

**LEE VALLEY WHITE WATER CENTRE PROJECTS –
INFLATABLE VISITOR ATTRACTION**

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

This report proposes the release of £400,000 from the capital programme to create an inflatable visitor attraction at Lee Valley White Water Centre, with full detail set out at Appendix A to this report. The attraction forms a key part of the development strategy for the venue, tests demand ahead of potential larger scale developments in the future, and details the capital requirements and revenue projections that are built into the capital programme and mid-term forecasts respectively.

RECOMMENDATION

Members Approve: (1) the release of £400,000 from the capital programme as detailed in paragraph 9 of this report.

BACKGROUND

- 1 Members approved the Capital Programme in December 2016 (Paper E/470/16) which included provision for a number of investment schemes across the venues totalling £6m across the 2016/17 to 2018/19 period. The £885,000 pa returns from 2019/20 for these projects were also built into the mid-term financial forecasts.
- 2 Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships (the Trust) is responsible for the operation of Lee Valley White Water Centre (LVWWC) as part of its management contract for Lee Valley Regional Park Authority venues for a five year period 1 April 2015 – 31 March 2020. The Trust's remit is to explore commercial opportunities and realise the full commercial potential of the Lee Valley venues it operates acting as a development partner with the Authority.
- 3 An officer working group, including officers from both the Authority and the Trust, was set up to work through the business case and project details; present these for approval to Senior Management Teams of both the Authority and the Trust, and bring back for further Member approval.

- 4 In February 2017 (Paper E/481/17) Members were updated on the progress of these smaller schemes and advised that some projects were due to come back to Members for approval. This paper seeks approval for an inflatable visitor attraction at LVWWC and is the first of the business development schemes seeking approval.

LEE VALLEY WHITE WATER CENTRE

- 5 Usage and revenue have increased year on year from 155,000 visits and £1,960,000 income in 2011/12 to 465,000 visits and £3,130,000 income in 2016/17, with the net operating position of the venue improving from a budget deficit of £475,000 in 2011/12 to a projected net operational surplus of £301,000 in 2016/17 (including annual business rate savings of circa £380,000).
- 6 In 2015/16 and 2016/17 the venue introduced a number of initiatives aimed at increasing non-sporting usage. The Summer Splash festival attracted 4,500 (primarily family) visitors in 2016, the popular beach was installed by the Pavilion in the Park food and beverage outlet in 2016, busy weekly Friday Night Live events continue to take place throughout the season, and a well-attended and received Christmas market was staged in December 2016. Initiatives such as these have demonstrated a demand for family and non-sporting activities on site.
- 7 In 2015/16 a report was jointly commissioned by leisure industry specialist consultants to assess the overall potential for the venue. This demonstrated an exciting opportunity for the creation of a world class multi day visitor attraction, in line with both the Authority's and also the Borough of Broxbourne's / Visit Herts' ambitions, consisting of both large scale family and extreme attractions with supporting accommodation provision. The vision is for the venue is to become a major family leisure destination within the south east.
- 8 Linked to this is a shorter term attraction aimed at capitalising on the immediate opportunity, further testing demand and establishing awareness of the venue as more than a sporting destination. Essentially this project acts as a stepping stone to a potential larger development and mitigates risk by testing demand.

PROPOSAL

- 9 The Trust has prepared a business case for this project which is attached at Appendix A to this report. In summary the project is proposed to create a dry inflatable attraction at a cost of circa £400,000 (pre tender estimate) on the development platform. This inflatable attraction would include: large inflatables such as an assault course, slide and games; a large beach; full fencing of the whole area; and supporting facilities such as pop up food & beverage outlets, toilets, first aid space and entrance management. The attraction would be open for weekends and school holiday dates through summer 2017 and then in 2018 and 2019 also. There would be an additional charge for this attraction. Current proposals are for half day ticketed sessions with lead pricing at £10/£15 per ticket.
- 10 Within the £400,000 capital investment there is a sum of circa £55,000 which is for asset enhancements. The drainage for the area is problematic at the moment and this requires resolving regardless of this proposal, and the area will be fully fenced increasing the value of the space to the venue's events, general

programme, British Canoeing's major event aspirations and other site hires by adding an additional secure compound area.

- 11 The projected return for 2017 is £40,000 net operational surplus based on just a summer opening, with 2018 and 2019 plans to develop further based on 2017 lessons learned. Net operational surplus is forecast to grow to £78,000 in 2018/19 and circa £100,000 in 2019/20 with a payback period of 5 years excluding the notional cost of capital.

PLANNING MATTERS

- 12 Planning permission is required for the fencing and potentially for elements of a land drainage solution and work is underway in this area. Whilst the inflatables and modular buildings are all moveable, planning permission will be applied for due to the change of use of the area and to allow for the elements to be used for as long as demand warrants.
- 13 A meeting is arranged for 15 March 2017 with the Borough of Broxbourne's Planning department and officers will report back verbally regarding the advice issued.

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 15 Financial implications are summarised within the body of the report and detailed in Appendix A to this report.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

- 17 Landlord's consent is required which will be dealt with between officers of the Authority and Trust subject to Member approval.

RISK MANAGEMENT IMPLICATIONS

- 18 Should there be any delays to the timescales which adversely affect successful delivery of the attraction for July 2017, the proposals would defer to 2018, although elements of the scheme would still be delivered in 2017 such as fencing, land drainage, and procurement processes.
- 19 Projections have been based on expected summer weather however there is a risk that, should there be an extended period of inclement weather, the returns may not be realised as anticipated and the project will take longer to pay back.
- 20 The inflatables will retain a residual value for either re-sale or part exchange at a later date if required. This residual value, alongside the fact that this project is a stepping stone which tests demand for future developments, mitigates the

financial risk from a larger development taking place before the project has paid back its outlay in full. The exposure is set out within section 10 of Appendix A to this report. Equipment can also be utilised at other venues if no longer required at LVWWC.

EQUALITY IMPLICATIONS

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

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PREVIOUS COMMITTEE REPORTS

Executive	E/470/16	Proposed Capital Programme 2016/17 (revised) to 2020/21	15/12/16
Executive	E/481/17	Q3 Capital Programme Budget Monitoring 2016/17	23/02/17

APPENDICES ATTACHED

Appendix A	The Trust's business proposal
Appendix B	Map of indicative project areas at Lee Valley White Water Centre

LIST OF ABBREVIATIONS

Authority	Lee Valley Regional Park Authority
the Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)
LVWWC	Lee Valley White Water Centre



BUSINESS DEVELOPMENT INITIATIVE

February 2017

Lee Valley White Water Centre – inflatable visitor attraction

Presented by the Commercial Development Manager

PROJECT SUMMARY

Usage and income at Lee Valley White Water Centre has grown significantly throughout the last two summer seasons which has resulted in significant budgetary improvements. It has also highlighted the opportunity to better capture the family market demand whilst the masterplan for the venue is developed and considered. A wider masterplan has been produced and this project acts as a stepping stone towards its implementation.

It is proposed to create a dry inflatable attraction at a cost of circa £400,000 (pre tender estimate). This attraction would include large inflatables, a large beach, a fully fenced space, and supporting facilities such as pop up food & beverage outlets, toilets, first aid space and entrance management. The projected return for 2017 is circa £40,000 based on just a summer opening, with 2018 and 2019 plans to develop further based on 2017 lessons learned. Net income is forecast to grow to £78,000 in 2018/19 and circa £100,000 in 2019/20 with a payback period of circa 5 years excluding cost of capital.

BUSINESS CASE OBJECTIVES

1.

- Income generation
- Testing of demand for larger scale masterplan
- Creation of vibrant visitor destination
- Increase usage

CURRENT POSITION

2.

- Significant income and usage improvements since opening
- Popular family orientated Summer Splash festival attracted 4,500 in 2016
- Popular beach installed May 2015 by Pavilion in the Park outlet
- Other non-sporting events including weekly Friday Night Live events and a well-attended and received Christmas market
- Plans underway for larger visitor attraction development including both extreme and family attractions

WEAKNESSES OF CURRENT POSITION

3.

- Capacity issues surrounding existing beach and beach free to use
- Difficulty of monetising volume of child / teenage market
- Lack of land based corporate activities

DESCRIPTION OF PROJECT

4.

- Vision is to create a paid for 'gated' family / pre-teen / early teens' attraction on development platform to test the market for a larger family attraction
- Attraction will be suitable as add-on activity for both corporate groups and stag / hen party bookings
- Attraction to consist of:
 - i. Large beach including beach sports
 - ii. Large inflatables – assault course, slide, extra charge games
 - iii. Central atrium with food & beverage facilities
 - iv. Support infrastructure – toilets, first aid room, entrance management room, winter storage
- Area to be fenced and drainage issues resolved before attraction introduced
- Half day ticketed sessions with lead pricing at £10/£15 per ticket

MODE OF OPERATION

5.

- Managed from within Lee Valley White Water Centre staffing resource
- Inflatables all staffed by 1 staff member at access / egress points
- Main entrance gate managed by 2 x staff
- Operated for short period in 2017 with a longer open season in 2018 and 2019
- Inflatables stored in hired in shipping containers during winter (if separate storage project does not proceed)
- Car parking to be managed through existing 350 on-site parking spaces and 150 'overflow' spaces in between the Legacy course and area 4
- Full H&S management provided by venue team: all inflatables PIPA (Pertexa Inflatable Play Accreditation) tagged, all activities risk assessed, all inflatables used/managed/stored in accordance with industry and manufacturer guidance, and evacuation plans for the area to be produced in conjunction with H&S colleagues once exact products procured and layouts finalised

BENEFITS OF PROJECT INCLUDING HOW 'SUCCESS' WILL BE MEASURED

6.

- Generates additional net income
- Addresses existing visitor experience issues
- Better caters for family market and enhances vibrant visitor destination
- Tests and builds demand ahead of larger scale investment project
- How success will be measured:

- i. Customer satisfaction in line with average for whole venue
- ii. £200,000 pa revenue generated by 2019/20
- iii. £100,000 pa net income generated by 2019/20

ONE-OFF CAPITAL COST

7.

- Circa £400,000 provisionally made up of the following:
 - i. Project specific - £345,000:
 - 1. £170,000 inflatables
 - 2. £125,000 larger beach including equipment
 - 3. £40,000 all supporting infrastructure (toilet block, first aid room, visitor services, storage)
 - 4. £10,000 services including IT
 - 5. Options not proposed / costed – PA system, CCTV coverage
 - 6. Fees – planning application costs TBC
 - 7. Contingency suggested – 15% / £51,750
 - ii. Required anyway for this space, regardless of this project - £55,000:
 - 1. £40,000 fencing
 - 2. £15,000 land drainage
 - 3. Contingency suggested – 15% / £8,250

Sign off / comments / limitations from LVRPA Head of APMD (if required):

Name:

Date:

PROJECT MANAGEMENT ARRANGEMENTS

8.

- **Project's Director / Sponsor / Executive:**
 - i. Director of Venues
 - ii. Ultimate decision maker
 - iii. Secure funding
 - iv. Escalate issues to corporate
- **Senior User:**
 - i. Venue Manager
 - ii. Specifies user needs and acceptance criteria
 - iii. Ensures benefits are realised
- **Senior Supplier:**
 - i. Head of Asset Protection Maintenance and Development
 - ii. Represents interests of those designing the products
 - iii. Accountable for quality of products and technical integrity
- **Project Manager:**
 - i. Commercial Development Manager
 - ii. Day to day authority on running project

ANNUAL INCOME AND EXPENDITURE EFFECT

9.

- Assumptions made:
 - Open for 52 days
 - Weekends in July and 1st half September
 - Summer holidays
 - 2 sessions per day
 - Capacity of 250 per session (100 cars)
 - £10 entry ticket used (£10 and £15 price points)
 - 25% of sessions assumed to be quiet / cancelled due to weather
 - 50% occupancy on remaining sessions in 2017/18
 - 75% occupancy on remaining sessions in 2018/19 and pricing growth in 2019/20
 - £3.09 food & beverage spend per head (average from Association of Leading Visitor Attractions)
 - 20% food & beverage profitability
 - 10 staff on peak days (some reallocation)
 - 4 year depreciation of inflatables

	2017/18	2018/19	2019/20
Casual entries	80	120	145
771 9583 Corporate hire	10	15	15
772 F&B (at £3.09 p/h)	30	45	45
Total additional income	120	180	205
771 1227 Staffing (events)	20	25	25
771 2332 Electricity	5	5	5
771 2555 Water	2	2	2
771 2666 Cleaning	3	3	3
771 2777 Contribution to repairs	3	3	3
771 4112 Equipment maintenance	3	3	3
771 4120 Contribution to renewals	5	5	5
771 4603 Marketing	10	20	23
772 Food & Beverage cost of sales (20% profitability)	24	36	36
Total additional expenditure	80	102	105
Net additional income	40	78	100
5% cost of capital	20	20	20
Net effect	20	58	80

N.B. Please note these figures exclude any repayment of external financing and instead use a 5% cost of capital based on £400,000 investment

CASH FLOW ANALYSIS

10.

	2017/18	2018/19	2019/20	2020/21
Capital expenditure (excluding fencing and drainage)	345	0	0	0
Net income (before cost of capital)	40	78	100	100
Net cash flow	305	227	127	27
Residual value (inflatables)	100	66	33	0
Net financial exposure (cash flow less residual value)	205	161	94	27

PROCUREMENT METHOD

11.

- Procurement processes for individual elements i.e. inflatables, beach, fencing, drainage, and supporting buildings underway in March 2017
- All elements below £172k threshold but inflatables and beach above £75k so requiring 10 day standstill post award
- Pre-tender engagement taken place regarding the inflatables and beach to build confidence on capital costs and contingency requirement
- Design for drainage solution commissioned from Cundall who were heavily involved in original venue design and subsequent flood mitigation measures

TIMESCALES

12.

- The Trust would like to be opening an attraction no later than the venue's Summer Splash event on 1 July 2017.

This delivery date hinges on a number of items:

- Prompt agreement with project principles by Senior Officers' Group;
- Successful procurement of each element, with particular attention here for the inflatables and beach which will be tight in terms of lead in times;

- Successful planning application and/or the Senior Officers' Group determining to proceed with the project at risk without a planning verdict;
- If an attraction becomes undeliverable for 2017 due to delays it is still proposed that drainage and fencing work should take place at the earliest convenience, for the new area to be used as an events space, and with the attraction itself following in plenty of time for the 2018 season.

PLANNING MATTERS

13.

- Planning permission is required for the fencing and for a 'change of use' of the area
- Early conversations with Broxbourne Borough Council regarding large scale expansion on the development platforms, and site in general, have been positive, although a formal planning process is yet to commence
- A meeting is arranged with Broxbourne Borough Council's Planning department for 15 March 2017
- Parking needs to be contained 'on site' as there are planning restrictions surrounding the use of the adjacent River Lea Country Park for additional parking

Sign off / comments / limitations from LVRPA Head of Planning (if required):

Name:

Date:

PUBLIC ENGAGEMENT

14.

- None proposed

HUMAN RESOURCE IMPLICATIONS

15.

- Management would be delivered from within existing resource (LVWWC Venue Manager) and staffing costs are built into the financial returns

EQUALITY IMPLICATIONS

16.

- No equality implications arising from this project

IT RESOURCE IMPLICATIONS

17.

- Early discussions have taken place regarding remote payment and till systems / stock management systems and will require further consideration as plans progress

ENVIRONMENTAL IMPLICATIONS

18.

- Ongoing consultation required with Senior Conservation Officer as proposal progresses however it is not expected that there will be environmental concerns as long as surrounding swale unaffected by project

Sign off / comments / limitations from LVRPA Senior Conservation Officer (if required):

Conservation department to be kept in the loop as the project develops. There may be a requirement through planning to show that the project will not impact upon biodiversity.

Name: Cath Patrick

Date: 08/03/17

LEGAL IMPLICATIONS

19.

- No legal implications arising from proposal

Sign off / comments / limitations from LVRPA Director of Corporate Services (if required):

Name:

Date:

LANDLORD IMPLICATIONS

20.

- Formal Landlord's consent required

Sign off / comments / limitations from LVRPA Head of Property Services (if required):

Name:

Date:

COMMUNICATIONS IMPLICATIONS

21.

- This new attraction will be fully integrated into the Comms plan for the venue with activity confirmed once products are procured and opening dates are more defined

NATIONAL GOVERNING BODY IMPLICATIONS

22.

- Fencing the development platform is expected to be well received by British Canoeing as it supports the delivery of major events by creating a secure gated compound within the venue. The current proposals for largely moveable elements mean that the attraction and British Canoeing's use during events can co-exist, however this may change if and when more permanent installations are added which reduces the available space within the compound
- This space has been included as part of major events bids submitted by British Canoeing in conjunction with Lee Valley Regional Park Authority, and as such alternative equivalent space would need to be found to house an athletes' village, were these bids to be successful, if elements of the project were not to be moveable

Sign off / comments / limitations from LVRPA Head of Sport & Leisure (if required):

The fencing and access is to be planned in detail in conjunction with LVRPA's Events Team, the Trust and the H&S team. This area is identified to be the athletes' village for the next two major events in 2019 and 2020, and plans need to ensure that they do not affect this. The essence of the plans is good but detailed layout required before final sign off.

Name: Dan Buck

Date: 28/02/17

RISK MANAGEMENT IMPLICATIONS

23.

- This project carries risks surrounding its 2017 delivery as the longer it takes to receive approval, complete procurement, and/or apply for and receive planning consent, the delivery date becomes tighter and thus the returns harder to realise due to potentially limiting the scope of marketing campaigns
- Should there be any delays to the timescales which adversely affect successful delivery of the attraction for July 2017, the proposals would defer to 2018, although elements of the scheme would still be delivered in 2017 such as fencing, land drainage, and procurement processes
- Whilst prudent business planning has taken place for this project, should the returns not be realised as anticipated the project will take longer to pay back

- The inflatables will retain a residual value for either sale or part exchange at a later date if for any reason the scheme is aborted – alternatively they could be used at other venues

INDICATIVE IMAGERY

24.



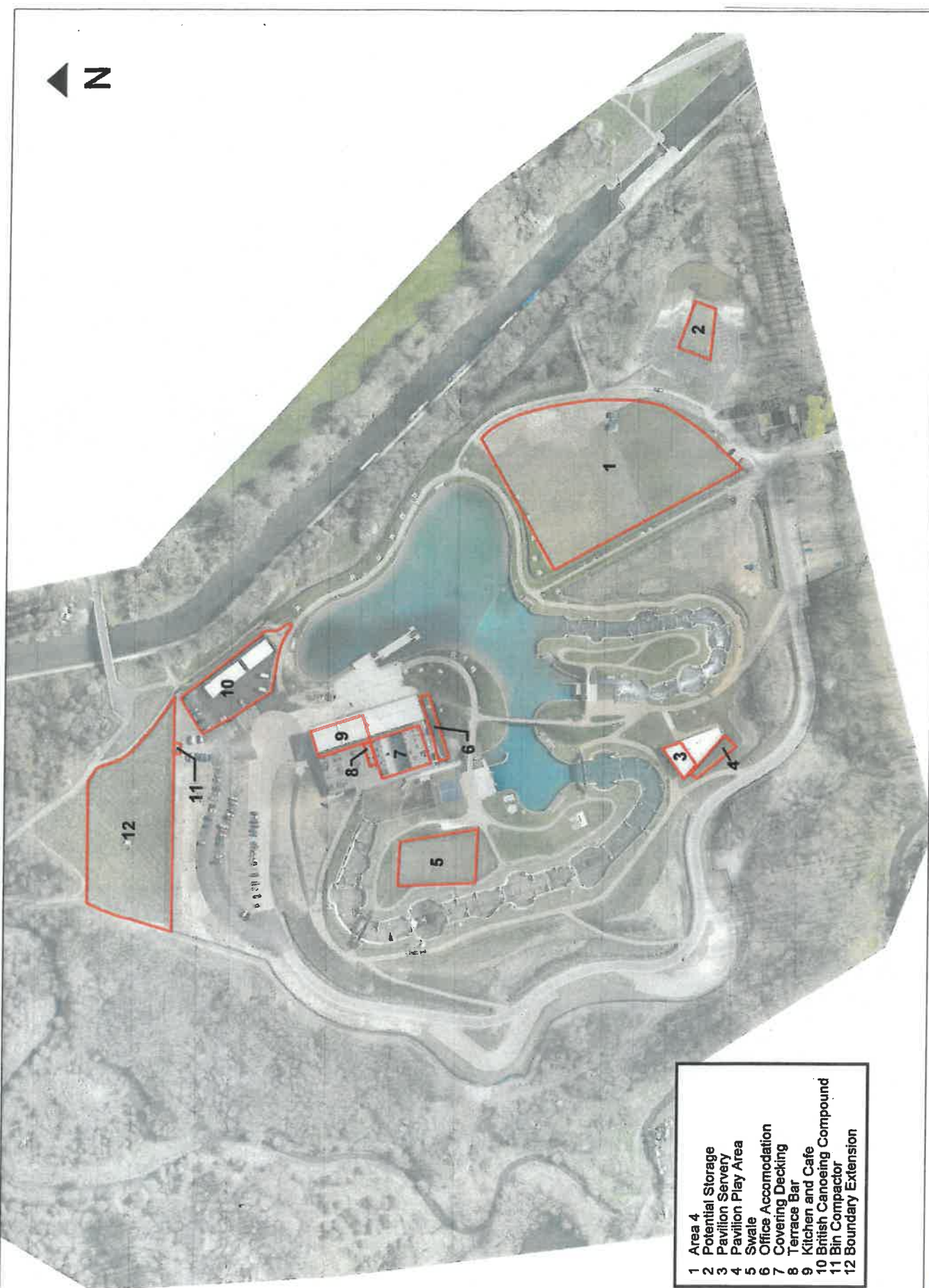
Report by Commercial Development Manager

Background Papers

- N/A

Appendices

- N/A



- 1 Area 4
- 2 Potential Storage
- 3 Pavilion Servery
- 4 Pavilion Play Area
- 5 Swale
- 6 Office Accommodation
- 7 Covering Decking
- 8 Terrace Bar
- 9 Kitchen and Cafe
- 10 British Canoeing Compound
- 11 Bin Compactor
- 12 Boundary Extension

Project Area

Venue Development Plan: White Water Centre

1:2000 @ A3
13.02.17

Produced by: Corporate GIS (AAB)
T:\User Specific Files\Departmental Maps\LV Trust 2016\Venue Devt Plan\WVWCLVWVC v1 (AB) 130217-PT

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