

**Q4 REVENUE BUDGET MONITORING 2018/19
PROVISIONAL OUTTURN**

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

This report summarises service spending for 2018/19 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 £115,000 (1.2%) below the net budget for 2018/19.

The majority of reasons for variance were mostly anticipated and reported to Members during the year as part of the 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 4 July 2019.

Service Description	Variance 2018/19	Impact on budget in 2019/20
	£	£
Improved investment returns	(15,000)	0
Sponsorship Income	50,000	25,000
Legal Service	149,000	0
Property Management	(93,000)	0
Finance & Support Services (Net Cost)	76,000	0
Reduction in LSC Management Fee	(110,000)	0
Business Rates Rebate at Lee Valley VeloPark	(180,000)	(100,000)
Events Income & reduced costs	(46,000)	10,000
Car Parking Charges	82,000	0
In Year Operational Savings	(33,000)	0
East India Dock Rental/Gunpowder Park rental	40,000	40,000
Biodiversity Scheme at Glen Faba	(57,000)	57,000
Lee Valley Holyfield Hall Farm	21,000	0
Dobbs Weir Commission Income	(290,000)	0
Lee Valley Ice Centre – LSC Clause 14 Adjustment	176,000	0
Savings Targets 2018/19	136,000	0
Myddelton House Visitor Centre	(25,000)	0
Other	4,000	0
Total Estimated Under Spend:	(115,000)	32,000

RECOMMENDATIONS

- Members Approve (1) a carry forward of £10,000 as described in paragraph 18 of this report; and
- Members note (2) the report.

BACKGROUND

- 1 The Executive Committee recommended a budget for 2018/19 at its meeting in January 2018 (Paper E/540/18). This was approved by Members at the Authority meeting on 18 January 2018 (Paper A/4252/18). This report compares actual income and expenditure to 30 December 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 position shows a net underspend of £115,000 against net expenditure budget of £133,000.
- 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 2018/19 and will continue to do so into 2019/20 and future financial years and these are summarised in the following paragraphs. Overall uncertainty exists in financial markets as negotiations to leave the European Union continue and officers will monitor closely developments that may have a direct impact on the Authority's budget, for example inflation and 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 budget has a built-in 2% uplift in line with the National Employers for Local Government Services offer dated 5 December 2017. On 10 April 2018 the Authority received confirmation that the new pay scales 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.

Members approved in May (Paper E/561/18) that Senior Officers on a pay grade above scale point 49 would also receive the 2% pay increase in line with NJC award for officers up to scale point 49.

- 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 2018/19. The 2018/19 target rate of return agreed by Members as part of the Annual Report on Treasury Management was approved at 0.75% (Paper E/564/18). Actual returns on investment in 2018/19 were £77,155, (0.68%) and have exceeded the budget by

£15,000.

The Director of Finance & Resources continues to monitor Authority investments and the institutions that they are invested and will keep Members updated on any variances in this position through quarterly monitoring reports in 2019/20.

- 8 The Authority has received the outcome of the 2010/17 rating appeal for Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre. A tribunal appeal hearing was heard at the end of March 2019. A more favourable valuation has been achieved and this has yielded a one-off benefit for the Authority estimated at circa £180,000. The reduction in Rateable Value from £2.04m to £1.87m is still subject to another appeal and further savings may accrue for the 2010/17 period and the new rating period from 2017/18.

All eligible centres that transferred to Lee Valley Leisure Trust Ltd (the Trust) received 80% mandatory relief for 2018/19. This amounted to a saving of £1.7million and this was again built into the 2019/20 budget and the Trust management fee.

Rates at the Waterworks have not been charged since 2015/16 at a potential total cost of £47,500. Although the Trust do occupy the building the lease currently identifies the landlord (LVRPA) as still in occupation and therefore still liable for the business rates. The London Borough of Waltham Forest is unwilling to change the billing to the Trust unless the rating valuation is formally split between the Authority and Trust - meaning the Trust could claim 80% charitable rate relief on their share of the occupation. Splitting the rates liability would probably reduce the bill to a cost in the region of £28,000. The Authority's rates consultant believes that the building was brought into rating when Local Authorities took full responsibility of business rates and back-dated this to the legally first applicable date of April 2015, the cost has impacted in 2018/19. Officers have ensured the bill is paid to avoid additional costs re court action for non-payment but will seek to resolve this matter with the London Borough of Waltham Forest and the Valuation Office over the next financial year. In year salary savings within the Property team have broadly off-set this cost in 2018/19. Future years liability has been included as part of the 2019/20 budget.

- 9 There is a strong possibility that a VAT reduction 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 reclaiming VAT 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 this is non-business income (this is a reclaim of VAT for the Authority business pre 2015 with no implications or impact on the Trust activity/VAT. The value of the potential VAT repayment could result in a significant windfall in 2019/20. Officers have submitted calculations to KPMG for review and they have submitted a claim and appeal to HMRC. It is anticipated that this matter will be concluded in 2019/20, although no firm date has yet been established for the lead case to be heard.
- 10 March's inflation for the Retail Price Index stood at 2.8% and Consumer Price Index at 1.8%.
- 11 The main variances against this year's budget are described below.

CHIEF EXECUTIVE

12 Sponsorship Income (£25,000 reduced income, £25,000 expenditure)

The Authority has been working in partnership with British Canoeing since 2018 to secure commercial partners for a package of assets across British Canoeing's and the Authority's interests.

13 The initiative has secured a range of commercial partner deals, in particular Jaffa as the Principal Partner for the 2019 ICF Canoe Slalom World Cup and 2020 ECA Canoe Slalom European Championships – the first ever commercial rights partner for British Canoeing events. While not securing income, or direct benefits, for the Authority immediately – the process has created relationships with a number of potential partners for Lee Valley White Water Centre itself. These are currently being pursued and officers will update Members as and when opportunities reach a firm negotiation point.

14 Naming rights and sponsorship are areas reserved for the Authority under the new Leisure Services Contract (LSC) and following recent meetings with the London Legacy Development Corporation (LLDC) the Authority is also exploring opportunities for joint working with LLDC in this area.

CORPORATE SERVICES

15 Legal Services (£149,000 over spend)

There has been and will continue to be additional legal costs in relation to external legal support required on a number of matters. There are a number of matters which require external support and in one matter in particular which is complex this is quite specialist legal advice. The Authority is currently receiving external legal advice on both of the potential Picketts Lock developments and the litigation claims relating to Abercrombie Lodge. During the 2018/19 financial year the Authority also received external advice relating to some employment matters in connection with the current LSC.

16 Property Management (£93,000 net savings)

Overall net savings in property management are reflected through the in-year savings generated by the vacant Head of Property post after the existing post-holder retired in 2017 and additional rental and way-leave income. Some of the savings have been offset by additional use of consultants and the absorption of the backdated rates at the Waterworks described in paragraph 8. The establishment of a permanent Property Manager going forward alongside resolution of the rates issue will ensure sufficient resources are available in this business critical area going forward without adversely affecting the budget.

FINANCE & SUPPORT SERVICES

17 Finance & Support Services (Reduction in LSC management fee £102,000 net increase in costs £76,000)

The return of the seconded posts, previously employed by the Trust, alongside the return of specific posts within Finance, Performance and IT as part of the "decoupling process" have increased costs in this area. These increased costs are offset by reductions in the management fee and in support service recharges to the Trust. Marketing and HR are now also decoupled and as such

further adjustments were made for the last two months of 2018/19 – increased costs to the Authority in these areas are mirrored by equivalent reductions in the management fee with the objective to continue to maintain support costs within the overall budget envelope of the two organisations.

SPORT & LEISURE

18 Events (Increased Income £28,000 & underspend £16,000 event costs)

As part of the medium term financial plan Authority events have had an increased stretch income target year on year with 2019/20 being the final stretch target of £120,000. The events team have successfully increased income from events and looked to minimise costs. Events can be relatively large, for example, the Shell Eco camping at the Waterworks or the music festivals at Three Mills; or small such as 10k or half marathons at the Country Parks. Different uses and scale of events have generated from £250 for small community activities to £35,000 for larger scale events.

To maintain the ability to attract site hires constant improvements in infrastructure is required and with this in mind Members are requested to carry forward £10,000 from the event cost code to provide upgrade works at Three Mills for the coming year.

PARKLANDS & OPEN SPACES

19 Car Parking Charges – (£82,000 reduced income)

The gross income generated in 2018/19 was £97,750 but on-costs (excluding any staff time) have reduced the net benefit to the Authority This end of year position is based on the actual income generated to date at the 10 operational car parks, with the main reason for the anticipated shortfall attributed to visitors managing their time within the first hour of free parking and an overall reduction in visitor numbers.

Car parking charges were part of the full Fees and Charges review considered by this Committee in November (Paper E/596/18) where approved charges from 2019/20 have resulted in a removal of the first free hour alongside a reduction in charges of £0.50p after this first hour. It is anticipated that this will generate a potential additional £70,000 and bring the income received in line with the approved budget in 2019/20.

Broxbourne Borough Council have installed the machines and signage at the 3 additional car parks (Broxbourne Mill & Meadows and Cheshunt and Pindar) so charging started 22 October 2018. Officers are still scoping the investment of electricity supply to Tottenham as without this implementing charges would not be financially viable.

In year operational savings and additional income within River Lee Country Park, Gunpowder Park, the Countryside areas (North and South) and Abbey Gardens, as well as improved income returns from Wild Camping have contributed £33,000 to reduce the overall impact of these cost centres to a projection of £49,000 over budget.

20 East India Dock Basin and Gunpowder Park Rentals – (£40,000 reduced income)

Two specific sites were identified to achieve commercial rental income and are included within the budget:

East India Dock (£20,000 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.

Gunpowder Park (£20,000 reduced income)

Member approval to lease to a cycle operator was granted in 2017 and subsequently planning permission was granted in September 2017 to proceed. However, the operator pulled out in December 2017 deciding to focus on the online and international sales.

Officers were in discussion and finalising terms with another cycle operator for the lease of the Field Station on a 3 year lease term at a rental of £20,000 pa with the view to commence in Spring 2019, however this interest has also fallen away and the property will be re-marketed due to lack of progress from the current interest.

21 Biodiversity (£57,000 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 £77,148 transferred from Hertfordshire County Council to fund these works. Project development and planning was completed in 2017/18 and implementation will now span the next two financial years with ground works completed in 2018/19 and planting out in early 2019/20.

The scheme does not (as originally thought) require Environment Agency Permits and planning permission prior to commencement of on-site works. Therefore some spending did commence in 2018/19 for tree works and preparation for the ground works. It is anticipated that the scheme will be fully completed in the Spring of 2019.

Members approved in July (Paper E/574/18) a carry forward of any under spent funds in 2018/19 to conclude these works in 2019/20.

22 Lee Valley Farm – Holyfield Hall (£21,000 reduced income)

Changes that have been implemented at the Farm are starting to make positive impacts, for example the cows milk yields are up on average by 2 litres per cow, more young heifers are due in the Q4 of this year to increase herd numbers, unfortunately they will have little impact of increasing the milk income by the required amount, but their introduction will deliver higher yields for 2019/20.

The 2018/19 budget was set at a production of 950,000 litres at 29 pence per litre (ppl) and in year we delivered 910,000 litres at an average price of 27.5ppl.

Arable has suffered with the spring drillings as the drought has caused the crop to perform worse than expected, this weather has affected the grain quality across the UK. Approved staffing restructures have made minimal difference in 2018/19 as additional costs (12 weeks paid notice and 70 days paid annual leave) which were not known when the Q1 projection was forecast, these are now included and savings in the staffing budget are forecast at £30,000 in 2019/20.

Officers were confident if prices remained the same (or improved) and the new ways of working proved successful that further inroads into reducing the £35,000 shortfall as forecasted in Q1, Q2 and Q3 were achievable. This has proved possible with a final outturn of £21,000 and place the Farm in a positive position for 2019/20.

23 Caravan Sales Dobbs Weir (£290,000 increased income)

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. In 2017/18 the Authority received £804K and now has received a further £290K in 2018/19 as the remaining 17 sales have been completed.

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 and Members approved the £804K as an additional one-off contribution to capital in May 2018 (paper E/565/18). The commission received in 2018/19 will be used to off-set the projected revenue budget variance with any surplus resources being used as a one-off contribution to capital.

24 Lee Valley Ice Centre – LSC Clause 14 Adjustment (£176,000 increased expenditure)

Members will be aware that Lee Valley Ice Centre was closed for 8 weeks during the summer of 2017 for replacement of the Ice Pad and the barrier. At the time of decision to refurbish the centre Members recognised that the income lost during that period would impact the Trust and potentially require a management fee adjustment in line with clause 14 of the contract. Officers of the Authority and Trust have calculated the net loss to the Trust to be £176,000 accounting for improved efficiency in utility costs in the new year. Members agreed to the clause 14 adjustment at its meeting in September 2018 (Paper E/576/18) and this will have a one-off impact in 2018/19. This sum has now been transferred to the Trust.

Clause 14 adjustments relating to 2018/19 (£105,800) and approved by Members in March (Paper E/612/19) will be paid in 2019/20 alongside the contract management fee.

25 Savings Targets 2018/19 (£136,000 unachieved savings)

As part of the budget setting process and budget savings targets for 2018/19

two items identified for on-going savings are unlikely to yield up the anticipated savings budgeted for 2018/19. These are "Service Review" savings (£100,000) and savings from operational costs due to the Abbey Gardens lease (£36,000).

In relation to service reviews, planned restructuring of the Active Communities team are underway, the Parkland service is complete and agreed by Members in September (Paper E/579/18). These are unlikely to be fully delivered and yield full year savings before the end of this financial year. In addition Members have agreed (Paper E/584/18) to transfer the catering/reception service at Myddelton House to the Trust and this was implemented from the new calendar year which has provided some savings in 2018/19 (£25,000) and going forward.

In relation to Abbey Gardens the lease with the church is currently being held over. Medium to longer term savings may still be realisable as part of the wider service review of services operated from this site and the ongoing maintenance provision set aside for areas under the lease and Members will be kept updated as part of the monitoring reports.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 28 These are dealt with in the body of the report. The overall outturn position leaves general reserves broadly at £4.2m (the approved level of £4m was agreed as part of the 2018/19 budget).

The projected variance in Quarter 1 2018/19 was an over spend of £364,000. In Quarter 2 this reduced to £187,000 and at Quarter 3 projected at £125,000. A one-off refund from Lee Valley VeloPark rate appeal has significantly contributed in reducing the in-year bottom line deficit to a favourable variance and was highlighted to Members throughout the year as potentially having that impact.

HUMAN RESOURCE IMPLICATIONS

- 29 These are dealt with in the body of the report.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 31 Spending of the budget is important in achieving the Authority's corporate objectives. The currently projected net spend to the end of this financial year will impact on the Authority's budget in future years and was incorporated into the Medium Term Financial Plan going forward.

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ABBREVIATIONS

the Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)
LSC	Leisure Services Contract
NJC	National Joint Council
LLDC	London Legacy Development Corporation
LVRPA	Lee Valley Regional Park Authority

PREVIOUS COMMITTEE REPORTS

Executive Committee	E/613/19	Leisure Services Contract – 2018/19 Clause 14 Adjustment	21 March 2019
Executive Committee	E/609/19	Q3 Revenue Budget 2018/19 Performance Monitoring	14 February 2019
Executive Committee	E/594/18	Q2 Revenue Budget 2018/19 Performance Monitoring	22 November 2018
Executive Committee	E/584/18	Myddelton House Café, Visitor and Information Centre Concession	20 September 2018
Executive Committee	E/579/18	Proposed Ranger Restructure	20 September 2018
Executive Committee	E/574/18	Q1 Revenue Budget 2018/19 Performance Monitoring	26 July 2018
Executive Committee	E/565/18	Q4 Revenue Budget Monitoring 2017/18 – Provisional Outturn	24 May 2018
Executive Committee	E/564/18	Annual Report on Treasury Management Activity 2017/18 and Annual Investment Strategy 2018/19	24 May 2018
Authority	A/4252/18	2018/19 Revenue Budget & Levy	18 January 2018
Executive Committee	E/540/118	2018/19 Revenue Budget & Levy	18 January 2018

APPENDIX ATTACHED

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

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YEAR 2018/19

PERIOD: 13 (March 2019)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
OPERATIONAL SERVICES							
Chief Executive	0	555	555	488	555	67	14%
Corporate Services	-1,332	1,879	547	463	547	84	18%
Finance and Support Services	-437	1,280	843	946	842	-104	(11%)
Sport and Leisure	-165	1,230	1,065	1,116	1,063	-53	(5%)
Parklands and Open Spaces	-1,387	3,933	2,546	2,830	2,549	-281	(10%)
Leisure Trust Contract	0	2,393	2,393	2,319	2,393	74	3%
Service Reviews	0	0	0	-136	0	136	100%
FINANCING							
Interest Receivable	-78	0	-78	-63	-78	-15	(24%)
Bank Charges	0	5	5	6	5	-1	(17%)
Contributions to Earmarked Reserves	0	364	364	787	787	0	0%
Financing of Capital Expenditure	0	0	0	953	931	-22	(2%)
Levies on Local Authorities	-9,576	0	-9,576	-9,576	-9,576	0	0%
Movement in General Fund				133	18	-115	(86%)
General Fund Balance Brought Forward					-4,199		
General Fund Balance Carried Forward					-4,181		

YEAR 2018/19

PERIOD: 13 (March 2019)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
CHIEF EXECUTIVE							
Chief Executive	0	300	300	247	300	53	21%
PR / Communications	0	255	255	241	255	14	6%
TOTAL CHIEF EXECUTIVE	0	555	555	488	555	67	14%
CORPORATE SERVICES							
Legal Service	-8	510	502	353	502	149	42%
Property Management	-1,323	453	-870	-777	-870	-93	(12%)
Planning and Strategic Partnerships	-1	345	344	377	377	0	0%
Asset Protection, Maintenance & Development	0	463	463	404	430	26	6%
Committee Service	0	108	108	106	108	2	2%
TOTAL CORPORATE SERVICES	-1,332	1,879	547	463	547	84	18%
FINANCE AND SUPPORT SERVICES							
Finance Management	-2	368	366	287	366	79	28%
Audit / Health & Safety	0	69	69	80	69	-11	(14%)
Non Distributed Costs	0	70	70	69	70	1	1%
Corporate Training / Apprenticeships	0	9	9	20	9	-11	(55%)
Leisure Trust Employee Secondments	-300	414	114	0	113	113	0%
Business Support (Trust)	-135	384	249	343	249	-94	(27%)
Leisure Contract Venues Insurance	0	146	146	147	146	-1	(1%)
Business Rate Refund	0	-180	-180	0	-180	-180	0%
TOTAL FINANCIAL SERVICES	-437	1,280	843	946	842	-104	(11%)
SPORT AND LEISURE							
Events	-107	348	241	286	240	-46	(16%)
Sports Development	-5	56	51	70	51	-19	(27%)
Policy and Performance	0	497	497	481	497	16	3%
Youth & Schools Service	-52	248	196	199	196	-3	(2%)
Community Access	-1	78	77	80	76	-4	(5%)
Lee Valley Ice Centre - Feasibility Study	0	3	3	0	3	3	0%
TOTAL SPORT AND LEISURE	-165	1,230	1,065	1,116	1,063	-53	(5%)

OPERATIONAL OUTTURN SUMMARY

LEE VALLEY REGIONAL PARK AUTHORITY

YEAR 2018/19

PERIOD: 13 (March 2019)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance	
	Income	Expenditure	Net			£000s	%
PARKLANDS AND OPEN SPACES							
Management							
Operational Management	0	155	155	153	155	2	1%
Myddelton House Management	-12	305	293	295	293	-2	(1%)
Parklands							
River Lee Country Park	-37	853	816	738	817	79	11%
Gunpowder Park	-9	166	157	147	157	10	7%
Countryside Areas	-68	819	751	743	751	8	1%
Abbey Gardens	-22	104	82	94	82	-12	(13%)
Three Mills	-4	31	27	37	27	-10	(27%)
East India Dock and Bow Creek	-2	47	45	33	45	12	36%
Leyton Marsh	0	0	0	0	0	0	0%
Broxbourne Riverside	-44	18	-26	-17	-26	-9	(53%)
Fisheries	-161	136	-25	-20	-25	-5	(25%)
Visitor Attractions							
Myddelton House	-140	384	244	270	245	-25	(9%)
Rye House Gatehouse	0	8	8	8	8	0	0%
Park Projects							
Volunteers	-3	101	98	97	98	1	1%
Biodiversity	0	111	111	168	111	-57	(34%)
Farms							
Lee Valley Farm, Holyfieldhall	-534	679	145	124	145	21	17%
Initiatives and Partnerships							
Caravan Sales, Dobbs Weir	-290	0	-290	0	-290	-290	0%
King George Reservoir South	-8	9	1	0	1	1	0%
Lee Valley Boat Centre	-40	4	-36	-33	-35	-2	(6%)
Broxbourne Chalets	-13	3	-10	-7	-10	-3	(43%)
TOTAL PARKLAND AND OPEN SPACES	-1,387	3,933	2,546	2,830	2,549	-281	(10%)
TOTAL AUTHORITY	-3,321	8,877	5,556	5,843	5,556	-287	(5%)

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