

**Q1 REVENUE BUDGET 2018/19  
PERFORMANCE MONITORING**

Presented by the Director of Finance & Resources

**EXECUTIVE SUMMARY**

This report summarises monitoring of revenue expenditure to 24 June 2018. 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 2019. The overall net operational expenditure at the year-end is expected to be an estimated £364,000 over the approved budget for 2018/19. The major variations currently projected are summarised in the table below.

<b>Service Description</b>	<b>Variance 2018/19</b>	<b>Impact in 2019/20</b>
	<b>£</b>	<b>£</b>
Waterworks Rates Liability	<b>47,500</b>	<b>13,000</b>
Sponsorship Income	<b>25,000</b>	<b>0</b>
Legal Service	<b>80,000</b>	<b>0</b>
Car Parking Charges	<b>60,000</b>	<b>0</b>
East India Dock Rental/Gunpowder Park rental	<b>40,000</b>	<b>20,000</b>
Biodiversity Scheme at Glen Faba	<b>(10,000)</b>	<b>10,000</b>
Lee Valley Holyfield Hall Farm	<b>26,000</b>	<b>0</b>
Dobbs Weir Commission Income	<b>(200,000)</b>	<b>0</b>
Ice Centre – Leisure Services Contract Clause 14 Adjustment	<b>176,000</b>	<b>0</b>
Savings Targets 2018/19	<b>136,000</b>	<b>0</b>
Other	<b>(16,500)</b>	<b>0</b>
<b>Total Estimated Over Spend:</b>	<b>364,000</b>	<b>43,000</b>

**RECOMMENDATIONS**

Members Approve (1) the carry forward of any under spent funds in 2018/19 to conclude the S106 works at Glen Faba in 2019/20 if required.

Members Note: (2) the report.

## BACKGROUND

- 1 The Executive Committee recommended a budget for 2018/19 at its meeting in January 2018 (Paper E/540/18). This was approved by Members at the Authority meeting on 18 January 2018 (Paper A/4252/18). This report compares actual income and expenditure to 24 June 2018 with the approved budget.
- 2 The summary financial position of each Authority service or facility is shown in Appendix A to this report.
- 3 Currently the year-end shows a net over spend of £364,000.
- 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 continued to impact on the budget during 2017/18 and will continue to do so into 2018/19 and future financial years and these are summarised in the following paragraphs. Overall uncertainty exists in financial markets during the negotiations to leave the European Union and officers will monitor closely developments that may have a direct impact on the Authority's budget, for example inflation and 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 budget has a built in 2% uplift in line with the National Employers for Local Government Services offer dated 5 December 2017. On the 10 April 2018 the Authority received confirmation that the new payscales and allowances, applicable from 1 April 2018 and 1 April 2019, had been accepted. UNISON and GMB voted to accept whilst Unite voted to reject. However, in line with the Constitution of the NJC, Unite accepted the collective majority decision of the other unions that the pay award should now be implemented.

Members approved in May (Paper E/561/18) that Senior Officers on a pay grade above scale point 49 would also receive the 2% pay increase in line with the NJC award for officers up to scale point 49.

- 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 2018/19. The 2018/19 target rate of return agreed by Members as part of the Annual Report on Treasury Management was approved at 0.75% (Paper E/564/18). Actual returns on investments in 2017/18 were £66,811 (0.56%).

The Director of Finance & Resources continues to monitor Authority investments and the institutions that they are invested and will keep Members updated on any variances in this position through quarterly monitoring reports in 2018/19.

- 8 Locally the Authority is still awaiting the outcome of the 2010/17 rating appeal for Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre. Following discussion with the Authority's appointed rates consultant this could be settled before the end of March 2019. If a more favourable valuation is achieved this

could yield a one-off benefit for the Authority although nothing is included at this point within the revenue monitoring.

All eligible centres that transferred to Lee Valley Leisure Trust Ltd (the Trust) received 80% mandatory relief for 2017/18. This amounted to a saving of £1.7million and this was again built into the 2018/19 budget and the Trust management fee.

Rates at the Waterworks have not been charged since 2015/16 at a potential total cost of £47,500. Although the Trust do occupy the building the lease currently identifies the landlord (LVRPA) as still in occupation and liable for the business rates. The London Borough of Waltham Forest is unwilling to change the billing to the Authority unless the rating valuation is formally split between the Authority and Trust - meaning the Trust could claim 80% charitable rate relief on their share of the occupation. Splitting the rates liability would probably reduce the bill to a cost in the region of £28,000. The Authority's rates consultant is reviewing the situation and also investigating why the London Borough of Waltham Forest has only recently brought this to our attention, however, the potential cost could impact in 2018/19. Officers have ensured the bill is paid to avoid additional costs re court action for non-payment but will seek to resolve this matter with the London Borough of Waltham Forest and the Valuation Office over the coming months

- 9 Following a recent discussion regarding the European Court decision (in London Borough of Ealing v HMRC which concluded that UK legislation was ultra vires with EU legislation) there is a strong possibility that VAT exemption will be applied to local authority sporting income. Our VAT consultants have been using a lead case in respect of non-business treatment and considered the impact of VAT exemption on the protective VAT claims previously lodged with HMRC and they believe there is merit in seeking a repayment of the VAT on the basis that it is exempt income, providing this does not cause the Authority to breach its Section 33 partial exemption de minimis limit. Therefore there is a possibility that the Authority could obtain a repayment of the VAT claimed on the basis of VAT exemption. This will depend on the impact of VAT exemption to the partial exemption VAT periods covered by the claim 2006-2015. The value of the potential VAT repayment could result in a six-figure windfall in 2018/19. Work in this area is underway and is anticipated to be completed late summer/early Autumn
- 10 June's inflation for the Retail Price Index stood at 3.4% and Consumer Price Index at 2.4%.
- 11 The main variances against this year's budget are described below.

#### **CHIEF EXECUTIVE**

#### **12 Sponsorship Income (£25,000 reduced income)**

A stretch income target of £25,000 is built into the 2018/19 budget to achieve more income from external sponsorship. Although the Authority has occasionally been approached by major broadcasters seeking sponsorship benefits and/or ticketing deals at the major legacy venues the reality of cash funding has been difficult to achieve. Officers are currently working with an agency to secure specific sponsorship at Lee Valley White Water Centre and have agreed to fund up to £25,000 to achieve on-going income to deliver this stretch target. It is possible that this income target may not be met this year due

to the initial outlay but may secure a longer-term income stream.

## **CORPORATE SERVICES**

### **13 Legal Services (£80,000 over spend)**

There will be additional legal costs in relation to external legal support required on a number of matters. Whilst a potential overspend figure has been given it is not possible to accurately estimate this at this stage. There are a number of matters which require support and in one matter in particular which is complex this is quite specialist legal advice. The Authority is currently receiving external legal advice on the potential Picketts Lock development, Abercrombie Lodge and some employment matters which relate to the current Leisure Services Contract.

## **PARKLANDS & OPEN SPACES**

### **14 Car Parking Charges – (£60,000 reduced income)**

Officers will report the financial impact of the scheme through the quarterly revenue monitoring reports, but from the very limited information on income made so far it is anticipated that the income from car park charges may fall short of the budget when all are operational. This assumption is based on the income generated to date at the 7 operational car parks, with the main reason for the anticipated shortfall attributed to visitors managing their time within the first hour of free parking and a reduction in visitor numbers. A review of car parking charges will be carried out as part of the full Fees and Charges review in the late summer/early autumn and presented for Members consideration.

Negotiations with Broxbourne Borough Council still continue with a likely start date of sometime in August. London Borough of Haringey has finally told us they are no longer interested and officers have therefore engaged ParkingEye to look at a scheme, we are still waiting for details. Therefore 4 car parks are currently providing no income.

### **15 East India Dock Basin & Gunpowder Park Rentals – (£40,000 reduced income)**

Two specific sites were identified to achieve commercial rental income and are included within the budget:

#### **East India Dock (£20,000 reduced income)**

Planning permission was granted in November 2017 for the location of builders cabins required to support Ballymore's construction of their Leamouth south development. Ballymore wanted the Authority to grant them an Option on the land to place a site compound should they wish, but also claimed they had alternatives that they were pursuing and would not increase the rent they originally offered of £27,500pa which Members rejected. Currently Ballymore do not wish to pursue this further.

#### **Gunpowder Park (£20,000 reduced income)**

Member approval to lease to a cycle operator was granted in 2017 and subsequently planning permission was granted in September 2017 to proceed. However, the operator pulled out in December 2017 deciding to focus on online

and international sales.

Officers are currently in discussion and finalising terms with another cycle operator for the lease of the Field Station on a 3 year lease term at a rental of £20,000 pa with the view to commence in Autumn 2018, subject to contract.

**16 Biodiversity (£10,000 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 the £75,000 transferred from Hertfordshire County Council to fund these works. Project development and planning was completed in 2017/18 and implementation will now span the next two financial years with ground works completed in 2018/19 and planting out in early 2019/20.

The scheme will also require Environment Agency permits and planning permission prior to commencement of on-site works which it is planned will take place in winter 2018/19. It is anticipated that the scheme will be fully completed in the Spring of 2019.

Members are requested to approve a carry forward of any under spent funds in 2018/19 to conclude these works in 2019/20.

**17 Lee Valley Farm – Holyfield Hall (£26,000 reduced income)**

Changes that have been implemented at the Farm are starting to make positive impacts, for example the cows milk yields are up on average by 2 litres, more young heifers are due in Q4 of this year to increase herd numbers, unfortunately they will have little impact of increasing the milk income by the required amount, but their introduction puts us in a better place for 2019/20. Herd numbers are the reason for missing the milk budget as its set for a higher number in the herd. Arable has suffered with the spring drillings as the draught has caused the crop to perform badly. Staffing restructures have made minimal difference to this year's savings but should be realised in the following year.

Officers are still confident that further inroads into reducing the £26,000 shortfall in income through this year may be achieved.

**18 Caravan Sales Dobbs Weir (£200,000 increased income)**

As part of the decision to progress the final phase development at Dobbs Weir campsite (Paper E/476/16) Members were made aware that commission relating to sale of holiday homes could generate an estimated additional income of between £630K and £1m. In 2017/18 the Authority received £804K and potentially could receive a further £200K in 2018/19 when the remaining 17 sales are complete.

As part of the decision to develop the final phase Members noted that the additional required £1m investment to complete the scheme was coming from existing capital funds, but that in essence this would be largely offset by the one-off sales commission and Members approved the £804K as an additional one-off contribution to capital in May 2018 (Paper E/565/18).

**19 Ice Centre – Leisure Services Contract Clause 14 Adjustment (£176,000 increased expenditure)**

Members will be aware that Lee Valley Ice Centre was closed for 8 weeks during the summer of 2017 for replacement of the Ice Pad and the barrier. At the time of decision to refurbish the Centre Members recognised that the income lost during that period would impact the Trust and potentially require a Management Fee adjustment in line with clause 14 of the contract. Officers of the Authority and Trust have calculated the net loss to the Trust to be £176,000 accounting for improved efficiency in utility costs in the new year. If Members agree to the clause 14 adjustment (which will be the subject of a separate paper to the next Executive Committee) then this will have a one-off impact in 2018/19.

**20 Savings Targets 2018/19 (£136,000 unachieved savings)**

As part of the budget setting process and budget savings targets for 2018/19 two items identified for on-going savings are unlikely to yield up the anticipated savings budgeted for 2018/19. These are "Service Review" savings (£100,000) and savings from operational costs due to the Abbey Gardens lease (£36,000).

In relation to service reviews, planned restructuring of the PR/Comms team, Active Communities team, and the Parkland service are underway but are unlikely to be completed and delivered before the end of this financial year. A review of support services currently operated by the Trust under the Leisure Services Contract is underway.

In relation to Abbey Gardens, the lease with the church is currently being held over while discussions are on-going. Medium to longer term savings may still be realisable as part of the wider service review of services operated from this site and the ongoing maintenance provision set aside for areas under the lease and Members will be kept updated as part of the monitoring reports.

**ENVIRONMENTAL IMPLICATIONS**

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

**EQUALITY IMPLICATIONS**

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

**FINANCIAL IMPLICATIONS**

- 23 These are dealt with in the body of the report. The overall outturn is indicating a spend which would potentially reduce general reserves of £4.2m below the approved £4m level agreed as part of the 2018/19 budget. One-off refunds from the VAT and rates appeals may significantly alter the in-year bottom line to a favourable variance if they materialise but at this stage should not be relied upon as these are dependent on third parties to concur with our calculations and then enact them accordingly.

In light of this officers will seek to identify other in year saving/income streams to offset the projected shortfall and will report back to Members as part of the quarter 2 and 3 monitoring reports in the coming months.

**HUMAN RESOURCE IMPLICATIONS**

24 These are dealt with in the body of the report.

**LEGAL IMPLICATIONS**

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

**RISK MANAGEMENT IMPLICATIONS**

26 Spending of the budget is important in achieving the Authority's corporate objectives. The currently projected net over spend to the end of this financial year will impact on the Authority's budget in future years and will need to be incorporated into the Medium Term Financial Plan going forward if in year savings or permanent new income streams cannot be identified.

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**ABBREVIATIONS**

the Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)
LSC	Leisure Services Contract
NJC	National Joint Council

**PREVIOUS COMMITTEE REPORTS**

Executive Committee	E/565/18	Q4 Revenue Budget Monitoring 2017/18 – Provisional Outturn	24 May 2018
Executive Committee	E/564/18	Annual Report on Treasury Management Activity 2017/18 and Annual Investment Strategy 2018/19	24 May 2018
Authority	A/4252/18	2018/19 Revenue Budget & Levy	18 January 2018
Executive Committee	E/540/118	2018/19 Revenue Budget & Levy	18 January 2018

**APPENDIX ATTACHED**

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

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YEAR 2018/19

PERIOD: 03 (June 2018)

	Actual To Date			Annual	Proposed	Variance	
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%
<b>OPERATIONAL SERVICES</b>							
Chief Executive	-58	175	117	882	907	25	3%
Corporate Services	-410	303	-107	366	446	80	22%
Financial Services	-277	273	-4	1,025	1,070	45	4%
Parklands and Open Spaces	-302	1,255	953	3,581	3,483	-98	(3%)
Leisure Trust Contract	0	0	0	2,319	2,495	176	8%
Consultancy Savings	0	0	0	-40	-40	0	0%
Service Reviews	0	0	0	-136	0	136	100%
<b>FINANCING</b>							
Interest Receivable	0	0	0	-63	-63	0	0%
Interest & Bank Charges	0	1	1	6	6	0	0%
Contributions to Earmarked Reserves	0	0	0	787	787	0	0%
Financing of Capital Expenditure	0	0	0	953	953	0	0%
Levies on Local Authorities	-2,946	0	-2,946	-9,576	-9,576	0	0%
<b>Movement in General Fund</b>				104	468	364	350%
General Fund Balance Brought Forward					-4,199		
General Fund Balance Carried Forward					-3,731		

YEAR 2018/19

PERIOD: 03 (June 2018)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance		
	Income	Expenditure	Net			£000s	%	
<b>CHIEF EXECUTIVE</b>								
Chief Executive	0	71	71	247	272	25	10%	
Committee Service	0	26	26	106	106	0	0%	NR
PR / Communications	-58	78	20	529	529	0	0%	PR
Lee Valley Ice Centre - Feasibility Study	0	0	0	0	0	0	0%	NR
<b>TOTAL CHIEF EXECUTIVE</b>	<b>-58</b>	<b>175</b>	<b>117</b>	<b>882</b>	<b>907</b>	<b>25</b>	<b>3%</b>	
<b>CORPORATE SERVICES</b>								
Legal Service	0	99	99	353	433	80	23%	
Property Management	-410	78	-332	-777	-777	0	0%	PR
Planning and Strategic Partnerships	0	67	67	371	371	0	0%	PR
Asset Protection, Maintenance & Development	0	59	59	419	419	0	0%	NR
<b>TOTAL CORPORATE SERVICES</b>	<b>-410</b>	<b>303</b>	<b>-107</b>	<b>366</b>	<b>446</b>	<b>80</b>	<b>22%</b>	
<b>FINANCIAL SERVICES</b>								
Finance Management	-156	73	-83	287	335	48	17%	PR
Audit	0	-9	-9	84	79	-5	(6%)	
Non Distributed Costs	0	12	12	69	71	2	3%	
Corporate Training	0	5	5	20	20	0	0%	NR
Leisure Trust Employee Secondments	-119	119	0	0	0	0	0%	
Business Support	0	0	0	343	343	0	0%	
Sports Development	-2	1	-1	75	75	0	0%	PR
Leisure Contract Venues Insurance	0	72	72	147	147	0	0%	
<b>TOTAL FINANCIAL SERVICES</b>	<b>-277</b>	<b>273</b>	<b>-4</b>	<b>1,025</b>	<b>1,070</b>	<b>45</b>	<b>4%</b>	
<b>PARKLANDS AND OPEN SPACES</b>								
<b>Management</b>								
Operational Management	0	38	38	153	153	0	0%	PR
Policy and Performance	0	112	112	481	481	0	0%	
Myddelton House Management	-3	179	176	331	331	0	0%	NR
<b>Parklands</b>								
River Lee Country Park	8	198	206	738	727	-11	(1%)	
Gunpowder Park	-2	52	50	147	167	20	14%	
Countryside Areas	-19	182	163	743	754	11	1%	
Abbey Gardens	-2	22	20	94	140	46	49%	
Three Mills	0	4	4	37	37	0	0%	
East India Dock and Bow Creek	0	10	10	33	53	20	61%	
Leyton Marsh	0	0	0	0	0	0	0%	NR
Broxbourne Riverside	19	3	22	-17	-15	2	12%	
Fisheries	-88	46	-42	-20	-20	0	0%	
<b>Visitor Attractions</b>								
Myddelton House	-55	90	35	234	234	0	0%	PR
Rye House Gatehouse	0	4	4	8	8	0	0%	

YEAR 2018/19

PERIOD: 03 (June 2018)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
<b>Park Projects</b>							
Youth & Schools Service	-33	61	28	199	197	-2	(1%)
Volunteers	0	26	26	97	97	0	0%
Biodiversity	0	23	23	159	149	-10	(6%)
Countryside Live	0	4	4	0	0	0	0% NR
Community Access	0	16	16	80	80	0	0% NR
<b>Farms</b>							
Lee Valley Farm, Holyfieldhall	-18	179	161	124	150	26	21%
<b>Initiatives and Partnerships</b>							
Caravan Sales, Dobbs Weir	-94	0	-94	0	-200	-200	0%
King George Reservoir South	0	0	0	0	0	0	0% NR
Lee Valley Boat Centre	-12	4	-8	-33	-33	0	0% NR
Broxbourne Chalets	-3	2	-1	-7	-7	0	0% NR
<b>TOTAL PARKLAND AND OPEN SPACES</b>	<b>-302</b>	<b>1,255</b>	<b>953</b>	<b>3,581</b>	<b>3,483</b>	<b>-98</b>	<b>(3%)</b>
<b>TOTAL AUTHORITY</b>	<b>-1,047</b>	<b>2,006</b>	<b>959</b>	<b>5,854</b>	<b>5,906</b>	<b>52</b>	<b>1%</b>

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