| Lee Valley Regional Park Authority<br><br>**LEE VALLEY REGIONAL PARK AUTHORITY**<br><br>**EXECUTIVE COMMITTEE**<br><br>**19 DECEMBER 2019 AT 11:30** | **Agenda Item No:**<br><br>**5**<br><br>**Report No:**<br><br>**E/646/19** |
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# PROPOSED CAPITAL PROGRAMME 2019/20 (REVISED) TO 2023/24

Presented by the Director of Finance & Resources

## EXECUTIVE SUMMARY

The last review of the capital programme was undertaken in December 2018 and the current programme was approved at the Executive Committee meeting on 13 December 2018 (Paper E/600/18). 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 2023/24.

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 beyond this period is yet to be fully determined with major investment schemes identified at particular sites, for example, Lee Valley Ice Centre and potential new investment following the re-letting of the new Leisure Services Contract post 2020 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 £45.9 million to 31 March 2024, as set out in Table 2 (paragraph 15 of this report).

## RECOMMENDATIONS

Members Approve:

(1) the revised capital programme for 2019/20 (revised) to 2023/24 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 Table 2 (paragraph 15 of 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 development 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 foreseeable future.

2 During the course of this year some existing projects have been the subject of reports to Committee and, where appropriate, these reports have sought Member approval to add to/or amend the capital programme. In addition the Authority has a Member led Land and Property Review Working Group that has identified potential land acquisitions/disposals to enable future additional resources for capital investment. The Authority is also considering a major replacement and reinvestment in its Ice Centre provision as well as significant third party investment at Picketts Lock and Eton Manor and these areas will impact on the future capital programme.

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 2019/20 (revised) to 2023/24 for Members' consideration. This is summarised in Table 2 (paragraph 15) in this report and further detailed in Appendix A to this report.

4 One of the key developments in the programme is to provide an asset management programme for the Authority's estate. This work is on-going but a major condition survey of the Authority's venues ahead of the Leisure Services Contract (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 – with an additional £1m included in 2019/20 and 2020/21 for the additional venues investment within the new LSC.

Other key developments included are the Ice Centre project with £30m earmarked for 2020 to 2022; the new Bittern Information Point (£0.8m); and the potential for new business development investment (up to £4.5m) at the venues as part of the new LSC contract.

Underpinning these key developments is the planning work of the Land and Property Review Working Group as receipts from potential disposals are a cornerstone for funding the programme in the longer term.

By their very nature land acquisition opportunities in particular tend to be market led and the Authority has in the past found itself reacting to these, rather than planning ahead for them, in terms of resourcing strategic requirements and in the context of other demands on the capital programme.

The Member led Land and Property Review Working Group has reviewed the estate in its widest sense, in terms of maximising the return, both in terms of how the land is used, new land purchases and potential land disposals where 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. 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 on-going revenue costs (including the cost of capital) will be the subject of specific reports for Member approval.

Likewise, **inclusion of work from the Land and Property Review Working Group in the capital programme funding schedule 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 new capital inflows from land sales could generate funds of **£66.5 million** to 31 March 2024.

10 A key feature of the Business Plan is the 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 maximise the opportunities for external funding, using the Authority's resources to attract contributions from partners and funding bodies. **Since 2005/06** the Authority has attracted significant external grant funding/investment towards the capital programme.

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 through the work carried out by the Land & Property Review Working Group. This has identified key areas where land is no longer required for Park purposes as well as key strategic sites for investment. This is now generating additional funds that can be used to develop the Park further through the capital programme.

A summary of the funding achieved to date is shown in **Table 1 below.**

**Table 1: External funding/Land Sale Income secured by the Authority**

| | Grant Received (Actual) | Grant Received as a % of capital expenditure | Land Sale Income (Actual) |
|---|---|---|---|
| | £M | % | £M |
| 2005/06 | 6.8 | 57 | 0.00 |
| 2006/07 | 4.3 | 48 | 0.00 |
| 2007/08 | 1.6 | 43 | 0.00 |
| 2008/09 | 0.8 | 42 | 0.00 |
| 2009/10 | 0.4 | 22 | 0.00 |
| 2010/11 | 2.0 | 16 | 0.00 |
| 2011/12 | 0.5 | 19 | 0.00 |
| 2012/13* | 1.0 | 14 | 17.45 |
| 2013/14 | 0.9 | 11 | 0.00 |
| 2014/15 | 0.3 | 10 | 0.00 |
| 2015/16 | 0.5 | 14 | 0.00 |
| 2016/17 | 0.4 | 10 | 0.00 |
| 2017/18 | 0.4 | 6 | 0.08 |
| 2018/19 | 0.2 | 12 | 0.08 |
| 2019/20** | 0.0 | 0 | 1.08 |
| | | | |
| Total | 20.1 | | 18.69 |

*The period around 2011 to 2013 was an exceptional period surrounding the development of Olympic assets primarily in Queen Elizabeth Olympic Park resulting in the external investment which yielded assets to the Authority worth £120 million through the Authority's own land contributions as well as the sale of land adjacent to these venues. This delivered Lee Valley White Water Centre, Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre.

** Estimated value

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, the Ice Centre.

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 grant funding. The total net funding requirements of the revised capital programme proposals are **£45.9 million** to 31 March 2024.

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.

New major developments e.g. the Ice Centre will require significant funding and Members will need to consider borrowing options as well as utilising any existing unapplied capital receipts/new land sales, attracting additional third party funding or increasing the levy to secure the resources which projects may require. The programme also includes a provision for investment in sites operated under the LSC after 2020 with the aim to generate further improvements, efficiencies, income, usage and enhance the customer experience at these venues.

14 Members have previously agreed that a **£1.190 million** annual investment would be made from revenue to enable the Capital Programme to be delivered. This currently represents 12.4% of the existing levy (£9.576m). The work of the Land and Property Review/Levy Strategy Working Groups seek to utilise receipts generated from any land disposals to support funding for future capital investment whilst placing less reliance in generating these resources from the tax payer via the levy. The proposed future revenue funding to support the capital programme is **£1.190 million** (increasing to £1.690m from 2022/23) with the remaining capital resources generated from land sale receipts and potentially borrowing if the Ice Centre project proceeds.

15 The estimated and proposed capital resources available to fund the capital programme proposals are set out in **Table 2 below:**

**Table 2: Estimated capital resources available to fund the proposed capital programme**

| | Balance B/F | 2019/20 Revised | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total |
|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m |
| **Capital Financing** | | | | | | | |
| Unapplied Receipt | (13.9) | (1.1) | (3.7) | (5.2) | (5.0) | (29.0) | (57.9) |
| Capital Fund | (1.3) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (2.8) |
| Major Repairs Fund | (0.3) | (0.5) | (0.5) | (0.5) | (1.0) | (1.0) | (3.8) |
| Revenue | 0.0 | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (2.0) |
| **Total for Year** | **(15.5)** | **(2.3)** | **(4.8)** | **(6.4)** | **(6.7)** | **(30.7)** | **(66.5)** |
| **Net Capital Allocation** | | | | | | | |
| Balance B/Fwd | | (15.5) | (12.5) | (6.3) | 13.6 | 8.5 | |
| Annual Capital Funds | (15.5) | (2.3) | (4.8) | (6.4) | (6.7) | (30.7) | (66.5) |
| Less: Capital Programme requirements | | 5.3 | 11.0 | 26.3 | 1.6 | 1.6 | 45.9 |
| **Balance C/fwd** | | **(12.5)** | **(6.3)** | **13.6** | **8.5** | **(20.6)** | **(20.6)** |

16 Table 2 shows that at the end of the five year period to 31 March 2024 capital reserves would be £20.6 million, but this is subject to all estimated land sales being achieved to the estimated values shown and projects not exceeding their budgetary provision. It also shows that to proceed with the Ice Centre project Members will need to consider borrowing options (at least in the short term) from 2021 to ensure sufficient cash flow is available ahead of land sale receipts being achieved from 2023/24.

**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 from £1.8 million in 2014/15 to £1.2 million. This recognised that the contribution to capital has a direct impact on the levy (12.4%). The work of the Land & Property Review Working Group has identified potential new capital resources to support the funding of the programme going forward therefore placing less reliance on the levy for capital investment. This is however reliant on achieving the necessary sales 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 predominantly on the 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. Failure to achieve these disposals may mean major investment projects, for example the Ice Centre, 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. 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/600/18 | Proposed Capital Programme 2018/19 Revised To 2022/23 | 13 December 2018 |

## APPENDIX ATTACHED

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|---|---|
| Appendix A | Capital Development Programme Revised 2019/20 to 2023/24 |

## LIST OF ABBREVIATIONS

| | |
|---|---|
| PDF | Park Development Framework |
| LSC | Leisure Services Contract |

**LVRPA CAPITAL PROGRAMME 2019/20 REVISED TO 2023/24**

| Project Name | Accountable Officer | Project Manager | Cummu-lative to 31/03/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total Budget |
|---|---|---|---|---|---|---|---|---|---|
| | | | | £000 | £000 | £000 | | | £000 |
| Land Acquisition & Remediation | Director Corp Ser | Head of Property | 2,871 | 450 | 614 | 450 | 450 | 450 | 2,414 |
| Signage | Chief Executive | Head of Comms | 555 | 5 | 0 | 0 | 0 | 0 | 5 |
| Park Development Proposals | Director Corp Ser | Head of Parklands | 234 | 36 | 0 | 0 | 0 | 0 | 36 |
| BAP | Director Corp Ser | Head of Parklands | 974 | 58 | 50 | 50 | 50 | 50 | 258 |
| IT Infrastructure & Communications | Director of Finance | IT Manager | 2,729 | 195 | 210 | 140 | 100 | 100 | 745 |
| Asset Management | Director Corp Ser | AMPD Manager | 10,311 | 1,564 | 1,500 | 1,000 | 1,000 | 1,000 | 6,064 |
| Olympic Park Hostile Vehicle Mitigation | Chief Executive | Head of Sport/Leisure | 0 | 20 | 230 | 0 | 0 | 0 | 250 |
| Landscaping ( Eton ManorAllotments Site) | Director Corp Ser | Head of Parklands | 431 | 7 | 7 | 0 | 0 | 0 | 14 |
| Dobbs Weir Campsite Final Phase | Director Finance | AMPD Manager | 4,202 | 120 | 0 | 0 | 0 | 0 | 120 |
| Bittern Information Point | Director Corp Ser | Volunteers Manager | 2 | 568 | 230 | 0 | 0 | 0 | 798 |
| Major Events Infrastructure - LVH&TC | Chief Executive | Head of Sport/Leisure | 611 | 21 | 0 | 0 | 0 | 0 | 21 |
| VeloPark Pods Refurbishment | Chief Executive | Property manager | 0 | 480 | 0 | 0 | 0 | 0 | 480 |
| Lee Valley Ice Centre Redevelopment | Chief Executive | Head of Sport/Leisure | 306 | 1,700 | 6,000 | 22,400 | 0 | 0 | 30,100 |
| New LSC Contract Investment Variant Bid | Chief Executive | Head of Sport/Leisure | 0 | 0 | 2,200 | 2,300 | 0 | 0 | 4,500 |
| LVWWC Extend Boundary Fence | Director Corp Ser | AMPD Manager | 57 | 87 | 0 | 0 | 0 | 0 | 87 |
| LVWWC Area 4 Infrastructure | Chief Executive | MD Trust | 10 | 15 | 0 | 0 | 0 | 0 | 15 |
| Net Programme | | | 31,447 | 5,326 | 11,041 | 26,340 | 1,600 | 1,600 | 45,907 |
| Total Capital Expenditure | | | 32,019 | 5,326 | 11,041 | 26,340 | 1,600 | 1,600 | 45,907 |
| Total Capital Income | | | (629) | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Programme | | | 31,390 | 5,326 | 11,041 | 26,340 | 1,600 | 1,600 | 45,907 |
| Estimated Land Sales Total | | | (£13,963) | (£1,081) | (£3,660) | (£5,250) | (£5,000) | (£29,000) | (£57,954) |
| Reveune Contribution to Capital/Capital Fund | | | (£1,584) | (£1,190) | (£1,190) | (£1,190) | (£1,690) | (£1,690) | (£8,534) |
| Total Estimated Resources | | | (£15,547) | (£12,492) | (£6,301) | £13,599 | £8,509 | (£20,581) | (£20,581) |