



LEE VALLEY REGIONAL PARK AUTHORITY
EXECUTIVE COMMITTEE
30 JULY 2015 AT 10:30

Agenda Item No:

5

Report No:

E/411/15

REVENUE BUDGET 2015/16 PERFORMANCE MONITORING

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

This report provides monitoring of revenue expenditure to 28 June 2015. 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 2016. The overall net operational expenditure at the year end is expected to be an estimated £27,000 under the approved budget for 2015/16. The major variations are summarised in the table below:

Service Description	Variance 2015/16	Impact in 2016/17
	£	£
Property Management	(260,000)	(165,000)
Planning & Strategic Partnerships	(36,000)	0
External Audit Fee	(3,000)	0
Lee Valley Farm Holyfield Hall	23,000	0
Leisure Services Contract Management Fee	250,000	0
Other	(1,000)	
Total Estimated Under Spend:	(27,000)	(165,000)

RECOMMENDATIONS

Members Approve : (1) the increase to the management fee for approved adjustments as set out in paragraph 17 of the report; and

Members Note: (2) the report.

BACKGROUND

- 1 The Executive Committee recommended a budget for 2015/16 at its meeting in January 2015 (Paper E/389/15). This was approved by Members at the Authority meeting on 22 January 2015 (Paper A/4200/15). This report compares actual income and expenditure to 28 June 2015 with the budget and projected net expenditure through to the year end (31 March 2016).
- 2 Details of the financial position of each service or facility are shown in Appendix A to this report. A breakdown of the Trust's expenditure and income is set out at Appendix B to this report for information.
- 3 Currently it is estimated that at the year-end there will be a projected under spend of £27,000.
- 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 2015/16 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 applied for a part year and an additional 1.2% was built in to the 2015/16 budget to cover the increased costs. There will be no further pay award impacts during the year.

For future years the Chancellor announced in his budget a public sector pay freeze at 1% for the next four years. In addition he announced a new living wage for those over 25 rising to £7.20 per hour from April 2016 to a minimum of £9.00 per hour by 2020 subject to sustained economic growth. These changes will be factored into the budget assumptions and the medium term financial plan for Member budget discussions commencing in the Autumn.

- 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 year and this formed part of the budget setting process for 2015/16. The target rate of return agreed by Members as part of the Annual Report on Treasury Management was approved at 1.0% (Paper A/4214/15).

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.

- 8 Locally the Authority is still awaiting the outcome of the 2010/17 rating appeal

for some of its facilities, specifically in relation to the Lee Valley White Water Centre (LVWWC). It is possible that this could lead to a reduction in the rateable value (RV) by up to a half for the period it was open from 2011 to 2015. This could result in a retrospective rebate of up to £850,000. Any reduction in the RV would also have a downward effect on the rates bill going forward with a consequential reduction in the management fee required by the Trust.

On 10 April 2015 the Authority received the rating valuation for 2015/16 for the Lee Valley VeloPark (RV £2,040,000) with a gross rates bill of £1,046,550. The 2015/16 bill was received shortly after (£1.046m) against a current budget of £1million. A small adjustment to the management fee of £9,300 will result, to cover the budgeted sum.

All eligible centres that transferred to the Trust have applied for and received 80% mandatory relief going into 2015/16. This amounts to a saving of £1.7 million and this was built into the 2015/16 budget.

- 9 Inflation rates have remained low so far during the year. June inflation for the Retail Price Index stood at 1.0% and Consumer Price Index at 0.0%.
- 10 Variances against this year's budget are described in more detail below.

DIRECTOR OF CORPORATE SERVICES

11 Property Management (£270,000 Increased Income, £10,000 Increased Expenditure)

The Authority is near reaching a conclusion to the Three Mills rent review due from December 2014. The rent currently being paid is £240,000 pa. The review should achieve a settlement circa £425,000 pa. Therefore resulting in increased income in 2015/16 of £270,000 (including arrears for the last quarter of 2014/15) with an ongoing saving of £165,000 from 2016/17 against the base budget. In addition costs of £10,000 incurred in relation to land valuations and management fees for rental lettings have reduced the favourable projected net variance to £260,000.

12 Planning & Strategic Partnerships (£36,000 Under Spend)

A vacancy relating to a planning officer post remains un-filled although it is possible that these monies can be used to fund further legal work on the case in the Court of Appeal.

DIRECTOR OF FINANCE & RESOURCES

13 Audit Fee (£3,000 Under Spend)

The current external audit fee in 2015/16 (for the 2014/15 annual audit) 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. 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. The Trust however will require a sum to pay for the external audit of its own accounts and therefore a small adjustment to the management fee of £5,000 will result to

cover this work, which will leave £3,000 for any potential additional work that may arise from the 2014/15 Audit.

PARKLANDS & OPEN SPACES

14 Lee Valley Farm – Holyfield Hall (£23,000 Reduced Income)

A further decrease in the price of milk of 2p is estimated to reduce total milk income receipts by £23,000. Remedial measures to mitigate this impact include reduction of production costs and increased yield per cow. Current yields are ahead of prediction at present so this will reduce the impact of the price reduction and at current levels may halve the projected shortfall.

The national cost of production is 28p per litre whilst the farm is 26.7p per litre placing it in the top quartile in the UK. Average yield per cow in the UK is 7,600 litres whilst the farm is averaging 9,200 per cow - again placing it in the top quartile for the UK. Feed prices are constantly monitored for best value and dialogue with our feed suppliers and milk contractor continues.

TRUST BUDGET

- 15 In March 2015 the Leisure Services Contract (LSC) was signed with an agreed net Management Fee of circa £3.5m to fulfil the requirements of the LSC, which included major assumptions regarding 80% mandatory rate relief on all the eligible venues and an improved VAT position as estimated from the financial model. The 80% rate relief has been secured from the 1 April 2015 achieving the target saving of circa £1.7m as set out in the financial model. However there is currently less certainty around the level of VAT benefits that will accrue from the transfer, mainly due to the amount of exempt VAT income collected by the Authority following the opening of the Lee Valley VeloPark and due to the level of uncertainty around the level of standard rated expenditure the Trust is likely to incur going forward that could potentially be reclaimed. The VAT benefit is also intrinsically linked to the volume and type of sales that are transacted over the year.

Certainty in this area is only likely to materialise as the Trust submits its quarterly VAT claims over the next two quarters. Officers view is that a prudent estimate of £250,000 against a targeted £500,000 saving is more likely for this year and may improve as the Trust continues to develop its own business model.

- 16 Another key area that has also changed since agreeing the management fee and which will have a bearing on the final fee claimed by the Trust in 2015/16 is due to reduced employer pension contributions. The total budget was set assuming an employer rate of 18.4% across all employees (Authority & Trust). Following decisions regarding the pension scheme by Members in November 2014 (Paper A/4198/14) it was approved that a nominated pension scheme would apply to the Trust and that all past liabilities would remain with the Authority. A revised calculation for employers' contribution rates for both the Authority and the Trust was undertaken by the London Pension Fund Authority (LPFA). This was completed in April and therefore was not reflected through the original management fee. The revised calculation assumed a Trust employer contribution rate of 12.7% and an Authority contribution rate of 21.7%. The effect of this rate applied to existing scheme members has resulted in the total contribution required by the Trust reducing by £241,000, whilst the Authority's

contribution has increased by £93,000. This has produced an estimated net saving of £148,000.

- 17 The impact of budget adjustments on the LSC management fee are summarised below:

	Identified Commitments	Estimated
		£'000
1.	Management Fee 1 April 2015	3,539
2.	Pension Contribution Savings	(241)
3.	Carry Forwards From Authority into Trust	105
4.	Net cost of business support recharges	180
5.	External Audit Fee	5
6.	Employee Related Costs misallocation	(1)
7.	Investment Income	(10)
8.	Additional Business rates Lee Valley VeloPark	9
9.	Cycle Surgery Business Rates at the Lee Valley VeloPark	21
	Revised Management Fee	3,607

Item 2 will result in a net Authority budget saving of £148,000 as described in paragraph 16 as the Authority has picked up the additional cost of the higher contribution.

Items 3 is already agreed as a contribution from reserves and is for one-off carry forwards agreed from the 2014/15 underspend to complete specific projects. There is no overall budgetary impact. This item will be deleted from the 2016/17 management fee.

Items 4-7 were contained within the existing over-all budget and relate to adjustments between both organisations therefore there is no overall bottom line budgetary impact.

Items 8 and 9 will both have a small budgetary impact as these items were not included within the original budget.

DUAL RUNNING COSTS

- 18 Included within the Trust budget at present are additional costs relating to dual running costs. As part of the approved budget for 2015/16 Members approved £250,000 to meet ongoing dual running costs that were anticipated to be required following the establishment of the Trust. The demands on this budget are set out in the table below:

Description	Authority	Trust	Total
	£'000	£'000	£'000
Marketing	94,000	25,000	119,000
Health & Safety Event Management	0	20,000	20,000
Finance Support	0	50,000	50,000
Insurance Support	0	4,000	4,000
Additional Insurance Premium	0	35,000	35,000
Asset Management Support	50,000	0	50,000
Legal Support	0	50,000	50,000
Events Management	0	50,000	50,000
Total	144,000	234,000	378,000

- 19 Currently dual running costs have not been committed. Therefore it is unlikely that the total provision of £250,000 will be exceeded in this financial year. Officers are finalising the requirements in this year to ensure 2015/16 and future year's commitments stay within the originally allocated sum.

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 Work on the baseline budget for the Trust and the Authority is ongoing as apportionments between the Authority and Trust are being refined as the working relationship between the two bodies is being developed. The major adjustments between the Authority and Trust are set out in paragraph 17 and any future adjustments will be brought to Executive and the Trust Board. The overall financial position shows the Authority is still on target to meet its forecast budget as approved by Members in January 2015 with major adjustments between the two organisations not affecting the overall bottom line or general reserves over and above that which has been already agreed. If the projected variation (£250,000) within the Trust materialises by the year end the Authority may be approached by the Trust to discuss a further contract adjustment (in line with clause 14 of the contract).

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 will be incorporated into future resource planning.

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PREVIOUS COMMITTEE REPORTS

Executive Committee	E/408/15	Revenue Budget 2014/15	21 May 2015
Authority	A/4214/15	Performance Provisional Outturn Annual Report on Treasury Management Activity 2014/15 and Annual Investment Strategy 2015/16	09 July 2015
Authority	Paper A/4201/15	Leisure Services Contract For the Operation & Delivery of Services at Authority Venues.	5 February 2015
Authority	Paper A/4200/15	Proposed Budget & Levy 2015/2016	22 January 2015
Executive Committee	Paper E/389/15	Proposed Budget & Levy 2015/2016	22 January 2015
Executive Committee	E/381/14	2014/16 Pay Award	18 December 2014

APPENDICES ATTACHED

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

ABBREVIATIONS

LWWC	Lee Valley White Water Centre
RV	Rateable Value
LSC	Leisure Services Contract
LPFA	London Pension Fund Authority

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YEAR 2015/16

PERIOD: 03 (June 2015)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
OPERATIONAL SERVICES							
Chief Executive	0	147	147	730	730	0	0%
Corporate Services	(290)	247	(43)	507	211	(296)	(58%)
Financial Services	(1)	71	70	530	527	(3)	(1%)
Parklands and Open Spaces	(119)	920	801	3,792	3,814	22	1%
Lelure Trust Contract	0	1,539	1,539	3,608	3,858	250	7%
FINANCING							
Interest Receivable	(13)	0	(13)	(165)	(165)	0	0%
Interest Payable	0	0	0	32	32	0	0%
Contributions to Earmarked Reserves	0	0	0	832	832	0	0%
Financing of Capital Expenditure	0	0	0	1,550	1,550	0	0%
Levies on Local Authorities	(2,765)	0	(2,765)	(11,058)	(11,058)	0	0%
Total (Movement in General Fund)	(3,188)	2,924	(264)	358	331	(27)	(8%)
General Fund Balance Brought Forward					(4,805)		
General Fund Balance Carried Forward					(4,474)		

YEAR 2015/16

PERIOD: 03 (June 2015)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
CHIEF EXECUTIVE							
Chief Executive	0	64	64	256	256	0	0%
Committee Service	0	22	22	97	97	0	0%
PR / Communications	0	61	61	327	327	0	0%
Lee Valley Ice Centre - Feasibility Study	0	0	0	50	50	0	0%
TOTAL CHIEF EXECUTIVE	0	147	147	730	730	0	0%
CORPORATE SERVICES							
Legal Service	(1)	58	57	348	348	0	0%
Property Management	(289)	78	(211)	(630)	(890)	(260)	(41%)
Planning and Strategic Partnerships	0	76	76	385	349	(36)	(9%)
Asset Protection, Maintenance & Develop	0	35	35	404	404	0	0%
TOTAL CORPORATE SERVICES	(290)	247	(43)	507	211	(296)	(58%)
FINANCIAL SERVICES							
Finance Management	0	72	72	281	281	0	0%
Audit	0	(23)	(23)	97	94	(3)	(3%)
Non Distributed Costs	0	6	6	77	77	0	0%
Sports Development	(1)	16	15	75	75	0	0%
TOTAL FINANCIAL SERVICES	(1)	71	70	530	527	(3)	(1%)
PARKLANDS AND OPEN SPACES							
Management							
Operational Management	0	51	51	260	265	5	2%
Policy and Performance	0	108	108	444	444	0	0%
Myddelton House Management	(1)	68	67	331	331	0	0%
Parklands							
River Lee Country Park	(10)	127	117	736	736	0	0%
Gunpowder Park	0	31	31	192	192	0	0%
Countryside Areas	(17)	135	118	796	796	0	0%
Abbey Gardens	(1)	25	24	152	152	0	0%
Three Mills	0	5	5	31	31	0	0%
East India Dock and Bow Creek	(1)	2	1	52	52	0	0%
Leyton Marsh	0	0	0	43	37	(6)	(14%)
Broxbourne Riverside	36	3	39	(4)	(4)	0	0%
Fisheries	(83)	28	(55)	(22)	(22)	0	0%
Visitor Attractions							
Myddelton House	(55)	71	16	264	264	0	0%
Rye House Gatehouse	0	0	0	9	9	0	0%

YEAR 2015/16

PERIOD: 03 (June 2015)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
Park Projects							
Youth & Schools Service	(23)	50	27	172	172	0	0%
Volunteers	0	22	22	95	95	0	0%
Biodiversity	0	21	21	97	97	0	0%
Countryside Live	0	4	4	20	20	0	0%
Community Access	0	0	0	113	113	0	0%
Farms							
Lee Valley Farm, Holyfieldhall	51	169	220	39	62	23	59%
Initiatives and Partnerships							
King George Reservoir South	(3)	0	(3)	0	0	0	0%
Lee Valley Boat Centre	(12)	0	(12)	(30)	(30)	0	0%
Broxbourne Chalets	0	0	0	2	2	0	0%
TOTAL PARKLAND AND OPEN SPACES	(119)	920	801	3,792	3,814	22	1%

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	Actual To Date		Net	Annual	Proposed	Variance	
	Income	Expenditure		Net Budget	Net Outturn	£000s	%
OPERATIONAL SERVICES							
Business Support	0	498	498	3,192	3,195	3	0
Venues	(3,703)	2,449	(1,254)	460	668	208	0
Food and Beverage	(400)	297	(103)	(338)	(322)	16	0
Other Operations	(149)	176	27	(307)	(283)	24	0
Dual Running Costs	0	0	0	250	250	0	0
FINANCING							
Interest Receivable	(2)	0	(2)	(10)	(10)	0	0
Irrecoverable Expenditure VAT	0	0	0	341	341	0	0
Leisure Trust Contract	(1,539)	0	(1,539)	(3,608)	(3,608)	0	0
Total (Movement in General Fund)	(5,793)	3,420	(2,373)	(20)	231	251	13

YEAR 2015/16

PERIOD: 03 (June 2015)

	Actual To Date			Annual	Proposed	Variance	
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%
BUSINESS SUPPORT							
Trust Management (inc Audit)	0	49	49	587	587	0	0
Finance and Systems	0	81	81	295	298	3	0
Information Technology	0	40	40	636	636	0	0
Human Resources	0	95	95	436	436	0	0
Performance Management	0	80	80	366	366	0	0
Communications & Marketing	0	106	106	558	558	0	0
Venues Management	0	47	47	314	314	0	0
TOTAL BUSINESS SUPPORT	0	498	498	3,192	3,195	3	0
VENUES							
Lee Valley Velopark	(1,054)	624	(430)	741	841	100	0
Lee Valley White Water Centre	(1,048)	546	(502)	(314)	(164)	150	0
Lee Valley Ice Centre	(282)	139	(143)	(204)	(215)	(11)	(0)
Lee Valley Hockey and Tennis Centre	(83)	164	81	407	407	0	0
Lee Valley Athletics Centre	(165)	221	56	116	115	(1)	(0)
Lee Valley Riding Centre	(245)	155	(90)	(35)	(35)	0	0
Lee Valley Leisure Centre Golf Course	(88)	29	(59)	(5)	(5)	0	0
Lee Valley Marina, Springfield	(182)	126	(56)	(170)	(170)	0	0
Lee Valley Marina, Stanstead Abbots	(79)	105	26	30	30	0	0
Lee Valley Farm, Hayes Hill	(171)	98	(73)	41	49	8	0
Lee Valley Leisure Centre Campsite	(146)	91	(55)	(124)	(120)	4	0
Lee Valley Campsite, Sewardstone	(102)	73	(29)	(122)	(121)	1	0
Lee Valley Caravan Park, Dobbs Weir	(57)	68	11	6	(24)	(30)	(5)
Lee Valley Waterworks Centre	(1)	10	9	93	80	(13)	(0)
TOTAL VENUES	(3,703)	2,449	(1,254)	460	668	208	0
FOOD AND BEVERAGE							
Lee Valley Velopark Catering	(96)	50	(46)	(100)	(100)	0	0
Lee Valley White Water Centre	(162)	138	(24)	(143)	(143)	0	0
Lee Valley Ice Centre	(32)	37	5	(36)	(21)	15	0
Lee Valley Hockey And Tennis Catering	(29)	19	(10)	(17)	(17)	0	0
Lee Valley Riding Centre	(8)	6	(2)	(4)	(4)	0	0
Lee Valley Farm Hayes Hill	(68)	40	(28)	(37)	(37)	0	0
Lee Valley Waterworks Centre	(5)	7	2	(1)	0	1	1
TOTAL FOOD AND BEVERAGE	(400)	297	(103)	(338)	(322)	16	0
OTHER TRADING ACTIVITIES							
Springfield Rechargeable Works	(14)	3	(11)	(19)	(19)	0	0
Stanstead Rechargeable Works	(88)	55	(33)	(116)	(116)	0	0
Lee Valley Campsite, Caravan Sales	0	0	0	(13)	(13)	0	0
LV Caravan Park Caravan Sales	(47)	118	71	(159)	(135)	24	0
TOTAL OTHER TRADING ACTIVITIES	(149)	176	27	(307)	(283)	24	0