

**PROPOSED CAPITAL PROGRAMME
2020/21 (REVISED) TO 2024/25**

Presented by the Head of Finance

EXECUTIVE SUMMARY

The last review of the capital programme was undertaken in December 2019 and the current programme was approved at the Executive Committee meeting on 19 December 2019 (Paper E/646/19). 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 2024/25.

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 2021 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 £37.4 million to 31 March 2025, as set out in Table 2 (paragraph 16 of this report).

RECOMMENDATIONS

- Members Approve:
- (1) the revised capital programme for 2020/21 (revised) to 2024/25 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 16) 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 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), will likely be delayed
- 3 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.
- 4 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 2020/21 (revised) to 2024/25 for Members' consideration. This is summarised in Table 2 (paragraph 15) in this report and further detailed in Appendix A to this report.
- 5 The key project in the capital programme is the development of the Ice Centre, with £30m earmarked for the period 2021 to 2023. This will require external funding from borrowing, and whilst still subject to final Member approval, 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 on-going 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.

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 further developments in 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

- 6 **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.

- 7 **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.

- 8 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.
- 9 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

- 10 Initial indications are that existing capital reserves together with projected borrowing and revenue contributions will provide funds of £47.1m to 31 March 2025.
- 11 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 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.

- 12 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.

- 13 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 £37.4 million to 31 March 2025.
- 14 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.
- 15 The proposed future revenue funding to support the capital programme has been reduced to £0.80 million in line with the current Medium Term Financial Plan. This currently represents 8.2% of the existing levy (£9.576m). Remaining capital resources will come from existing capital receipts and borrowing
- 16 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	2020/21 Revised	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m	£m
Capital Financing							
Unapplied Receipt	(12.7)	0.0	0.0	0.0	0.0	0.0	(12.7)
External Borrowing	0.0	0.0	(30.0)	0.0	0.0	0.0	(30.0)
Capital Fund	0.0	0.0	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)
Major Repairs Fund	(1.4)	0.0	(0.5)	(0.5)	(1.0)	(1.0)	(3.4)
Direct Revenue Contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total for Year	(14.1)	0.0	(30.8)	(0.8)	(0.8)	(0.8)	(47.3)
Net Capital Allocation							
Balance B/Fwd		(14.1)	(11.2)	(27.9)	(14.4)	(10.1)	
Annual Capital Funds	(14.1)	(0.0)	(30.8)	(0.8)	(0.8)	(0.8)	(47.3)
Less: Capital Programme requirements		2.9	14.1	14.3	5.1	1.1	37.5
Balance C/fwd		(11.2)	(27.9)	(14.4)	(10.1)	(9.8)	(9.8)

- 17 Table 2 shows that at the end of the five year period to 31 March 2025 capital reserves would be £9.8 million. It also shows that to proceed with the Ice Centre project Members will need to consider borrowing options from 2021/22 to ensure sufficient cash flow is available.

ENVIRONMENTAL IMPLICATIONS

- 18 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

- 19 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 £0.8 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

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 22 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 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

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

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PREVIOUS COMMITTEE REPORTS

Executive Committee E/646/10 Proposed Capital Programme 19 December
2019/20 Revised To 2023/24 2019

APPENDIX ATTACHED

Appendix A Capital Development Programme Revised 2020/21 to 2024/25

LIST OF ABBREVIATIONS

PDF Park Development Framework
LSC Leisure Services Contract

LEE VALLEY REGIONAL PARK AUTHORITY
CAPITAL PROGRAMME MONITORING 2020/21 (REVISED) TO 2024/25

Project Name	Accountable Officer	Project Manager	Cumulative to 31/03/2020					2023/24	2024/25	Total Budget
			£000s	£000s	£000s	£000s	£000s			
Land Acquisition & Remediation	Deputy Chief Executive	Head of Property	3,320	0	0	450	450	450	1,350	
IT Infrastructure & Communications	Corporate Director	Head of IT	2,914	150	200	100	100	100	650	
Asset Management	Corporate Director	Head of Asset Maint.	11,364	1,000	650	500	500	500	3,150	
Olympic Park Hostile Vehicle Mitigation	Chief Executive	Head of Sport/Leisure	0	0	245	250	0	0	495	
Landscaping (Eton Manor Allotments Site)	Corporate Director	Head of Parklands	431	7	0	0	0	0	7	
Dobbs Weir Campsite Final Phase	Director Finance	Head of Asset Maint.	4,219	30	0	0	0	0	30	
Wildlife Discovery Centre	Corporate Director	Head of Project/Funding	241	670	0	0	0	0	670	
Lee Valley Ice Centre Redevelopment Phase 1	Chief Executive	Corporate Director	1,667	1,000	0	0	0	0	1,000	
Lee Valley Ice Centre Redevelopment Phase 2	Chief Executive	Corporate Director	0	0	13,000	13,000	4,050	0	30,000	
NET PROGRAMME			24,156	2,857	14,095	14,300	5,050	1,050	37,352	
Total Capital Expenditure			24,156	2,857	14,095	14,300	5,050	1,050	37,352	
Total Capital Income			0	0	0	0	0	0	0	
NET PROGRAMME			24,156	2,857	14,095	14,300	5,050	1,050	37,352	

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