

2015/16 REVENUE BUDGET AND LEVY

Presented by the Director of Finance & Resources

SUMMARY

The Executive Committee considered the attached paper (Annex A - Paper E/389/15) at their meeting this morning, 22 January 2015, 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). It also sets out the funding options to enable the Authority to deliver a balanced budget.

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 proposed levy for 2015/16;
 - (2) additional net income, savings and priority areas as set out in Appendix B to paper E/389/15;
 - (3) financing for the capital programme and revenue contribution to capital of £1.8m for 2015/16 as set out in paragraph 26 of paper E/389/15;
 - (4) a net revenue budget of £11.079m (or £11.192m if the Community Access Fund proposal is approved);
 - (5) subject to (1) above to fund £21k (or £134K if the Community Access Fund proposal is approved) either from general reserves or by retaining 1% of any levy reduction in line with options set out at paragraph 47 of paper E/389/15 to enable a balanced budget to be delivered; and
 - (6) a minimum level of reserves of £4m be maintained as set out in paragraph 35 of paper E/389/15.

BACKGROUND

- 1 A Budget Workshop was held on the 18 December 2014 to consider proposals for the 2015/16 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 report E/389/15 (Annex A to this report).
- 2 The views of the Workshop and recommendations from Executive Committee need to be considered 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 the 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 – Paper E/389/15 at Annex A to this report.

HUMAN RESOURCE IMPLICATIONS

- 7 These are dealt with in the body of the report attached – Paper E/389/15 at Annex A to 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 the 15 February in the year preceding that levy.

RISK MANAGEMENT IMPLICATIONS

- 9 These are dealt with in the body of the report attached – Paper E/389/15 at Annex A to this report.

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PREVIOUS COMMITTEE REPORTS

Executive	E/389/15	2015/16 Revenue Budget & Levy	22 January 2015
Member Workshop		Proposed Budget & Levy 2015/16	18 December 2014
Executive	E/378/14	Fees & Charges Review 2015/16	18 December 2014
Executive	E/379/14	Proposed Capital Programme 2014/15 Revised to 2018/19	18 December 2014
Member Workshop		Proposed Fees & Charges 2015/16	20 November 2014
Executive	E/375/14	2015/16 Budget Methodology, Assumptions, and Timetable	23 October 2014
Authority	A/4180/14	Proposed Budget & Levy 2014/15	23 January 2014

APPENDIX ATTACHED

Annex A Paper E/389/15

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 <p>LEE VALLEY REGIONAL PARK AUTHORITY</p> <p>EXECUTIVE COMMITTEE</p> <p>22 JANUARY 2015 AT 11:00</p>	<p><u>Agenda Item No:</u></p> <p>5</p> <p><u>Report No:</u></p> <p>E/389/15</p>
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2015/16 REVENUE BUDGET & LEVY

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

The Authority, like most public sector organisations, is facing a very challenging time. With 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 increase value to the regional constituency, whilst reducing the cost to the Lee Valley taxpayer.

The Authority is entering an exceptional period with the establishment 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 the Lee Valley Leisure Trust and reducing the significant business rates liability it is facing as a result of inheriting the legacy venues on its land.

The current levy was reduced by 2% for 2014/15 and was the fourth consecutive year of reduction. The levy for 2015/16 onwards is yet to be determined, but will be subject to the significant financial challenges facing the Authority.

The actual levy for 2014/15 is £11.284m (which is 49.9% of the maximum chargeable). This equates to £1.01 per person in Herts, Essex and London. A £13.5m budget was set for 2014/15 while the development of the new organisational model was put in place with the Authority using reserves to fund a budgeted £2.2m deficit.

The Authority is required to set a budget and levy for 2015/16 by 24 January 2015 and notify contributing authorities by 15 February 2015.

This report 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).

It was agreed that the Authority would reduce its business rates liability by 2015/16 via a transfer of its venues to a charitable Trust.

The budget proposals set out in this paper were considered by Members at a Budget

Workshop on 18 December 2014. It was proposed that the Executive Committee and Authority should consider a reduction in the levy and earmark £113K for a Community Access Fund (CAF) which is set out in more detail in a briefing paper at Appendix E to this report. Officers were tasked by the Workshop to explore this option for 2015/16 as a trial year and identify the mechanism for funding. Funding options are considered as part of the Financial Implications in paragraph 47.

RECOMMENDATIONS

- Members Approve:
- (1) a proposed levy for 2015/16;
 - (2) additional net income, savings and priority areas as set out in Appendix B to this report;
 - (3) financing for the capital programme and revenue contribution to capital of £1.8m for 2015/16 as set out in paragraph 26 of this report;
 - (4) a net revenue budget of £11.079m (or £11.192m if the Community Access Fund proposal is approved);
 - (5) subject to (1) above to fund £21k (or £134K if the Community Access Fund proposal is approved) either from general reserves or by retaining 1% of any levy reduction in line with options set out at paragraph 47 of this report, to enable a balanced budget to be delivered; and
 - (6) a minimum level of reserves of £4m be maintained as set out in paragraph 35 of this report.

BACKGROUND

1 Remit

The Authority has a statutory duty to develop the 10,000 acre Park as a regional destination, but it is not required to deliver developments or activities itself. The Authority's vision for 2020 is that the Lee Valley Regional Park should be "A World Class Leisure Destination".

2 Business Strategy

The Authority is striving to be "community focused and commercially driven" as it works to deliver its vision. It continues to increase value and to enhance the visitor offer for constituent boroughs, whilst reducing the cost of the Lee Valley to the taxpayer. The initial aim of the Authority was to reduce the actual levy to 53% of the maximum chargeable. Following the 2% reduction agreed for 2013/14 this target was achieved (52.6%). **The reduction in 2014/15 means it now stands at 49.9% of the maximum chargeable.** In setting a new target, it was Member's view that the Authority should aspire to achieve a levy target of 99p per head of population, subject to resolving the financial uncertainties it was facing (particularly the business rates).

- 3 As set out in the Authority's 2013-2016 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 Policy**

In January 2011 (Paper A/4110/11) the Authority revised its medium term levy policy. Members approved that the Authority's levy would be decreased by 2% per annum in 2011/12 and 2012/13, subject to inflation and other prevailing economic factors at that time. There was no levy policy beyond this point in time, but subsequently the levy was reduced by a further 2% in 2013/14 and 2014/15.

- 5 The current levy is £11.284m (which is 49.9% of the maximum chargeable in 2014/15) and £1.01 per head of population.

6 **Funding Strategy**

The Authority recognises the importance of developing new income streams and maximising the return from its assets to enable it to reduce its reliance on the levy.

- 7 The Authority is focusing on the following areas to reduce its reliance on the levy:

- reducing its business rates liability (through establishing the Trust);
- developing break-even (excluding overheads) business plans for the legacy venues on Queen Elizabeth Olympic Park (Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre);
- securing sponsorship and naming rights for the Lee Valley VeloPark and Lee Valley White Water Centre (LVWWC);
- development of the next phases at the Dobbs Weir site and LVWWC;
- income generation schemes at the Lee Valley Athletics Centre (LVAC), working towards a break-even position (excluding overheads);
- developing long term proposals for the Waterworks site to enable a break-even position (excluding overheads) to be achieved;
- investment in Hayes Hill Farm and the Riding Centre to generate further income; and
- identifying new business development opportunities, e.g. Ice Centre, Picketts Lock site and Lea Bridge Road master planning.

- 8 Work is underway on all of the above areas and detailed reports will be presented to the Authority and Executive Committee for consideration and approval in the coming months.

9 **Contributing Authorities – Funding**

On the 4 December 2013 the Chancellor delivered the Autumn statement. Following this (18 December 2013) the detail of the proposed Local Government finance settlement for 2014/15 and 2015/16 was published. These were revised on 18 December 2014. There was an average decrease of 3.1% for English local authorities (including the Greater London Authority (GLA)) for 2014/15 and a 2.1% average decrease for 2015/16.

- 10 In terms of the contributing authorities for 2014/15 there was a decrease ranging between 0.6% and 6.2% in their funding settlement; with an average decrease of 3.1%. For 2015/16 the average decrease for contributing authorities is 2.8%

(ranging from a 1.7% increase to a 6.4% decrease).

- 11 The GLA reduced its precept by 1% for 2013/14, a further 1.3% in 2014/15, i.e., Band D Council Tax from £303 to £299, and propose a further 1.3% reduction in 2015/16, i.e., Band D Council Tax from £299 to £295 - which is in line with their ambitions to continue to strive to reduce the precept by 10% by 2016/17.

DEMANDS ON THE AUTHORITY

- 12 The demands on the organisation over the next few years are significant:
- successfully operating and establishing three new major sports venues – Lee Valley VeloPark, Lee Valley Hockey & Tennis Centre and LVWWC;
 - generating additional income through a range of investment projects and sponsorship;
 - reducing the cost base of the organisation by addressing the significant business rates bill;
 - 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.
- 13 The Authority is having to absorb the operating and maintenance costs for the legacy venues on its land – Lee Valley VeloPark, Lee Valley Hockey & Tennis Centre and LVWWC. No additional external funding has been provided to the Authority for running these venues. The net cost of these venues in 2015/16 is budgeted at £0.54m (excluding business rates), which represents 4.5% of the current levy. Officers are currently working to reduce this cost through a mixture of income generation and cost savings to enable a break-even position (excluding business rates and central overheads) to be achieved by 2019/20.
- 14 It is also facing a significant business rates bill for all its venues, which is currently estimated at £2.2m. Officers are working with London Legacy Development Corporation (LLDC) and specialist rating consultants who are liaising with the Valuation Office to try and reduce this liability.
- 15 In addition applications have been made with the rating authorities for all of the Leisure Trust's assets; with a view to securing 80% mandatory rate relief going forward from April 2015.
- 16 In parallel to the above it was also agreed to set up an Industrial and Provident Society vehicle to enable the Authority to move towards a new organisational model, subject to a transfer in April 2015.
- 17 The Authority will not know all the actual business rates liability until the Lee Valley VeloPark valuation is complete. The business rates liability for the LVWWC is approximately £500k, LVAC is £360k; the Lee Valley Hockey & Tennis Centre is £135k and the Lee Valley VeloPark rating valuation is expected imminently but is currently budgeted at £1m.

AUTHORITY'S FINANCIAL POSITION

- 18 The Authority has a strong financial base. This has been achieved through prudent and efficient financial management with income now estimated to achieve 56% of the Authority's gross expenditure compared to 35% in 2010/11.

- 19 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 to 2016. It provides a snapshot in time as it is difficult to predict with any level of certainty beyond a two/three year period. The figures beyond 2015/16 should only be used as a guide to determine the general direction of travel.
- 20 The updated MTFP is attached at Appendix A to this report and summarised below:

Table 1: Summary Medium Term Financial Plan

		2015/16 £'000s	2016/17 £'000s	2017/18 £'000s
1.	Base budget:	13,550	13,624	13,872
2.	Plus: Proposed 2015/16 priority areas	420	320	320
3.	Levy: 2% decrease	(11,058)	(10,837)	(10,620)
4.	Projected Deficit:	2,912	3,107	3,572
5.	Rates & VAT Savings	(2,201)	(2,201)	(2,201)
6.	Projected Deficit:	711	906	1,371
7.	Further Savings/ Income	(690)	(945)	(1,340)
8.	(Surplus)/ Deficit	21	(39)	31

- 21 A Member Workshop to discuss proposals for the 2014/15 fees and charges was held on 20 November 2014. The recommendations from that Workshop were considered by the Executive Committee on 18 December (Paper E/378/14) and are expected to produce additional income of £251k (average increase of 3.0% across all venues).
- 22 Proposed priority areas/additional income for 2015/16, which will enable the delivery of the corporate priorities, are set out in detail in Appendix B to this report. Additional funding requirements are estimated at £420k but are reduced by on-going savings/income of £690k, giving a net saving impact of £270k on the 2015/16 proposed budget.
- 23 The key risk areas in relation to the current MTFP are set out below:
- **Operating costs - legacy venues** – business plans have been developed for these venues (Lee Valley VeloPark, Lee Valley Hockey & Tennis Centre and LWWC) based on experience from other similar venues. However, as these venues are unique (in terms of size and operation as they were built for the 2012 Games) the true operational requirements and income potential will not be known until the venues have operated for a full regular year.
 - **Inflation** - the re-costed base budget assumes pay at 2.2% for 2014/16 and 2% thereafter. A 2.5% increase has been assumed for insurances; a 4% increase for utilities; 1.0% for investment income; and 1.2% for contractual arrangements e.g. grounds maintenance. 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 an additional £120k. The Consumer Price Index (CPI) is currently running at around 1.0% (November). 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. A review of existing Authority owned sites is ongoing in order to establish what future monitoring and remediation is needed. The options of any proposals will form a major part of this review. This work is being managed by a Member led task and finish group which reports to the Executive Committee.
- **Major International Events for the Legacy Venues** – major international events will be 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 Games across all the legacy venues. Bids were submitted for a host of events including three at 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. The Authority along with its funding partners will be revisiting the business plans for all three events with the aim of reducing the financial commitment.

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 the 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 will greatly assist securing sponsors.

- **Budget uncertainties** – in addition to the above there a number of budget uncertainties. These include the business rates for the Lee Valley VeloPark, the level of sponsorship and naming rights income, grain and milk prices and income levels at venues as a result of the economic climate. Estimates for these areas have been included within the budget proposals based on previous experience. However there may be some variation to these figures, which will be reported to Members through the quarterly revenue monitoring reports.
- **Mandatory Rate Relief** for those venues transferring to the Trust is critical to successfully balancing the budget for future years. Officers are in the process of applying for this relief and hope to have confirmation that this has been granted early in the next few months. This is being monitored as part of the Contract Negotiation & Monitoring Working Group at its regular meetings.
- **VAT savings** for those venues transferring to the Trust is also an important factor to balancing the budget. Detailed modelling based on the 2014/15 budget was carried out by external consultants. The true level of VAT savings can only be established as the Trust begins to operate and real increases in income accrue. In addition the Authority's VAT advisors have contested VAT charged on sporting activities which are deemed non-

business. In the past this has provided for a "wind-fall" VAT reclaim in the region of £1m. The Authority sits behind specific test cases which are laid before HMRC – if successful the Authority could receive a "wind-fall" payment over the next few years, however the timing and amount of this is uncertain and cannot be treated with any degree of certainty when setting the budget and therefore levy.

- 24 Subject to the underlying assumptions and risks/uncertainties as set out above, the **budget deficit for 2015/16 is estimated at £21k.**

REVENUE CONTRIBUTION TO CAPITAL

- 25 The Authority is entering a new phase of capital development. 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 to reflect this shift and has been reduced from £2.9m in 2005/06 to £1.9m.
- 26 **The annual revenue contribution is budgeted at £1.8m** and this will enable the delivery of the current capital programme and enable the current estate to be maintained. This level of funding decreases to **£1.8m** to reflect the reduction in salaries that can be capitalised as a result of the move to Asset Maintenance away from new development schemes. This accords with the external auditor's recommendation from his 2013/14 Annual Results Report and has a net nil impact on the overall budget as this sum is no longer recharged from revenue. **Any requirements for new investments and the delivery of the Park Development Framework will be additional to the £1.8m.** The Authority could borrow 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. When considering funding new capital investment projects from reserves, the Authority intends that the cost of capital will be repaid by the projects to minimise the impact on the levy and "refund" the capital reserves to allow further development and new investment projects.
- 27 The revised capital programme 2014/15 to 2018/19 was considered by the Executive Committee on 18 December 2014 (Paper E/379/14). Based on the proposed capital programme and financing, the **Capital Fund is projected to stand at an estimated £0.8m at the end of 2018/19.**

THE LEVY

- 28 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 2014 was 2.3%. Therefore the maximum levy for 2015/16 is set at £23.1m (2014/15 was £22.6m).
- 29 A 1% movement in the levy equates to approximately £113k per annum for the Authority, whilst a 1% movement in the levy impacts between £195 and £15,308 for the smallest and largest contributing authorities respectively; with the majority of contributing authorities falling between £1.3k and £3.9k per annum.
- 30 Over the last three to five years the levy has been significantly below inflation

with a real term decrease of 25% and this is detailed further in Appendix C to this report:

	3 Year % Change	5 Year % Change
Levy decrease	-6.00%	-8.00%
RPI increase	11.40%	17.00%
	-17.40%	-25.00%

- 31 The formula funding settlement for contributing authorities was announced on the 18 December 2013 as part of a two year settlement (as set out in paragraphs 9 and 10 above and refined on 18 December 2014). For contributing authorities funding for 2015/16 has decreased by an average of 2.1%.
- 32 In terms of inflation indices used for the levy calculation and the budget, the CPI was 1.2% and the RPI 2.3% (September 2014).

RESERVES

- 33 Any decision taken by Members that does not substantially remove the deficit will have a downward impact on reserves. The unallocated General Fund reserve was £7.6m as at 1 April 2014. Members agreed to fund the budget deficit of £3.2m for 2014/15 from these reserves. The projected underspend in 2014/15 is likely to reduce this balance downwards by a further £2.9m to **£4.7m by 31 March 2015**.
- 34 **To use reserves to fund an on-going deficit** (as indicated within the Medium Term Financial Plan) **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 highlighted the unsustainability of relying on general reserves to fund the existing budget deficit.
- 35 Members previously approved the recommendation of the Corporate Director of Resources and Business Development of a **minimum general reserve of £4m**, based on the risk factors set out above. It is again recommended that this minimum level of reserves is maintained

FUNDING OPTIONS AND PROPOSED LEVY

- 36 Subject to the underlying assumptions and risks/uncertainties as set out above and attached, the **budget deficit for 2014/15 is £2.9m**. The deficit reduces to approx. **£0.7m** in 2015/16 if mandatory rate relief and VAT savings are successfully achieved following the transfer to the Trust.
- 37 The Authority's aim has been to operate its venues (including legacy venues) at a break-even position (excluding central overheads). The MTFP sets out stretch targets which would enable this objective to be achieved by 2019/20.
- 38 Appendix B to this report also incorporates the stretch income targets to enable legacy venues to deliver a break-even position by 2020. Some of these stretch income targets are proposed to commence in 2015/16 and if approved and subsequently achieved will enable the overall budget to achieve a balanced position.

39 Alternatively Members can chose to manage the remaining deficit in a number of ways:

- not reduce the levy by 2%;
- increase the levy;
- use available general reserves above the £4m threshold;
- additional income as set out in Appendix B to this report (or other areas identified);
- budget cuts/savings as set out in Appendix B to this report (or other areas identified);
- disposals;
- new business development/income generation opportunities.

If the levy and general reserves were to be used to fund the deficit they would provide certainty whilst the additional income and savings options provide less certainty and will take time to deliver.

40 The 2015/16 Budget – Methodology, Assumptions and Timetable (Paper E/375/14) set out an assumed decrease in the levy of 2% in line with previous years reductions and assuming rates and VAT savings accrued due to the transfer of venues and services to the Trust. If the Authority chose not to reduce the levy and retain it at its current level (£11.284m) the effect after Rates & VAT rates savings and the other priority areas and savings would be a surplus of £0.2m.

41 Appendix D to this report sets out the implications of a 1%, 2% and 5% variation in the levy for contributing authorities.

CONCLUSIONS

42 The Authority has significant demands in the coming years, including the Trust establishing itself, the operation of the legacy venues on its land; and the implementation of a number of income generation initiatives to reduce its reliance on the levy.

43 It continues to strive to increase value to the regional constituency, whilst reducing the cost of the Lee Valley 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/or improve quality. Furthermore it will continue to use technology to further improve efficiency e.g. online bookings.

44 In the 2014/15 budget paper (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 they have taken major decisions in establishing a Leisure Trust to help bridge a large part of the funding gap. These decisions should come to fruition from April 2015. The residual deficit does still need to be resolved and the inclusion of stretch income targets, budget savings and new business development projects (Appendix B to this report) sets a framework in which that can be achieved.

45 Increases in the levy will have an impact on the contributing authorities who themselves are already under significant financial pressure to make reductions and savings.

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 47 The financial implications are contained within the body of the report. If Members agree to incorporate a Community Access Fund there are several options the Authority can consider to fund this proposal within the proposed 2015/16 budget and these are set out below:

- reduce the levy by 1% and earmark the equivalent savings (approx. 1% (£113K)) to fund the CAF. This was put forward as a possible option at the Budget Workshop; or
- reduce the levy by 2% as originally set out and earmark £113k from general reserves for one year for the CAF during the trial year. This would still leave the Authority above its minimum £4m reserve level.

Alternatively Members may decide not to progress the CAF and set the levy to ensure a balanced budget.

- 48 The proposed budget, levy and deficit under these scenarios is summarised below:

Proposed Budget & Levy options 2015/16

	Reduce Levy by 1% Remaining 1% to fund the CAF 2015	Reduce Levy by 2% and fund CAF from General Reserves	Reduce Levy by 2% and not proceed with CAF
	£'000	£'000	£'000
Budget	11,192	11,192	11,079
Levy	(11,171)	(11,058)	(11,058)
Deficit	21	134	21

- 49 The impact on general reserves of each scenario is summarised below:

	Reduce Levy by 1% Remaining 1% to fund the CAF 2015	Reduce Levy by 2% and fund CAF from General Reserves	Reduce Levy by 2% and not proceed with CAF
Reserves	£'000	£'000	£'000
Opening	(4,671)	(4,671)	(4,671)
Deficit	21	134	21
Closing balance	(4,650)	(4,537)	(4,650)

HUMAN RESOURCE IMPLICATIONS

- 50 Human Resource implications due to the deletion of posts and the TUPE

implications as a result of the transfer to the Trust have already been fully considered by Members at previous Authority meetings.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 52 Paragraph 23 sets out the main risks to the Authority in achieving the budget during 2015/16. Most significantly the economic climate remains extremely uncertain and could impact adversely on the assumptions made; in addition the final rating valuation of the Lee Valley VeloPark may impact adversely on these projections. It is also critical that the Authority and the Trust sign the contract which includes the leases to secure the mandatory business rate relief for venues transferring to the Trust.

EQUALITY IMPLICATIONS

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

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BACKGROUND REPORTS

2015/16 Budget working papers file

PREVIOUS COMMITTEE REPORTS

Executive	E/378/14	Fees & Charges Review 2015/16	18 December 2014
Executive	E/379/14	Proposed Capital Programme 2014/15 Revised to 2018/19	18 December 2014
Member Workshop		Proposed Fees & Charges 2015/16	20 November 2014
Executive	E/375/14	2015/16 Budget Methodology, Assumptions, and Timetable	23 October 2014
Authority	A/4180/14	Proposed Budget & Levy 2014/15	23 January 2014

APPENDICES ATTACHED

Appendix A	Medium Term Financial Plan
Appendix B	Proposed priority areas and savings 2015/16 onwards
Appendix C	Real Term Changes in the Levy
Appendix D	1%, 2%, 5% change in levy for contributing authorities.
Appendix E	Briefing paper on Community Access Fund

LIST OF ABBREVIATIONS

MTFP	Medium Term Financial Plan
RPI	Retail Price Index
CPI	Consumer Price Index
GLA	Greater London Authority
LWWWC	Lee Valley White Water Centre
LVAC	Lee Valley Athletics Centre
LLDC	London Legacy Development Corporation
CAF	Community Access Fund

SUMMARY MEDIUM TERM FINANCIAL PLAN 18 DECEMBER 2014

Notes	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
1 Base Budget						
2 Carry Forward From 2013/2014	13,532	14,486	14,486	14,486	14,486	14,486
3 Other Adjustments	416	(416)	(416)	(416)	(416)	(416)
4 Approved Base Budget 2014/15	538	(510)	(510)	(510)	(510)	(510)
5 Impact of Pay Award	14,486	13,560	13,560	13,560	13,560	13,560
6 Impact of increments	0	112	340	573	811	1,055
7 Impact of Insurance Premiums (incl Health care)	0	50	100	150	150	150
8 Non Salary Inflation (Net)	0	10	20	40	50	60
9 Income inflation	0	15	35	60	90	125
10 Utilities	0	(251)	(450)	(680)	(910)	(1,150)
11 Pension Fund Adjustment	0	50	100	150	200	250
12 Projected Revenue Underspend 2014/15 (October 2014)	0	0	0	0	0	0
13 Reduced External Interest Payments	(312)	0	0	0	0	0
14 Reduction in Minimum Revenue Provision for capital	0	(32)	(32)	(32)	(32)	(32)
15 Reduced Investment income	0	(49)	(49)	(49)	(49)	(49)
16 Total Projected Budget	0	85	0	0	0	0
17 2015/16 Priority Areas	14,174	13,550	13,624	13,872	13,970	14,069
18 Levy 2% Reduction as per Assumptions	0	420	320	320	320	320
19 Budget Deficit	(11,284)	(11,058)	(10,837)	(10,620)	(10,408)	(10,199)
Risk Areas Required to Reduce the Deficit	2,890	2,912	3,107	3,572	3,882	4,190
20 Business Rate Savings (Subject to Trust Transfer)	0	(1,682)	(1,682)	(1,682)	(1,682)	(1,682)
21 VAT Savings (Subject to Trust Transfer)	0	(519)	(519)	(519)	(519)	(519)
22 Total Savings/Efficiencies	0	(2,201)	(2,201)	(2,201)	(2,201)	(2,201)
23 Projected Budget (Surplus)/Deficit	2,890	711	906	1,371	1,681	1,989
24 2015/16 Savings/Income Required to balance budget	0	(690)	(945)	(1,340)	(1,664)	(2,000)
25 Revised Budget (Surplus)/Deficit	2,890	21	(39)	31	17	(11)
General Reserves:						
26 Available General Reserves	(7,561)	(4,671)	(4,650)	(4,689)	(4,658)	(4,641)
27 Budget (Surplus) / +Deficit	2,890	21	(39)	31	17	(11)
28 Balance Carried Forward:	(4,671)	(4,650)	(4,689)	(4,658)	(4,641)	(4,652)

Notes & Assumptions

- 1 Removal of one-off items added to budget eg Trust set up costs of £500k and known adjustments eg lower rates at LV H&TC
- 2 Pay Assumed at 2.2% 2015/16 and 2% thereafter.
- 3 Non-salary inflation on contracts e.g Grounds Maintenance @ 1.2% (1.2% CPI September)
- 4 Income Inflation at 3% (1.2% CPI & 2.3% RPI September); fees and charges at 2.5% 2016/17 and thereafter.
- 5 Gas, electricity and rates 4% 2015/16 onwards
- 6 Estimated adjustments to pension fund following triennial valuation.
- 7 2015/16 Priority Areas - (see separate schedule)
- 8 Levy -2% 2015/16 - (0% thereafter) future years to be determined although general trend is downwards subject to prevailing economic climate
- 9 Assumes 80% mandatory relief achieved for all venues transferred and held in the Trust
- 10 Assumes net VAT savings due to transfer of venues and services to the Trust
- 11 Budget Deficit assuming Trust savings on Rates and VAT are achieved
- 12 2015/16 Savings & Stretch Income Target Areas - (see separate schedule) required to balance budget
- 13 Budget (Surplus) / + Deficit assuming all risk areas and stretch targets achieved
- 14 Minimum Reserve level of £4m maintained from 2015/16 onwards

Other

Plan has been based on Authority's strategic direction to 2020

Does not include impact of Park Development Framework

Based upon Capital Programme December 2014 revised and approved by Members

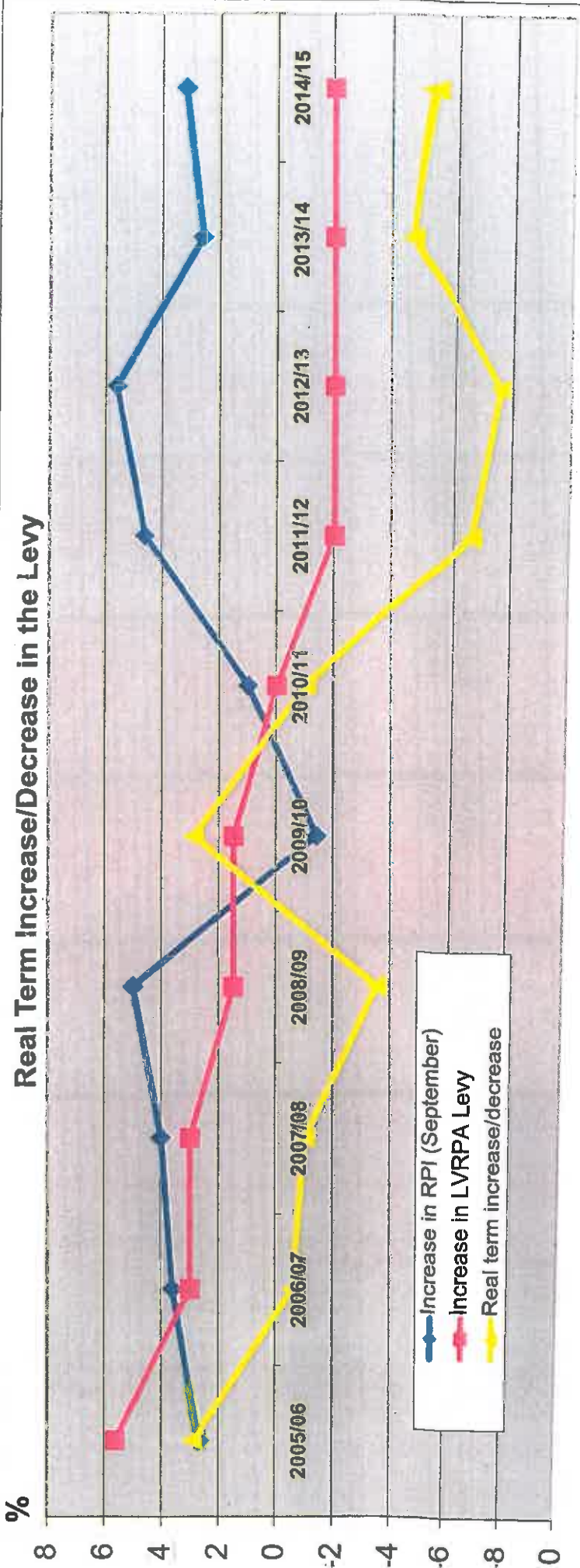
PRIORITY AREAS, SAVINGS & INCOME SCHEDULE 2015/16 ONWARDS

Description	2015/16	2016/17	2017/18	2018/19	Full Year	Notes/Justification
	£	£	£	£	£	
Priority Areas 2015/16						
Dual Running Costs	250,000	250,000	250,000	250,000	250,000	Detailed Costing TBD
Additional VAT Costs Support	70,000	70,000	70,000	70,000	70,000	Paper A/4179/14
Reduced Income Canoe World Championship	100,000	0	0	0	0	World Canoe Championship reduction in general rafting sales
Sub-Total Growth	420,000	320,000	320,000	320,000	320,000	
Savings/Income 2015/16						
Health Care	(160,000)	(160,000)	(160,000)	(160,000)	(160,000)	Revised Options for Provision
Senior Management Reduction	(180,000)	(260,000)	(260,000)	(260,000)	(260,000)	Paper A/4193/14
Naming Rights/Sponsorship	0	(50,000)	(170,000)	(170,000)	(170,000)	Stretch Target
Stretch Income Target LVWWC	(100,000)	0	0	0	0	Stretch Target
Velopark	(100,000)	(150,000)	(300,000)	(400,000)	(560,000)	Stretch Target Target to Break Even
LV Hockey & Tennis Centre	(50,000)	(75,000)	(100,000)	(200,000)	(220,000)	Stretch Target Target to Break Even
LV Athletics Centre	0	(100,000)	(150,000)	(150,000)	(150,000)	Stretch Target Target to Break Even
Dobbs Weir Additional Net Income	(20,000)	(70,000)	(120,000)	(244,000)	(400,000)	Paper E/366/14
Net caravan Sales	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)	Assumes 8 static sales year
Sub-Total Income	(690,000)	(945,000)	(1,340,000)	(1,664,000)	(2,000,000)	
Net Impact on Budget	(270,000)	(625,000)	(1,020,000)	(1,344,000)	(1,680,000)	

Real Term Changes in the Levy

Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	3 Yr	5Yr	10 Yr
Increase in RPI (September)	2.7	3.6	4.0	5.0	-1.4	1.0	4.6	5.6	2.6	3.2	11.40	17.00	30.90
Increase in LVRPA Levy	5.6	3.0	3.0	1.5	1.5	0.0	-2.0	-2.0	-2.0	-2.0	-6.00	-8.00	6.60
Real term increase/decrease	2.9	-0.6	-1.0	-3.5	2.9	-1.0	-6.6	-7.6	-4.6	-5.2	-17.40	-25.00	-24.30

Real Term Increase/Decrease in the Levy



Year

	0%	1.00%	2.00%	5.00%
	Current Levy	Decrease	Decrease	Decrease
		2015/16	2015/16	2015/16
	£	£	£	£
CORPORATION OF LONDON	19,479	19,284	19,089	18,505
Inner London Boroughs				
CAMDEN	262,438	259,814	257,189	249,316
GREENWICH	214,297	212,154	210,011	203,582
HACKNEY	191,284	189,371	187,458	181,720
HAMMERSMITH AND FULHAM	219,966	217,766	215,567	208,968
ISLINGTON	218,921	216,732	214,543	207,975
KENSINGTON AND CHELSEA	288,425	285,541	282,657	274,004
LAMBETH	290,150	287,249	284,347	275,643
LEWISHAM	232,766	230,438	228,111	221,128
SOUTHWARK	265,496	262,841	260,186	252,221
TOWER HAMLETS	236,033	233,673	231,312	224,231
WANDSWORTH	368,302	364,619	360,936	349,887
WESTMINSTER	380,159	376,357	372,556	361,151
Outer London Boroughs				
BARKING AND DAGENHAM	127,563	126,287	125,012	121,185
BARNET	404,399	400,355	396,311	384,179
BEXLEY	237,900	235,521	233,142	226,005
BRENT	249,336	246,843	244,349	236,869
BROMLEY	390,945	387,036	383,126	371,398
CROYDON	347,516	344,041	340,566	330,140
EALING	316,418	313,254	310,090	300,597
ENFIELD	279,220	276,428	273,636	265,259
HARINGEY	211,202	209,090	206,978	200,642
HARROW	247,274	244,801	242,329	234,910
HAVERING	252,415	249,891	247,367	239,794
HILLINGDON	280,952	278,142	275,333	266,904
HOUNSLOW	238,845	236,457	234,068	226,903
KINGSTON UPON THAMES	183,628	181,792	179,955	174,447
MERTON	214,338	212,195	210,051	203,621
NEWHAM	197,813	195,835	193,857	187,922
REDBRIDGE	247,923	245,444	242,965	235,527
RICHMOND UPON THAMES	266,987	264,317	261,647	253,638
SUTTON	209,940	207,841	205,741	199,443
WALTHAM FOREST	206,042	203,982	201,921	195,740
Hertfordshire and Essex Authorities				
HERTFORDSHIRE	1,308,646	1,295,560	1,282,473	1,243,214
ESSEX	1,530,805	1,515,497	1,500,189	1,454,265
THURROCK	146,205	144,743	143,281	138,895
Total Levy on Local Authorities	11,284,028	11,171,188	11,058,347	10,719,827
Decrease (-) Increase (+)	0	-112,840	-225,681	-564,201

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Members Briefing Note

Proposal from Budget Workshop 18 December 2014

Community Access Fund

INTRODUCTION

The purpose of this briefing note is to advise Members, on a proposal for a new Community Access Fund (CAF) created from proposed 2015/16 savings. This proposal follows a discussion at the Budget Workshop on the 18th December where Members asked officers to look at a fund to target disadvantaged young people and adults from across all constituent Boroughs and Districts encouraging greater use of the Regional Park facilities, particularly from the more distant communities.

It was proposed that a CAF equivalent to 1% of the net budget/levy be looked at (£113k). This is in the context of budget savings proposals discussed at the workshop which were in the order of 2.4% for 2015/16.

Officers have considered how such a fund could be established and administered and this is set out in the paper. This proposal will be discussed at Authority on the 22nd Jan when the budget and levy for 2015/16 is being determined.

CURRENT PROVISION AND NEW POTENTIAL

- 1 There is already a sports development outreach programme taking place together with the education programme through the sports development and youth and schools sections of the Authority. Feedback from schools and education establishments and some charities that the Authority officers already have contacts, is that transport to the venues and events is one of the most significant barriers to participation. Clearly this issue of transport generally increases the further away from the Authority's venues the school or groups are and for particular groups (supported people with learning and other disabilities for example). Most of the Authority's venues have schools/education hire charges which Members have maintained at reasonable levels.
- 2 During the debate at the Budget Workshop, Members noted specific groups that they would wish to consider including: looked after children, children and adults with disabilities, socially deprived groups/children and also young people in rural and other areas where there are poor public transport links. Some of the groups, or organisations that support these groups do have budgets for activity participation and there is potential to explore this further to maximise the opportunity and make most of the available budgets.
- 3 The Authority's Sports Development and Youth and Schools colleagues have existing links with schools, universities and colleges as well as education and sports development links with all of the London Boroughs, Hertfordshire and Essex counties. It would be possible through these links and with additional targeted financial support to generate more visits to the parklands and venues of the Authority both for education and activity based visits. There is potential with support targeted at transport, that the schools in outlying areas may be attracted to bringing young people to the week day daytime sessions of

- national/international events which tend to be quieter for governing bodies and promoters to sell tickets.
- 4 Looked after children numbers vary between authorities, in London for example this includes 230 in Bexley, 250-260 in Bromley and Hackney and 335 in Croydon. LVRPA would develop links via the Children and Health services of the County Councils and London Boroughs to access and arrange for activity based visits for children/young people and also their support workers and carers as appropriate. There are budgets available within the respective Councils to support leisure and education activity of looked after children and to support children from low income households within schools via the schools pupil premium and it is proposed that this is explored further and in partnership with the Councils.
 - 5 Using the existing networks of sports development colleagues and clubs in the Borough and District Councils of Hertfordshire and Essex and in the London Boroughs it will be possible to target the groups identified by Members, particularly groups supporting sports activities for people with learning and other disabilities. Links via the councils could also highlight those areas with poor transport links (either through distance and/or cost) to the LVRPA to promote access for participation and potential to support access through reduced price tickets and access to transport for youth clubs, youth sports clubs within the region to provide greater opportunity for access to major sporting events. Using the existing contacts and networks, LVRPA officers could develop the most appropriate support to the targeted groups to enhance the opportunity for groups to visit the Park venues and facilities.
 - 6 The Authority already has good links with some charities in the support sector providing access to the venues and activities for people with disabilities. Informal discussion with one such charity the Avenues Group based in Bexley Borough, but supporting people with learning and other disabilities in North and South London and Essex suggests that with support through coaching and transport greater links and partnership funding may be able to be accessed to provide people such charities care for and support access to the facilities of the Regional Park.
 - 7 The potential within the Authority's portfolio is unique and a morning or day visit to the LV Venues in the Queen Elizabeth Olympic Park, White Water Centre or Lea Bridge Road venues could be supplemented by education session to offer a unique experience for the visiting school children.

MECHANISM FOR DELIVERING A CAF

- 8 The Authority cannot directly provide transport outside the Park area due to the limitations of the Power of the Authority in the Lee Valley Regional Park Act 1966. There is however provision in paragraph 13(2) of the Act to allow the Authority through third party to promote the activity of the Park Authority. There are some caveats placed on the use of section 13 but it is not considered that any would prevent this type of activity.

"13(2) The Authority may enter into and carry into effect agreements or arrangements with any company, body or person for the provision and maintenance by such company, body or person, whether within or outside the park, of any works, facilities, supplies or services which may be desirable for or in connection with the carrying into effect of any purposes of this Act and by any such agreement or arrangement may agree to defray or

to make contributions towards expenses incurred by the company, body or person thereunder”.

Members could decide to implement this new targeted support to attract more people into the Regional Park and if this is facilitated by the Trust, as part of the agreed activity required by the Authority then the Trust could decide whether to use the additional payment to assist the venue hire and teaching/coaching charges or use this part of the grant to support transport arrangements of the groups and organisations to allow more visits. It is proposed that officers explore further with the network of council officers the best method of support to target specific people and groups within the London Boroughs and Hertfordshire and Essex county areas.

- 9 Locally the Trust may contract with local companies to provide the buses or mini buses. For young people in south and west London Boroughs and outlying areas of Hertfordshire and Essex, it is likely that discussions will take place by the Trust with the transport providers of these councils so that best rates can be obtained as they would have previously be tendered, and the likely reduced cost of the coach hire when starting and ending close to the pick-up point.
- 10 Visits by young people from the immediate surrounding areas to the venues and parklands would likely be able to be achieved within 3 hours allowing travel and activity time. From areas further afield in South and West London and Essex and Hertfordshire, it is likely that the school/group would visit for a whole school day and this may include for example a sporting activity/visit followed by an educational session.
- 11 In addition to the officer contacts through schools, sports development and clubs and organisations, Authority members would also be encouraged to provide contacts and details for groups and organisations in their own Council areas that may benefit from such activity trips to the Authority parklands and venues.

PERFORMANCE TARGET

- 12 There would be the baseline provision of what the Authority currently provide/the activities booked by schools as the benchmark. There would be targets set in each of the categories and geographical areas that would be agreed to measure the performance against for the trial year. The target would be an average of a further 8 school/group 50 person visits per week during the academic terms, (240 groups per year) plus additional attendance at the national and international events.
- 13 The detail of the proposed outreach work would require the Authority and Trust officers to work closely together to ensure the best method of attracting the groups and schools into visiting the venues. It is proposed that different options could be provided depending on the distance travelled by the schools and groups and the broad allocation of the budget could be £60,000 for travel costs (potentially a mix of bus/coach hire and contribution to public transport fares), £35,000 venue hire costs and £18000 additional coach/resources and related costs of providing the activity.

SUMMARY OF KEY POINTS

- a) The Lee Valley Regional Park Act does allow for the Authority to deliver a scheme which includes funding transport costs for groups from non-riparian Boroughs/Districts, if delivered via a 3rd party and in order to bring these groups into the Regional Park. The Authority could therefore deliver such a scheme through the Trust.
- b) Based on initial calculations the £113k CAF could enable around 240 group visits (max of 50 per group).
- c) The fund will need to recognise the higher travel costs for the more distant Boroughs/Districts with the appropriate level of support being provided.
- d) The Authority's Sports Development and Youth and Schools teams are already well connected to the network of community groups across London, Essex and Herts. This should greatly assist the implementation of a CAF initiative in 2015/16.
- e) Clear outcomes will need to be defined. If the £113k CAF can deliver around 240 group visits consideration needs to be given to how this is broken down across the region, riparian and non-riparian.