settlements is shown in the graph at Appendix D to this report.

- 26 Last year's funding settlement for contributing authorities following the spending review in November 2017 (as set out in paragraphs 9 and 10 above) is detailed in Appendix G to this report and for most contributing authorities funding is projected to marginally increase. Appendix C to this report sets out the cash and real term decrease in the levy experienced by contributing authorities since 2010.
- 27 In terms of inflation indices used for the levy calculation and the budget, the Consumer Price Index (CPI) is running at 2.4% and the Retail Price Index (RPI) at 3.3% (September 2018). Other indices for comparison are set out in Appendix D to this report.

RESERVES

- 28 Any decision taken by Members that does not provide for a balanced budget will have a downward impact on reserves. The unallocated General Fund reserve was £4.2m as at 1 April 2018. The projected spend in 2018/19 is likely to reduce this balance to **£3.9m by 31 March 2019**.
- 29 **To use reserves to fund any on-going deficit is not recommended;** unless it is only for a temporary period, i.e. one year and that it can be demonstrated there is a clear plan to address the ongoing deficit. The external auditor has previously highlighted the unsustainability of relying on general reserves to fund budget deficits. This proposed budget and Medium Term Financial Plan demonstrate reserves can be maintained broadly within approved policies.
- 30 Members approved the recommendation of the Director of Finance & Resources to set a **minimum general reserve of £4m**, based on the risk factors set out in the Budget Methodology and Assumptions report (Paper E/589/18) and those restated in this report. It is again recommended that this minimum level of reserves is maintained over the short/medium term, although annual fluctuations may occur above/below this level depending on any "one-off" commitments approved by Members in a given year. Post re-letting the new LSC in 2020 Members may wish to reconsider revising this minimum provision downwards as a large part of the income risk will have been transferred to the contractor.

FUNDING OPTIONS AND PROPOSED LEVY

- 31 Subject to the underlying assumptions and risks/uncertainties as set out, the proposed **budget for 2019/20 is £9.55m** (and is in line with the Budget Methodology and Assumptions paper).
- 32 The Authority's aim has been to operate its venues (including legacy venues) at a break-even position (excluding central overheads). The MTFP includes stretch targets which would work towards this objective by 2020/21.
- 33 The new LSC incorporates stretch income targets to enable legacy venues to deliver a break-even position from 2020/21.
- 34 Appendix G to this report sets out the indicative impact of a 0% to 6% variation in the levy for contributing authorities based upon the 2018/19 Council Tax

Band D calculations submitted. These calculations usually change between years and therefore will affect the actual sum charged in 2019/20.

CONCLUSIONS

- 35 The Authority has significant demands in the next couple of years, including retendering of the new LSC by 2020, the required pre-contract maintenance of the legacy venues on its land; and the implementation of a number of income generation initiatives to reduce its reliance on the levy longer term, as well as delivering key land disposals to support the capital programme.

The proposal to maintain a standstill levy is still a real term reduction but will enable the Authority to meet its corporate objectives, fulfil its statutory duties and ensure that there is greater clarity regarding the current financial uncertainties (especially the LSC management fee) over the coming year.

- 36 The Authority will continue to strive to increase value to the regional constituency, whilst reducing the cost of Lee Valley Regional Park to the taxpayer. It will continue to work with partners, outsource/buy-in services and further investigate shared service provision, to push down on-costs and to improve quality. Furthermore, it will continue to use technology to further improve efficiency, e.g. new Geographical Information System (GIS).
- 37 In the 2014/15 budget paper (A/4161/14) Members were advised that to deliver the current plan the Authority must ensure it resolved the long term deficit. Members will be aware that they took major decisions in establishing the Trust to help bridge a large part of the funding gap. These decisions started to have an impact from April 2015 with annual savings of circa £2m resolving the previously identified deficit.
- 38 Increases to the levy above its current level (£9.576m) will have a negative impact on the contributing authorities who themselves are already under significant financial pressure to make reductions and savings. This view needs to be balanced against the Authority's (and Members) own statutory remit as set out in the Lee Valley Regional Park Act 1966. The longer term levy direction has provided contributors reassurance in this area and is the subject of on-going review by the Levy Strategy Working Group.

NEXT STEPS

- 39 The Executive Committee is required to make a recommendation to the full Authority on 17 January 2019.
- 40 The Authority will then approve a budget and levy for 2019/20.

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 42 The financial implications are fully considered within the body of the report.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

- 44 The Authority is required to set a budget and levy annually by 24 January and notify contributing authorities by no later than 15 February in the year preceding the levy.

RISK MANAGEMENT IMPLICATIONS

- 45 Paragraph 19 sets out the main risks and uncertainties the Authority faces in achieving the budget during 2019/20. Most significantly the economic climate remains extremely uncertain particularly against the back-drop of Brexit and could impact significantly on any of the assumptions made.

EQUALITY IMPLICATIONS

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

Author: Simon Sheldon 01992 709 859 ssheldon@leevalleypark.org.uk

PREVIOUS COMMITTEE REPORTS

Executive	E/600/18	Proposed Capital Programme 2018/19 Revised to 2022/23	13 December 2018
Executive	E/596/18	Authority Fees & Charges Review 2019/20	22 November 2018
Executive	E/589/18	2019/20 Budget Methodology, Assumptions, and Timetable	18 October 2018
Authority	A/4252/18	Proposed Budget & Levy 2018/19	18 January 2018

APPENDICES ATTACHED

Appendix A	Medium Term Financial Plan
Appendix B	Proposed Increased Expenditure, Income & Efficiencies 2019/20
Appendix C	Cash & Real Term Savings - Contributing Authorities since 2010
Appendix D	Levy Trend and comparator indices
Appendix E	Levy Per Head of Population for Herts, Essex & London
Appendix F	Funding settlement for contributing Authorities
Appendix G	0% to 6% change in levy for contributing authorities

LIST OF ABBREVIATIONS

MTFP	Medium Term Financial Plan
RPI	Retail Price Index
CPI	Consumer Price Index

GLA
LSC
the Trust

Greater London Authority
Leisure Services Contract
Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)

AUTHORITY SUMMARY MTFP DECEMBER 2018 UPDATED

Notes	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
a	7,372	7,213	7,173	7,105	7,105
b	0	120	240	342	426
c	0	0	11	22	33
d	0	18	55	74	74
e	0	(11)	(22)	(34)	(46)
f	0	45	55	65	75
g	0	0	100	100	100
h	11	0	0	0	0
i	176	0	0	0	0
j	0	(39)	(39)	(39)	(39)
k	0	0	0	500	500
l	0	297	0	0	0
m	0	(237)	(343)	(343)	(343)
n	0	452	452	452	452
o	0	120	0	0	0
	187	765	509	1,139	1,183
p	2,319	1,570	1,500	1,000	1,000
q	9,878	9,548	9,182	9,244	9,288
	-6.00	0.00	0.00	-6.00	-7.00
r	(9,576)	(9,576)	(9,576)	(9,001)	(8,371)
	302	(28)	(394)	243	917
	0	(2)	(204)	(364)	(779)
s	9,878	9,546	8,978	8,880	8,509
	302	(30)	(598)	(121)	138
General Reserves:					
Available General Reserves	(4,199)	(3,897)	(3,927)	(4,525)	(4,646)
Budget (Surplus) / +Deficit	302	(30)	(598)	(121)	138
Balance Carried Forward:	(3,897)	(3,927)	(4,525)	(4,646)	(4,509)

Notes & Assumptions

- a Removal and addition of one-off items added to budget in 2018/19 plus additions going forward
- b Pay Assumed at 2% 2019/20 and 2% thereafter plus increments. Assumed NJC pay review post 2021/22
- c Insurance premiums subsumed in existing budget provision and estimated at 4% from 2020/21
- d Non-salary inflation on contracts e.g Grounds Maintenance
- e Income Inflation at average 2%
- f Gas, Electricity and Water at 10%, 8% and 3.5% for 2019/20. 5% average onwards plus Business Rates at Myddelton House & Waterworks £35K
- g Potential Estimated adjustments to pension fund following future triennial valuations
- h Estimated revenue overspend 2018/19 reported Quarter 2
- i Approved Ice Centre Clause 14 adjustment. 2019/20 adjustments subject to formal request by Trust and analysis up to £237K
- j Improved investment returns and reduction in required minimum revenue provision to finance capital
- k Increased revenue contribution to Asset Maintenance post contract (initial investment circa £2m to £3m in 2019/20 and 2020/2021 from capital reserves)
- l Return of seconded posts from Trust to Authority - corresponding reduction in management fee
- m Reduction in Business Support costs from Trust to Authority - corresponding reduction in management fee
- n Increase in direct provision of Business Support within Authority
- o Increase in dual running costs as Authority and Trust decouple
- p Assumes static Management Fee in 2019/20 less decoupling costs and transfer of secondments back to Authority
- q Proposed 0% levy 2019/20 and 2020/21 and assumed 6% reduction 2021/22 and 7% 2022/23
- r Budget deficit (surplus) before savings implemented
- s Budget deficit (surplus) after savings achieved
- t Minimum Reserve level of £4m achieved 2020/21

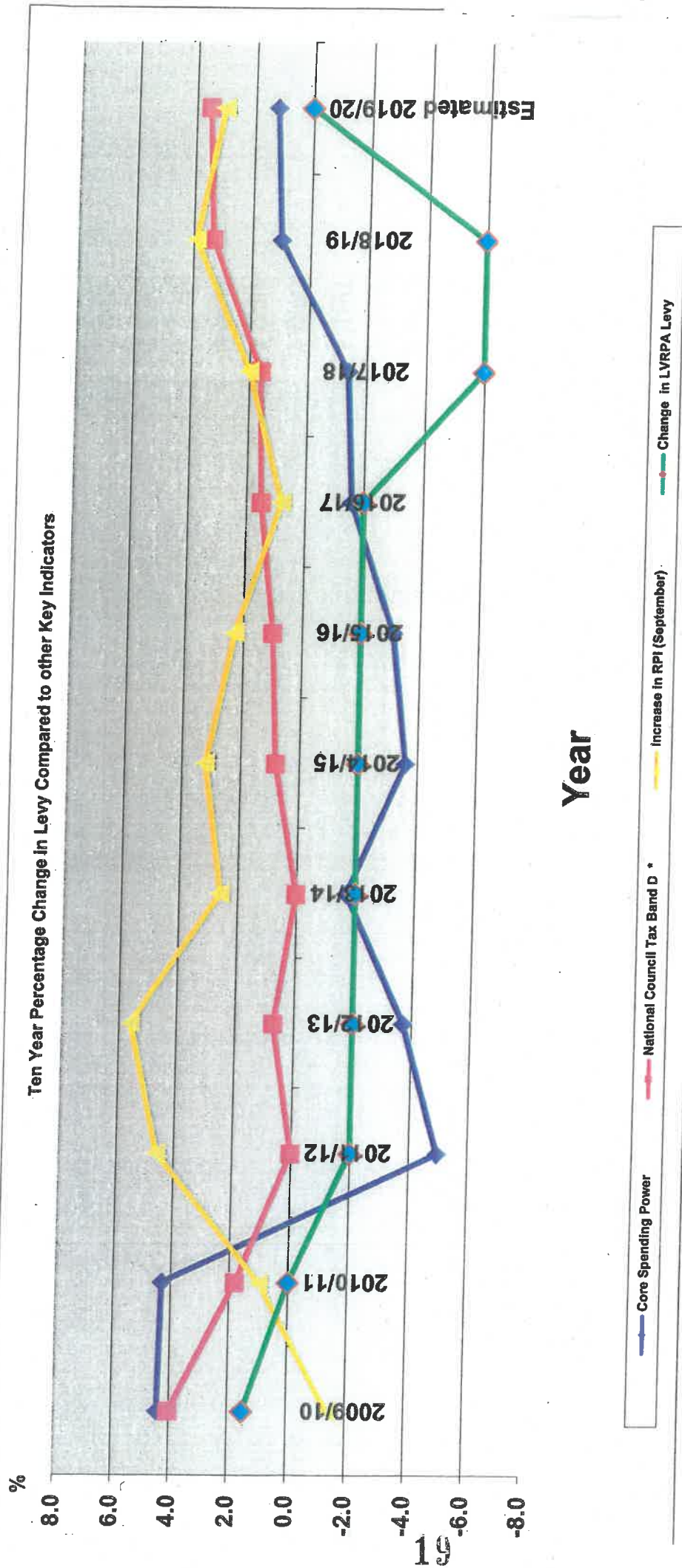
General

Plan has been based on Authority's strategic direction to 2020 and Revised Business Plan 2016-2019
Does not include impact of Park Development Framework
Based upon Revised Draft Capital Programme December 2018 approved by Members
Budget (Surplus) / +Deficit assuming all risk areas and stretch targets achieved
LSC Management Fee set at affordability threshold from 2020/21 subject to tender and variant bids
Levy remains static during 2019/20 and possibly 2020/21 until uncertainty re LSC retender complete

Growth & Savings Schedule

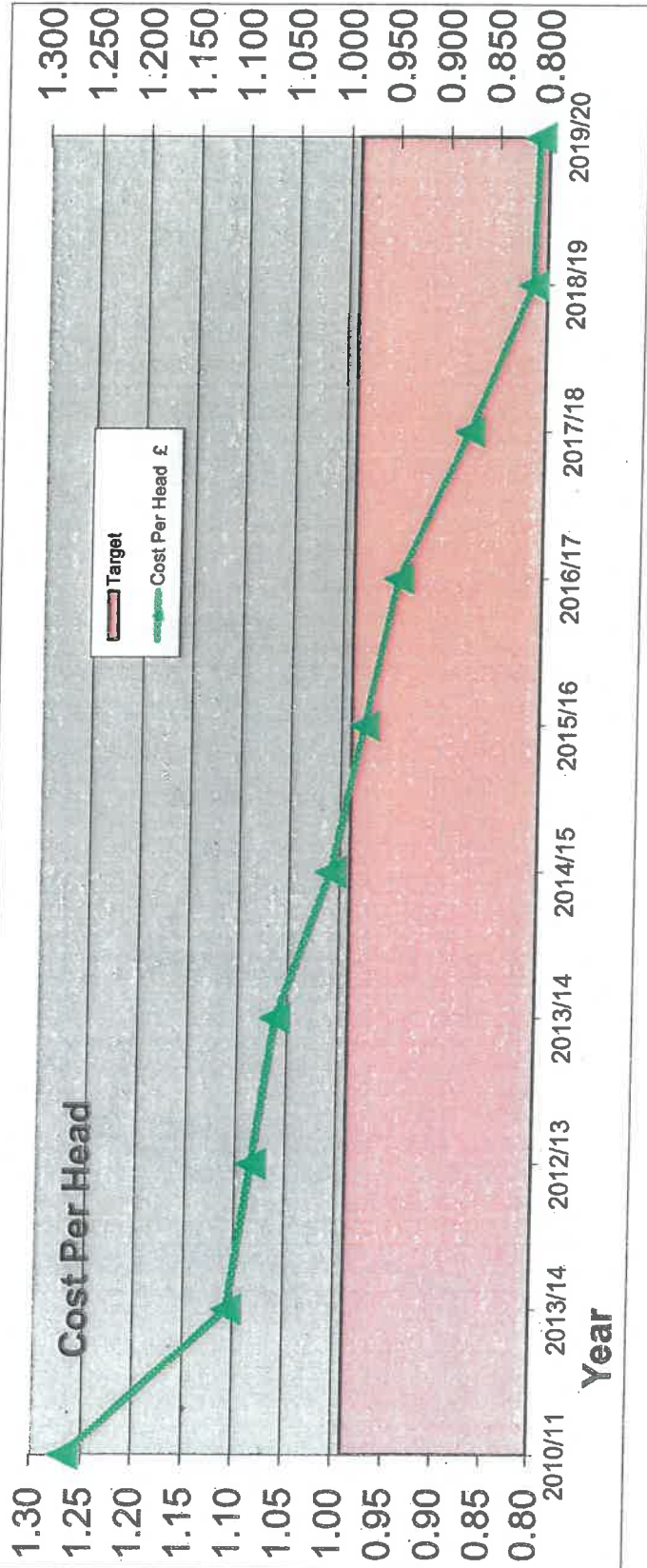
Item Description	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Comments
Efficiencies/Increased Income					
Efficiency Savings					
1 Abbey Gardens Savings	0	(36,000)	(36,000)	(36,000)	To be identified through review of lease (deferred from 2017/18)
2 Service Reviews	(97,000)	(147,000)	(147,000)	(147,000)	To be identified from e.g. Property service and Active Communities review
3 Shared Services	(40,000)	(70,000)	(70,000)	(70,000)	To be identified from corporate structure following service reviews
Increased Income					
4 Increased Event Income	(30,000)	(30,000)	(30,000)	(30,000)	Final Year of increasing stretch target (previous years £90K achieved) by £30K to complete target.
5 Ice Centre	0	0	0	(250,000)	Pending decisions to be made re borrowing etc
6 Picketts Lock 2 Leisure Attraction	0	0	(160,000)	(325,000)	PY income (full Year £325K) - Phased pending decisions to be made (excludes profit share)
7 London Stantead Cambridge Consortium	(6,000)	(6,000)	(6,000)	(6,000)	Cease Annual contribution - 2018/19 final year
8 New Rental at Velopark	(25,000)	(25,000)	(25,000)	(25,000)	See item 12. below
9 Potential New rental at Velopark	(105,000)	(180,000)	(180,000)	(180,000)	2019/20 part year. See item 12. below subject to new tenant plus capital investment £300K
Total	(303,000)	(494,000)	(654,000)	(1,069,000)	
Budget Pressures					
10-11 Olympic Park Venues not in LSC Contract	0	100,000	100,000	100,000	Saving to be achieved through new Leisure Services Contract
11 Site Surveys Picketts Lock	46,500	0	0	0	0 Approval to support Site Surveys up to £104K (Paper E/587/18) £57,500 paid in 2018/19
12 Reduction in Velopark Sponsorship/Rental	190,000	190,000	190,000	190,000	(Paper E/573/18) see 8 & 9 above. This income reduction to be adjusted through the management fee
13 Holyfield Hall Farm electricity Costs	65,000	0	0	0	0 Backdated charges to 2012 X10 metre calculation as from previously undercharged.
Total	301,500	290,000	290,000	290,000	
Net Savings	(1,500)	(204,000)	(364,000)	(779,000)	
Annual Saving	(1,500)	(202,500)	(160,000)	(415,000)	

	2010/11	2010/11 RPI Inflated	2018/19	Real Term Change in Levy	Cash/Actual Change in levy
	£	£	£	£	£
CORPORATION OF LONDON	18,101	22,808	17,437	(£5,371)	(£664)
Inner London Boroughs					
CAMDEN	290,471	365,993	215,211	(£150,782)	(£75,260)
GREENWICH	238,976	301,109	193,885	(£107,224)	(£45,091)
HACKNEY	224,407	282,753	172,036	(£110,717)	(£52,371)
HAMMERSMITH AND FULHAM	241,201	303,913	188,263	(£115,650)	(£52,938)
ISLINGTON	262,883	331,233	189,037	(£142,196)	(£73,846)
KENSINGTON AND CHELSEA	303,768	382,748	232,950	(£149,798)	(£70,818)
LAMBETH	316,383	398,642	260,458	(£138,184)	(£55,925)
LEWISHAM	266,974	336,387	209,061	(£127,326)	(£57,913)
SOUTHWARK	294,190	370,680	243,947	(£126,733)	(£50,243)
TOWER HAMLETS	257,344	324,254	229,949	(£94,305)	(£27,395)
WANDSWORTH	381,264	480,393	316,004	(£164,389)	(£65,260)
WESTMINSTER	395,345	498,135	311,532	(£186,603)	(£83,813)
Outer London Boroughs					
BARKING AND DAGENHAM	157,533	198,492	117,960	(£80,532)	(£39,573)
BARNET	419,370	528,407	343,172	(£185,235)	(£76,198)
BEXLEY	253,997	320,037	196,560	(£123,477)	(£57,437)
BRENT	294,306	370,826	231,356	(£139,470)	(£62,950)
BROMLEY	405,286	510,661	314,362	(£196,299)	(£90,924)
CROYDON	386,067	486,444	301,394	(£185,050)	(£84,673)
EALING	357,095	449,939	273,431	(£176,508)	(£83,664)
ENFIELD	334,569	421,557	232,150	(£189,407)	(£102,419)
HARINGEY	260,130	327,764	186,418	(£141,346)	(£73,712)
HARROW	263,505	332,016	204,247	(£127,769)	(£59,258)
HAVERING	272,109	342,857	211,211	(£131,646)	(£60,898)
HILLINGDON	298,868	376,573	239,561	(£137,012)	(£59,307)
HOUNSLOW	263,044	331,435	200,335	(£131,100)	(£62,709)
KINGSTON UPON THAMES	188,889	238,000	150,713	(£87,287)	(£38,176)
MERTON	226,549	285,452	179,239	(£106,213)	(£47,310)
NEWHAM	227,614	286,793	182,537	(£104,256)	(£45,077)
REDBRIDGE	275,740	347,432	211,545	(£135,887)	(£64,195)
RICHMOND UPON THAMES	271,235	341,756	214,655	(£127,101)	(£56,580)
SUTTON	224,871	283,337	175,886	(£107,451)	(£48,985)
WALTHAM FOREST	230,253	290,119	180,913	(£109,206)	(£49,340)
Total London	9,102,338	11,468,946	7,127,415	-4,341,531	-1,974,923
Hertfordshire and Essex Authorities					
HERTFORDSHIRE	1,359,909	1,713,485	1,067,579	(£645,906)	(£292,330)
ESSEX	1,614,250	2,033,955	1,257,891	(£776,064)	(£356,359)
THURROCK	157,303	198,202	122,815	(£75,387)	(£34,488)
Total Levy on Local Authorities	12,233,800	15,414,588	9,575,700	-5,838,888	-2,658,100



Year	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Estimated 2019/20	3 Yr Average	5 Yr Average	10 Yr Average
Core Spending Power	4.4	4.3	-5.0	-3.7	-1.7	-3.6	-3.1	-1.6	-1.4	1.0	1.2	-0.67	-1.74	-1.04
National Council Tax Band D *	4.0	1.8	0.0	0.7	0.0	0.8	1.0	1.5	1.6	3.3	3.5	2.13	1.64	1.47
Increase in RPI (September)	-1.4	1.0	4.6	5.6	2.6	3.2	2.3	0.8	2.0	3.9	3.0	2.23	2.44	2.46
Change in LVRPA Levy	1.5	0.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-6.0	-6.0	0.0	-4.67	-3.60	-2.25

Year	Population	Levy £	Year	Target	Cost Per Head £	Source of Population Data
2008/09	9,660,031	12,053,000	2008/09	0.00	1.248	Census Population Office for national Statistics
2009/10	9,660,031	12,233,800	2009/10	0.00	1.266	Census Population Office for national Statistics
2010/11	9,660,031	12,233,800	2010/11	0.99	1.266	Census Population Office for national Statistics
2011/12	10,841,295	11,989,124	2013/14	0.99	1.106	Census Population Office for national Statistics
2012/13	10,841,295	11,749,300	2012/13	0.99	1.084	Census Population Office for national Statistics
2013/14	10,841,295	11,514,314	2013/14	0.99	1.062	Census Population Office for national Statistics
2014/15	11,178,353	11,284,028	2014/15	0.99	1.009	Mid 2012 Population Estimates, Office for National Statistics June 2013
2015/16	11,310,293	11,058,347	2015/16	0.99	0.978	Mid 2013 Population Estimates, Office for National Statistics June 2014
2016/17	11,466,609	10,837,100	2016/17	0.99	0.945	Mid 2014 Population Estimates, Office for National Statistics June 2015
2017/18	11,627,089	10,186,874	2017/18	0.99	0.876	Mid 2015 Population Estimates, Office for National Statistics June 2016
2018/19	11,766,776	9,575,700	2018/19	0.99	0.814	Mid 2016 Population Estimates, Office for National Statistics June 2017
2019/20	11,833,968	9,575,700	2019/20	0.99	0.809	Mid 2017 Population Estimates, Office for National Statistics June 2018



Core Spending Power - Local Authority Summary

Local Authority	£ millions		£ millions		£ millions	
	2017-18	%	2018-19	%	2019-20	
1 Barking and Dagenham	148.2	2.1	151.3	2.4	155.0	
2 Barnet	258.7	0.5	260.0	2.3	266.1	
3 Bexley	156.9	1.1	158.6	2.6	162.7	
4 Brent	252.5	1.4	256.1	3.4	264.9	
5 Bromley	204.0	-0.1	203.7	3.6	211.1	
6 Camden	244.0	0.4	244.9	1.0	247.5	
7 City of London	32.0	-3.2	31.0	-0.3	30.9	
8 Croydon	273.7	2.0	279.1	2.9	287.3	
9 Ealing	243.6	1.6	247.4	2.3	253.1	
10 Enfield	229.6	1.1	232.1	1.8	236.3	
11 Essex	881.9	2.3	901.8	3.1	930.2	
12 Greenwich	226.6	2.2	231.7	1.9	236.0	
13 Hackney	257.6	-1.5	253.7	1.9	258.5	
14 Hammersmith and Fulham	157.2	-0.6	156.2	2.0	159.4	
15 Haringey	222.2	-0.4	221.4	1.3	224.3	
16 Harrow	172.4	0.8	173.9	3.7	180.3	
17 Havering	172.5	-1.0	170.8	2.8	175.6	
18 Hertfordshire	736.2	2.4	754.2	2.2	770.5	
19 Hillingdon	185.2	-2.4	180.8	3.0	186.2	
20 Hounslow	172.6	0.9	174.2	3.2	179.7	
21 Islington	224.9	-0.6	223.6	1.1	226.1	
22 Kensington and Chelsea	156.3	1.6	158.8	1.2	160.7	
23 Kingston upon Thames	123.6	-3.0	119.9	4.6	125.4	
24 Lambeth	286.8	2.2	293.0	1.1	296.1	
25 Lewisham	249.4	2.0	254.3	2.7	261.2	
26 Merton	139.7	-0.1	139.6	2.6	143.2	
27 Newham	252.0	1.1	254.8	1.7	259.2	
28 Redbridge	185.3	2.2	189.3	3.0	194.9	
29 Richmond upon Thames	152.2	-0.6	151.3	5.4	159.5	
30 Southwark	284.9	2.5	292.0	2.4	298.9	
31 Sutton	148.4	0.8	149.6	2.2	152.9	
32 Thurrock	115.0	1.7	116.9	1.8	119.0	
33 Tower Hamlets	279.6	1.0	282.3	2.1	288.1	
34 Waltham Forest	204.7	0.8	206.4	2.2	211.0	
35 Wandsworth	184.0	1.0	185.8	2.4	190.3	
36 Westminster	203.3	0.3	203.9	1.2	206.3	
Average (mean)		0.6		2.4		

**Analysis of Percentage Change in Levy 2018/19
assuming Council Tax base remains the same**

	0%	1.00%	2.00%	3.00%	4.00%	5.00%	6.00%
	Current Levy	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19
	£	£	£	£	£	£	£
CORPORATION OF LONDON	17,437	17,263	17,088	16,914	16,740	16,565	16,391
Inner London Boroughs							
CAMDEN	215,211	213,059	210,907	208,755	206,603	204,450	202,298
GREENWICH	193,885	191,946	190,007	188,068	186,130	184,191	182,252
HACKNEY	172,036	170,316	168,595	166,875	165,155	163,434	161,714
HAMMERSMITH AND FULHAM	188,263	186,380	184,498	182,615	180,732	178,850	176,967
ISLINGTON	189,037	187,147	185,256	183,366	181,476	179,585	177,695
KENSINGTON AND CHELSEA	232,950	230,621	228,291	225,962	223,632	221,303	218,973
LAMBETH	260,458	257,853	255,249	252,644	250,040	247,435	244,831
LEWISHAM	209,061	206,970	204,880	202,789	200,699	198,608	196,517
SOUTHWARK	243,947	241,508	239,068	236,629	234,189	231,750	229,310
TOWER HAMLETS	229,949	227,650	225,350	223,051	220,751	218,452	216,152
WANDSWORTH	316,004	312,844	309,684	306,524	303,364	300,204	297,044
WESTMINSTER	311,532	308,417	305,301	302,186	299,071	295,955	292,840
Outer London Boroughs							
BARKING AND DAGENHAM	117,960	116,780	115,601	114,421	113,242	112,062	110,882
BARNET	343,172	339,740	336,309	332,877	329,445	326,013	322,582
BEXLEY	196,560	194,594	192,629	190,663	188,698	186,732	184,766
BRENT	231,356	229,042	226,729	224,415	222,102	219,788	217,475
BROMLEY	314,362	311,218	308,075	304,931	301,788	298,644	295,500
CROYDON	301,394	298,380	295,366	292,352	289,338	286,324	283,310
EALING	273,431	270,697	267,962	265,228	262,494	259,759	257,025
ENFIELD	232,150	229,829	227,507	225,186	222,864	220,543	218,221
HARINGEY	186,418	184,554	182,690	180,825	178,961	177,097	175,233
HARROW	204,247	202,205	200,162	198,120	196,077	194,035	191,992
HAVERING	211,211	209,099	206,987	204,875	202,763	200,650	198,538
HILLINGDON	239,561	237,165	234,770	232,374	229,979	227,583	225,187
HOUNSLOW	200,335	198,332	196,328	194,325	192,322	190,318	188,315
KINGSTON UPON THAMES	150,713	149,206	147,699	146,192	144,684	143,177	141,670
MERTON	179,239	177,447	175,654	173,862	172,069	170,277	168,485
NEWHAM	182,537	180,712	178,886	177,061	175,236	173,410	171,585
REDBRIDGE	211,545	209,430	207,314	205,199	203,083	200,968	198,852
RICHMOND UPON THAMES	214,655	212,508	210,362	208,215	206,069	203,922	201,776
SUTTON	175,886	174,127	172,368	170,609	168,851	167,092	165,333
WALTHAM FOREST	180,913	179,104	177,295	175,486	173,676	171,867	170,058
Hertfordshire and Essex Authorities							
HERTFORDSHIRE	1,067,579	1,056,903	1,046,227	1,035,552	1,024,876	1,014,200	1,003,524
ESSEX	1,257,891	1,245,312	1,232,733	1,220,154	1,207,575	1,194,996	1,182,418
THURROCK	122,815	121,587	120,359	119,131	117,902	116,674	115,446
Total Levy on Local Authorities	9,575,700	9,479,943	9,384,186	9,288,429	9,192,672	9,096,915	9,001,158
Decrease (-) Increase (+)	0	-95,757	-191,514	-287,271	-383,028	-478,785	-574,542