

Q1 REVENUE BUDGET MONITORING 2022/23

Presented by the Head of Finance

EXECUTIVE SUMMARY

This report summarises monitoring of revenue expenditure to June 2022. It compares actual income and expenditure to the approved budget. It also provides a projection indicating the likely out-turn position against the annual budget for the year ending 31 March 2023. The overall net operational expenditure at the year-end is expected to be an estimated £396,000 over the approved budget for 2022/23. However, there is still uncertainty over the months ahead so this end of year of estimate needs to be treated with caution. The major variations currently projected are summarised in the table below, along with two notable areas of uncertainty, which could increase the overspend significantly.

Service Description	Annual Net Budget £000s	Projected Net Outturn £000s	Final Projected Variance £000s
Events (inc. Commonwealth Games)	31	(229)	(260)
Legal	417	611	194
Property	(1,142)	(1,261)	(119)
Leisure Services Contract	2,681	2,784	103
Parklands and Open Spaces	2,605	2,593	(12)
Small Venues	(798)	(782)	16
Caravan Sales	(207)	(50)	157
Other	4,531	4,595	64
Financing	1,787	1,775	(12)
Sub Total Estimated Over Spend	137	268	131
Additional Budget Uncertainties			
Pay rise – above budget	0	165	165
Additional inflation costs	0	100	100
FORECAST OUTTURN	137	533	396

RECOMMENDATION

Members Note: (1) the report.

BACKGROUND

- 1 The Executive Committee recommended a budget for 2022/23 at its meeting in January 2022 (Paper E/767/22). Members approved this at the Authority meeting on 20 January 2022 (Paper A/4312/22). This report compares income and expenditure to 31 March 2023 with the budget.
- 2 The summary financial position of each Authority service or facility is shown in Appendix A to this report.
- 3 The year-end position shows a projected net over-spend of £396,000 against the net revenue budget deficit of £137,000. The net deficit for the year is forecast as £533,000.
- 4 Where significant over/under spends are projected at the year-end for particular services a brief explanation is provided below.

GENERAL ECONOMIC FACTORS

- 5 Certain financial and economic factors continue to impact on the budget during 2022/23 and will continue into future financial years, these are summarised in the following paragraphs. Officers will monitor closely developments that may have a direct impact on the Authority's budget.
- 6 Continued uncertainty in the banking sector has had an impact on investment returns and certainty around where investments are deposited. The Authority had significantly adjusted its base level of investment income downwards and this formed part of the budget setting process for 2022/23. The 2022/23 target rate of return agreed by Members as part of the Annual Report on Treasury Management was 0.5% (Paper E/765/22), although with the increase in the Bank of England base rate, currently 1.75% as at August 2022, the forecast return will exceed this.

The Head of Finance continues to monitor the Authority's cash/investments and the institutions that they are invested in and will keep Members updated on any variances in this position through quarterly monitoring reports in 2022/23.

7 Inflation

August's inflation for the Retail Price Index (RPI) stood at 12.3% and Consumer Price Index (CPI) at 9.9%, a slight fall from the previous month. Inflation was expected to rise to above 13% in October, with the Bank of England forecasting a cautious return towards the target rate of 2% in the medium term (Bank of England Monetary Policy Committee (MPC) Report August 2022). The next MPC meeting is scheduled for 22 September where there will be a decision on whether to further increase the base rate.

This high inflation is expected to impact the Authority through increased costs as suppliers raise prices and reduced customer spending as disposable income is squeezed. Where these can be forecast with some certainty they have been built into the outturn, but the additional £100,000 budget uncertainty figure reflects a current estimate of how much extra this may cost.

8 Energy Costs

Energy prices continue to rise, which will increase risk around utility costs. The Authority purchases utilities through Laser, a consortium managed by Kent County Council, which purchases from the wholesale market and ensures public sector customers achieve best value. Whilst the Authority is not a big consumer of gas, with an annual budget of £130,000, it has a shared risk position for utility pricing at the Leisure Services Contract (LSC) venues (for the first 2 years only), with Greenwich Leisure Ltd (GLL) taking the risk for utility consumption for the entirety of the contract.

In line with our signed contracts for accessing the 2020-2024 Laser framework, our initial contract period was secured with fixed prices. We agreed to this fixed cost for 24 months, so the market price movements of wholesale electricity and gas prices will not affect us until October 2022, when we will join the flexible basket arrangement in line with our agreement. This was considered as part of the budget process and a contingency budget of £310,000 for LSC venues has been included.

Officers from both the Authority, and GLL, are liaising with Laser as to what the utility unit costs will be from October, although we are still awaiting a central government announcement on whether there will be any direct support to businesses to help with the significant increases.

9 Pay Award

In June 2022 the unions tabled their pay claim that included a substantial increase with a minimum of £2,000 or the current rate of RPI - whichever is greater - on all spinal column points. The employers have offered a flat rate pay rise of £1,925 to all staff, and unions are in the process of review. We have used this to forecast an average 5% increase across the workforce. The 2022/23 budget includes provision for a 2% pay award, but if the current offer is agreed, then this would average around a 5% increase and would increase costs by £165,000.

10 VAT Claim on Sporting Income

There is still a possibility that the Authority will benefit from a VAT reduction that could be applied to local authority historic sporting income. The Authority's VAT consultants have been using a lead case in respect of non-business treatment and considered the impact of reclaiming VAT on the protective VAT claims previously lodged with HMRC. It is believed there is merit in seeking a repayment of the VAT on the basis that this is non-business income (this is a reclaim of VAT for the Authority business pre 2015 with no implications or impact on the Lee Valley Leisure Trust Ltd (the Trust) activity/VAT). The value of the potential VAT repayment could result in a payment for the Authority. Officers have submitted calculations to KPMG for review and they have submitted a claim and appeal to HMRC.

The First Tier Tribunal (FTT) found in favour of the local authorities, although this was subsequently appealed by HMRC. The lead case was heard by the Upper Tribunal (UT) in March 2022, and at this hearing the UT dismissed HMRC's appeal. HMRC have now accepted this decision.

However, following this there is still a further issue regarding whether "non-

taxation would not give rise to significant distortions of competition” before a claim for reimbursement can be made. The UT heard an appeal by HRMC against the decision by FTT in regards to the associated Mid-Ulster case, which found in favour of HMRC and allowed the appeal to be remitted back to FTT.

We are awaiting further details from KPMG on how this will be taken forward.

OPERATIONS OVERVIEW

- 11 The 2022/23 budget was set in the context of the ongoing recovery from the pandemic. Operations are generally returning to pre-Covid levels, however this risk will continue to be monitored and reported through the strategic risk register. Any future restrictions will have an impact on the forecasted outturn.

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

CORPORATE SERVICES

12 Legal Service (£194,000 deficit)

The Authority is in dispute with the Trust regarding the 2019/20 Management Fee payment and end of contract liabilities following the Trust commencing litigation in January 2020. The dispute is subject of court action and would result in a potential cost to the Authority if it were unsuccessful in defending the claim brought against it by the Trust. Additional expenditure on external legal support is required to defend the claim. Additional external support has also been required in relation to the new LSC and in dealing with other legal matters, in particular following the departure of the Locum Property Solicitor in March.

13 Property Management (£119,000 surplus)

Additional rental income has been achieved across the Authority’s commercial accommodation and countryside areas.

SPORT & LEISURE

14 Events (£260,000 surplus)

Lee Valley VeloPark hosted the track cycling events of the 2022 Commonwealth Games. This required exclusive hire of the venue for four weeks during July and August. The Authority received a net income from this hire which was not included in the budget. The management fee agreed with GLL reflects a loss of income during this period.

SMALL VENUES

15 Campsites (£34,000 deficit)

The campsites continue to recover from the impact of Covid restrictions, which led to a loss of business from European visitors, and reduction in visitors staying to visit and work in London. Edmonton Campsite has seen a particularly strong recovery this year after a slower recovery than the other campsites who benefited more from the staycation trend last year.

Members agreed investment into new glamping units at Sewardstone and Dobbs Weir in November 2021 (Paper E/743/21), and the additional income they are forecast to generate was built into the 2022/23 budget. Installation

has been delayed by a few months which has impacted this year's income. Units are available to book from late summer and are expected to achieve good occupancy rates all year round due to their self-contained nature.

16 Caravan Sales (current £157,000 deficit against target)

Caravan sales have always been difficult to include in the annual budget as the Authority has little control over the number of potential sales, only becoming possible where a customer wishes to leave a campsite and sell their caravan (retained on the vacant pitch), or purchase a new caravan. For 2022/23 they were included as a contingency budget, to reflect that income is expected. The current forecast is prudent, based on only the sales that have already been completed or where the process has begun. This forecast should improve in each monitoring report as opportunities for further sales are confirmed.

LEISURE SERVICES CONTRACT (£103,000 deficit)

- 17 The LSC commenced on 1 April 2022, with the transfer of operation of the six major sporting venues to GLL. In the first two years of the contract the Authority will make a management fee payment to GLL. From year three onwards, this becomes a payment to the Authority.

In addition to the management fee there will be some additional expenditure in the first year. The Authority has picked up costs for some repair and maintenance work which wasn't possible to complete prior to commencement of the LSC, notably repairs to the pumps at Lee Valley White Water Centre. Due to a delay in the transfer of the venues to GLL's own booking system there is a cost for the short term extension of the software licence for Clarity which was the Authority's booking system to continue to manage venue bookings and payments.

Investment projects at the venues that were scheduled to be completed during 2022/23 have been budgeted to increase income and achieve cost savings. These include the meeting room development at Lee Valley White Water Centre and LED lighting at Lee Valley VeloPark. Due to planning delays with the Lee Valley White Water project, the forecast for this year reflects a reduced period of achieving these savings.

The budget includes £310,000 contingency for the LSC for increased utility costs, and it is anticipated that this contingency will be fully spent.

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. The forecast outturn will leave the general fund balance at £3.4 million at the end of March 2023. The approved level of £3-4million was agreed as part of the 2022/23 budget setting process.

21 2023/24 Budget Planning

Officers have started the process of budget planning for 2023/24, and revising the Medium Term Financial Plan. The budget for 2023/24, and outlook for future years, needs to address the impact on the Authority's reserves in 2022/23, the implications of higher inflation, and increased costs, and the need to review income across the Park's activities.

There will be a need to review both the Authority's cost and income base to reflect what it likely to be a difficult few years ahead.

Budget assumptions, objectives, and options will be developed over the next few months, with the Budget Methodology and Timetable, and Fees and Charges Policy to be brought to Members for review and approval in October.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

24 Spending of the budget is important in achieving the Authority's corporate objectives. The current net spend at the end of this financial year will impact on the Authority's budget in future years and will be incorporated into the Medium Term Financial Plan as part of the Budget Planning into 2023/24 and beyond.

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PREVIOUS COMMITTEE REPORTS

Executive Committee	E/767/22	Q4 Revenue Budget Monitoring 2021/22	26 May 2022
Executive Committee	E/765/22	Annual Report on Treasury Management Activity 2021/22	26 May 2022
Authority	A/4312/22	2022/23 Revenue Budget & Levy	20 January 2022
Executive Committee	E/751/22	2022/23 Revenue Budget & Levy	20 January 2022

APPENDIX ATTACHED

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

LIST OF ABBREVIATIONS

LSC	Leisure Services Contract
GLL	Greenwich Leisure Limited

RPI	Retail Price Index
HMRC	HM Revenue and Customs
FTT	First Tier Tribunal
UT	Upper Tier Tribunal
NJC	National Joint Council
the Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)
MPC	Bank of England Monetary Policy Committee

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OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2022/23

PERIOD: 03 (June 2022)

	Actual To Date		Net	Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure				£000s	%
OPERATIONAL SERVICES							
Chief Executive	(4)	167	163	682	723	41	6%
Corporate Services	(624)	443	(181)	(194)	(112)	82	42%
Finance and Support Services	(5)	410	405	2,366	2,385	19	1%
Sport and Leisure	(778)	233	(545)	983	722	(261)	(27%)
Parklands and Open Spaces	(241)	804	563	2,605	2,591	(14)	(1%)
Small Venues	(1,160)	770	(390)	(1,004)	(831)	173	17%
Leisure Services Contract	(5)	124	119	2,681	2,784	103	4%
	(2,817)	2,951	134	8,119	8,262	143	2%
FINANCING							
Interest Receivable	(4)	0	(4)	(8)	(20)	(12)	(150%)
Interest Payable & Bank Charges	0	1	1	56	56	0	0%
Contributions to/from Earmarked Reserves	0	0	0	1,000	1,000	0	0%
Financing of Capital Expenditure	0	0	0	290	290	0	0%
Minimum Revenue Provision	0	0	0	448	448	0	0%
Levies on Local Authorities	(2,442)	0	(2,442)	(9,768)	(9,768)	0	0%
s106 Expenditure/Income	0	1	1	0	0	0	0%
Total before additional uncertainties				137	268	131	96%
Additional employee pay rise	0	0	0	0	165		
Additional inflation costs	0	0	0	0	100		
Movement in General Fund				137	533	396	289%

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YEAR 2022/23

PERIOD: 03 (June 2022)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
CHIEF EXECUTIVE							
Chief Executive	0	55	55	256	256	0	0%
PR / Communications	(4)	112	108	426	467	41	10%
TOTAL CHIEF EXECUTIVE	(4)	167	163	682	723	41	6%
CORPORATE SERVICES							
Legal Service	(1)	199	197	417	611	194	47%
Property Management	(623)	82	(540)	(1,142)	(1,261)	(119)	(10%)
Planning and Strategic Partnerships	0	27	27	141	141	0	0%
Asset Protection, Maintenance & Development	0	109	109	278	285	7	3%
Committee Service	0	26	26	112	112	0	0%
TOTAL CORPORATE SERVICES	(624)	443	(181)	(194)	(112)	82	42%
FINANCE AND SUPPORT SERVICES							
Finance and Human Resources	0	235	235	618	639	21	3%
Information Technology	(5)	114	109	710	708	(2)	(0%)
Corporate Insurances	0	0	0	594	594	0	0%
Audit / Health & Safety	0	25	25	219	219	0	0%
Non Distributed Costs	0	11	11	69	69	0	0%
Corporate Training / Apprenticeships	0	3	3	71	71	0	0%
Project & Funding Delivery	0	22	22	85	85	0	0%
TOTAL FINANCIAL SERVICES	(5)	410	405	2,366	2,385	19	1%
SPORT AND LEISURE							
Events	(768)	38	(730)	31	(229)	(260)	(839%)
Sports Development	(1)	16	15	123	120	(3)	(2%)
Policy and Performance	0	144	144	601	600	(1)	(0%)
Youth & Schools Service	(9)	32	23	148	151	3	2%
Community Access	0	3	3	80	80	0	0%
TOTAL SPORT AND LEISURE	(778)	233	(545)	983	722	(261)	(27%)

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YEAR 2022/23

PERIOD: 03 (June 2022)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
PARKLANDS AND OPEN SPACES							
Management							
Operational Management	0	69	69	275	273	(2)	(1%)
Myddelton House Management	(6)	158	152	293	291	(2)	(1%)
Parklands							
River Lee Country Park	(7)	52	45	439	434	(5)	(1%)
Gunpowder Park	(5)	11	6	88	88	0	0%
Countryside Areas	(77)	203	126	1,055	1,037	(18)	(2%)
Abbey Gardens	(2)	12	10	94	93	(1)	(1%)
Three Mills	0	4	4	31	31	0	0%
East India Dock and Bow Creek	0	4	4	45	45	0	0%
Broxbourne Riverside	0	2	2	21	21	0	0%
Fisheries	(27)	1	(26)	(69)	(82)	(13)	(19%)
Visitor Attractions							
Myddelton House	(48)	80	31	183	189	6	3%
Rye House Gatehouse	0	0	0	5	5	0	0%
Park Projects							
Volunteers	0	9	9	42	42	0	0%
Biodiversity	0	25	25	106	106	0	0%
Farms							
Lee Valley Farm, Holyfieldhall	(65)	171	106	38	59	21	55%
Initiatives and Partnerships							
King George Reservoir South	(4)	3	0	(1)	(1)	0	0%
Lee Valley Boat Centre	0	0	0	(41)	(41)	0	0%
Broxbourne Chalets	0	0	0	1	1	0	0%
TOTAL PARKLAND AND OPEN SPACES	(241)	804	563	2,605	2,591	(14)	(1%)
SMALL VENUES							
Lee Valley Marina Springfield	(263)	165	(97)	(345)	(380)	(35)	(10%)
Lee Valley Marina Stanstead	(201)	191	(9)	(58)	(53)	5	9%
Lee Valley Waterworks Centre	0	15	15	82	82	0	0%
Lee Valley Farm Hayes Hill	0	1	1	0	1	1	0%
Lee Valley Campsite (Sewardstone)	(144)	98	(46)	(91)	(49)	48	53%
Lee Valley Caravan Park (Dobbs Weir)	(272)	130	(143)	(409)	(355)	54	13%
Lee Valley Leisure Centre Campsite	(134)	72	(63)	39	(45)	(84)	(215%)
Lee Valley Leisure Centre Golf Course	(35)	31	(4)	1	14	13	1300%
Almost Wild Campsite	(16)	10	(6)	(16)	(7)	14	88%
Caravan Sales	(95)	57	(38)	(207)	(50)	157	76%

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2022/23

PERIOD: 03 (June 2022)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
TOTAL SMALL VENUES	(1,160)	770	(390)	(1,004)	(831)	179	17%

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2022/23

PERIOD: 03 (June 2022)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
LEISURE SERVICES CONTRACT							
Management Fee	0	0	0	2,261	2,261	0	0%
Efficiencies / Increased Income	0	0	0	(60)	(10)	30	50%
LSC Support	0	37	37	0	0	0	0%
LSC Venues Direct Costs	(5)	87	82	170	243	73	43%
LSC Contingency	0	0	0	310	310	0	0%
TOTAL LSC VENUES AND BUSINESS SUPPORT	(5)	124	119	2,681	2,784	103	4%
OTHER OPERATIONAL SERVICES COSTS/INCOME							
s106 Expenditure/Income	0	1	1	0	0	0	0%
TOTAL OPERATIONAL SERVICES	(2,817)	2,952	298	8,119	8,262	143	2%

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