

Q1 REVENUE BUDGET MONITORING 2023/24

Presented by the Head of Finance

EXECUTIVE SUMMARY

This report summarises monitoring of revenue expenditure to July 2023. It compares income and expenditure to the approved budget and includes a projection indicating the likely outturn position against the annual budget for the year ended 31 March 2024.

The budget was set in the context of high energy prices that were expected to rise again in October, and high inflation and cost of living pressures on customers that were anticipated to negatively impact income. A contingency of £600,000 was included within the budget to mitigate these risks.

The year-end position shows a projected net under spend of £294,000 against the net revenue budget deficit of £456,000. The net deficit for the year is forecast as £162,000. The major variations currently projected are summarised in the table below.

Description	Annual	Forecast	Variance
	Budget	Outturn	
Interest Payable	828	1,010	182
Interest Receivable	-30	-220	-190
Campsites	-911	-870	41
Marinas	-479	-426	53
Lelsure Services Contract	2,274	2,599	325
Minimum Revenue Provision (Ice)	700	575	-125
Other	8,121	8,141	20
Levies	-10,647	-10,647	0
SUB-TOTAL	-144	162	306
Energy and General Contingency	600	0	-600
TOTAL	456	162	-294

RECOMMENDATION

Members Note: (1) the report.

BACKGROUND

- 1 The Executive Committee recommended a budget for 2023/24 at its meeting in January 2023 (Paper E/795/23). Members approved this at the Authority meeting on 19 January 2023 (Paper A/4329/23). This report compares forecast income and expenditure to 31 March 2024 with the budget.
- 2 The summary financial position of each Authority service or facility is shown in Appendix A to this report.
- 3 The net revenue budget was set at a deficit of £456,000. The year-end position is forecast as £162,000 deficit, which is a £294,000 improvement on budget.

GENERAL ECONOMIC FACTORS

4 Inflation

July's inflation for the Retail Price Index (RPI) stood at 9.0% and Consumer Price Index (CPI) at 6.8%. The Bank of England expect inflation to fall to around 5% this year and meet their target rate of 2% by early 2025 (Bank of England Monetary Policy Committee Report August 2023). The Bank of England increased the base rate to 5.25% on 3 August as it continues to try to control inflation.

5 Energy Costs

The Authority purchases energy through the Laser framework that has secured energy prices below market rates and has protected the Authority from the worst of the energy price increases over the last year. The current agreement has fixed prices until September 2023, with new tariffs from October 2023.

The 2023/24 energy budgets were built based on actual energy consumption, energy tariffs secured to September 2023, and Laser's forecast at that time for the new tariff from October 2023.

Consumption across Authority venues is being monitored regularly and is currently in line with last year. The latest forecast from Laser for the October tariff provides a positive outlook, with electricity prices now expected to rise less than previously anticipated, while gas prices are expected to fall. Laser offer best-case, mid-case and worst-case forecasts. Taking the mid-case figures we can expect to see a 10% saving on tariff this year compared to the budget assumption. The worst-case figures would result in a similar position to the budget. A mid-point between mid and worst case figures has been used in this forecast. Overall we forecast a £30,000 saving across energy budgets, spread across the venues.

As part of the shared risk position for utilities at the Leisure Services Contract (LSC) venues, the Authority takes the risk for tariff and Greenwich Leisure Ltd (GLL) takes the risk for utility consumption. This arrangement is due to end after the first two contract years, however both parties are discussing an amendment to the contract to agree the most beneficial risk profile.

The 2023/24 budget includes £1.43 million to cover this tariff risk. To date consumption savings have been achieved across the LSC venues due to the LED investment at Lee Valley VeloPark and good management practices across the venues. Anticipated consumption savings from the further LED

investment projects across other LSC venues, as agreed by Executive in February 2023 (Paper E/802/23), have not yet been factored in until these projects are agreed with timelines for installation. Laser forecasts have been used as a guide to tariffs that GLL will pay from October. Overall we currently forecast a saving of £70,000 against this budget.

6 Pay Award

In February the National Employers made a full and final offer for the 2023/24 pay award of an increase of £1,925 on all National Joint Council (NJC) pay points 1 to 43, an increase of 3.88% on all pay points above 43, and an increase of 3.88% on London Weighting. Unison members voted to reject the offer but following member ballots have decided not to take strike action. Unite have balloted their members with some still to close. GMB will ballot members, however these will not open until September and close in October.

The 2023/24 budget included provision for a 4% pay award. The current offer represents an approximate 5% increase, which equates to £80,000 additional expenditure against the approved budget. This is not yet reflected in the outturn.

MAIN VARIANCES FROM BUDGET

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

FINANCING

8 Interest Receivable (£190,000 additional income) and Interest Payable (£180,000 additional expenditure)

The increased rates of interest have impacted both the income received on investments, and interest payable on loans. The net impact is anticipated to be £10,000 additional income.

9 Minimum Revenue Provision (£125,000 saving against budget)

Under the Prudential Code, we are required to make a statutory provision for repayment of debt, be that external or internal. This is based on a calculation of the Capital Financing Requirement (CFR) as at the prior year balance sheet date.

The redevelopment of the Ice Centre is our one area of external borrowing, and the 2023/24 budget was built on the expectation that we would have borrowed, and thus have an obligation to repay, £28million with the venue coming into operation in February 2023.

Members also agreed (Paper A/4330/23) that £5million of the capital receipt for Mile and Langley Nursery should be used to finance the Ice Centre redevelopment scheme rather than using external borrowing. This would have reduced the Minimum Revenue Provision (MRP) to £575,000 for 2023/24.

However, with the delay to the handover until May 2023, the CFR for the Ice Centre redevelopment based on the balance sheet was £NIL with no statutory requirement for any MRP. Whilst the CFR for the Ice Centre is £0 for 2023/24, we still do have this external borrowing that requires financing. Therefore, we have included the £575,000 as a voluntary contribution to fund capital, and thus reduce the future requirement for external borrowing. Without this voluntary

contribution, repayment of borrowing would be extended by a year, along with the associated interest costs.

SPORT & LEISURE

10 Events (£20,000 reduced income)

Following events at Three Mills Green in 2021 there was a significant amount of remediation works required to address drainage issues and restore the site fully. Due to the significant expenditure, and the need to let the site settle before it has any further heavy footfall, it has been agreed to not use the site again for large scale events in 2023 to allow for reinstatement, which in turn will impact income levels this year.

PARKLANDS AND OPEN SPACES

11 Countryside Areas (£11,000 additional expenditure)

Meadow cuts sit outside of the main grounds maintenance contract and actual costs for this year have come back higher than anticipated in the budget. This additional expenditure may be mitigated through additional income and other savings by year-end.

SMALL VENUES

12 Marinas (£53,000 overspend)

Across the two marinas, income from moorings is performing well and expected to achieve budget. The chandleries are also forecast to achieve budget. However the rechargeable works area of the business is experiencing a downturn in demand. This is mainly attributed to the cost of living, with customers looking to delay works, carry them out themselves, or use cheaper competitors where available for smaller jobs. This has had a greater impact at Stanstead Marina. This is covered by the contingency included in the budget for income at risk due to cost of living pressures.

We are currently carrying out a review at both marinas, focussing on all operations, but primarily on efficiency around the chandlery and rechargeable business.

Also at Stanstead, the lease for land rented at Rye House for moorings has been completed. The rent to be paid this year is £20,000, which was not included in the budget.

13 Campsites (£41,000 overspend)

Across the campsites bookings for touring and rental accommodation have been good, with occupancy levels slightly ahead of last year. Income is expected to achieve budget. Rents for holiday homes are also expected to achieve budget. Income from new investment projects at Dobbs Weir and Sewardstone (Pods, customer Wi-Fi and Holiday Homes) is not expected to achieve budget targets. We have experienced some delays in delivery, and demand is building more slowly than hoped. Marketing campaigns are being used to push these products and demand is expected to pick up during the year.

Caravan sales are forecast to over achieve budget by £26,000, with sales expected for the five new plots at Dobbs Weir.

LEISURE SERVICES CONTRACT

14 Management Fee

The second year of the LSC commenced on 1 April 2023. The Authority is due to make a management fee payment to GLL this year, then from year three onwards this becomes a payment to the Authority. Adjustments to the management fee and other payments to GLL are explained below.

15 Efficiencies / Increased Income (£125,000 savings not achieved)

The Authority is working with GLL on a number of planned investment projects across the venues. Members approved two projects in January 2023 (Paper E/796/23). The health and fitness redevelopment at Lee Valley Athletics Centre is underway, and the mechanical horse at Lee Valley Riding Centre has been installed and is open for bookings. These projects will generate an additional income which will adjust the management fee by £75,000 this year. Once these two projects have reached full maturity, the annual return will be around £220,000.

Following investment in the LED lighting project at Lee Valley VeloPark, Members approved further spend to save LED investment at Lee Valley Hockey and Tennis Centre, Lee Valley Athletics Centre, Lee Valley Riding Centre and Lee Valley White Water Centre (Paper E/802/23). Authority and GLL officers are working together to agree the project timeline and legals, once in place the projected consumption savings will be fed into the outturn.

Members also approved the new barrier at Lee Valley VeloPark (Paper A/4340/23). This project will not deliver a saving for the Authority, and a loss of income payment to GLL is expected for this work. Authority and GLL officers are working together to agree the project timeline to minimise this loss of income.

16 Utilities (£70,000 reduced expenditure)

As explained earlier in this report we forecast a £70,000 saving against the LSC Utilities budget. However, this still represents a payment of £1.36million in respect of the tariff risk element of total LSC utility costs.

17 Ice Centre (£270,000 additional expenditure)

The new Lee Valley Ice Centre opened to the public in June 2023, later than originally planned. A management fee adjustment of £520,000 has been agreed that reflects the loss of income associated with the delay. This reflects the longer than expected delay assumed at the time of setting the £250,000 budget provision.

Whilst this additional expenditure will be covered by the budget contingency, Financial Regulations require that any virement above £250,000 is approved by Authority, and therefore a separate paper will be brought to Authority in October.

FURTHER ISSUES

18 VAT Claim on Sporting Income

The legal case led by Chelmsford City Council, and supported by the Authority,

regarding treating leisure services as non-business for VAT purposes has been concluded and found in the favour of local authorities and the LVRPA.

Officers submitted a claim to His Majesty's Revenue and Customs (HMRC) in order to reclaim historic overpaid VAT, along with an updated claim to cover the period from April 2020 when the operational venues transferred back to the Authority. HMRC confirmed in August that they have accepted our claim, and subject to final verification checks, the Authority are due to receive this, along with backdated interest imminently.

Due to the significant sums involved, and the fact that we can decide on how to allocate across our revenue and capital budgets, officers will bring a separate report to Members in October 2023.

Going forward this has a beneficial impact for leisure services delivered by the Authority, and we are working with KPMG to confirm the services that fall under this broad definition of leisure services.

ENVIRONMENTAL IMPLICATIONS

- 19 There are no environmental 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 There are no human resource implications arising directly from the recommendations in this report.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 23 There are no risk management implications arising directly from the recommendations in this report.

EQUALITY IMPLICATIONS

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

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PREVIOUS COMMITTEE REPORTS

Executive Committee	E/812/23	Q4 Revenue Budget Monitoring 2022/23	25 May 2023
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Authority	A/4329/23	2023/24 Revenue Budget & Levy	19 January 2023
Executive Committee	E/795/23	2023/24 Revenue Budget & Levy	19 January 2023

APPENDIX ATTACHED

Appendix A Detailed outturn forecast

LIST OF ABBREVIATIONS

LSC	Leisure Services Contract
GLL	Greenwich Leisure Limited
NJC	National Joint Council
CFR	Capital Financing Requirement
MRP	Minimum Revenue Provision

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OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2023/24

PERIOD: 04 (July 2023)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
OPERATIONAL SERVICES							
Chief Executive	0	136	136	609	609	0	0%
Corporate Services	-493	324	-169	-295	-302	-7	(2%)
Business Support Services	-9	736	727	2,487	2,490	3	0%
Sport and Leisure	-226	331	105	988	1,005	17	2%
Parklands and Open Spaces	-436	1,009	573	2,825	2,894	9	0%
Small Venues	-2,033	1,173	-860	-1,253	-1,161	92	7%
Leisure Services Contract	0	0	0	2,274	2,599	325	14%
	-3,197	3,709	512	7,635	8,074	439	6%
FINANCING							
Interest Receivable	-116	0	-116	-30	-220	-190	(633%)
Interest Payable & Bank Charges	0	-58	-58	828	1,010	182	22%
Contributions to/from Earmarked Reserves	0	0	0	940	940	0	0%
Financing of Capital Expenditure	0	0	0	0	575	575	0%
Minimum Revenue Provision (Pre-2007)	0	0	0	430	430	0	0%
Minimum Revenue Provision (Ice Centre)	0	0	0	700	0	-700	(100%)
						0	
Levies on Local Authorities	-3,549	0	-3,549	-10,647	-10,647	0	0%
Income And Energy Contingency	0	0	0	600			
Movement in General Fund				456	162	-294	(64%)

Appendix A to Paper E/816/23

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2023/24

PERIOD: 04 (July 2023)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
CHIEF EXECUTIVE							
Chief Executive	0	55	55	234	234	0	0%
PR / Communications	0	81	81	375	375	0	0%
TOTAL CHIEF EXECUTIVE	0	136	136	609	609	0	0%
CORPORATE SERVICES							
Legal Service	0	114	114	539	539	0	0%
Property Management	-493	95	-398	-1,406	-1,414	-8	(1%)
Planning and Strategic Partnerships	0	23	23	155	155	0	0%
Asset Protection, Maintenance & Development	0	61	61	292	293	1	0%
Committee Service	0	31	31	125	125	0	0%
TOTAL CORPORATE SERVICES	-493	324	-169	-295	-302	-7	(2%)
BUSINESS SUPPORT SERVICES							
Financial Management	0	114	114	502	503	1	0%
Human Resources Management	0	70	70	217	217	0	0%
Information Technology	-9	226	217	871	870	-1	(0%)
Corporate Insurances	0	217	217	489	489	0	0%
Audit / Health & Safety	0	48	48	206	206	0	0%
Non Distributed Costs	0	16	16	62	62	0	0%
Corporate Training / Apprenticeships	0	18	18	42	42	0	0%
Project & Funding Delivery	0	27	27	98	101	3	3%
TOTAL FINANCIAL SERVICES	-9	736	727	2,487	2,480	3	0%
SPORT AND LEISURE							
Events	-207	105	-102	41	61	20	49%
Sports Development	-2	17	14	89	87	-2	(2%)
Policy and Performance	0	169	169	682	682	0	0%
Learning & Engagement Service	-14	38	25	136	138	2	1%
Community Access	-3	2	-1	40	37	-3	(8%)
TOTAL SPORT AND LEISURE	-226	331	105	988	1,005	17	2%

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LEE VALLEY REGIONAL PARK AUTHORITY

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
PARKLANDS AND OPEN SPACES							
Management							
Operational Management	0	71	71	294	294	0	0%
Myddelton House Management	-5	208	203	371	367	-4	(1%)
Parklands							
River Lee Country Park	-3	115	112	356	357	1	0%
Gunpowder Park	0	28	28	89	92	3	3%
Countryside Areas	-74	320	246	1,250	1,261	11	1%
Abbey Gardens	-2	27	25	81	80	-1	(1%)
Three Mills	0	7	7	25	26	1	4%
East India Dock and Bow Creek	0	8	8	27	29	2	7%
Leyton Marsh	0	0	0	0	0	0	0%
Broxbourne Riverside	0	3	3	18	20	2	11%
Fisheries	-31	3	-28	-72	-79	-7	(10%)
Visitor Attractions							
Myddelton House	-75	87	12	178	177	-1	(1%)
Rye House Gatehouse	0	1	0	5	5	0	0%
Park Projects							
Volunteers	0	10	10	46	46	0	0%
Biodiversity Management	0	28	28	118	118	0	0%
Farms							
Lee Valley Farm, Holyfieldhall	-212	86	-126	93	95	2	2%
Initiatives and Partnerships							
King George Reservoir South	-7	7	0	-1	-1	0	0%
Lee Valley Boat Centre	-21	0	-21	-41	-41	0	0%
Broxbourne Chalets	-6	0	-6	-12	-12	0	0%
TOTAL PARKLAND AND OPEN SPACES	-436	1,009	573	2,825	2,834	9	0%
Small Venues							
Lee Valley Marina Springfield	-368	187	-182	-391	-392	-1	(0%)
Lee Valley Marina Stanstead	-278	236	-42	-88	-34	54	61%
Lee Valley Waterworks Centre	0	24	24	84	86	2	2%
Lee Valley Campsite (Sewardstone)	-399	146	-252	-154	-128	26	17%
Lee Valley Caravan Park (Dobbs Weir)	-554	216	-338	-391	-346	45	12%
Lee Valley Leisure Centre Campsite	-326	129	-197	-108	-112	-4	(4%)
Lee Valley Leisure Centre Golf Course	-50	36	-14	53	49	-4	(8%)
Almost Wild Campsite	-32	13	-19	-15	-15	0	0%
Caravan Sales	-26	186	160	-243	-269	-26	(11%)
TOTAL SMALL VENUES	-2,033	1,173	-860	-1,253	-1,161	92	7%

Appendix A to Paper E/816/23

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2023/24

PERIOD: 04 (July 2023)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
LEISURE SERVICES CONTRACT							
Management Fee	0	0	0	561	561	0	0%
Efficiencies / Increased Income	0	0	0	-200	-75	125	63%
LSC Support	0	0	0	0	0	0	0%
LSC Venues Direct Costs	0	0	0	233	233	0	0%
LSC Contingency (Utilities)	0	0	0	1,430	1,360	-70	(5%)
LSC Operations (Ice Centre)	0	0	0	250	520	270	108%
TOTAL LSC VENUES AND BUSINESS SUPPORT	0	0	0	2,274	2,599	325	14%
TOTAL OPERATIONAL SERVICES	-3,197	3,709	512	7,635	8,074	439	6%