

**REVENUE BUDGET 2016/17 REVENUE MONITORING –
PROVISIONAL OUTTURN**

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

This report summarises service spending for 2016/17 compared to the budget. Figures are 'near final' and are only likely to be the subject of minor changes during the remainder of the closure of accounts process.

Overall net service spending is £502,000 (4.3%) below the net budget for 2016/17 of which £241,148 relates to the Ice Centre Feasibility work and the section 106 project at Glen Faba (i.e. specific project work that has slipped over into the next financial year and has been approved to be carried forward to enable project completion).

The major reasons for this under spend were mostly anticipated and reported to Members during the year as part of quarterly monitoring reports to Executive Committee. Final figures will be incorporated into the un-audited accounts which are to be reported to the Audit Committee on 22 June 2017.

Service Description	Variance 2016/17	Increase budget Carry Forward 2017/18
	£	£
Investment Income	49,000	0
Sponsorship Income	50,000	0
Ice Centre – Feasibility	(164,000)	164,000
Property Management	(139,000)	0
Planning & Strategic Partnerships	(19,000)	0
APMD – external contractors	(109,000)	0
Myddelton House Management	(27,000)	0
Car parking Charges RLCP & Abbey Gardens	40,000	0
Grounds Maintenance/operations at RLCP & Abbey Gardens	(34,000)	0
Lee Valley Farm Holyfield Hall	47,000	0
Biodiversity	(78,000)	77,148
Other (Net)	(118,000)	0
Total Estimated Under Spend:	(502,000)	241,148

RECOMMENDATION

Members Note: (1) 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 31 March 2017 with the budget.
- 2 Details of the financial position of each service or facility are shown in Appendix A to this report.
- 3 Currently it is anticipated that at the year-end there will be a net under spend of £502,000.
- 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) impacted 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 2017/18 budget, and are also part of the medium term financial plan for future years. Therefore this 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 annual report on Treasury Management for 2016/17 is shown elsewhere on this agenda with a new proposed target of 0.6% for 2017/18. That report also recommends a review of how funds are invested going forward as part of the Levy Strategy working group ensuring that the Treasury Management policy is delivering the best returns within an agreed level of risk.

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. 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 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 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 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. April inflation for the Retail Price Index stood at 3.5% and Consumer Price Index at 2.7%.
- 10 The main variances against this year's budget are described below.

CHIEF EXECUTIVE

11 Sponsorship Income (£49,000 Reduced Income)

A stretch income target of £50,000 was built into the 2016/17 budget to achieve more income from external sponsorship. Other income received of £1,000 reduced this variance slightly. This target was originally set to increase to £170,000 from 2017/18. Officers are continuing to seek specific deals either linked to venues, events and/or ticketing but it is unlikely that this stretch target will be achieved to the level originally proposed (£170,000). The 2017/18 budget now set for future years remains at £50,000 and is incorporated into the Medium Term Financial Plan going forward as a stretch target.

12 Ice Centre Feasibility Study (£164,000 net Under Spend)

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 made in the last quarter this year and the balance is due for completion up to July 2017. Members have already approved to carry forward the balance of this funding into 2017/18.

DIRECTOR OF CORPORATE SERVICES

13 Property Management (£139,000 Increased Income)

Turnover rent from the Youth Hostel Association (YHA) in Cheshunt has produced surpluses on this budget head over the past few years. The 2016/17 budget was 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. During the year it was anticipated that this increased rent would exceed budget by £45,000 which was reported to this Committee and this was built into future years' budgets. On receipt of the year end accounts the profit share has been calculated at a higher level with returns exceeding budget by £93,600 due to higher occupancy rates.

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 YHA will exercise this right. The budget for 2017/18 has been uplifted by £45,000 to reflect this anticipated improved additional return, although Members should note that the YHA is soon to carry-out refurbishment works which may have an impact on profit share returns in the short term.

Other corporate rental and way-leave income has also increased across the board with extra income of circa £40,000 being achieved.

14 Planning & Strategic Partnerships (£19,000 Under Spend)

The underspend was caused by delays in 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.

15 Asset Protection, Maintenance & Development (£109,000 Under Spend)

The under spend on external contractors in APMD relates directly to the slippage in Asset Management schemes in 2016/17 reported as part of the capital monitoring. The project management and delivery of these schemes is out-sourced and managed by external contractors. These works include: Myddelton House Car Park; Dobbs Weir Riverbank; Hooks Marsh Riverbank; Broxbourne Towpath; Myddelton House Windows; and have fees committed totalling £80k which will be managed from the budget in 2017/18.

PARKLANDS & OPEN SPACES

16 Myddelton House Management (£27,000 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.

17 Car Parking Charges - River Lee Country Park and Abbey Gardens (£40,000 Reduced Income, £34,000 Grounds Maintenance and site operations)

The new car parking schemes have been delayed due to various reasons beyond the Authority's control. Epping Forest District Council have informed us that they cannot start the scheme until they have extricated themselves from their own contractual arrangements. On a more positive note Broxbourne Borough Council are working to start the charging before the end of this financial year, but again it is proving difficult to get a precise date. Officers are pressing both councils to get this started and also looking at alternative means of provision e.g., through private contractors, although this would require capital investment. If this option were to be recommended a separate report detailing the business case would be brought to Members for decision.

The loss of car parking income has in part been offset this year by savings in site operation and grounds maintenance costs actually incurred resulting in a net over spend of £6,000.

18 Lee Valley Farm – Holyfield Hall (£47,000 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 managed to reduce the negative impact by £24,000, this has been achieved through staff savings, input savings such as feed and vet fees, increase in grain yields. Officers have implemented the milk vending which was launched in May 2017. 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 and this area will be the subject of further review by the Scrutiny Committee in the year ahead.

19 Biodiversity (£78,000 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 was signed and £77,148 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. Members approved (Paper E/463/16) to carry forward (£77,148) the S106 monies from 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/478/17	Q3 Revenue Budget 2016/17 Performance Monitoring	23 February 2017
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	26 May 2016

		Annual Investment Strategy 2016/17	
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.

ABBREVIATIONS

RLCP	River Lee Country Park
AG	Abbey Gardens
LVWWC	Lee Valley White Water Centre
The Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)
YHA	Youth Hostel Association

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YEAR 2016/17

PERIOD: 13 (March 2017)

Draft, as at 10 May 2017

	Actual To Date			Annual	Proposed	Variance	
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%
OPERATIONAL SERVICES							
Chief Executive	-2	1,030	1,028	1,160	1,028	-132	(11%)
Corporate Services	-1,320	1,453	133	414	134	-280	(68%)
Financial Services	-494	1,034	540	879	840	-39	(4%)
Parklands and Open Spaces	-1,135	4,806	3,671	3,729	3,629	-100	(3%)
Leisure Trust Contract	0	3,103	3,103	3,103	3,103	0	0%
FINANCING							
Interest Receivable	-121	0	-121	-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	-10,837	0	-10,837	-10,837	-10,837	0	0%
Movement in General Fund				629	127	-502	(80%)
General Fund Balance Brought Forward					-4,780		
General Fund Balance Carried Forward					-4,653		

YEAR 2016/17

PERIOD: 13 (March 2017)

Draft, as at 10 May 2017

	Actual To Date			Annual	Proposed	Variance	
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%
CHIEF EXECUTIVE							
Chief Executive	-1	262	261	212	261	49	23%
Committee Service	0	95	95	101	95	-6	(6%)
PR / Communications	-1	454	453	464	453	-11	(2%)
Lee Valley Ice Centre - Feasibility Study	0	219	219	383	219	-164	(43%)
TOTAL CHIEF EXECUTIVE	-2	1,030	1,028	1,160	1,028	-132	(11%)
CORPORATE SERVICES							
Legal Service	-2	338	336	349	336	-13	(4%)
Property Management	-1,317	479	-838	-699	-838	-139	(20%)
Planning and Strategic Partnerships	0	286	286	305	286	-19	(6%)
Asset Protection, Maintenance & Development	-1	350	349	459	350	-109	(24%)
TOTAL CORPORATE SERVICES	-1,320	1,453	133	414	134	-280	(68%)
FINANCIAL SERVICES							
Finance Management	-12	200	188	192	188	-4	(2%)
Audit	0	75	75	84	75	-9	(11%)
Non Distributed Costs	0	71	71	77	71	-6	(8%)
Corporate Training	0	0	0	17	0	-17	(100%)
Leisure Trust Employee Secondments	-463	463	0	0	0	0	0%
Business Support	0	0	0	300	300	0	0%
Sports Development	-19	91	72	75	72	-3	(4%)
Leisure Contract Venues Insurance	0	134	134	134	134	0	0%
TOTAL FINANCIAL SERVICES	-494	1,034	540	879	840	-39	(4%)
PARKLANDS AND OPEN SPACES							
Management							
Operational Management	0	198	198	208	198	-10	(5%)
Policy and Performance	-8	506	498	472	471	-1	(0%)
Myddelton House Management	-12	317	305	332	305	-27	(8%)
Parklands							
River Lee Country Park	-26	737	711	705	711	6	1%
Gunpowder Park	-2	198	196	196	196	0	0%
Countryside Areas	-57	855	798	797	798	1	0%
Abbey Gardens	-1	111	110	110	110	0	0%
Three Mills	-10	32	22	32	23	-9	(28%)
East India Dock and Bow Creek	-3	54	51	52	51	-1	(2%)
Leyton Marsh	0	16	16	16	16	0	0%
Broxbourne Riverside	-23	27	4	-13	-13	0	0%
Fisheries	-164	139	-25	-20	-25	-5	(25%)
Visitor Attractions							
Myddelton House	-183	425	242	251	242	-9	(4%)
Rye House Gatehouse	-1	9	8	8	8	0	0%

YEAR 2016/17

PERIOD: 13 (March 2017)

Draft, as at 10 May 2017

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
Park Projects							
Youth & Schools Service	-44	234	190	183	191	8	4%
Volunteers	-7	108	101	102	101	-1	(1%)
Biodiversity	0	22	22	100	22	-78	(78%)
Countryside Live	-10	25	15	20	15	-5	(25%)
Community Access	0	79	79	84	79	-5	(6%)
Farms							
Lee Valley Farm, Holyfieldhall	-525	700	175	128	175	47	37%
Initiatives and Partnerships							
King George Reservoir South	-8	5	-3	0	-3	-3	0%
Lee Valley Boat Centre	-37	6	-31	-33	-31	2	6%
Broxbourne Chalets	-14	3	-11	-1	-11	-10	(1000%)
TOTAL PARKLAND AND OPEN SPACES	-1,135	4,806	3,671	3,729	3,629	-100	(3%)
TOTAL AUTHORITY	-2,951	8,323	5,372	6,182	5,631	-551	(9%)

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