

REVENUE BUDGET 2014/15 PERFORMANCE MONITORING

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

This report provides monitoring of revenue expenditure to 25 January 2015. It compares actual net expenditure to the profiled budget. It also provides a projection indicating the likely out-turn position against the annual budget for the year ending 31 March 2015. The overall operational expenditure at the year end is expected to be an estimated £361,000 under the approved budget for 2014/15. The major variations are summarised in the table below:

Service Description	Variance 2014/15	Included in 2015/16 Budget
	£	£
Investment Income	(53,000)	0
Information Technology	(45,000)	0
Internal Audit Contract	(10,000)	0
Performance Management	(11,000)	0
Audit Fee	(12,000)	(9,000)
Asset Management, Protection & Development	(99,000)	0
Lee Valley White Water Centre	92,000	0
Lee Valley Hockey & Tennis Centre	(280,000)	(260,000)
Lee Valley Ice Centre	(57,000)	(27,000)
Lee Valley Riding Centre	70,000	0
Springfield Marina	(30,000)	(30,000)
Lee Valley Farm Holyfield	56,000	56,000
Lee Valley Farm Hayes Hill	40,000	0
Leyton Marsh	(35,000)	35,000
Sewardstone Campsite	(10,000)	0
Other	23,000	0
Total Estimated Under Spend:	(361,000)	(235,000)

RECOMMENDATIONS

Members Approve

- (1) the carry forward of £30,000 for phase 3 of the Ice Centre feasibility study as set out in

paragraph 19 of this report; and

Members Note: (2) the report.

BACKGROUND

- 1 The Executive Committee recommended a budget for 2014/15 at its meeting in January 2014 (Paper E/335/14). This was approved by Members at the Authority meeting on 23 January 2014 (Paper A/4180/14). This report compares actual net expenditure to 25 January 2015 with the profiled budget and projected net expenditure through to the year end (31 March 2015).
- 2 Details of the financial position of each service or facility are shown in Appendix A to this report.
- 3 Currently net expenditure is £6.8 million at the end of January 2015. At this stage it is estimated that at the year end there will be a projected under spend of £361,000.
- 4 Where significant over/under spends are projected at the year end for particular facilities/services a brief explanation is provided below.

SPECIFIC EXPLANATIONS

GENERAL ECONOMIC FACTORS

- 5 Certain financial and economic factors will impact on the budget during 2014/15 and next financial year and these are summarised in the following paragraphs.
- 6 Members received a paper in December (Paper E/381/14) 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 2.2% formed part of a national agreement and was applied to all officers up to scale point 49 with effect from 1 January 2015. In addition Members approved that posts above scale point 49 would also receive this inflationary increase. These increases have been met from the original 1% provision in 2014/15 as the increase only applies for a part year and an additional 1.2% was built in to the 2015/16 budget to cover the increased costs.

- 7 Continued uncertainty in the banking sector and European economies as a whole have an impact on investment returns and certainty around where investments are deposited. The Authority has significantly adjusted its base level of investment income downwards for this and future years and this formed part of the budget setting process for 2014/15. The target rate of return agreed by Members as part of the Annual Report on Treasury Management was approved at 1.4% (Paper E/358/14).

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

- 8 Locally the Authority is still awaiting the outcome of the 2010/15 rating appeal for its facilities, specifically in relation to the Lee Valley White Water Centre (LVWWC).

The Authority has yet to be advised of the rating valuation for the Lee Valley VeloPark, currently budgeted at £1million. The outcome of the valuation for this site is imminent and any material variation from the existing budget could result in a major variation in 2014/15 and subsequent financial years.

The Lee Valley Hockey & Tennis Centre rating valuation has been confirmed by the valuation office at £265,000. This gives an annual rates bill of £136,740 which has a pro rata reduction to £103,500 due to the later than expected opening. The budget this year was set at £400,000 resulting in a saving of £296,500 in 2014/15 and an on-going saving of circa £260,000.

- 9 Inflation rates have reduced continually during the year. December inflation for the Retail Price Index stood at 1.6% and Consumer Price Index at 0.5%.
- 10 Variances against this year's budget are described in more detail below.

DIRECTOR OF FINANCE & RESOURCES

11 Investment Income (£53,000 additional income)

More cash held on deposit due to not having the rates assessment for the Lee Valley VeloPark (estimated at £1m), a lower than expected rates bill at Lee Valley Hockey & Tennis Centre (£0.4m) and slippage in the capital programme have resulted in more investment income than originally anticipated.

12 Information Technology (IT) (£45,000 under spend)

Vacancies have arisen in the IT Manager post (retired) and one of the IT Analyst posts (through career progression outside of the Authority). A further IT Analyst post will retire at the end of February. The post of IT Manager has now been filled. Both IT Analyst posts are being covered by additional support from the Authority's external IT contractors. Recruitment for the IT Analyst posts will be undertaken following the transfer of the service to the Trust. It is estimated that this will result in an under spend on the IT budget this year, however all priority work and projects are still being covered.

13 Internal Audit Contract (£10,000 under spend)

Specific contingency days were set aside in the audit contract to support officers in the preparation of final accounts for both the Authority and the Trust. This detailed work has commenced but the majority of advice and support will occur during March, April and May. These days will probably not be utilised elsewhere as internal auditors are engaged in completing the remainder of the annual audits. It is anticipated that most of the required support can be met from next year's plan and completed within the existing contract.

14 Performance Management (£11,000 under spend)

Vacancies arose due to the departure of the Information Officer post and the Research Officer post, both because of career progression outside of the Authority. The Information Officer and Market Research Officer posts have both recently been recruited to.

15 Audit Fee (£12,000 under spend)

The current external audit fee for 2014/15 is set at £18,620. The budget of

£27,000 carries a provisional sum for potential additional work related to the audit of accounts. In previous years this sum has been required to deal with the complexities of accounting for Olympic Assets and their associated liabilities. In addition a creditor of £12,000 was set aside to deal with additional work relating to the 2012/13 accounts – this sum has now been settled at a cost of £9,000 giving an extra saving of £3,000. At this point in time it is anticipated that this sum will not be required as all assets have now been transferred to the Authority and included on the balance sheet as required. However, there is the risk of additional work on the 2014/15 accounts due to the increased accounting work following the set-up of the Trust. Officers believe most of this will be contained within the existing fee and are therefore projecting an under spend of £12,000.

CORPORATE DIRECTOR OF PARKLANDS & VENUES

16 Asset Management, Protection & Development (AMPD) (£99,000 under spend)

The AMPD section was restructured in April 2014 (Paper E/349/14). Since then the Project Officer post has remained unfilled, following the retirement of the Building Surveyor in August 2014. Two attempts to recruit to this post have currently proved unsuccessful although the second recruitment process did result in a formal offer but the candidate subsequently declined. The Management Support Officer is covering some of the work through additional responsibilities and attempts to fill the vacancy are on-going.

The consequences of the section being below capacity has had a knock-on effect regarding consultant appointments to deliver specific works and this resulted in non-priority work as part of the asset maintenance programme (revised down in December from £1.2m to just over £1.0m) being re-phased into 2015/16.

17 Lee Valley White Water Centre (£90,000 reduced income)

The Lee Valley White Water Centre has achieved total income of £2,465,000 this year which falls £31,000 short of the stretch target of £2,496,000, but is an increase of £446,000 on the previous year. Overall the venue will operate at a deficit of £216,000 which is a reduction of £205,000 on the previous year.

The food and beverage is forecast to operate at a 15% profit margin against a target profit margin of 25%, generating a £53,000 surplus. Officers are further reviewing stock holdings against anticipated business levels to work towards achieving a 25% profit margin in the coming season.

18 Lee Valley Hockey and Tennis Centre (£280,000 under spend)

In addition to the lower than anticipated business rates of £296,000 detailed in paragraph 8, it is anticipated that £54,000 in staff and premises costs will be achieved as a direct result of delayed hand over of the venue to Lee Valley Regional Park Authority following transformation.

The previous report on this agenda recommends funding for the European Hockey Championships to England Hockey (£70,000), subject to Member approval of that report, this could be made available from this underspend. If this is agreed the net underspend will be £280,000.

19 Lee Valley Ice Centre (£27,000 increased income, £30,000 under spend)

The Lee Valley Ice Centre has achieved continued growth in public skating and learn to skate courses, continuing the trend of recent years and is currently on target to exceed last year's exceptional performance.

As a result of a review of the Lee Valley Ice Centre by the Scrutiny Committee Members approved the sum of £50,000 for a feasibility exercise into developing a twin pad Ice Centre. Phases 1 and 2 of the feasibility study which reviewed the current operation and considered the business case for expansion has been completed at a cost of £20,000 and officers request that the remaining £30,000 is carried forward to complete the final phase of the feasibility exercise which will consider location and capital funding streams.

Officers request a carry forward of £30,000 to complete the Twin Pad feasibility exercise.

20 Lee Valley Riding Centre (£70,000 reduced income)

Due to an exceptionally wet winter the building of 13 additional Livery Stables was not completed until May and that has delayed sales, but the liveries are now all sold. In addition group lessons have also followed the trend of recent years with income below historical levels. Officers are currently reviewing the balance of the programme and trialling new products to be less reliant on group lesson income for future years.

21 Springfield Marina (£30,000 additional income)

Works have continued through the year to renew the pontoons within the marina. As part of these works the pontoons have reconfigured, resulting in the creation of additional moorings. The marina has also introduced formal mooring agreements along the Authority owned river bank of Leyton Marsh.

The additional moorings have been included within the 2015/16 budget.

22 Lee Valley Holyfield Hall Farm (£57,000 reduced income)

A reduced price per litre of milk has been introduced by our milk buyer (Arla) due to the import ban by Russia and an over-production of milk across the world. World market pressures have resulted in further reductions to the milk prices throughout the winter with another reduction in January of 1.7p per litre. Unfortunately other milk buyers have reduced their prices further in March. Officers have been assured by the Authority's purchaser (Arla) that the current price will remain until April. Our milk consultants (Kite) have also advised that in their opinion the market has bottomed out and signs of recovery can be seen, this will hopefully mean no further reductions. This financial year has seen the Authority's milk price reduce from 35p per litre (April 2014) to 24p per litre (a reduction of 11p per litre) and the farm produces 1.2 million litres per year.

23 Lee Valley Hayes Hill Farm (£40,000 reduced income)

The Farm enjoyed a strong start to the season but income fell below anticipated levels through quarters 2 and 3. Although the Farm is forecast to achieve its second highest income in its history of £517,000 this falls short of the record high of £534,000 achieved last year, and is short against the stretch target of £587,000. In 2012/13 income was £469,000 and 2011/12 it was £426,000.

24 Leyton Marsh (£35,000 under spend)

A sum of £73,000 (taken from the funding received from the temporary Olympic basketball training venue) was approved for community projects at Leyton Marsh to be spent over a three year period. Whilst some of the works, including a new mural, have been completed other works, community activities and site improvements will continue to be developed throughout 2014-15. This will leave £35,000 to spend in the third and final year of the project (2015/16).

25 Sewardstone Camp Site (£10,000 increased income)

Usage at the site has increased this year through the early part of the season as a result of a good spring/summer and it is expected that the site will improve on the budget by £10,000.

TRUST IMPLEMENTATION BUDGET

26 In February Members of the Authority approved additional one-off funding of £500,000 to support the transfer of services to the Lee Valley Leisure Trust by April 2015 (Paper A/4181/14). This sum has been added to the Authority's existing budget.

27 This budget is to provide for the necessary legal, financial, tax, TUPE, charitable and pension advice and any other associated expenditure to allow the effective transfer of venues and services into the Trust by April 2015. Members approved that £266,000 of this budget should be transferred to the Trust (Paper E/376/14) to allow it to commission its own legal, financial and tax advice independently of the Authority.

28 The table below sets out identified commitments and expenditure to date.

Identified Commitments	Estimated Authority	Estimated Trust	Total	Actual To Date
	£'000	£'000	£'000	£'000
Legal & TUPE Advice *	58	120	178	81
Finance & Tax Advice *	66	80	146	66
Pension Work*	14	0	14	16
Project Management	54	0	54	27
Trustee Recruitment	15	0	15	15
Management Review	21	0	21	18
Equalities Impact Assessment	5	0	5	0
Asset Condition Work	15	0	15	0
Secondments plus salaries	20	0	20	14
Trust Branding *	0	24	24	0
Board Meetings/ Trustee Expenses/ Training etc*	0	10	10	1
PA to Trust Chairman & Clerk to the Board *	0	20	20	6
Website *	0	12	12	0
Total	268	266	534	244
*Indicates estimated £44,000 non-reclaimable VAT included at 20% in proposed Trust budget				

29 Currently existing estimated expenditure will just exceed the approved budget of

£500,000. This is due to the inclusion of VAT at 20% on all Trust expenditure which is approximately £44,000 (included in the £266,000 above). This VAT expenditure cannot be classified as Authority expenditure and this will not be reclaimable.

- 30 There are anticipated marginal savings from the original plan that will assist in bringing this figure closer to the planned £500,000 total, for example, the Equality Impact Assessment has been completed in-house and will not, as originally anticipated, require external support of £5,000.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

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

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 36 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 future resource planning.

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PREVIOUS COMMITTEE REPORTS

Executive Committee	E/381/14	2014/16 Pay Award	18 December 2014
Executive Committee	E/376/14	Revenue Budget 2014/15 Performance Monitoring	23 October 2014
Executive Committee	E/370/14	Revenue Budget 2014/15 Performance Monitoring	24 July 2014

Executive Committee	E/358/14	Annual Report on Treasury Management Activity 2013/14 and Annual Investment Strategy 2014/15	19 June 2014
Authority	Paper A/4181/14	A New Operational Model for LVRPA Venues	27 February 2014
Authority	Paper A/4180/14	Proposed Budget & Levy 2014/2015	23 January 2014
Executive Committee	Paper E/335/14	Proposed Budget & Levy 2014/2015	23 January 2014

APPENDIX ATTACHED

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

	Full Year Budget £000's	Budget to Jan 2015 £000's	Expenditure to Jan 2015 £000's	Over/(Under) to Jan 2015 £000's	Estimated to March 2015 £000's	Over/(Under) to March 2015 £000's	Budget Variance %
Chief Executive	1,574	1,391	1,226	-165	1,574	0	0%
Resources & Business Development	2,994	2,584	2,170	-414	2,916	-78	(3%)
Parklands & Venues	7,602	6,950	3,432	-3,518	7,372	-230	(3%)
Non distributed costs	77	64	58	-6	77	0	0%
Services total	12,247	10,989	6,886	-4,103	11,939	-308	
Investment income - bank	-260	-133	-130	3	-313	-53	(21%)
Operational total	11,987	10,856	6,756	-4,100	11,626	-361	
Operational costs only							

LEE VALLEY REGIONAL PARK AUTHORITY
 OPERATIONAL PERFORMANCE SUMMARY TO JANUARY 2015

	Full Year Budget £000's	Budget to Jan 2015 £000's	Expenditure to Jan 2015 £000's	Over/(Under) to Jan 2015 £000's	Estimated to March 2015 £000's	Over/(Under) to March 2015 £000's	Budget Variance %
CHIEF EXECUTIVE							
Chief Executive	249	208	205	-3	249	0	0%
PR / Communications	1,036	862	799	-63	1,036	0	0%
Legal	398	335	311	-24	398	0	0%
Corporate and Democratic Core	97	81	77	-4	97	0	0%
Property Management	-672	-487	-482	5	-672	0	0%
Planning & Strategic Partnerships	466	392	316	-76	466	0	0%
Total Chief Executive	1,574	1,391	1,226	-165	1,574	0	
RESOURCES & BUSINESS DEVELOPMENT							
Resources & B Development Management	892	829	779	-50	892	0	0%
Finance	232	195	175	-20	232	0	0%
Information Technology	667	559	356	-203	622	-45	(7%)
Internal Audit / Health & Safety	154	128	60	-68	144	-10	(6%)
Corporate Systems	98	82	83	1	98	0	0%
Performance Management	376	306	282	-24	365	-11	(3%)
Business Development	158	132	146	14	158	0	0%
Human Resources	390	330	287	-43	390	0	0%
External Audit Fee	27	23	2	-21	15	-12	(44%)
Total Resources & Business Development	2,994	2,584	2,170	-414	2,916	-78	
NON DISTRIBUTED COSTS							
Non Distributed Costs	77	64	58	-6	77	0	0%
Total Non Distributed Costs	77	64	58	-6	77	0	

LEE VALLEY REGIONAL PARK AUTHORITY
OPERATIONAL PERFORMANCE SUMMARY TO JANUARY 2015

	Full Year Budget £000's	Budget to Jan 2015 £000's	Expenditure to Jan 2015 £000's	Over/(Under) to Jan 2015 £000's	Estimated to March 2015 £000's	Over/(Under) to March 2015 £000's	Budget Variance %
PARKLAND AND VENUES							
Management							
Parkland & Venues Management	1,333	1,112	1,133	21	1,333	0	0%
Asset Protection, Maintenance, Developme	534	609	263	-346	435	-99	(19%)
Myddelton House	281	257	281	24	281	0	0%
Fisheries Management	-15	-22	-36	-14	-15	0	0%
Sports Facilities							
Lee Valley White Water Centre	126	204	-34	-238	216	90	71%
Lee Valley Leisure Centre Golf Course	44	21	4	-17	50	6	14%
Lee Valley Athletics Centre	474	444	392	-52	476	2	0%
Lee Valley Velopark	1,671	1,578	-401	-1,979	1,662	-9	(1%)
Lee Valley Hockey and Tennis Centre	1,007	911	505	-406	727	-280	(28%)
Lee Valley Ice Centre	-33	19	-155	-174	-90	-57	173%
Riverside (Former Lido Site)	-5	-6	16	22	-5	0	0%
Lee Valley Riding Centre	-90	-39	66	105	-20	70	(78%)
Lee Valley Waterworks Centre	79	69	45	-24	88	9	11%
Sports Development							
Sports development	92	70	65	-5	90	-2	(2%)
Marinas							
Lee Valley Marina, Springfield	-91	-64	-211	-147	-121	-30	33%
Lee Valley Marina, Stanstead Abbots	-60	-44	-20	24	-59	1	(2%)
Farms							
Lee Valley Farm, Holyfieldhall	11	45	179	134	68	57	518%
Lee Valley Farm, Hayes Hill	-29	-50	56	106	11	40	(138%)
Visitor Attractions							
Myddelton House Gardens	182	156	147	-9	191	9	5%
Rye House Gatehouse	8	8	5	-3	8	0	0%

LEE VALLEY REGIONAL PARK AUTHORITY
OPERATIONAL PERFORMANCE SUMMARY TO JANUARY 2015

	Full Year Budget £000's	Budget to Jan 2015 £000's	Expenditure to Jan 2015 £000's	Over/(Under) to Jan 2015 £000's	Estimated to March 2015 £000's	Over/(Under) to March 2015 £000's	Budget Variance %
Countryside Recreation							
Myddelton House Gardens Heritage Centre	54	46	18	-28	54	0	0%
Abbey Gardens	150	130	53	-77	150	0	0%
Gunpowder Park	165	142	116	-26	165	0	0%
River Lee Country Park	740	635	513	-122	740	0	0%
Countryside Areas	789	680	548	-132	789	0	0%
East India Dock and Bow Creek	51	44	25	-19	51	0	0%
Three Mills	31	25	12	-13	31	0	0%
Leyton Marsh	67	46	14	-32	32	-35	(52%)
Holiday Accommodation							
Lee Valley Leisure Centre Campsite	-129	-141	-135	6	-129	0	0%
Lee Valley Campsite, Sewardstone	-93	-121	-180	-59	-103	-10	11%
Lee Valley Campsite, Caravan Sales	0	0	0	0	0	0	-
Lee Valley Caravan Park, Dobbs Weir	27	3	-14	-17	27	0	0%
Broxbourne Chalets	2	2	2	0	2	0	0%
Park Projects							
Countryside Live	20	16	19	3	20	0	0%
Youth & Schools Service	144	115	121	6	152	8	6%
Biodiversity Action Plan	95	80	57	-23	95	0	0%
Sports Initiatives & Partnerships							
King George Reservoir South	0	0	-5	-5	0	0	-
Lee Valley Boat Centre	-30	-30	-32	-2	-30	0	0%
Total Parklands and Venues	7,602	6,950	3,432	-3,518	7,372	-230	