

**PROPOSED CAPITAL PROGRAMME
2021/22 (REVISED) TO 2026/27**

Presented by the Head of Finance

SUMMARY

The Executive Committee considered the attached paper (Annex A, Paper E/750/22) at their meeting this morning (20 January 2022) which sets out the revised capital budget for the period to 2026/27, 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 2021/22 (revised) to 2026/27 as set out in Appendix A to paper E/750/22; and
 - (2) the proposed capital funding to meet the planned capital programme as set out in Appendix B of paper E/750/22.

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/750/22).
- 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.

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/750/22).

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/750/22).

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ANNEX ATTACHED

Annex A Paper E/750/22

PREVIOUS COMMITTEE REPORTS

Executive	E/750/22	Proposed Capital Programme 2021/22 (Revised) To 2026/27	20 January 2022
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 <p>LEE VALLEY REGIONAL PARK AUTHORITY</p> <p>EXECUTIVE COMMITTEE</p> <p>20 JANUARY 2022 AT 10:30</p>	<p><u>Agenda Item No:</u></p> <p><u>Report No:</u></p> <p>E/750/22</p>
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**PROPOSED CAPITAL PROGRAMME
2021/22 (REVISED) TO 2026/27**

Presented by the Head of Finance

EXECUTIVE SUMMARY

The last full review of the capital programme was undertaken in December 2020 and the current programme was approved at the Executive Committee meeting on 17 December 2020 (Paper E/703/20). This report brings together revisions and refinements to that programme and the latest information on the estimated total cost and timing of projects through to 2026/27.

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 Regional Park. The capital programme incorporates the major development scheme at Lee Valley Ice Centre, but beyond this period is yet to be fully determined with major investment schemes identified and potential new investment following the re-letting of the new Leisure Services Contract post 2022 and this will impact the future direction of the capital programme and its financing requirements.

In terms of overall financial provision, the proposed capital programme provides for total investment by the Authority of up to £41.4 million to 31 March 2027, as set out in Appendix B of this report. The majority of this investment is for the new Ice Centre, £30 million.

RECOMMENDATIONS

- Executive Committee
Recommend to Authority:
- (1) the revised capital programme for 2021/22 (revised) to 2026/27 as set out in Appendix A to this report; and
 - (2) the proposed capital funding to meet the planned capital programme as set out in Appendix B to this report.

BACKGROUND

- 1 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.

- 2 The Covid-19 pandemic has had a major impact on the Authority's cash reserves, but has also impacted on the potential development of the capital programme over the next 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.
- 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 2021/22 (revised) to 2026/27 for Members' consideration. This is summarised in paragraph 16 in this report and further detailed in Appendices A and B to this report.
- 4 The key project in the capital programme is the development of the Ice Centre, with £30m earmarked for the period August 2021 to November 2022. This will require external funding from borrowing, and has been included within the programme at the current expected phased expenditure.

Another key development in the programme is to provide an asset management programme for the Authority's estate. This work is ongoing but a major condition survey of the Authority's venues ahead of the LSC retender has provided clarity on the investment sums required by the Authority to maintain this part of the estate. Estimated figures have been incorporated into the revised capital programme attached at Appendix A to this report.

The Authority has adopted a land and property strategy when considering land acquisition and disposal. Officers guided by Members have reviewed the Authority's estate in its widest sense, in terms of maximising the return, both in terms of how the land is used, new land purchases, and disposals where potentially land can be identified as no longer required for Park purposes, alongside its strategic and financial viability.

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. The proposed capital programme includes a Land Acquisition and Remediation provision.

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 major investments e.g. the Ice Centre and venue investment 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 revenue contributions will provide funds of £54.5m to 31 March 2027.
- 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 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 Picketts Lock and Eton Manor.
- 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 **£41.4 million** to 31 March 2027.
- 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.

Neither does it include capital development works at the major sports venues, which have yet to be identified and agreed with GLL.

- 14 The proposed future revenue funding to support the capital programme has been reduced to £1.3 million in line with the current Medium Term Financial Plan. This currently represents 13.3% of the existing levy (£9.767m). 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.
- 16 Table 1 shows that at the end of the five year period to 31 March 2027 capital reserves would be £13.16 million.

Table 1: Summary of Capital Expenditure and Financing

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m	£m
Opening Resources	12.43	10.59	13.85	13.48	13.27	12.98
Contributions/Borrowing	17.66	19.29	1.29	1.29	1.28	1.28
Capital Expenditure	(19.50)	(16.03)	(1.66)	(1.50)	(1.58)	(1.10)
Surplus Capital Resources	10.59	13.85	13.48	13.27	12.98	13.16

ENVIRONMENTAL IMPLICATIONS

- 17 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

- 18 As part of the budget process over the last couple of years, Members have reviewed the annual revenue contribution to capital reducing it to £1.3 million for 2022/23. This recognised that the contribution to capital has a direct impact on the levy (12.4%). Some rationalisation of the Authority's estate to enable re-investment has identified potential new capital resources to support funding of the programme going forward, therefore placing less reliance on the levy for capital investment. This is however reliant on achieving a capital receipt within any given year.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 21 There are no risk management implications arising directly from the recommendations in this report. The assumptions for future investment and funding rely to a degree on rationalisation of the Authority's estate 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. It should be noted that any land disposals may result in adverse publicity or potential legal challenge where local stakeholders/residents/interest groups do not agree with an Authority decision to dispose of areas of land.

EQUALITY IMPLICATIONS

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

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PREVIOUS COMMITTEE REPORTS

Executive Committee E/703/20 Proposed Capital Programme 17 December
2020/21 Revised To 2024/25 2020

APPENDICES ATTACHED

Appendix A Capital Development Programme Revised 2021/22 to 2026/27
Appendix B Capital Programme Financing Forecast 2021/22 to 2026/27

LIST OF ABBREVIATIONS

PDF Park Development Framework
LSC Leisure Services Contract

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LEE VALLEY REGIONAL PARK AUTHORITY
CAPITAL PROGRAMME 2021/22 to 2026/27

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Comments
	£000s	£000s	£000s	£000s	£000s	£000s	
Land Acquisition & Remediation	0	450	450	450	450	450	Annual Provision
IT Infrastructure & Communications	250	100	100	100	100	100	
Olympic Park Hostile Vehicle Mitigation	245	250	0	0	0	0	
Wildlife Discovery Centre	17	0	0	0	0	0	
Dobbs Weir	0	27	0	0	0	0	
Lee Valley Ice Centre Stage 1	30	0	0	0	0	0	
Lee Valley Ice Centre Stage 2 Build	16,000	12,300	0	0	0	0	
Lee Valley Ice Centre Stage 2 Fit out	0	700	0	0	0	0	
Capital Development Projects	0	0	tbc	tbc	tbc	tbc	
Infrastructure and Open Space Projects	275	0	0	0	0	0	
Venue Investment Projects	1,506	595	0	0	200	0	
Olympic Rings	0	50	0	0	0	0	
Project Management	0	150	150	150	150	150	
AM Schemes							
Asset & Infrastructure Management	1,001	1,404	957	801	677	395	
Abercrombie Lodge Repair Work	173	0	0	0	0	0	
NET PROGRAMME	19,497	16,026	1,657	1,501	1,577	1,095	
Financed By							
Capital Receipts	(1,998)	(1,332)	(410)	(410)	(610)	(410)	
Contribution from Revenue	(325)	(290)	(290)	(290)	(290)	(290)	
Asset Management Reserve	(1,174)	(1,404)	(957)	(801)	(677)	(395)	
Borrowing	(16,000)	(13,000)	0	0	0	0	
NET FINANCING	(19,497)	(16,026)	(1,657)	(1,501)	(1,577)	(1,095)	

Lee Valley Regional Park Authority
Capital Programme Financing Forecast 2021/22 to 2026/27

Capital Resources	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	TOTAL £000s
Opening Balance		(12,424.5)	(10,585.5)	(13,849.5)	(13,482.5)	(13,271.5)	(12,974.5)	
Usable Capital Receipts Reserve	(11,809.6)	(279.0)	(5,000.0)	0.0	0.0	0.0	0.0	(17,088.6)
Capital Fund	0.0	(250.0)	(290.0)	(290.0)	(290.0)	(280.0)	(280.0)	(1,680.0)
External Borrowing	0.0	(16,000.0)	(13,000.0)	0.0	0.0	0.0	0.0	(29,000.0)
Asset Maintenance (Major Repairs) Reserve	(614.9)	(1,054.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(6,668.9)
Revenue Financing Of Capital	0.0	(75.0)	0.0	0.0	0.0	0.0	0.0	(75.0)
		(17,658.0)	(19,290.0)	(1,290.0)	(1,290.0)	(1,280.0)	(1,280.0)	(54,512.5)
Total Available Resources	(12,424.5)	(30,082.5)	(29,875.5)	(15,139.5)	(14,772.5)	(14,551.5)	(14,254.5)	(54,512.5)
Proposed Net Capital Expenditure	16,542.0	14,027.0	700.0	700.0	700.0	700.0	700.0	33,369.0
Asset & Infrastructure Management	1,174.0	1,404.0	957.0	801.0	677.0	677.0	395.0	5,408.0
Infrastructure and Open Space Projects	275.0	0.0	0.0	0.0	0.0	0.0	0.0	275.0
Investment Projects	1,506.0	595.0	0.0	0.0	0.0	200.0	0.0	2,301.0
Total Capital Expenditure	19,497.0	16,026.0	1,657.0	1,501.0	1,577.0	1,577.0	1,095.0	41,353.0
Closing Balance	(10,585.5)	(13,849.5)	(13,482.5)	(13,271.5)	(13,271.5)	(12,974.5)	(13,159.5)	(13,159.5)
Capital Related Fund Balances								
Usable Capital Receipts Reserve	(11,809.6)	(10,090.6)	(13,758.6)	(13,348.6)	(12,938.6)	(12,318.6)	(11,898.6)	
Capital Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Asset Maintenance (Major Repairs) Reserve	(614.9)	(494.9)	(90.9)	(133.9)	(332.9)	(655.9)	(1,260.9)	
	(12,424.5)	(10,585.5)	(13,849.5)	(13,482.5)	(13,271.5)	(12,974.5)	(13,159.5)	