



Q1 CAPITAL PROGRAMME BUDGET MONITORING 2024/25

Presented by Head of Finance

EXECUTIVE SUMMARY

This report summarises capital spending in 2023/24 compared to the current capital programme.

Appendix A to this report provides a financial summary of current schemes within the capital programme and shows that overall capital expenditure for the year-end is currently projected to be £6.028 million, with £0.026 million of capital receipts.

RECOMMENDATION

Members Note: (1) the report.

BACKGROUND

- 1 Authority initially approved the capital programme for 2024/25 at its meeting on 19 January 2023 (Paper A/4330/23). Additional approvals for investment at Lee Valley Campsite Sewardstone (Paper A/4351/24) has updated the programme. This report compares the actual spend with the current programme.
- 2 Where there is a significant variance, resulting in a projected under or over spend for a particular project, a brief explanation for the variance is provided below by the Accountable Officer for that scheme.
- 3 Where slippage is projected and reported, those resources remain earmarked for the particular schemes in question in future years. Where an under spend is reported these savings are added back into capital funds.
- 4 The original annual budget for 2024/25 was **£3.284 million** net expenditure. However, reprofiling due to prior year slippage, along with the inclusion of other identified schemes, has meant the profiled capital budget for 2023/24 is now **£6.875 million**. The projected capital expenditure for the year is **£6.028 million**.

Project phasing and delivery profiling account for the majority of the movement against the original 2024/25 budget profile, with some projects (Hostile Vehicle Mitigation, Middlesex Filter Beds, St Pauls Field, Lee Valley VeloPark Safety Barrier), along with completion of remaining works at Lee Valley Ice Centre scheduled for delivery in 2024/25.

There is also a budget provision for works at East India Dock Basin, which is discussed later in the paper, although as this is not a fully approved project it has not been included in the 2024/25 budget.

SPECIFIC SCHEMES

5 The review of major schemes in 2024/25 is detailed below.

6 Lee Valley Ice Centre Redevelopment

Following the practical completion of Lee Valley Ice Centre in May 2023, and subsequent administration of Buckingham Group Contracting Limited (BGCL) in September 2023, there remained a number of snagging/defects that needed to be remedied.

Members approved the recommendations within Paper E/820/23 to make a claim for the outstanding liquidated damages owed to the Authority, terminate the contract with BGCL and, following the termination, where possible to require BGCL's sub-contractors to remedy defects under collateral warranties and to employ third parties to undertake any remaining outstanding snagging and defect works.

Officers have undertaken all of the above and the process for rectification of the snagging and defects continues to be undertaken and is near completion. The final project cost is forecast to be under the approved budget of £30million, including all the operational fit out costs as well as capitalisation of development borrowing costs.

We haven't had any contact with the administrators since November 2023. Once the defects work is completed, a letter will be sent to the administrators setting out the Authority's position with regard to BCGL's liability for sums due to the Authority in respect of rectification works and liquidated damages.

Officers will update Members if any further progress with the administrators is made.

7 Lee Valley Ice Centre Funding

The redevelopment of Lee Valley Ice Centre has always been anticipated to be fully funded from external borrowing, with the original strategy one of short-term loans during the construction phase, to be converted to long-term loans on completion. This was subsequently amended to allow greater flexibility with borrowing due to the increase in lending rates.

Officers have continued to adopt the more cash and affordability efficient approach of short-term loans, rather than locking in long-term debt, and have to date borrowed £23 million on terms of up to two years.

Due to the current volatility in rates we have continued with this approach as it gives the Authority greater freedom and flexibility to respond should rates drop. Over the last few weeks we have seen Public Works Loans Board (PWLB) long term rates at around 5.20%. Our Medium Term Financial Forecast is currently based on rates being around 5.00%, and reducing in line with base rate forecasts. The rates in the short-term market are around 4.80%, although our current

borrowing is between **4.22% and 5.23%**. It would therefore be prudent to wait for when it may be appropriate to take longer-term borrowing.

Having short-term borrowing also allows us to easily apply and repay loans should we benefit from future capital receipts, without charges that would be associated with repaying long-term loans.

We continue to be supported by the London Borough of Enfield, via the Section 151 Officer, along with their external treasury advisors, Arlingclose, in adopting this approach to borrowing.

The Authority has three loans of £5million each that are due for refinancing in September and December this year.

We will continue to update Members on borrowing in future quarterly Capital Outturn reports.

8 Asset Maintenance

The Authority has developed an Asset Maintenance (AM) programme across the assets and open spaces that it is directly responsible for. This is a rolling programme of major one-off and planned/cyclical maintenance over 10 years. The programme is funded by annual direct contributions from revenue to ensure that the programme is fully funded to cover both lower and higher maintenance years.

The annual AM budget is amended each year to take into account where additional maintenance is required, or is deferred to future years.

The annual AM profiled budget is expected to be around £1.35 million, and includes schemes carried over from the prior year. Main areas included in the programme for 2024/25 are:

- replacement Ground Source Heat Pumps at Lee Valley White Water Centre;
- Marina lighting upgrades;
- footpath maintenance throughout the Regional Park, including phased replacement of gold top on Queen Elizabeth Olympic Park;
- repairs to East India Dock Basin river walls;
- bridge maintenance and repairs; and
- Abbey Gardens monastic wall repairs.

Where AM works can be identified as capital in nature, these can then be capitalised, although the revenue funding will be assigned to these schemes so as not to further increase the charge to revenue that would occur with an unfinanced capital spend.

9 Hostile Vehicle Mitigation

This project has seen a number of delays due to both the planning process and a significant increase in material costs. This has seen a significant rise in costs above the current approved budget. The scheme has now been fully redesigned with support from counter terrorism experts and the changes have achieved the project requirements whilst reducing the overall scheme costs. The project has been procured, planning has been granted and works are due to start in late 2024.

10 Lee Valley Park Farm, Holyfield Hall

A paper giving an update on the change of operation at the Farm was presented to Members in October (Paper E/825/23). We are still experiencing difficulty in disposing of some machinery relating to the milking parlour, although we have made some headway in selling some machinery bringing in £7,500. However, the remaining equipment, valued at around £7,500, has still had no interest and the Authority may have to consider scrapping this due to the reduction of dairy farms over the last few years. Scrap value is estimated at £1,000 - £2,000.

On the back of this, we have not yet fully invested in all the livestock, fencing, nor the baler, due in part to the delays in the Government rolling out the Stewardship Agreement that the Farm has applied for.

The capital received for the sale of livestock and machinery has been ring-fenced for reinvestment in the Farm, which is now expected to complete in this financial year.

11 Landscape, Open Spaces and Investment Projects

Middlesex Filter Beds

Neilcott have now completed the works and practical completion was issued in early August 2024. A new generator has been installed with a steel cage and reinforced locks and systems to stop theft of the generator. A steel bar has been added so it is considered to be impossible to lift the generator out of the compound and the amount of time and kit required to disassemble has increased considerably. New pumps have also been fitted and tested and the site is now in the process of being re-wetted during the latter part of August. The option of a suitable electric feed is being reviewed with the consultant Pick Everard and we will decide if this is worth continuing to look at. Final minor habitat improvement works were completed during August.

East India Dock Basin (EIDB)

Final sampling points have now been agreed with the Marine Management Organisation (MMO) and Port of London Authority (PLA) and we are seeking value for money options from the consultants to complete this final element of the sampling stage. This will allow the application for a licence to disperse silt into the Thames. The Orchard Wharf planning application has now been submitted and the Authority is commenting in its statutory role as planning consultee. Officers are discussing the S106 and we may seek to put forward a case to ask for S106 to desilt the Basin.

The Authority have also been approached by the London Borough of Tower Hamlets (LBTH) who are working up a project for which they are seeking capital funding to deliver a community space/visitor centre with café and toilets. Officers are considering a proposal to lease an area of land within EIDB where we proposed a visitor centre could be situated. This would deliver a facility that meets both the Authority's and LBTH objectives and would be funded and managed by LBTH. If elements of funding can be levered in that develop a venue and desilt the Basin, officers will then consider a further submission to the National Lottery Heritage Fund (NLHF) for the restoration of the gates and any remaining elements already not delivered or funding allocated. Officers are discussing a further submission with the NLHF case officers from the previous submission.

A paper will be brought to Members for consideration when more information is available.

St Pauls Field

The St Paul's Field project will deliver 3.25km of new footpath from Meadgate Road in Nazeing to Dobbs Weir Road. This will open up an area of the Park which has been inaccessible to the public, delivering a countryside and lakeland pathway for pedestrians and cyclists.

Hugh Pearl were the successful company winning the tender to construct the path. Contractors are expected to take possession of the site at some point in October and the projected completion date is still on track for March 2025.

North Wall Road

North Wall Road is north of Lee Valley VeloPark and jointly owned with the London Legacy Development Corporation (LLDC). It is a hard landscape which has had little value for either organisation. We now have a set of RIBA Stage 2 concept designs and a projected cost plan for this site. Further design funding for RIBA Stage 3 and 4 has been secured by LLDC from their Community Infrastructure Levy (CIL) funding and LLDC will manage the next phase of developing this project up to Stages 3 and 4. Officers will report back to Members on the designs, costs and outcome of the further development work early in 2025.

12 Venue Investment Projects

Main updates since the last outturn report in May are as follows.

Lee Valley VeloPark Spectator Barrier

The scheme is to remove the current track barrier and handrail around the indoor velodrome track and replace it with a clear perspex screen that will be around 1400mm high. This will not only enhance significantly the spectator experience but also allow the venue to achieve accreditation to stage Union Cycliste Internationale (UCI) events when the new governance comes into place. This is after a review by UCI into the major incident when a rider and bike traversed the old barrier and injured a spectator during a UCI event held at the velodrome last year. The details and design have been approved by UCI and the cost of the scheme is approx £300,000.

Installation was completed between 12 and 29 August 2024, with the loss of income calculated at £18,774 for this revised date.

Leisure Services Contract (LSC) Venues LED Lighting

The installation of LED lighting at the LSC venues has now been mainly completed with just some back of house lighting to complete at Lee Valley Hockey & Tennis Centre and Lee Valley Athletics Centre.

Lee Valley VeloPark Health & Fitness Offer

The works on conversion of meeting rooms under the concourse at Lee Valley VeloPark to a Gym are largely completed and the facility opened successfully on 1 May 2024. There are still some works required to finalise both the internal and external areas which will continue over the next weeks.

The next phase is to undertake the creation of two enclosed meeting pods on the main concourse of the arena which started on 19 August and are due for completion in early September 2024.

As with the LED lighting projects, this is being procured and delivered by GLL with the Authority providing the funding, with the costs falling due following completion of works once invoiced.

Sewardstone Campsite Investment

Members approved an investment scheme at Sewardstone (Paper A/4351/24) which involved a three phase project of:

- expansion of static pitches;
- creation of outdoor learning and activity zone; and
- four unique hotel pods.

The separate phases are dependent on the completion of the first phase, and will be fully self-funded from the sale of holiday homes.

Phase one involves the creation of ten additional hard standing pitches, and a planning application for this phase together with the hotel pods and associated facilities is due to be submitted later this month pending completion of the technical studies, required by Epping Forest District Council as part of the planning process.

Obtaining planning consent at this stage will enable greater certainty over timing and delivery of the three phases.

CAPITAL RECEIPTS

- 13 We expect to receive a small receipt from disposal of encroached land at Hawes Lane, Waltham Abbey (as set out in Paper E/840/24), and is expected in the latter part of 2024. Once received, it will be added to the general usable capital receipts reserve.

ENVIRONMENTAL IMPLICATIONS

- 14 There are no direct environmental implications arising from the recommendations in this report. However, within each project a full evaluation of environmental implications is undertaken and reported to Members as part of the overall project brief.

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 16 A variance during the year on the capital programme can result in additional/reduced investment income being earned in the year as cash balances deposited in the Authority's approved bank accounts change.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 19 Failure to deliver a capital project within an agreed timescale could lead to adverse publicity. It may also mean that the Authority fails to achieve its corporate objectives within the time span that was originally anticipated and/or result in revenue budget variations as part of the Medium Term Financial Plan where the investment is intended to generate new income streams.

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APPENDIX ATTACHED

Appendix A Capital Monitoring 2024/25 Q1 Outturn

PREVIOUS COMMITTEE REPORTS

Executive Committee	E/854/23	Q4 Capital Programme Budget Monitoring 2023/24	23 May 2024
Executive Committee	E/842/24	Q3 Capital Programme Budget Monitoring 2023/24	29 February 2024
Authority	A/4348/24	Proposed Capital Programme 2023/24 (Revised) to 2027/28	18 January 2024
Executive Committee	E/828/23	Q2 Capital Programme Budget Monitoring 2023/24	23 November 2023
Executive Committee	E/817/23	Q1 Capital Programme Budget Monitoring 2023/24	21 September 2023
Executive Committee	E/810/23	Q4 Capital Programme Budget Monitoring 2022/23	24 May 2023

ABBREVIATIONS

AM	Asset Maintenance
LLDC	London Legacy Development Corporation
MMO	Marine Management Organisation
PLA	Port of London Authority
RIBA	Royal Institute of British Architects
LSC	Leisure Services Contract
BGCL	Buckingham Group Contracting Ltd
UCI	Union Cycliste Internationale
EIDB	East India Dock Basin
LBTH	London Borough of Tower Hamlets
NLHF	National Lottery Heritage Fund

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Project Name	Full Scheme Budget £000s	Prior Years Spend To Date £000s	Profiled Budget 2024/25 £000s	Actual to 31 Jul 2024 £000s	Projected Outturn at 31/03/2025 £000s	Projected Variance 2024/25 £000s	Comment
ANNUAL EARMARKED RESERVES							
Biodiversity Action Plan		-	75	5	57	-18	Programme Delivery Profiling
IT Infrastructure & Communications		-	140	69	153	13	Programme Delivery Profiling
Asset Management		-	1,350	183	1,350	0	Programme Delivery Profiling
PROJECT SPECIFIC BUDGETS							
Lee Valley Ice Centre Redevelopment	30,000	28,832	1,168	112	589	-579	Programme Delivery Profiling
Olympic Park Hostile Vehicle Mitigation	495	22	473	5	300	-173	Slippage
White Water Pumps Replacement	1,040	1,034	6	14	14	8	Final Retention - Scheme Complete
Holyfieldhall Farm Operational Change	155	59	96	26	96	0	In progress
LANDSCAPE, OPEN SPACE & INVESTMENT PROJECTS							
East India Dock Basin - Feasibility & Surveys	125	94	31	0	32	1	In progress
East India Dock Basin - De-silting works	0	0	0	0	0	0	Provisional Budget of £0.5m
Middlesex Filter Beds Sluice	240	0	240	61	240	0	Slippage/In Progress
St Pauls Field (Inc Feasibility)	450	75	375	24	360	-15	In progress
North Wall Road	60	47	0	8	0	0	On target
VENUES INVESTMENT PROJECTS							
Non-Sports Venues							
Workshop Extension (Springfield)	100	0	100	0	0	-100	Deferred
Scout Hut Refurbishment (Springfield)	50	0	50	0	0	-50	Deferred
Sewardstone Development	450	0	450	0	450	0	In the planning process
Sports Venues							
WhiteWater - Offices/Meeting Rooms	500	519	0	13	13	13	Final Retention - Scheme Complete
LSC LED Lighting	1,522	0	1,522	1,087	1,522	0	In Progress
Velo Spectator Barrier	300	9	291	0	291	0	In Progress
Velopark Health & Fitness Offer	508	0	508	1	508	0	Scheme Complete
Land Disposal Costs							
Rammey Marsh West	0	57	0	3	53	53	In progress
TOTAL PROGRAMME			6,875	1,611	6,028	-847	
Capital Receipts							
Holyfieldhall Farm Livestock/Machinery	-200	-195	-15	-8	-10	5	In Progress
Land at Hawes Lane	-16	0	-16	0	-16	0	In Progress
TOTAL INCOME			(31)	(8)	(26)	5	
CAPITAL PROGRAMME FINANCING							
Debt			1,476		897		
External Grant Funding			200		200		
Revenue Contribution			521		521		
AM Reserve			1,350		1,350		
Earmarked Reserves			215		210		
Retained in Revenue			0		53		
Capital Receipts			3,113		2,797		
TOTAL FINANCING			6,875		6,028		

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