



**LEE VALLEY REGIONAL PARK AUTHORITY**

**EXECUTIVE COMMITTEE**

**26 JULY 2018 AT 10:30**

**Agenda Item No:**

**5**

**Report No:**

**E/571/18**

**LEE VALLEY ICE CENTRE TWIN PAD  
ALTERNATIVE APPROACH**

Presented by the Head of Sport & Leisure

**EXECUTIVE SUMMARY**

This paper updates Members on the Lee Valley Ice Centre twin pad development project and seeks approval to release £325,000 of funding from the capital programme provision for the Ice Centre to progress a re-designed two phase more flexible twin pad option to RIBA stage 2.

The Ice Centre twin pad design has progressed well but the project cost of circa £38million will prove challenging with uncertainty around funding options posing a risk to the project, particularly over the next two years. The current facility (which even after its refurbishment investment last summer) will potentially require further significant investment after 2019/2020 to continue operating in the medium term.

Officers have therefore investigated an alternative approach to delivering the aspiration of a twin pad ice facility but allowing a phased delivery of a single pad (with many of the commercial benefits required to be a regional facility) if funding for a twin pad is unachievable. This alternative approach will retain the current project's momentum and give the Authority the required information to make a decision in late 2018/early 2019 regarding the future of ice in the Lee Valley.

**RECOMMENDATIONS**

- Members Approve:           (1)   the allocation of £325,000 from the capital programme provision for the Ice Centre to fund the works detailed within this report; and
- Members Note               (2)   the financial risks set out in this report at paragraphs 19 to 21.

**BACKGROUND**

- 1   Over the past ten months the Ice Centre twin pad project has reached stage 2 of the 7 stage RIBA process. The project has progressed well with a developed stage 2 design completed (including build cost and associated business plan - circa £1.3million pa surplus).

The proposed venue footprint is 10,030sqm (which is the same size as Ice Sheffield) with additional facilities (including a 100 station gym, 1,000 more seats and two extra changing rooms) so it's as streamlined as it can be with the facility mix the Authority has scoped. The total project cost to deliver the new twin pad Ice Centre is estimated at circa £38million which includes a contingency of 20%. To progress the current Ice Centre Twin Pad project to stage 4 (final design and planning) would require £1.7million of funding.

- 2 Originally funding for the new facility was mainly centred around the Authority attracting external funding and critically funding to be obtained from Authority assets as part of the Land & Property Strategy. As detailed within this report, external funding options are limited and with the Land & Property Strategy work still in progress, the funding for the scheme remains uncertain.
- 3 The aspiration for the redevelopment of the Ice Centre remains. The current Ice Centre, whilst still well used and delivering an operational surplus (circa £230,000) is coming to the end of its operational life.

Members approved in May last year (Paper E/502/17) to undertake a £500,000 refurbishment in the summer of 2017 to the ice pad, cooling system and barrier which were items identified as of high risk of failure within a report by Ice Tech UK in January 2017. The works were finished in September 2017 following an 8 week closure with all the new systems installed having the capability to be moved to any temporary or permanent rink in the future - allowing for total project flexibility. This includes the extra pad and barrier elements for a 60x30 ice pad (current pad is 56x26) that are in storage awaiting a decision on the final project design.

- 4 The chillers, the building's mechanical and electrical plant and building structure are potentially the next high risk items and it is anticipated that in late 2019/early 2020 these will in all likelihood require investment to maintain a fully operational facility. The costs could range between £1million and £5million depending on what works are undertaken and these works will only give the current Ice Centre another estimated 5 years of operational life.
- 5 The works as outlined in paragraphs 1 and 3 above have totalled £900,000 with £50,000 of this total being funding received from the London Borough of Waltham Forest to support the twin pad development, full breakdown as follows:
  - Twin Pad development to RIBA stage 2 - £400,000;
  - New ice pad, cooling system and associated barrier replacement - £500,000.

With the full £38million capital funding required to deliver a twin pad in one phase still to be identified with certainty, officers are of the view that it is too high a risk that this time to make a further commitment of £1.7million to fund the next RIBA stages 3 and 4 which includes a detailed planning application.

Alternatively if Members approve the recommendations within this report the Authority will commit a further £325,000 in addition to those sums already invested above. This expenditure would include the early business planning work as outlined within paragraph 9 of this report, but the areas outlined below would not need resourcing as these were paid for as part of the works already undertaken, for example:

- as per paragraph 4, the new ice pad, cooling system and associated barrier can be used within the new facility. Any future costs would be centred around the dismantling and installation which would be a fraction of the investment already made;
  - the detailed ground investigation works have been completed;
  - design team orientation, clearly the team know the site and the Authority well which saves on mobilisation time .
- 6 To fully ascertain all funding options, Authority officers have met with the following organisations to investigate third party funding for the project:
- Sport England;
  - Greater London Authority (GLA);
  - London Borough of Waltham Forrest; and
  - PriceWaterhouseCoopers (regarding other available sources of finance).

All the above organisations have either said no or they cannot give any guarantees regarding funding opportunities. For example, the GLA whilst supportive of the project have other major sporting infrastructure projects ahead of the twin pad and Sport England fundamentally require the design to change to become more multi-sport which would compromise the business plan, all for a likely maximum £2million investment. Positive conversations have taken place with the London Borough of Waltham Forrest and corporate support is in place for this project.

#### **A PROPOSED TWO PHASED APPROACH**

- 7 During recent meetings of the Ice Centre Working Group Members have reiterated the aspiration is for a twin pad ice facility. However it is evident from the preceding paragraphs that a fresh approach is required to maintain the project's momentum, whilst protecting the overarching aspiration to deliver a twin pad ice facility.
- 8 The proposal is to secure a design that can be adapted to operate as a standalone single pad should the level of funding for a twin pad prove to be unachievable in the medium to long term. The design could leave the option for expansion into a twin pad without unnecessary additional work required on issues such as service areas and common parts.

A decision on what the initial phase is will be required at the end of RIBA stage 2 (late 2018/early 2019) and if the single pad is the preferred option the plan would still be to apply for planning permission for the twin pad footprint to protect any phase 2 development.

The facility would need to be designed in a way that works for any of the following scenarios:

- a one stage twin pad build;
- an initial single pad build; and
- a two stage twin pad build.

The design will fully cover the above scenarios to avoid unnecessary duplication of works and cost.

## THE BUDGET

- 9
- A total budget for a single pad has been broadly estimated at £25million (build costs and fees) which would generate an estimated £950,000 operational surplus. The Authority could potentially deliver this phase through its own resources (borrowing against any future estimated surpluses and utilising available capital reserves). Borrowing may in the short to medium term impact the levy until full income returns are realised.
  - Any work on this proposal would need to include a detailed analysis of the borrowing options and how the timing of any projects from the Land & Property Strategy could support the three scenarios detailed in paragraph 8.
  - A two phased approach would have development cost implications regarding fees which would be fully reviewed to ascertain what these are likely to be as part of these proposed works.
  - To undertake the design work required to get this phased approach to a RIBA stage 2, £325,000 in fees is required with the works taking five months to deliver and can be funded from the existing capital programme.
  - On a comparison, the total project fees for a single pad would be an estimated £2.6million where for the current twin pad scheme on current estimated costs would be £3.5million. As detailed above, the fees with a two phased scheme may be higher and these would be fully ascertained during any further design work.
  - At some point a capital receipt may be received from the works being undertaken in the Land & Property Strategy which could support the delivery of the twin or single pad. The ultimate risk is that no new significant land sale receipts are achieved and that the phase scheme progresses then £15million will be funded by borrowing (assuming £10million comes from existing capital reserves) with an impact on the levy and the current levy strategy which is likely to cost an ongoing £800K per year. The decision to progress (or not) with the scheme at this stage as a single Olympic sized ice pad with ancillary sporting facilities will need to be made in the context of the business plan, the levy strategy and the desire for ongoing ice provision albeit on this reduced scale.

## PROPOSED REGIONAL SINGLE PAD OUTLINE DESIGN

- 10 The project team will ensure that all the facilities in the current twin pad RIBA stage 2 design as outlined in paragraph 1 will remain, along with the business plan performance projections. What this design will do is ensure that any single pad option would house the facilities to support a positive commercial position and a venue of regional significance. Early business plan work has been undertaken on the basis of the following design:
- single 60x30 Olympic sized pad;
  - spectator seating 1,800;
  - 100 station gym with dance studio;
  - integrated Food & Beverage operation that caters for the participants, non-paying spectators and events;
  - public toilets for normal operations and events;
  - 3 sets of flexible changing rooms which include toilets, showers and support facilities for hockey and skating (skate sharpening, laundry, kitchen, physio room and coaches area);
  - rentable locker space;
  - ice support facilities (first aid, ice machine garage, ice storage, team storage, coaches lounge with toilets and changing facilities);

- circulation space and facilities such as a lift that supports the venue in either event mode or normal operations, but in phase 2 ensures that both pads can operate independently;
  - 3 flexible meeting rooms that are also used for parties, hospitality and support for major events;
  - office space which includes event control area, reception and back of house designed for phase 2 and its requirements to work as two separate pads and gym; and
  - a retail shop.
- 11 If this approach was to be commissioned, each of the above areas would be interrogated in detail to ensure the overarching budget could be reduced / met whilst fully maximising its business performance capabilities.

### **OTHER FACTORS**

- 12 The detail below are examples of the other factors that will need further investigation / assessing before a proposed position is submitted at the end of RIBA stage 2:
- continuity of ice will be a big challenge and likely to be unattainable on the current site. As part of the proposed works the position on the continuity of ice will be fully considered and the findings will be presented to Members as part of the overall decision making process; and
  - planning due to the land's Metropolitan Open Land (MOL) status will continue to be a key consideration and focus of the works.
- 13 It is officer's recommendation that Members approve the initial funding of £325,000 as detailed in paragraph 9 above and that officers return to Members in late 2018/early 2019 to present a range of options for consideration and decision.

### **ENVIRONMENTAL IMPLICATIONS**

- 14 The redevelopment option suggested in this paper would raise many of the same environmental and planning issues which the current scheme for the twin pad has raised given the site's location in MOL. Officer level advice from both the GLA and the London Borough of Waltham Forest indicate support in principle, but the case still has to be made on the 'very special circumstances' for an exception to adopted policies designed to protect openness and landscape. To address this advice from both the Council and the GLA requires new investment in adjacent parklands beyond the curtilage of the site of the new twin pad. Any application for planning permission would have to be accompanied by a range of other studies which at the least would include a design and access statement, and assessment covering environmental impact, transport impact and landscape impact. In particular, the challenge of re-configuring the site's redevelopment around the existing venue whilst leaving the option open for the second pad and also maintaining sufficient space for the construction programme will be a major challenge.

### **FINANCIAL IMPLICATIONS**

- 15 Funding for the recommendation within this report would be a £325,000 contribution from the existing capital programme provision for the Ice Centre.

## **HUMAN RESOURCE IMPLICATIONS**

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

## **LEGAL IMPLICATIONS**

- 17 The additional work to RIBA stages 0-2 will require a variation to the contract with Wrenbridge Land Limited and the publication of a Modification Notice in the Official Journal of the European Union (OJEU).

Clause 72 of the Public Contracts Regulations 2015 allows a modification to an existing contract (without need for a new procurement) if:

- additional works, services or supplies have become necessary by the original contractor and were not included in the initial procurement, where a change of contractor would cause significant inconvenience or substantial duplication of costs for the contracting Authority, provided that any increase in price does not exceed 50% of the value of the original contract (clause 72 (1) (b) (ii)).

In this case the additional works have become necessary due to cost considerations that were not known or knowable until Stage 2 had neared completion and it would cause substantial duplication of costs if the Authority were to appoint another contractor to carry out the additional work as some of the work already carried out by Wrenbridge Land can be re-used by them.

The £325,000 price is a small proportion of the overall cost of the project, originally estimated at over £21million.

## **RISK MANAGEMENT IMPLICATIONS**

- 18 There is a procurement risk that the Modification Notice described above may lead to an objection being raised but officers are confident that they can address any issues raised.
- 19 There are potential major financial risks that exist with both the phased and twin pad options. Much of the funding proposed for the delivery of this project is predicated on achieving material capital receipts generated from surplus assets with a significant sum funded by borrowing in the short to medium term. This will have an impact on the levy and levy strategy.
- 20 In the worst case scenario where no new funding is identified, financing a single pad development will cost an estimated £800k per year. In this worst case scenario financing the ice development from existing receipts and borrowing would also severely constrain the availability of resources to provide for capital developments/improvements elsewhere in the Park.
- 21 These financial risks exist either for a single or twin pad although a twin pad would cost significantly more to finance. Any decision to invest in the Ice Centre development would need to be taken after the proposed RIBA stage 2 works are complete in the context of a detailed business plan, the levy strategy and the desire for ongoing ice provision (not withstanding that if/when the existing Ice Centre operation fails the Authority is liable to incur significant one-off decommissioning costs of circa £0.5 to £1million).
- 22 Environmental and planning risks are covered in paragraph 14 above.

- 23 PR risks as previously set out in relation to this development will emerge as interested parties put forward alternative views on the development of this site which could ultimately lead to legal challenge and any subsequent costs that may emerge as a result of such a challenge.

### **EQUALITY IMPLICATIONS**

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

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### **PREVIOUS COMMITTEE REPORTS**

Executive Committee	E/203/12	Scrutiny Review - Lee Valley Ice Centre	19 April 2012
Executive Committee	E/404/15	Ice Centre Feasibility Study – Phase 3	21 May 2015
Executive Committee	E/431/15	Ice Centre Feasibility Study – Phase 3 Part 1	17 December 2015
Authority	A/4228/16	Outcome of Stage 2 of the Ice Centre Feasibility Exercise and Proposed Next Steps	16 June 2016
Executive Committee	E/502/17	Potential Ice Centre Refurbishment	25 May 2017
Executive Committee	E/546/18	Lee Valley Ice Centre – 2 Staged Twin Pad Option	22 February 2018

### **LIST OF ABBREVIATIONS**

RIBA	Royal Institute of British Architects
GLA	Greater London Authority
OJEU	Official Journal of the European Union
MOL	Metropolitan Open Land

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