



LEE VALLEY REGIONAL PARK AUTHORITY

EXECUTIVE COMMITTEE

22 FEBRUARY 2018 AT 11:00

Agenda Item No:

6

Report No:

E/543/18

Q3 REVENUE BUDGET 2017/18 PERFORMANCE MONITORING

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

This report summarises monitoring of revenue expenditure to 31 December 2017. 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 2018. The overall net operational expenditure at the year-end is expected to be an estimated £20,000 over the approved budget for 2017/18. The major variations currently projected are summarised in the table below.

Service Description	Variance 2016/17	Impact in 2018/19
	£	£
Sponsorship Income	50,000	0
Car Parking Charges	100,000	0
East India Dock Rental	15,000	15,000
Biodiversity	(50,000)	50,000
Lee Valley Farm Holyfield Hall	50,000	0
In Year Corporate Savings Plan	(145,000)	0
Total Estimated Over Spend:	20,000	65,000

RECOMMENDATION

Members Note: (1) the report.

BACKGROUND

- 1 The Executive Committee recommended a budget for 2017/18 at its meeting in January 2017 (Paper E/477/17). This was approved by Members at the Authority meeting on 21 January 2017 (Paper A/4236/17). This report compares actual income and expenditure to 31 December 2017 with the budget and projected net expenditure through to the year end (31 March 2018).
- 2 Details of the financial position of each Authority 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 net projected over spend of £20,000.
- 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 and will continue to impact on the budget during 2017/18 and into 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 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 2017/18 budget and medium term financial plan.

For future years beyond 2017/18 the budget has a built in 2% uplift in line with the National Employers for Local Government Services offer dated 5 December 2017.

- 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 2017/18. The 2017/18 target rate of return agreed by Members as part of the Annual Report on Treasury Management was approved at 0.6% (Paper E/497/17). This return has been built into the 2017/18 budget, although this figure could still change subject to interest rate changes, use of capital resources to fund schemes and potential land sales generating further receipts.

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 quarterly monitoring reports in 2017/18.

- 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 by the end of March. 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 2016/17. This amounted to a saving of

£1.7million and this was again built into the 2017/18 budget and the Trust management fee.

Nationally the major revaluation of business rates has been completed and implemented from April 2017 (delayed from April 2015). This has seen a marginal increase in business rates at the Trust venues in 2017/18 (circa £16K) and it is anticipated the Trust will be able to manage this within their existing budget and management fee for this year (2017/18).

A greater increase (circa £44K) has impacted on the Authority for Myddelton House. The financial plan assumed a proportion of this (£25K) would be recoverable as Abercrombie Lodge (occupied by the Trust) would be eligible for charitable rate relief from December 2016. In addition the need to vacate Abercrombie Lodge due to structural issues may provide additional savings for empty rates relief. On this basis the assumption is that Myddelton House will still achieve budget and no variation is currently projected for 2017/18..

For future years both the Trust and the Authority have uplifted the base budget for business rates following the 2017 revaluation (currently circa £550K across both organisations) as transitional relief to reduce the impact of higher rating valuations falls away alongside any possible outcomes from outstanding rate appeals at Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre.

- 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 Lee Valley 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 significant windfall in this or next financial year.
- 10 December's inflation for the Retail Price Index stood at 4.1% and Consumer Price Index at 3.0%.
- 11 The main variances against this year's budget are described below.

IN YEAR SAVINGS (£145,000)

- 12 Quarter 1 and 2 projected an estimated over spend of £168,000 and £124,000 respectively. Following a budget management review after the second quarter all cost centre managers were tasked with identifying areas where they could make efficiencies in year to manage the overall budget back within its approved level. Areas including consultancy, marketing, office running costs, open spaces and operational budgets have been managed downwards to achieve this. Also improved income returns on property rents and events are now realised and have been factored in to year end forecasts to achieve a broadly balanced budget and are offsetting the variances described below as well as absorbing new additional costs, for example consultants supporting the Leisure Services

Contract renewal.

CHIEF EXECUTIVE

13 Sponsorship Income (£50,000 reduced income)

A stretch income target of £50,000 is built into the 2017/18 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 continually striving to open up this income stream and will bring back to Members any tangible/beneficial offers as they emerge, but, it is unlikely that this stretch target will be achieved in 2017/18. Members will recall that in October (Paper E/522/17) a paper was considered and approved regarding Hockey Pitch Replacement which included an element of sponsorship for two new pitch replacements worth in excess of £350,000. The agreement for replacement of the pitches at the suppliers cost allowed the pitches to be branded with their company name. For future years this stretch income target has been reduced to £25,000 as part of the 2018/19 budget setting process.

PARKLANDS & OPEN SPACES

14 Car Parking Charges - (£100,000 reduced income)

The implementation of this project across the Park has involved protracted negotiations as the Authority has sought support from various third parties to introduce charging in its car parks.

Epping Forest District Council (EFDC) has now confirmed that they are not in a position to assist the Authority. Car park schemes within Broxbourne Borough Council are progressing and additional assistance from their Chief Executive has been engaged and it is now hoped that these will be launched in time for the new financial year 2018/19.

Due to the slow progress officers have also explored various other delivery options and as such have engaged with a private company, Parking Eye (currently running the car parking at Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre). Charging started on 23 October 2017 for two car parks (Gunpowder Park and Waltham Abbey Gardens) so we should start to achieve small income returns over the coming months enabling more accurate forecasting of income in 2017/18 and for future years. Consideration is now being given to roll the Parking Eye contract to all the car parks within EFDC.

Discussions are also taking place with the London Borough of Haringey and they are currently working on a scheme for Tottenham Marshes.

It is anticipated that this shortfall in income in this financial year will not have an impact in future years as schemes get up and running before the new financial year in 2018/19.

The majority of in year corporate savings have been built into the budget to offset this variance.

15 East India Dock Basin Rental Agreement – (£15,000 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. As the Option they requested was to be for no consideration and at a rent that had already been rejected by Members officers have not pursued this matter further.

16 Biodiversity (£50,000 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 has been transferred from Hertfordshire County Council to fund these works. Project development and planning is in progress before works commence on site and it is likely that implementation will span at least two financial years and will fall in 2017/18 and 2018/19.

A consultant is designing the element of the habitat creation scheme and it is anticipated that this will be completed this financial year. The scheme will then 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 complete in 2018/19 as previously approved by Members.

It is currently estimated that £15,000 will be spent in 2017/18 and Members have already approved a carry forward of the under spend in 2017/18 to complete these works in 2018/19.

17 Lee Valley Farm – Holyfield Hall (£50,000 reduced income)

The price paid for milk has been steadily on the rise and an additional £0.83ppl (pence per litre) was announced in September and another rise in October, unfortunately this trend has ceased and we have received notification of a 1.9ppl reduction from February so this wipes out the increases earlier in the year.

The milk vending machine has proved successful and hit the forecasted income.

Officers are currently predicting reducing the loss of income from the Q1 and Q2 reports by a further £14,000, these reductions can be made as herd numbers are down which means savings in related cost codes i.e. feed, vet bills.

Grain will also miss the income budget due to the yields being reduced due to the adverse weather just before harvest.

Officers have appointed a specialist farm consultant (Strutt & Parker) to review operational management options and this review is currently in draft with Officer engagement with the consultants organised for late February to get a final report, with a view to return the findings (and recommendations) to Members of Scrutiny Committee in 2018.

The farm operation is also stretched due to the manager being on long term sick since May. Therefore daily management is currently being undertaken by the Assistant Manager with support from the Head of Parklands, which impacts on the staffing capacity of the venue.

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. Overall projections estimate a balanced budget which would have minimal additional impact on available estimated general reserves (£4.142m). There is also the possibility that the Management Fee to the Trust may result in an adjustment under clause 14 for lost income during the period of closure due to the renewal of the ice pad and barrier. This is subject to analysis at the year end when the level of full variation is understood and this is covered within the Leisure Services Contract monitoring report (Paper E/544/18) also on this agenda.

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 minimal impact on the Authority's budget in future years and will be incorporated into the Medium Term Financial Plan.

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ABBREVIATIONS

the Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)
EFDC	Epping Forest District Council

PREVIOUS COMMITTEE REPORTS

Executive Committee	E/524/17	Q2 Revenue Budget 2017/18 Performance Monitoring	23 November 2017
Executive Committee	E/516/17	Q1 Revenue Budget 2017/18 Performance Monitoring	21 September 2017
Executive Committee	E/4497/17	Annual Report on Treasury Management Activity 2016/17 and Annual Investment Strategy 2017/18	25 May 2017
Authority	A/4236/17	2017/18 Revenue Budget & Levy 2017/18	19 January 2017
Executive Committee	E/477/17	2017/18 Revenue Budget & Levy 2017/18	19 January 2017

APPENDIX ATTACHED

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

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OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2017/18

PERIOD: 09 (December 2017)

	Actual To Date			Annual	Proposed	Variance	
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%
OPERATIONAL SERVICES							
Chief Executive	-109	966	857	1,124	1,146	22	2%
Corporate Services	-948	1,195	247	325	282	-43	(13%)
Financial Services	-375	740	365	1,005	996	-9	(1%)
Parklands and Open Spaces	-801	3,576	2,775	3,642	3,672	30	1%
Leisure Trust Contract	0	1,400	1,400	2,779	2,779	0	0%
FINANCING							
Interest Receivable	-24	0	-24	-80	-65	15	19%
Interest & Bank Charges	0	0	0	0	5	5	0%
Contributions to Earmarked Reserves	0	35	35	819	819	0	0%
Financing of Capital Expenditure	0	0	0	1,003	1,003	0	0%
Levies on Local Authorities	-8,620	0	-8,620	-10,187	-10,187	0	0%
Movement in General Fund				430	450	20	5%
General Fund Balance Brought Forward					-4,612		
General Fund Balance Carried Forward					-4,162		

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	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance		
	Income	Expenditure	Net			£000s	%	
CHIEF EXECUTIVE								
Chief Executive	0	199	199	216	264	48	22%	
Committee Service	0	72	72	103	98	-5	(5%)	NR
PR / Communications	-17	410	393	499	478	-21	(4%)	
Lee Valley Ice Centre - Feasibility Study	-92	285	193	306	306	0	0%	
TOTAL CHIEF EXECUTIVE	-109	966	857	1,124	1,146	22	2%	
CORPORATE SERVICES								
Legal Service	-4	267	263	349	339	-10	(3%)	NR
Property Management	-944	416	-528	-786	-803	-17	(2%)	
Planning and Strategic Partnerships	0	227	227	350	299	-51	(15%)	PR
Asset Protection, Maintenance & Development	0	285	285	412	447	35	8%	
TOTAL CORPORATE SERVICES	-948	1,195	247	325	282	-43	(13%)	
FINANCIAL SERVICES								
Finance Management	0	152	152	257	255	-2	(1%)	PR
Audit	0	17	17	84	83	-1	(1%)	
Non Distributed Costs	0	41	41	73	71	-2	(3%)	
Corporate Training	0	2	2	36	36	0	0%	NR
Leisure Trust Employee Secondments	-350	350	0	0	0	0	0%	
Business Support	0	0	0	340	340	0	0%	
Sports Development	-25	36	11	75	69	-6	(8%)	
Leisure Contract Venues Insurance	0	142	142	140	142	2	1%	
TOTAL FINANCIAL SERVICES	-375	740	365	1,005	996	-9	(1%)	
PARKLANDS AND OPEN SPACES								
Management								
Operational Management	0	112	112	140	140	0	0%	PR
Policy and Performance	-33	404	371	491	489	-2	(0%)	
Myddelton House Management	-8	300	292	295	295	0	0%	
Parklands								
River Lee Country Park	-24	573	549	739	768	29	4%	
Gunpowder Park	0	109	109	168	171	3	2%	
Countryside Areas	-50	627	577	778	783	5	1%	
Abbey Gardens	-3	61	58	113	104	-9	(8%)	
Three Mills	-17	26	9	32	29	-3	(9%)	
East India Dock and Bow Creek	-1	46	45	32	47	15	47%	
Leyton Marsh	0	-2	-2	0	0	0	0%	
Broxbourne Riverside	-1	16	15	-13	-15	-2	(15%)	
Fisheries	-156	104	-52	-20	-20	0	0%	
Visitor Attractions								
Myddelton House	-142	268	126	225	219	-6	(3%)	
Rye House Gatehouse	0	7	7	8	8	0	0%	

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YEAR 2017/18

PERIOD: 09 (December 2017)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance		
	Income	Expenditure	Net			£000s	%	
Park Projects								
Youth & Schools Service	-49	182	133	200	196	-4	(2%)	
Volunteers	-2	79	77	105	105	0	0%	
Biodiversity	0	73	73	166	116	-50	(30%)	
Countryside Live	-7	26	19	10	13	3	30%	
Community Access	0	61	61	80	80	0	0%	
Farms								
Lee Valley Farm, Holyfieldhall	-297	497	200	133	183	50	38%	
Initiatives and Partnerships								
King George Reservoir South	0	0	0	0	0	0	0%	
Lee Valley Boat Centre	-1	4	3	-33	-33	0	0%	
Broxbourne Chalets	-10	3	-7	-7	-6	1	14%	
TOTAL PARKLAND AND OPEN SPACES	-801	3,576	2,775	3,642	3,672	30	1%	
TOTAL AUTHORITY	-2,233	6,477	4,244	6,096	6,096	0	0%	

