

**PROPOSED CAPITAL PROGRAMME
2017/18 (REVISED) TO 2021/22**

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

The last review of the capital programme was undertaken in December 2016 and the current programme was approved at the Executive Committee meeting on 15 December 2016 (Paper E/470/16). 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 2021/22.

During the last ten years the Authority has focused on pre Olympic and legacy for the delivery of three major venues on the Authority's land – Lee Valley White Water Centre, Lee Valley VeloPark and Lee Valley Hockey and Tennis Centre.

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 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 £50.2 million to 31 March 2022, as set out in Table 2 (paragraph 15 of this report).

RECOMMENDATIONS

- Members Approve:
- (1) the revised capital programme for 2017/18 (revised) to 2021/22 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 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 2017/18 (revised) to 2021/22 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 a five year asset management programme for the Authority's estate. This work is on-going and estimated figures have been incorporated into the revised capital programme attached at Appendix A to this report.

Another key area for planning and development is the Land and Property Strategy. 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 which is no longer required for Park purposes, alongside its strategic and financial viability. Areas for potential disposal are a corner-stone for funding the programme going forward.

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 the emerging work of the Land and Property 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 the 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 investment e.g. the Ice Centre will require a separate business case and funding plan 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 **£71.4 million** to 31 March 2022.
- 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 objective of this approach is to maximise the opportunities for external funding, using the Authority's resources to attract contributions from partners and funding bodies. Over the last twelve years the Authority has attracted significant external funding/investment towards the capital programme and this is shown in **Table 1** below.

Table 1: External funding secured by the Authority over the past decade

	Grant Received (Actual)	Grant Received as a % of capital expenditure
	£M	%
2005/06	6.8	57
2006/07	4.3	48
2007/08	1.6	43
2008/09	0.8	42
2009/10	0.4	22
2010/11	2.0	16
2011/12	0.5	19
2012/13*	1.0	14
2013/14	0.9	11
2014/15	0.3	10
2015/16	0.5	14
2016/17	0.4	10
2017/18**	0.4	7

* In addition £17.5m received through sale of land in Olympic Park
 ** Estimated for 2017/18

- 11 The importance of obtaining external funding for the Authority is also reflected in the Authority's Performance Indicators (PIs). The target Members have currently agreed is 50% of external funding when compared to the gross capital expenditure budget. The net impact of the Olympic legacy facilities saw investment of £15 million (by the Authority) to generate assets in excess of £120 million, which are not included in the table above. 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 **£50.2 million** to 31 March 2022 excluding a £1.4m provision to an earmarked sinking fund to ensure resources are allocated for maintenance and replacement of major components of the Olympic legacy assets, e.g., the pumps and conveyor belts at Lee Valley White Water Centre, Queen Elizabeth Olympic Park infrastructure and core elements of Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre. Officers are reviewing the longer term demands on this fund to ensure sufficient resources are earmarked for these purposes.
- 13 Appendix A to this report does not include the potential impact from the 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 options utilising the existing unapplied capital receipts, new land sales, borrowing, attracting additional third party funding or increasing the levy to secure the resources that projects may require. The programme does include a provision for smaller scale investment in sites operated by Lee Valley Leisure Trust Ltd (the Trust) with the aim to generate further income, footfall and enhance the customer experience at existing venues, these schemes are summarised in Appendix B to this paper.

- 14 Members have previously agreed that a **£1.3 million** annual investment would be made from revenue to capital reserves to enable the Capital Programme to be delivered. This currently represents 13% of the existing levy (£10.2m). 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. A small reduction is proposed from 2018/19 and is covered as part of the budget workshop paper to be discussed later today. The proposed future revenue funding to support the capital programme is **£1.2 million** with the remaining capital resources generated from land sale receipts.
- 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	2017/18 Revised	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m	£m	£m
Capital Financing							
Unapplied Receipt	(17.5)	(0.1)	(5.1)	(26.7)	(15.0)	(0.0)	(64.4)
Capital Fund	(0.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(1.4)
Major Repairs Fund	(1.0)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(3.5)
Revenue	0.0	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(2.1)
Total for Year	(18.5)	(1.4)	(6.3)	(27.9)	(16.2)	(1.1)	(71.4)
Net Capital Allocation							
Balance B/fwd		(18.5)	(14.2)	(14.6)	(23.1)	(19.9)	
Annual Capital Funds	(18.5)	(1.4)	(6.3)	(27.9)	(16.2)	(1.1)	(71.4)
Less: Capital Programme requirements		5.4	5.6	19.1	19.1	1.0	50.2
Less: Capital Provisions		0.3	0.3	0.3	0.3	0.2	1.4
Balance C/fwd		(14.2)	(14.6)	(23.1)	(19.9)	(19.8)	(19.8)

- 16 Table 2 shows that at the end of the five year period to 31 March 2021 capital reserves would be £19.8 million, but, this is subject to all estimated land sales being achieved and projects not exceeding their budgetary provision.

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 last year Members reviewed the annual revenue contribution to capital reducing it from £1.8 million to £1.3 million. This contribution has a direct impact on the levy (13%). A further reduction is proposed as part of the 2018/19 budget reducing the contribution to £1.2m in future years. The work of the Land & Property Review Working Group has identified potential new capital resources to fund 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 or deferred until new resources become available. 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/470/16 Proposed Capital Programme 15 December
2016/17 Revised To 2020/21 2016

APPENDIX ATTACHED

Appendix A Capital Development Programme Revised 2017/18 to 2021/22
Appendix B Smaller Investment Schemes

LIST OF ABBREVIATIONS

PDF Park Development Framework
PI Performance Indicator
the Trust Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)

Project Name	Accountable Officer	Project Manager	Cumulative to 31/03/2017	Revised					Revised Total Scheme Budget
				2017/18	2018/19	2019/20	2020/21	2021/22	
				£000	£000	£000	£000	£000	£000
Land Acquisition & Remediation	Director Corp.Services	Head of Property	2,623	162	250	450	450	450	4,385
Signage	Chief Executive	Head of Comms	546	14	0	0	0	0	560
Park Development Proposals	Director	Head of Planning & SP	76	137	57	0	0	0	270
BAP	Director	Head of Parklands	872	60	50	50	50	50	1,132
Infrastructure & Communications Enhancement	Director of Fin & Resources	IT Manager (Trust)	2,461	228	100	100	50	50	2,989
Asset Management	Director Corp.Services	AMPD Section Manager	8,615	1,011	700	500	500	500	11,826
LV Hockey & Tennis Centre Improvements	Chief Executive	Head of Sport & Leisure	717	193	0	0	0	0	910
LV Hockey & Tennis Centre - SE Grant	Chief Executive	Head of Sport & Leisure	(230)	(70)	0	0	0	0	(300)
LV Hockey & Tennis Centre - Pitch Replacement	Chief Executive	Head of Sport & Leisure	0	64	0	0	0	0	64
Olympic Park Hostile Vehicle Works	Chief Executive	Head of Sport & Leisure	0	0	250	0	0	0	250
Landscaping (Eton Manor Allotments Site)	Director Corp.Services	Head of Parklands	423	8	7	7	7	0	452
Landscaping Contributions(Eton Manor Allotments Site)	Director Corp.Services	Head of Parklands	(282)	0	0	0	0	0	(282)
Dobbs Weir Campsite Re-opening Phase 2-6	Director Corp.Services	AMPD Section Manager	2,884	1,316	150	0	0	0	4,350
Holyfield Hall Farm - Photovoltaic Cells	Head of Parklands	AMPD Section Manager	150	34	0	0	0	0	184
Ice Centre Pad/Cooling System & Barrier	Head of Sport & Leisure	AMPD Section Manager	0	500	0	0	0	0	500
Holyfield Hall Farm - Redevelopment	Director Corp.Services	Head of Parklands	8	100	50	0	0	0	158
Major Events Infrastructure - LVH&TC	Chief Executive	Head of Sport & Leisure	0	550	200	0	0	0	750
Major Events Infrastructure - LVH&TC -Grant	Chief Executive	Head of Sport & Leisure	0	(350)	0	0	0	0	(350)
Small Schemes Income Generation	Chief Executive	MD Trust	422	1,464	1,740	0	0	0	3,626
Lee Valley Ice Centre	Chief Executive	Head of Sport & Leisure	0	0	2,000	18,000	18,000	18,000	38,000
Net Programme			19,285	5,421	5,554	19,107	19,057	1,050	69,474
Total Capital Expenditure			19,797	5,841	5,554	19,107	19,057	1,050	70,406
Total Capital Income			(512)	(420)	0	0	0	0	(932)
Net Programme			19,285	5,421	5,554	19,107	19,057	1,050	69,474

Small Schemes Trust Investment Programme

Scheme	Code	2015/16	2016/17	2017/18	2018/19	2019/20	Total
		Actual £'000	Actual £'000	Estimate £'000	Estimate £'000	Estimate £'000	Estimate £'001
Rye House Service to Moorings	C151	51	30	0	0	0	81
LVAC - Cross-Fit	C152	0	38	0	0	0	38
Velo- Tep Bar & Café Displays	C153	34	16	0	0	0	50
LVWWC Bar Fit out & Feasibility	C154	16	42	0	0	0	58
Velo - Pump Track & Pedal Up	C155	39	-1	0	0	0	38
Velo - MTB Enhancements	C156	10	1	0	0	0	11
LVHTC - Concession Space	C157	11	37	0	0	0	48
Farm Site Makeover	C158	49	11	0	0	0	60
PL - Mooring Feasibility	C159	0	9	0	0	0	9
LVAC - Gym Development Feasibility	C160	0	0	0	0	0	0
LVHTC Building Extension Feasibility	C161	0	0	0	0	0	0
LVWWC - Aqua Park Feasibility	C162	24	0	0	0	0	24
HHF - Soft Play Area	C163	5	0	0	0	0	5
Total		239	183	0	0	0	422
Budget (Approved Programme)		300	0	100	0	0	600
Revised programme		239	183	0	0	0	422
Lee Valley White Water Centre							
Temporary Water Park		0	0	460	0	0	460
Café Counter	C154	0	0	560	15	0	575
Kitchen		0	0	250	250	0	500
Staff Office Accommodation		0	0	75	0	0	75
Extend Pavilion		0	0	0	100	0	100
Play Area Near Pavilion		0	0	55	0	0	55
Extend T Bar		0	0	0	100	0	100
Covering Decking		0	0	0	400	0	400
Covering Swale inc Bridge		0	0	64	50	0	114
Reception Reconfiguration		0	0	0	100	0	100
Extend Boundary Fence at LVWWC		0	0	0	150	0	150
Bin Compactor		0	0	0	75	0	75
Other Sites							
Marina Springfield Island		0	0	0	250	0	250
Athletics Centre Fitness Offer		0	0	0	250	0	250
Unallocated		0	0	0	0	0	0
Sub - Total		0	0	1,464	1,740	0	3,204
Total Small schemes		239	183	1,464	1,740	0	3,626