

**PROPOSED CAPITAL PROGRAMME
2023/24 (REVISED) TO 2027/28**

Presented by the Head of Finance

SUMMARY

The Executive Committee considered the attached paper (Annex A, Paper E/837/24) at their meeting this morning (18 January 2024) which sets out the revised capital budget for the period to 2027/28, along with the capital financing to fund that expenditure.

A verbal update will be provided to Members at the Authority meeting regarding the recommendations/proposals put forward by the Executive Committee at their meeting.

RECOMMENDATIONS

- Members Approve:
- (1) the revised capital programme for 2023/24 (revised) to 2027/28 as set out in Appendix A to paper E/837/24; and
 - (2) the proposed capital funding to meet the planned capital programme as set out in Appendix B of paper E/837/24.

BACKGROUND

- 1 The draft capital programme, and the funding of that programme, were considered in the paper presented to Executive Committee this morning, as set out in Annex A to this report (Paper E/837/24).
- 2 A significant programme of capital development and investment is an important part of the Authority's statutory remit, whether funded directly by the Authority or with other partners. The capital programme reflects the Authority's key role as a developer and enabling organisation and includes a number of projects which are crucial in achieving the objectives set out in the Strategic Business Plan. Major capital projects have and will continue to determine the character of the Regional Park for the near future.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 5 These are dealt with in the body of the report attached as Annex A to this report (Paper E/837/24).

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 8 These are dealt with in the body of the report attached as Annex A to this report (Paper E/837/24).

Author: Keith Kellard, 01992 709 864, kkellard@leevalleypark.org.uk

ANNEX ATTACHED

Annex A Paper E/837/24

PREVIOUS COMMITTEE REPORTS

Executive	E/837/24	Proposed Capital Programme 2023/24 (Revised) to 2027/28	18 January 2024
-----------	----------	--	-----------------

crucial in achieving the objectives set out in the Strategic Business Plan. Major capital projects have and will continue to shape the character of the Regional Park for the future.

- 2 The Covid-19 pandemic and inflationary pressures have impacted on the potential development of the capital programme over the past few years. Projects such as third party investment at Picketts Lock and Eton Manor, as well as potential development investment at venues as part of the Leisure Services Contract (LSC) have been delayed. More minor but important projects at LSC venues have recently been approved (Lee Valley Athletics Centre Gym, Lee Valley Riding Centre Equine Simulator, Lee Valley White Water Centre Slalom Ramp, Lee Valley VeloPark Gym, LED investment at all venues), and further schemes are being developed.
- 3 This report brings together the results of known approved changes and the latest information on estimated costs and timing of existing individual projects. It proposes a revised capital programme for the period 2023/24 (revised) to 2027/28 for Members' consideration. This is summarised in paragraph 18 of this report and further detailed in Appendices A and B to this report.
- 4 The key recent project in the capital programme was the development of the Lee Valley Ice Centre, with £30m earmarked for the project. Whilst the venue has been operational since July 2023, we are still in the defect and snagging stage, which has been impacted by the contractor, Buckingham, entering administration in August 2023. The final account won't be fully known until later in 2024/25. The remaining estimated spend is included in the programme.

Another key aspect is the asset maintenance and management programme for the Authority's estate. A major condition survey of the Authority's venues was undertaken prior to commencement of the LSC and provided clarity on the investment sums required by the Authority and Greenwich Leisure Ltd (GLL) to maintain this part of the estate. This is in addition to an already established and ongoing programme of maintenance of Authority venues, infrastructure and open spaces. Estimated Authority expenditure has been incorporated into the revised capital programme attached at Appendix A to this report. GLL has a contractual requirement to manage and maintain the assets they currently manage, and there is a significant asset management programme included in the LSC. The combined asset maintenance programme is set out in Appendix D to this report.

Aside from these, the capital programme beyond the current year, 2023/24, just includes profiled spend of already approved projects, but no new schemes. This just means that currently there are no projects that have been worked up to a stage to include within the programme, but this gives the Authority capacity to review its future investment requirements.

The Authority has adopted a Land & Property Strategy for the consideration of land acquisition and disposal. Officers guided by Members have reviewed the Authority's estate in its widest sense, with the aim of maximising the return, in terms of how the land is used, new land purchase opportunities, and disposals where potentially marginal land can be identified as no longer required for Park purposes.

This approach provides a more strategic overview to the capital programme of which land disposal/acquisition is a key aspect and potential disposals can provide for funding further developments in the programme in the longer term.

STATUS OF THE CAPITAL PROGRAMME

- 5 **The capital programme is principally a planning document.** It matches the Authority's investment plans to its estimated projected capital resources over the medium term and enables officers to undertake planning and feasibility work for projects which often have long lead times.
- 6 **Inclusion of a project in the capital programme does not, in itself, commit the Authority or constitute approval to incur expenditure.** For all major projects a full business case based on the Prudential Code including detailed briefs, scheme designs, project costs, funding arrangements and ongoing revenue costs (including the cost of capital) will be the subject of specific reports for Member approval.

Likewise, any land identified for potential disposal **does not, in itself, commit the Authority to dispose of any areas of land.** For all decisions concerning potential disposal a full appraisal must be carried out covering a strategic evaluation of the disposal which must in the first instance be identified as no longer required for Park purposes. Each area of land considered for disposal will be the subject of a specific report for Member approval which will include the financial, legal, planning and risk implications of doing so.

- 7 In some cases inclusion of financial provision in the programme reflects an identified or expected need for investment. Although the exact nature and scope of any project may yet need to be determined. In these cases, both the level and timing of expenditure are clearly subject to change.
- 8 The Authority's capital development programme is geared to the management and development of its existing assets, legacy venues on its land and business development schemes to generate further income for the Park. The capital programme beyond this period is yet to be determined with major investment schemes identified at particular sites. Future investments will require separate business cases and funding plans to be in place before committing to the project, but indicative figures are included in the plan.

PROJECTED AVAILABLE CAPITAL FUNDING

- 9 Initial indications are that existing capital reserves together with projected borrowing and major repairs revenue contributions will provide funds of £20.855m to 31 March 2028.
- 10 A key feature of the Business Plan is recognition of the need to work in partnership with other organisations and sectors in order to deliver the Authority's vision for the Park. One strand of this approach has been to look for opportunities for external funding, using the Authority's resources to attract contributions from partners and funding bodies.

In recent years the ability to attract external grant funding to support the capital programme has become very limited. The Authority has therefore shifted its strategic approach to realising more of its funding from utilising its own asset base. This has identified potential new capital resources to support the funding of the programme as well as key strategic sites for investment. Any income that is generated can be used to develop the Park further through the capital programme.

11 Partnership Funding

Currently forward projections for partnership funding against major schemes are not included, although officers are working closely with partners to seek external funding for major projects, for example, at Lee Valley White Water Centre, Picketts Lock, Eton Manor, and East India Dock Basin.

12 The proposed revised capital programme is detailed at Appendix A to this report; the financial provision shown represents the Authority's own capital investment alongside any anticipated borrowing. The total net funding requirements of the revised capital programme proposals are **£12.611 million** to 31 March 2028.

13 Appendix A to this report does not include the potential impact from any new work undertaken through the Park Development Framework (PDF) or works resulting due to contaminated land. Further investment across the themed categories of the PDF and decontamination works may be needed in the longer term and where this occurs officers will need to identify resources required through the normal capital programming process.

14 Revenue Contribution to Capital

The proposed revenue contribution to support the capital programme in 2024/25 has been included at £1.250m in line with the current Medium Term Financial Plan. This contribution will support the Asset Maintenance programme, and represents 11.7% of the current 2023/24 levy (£10.647m). Remaining capital resources will come from existing capital receipts and borrowing.

15 The estimated and proposed capital resources available to fund the capital programme proposals are set out in Appendix B to this report and summarised below. This shows the annual accounting balances, movements into the funds, and expenditure from them

16 Table 1 summarises the capital financing and shows that at the end of the five year period to 31 March 2028 capital reserves would be £8.244m. Caution should be taken here though as, as explained below, this does not mean we have direct access to this to finance future capital expenditure, and reference needs to be made to our cash availability.

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Opening Resources	16.849	8.291	7.093	7.052	7.617
Annual Contributions/ Borrowing/Financing	(1.794)	2.050	1.250	1.250	1.250
Capital Expenditure	(6.764)	(3.248)	(1.291)	(0.685)	(0.623)
Surplus Capital Resources	8.291	7.093	7.052	7.617	8.244

Table 1: Summary of Capital Expenditure and Financing

17 The Capital Strategy report (Paper E/836/24) sets out more details on the financing of capital expenditure, but ultimately capital can be financed in two ways – direct up-front financing, or by debt (either internal or external).

Up front financing involves the application of capital grants, contributions, capital receipts, or a direct charge to revenue, whereas debt financing is by external borrowing, or use of own cash reserves. Capital financed by debt will subsequently place a burden on future year's revenue budget, and thus the Levy.

- 18 However, actual availability of funds to finance the capital programme should be looked at only with reference to all other reserves and liabilities, and the actual cash holdings. This therefore provides a link between both the Capital Strategy (Paper E/836/24), and Levy & Budget (Paper E/838/24), and the capital budget.

Appendix C to this report sets out the available reserves, both capital and revenue, against the capital debt financing and cash flow liabilities. It shows the expected cash balance at year end.

At 31 March 2024, we expect to hold £14.2m of available reserves, of which, as per table 1 above, £8.3m are classed as capital reserves. However, due to our underlying net borrowing requirement of £8.4m, which is principally made up of the historic internal borrowing, we do not have the cash capacity to cover all reserves. With the necessity to cash back general reserves, as well as the cash-flow need to cover short-term liabilities, this means that capital resources are not directly cash backed.

The implication of this is that with the exception of low value, or short-term, quick return of investment projects, we would only be able to fund a capital programme with one of external borrowing, external grant funding, or new capital receipts.

ENVIRONMENTAL IMPLICATIONS

- 19 There are no environmental implications arising directly from the recommendations in the report. However, the schemes contained in the programme clearly have significant environmental implications. These will be considered as part of the detailed development of each scheme/sale and will feature in the individual reports to Members on each proposal.

FINANCIAL IMPLICATIONS

- 20 As part of the budget process over the last couple of years, Members have reviewed the annual revenue contribution to capital increasing it to £1.250m for 2023/24. Whilst realising some level of capital receipts from the Authority's estate to enable re-investment may identify potential new capital resources to support funding of the programme going forward, there is no certainty of this being achieved. Nor is the prospect of securing direct funding from third parties. Members should therefore consider that an increase in direct capital support from revenue may be required in future years, either in the form of contributions, or internal and external borrowing.

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. The assumptions for future investment and funding rely partly on contributions from the disposal of some marginal sites to enable re-investment in development and/or improvement in other areas of the Regional Park and therefore to deliver the corporate priorities going forward. If the Authority does not achieve some land disposals then it may mean major investment projects are either pared back to match available resources, deferred until new resources become available, or funded by borrowing (which would have a direct impact on the Levy). Failure to invest in major repairs may also lead to a deterioration of the existing asset base.

EQUALITY IMPLICATIONS

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

Author: Keith Kellard, 01992 709864, kkellard@leevalleypark.org.uk

PREVIOUS COMMITTEE REPORTS

Executive	E/793/23	Proposed Capital Programme	19 January
		2022/23 Revised To	2026/27 2023

APPENDICES ATTACHED

Appendix A	Capital Development Programme Revised 2023/24 to 2027/28
Appendix B	Capital Programme Financing Forecast 2023/24 to 2027/28
Appendix C	Analysis of Current Reserves
Appendix D	Combined Asset Maintenance Programme

LIST OF ABBREVIATIONS

PDF	Park Development Framework
LSC	Leisure Services Contract
GLL	Greenwich Leisure Ltd

	TOTAL BUDGET £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Asset Management	N/A	890	1,353	1,291	685	623
PROJECT SPECIFIC BUDGETS						
Lee Valley Ice Centre Redevelopment	30,000	2,000	800	0	-	-
Olympic Park Hostile Vehicle Mitigation	495	400	-	-	-	-
Landscape, Open Space & Investment Projects						
East India Dock Basin - Feasibility	85	15	-	-	-	-
East India Dock Basin - De-silting works (Provisional)	500	50	tbc	tbc	tbc	tbc
Middlesex Filter Beds Sluice	240	40	200	0	0	0
St Pauls Field - Feasibility	15	7	-	-	-	-
St Pauls Field	350	350	0	0	0	0
North Wall Road	40	40	-	-	-	-
Non-Sports Venues Investment Projects						
Campsites - WIFI Upgrade	30	0	-	-	-	-
Feeder Pillars (Springfield)	75	50	-	-	-	-
Workshop Extension (Springfield)	100	100	-	-	-	-
Scout Hut Refurb (Springfield)	50	50	-	-	-	-
Laundry Room (Stanstead)	70	70	-	-	-	-
Holyfieldhall Farmhouse Conversion	250	tbc	tbc	tbc	tbc	tbc
Dobbs Weir - Bungalow Refurbishment	55	82	-	-	-	-
Sewardstone - House Refurbishment	40	19	-	-	-	-
Holyfieldhall Dairy Conversion	155	126	29	-	-	-
Sports Venues Investment Projects						
White Water - Offices, Meeting Rooms	500	60	-	-	-	-
White Water - Slalom Ramp	340	318	-	-	-	-
White Water Pumps Replacement	1,040	149	-	-	-	-
Eton Manor Feasibility	25	-	-	-	-	-
LVAC Health & Fitness Refurbishment	575	575	-	-	-	-
LVRC Equestrian Simulator	65	65	-	-	-	-
LSC LED Lighting	1,522	800	566	0	0	0
Velopark Spectator Barrier	300	0	300	0	0	0
Velopark Health & Fitness Offer	508	508	0	0	0	0
NET PROGRAMME		6,764	3,248	1,291	685	623
Financing						
External Borrowing		(2,000)	(800)	0	0	0
Internal Borrowing		(508)	0	0	0	0
Asset Maintenance Reserve		(890)	(1,353)	(1,291)	(685)	(623)
External Grant Funding		(190)	0	0	0	0
Capital Receipts		(3,176)	(1,095)	0	0	0
NET FINANCING		(6,764)	(3,248)	(1,291)	(685)	(623)

Lee Valley Regional Park Authority
Capital Programme Financing Forecast 2023/24 to 2027/28

Capital Resources	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	TOTAL £000s
Opening Balance		(16,849)	(8,291)	(7,093)	(7,052)	(7,617)	
Movement in Resources							
Capital Receipts	(16,520)	(183)	0	0	0	0	(16,703)
Financing of Ice Centre Expenditure from Receipts	0	5,425	0	0	0	0	5,425
Asset Maintenance Reserve Contributions	(329)	(750)	(1,250)	(1,250)	(1,250)	(1,250)	(6,079)
External Grants	0	(190)	0	0	0	0	(190)
Debt Financing of Capital	0	(2,508)	(800)	0	0	0	(3,308)
Revenue Financing of Capital	0	0	0	0	0	0	0
		1,794	(2,050)	(1,250)	(1,250)	(1,250)	(20,855)
Total Available Resources	(16,849)	(15,055)	(10,341)	(8,343)	(8,302)	(8,867)	(20,855)
Capital & Asset Management Expenditure							
Lee Valley Ice Centre Redevelopment		2,000	800	0	0	0	2,800
Olympic Park Hostile Vehicle Mitigation		400	0	0	0	0	400
Landscape, Open Space & Investment Projects		502	200	0	0	0	702
Non-Sports Venues Investment Projects		497	29	0	0	0	526
Sports Venues Investment Projects		1,967	866	0	0	0	2,833
Velopark Health & Fitness Offer		508	0	0	0	0	508
Asset & Infrastructure Management		890	1,353	1,291	685	623	4,842
Total Capital/AM Expenditure		6,764	3,248	1,291	685	623	12,611
Closing Balance		(8,291)	(7,093)	(7,052)	(7,617)	(8,244)	(8,244)
Capital Related Fund Balances							
Usable Capital Receipts Reserve	(16,520)	(8,102)	(7,007)	(7,007)	(7,007)	(7,007)	(7,007)
Asset Maintenance (Major Repairs) Reserve	(329)	(189)	(86)	(45)	(610)	(1,237)	(1,237)
	(16,849)	(8,291)	(7,093)	(7,052)	(7,617)	(8,244)	(8,244)

Analysis of Usable & Unusable Reserves

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000s	£000s	£000s	£000s	£000s
USABLE RESERVES					
Revenue Reserves					
General Fund	(2,960)	(4,425)	(4,418)	(4,391)	(4,377)
Insurance Fund	(445)	(439)	(319)	(299)	(279)
Repairs & Renewals Funds	(1,318)	(1,050)	(1,032)	(1,014)	(996)
Sub Total Revenue Reserves	(4,723)	(5,914)	(5,769)	(5,704)	(5,652)
Capital and Asset Based Reserves					
Asset Maintenance Reserve	(329)	(189)	(86)	(45)	(610)
Usable Capital Receipts	(16,520)	(8,102)	(7,007)	(7,007)	(7,007)
Sub Total Capital Reserves	(16,849)	(8,291)	(7,093)	(7,052)	(7,617)
Total Usable Reserves	(21,572)	(14,205)	(12,862)	(12,756)	(13,269)
Capital Financing & Borrowing					
Capital Financing Requirement (pre-2007)	10,755	10,323	9,908	9,509	9,125
Assets Under Construction	27,147	0	0	0	0
Capital Financing Requirement (Ice Centre)	0	22,597	22,618	21,822	21,233
Capital Financing Requirement (Velopark)	0	508	445	381	318
External Borrowing	(25,000)	(25,000)	(23,200)	(22,405)	(21,815)
Net Internal Borrowing	12,902	8,428	9,771	9,307	8,860
Cash Flow - General Liabilities	(2,123)	(3,100)	(2,100)	(1,600)	(1,600)
Net Closing Reserves Balance	(10,793)	(8,877)	(5,191)	(5,049)	(6,009)

	2023-24	2024-25	2025-26	2026-27	2027-28
	£000s	£000s	£000s	£000s	£000s
Authority AM Programme					
Waterworks Visitor Centre	10	30	20	10	0
Lee Valley Riding Centre	0	0	0	0	0
Staff Bungalows Full repairing lease with GLL	0	0	0	0	0
Lee Valley Ice Centre	0	0	0	0	25
Lee Valley Marina (Springfield)	44	25	500	35	0
Lee Valley Athletics Centre	0	30	0	0	0
Lee Valley Campsite (Picketts Lock)	4	0	0	0	0
Lee Valley Golf Course	0	0	0	0	0
Lee Valley Campsite (Sewardstone)	5	0	15	0	0
Lee Valley Caravan Park (Dobbs Weir)	5	0	0	0	0
Myddelton House	50	6	50	0	15
Myddelton House Gardens	14	35	28	0	5
Broxbourne Riverside	0	5	0	0	0
Old Mill Meadows - Broxbourne	0	100	60	0	0
Lee Valley Marina (Stanstead Abbotts)	135	400	0	100	0
River Lee Country Park	0	10	0	0	0
Lee Valley Park Farm (Holyfield Hall)	0	0	0	35	0
Rye House Gatehouse	0	10	0	0	0
Fishers Green	0	0	0	0	0
Lee Valley White Water Centre	50	100	99	0	120
Lee Valley Velopark	10	170	48	130	55
Lee Valley Hockey & Tennis Centre	135	0	31	15	35
Wildlife Discovery Centre	80	80	125	100	100
Open Spaces General Provision	130	150	130	130	130
Abbey Gardens	67	32	30	30	30
Bow Creek	6	0	0	0	0
Gunpowder Park	0	0	0	0	8
East India Dock Basin	40	15	0	0	0
Footpaths and Access Routes General Provision	105	155	155	100	100
Sub Total Authority AM Programme	890	1,353	1,291	685	623
GLL Buildings and Equipment Lifecycle costs (As per LSC LOBTA)					
Lee Valley Velopark	178	184	504	391	113
Lee Valley Hockey & Tennis Centre	174	63	22	42	235
Lee Valley White Water Centre	6	73	179	244	277
Lee Valley Athletics Centre	204	262	38	63	68
Lee Valley Riding Centre	77	78	30	94	57
Lee Valley Ice Centre	13	25	30	35	40
Sub Total LSC Lifecycle Costs	652	685	803	869	790
Miscellaneous Repairs & Renewals	220	100	100	100	150
Total Building And Equipment Maintenance	1,762	2,138	2,194	1,654	1,563