

Q3 REVENUE BUDGET MONITORING 2023/24

Presented by the Head of Finance

EXECUTIVE SUMMARY

This report summarises monitoring of revenue expenditure to December 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 £124,000 against the net revenue budget deficit of £456,000. The net deficit for the year is forecast as £332,000. The major variations currently projected are summarised in the table below.

Description	Annual Budget	Forecast Outturn	Variance
Interest Payable	828	1,026	198
Interest Receivable	(30)	(619)	(589)
Campsites	(911)	(691)	220
Marinas	(479)	(392)	87
Parklands and Open Spaces	2,825	2,929	104
Leisure Services Contract	2,274	2,609	335
Minimum Revenue Provision (Ice)	700	646	(54)
Corporate Services	(295)	(327)	(32)
Business Support Services	2,487	2,683	196
Other	3,104	3,115	11
Levies	(10,647)	(10,647)	0
SUB-TOTAL	(144)	332	476
Energy and General Contingency	600	0	(600)
TOTAL	456	332	(124)

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 £332,000 deficit, which is a £124,000 improvement on budget.

GENERAL ECONOMIC FACTORS

4 Inflation

December's inflation for the Retail Price Index (RPI) stood at 5.2% and Consumer Price Index (CPI) at 4.0%. The Bank of England expect inflation to fall to 2% in the Spring before rising slightly (Bank of England Monetary Policy Committee Report February 2024). The Bank of England increased the base rate to 5.25% on 3 August in an effort to try to control inflation, and will keep rates high for long enough to bring down inflation to their target level of 2%.

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 started in October 2023 and has fixed prices until September 2024.

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 closely and overall there has been reduced consumption compared to last year. The new tariffs from October 2023 to September 2024 were received in early November. Electricity tariffs have increased by less than expected, and gas tariffs have reduced. Overall these tariffs are a 7% saving compared to the budget assumption, and combined with consumption levels we forecast a £60,000 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. Consumption savings from the further LED investment projects across other LSC venues, as agreed by Executive in February 2023 (Paper E/802/23), will be fully seen in 2024/25. GLL have also received better than anticipated tariffs, and combined with reduced consumption it is forecast that there will be a saving of at least £120,000 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. Initially the unions rejected the offer, but it was announced on 1 November 2023 that Unison and GMB have accepted the offer and, whilst Unite have refused, a majority decision has been reached to accept the offer.

Members agreed in November (Paper E/826/23) that the Authority should set a pay award for 2023/24 for officers on pay point 44 and above in line with the NJC scale.

The 2023/24 budget included provision for a 4% pay award. The final award represents an approximate 5% increase, which equates to £90,000 additional expenditure against the approved budget.

MAIN VARIANCES FROM BUDGET

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

FINANCING

8 Interest Receivable (£589,000 additional income) and Interest Payable (£198,000 additional expenditure)

The increased rates of interest have impacted both the income received on investments, and interest payable on loans. Interest receivable has been significantly increased due to a higher than anticipated cash holding and effective treasury management. This includes money that will be owed to GLL that they have not yet invoiced for (Management Fee, Year 1 Utilities risk share and investment projects at venues). Interest received on the VAT rebate, detailed in paragraph 18, is included within this figure.

9 Minimum Revenue Provision / Contribution to Capital (£54,000 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 Lee Valley 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, £28 million with the venue coming into operation in February 2023.

Members also agreed (Paper A/4330/23) that £5 million of the capital receipt for Mile and Langley Nursery should be used to finance the Lee Valley 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 Lee Valley Ice Centre redevelopment based on the balance sheet was £NIL with no statutory requirement for any MRP. Whilst the CFR for Lee Valley 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.

An additional £71,000 contribution to capital has been funded from the returns delivered by the investment projects at Lee Valley Athletics Centre and Lee Valley Riding Centre, and as agreed by Members (Paper E/797/23) is a contribution to replacing the capital the Authority directly invested in the schemes.

BUSINESS SUPPORT SERVICES

10 Financial Management (£174,000 additional expenditure)

Additional consultancy support has been required which includes support from KPMG that resulted in the VAT rebate detailed in paragraph 18.

PARKLANDS AND OPEN SPACES

11 Countryside Areas (£137,000 additional expenditure)

The retendering of the security contract with Parkguard, reported to Executive in November (Paper E/831/23), has resulted in increased costs for the remainder of this year. 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.

Ranger staffing has been brought back up to the required level this year. Due to long term staff illness there has been a requirement for additional staffing expenditure to maintain service delivery. Higher than usual instances of fly tipping and arboriculture works following storms have also increased expenditure.

SMALL VENUES

12 Marinas (£87,000 overspend)

The cost of living is having an impact at the marinas, with a higher turnover of moorers than in previous years. There is demand to replace these moorings, with just a few vacant hardstanding moorings at Stanstead during the summer. Demand for rechargeable works is down on previous years. 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.

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.

We are currently carrying out a review at both marinas, and following a presentation to Members in November, a report will be brought back to Executive in the Spring.

13 Campsites (£220,000 overspend)

Across the campsites occupancy levels for touring and rental accommodation have generally been in line with last year. However, the introduction of the extended ULEZ zone from August has had an impact. Edmonton Campsite is inside the zone and Sewardstone is just outside. Touring bookings have dropped at Edmonton and although we have been able to redirect most impacted bookings to Sewardstone, where we have seen increased occupancy, there is a risk that overall income will be down.

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 achieve budget, with sales expected for the five new plots at Dobbs Weir.

LEISURE SERVICES CONTRACT

14 Management Fee (£47,000 additional expenditure)

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.

The Executive Committee (Paper E/743/21) approved the capital project to build a new Kayak Slalom Ramp at Lee Valley White Water Centre. This was completed in May 2023. The ramp was used for the Kayak Cross events at the 2023 Canoe Slalom World Championships held at the venue in September 2023. During the build there were restrictions to the programme on the Olympic Course, and a loss of income payment of £16,745 was agreed by Authority (Paper A/4341/23).

The contractors were required to return to site in January to carry out remedial work which meant that the Olympic Course could not be used for four days. A further loss of income payment is due to GLL, and a figure of £7,500 has been agreed.

Additionally, Members approved (Paper A/4341/23) an additional £23,400 be added to the Leisure Operators Base Trading Account (LOBTA) for an engineer at the Lee Valley Ice Centre to ensure that the building and plant is maintained to a high standard.

15 Efficiencies / Increased Income (£113,000 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 and the mechanical horse at Lee Valley Riding Centre have both been

completed. 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). These projects are underway and consumption savings will benefit future years' utility risk share expenditure. There is also an associated saving on lighting lifecycle replacement costs, with a £10,000 saving this year.

16 Utilities (£120,000 reduced expenditure)

As explained earlier in this report we forecast a £120,000 saving against the LSC utilities budget. However, this still represents a payment of £1.31 million in respect of the tariff risk element of total LSC utility costs.

17 Lee Valley 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.

Members received a report in October 2023 (Paper A/4341/23) that detailed this and a number of other management fee adjustments and approved the values for payment to GLL. This additional expenditure will be covered by the budget contingency.

FURTHER ISSUES

18 VAT Claim on Sporting Income

Following conclusion of the legal case around VAT on local authority non-business income, the Authority received a refund from HMRC along with accrued interest, which after fees for KPMG have been deducted results in a net receipt of £1.8 million.

In January Members approved the 2024/25 Budget (Paper A/4346/24) and for the £1.811 million refund to be held in the General Fund. The accrued interest and KPMG fees are included within the outturn within Investment income, and Business Support Services appropriately.

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/827/23	Q2 Revenue Budget Monitoring 2023/24	23 November 2023
Executive Committee	E/816/23	Q1 Revenue Budget Monitoring 2023/24	21 September 2023
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
LOBTA	Leisure Operators Base Trading Account

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YEAR 2023/24

PERIOD: 09 (December 2023)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
OPERATIONAL SERVICES							
Chief Executive	(5)	449	444	609	607	(2)	(0%)
Corporate Services	(1,554)	1,019	(535)	(295)	(927)	(92)	(11%)
Business Support Services	(46)	1,768	1,722	2,487	2,683	196	8%
Sport and Leisure	(282)	918	636	988	1,010	22	2%
Parklands and Open Spaces	(646)	2,591	1,945	2,825	2,990	105	4%
Small Venues	(4,224)	3,160	(1,064)	(1,253)	(958)	295	24%
Leisure Services Contract	0	9	9	2,274	2,609	395	15%
	(6,757)	9,914	3,157	7,635	8,554	919	12%
FINANCING							
Interest Receivable	(437)	0	(437)	(30)	(619)	(589)	(1963%)
Interest Payable & Bank Charges	0	504	504	828	1,026	198	24%
Contributions to/from Earmarked Reserves	0	0	0	940	942	2	0%
Financing of Capital Expenditure	0	0	0	0	646	646	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	(7,985)	0	(7,985)	(10,647)	(10,647)	0	0%
Income And Energy Contingency	0	0	0	600	0		
Movement in General Fund				456	992	(224)	(27%)
VAT refund - allocated to General Fund					(1,811)		
TOTAL MOVEMENT IN GENERAL FUND					(1,479)		

	Actual To Date		Net	Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure				£000s	%
CHIEF EXECUTIVE							
Chief Executive	0	172	172	234	234	0	0%
PR / Communications	(5)	277	272	375	373	(2)	(1%)
TOTAL CHIEF EXECUTIVE	(5)	449	444	609	607	(2)	(0%)
CORPORATE SERVICES							
Legal Service	(2)	329	327	539	535	(4)	(1%)
Property Management	(1,552)	284	(1,269)	(1,406)	(1,430)	(24)	(2%)
Planning and Strategic Partnerships	0	77	77	155	117	(38)	(25%)
Asset Protection, Maintenance & Development	0	232	232	292	321	29	10%
Committee Service	0	97	97	125	130	5	4%
TOTAL CORPORATE SERVICES	(1,554)	1,019	(535)	(295)	(327)	(32)	(11%)
BUSINESS SUPPORT SERVICES							
Financial Management	0	500	500	502	676	174	35%
Human Resources Management	0	177	177	217	229	12	6%
Information Technology	(29)	597	568	871	880	9	1%
Corporate Insurances	0	217	217	489	489	0	0%
Audit / Health & Safety	(17)	108	90	206	199	(7)	(3%)
Non Distributed Costs	0	48	48	62	63	1	2%
Corporate Training / Apprenticeships	0	45	45	42	47	5	12%
Project & Funding Delivery	0	76	76	98	100	2	2%
TOTAL FINANCIAL SERVICES	(46)	1,768	1,722	2,487	2,683	196	8%
SPORT AND LEISURE							
Events	(248)	253	5	41	68	27	66%
Sports Development	(7)	34	26	89	82	(7)	(8%)
Policy and Performance	0	499	499	682	690	8	1%
Learning & Engagement Service	(24)	112	88	136	133	(3)	(2%)
Community Access	(3)	20	16	40	37	(3)	(8%)
TOTAL SPORT AND LEISURE	(282)	918	636	988	1,010	22	2%

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
PARKLANDS AND OPEN SPACES							
Management							
Operational Management	0	221	221	294	295	1	0%
Myddelton House Management	(10)	311	301	371	368	(3)	(1%)
Parklands							
River Lee Country Park	(6)	239	233	356	333	(23)	(6%)
Gunpowder Park	(1)	67	66	89	92	3	3%
Countryside Areas	(146)	1,009	863	1,250	1,387	137	11%
Abbey Gardens	(2)	63	61	81	82	1	1%
Three Mills	0	19	19	25	26	1	4%
East India Dock and Bow Creek	(4)	19	15	27	23	(4)	(15%)
Leyton Marsh	0	0	0	0	0	0	0%
Broxbourne Riverside	(20)	15	(4)	18	18	0	0%
Fisheries	(111)	18	(94)	(72)	(86)	(14)	(19%)
Visitor Attractions							
Myddelton House	(130)	242	112	178	176	(2)	(1%)
Rye House Gatehouse	0	2	2	5	5	0	0%
Park Projects							
Volunteers	0	36	36	46	47	1	2%
Biodiversity Management	0	87	87	118	119	1	1%
Farms							
Lee Valley Farm, Holyfieldhall	(154)	229	76	93	99	6	6%
Initiatives and Partnerships							
King George Reservoir South	(11)	14	3	(1)	(1)	0	0%
Lee Valley Boat Centre	(41)	0	(41)	(41)	(41)	0	0%
Broxbourne Chalets	(10)	0	(10)	(12)	(12)	0	0%
TOTAL PARKLAND AND OPEN SPACES	(646)	2,591	1,945	2,825	2,930	105	4%
Small Venues							
Lee Valley Marina Springfield	(875)	537	(339)	(391)	(372)	19	5%
Lee Valley Marina Stanstead	(634)	599	(34)	(88)	(20)	68	77%
Lee Valley Waterworks Centre	(6)	53	48	84	81	(3)	(4%)
Lee Valley Campsite (Sewardstone)	(611)	417	(194)	(154)	(119)	35	23%
Lee Valley Caravan Park (Dobbs Weir)	(826)	570	(256)	(391)	(223)	168	43%
Lee Valley Leisure Centre Campsite	(524)	375	(149)	(108)	(89)	19	18%
Lee Valley Leisure Centre Golf Course	(102)	119	16	53	44	(9)	(17%)
Almost Wild Campsite	(50)	24	(26)	(15)	(19)	(4)	(27%)
Caravan Sales	(596)	466	(130)	(243)	(241)	2	1%
TOTAL SMALL VENUES	(4,224)	3,160	(1,064)	(1,253)	(958)	295	24%

	Actual To Date		Net	Annual Net Budget	Proposed Net Outturn	Variance		
	Income	Expenditure				£000s	%	
LEISURE SERVICES CONTRACT								
Management Fee	0	0	0	561	608	47	8%	
Efficiencies / Increased Income	0	0	0	(200)	(87)	113	57%	
LSC Support	0	0	0	0	0	0	0%	
LSC Venues Direct Costs	0	9	9	233	258	25	11%	
LSC Contingency (Utilities)	0	0	0	1,430	1,310	(120)	(8%)	
LSC Operations (Ice Centre)	0	0	0	250	520	270	108%	
TOTAL LSC VENUES AND BUSINESS SUPPORT	0	9	9	2,274	2,609	335	15%	
TOTAL OPERATIONAL SERVICES	(6,757)	9,914	3,157	7,695	8,554	919	12%	