

**Q2 REVENUE BUDGET 2016/17
PERFORMANCE MONITORING**

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

This report summarises monitoring of revenue expenditure to 25 September 2016. It compares actual income and expenditure to the budget. It also provides a projection indicating the likely out-turn position against the annual budget for the year ending 31 March 2017. The overall net operational expenditure at the year end is expected to be an estimated £1,000 over the approved budget for 2016/17. The major variations are summarised in the table below:

Service Description	Variance 2016/17	Impact in 2017/18
	£	£
Sponsorship Income	50,000	0
Property Management	(45,000)	(45,000)
Planning & Strategic Partnerships	(15,000)	0
Myddelton House Management	(17,000)	0
Car Parking Charges	25,000	0
River Lee Country Park and Abbey Gardens		
Lee Valley Farm Holyfield Hall	76,000	0
Biodiversity	(65,000)	65,000
Other (Net)	(8,000)	0
Total Estimated Over Spend:	1,000	15,000

RECOMMENDATIONS

Members Approve (1) the carry forward set out in paragraph 17 of the report; and

Members Note: (2) the report.

BACKGROUND

- 1 The Executive Committee recommended a budget for 2016/17 at its meeting in January 2016 (Paper E/434/16). This was approved by Members at the Authority meeting on 21 January 2016 (Paper A/4222/16). This report compares actual income and expenditure to 25 September 2016 with the budget and projected net expenditure through to the year end (31 March 2017).
- 2 Details of the financial position of each service or facility are shown in Appendix A to this report.
- 3 Currently it is estimated that at the year-end there will be a projected over spend of £1,000.
- 4 Where significant over/under spends are projected at the year end for particular facilities/services a brief explanation is provided below.

GENERAL ECONOMIC FACTORS

- 5 Certain financial and economic factors will impact on the budget during 2016/17 and in future financial years and these are summarised in the following paragraphs. Overall, uncertainty exists in financial markets following the referendum vote to leave the European Union and officers will monitor closely developments that may have a direct impact on the Authority's budget, for example interest rates.
- 6 Members received a paper in June 2016 (Paper E/452/16) which set out that agreement had been reached by employers and the relevant unions in respect of the pay award for National Joint Council (NJC) for local government services.

The agreed pay award of 1% for 2016/17 and a further 1% in 2017/18 formed part of a national agreement and was applied to all officers up to scale point 49 with effect from 1 April 2016. In addition Members approved that posts above scale point 49 would also receive this inflationary increase. These increases were estimated and included in the 2016/17 budget and medium term financial plan for future years and therefore will have no additional impact above that already budgeted for.

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

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

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

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

for the Lee Valley VeloPark. The Lee Valley White Water Centre rating appeal was settled in May 2016 with a rebate resulting in a one-off refund of £250,000. The Valuation Office noted the significant investment carried out by the Authority post Olympics without an upward change occurring in the assessment. This sum was accrued into the accounts in 2015/16.

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

Nationally a major revaluation of business rates has been completed for implementation from April 2017 (delayed from April 2015). This could see a large increase in business rates at Authority and Trust venues. The management fee incorporates funding for 20% of business rates at Trust venues and although transitional relief is likely to apply in year one, the medium term financial plan will need to account for this change.

- 9 Inflation rates have remained low so far during the year. August inflation for the Retail Price Index stood at 1.8% and Consumer Price Index at 0.6%.
- 10 The main variances against this year's budget are described below.

CHIEF EXECUTIVE

11 Sponsorship Income (£50,000 Reduced Income)

A stretch income target of £50,000 was built into the 2016/17 budget to achieve more income from external sponsorship. This target was set to increase to £170,000 from 2017/18. Officers are working on one specific deal which may be completed towards the year end, but it is unlikely that this stretch target will be completely achieved to the level originally set and will therefore need to be reappraised as part of the new budget round and incorporated into the Medium Term Financial Plan.

DIRECTOR OF CORPORATE SERVICES

12 Property Management (£45,000 Increased Income)

Turnover rent from the Youth Hostel in Cheshunt has produced surpluses on this budget-head over the past few years. Currently the budget is set by aggregating the base rent and the originally anticipated profit share (circa £30,000 per year), but continuing higher occupancy rates and therefore income means the Authority's share of this increased yield has exceeded the budget. As long as this improved occupancy is maintained it is likely that the Authority will continue to receive above budgeted income. The current lease is for 125 years expiring in 2128, but there is a tenant's option to break the agreement at the expiration of the 15th year on 31 December 2018. No indication has been given recently that the Youth Hostel Association (YHA) will exercise this right.

13 Planning & Strategic Partnerships (£15,000 Under Spend)

The underspend has been caused by delays in work on the Park Development Framework (PDF) due to having to resolve the complaint on process and to identify issues emerging from the Land and Property Review.

PARKLANDS & OPEN SPACES

14 Myddelton House Management (£17,000 Saving)

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

15 Car Parking Charges - River Lee Country Park and Abbey Gardens (£25,000 Reduced Income)

The scheme has been delayed due to various reasons out of the Authority's control. Epping Forest District Council has informed us that they cannot start the scheme until 1 April 2017. On a positive note Broxbourne Borough Council are working to start charging before the end of 2016, but again it is proving difficult to get a precise date. Officers are pressing both councils to get this started.

16 Lee Valley Farm – Holyfield Hall (£76,000 Reduced Income)

As highlighted to Members in the first quarter monitoring report (paper E/456/16), the milk price is still the major factor in the farms income loss. From Quarter 1 the farm have managed to reduce the negative impact as reported by £14,000, this has been achieved through staff savings, input savings such as feed and vet fee's and increase in grain yields. Officers are progressing with the milk vending and this will be launched in time to take advantage of the reopening of Hayes Hill in 2017. In addition alterations have been made to the arable planting, with grains been replaced with grass to reduce the feed costs in 2017. All avenues of input and output efficiencies are continuously being explored/reviewed to improve performance and mitigate the reduced income.

17 Biodiversity (£65,000 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 has now been signed and £75,000 will be transferred from Hertfordshire County Council to fund these works. Project development and planning is required before works commence on site and it is likely that implementation will span at least two financial years and will fall mainly in 2017/18. It is currently estimated that £10,000 will be spent in 2016/17. Members are requested to carry forward any underspend in 2016/17 to complete these works in future years.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

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

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

23 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/456/16	Q1 Revenue Budget 2016/17 Performance Monitoring	21 July 2016
Executive Committee	E/454/16	Completion of a side agreement related to an agreement under section 106 of the Town & Country Planning Act 1990 (As Amended) for environmental enhancements to Glen Faba.	16 June 2016
Executive Committee	E/452/16	Revenue Budget 2015/16 Performance Provisional Outturn	26 May 2016
Executive Committee	E/448/16	Annual Report on Treasury Management Activity 2015/16 and Annual Investment Strategy 2016/17	26 May 2016
Authority	A/4222/16	Proposed Budget & Levy 2016/2017	21 January 2016

APPENDIX ATTACHED

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

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YEAR 2016/17

PERIOD: 06 (September 2017)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
OPERATIONAL SERVICES							
Chief Executive	-9	439	430	1,134	1,184	50	4%
Corporate Services	-303	635	332	374	317	-57	(15%)
Financial Services	-236	376	140	927	918	-9	(1%)
Parklands and Open Spaces	-488	2,183	1,695	3,691	3,708	17	0%
Leisure Trust Contract	0	1,600	1,600	3,159	3,159	0	0%
FINANCING							
Interest Receivable	63	0	63	-170	-170	0	0%
Interest Payable	0	0	0	0	0	0	0%
Contributions to Earmarked Reserves	0	0	0	825	825	0	0%
Financing of Capital Expenditure	0	0	0	1,526	1,526	0	0%
Levies on Local Authorities	-6,669	0	-6,669	-10,837	-10,837	0	0%
Movement in General Fund				629	630	1	0%
General Fund Balance Brought Forward					0		
General Fund Balance Carried Forward					630		

YEAR 2016/17

PERIOD: 06 (September 2017)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance		
	Income	Expenditure	Net			£000s	%	
CHIEF EXECUTIVE								
Chief Executive	0	131	131	212	262	50	24%	
Committee Service	0	43	43	101	101	0	0%	
PR / Communications	-5	231	226	438	438	0	0%	
Lee Valley Ice Centre - Feasibility Study	-4	34	30	383	383	0	0%	
TOTAL CHIEF EXECUTIVE	-9	439	430	1,134	1,184	50	4%	
CORPORATE SERVICES								
Legal Service	-2	152	150	349	351	2	1%	
Property Management	-299	208	-91	-739	-784	-45	(6%)	
Planning and Strategic Partnerships	0	138	138	356	341	-15	(4%)	
Asset Protection, Maintenance & Development	-2	137	135	408	409	1	0%	
TOTAL CORPORATE SERVICES	-303	635	332	374	317	-57	(15%)	
FINANCIAL SERVICES								
Finance Management	0	82	82	257	252	-5	(2%)	
Audit	0	20	20	84	84	0	0%	
Non Distributed Costs	0	24	24	77	73	-4	(5%)	
Corporate Training	0	0	0	0	0	0	0%	
Leisure Trust Employee Secondments	-231	231	0	0	0	0	0%	
Business Support	0	0	0	300	300	0	0%	
Sports Development	-5	19	14	75	75	0	0%	
Leisure Contract Venues Insurance	0	0	0	134	134	0	0%	
TOTAL FINANCIAL SERVICES	-236	376	140	927	918	-9	(1%)	
PARKLANDS AND OPEN SPACES								
Management								
Operational Management	0	105	105	208	212	4	2%	
Policy and Performance	-8	239	231	456	456	0	0%	
Myddelton House Management	-7	201	194	332	315	-17	(5%)	
Parklands								
River Lee Country Park	-2	323	321	705	723	18	3%	
Gunpowder Park	0	86	86	196	196	0	0%	
Countryside Areas	-19	349	330	797	797	0	0%	
Abbey Gardens	-1	36	35	110	117	7	6%	
Three Mills	-4	7	3	32	32	0	0%	
East India Dock and Bow Creek	-2	11	9	52	52	0	0%	
Leyton Marsh	0	4	4	16	16	0	0%	
Broxbourne Riverside	-2	10	8	-13	-13	0	0%	
Fisheries	-107	67	-40	-20	-20	0	0%	
Visitor Attractions								
Myddelton House	-123	185	62	251	245	-6	(2%)	
Rye House Gatehouse	-1	5	4	8	8	0	0%	

YEAR 2016/17

PERIOD: 06 (September 2017)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance		
	Income	Expenditure	Net			£000s	%	
Park Projects								
Youth & Schools Service	-35	111	76	180	180	0	0%	
Volunteers	-5	50	45	94	94	0	0%	
Biodiversity	0	49	49	100	35	-65	(65%)	
Countryside Live	0	0	0	20	20	0	0%	
Community Access	0	66	66	84	84	0	0%	
Farms								
Lee Valley Farm, Holyfieldhall	-132	267	135	117	193	76	65%	
Initiatives and Partnerships								
King George Reservoir South	-5	5	0	0	0	0	0%	
Lee Valley Boat Centre	-30	5	-25	-33	-33	0	0%	
Broxbourne Chalets	-5	2	-3	-1	-1	0	0%	
TOTAL PARKLAND AND OPEN SPACES	-488	2,183	1,695	3,691	3,708	17	0%	
TOTAL AUTHORITY	-1,036	3,633	2,597	6,126	6,127	1	0%	

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