

**Q1 REVENUE BUDGET 2016/17  
PERFORMANCE MONITORING**

Presented by the Director of Finance & Resources

**EXECUTIVE SUMMARY**

This report summarises monitoring of revenue expenditure to 26 June 2016. It compares actual income and expenditure to the budget. It also provides a projection indicating the likely out-turn position against the annual budget for the year ending 31 March 2017. The overall net operational expenditure at the year end is expected to be an estimated £96,000 over the approved budget for 2016/17. The major variations are summarised in the table below:

<b>Service Description</b>	<b>Variance 2016/17</b>	<b>Impact in 2017/18</b>
	<b>£</b>	<b>£</b>
Sponsorship Income	<b>50,000</b>	<b>0</b>
Property Management	<b>(38,000)</b>	<b>(38,000)</b>
Myddelton House Management	<b>(15,000)</b>	<b>0</b>
Lee Valley Farm Holyfield Hall	<b>89,000</b>	<b>0</b>
Other (Net)	<b>10,000</b>	<b>0</b>
<b>Total Estimated Over Spend:</b>	<b>96,000</b>	<b>(38,000)</b>

**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 26 June 2016 with the budget and projected net expenditure through to the year end (31 March 2017).
- 2 Details of the financial position of each service or facility are shown in

Appendix A to this report.

- 3 Currently it is estimated that at the year-end there will be a projected over spend of £96,000.
- 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 will impact on the budget during 2016/17 and in 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 budget and medium term financial plan for future years and therefore will have no additional impact above that already budgeted for.

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

- 7 Continued uncertainty in the banking sector has had an impact on investment returns and certainty around where investments are deposited. The Authority has significantly adjusted its base level of investment income downwards and this formed part of the budget setting process for 2016/17. The 2016/17 target rate of return agreed by Members as part of the Annual Report on Treasury Management was approved at 0.9% (Paper E/448/16).

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

- 8 Locally the Authority is still awaiting the outcome of the 2010/17 rating appeal for Lee Valley VeloPark. The Lee Valley White Water Centre 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.

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

- 9 Inflation rates have remained low so far during the year. May 2016 inflation for

the Retail Price Index stood at 1.4% and Consumer Price Index at 0.3%.

- 10 The main variances against this year's budget are described below.

#### **CHIEF EXECUTIVE**

**11 Sponsorship Income (£50,000 reduced income)**

A stretch income target of £50,000 was built into the 2016/17 budget to achieve more income from external sponsorship. This target was set to increase to £170,000 from 2017/18. At present discussions with some major firms are in their infancy but seem unlikely at this point in time to deliver this stretch target in the current financial year. Officers are still optimistic that some deals may be completed towards the year end and therefore achieve future year's targets.

#### **DIRECTOR OF CORPORATE SERVICES**

**12 Property Management (£38,000 Increased Income)**

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

#### **PARKLANDS & OPEN SPACES**

**13 Myddelton House Management (£15,000 saving)**

This current year saving is due to the retirement of the facility manager with current recruitment on hold while this service area is reviewed as part of the corporate business plan. New proposals for on-going management are being explored with the potential for longer term savings, subject to an assessment of operational requirements.

**14 Lee Valley Farm – Holyfield Hall (£89,000 Reduced Income)**

The milk price has continued to drop and is currently 19.05 pence per litre resulting in reduced income. Officers will attempt to partly mitigate this projected reduction throughout the year with altering feed, reduction of milk yields, staff savings and the installation of the milk vending machine. The business plan for the milk vending machine is currently being finalised and installation is scheduled for late Summer early Autumn.

#### **ENVIRONMENTAL IMPLICATIONS**

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

## **EQUALITY IMPLICATIONS**

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

## **FINANCIAL IMPLICATIONS**

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

## **HUMAN RESOURCE IMPLICATIONS**

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

## **LEGAL IMPLICATIONS**

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

## **RISK MANAGEMENT IMPLICATIONS**

- 20 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/452/16	Revenue Budget 2015/16 Performance Provisional Outturn	26 May 2016
Executive Committee	E/448/16	Annual Report on Treasury Management Activity 2015/16 and Annual Investment Strategy 2016/17	26 May 2016
Authority	A/4222/16	Proposed Budget & Levy 2016/2017	21 January 2016

## **APPENDIX ATTACHED**

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

YEAR 2016/17

PERIOD: 03 (June 2017)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance		
	Income	Expenditure	Net			£000s	%	
<b>OPERATIONAL SERVICES</b>								
Chief Executive	-2	150	148	1,065	1,115	50	5%	
Corporate Services	-240	349	109	374	343	-31	(8%)	
Financial Services	-119	170	51	927	923	-4	(0%)	
Parklands and Open Spaces	-195	1,139	944	3,690	3,771	81	2%	
Leisure Trust Contract	0	800	800	3,159	3,159	0	0%	
<b>FINANCING</b>								
Interest Receivable	65	0	65	-170	-170	0	0%	
Interest Payable	0	0	0	0	0	0	0%	
Contributions to Earmarked Reserves	0	0	0	825	825	0	0%	
Financing of Capital Expenditure	0	0	0	1,526	1,526	0	0%	
Levies on Local Authorities	-4,168	0	-4,168	-10,837	-10,837	0	0%	
<b>Movement in General Fund</b>				<b>559</b>	<b>655</b>	<b>96</b>	<b>17%</b>	
General Fund Balance Brought Forward					0			
General Fund Balance Carried Forward					655			

YEAR 2016/17

PERIOD: 03 (June 2017)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance			
	Income	Expenditure	Net			£000s	%		
<b>CHIEF EXECUTIVE</b>									
Chief Executive	0	63	63	212	262	50	24%	NR	
Committee Service	0	18	18	101	101	0	0%	NR	
PR / Communications	0	69	69	369	369	0	0%	NR	
Lee Valley Ice Centre - Feasibility Study	-2	0	-2	383	383	0	0%		
<b>TOTAL CHIEF EXECUTIVE</b>	<b>-2</b>	<b>150</b>	<b>148</b>	<b>1,065</b>	<b>1,115</b>	<b>50</b>	<b>5%</b>		
<b>CORPORATE SERVICES</b>									
Legal Service	-1	115	114	349	356	7	2%	NR	
Property Management	-239	111	-128	-739	-777	-38	(5%)	NR	
Planning and Strategic Partnerships	0	62	62	356	356	0	0%	NR	
Asset Protection, Maintenance & Development	0	61	61	408	408	0	0%	NR	
<b>TOTAL CORPORATE SERVICES</b>	<b>-240</b>	<b>349</b>	<b>109</b>	<b>374</b>	<b>343</b>	<b>-31</b>	<b>(8%)</b>		
<b>FINANCIAL SERVICES</b>									
Finance Management	-3	25	22	257	255	-2	(1%)	PR	
Audit	0	13	13	84	84	0	0%	NR	
Non Distributed Costs	0	12	12	77	75	-2	(3%)	NR	
Corporate Training	0	0	0	0	0	0	0%	NR	
Leisure Trust Employee Secondments	-112	112	0	0	0	0	0%	NR	
Business Support	0	0	0	300	300	0	0%		
Sports Development	-4	8	4	75	75	0	0%	NR	
Leisure Contract Venues Insurance	0	0	0	134	134	0	0%		
<b>TOTAL FINANCIAL SERVICES</b>	<b>-119</b>	<b>170</b>	<b>51</b>	<b>927</b>	<b>923</b>	<b>-4</b>	<b>(0%)</b>		
<b>PARKLANDS AND OPEN SPACES</b>									
<b>Management</b>									
Operational Management	0	55	55	208	208	0	0%	NR	
Policy and Performance	-1	118	117	458	466	8	2%	NR	
Myddelton House Management	-5	137	132	332	317	-15	(5%)	NR	
<b>Parklands</b>									
River Lee Country Park	-2	153	151	705	705	0	0%	NR	
Gunpowder Park	0	45	45	196	196	0	0%	NR	
Countryside Areas	-16	157	141	797	797	0	0%	NR	
Abbey Gardens	-1	20	19	110	111	1	1%	NR	
Three Mills	-1	3	2	32	32	0	0%	NR	
East India Dock and Bow Creek	-1	7	6	52	52	0	0%	NR	
Leyton Marsh	0	4	4	16	16	0	0%	NR	
Broxbourne Riverside	-2	3	1	-13	-13	0	0%	NR	
Fisheries	-82	37	-45	-20	-20	0	0%	NR	
<b>Visitor Attractions</b>									
Myddelton House	-53	92	39	251	251	0	0%	NR	
Rye House Gatehouse	0	4	4	8	8	0	0%	NR	

YEAR 2016/17

PERIOD: 03 (June 2017)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance		%
	Income	Expenditure	Net			£000s		
<b>Park Projects</b>								
Youth & Schools Service	-29	53	24	177	177	0	0%	NR
Volunteers	-2	25	23	94	94	0	0%	NR
Biodiversity	0	24	24	100	100	0	0%	NR
Countryside Live	0	0	0	20	20	0	0%	NR
Community Access	0	25	25	84	84	0	0%	NR
<b>Farms</b>								
Lee Valley Farm, Holyfieldhall	17	169	186	117	206	89	76%	NR
<b>Initiatives and Partnerships</b>								
King George Reservoir South	-3	3	0	0	0	0	0%	NR
Lee Valley Boat Centre	-12	3	-9	-33	-31	2	6%	NR
Broxbourne Chalets	-2	2	0	-1	-5	-4	(400%)	NR
<b>TOTAL PARKLAND AND OPEN SPACES</b>	<b>-195</b>	<b>1,139</b>	<b>944</b>	<b>3,690</b>	<b>3,771</b>	<b>81</b>	<b>2%</b>	
<b>TOTAL AUTHORITY</b>	<b>-556</b>	<b>1,808</b>	<b>1,252</b>	<b>6,056</b>	<b>6,152</b>	<b>96</b>	<b>2%</b>	

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