

**Q4 REVENUE BUDGET MONITORING 2017/18  
PROVISIONAL OUTTURN**

Presented by the Director of Finance & Resources

**EXECUTIVE SUMMARY**

This report summarises service spending for 2017/18 compared to the budget. Figures are 'near final' and are only likely to be the subject of minor changes during the remainder of the closure of accounts process.

Overall net service spending is £76,000 (0.7%) below the budget for 2017/18.

The majority of reasons for variance were mostly anticipated and reported to Members during the year as part of quarterly monitoring reports to Executive Committee. Final figures will be incorporated into the audited accounts which are to be reported to the Audit Committee on 5 July 2018.

<b>Service Description</b>	<b>Variance 2017/18</b>	<b>Impact in 2018/19</b>
	<b>£</b>	<b>£</b>
Sponsorship Income	<b>50,000</b>	<b>0</b>
Legal Service	<b>52,000</b>	<b>0</b>
Corporate Training & Apprenticeships	<b>(29,000)</b>	<b>0</b>
Sports Development Grants	<b>(33,000)</b>	<b>0</b>
Car Parking Charges	<b>96,000</b>	<b>0</b>
East India Dock Rental	<b>15,000</b>	<b>15,000</b>
Biodiversity	<b>(55,000)</b>	<b>0</b>
Lee Valley Farm Holyfield Hall	<b>57,000</b>	<b>0</b>
In Year Corporate Savings Plan	<b>(229,000)</b>	<b>0</b>
<b>Total Under Spend:</b>	<b>(76,000)</b>	<b>15,000</b>

**RECOMMENDATIONS**

- Members Approve
- (1) an additional £804,000 revenue contribution to capital from the sale of static caravans at Dobbs Weir as set out in paragraph 21 of this report;
  - (2) a carry forward of £57,000 as described in paragraph 16 of this report; and
- Members Note:
- (3) 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 March 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 under spend of £76,000.
- 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 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. 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.

Senior Officers on a pay grade above scale point 49 are subject to a decision by Members and this is considered in a separate paper on this agenda.

- 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). Actual returns on investment were £66,811 (0.56%).

The annual report on Treasury Management for 2017/18 is shown elsewhere on

this agenda with a new proposed target of 0.75% for 2018/19. That report also recommends a review of how funds are invested going forward as part of the Levy Strategy Working Group ensuring that the Treasury Management Policy is delivering the best returns within an agreed level of risk.

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 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 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 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.

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 and therefore £25,000 has been accrued into the accounts. In addition the need to vacate Abercrombie Lodge due to structural issues may provide additional savings for empty rates relief.

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 six-figure windfall in 2018/19.
- 10 March's inflation for the Retail Price Index stood at 3.3% and Consumer Price Index at 2.3%.

11 The main variances against this year's budget are described below.

#### **IN YEAR SAVINGS (£229,000)**

12 Quarter 1 and 2 projected an estimated over spend of £168,000 and £124,000 respectively. In the quarter 3 monitoring report officers identified a corporate savings plan 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, grounds maintenance and operational budgets that have been managed to ensure the budget was not exceeded and are offsetting some of the variances described e.g. car-parking charges, sponsorship income and the farm. The savings/increased income that were identified and realised fell across a range of cost centres and are summarised below:

Description	Amount (£)
PR Comms/ Marketing	11,000
Consultancy Budgets	56,000
Non-distributed costs	9,000
Audit Fees & Contract	22,000
Event Saving	35,000
Additional Events Income	13,000
Grounds Maintenance	50,000
Office Running Costs	13,000
Additional Youth & Schools income	4,000
Additional Fisheries Income	7,000
Myddelton House Gardens	9,000
<b>Total</b>	<b>229,000</b>

#### **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.

## **CORPORATE SERVICES**

### **14 Legal Services (£52,000 due to increased external legal advice and maternity leave cover)**

External legal advisors have been engaged to work with officers on the preparation and negotiation of legal documentation relating to the potential development opportunities at Picketts Lock. They are expert in the areas of development and joint ventures and their level of expertise matches those of the other parties. These services will be required in 2018/19 and it may be necessary to allocate consultancy budget from other areas to cover future costs. The financial implications of this work will be set out in the report to Members on the potential Picketts Lock developments which are anticipated to come forward in the next couple of months.

In addition it was necessary to provide maternity leave cover for the in-house solicitor during the whole of the financial year 2017/18. Some of this cost was managed within the legal services budget but it was not possible to cover this entirely.

## **FINANCIAL SERVICES (£62,000 underspend)**

### **15 Underspends in financial management consultancy, audit fees and non-distributed cost (ongoing deferred pension payments) totalling £34,000, were accounted for as part of the corporate savings plan described in paragraph 12 above.**

Further savings of £29,000 were identified in the corporate training and apprenticeships budget as part of the savings process. Budgets for apprenticeships at the Farm and in Myddelton House Gardens were built into the respective site budgets but also held centrally (in effect a double count). This has meant that although the respective apprentices were employed and funded in the sites budget there was no need to call on the central budget. This error was corrected as part of the 2018/19 budget and will not reoccur.

In addition an under-spend on sports development grants of £33,000 has arisen as external grants that were received in 2017/18 related to activity delivered and paid for in the previous financial year. This should have been accrued into 2016/17 but was omitted and now impacts beneficially to the Authority.

### **16 Members are requested to carry forward these sums to fund two specific budget pressures in 2018/19.**

Firstly, the remaining consultancy fees in relation to the Leisure Services Contract estimated at £27,000 in the new year – part of this budget pressure was funded in 2017/18 via the in-year savings described in paragraph 12.

Secondly, £30,000 in relation to software support fees for the finance system. The current supplier of the finance system used by both the Authority and the Trust has upgraded the system. Existing users of the earlier system which includes the Authority (amongst other local authorities) who have not currently upgraded are required to pay extra support fees for the supplier to maintain and support the old system. This is a temporary measure whilst the Authority considers its support requirements going forward post the retender of the Leisure Services Contract where the Authority can consider either to upgrade, source a new supplier, or even outsource all or parts of these services. Any

decision to upgrade now would cost in excess of £110,000 and following discussions with the Trust (who indicated they are likely to source their own system post 2020) a decision to upgrade for the Authority is believed to be premature as the current system may no longer meet the Authority's requirements.

## **PARKLANDS & OPEN SPACES**

### **17 Car Parking Charges - (£96,000 reduced income)**

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

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 for two car parks (Gunpowder Park and Waltham Abbey Gardens). Five further car parks (Cornmill, Hooks Marsh, Fishers Green plus overflow and Clayton Hill) are now also operational.

At the Executive meeting on 22 March Members approved the introduction of seasonal permits and blue badge holders to receive free parking, this was operational on 30 April.

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

Officers will report the financial impact of the scheme in the new year 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 limited income generated to date at Gunpowder Park (£1,200) and Waltham Abbey Gardens (£2,900), with the main reason for the anticipated shortfall attributed to visitors managing their time within the first hour of free parking. 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 for Members consideration.

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

### **18 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.

**19 Biodiversity (£55,000 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 this year and implementation will span the next two financial years with ground works completed in 2018/19 and planting out in 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 2019/20.

Members have already approved a carry forward of under spent funds in 2017/18 to progress these works in 2018/19.

**20 Lee Valley Farm – Holyfield Hall (£57,000 reduced income)**

The price paid for milk had 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 now 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 of £12,000.

Grain also missed 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, officers are to report the findings (and recommendations) to Members of Scrutiny Committee in June 2018 and any conclusions/recommendations from this report will be put to Executive Committee for consideration.

The Farm operation is still stretched due to the manager being on long term sick since May 2017. 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.

**21 Caravan Sales Dobbs Weir (£805,000)**

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. To date the Authority has 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 that this would be largely offset by the one-off sales commission.

Members now need to formally approve to replace the additional capital resources invested in this scheme by an additional revenue contribution to capital (as shown in the summary page on Appendix A to this report). Alternatively, if this is treated as a fortuitous surplus it could be added to general reserves. General reserves are estimated at £4.2m at the end of 2017/18 and adding this sum as revenue would mean they reach circa £5m.

#### **ENVIRONMENTAL IMPLICATIONS**

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

#### **EQUALITY IMPLICATIONS**

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

#### **FINANCIAL IMPLICATIONS**

24 These are dealt with in the body of the report. The overall outturn is indicating a small under-spend which would be added to general reserves (£4.2m). 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 further detailed analysis and will be presented as a separate report to Executive in July for decision. Any agreement to adjust the management fee under clause 14 of the Leisure Services Contract will be considered as part of that report and in accordance with Schedule 3 (2.2) of the contract and will potentially be funded from general reserves.

#### **HUMAN RESOURCE IMPLICATIONS**

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

#### **LEGAL IMPLICATIONS**

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

#### **RISK MANAGEMENT IMPLICATIONS**

27 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
LSC	Leisure Services Contract
NJC	National Joint Council



**PREVIOUS COMMITTEE REPORTS**

Executive Committee	E/543/18	Q3 Revenue Budget 2017/18 Performance Monitoring	22 February 2018
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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YEAR 2017/18

PERIOD: 13 (March 2018)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance		
	Income	Expenditure	Net			£000s	%	
<b>OPERATIONAL SERVICES</b>								
Chief Executive	-87	1,226	1,139	1,152	1,139	-13	(1%)	
Corporate Services	-1,308	1,640	332	325	331	6	2%	
Financial Services	-496	1,039	543	977	883	-94	(10%)	
Parklands and Open Spaces	-1,974	4,819	2,845	3,642	2,844	-798	(22%)	
Leisure Trust Contract	0	2,822	2,822	2,822	2,822	0	0%	
<b>FINANCING</b>								
Interest Receivable	-67	0	-67	-80	-67	13	16%	
Interest & Bank Charges	0	5	5	0	5	5	0%	
Contributions to Earmarked Reserves	0	36	36	819	819	0	0%	
Financing of Capital Expenditure	0	0	0	1,003	1,808	805	80%	
Levies on Local Authorities	-10,187	0	-10,187	-10,187	-10,187	0	0%	
<b>Movement in General Fund</b>				<b>473</b>	<b>397</b>	<b>-76</b>	<b>(16%)</b>	
General Fund Balance Brought Forward					-4,612			
General Fund Balance Carried Forward					-4,215			

YEAR 2017/18

PERIOD: 13 (March 2018)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
<b>CHIEF EXECUTIVE</b>							
Chief Executive	0	265	265	216	265	49	23%
Committee Service	0	98	98	103	98	-5	(5%)
PR / Communications	-37	514	477	527	477	-50	(9%)
Lee Valley Ice Centre - Feasibility Study	-50	349	299	306	299	-7	(2%)
<b>TOTAL CHIEF EXECUTIVE</b>	<b>-87</b>	<b>1,226</b>	<b>1,139</b>	<b>1,152</b>	<b>1,139</b>	<b>-13</b>	<b>(1%)</b>
<b>CORPORATE SERVICES</b>							
Legal Service	-5	406	401	349	401	52	15%
Property Management	-1,303	518	-785	-786	-786	0	0%
Planning and Strategic Partnerships	0	298	298	350	337	-13	(4%)
Asset Protection, Maintenance & Development	0	418	418	412	379	-33	(8%)
<b>TOTAL CORPORATE SERVICES</b>	<b>-1,308</b>	<b>1,640</b>	<b>332</b>	<b>325</b>	<b>331</b>	<b>6</b>	<b>2%</b>
<b>FINANCIAL SERVICES</b>							
Finance Management	0	217	217	229	217	-12	(5%)
Audit	0	71	71	84	71	-13	(15%)
Non Distributed Costs	0	64	64	73	64	-9	(12%)
Corporate Training	0	7	7	36	7	-29	(81%)
Leisure Trust Employee Secondments	-465	465	0	0	0	0	0%
Business Support	0	0	0	340	340	0	0%
Sports Development	-31	73	42	75	42	-33	(44%)
Leisure Contract Venues Insurance	0	142	142	140	142	2	1%
<b>TOTAL FINANCIAL SERVICES</b>	<b>-496</b>	<b>1,039</b>	<b>543</b>	<b>977</b>	<b>883</b>	<b>-94</b>	<b>(10%)</b>
<b>PARKLANDS AND OPEN SPACES</b>							
<b>Management</b>							
Operational Management	0	142	142	140	142	2	1%
Policy and Performance	-33	521	488	491	488	-3	(1%)
Myddelton House Management	-12	331	319	295	320	25	8%
<b>Parklands</b>							
River Lee Country Park	-37	810	773	739	772	33	4%
Gunpowder Park	-1	149	148	168	147	-21	(13%)
Countryside Areas	-82	863	781	778	781	3	0%
Abbey Gardens	-5	99	94	113	94	-19	(17%)
Three Mills	-17	36	19	32	19	-13	(41%)
East India Dock and Bow Creek	-3	50	47	32	47	15	47%
Leyton Marsh	0	0	0	0	0	0	0%
Broxbourne Riverside	-36	23	-13	-13	-13	0	0%
Fisheries	-165	138	-27	-20	-27	-7	(35%)
<b>Visitor Attractions</b>							
Myddelton House	-175	391	216	225	216	-9	(4%)
Rye House Gatehouse	0	9	9	8	9	1	13%

YEAR 2017/18

PERIOD: 13 (March 2018)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
<b>Park Projects</b>							
Youth & Schools Service	-56	252	196	200	196	-4	(2%)
Volunteers	-2	105	103	105	103	-2	(2%)
Biodiversity	0	112	112	166	111	-55	(33%)
Countryside Live	-7	26	19	10	20	10	100%
Community Access	0	78	78	80	78	-2	(3%)
<b>Farms</b>							
Lee Valley Farm, Holyfieldhall	-487	677	190	133	190	57	43%
<b>Initiatives and Partnerships</b>							
Caravan Sales, Dobbs Weir	-805	0	-805	0	-805	-805	0%
King George Reservoir South	0	0	0	0	0	0	0%
Lee Valley Boat Centre	-38	4	-34	-33	-34	-1	(3%)
Broxbourne Chalets	-13	3	-10	-7	-10	-3	(43%)
<b>TOTAL PARKLAND AND OPEN SPACES</b>	<b>-1,974</b>	<b>4,819</b>	<b>2,845</b>	<b>3,642</b>	<b>2,844</b>	<b>-798</b>	<b>(22%)</b>
<b>TOTAL AUTHORITY</b>	<b>-3,865</b>	<b>8,724</b>	<b>4,859</b>	<b>6,096</b>	<b>5,197</b>	<b>-899</b>	<b>(15%)</b>

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