



**LEE VALLEY REGIONAL PARK AUTHORITY**  
**EXECUTIVE COMMITTEE**  
**22 OCTOBER 2015 AT 10:30**

**Agenda Item No:**

**7**

**Report No:**

**E/421/15**

## **REVENUE BUDGET 2015/16 PERFORMANCE MONITORING**

Presented by the Director of Finance & Resources

### **EXECUTIVE SUMMARY**

This report provides monitoring of revenue expenditure to 27 September 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 £90,000 under the approved budget for 2015/16. The major variations are summarised in the table below:

<b>Service Description</b>	<b>Variance 2015/16</b>	<b>Impact in 2016/17</b>
	<b>£</b>	<b>£</b>
Property Management	<b>(244,000)</b>	<b>(165,000)</b>
Planning & Strategic Partnerships	<b>(72,000)</b>	<b>0</b>
Leyton Marsh	<b>(16,000)</b>	<b>16,000</b>
Myddelton House	<b>(24,000)</b>	<b>(18,000)</b>
Lee Valley Farm Holyfield Hall	<b>23,000</b>	<b>0</b>
Leisure Services Contract Management Fee	<b>250,000</b>	<b>0</b>
Other	<b>(7,000)</b>	<b>0</b>
<b>Total Estimated Under Spend:</b>	<b>(90,000)</b>	<b>(167,000)</b>

### **RECOMMENDATIONS**

Members Approve :           (1)   the carry forward for Leyton Marsh as set out in paragraph 14; 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 27 September 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.
- 3 Currently it is estimated that at the year-end there will be a projected under spend of £90,000.
- 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 (20% of £46,550) was approved to cover this 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. September inflation for the Retail Price Index stood at 0.8% and Consumer Price Index at -0.1%.
- 10 Variances against this year's budget are described in more detail below.

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

##### **11 Property Management (£270,000 Increased Income, £26,000 Increased Expenditure)**

The Authority has settled the Three Mills rent review due from December 2014. The rent previously paid was £240,000 pa, and a new rent of £425,000 pa has been negotiated. This settlement therefore results in increased income in 2015/16 of £270,000 against budget (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 £26,000 incurred in relation to land valuations and management fees for rental lettings have reduced the favourable projected net variance to £244,000.

##### **12 Planning & Strategic Partnerships (£72,000 Under spend)**

Underspends on the Planning budget have been caused by two staff vacancies and following last month's decision by this Committee (Minute 671) delayed work on the Park Development Framework (PDF). The staff underspends will be directed to the budget for legal fees to support the Authority's action in the Court of Appeal.

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

##### **13 Myddelton House Heritage Centre (£18,000 Under spend)**

The Visitor Centre Café has proactively managed staffing rotas with one less full time seasonal member of staff and only covering peak periods with casuals. This has resulted in an under spend against the approved budget, which is an approach and saving that can be built into future years budget projections.

**14 Leyton Marsh (£16,000 Under spend)**

Two expenditure items that were planned this for year's spend can now only be delivered in 2016/17. These are:

1. £6,000 for screening planting to the Ice Centre boundary with Leyton Marsh. This is on hold pending decision on the future of the Ice Centre;
2. £10,000 for an art project to improve the Lea Bridge Road underpass;
  - selection of the winning artist to do the work was carried out by a panel made up of Save Leyton Marsh, Friends of Walthamstow Marsh and Lee Valley staff;
  - this process was drawn out due to the logistics of involving the panel and due to the type of tender process agreed on – i.e. a two stage process;
  - the winning artist was selected unanimously by the panel due mainly to their robust engagement process which was inclusive of the whole community and would ensure a genuine connection and learning about the site;
  - the engagement process will last for a year to take in all the four seasons so would need to run well in to 2016/17.

To accommodate the above, a carry forward of up to £16,000 will be needed into 2016/17 for this budget. Spend of the remaining budget is well underway.

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

The milk market price continues to be low under 24ppl (pence per litre) but has just seen a price rise of 0.003ppl starting in November, therefore the income of the Farm is still under performing and 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**

- 16 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 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.

- 17 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.
- 18 The impact of budget adjustments on the LSC Management Fee were reported and approved as part of the first quarter's revenue monitoring to Executive Committee and is repeated below for information. Further adjustments between the two organisations are likely in the coming months and these will be reported to Executive for approval as part of the quarterly budget monitoring. These adjustments will include apprenticeship/training budgets, recharges between departments, additional audit costs and repairs and renewals transfers. These are unlikely to affect the total budget (as approved by Members in January 2015), but could result in the Management Fee either increasing or decreasing.

	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 Lee Valley VeloPark	21
	<b>Revised Management Fee (approved 30 July 2015)</b>	<b>3,607</b>

Item 2. Will result in a net Authority budget saving of £148,000 as described in paragraph 18 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 overall 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

- 19 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 current demands on this budget are set out in the table below:

Description	Authority £'000	Trust £'000	Total £'000
Marketing	50,000	25,000	75,000
Health & Safety Event Management	0	10,000	10,000
Finance Support	0	80,000	80,000
Insurance Support	0	4,000	4,000
Additional Insurance Premium	0	35,000	35,000
Legal Support	0	25,000	25,000
Events Management	20,000	0	20,000
<b>Total</b>	<b>70,000</b>	<b>179,000</b>	<b>249,000</b>

- 20 Currently dual running costs are likely to fall within the total provision of £250,000 in this financial year. Officers are finalising the requirements for future year's commitments to stay within the originally allocated sum.

## 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 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 18 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**

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 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.

Author: Simon Sheldon 01992 709859, [ssheldon@leevalleypark.org.uk](mailto:ssheldon@leevalleypark.org.uk)

#### **PREVIOUS COMMITTEE REPORTS**

Executive Committee	E/411/15	Revenue Budget 2015/16 Performance Monitoring	30 July 2015
Executive Committee	E/408/15	Revenue Budget 2014/15 Performance Provisional Outturn	21 May 2015
Authority	A/4214/15	Annual Report on Treasury Management Activity 2014/15 and Annual Investment Strategy 2015/16	09 July 2015
Authority	A/4201/15	Leisure Services Contract For the Operation & Delivery of Services at Authority Venues.	5 February 2015
Authority	A/4200/15	Proposed Budget & Levy 2015/2016	22 January 2015
Executive Committee	E/389/15	Proposed Budget & Levy 2015/2016	22 January 2015
Executive Committee	E/381/14	2014/16 Pay Award	18 December 2014

#### **APPENDIX ATTACHED**

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

#### **ABBREVIATIONS**

LVWWC Lee Valley White Water Centre

RV	Rateable Value
LSC	Leisure Services Contract
PDF	Park Development Framework
ppl	Pence Per Litre



YEAR 2015/16

PERIOD: 06 (September 2015)

	Actual To Date			Annual	Proposed	Variance	
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%
<b>OPERATIONAL SERVICES</b>							
Chief Executive	-6	324	318	730	729	-1	(0%)
Corporate Services	-365	668	303	507	191	-316	(62%)
Financial Services	-4	165	161	530	530	0	0%
Parklands and Open Spaces	-405	2,204	1,799	3,792	3,769	-23	(1%)
Leisure Trust Contract	0	2,039	2,039	3,608	3,858	250	7%
<b>FINANCING</b>							
Interest Receivable	41	0	41	-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	-5,529	0	-5,529	-11,058	-11,058	0	0%
<b>Movement in General Fund</b>				<b>358</b>	<b>268</b>	<b>-90</b>	<b>(25%)</b>
General Fund Balance Brought Forward					-4,805		
General Fund Balance Carried Forward					-4,537		

YEAR 2015/16

PERIOD: 06 (September 2015)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance		
	Income	Expenditure	Net			£000s	%	
<b>CHIEF EXECUTIVE</b>								
Chief Executive	-4	128	124	256	255	-1	(0%)	
Committee Service	0	44	44	97	97	0	0%	
PR / Communications	-2	152	150	327	327	0	0%	
Lee Valley Ice Centre - Feasibility Study	0	0	0	50	50	0	0%	
<b>TOTAL CHIEF EXECUTIVE</b>	<b>-6</b>	<b>324</b>	<b>318</b>	<b>730</b>	<b>729</b>	<b>-1</b>	<b>(0%)</b>	
<b>CORPORATE SERVICES</b>								
Legal Service	-6	128	122	348	348	0	0%	
Property Management	-359	229	-130	-630	-874	-244	(39%)	
Planning and Strategic Partnerships	0	152	152	385	313	-72	(19%)	
Asset Protection, Maintenance & Developm	0	159	159	404	404	0	0%	
<b>TOTAL CORPORATE SERVICES</b>	<b>-365</b>	<b>668</b>	<b>303</b>	<b>507</b>	<b>191</b>	<b>-316</b>	<b>(62%)</b>	
<b>FINANCIAL SERVICES</b>								
Finance Management	0	117	117	281	281	0	0%	
Audit	0	-11	-11	97	97	0	0%	
Non Distributed Costs	0	32	32	77	77	0	0%	
Sports Development	-4	27	23	75	75	0	0%	
<b>TOTAL FINANCIAL SERVICES</b>	<b>-4</b>	<b>165</b>	<b>161</b>	<b>530</b>	<b>530</b>	<b>0</b>	<b>0%</b>	
<b>PARKLANDS AND OPEN SPACES</b>								
<b>Management</b>								
Operational Management	0	170	170	260	260	0	0%	
Policy and Performance	0	227	227	444	444	0	0%	
Myddelton House Management	-8	140	132	331	325	-6	(2%)	
<b>Parklands</b>								
River Lee Country Park	-16	339	323	736	736	0	0%	
Gunpowder Park	-1	81	80	192	192	0	0%	
Countryside Areas	-31	358	327	796	796	0	0%	
Abbey Gardens	-1	52	51	152	152	0	0%	
Three Mills	0	11	11	31	31	0	0%	
East India Dock and Bow Creek	-1	20	19	52	52	0	0%	
Leyton Marsh	0	6	6	43	27	-16	(37%)	
Broxbourne Riverside	-1	10	9	-4	-4	0	0%	
Fisheries	-111	63	-48	-22	-22	0	0%	
<b>Visitor Attractions</b>								
Myddelton House	-117	178	61	264	240	-24	(9%)	
Rye House Gatehouse	0	5	5	9	9	0	0%	

	Actual To Date			Annual	Proposed	Variance	
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%
<b>Park Projects</b>							
Youth & Schools Service	-30	102	72	172	172	0	0%
Volunteers	-2	43	41	95	95	0	0%
Biodiversity	0	44	44	97	97	0	0%
Countryside Live	0	4	4	20	20	0	0%
Community Access	0	0	0	113	113	0	0%
<b>Farms</b>							
Lee Valley Farm, Holyfieldhall	-51	346	295	39	62	23	59%
<b>Initiatives and Partnerships</b>							
King George Reservoir South	-5	0	-5	0	0	0	0%
Lee Valley Boat Centre	-30	3	-27	-30	-30	0	0%
Broxbourne Chalets	0	2	2	2	2	0	0%
<b>TOTAL PARKLAND AND OPEN SPACES</b>	<b>-405</b>	<b>2,204</b>	<b>1,799</b>	<b>3,792</b>	<b>3,769</b>	<b>-23</b>	<b>(1%)</b>

**This page is blank**