

To: Paul Osborn (Chairman) Heather Johnson  
David Andrews (Vice Chairman) Chris Kennedy  
Susan Barker Graham McAndrew  
Ross Houston Gordon Nicholson

A meeting of the **EXECUTIVE COMMITTEE** (Quorum – 4) will be held at  
**Lee Valley White Water Centre**, Station Road, Waltham Cross, Herts, EN9 1AB on:

**THURSDAY, 18 JANUARY 2024 AT 11:30**

at which the following business will be transacted:

## **AGENDA**

### **Part I**

1 To receive apologies for absence

2 **DECLARATION OF INTERESTS**

Members are asked to consider whether or not they have disclosable pecuniary, other pecuniary or non-pecuniary interests in any item on this Agenda. Other pecuniary and non-pecuniary interests are a matter of judgement for each Member. (Declarations may also be made during the meeting if necessary.)

3 **MINUTES OF LAST MEETING**

To approve the Minutes of the meeting held on 14 December 2023  
(copy herewith)

4 **PUBLIC SPEAKING**

To receive any representations from members of the public or representative of an organisation on an issue which is on the agenda of the meeting. Subject to the Chairman's discretion a total of 20 minutes will be allowed for public speaking and the presentation of petitions at each meeting.

5 **2024/25 REVENUE BUDGET AND LEVY**

Paper E/838/24

Presented by Shaun Dawson, Chief Executive, and  
Keith Kellard, Head of Finance

6 CAPITAL STRATEGY 2023/24 TO 2027/28 Paper E/836/24

Presented by Keith Kellard, Head of Finance

7 PROPOSED CAPITAL PROGRAMME 2023/24 Paper E/837/24  
(REVISED) TO 2027/28

Presented by Keith Kellard, Head of Finance

8 Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency by reason of special circumstances to warrant consideration.

9 Consider passing a resolution based on the principles of Section 100A(4) of the Local Government Act 1972, excluding the public and press from the meeting for the items of business listed on Part II of the Agenda, on the grounds that they involve the likely disclosure of exempt information as defined in those sections of Part I of Schedule 12A of the Act specified beneath each item.

**AGENDA**  
**Part II**  
**(Exempt Items)**

10 PROPOSED WAYLEAVE FOR UNDERGROUND Paper E/839/24  
ELECTRICITY CABLES AT 50 WHARF ROAD,  
BROXBOURNE, EN10 6HD

Presented by Beryl Foster, Deputy Chief Executive

Not for publication following the principles of the Local Government Act 1972, Schedule 12A, Part I, Section 3

11 Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency by reason of special circumstances to warrant consideration.

10 January 2024

Shaun Dawson  
Chief Executive

**LEE VALLEY REGIONAL PARK AUTHORITY**

**EXECUTIVE COMMITTEE  
14 DECEMBER 2023**

**Members Present:** Paul Osborn (Chairman) Heather Johnson  
David Andrews (Vice Chairman) Chris Kennedy  
Susan Barker Graham McAndrew  
Ross Houston Gordon Nicholson

**In Attendance:** John Bevan

**Officers Present:** Shaun Dawson - Chief Executive  
Beryl Foster - Deputy Chief Executive  
Dan Buck - Corporate Director  
Jon Carney - Corporate Director  
Keith Kellard - Head of Finance  
Michael Sterry - Senior Accountant  
Julie Smith - Head of Legal  
Victoria Yates - Head of Human Resources  
Jessica Whitehead - Volunteers Officer  
Sandra Bertschin - Committee & Members' Services Manager

**Also present:** Kevin Bartle – S151 Officer (London Borough of Enfield)  
Peter Bundy, Tony Wallace, Bill Moran, Louise Smith – Greenwich Leisure Ltd

Part I

285 DECLARATIONS OF INTEREST

There were no declarations of interest.

286 MINUTES OF LAST MEETING

**THAT the minutes of the meeting held on 23 November 2023 be approved and signed.**

287 PUBLIC SPEAKING

No requests from the public to speak or present petitions had been received for this meeting.

288 LEISURE SERVICES CONTRACT OPERATION

Greenwich Leisure Limited (GLL) gave a presentation on the Lee Valley Partnership.

Peter Bundy introduced the presentation including that the Lee Valley partnership was of strategic importance to GLL.

Tony Wallace and Bill Moran gave a presentation including:

- 2023 – Key Strategic Milestones Achieved
- Performance: Income Trend
- Performance: Visitor Number Trend

- In Focus: Investment
- In Focus: Lee Valley Ice Centre
- In Focus: Lee Valley VeloPark – ‘Open to the Community’
- Performance: Customer Satisfaction
- In Focus: Customer Service Centre
- Performance: Quality Audits and Assessments
- Performance: Asset Maintenance
- In Focus: Respecting the Planet
- In Focus: More Than a Job
- Highlights: Active Communities
- GLL Sport Foundation 2023 in Lee Valley
- Highlights: Health
- Highlights: Events
- 2024 – Key Strategic Milestone Ambitions
- GLL – Creating our Future and Creating our Future will Deliver
- Summary

Members thanked GLL for an interesting and informative presentation.

GLL representatives left the meeting.

**289 REVIEW OF VOLUNTEERING**

**Paper E/832/23**

The report was introduced by the Head of Human Resources.

Member comments included:

- volunteering generally was decreasing post Covid and induction was key to volunteer retention; and
- liaison with GLL would be helpful in accessing data about volunteering.

In response to a Member it was advised that a lot of enquiries were received about corporate volunteering but these rarely transferred to actual volunteering.

- (1) the focus of the next Scrutiny Review to be Volunteering as per the scope set out in paragraph 4 of Paper E/832/23 was noted.**

**290 PROPOSED CAPITAL INVESTMENT AT LEE VALLEY VELOPARK**

**Paper E/833/23**

The report was introduced by the Corporate Director.

Members supported diversification of activities at the VeloPark to attract more visitors which in turn would enable cross marketing of cycling activities.

- (1) further to consideration and approval of the recommendation in the Part 2 Paper E/834/23 the inclusion within the capital programme of £508,603 for a new Health & Fitness offer and relocation of meeting space at Lee Valley VeloPark was approved.**

Ross Houston joined the meeting during consideration of the above item.

291 **EXEMPT ITEMS**

**THAT based on the principles of Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the items of business below on the grounds that they involve the likely disclosure of exempt information again on the principles as defined in those sections of Part I of Schedule 12A of the Act indicated:**

<b>Agenda Item No</b>	<b>Subject</b>	<b>Exempt Information Section Number</b>
10	Financial Implications of Proposed Capital Investment at Lee Valley VeloPark	3
292	<b>FINANCIAL IMPLICATIONS OF PROPOSED CAPITAL INVESTMENT AT LEE VALLEY VELOPARK</b>	Paper E/834/23

The report was introduced by the Corporate Director.

- (1) **the proposed financial arrangements in respect of the capital investment projects and impact on the Leisure Operator Base Trading Account (LOBTA) as set out in Paper E/834/23 was approved.**

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Date

The meeting started at 11.38am and ended at 12.37pm

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## **2024/25 REVENUE BUDGET AND LEVY**

Presented by the Chief Executive and Head of Finance

### **EXECUTIVE SUMMARY**

The context for setting the 2024/25 budget is responding to the continued high-energy prices, stubbornly high general inflation which peaked at over 11% and its compounding impact, plus responding to the need for the Authority to continue its recovery and rebuild general reserves.

The Authority has recently approved its Business Plan for 2024-2027 which includes a range of business development/investment projects in the medium term, 2 to 4 years. The objective is that these projects will both enhance the Park and deliver additional income streams.

The current Levy for 2023/24 is £10.646mill (which is 34.1% of the maximum chargeable). This equates to £0.90p per person in Herts, Essex and London. Members approved an increase of 9% on the Levy for 2023/24 in response to the significant impact that resulted from the high inflation and energy costs. The Authority was faced with a significant increase in costs for 2023/24 of £3.2mill, and whilst being able to identify £1.9mill of savings, there was still a funding gap of £1.3mill. The Levy increase contributed £0.9mill, but we were still faced with needing to draw £0.4mill from reserves. This in turn pushed our General Fund balance below the approved minimum level of £3mill.

The Authority is required to set a budget and Levy for 2024/25 by 24 January 2024 and notify contributing authorities by 15 February 2024.

This paper sets out a budget and Levy proposal to support delivery of the Authority's ambitions and objectives over the coming years as part of the new Business Plan (2024-2027).

Appendices attached to this report detail the Medium Term Financial Forecast (Appendix A), Earmarked Reserves balances (Appendix B), and an indication of the change to each contributing authority's Levy as a result of this paper (Appendix C).

### **RECOMMENDATIONS**

Members recommend to Authority: (1) a proposed Levy for 2024/25 as set out in paragraph 30; and

- (2) allocation of £1.8m to general reserves as set out in paragraph 25.

## BACKGROUND

### 1 Business Strategy

The Authority's business philosophy is to be "community focused and commercially driven". It continues in its commitment to increase value and to enhance the visitor offer for constituent boroughs, whilst reducing the cost of the Lee Valley Regional Park to the taxpayer.

### 2 As set out in the Authority's current Business Plan the aspiration is:

- to become a world class leisure destination;
- to establish a strong commercial base;
- to increase regional relevance and value; and
- to have an enhanced reputation and stronger political position.

### 3 Levy Strategy

Between 2010/11 and 2020/21 Members approved a strategy of a reduction in the Levy as a part of an overall decision to become more commercial and to generate resources from existing assets and so reduce the financial burden on the regional tax payer. The need to respond to, initially the Covid-19 pandemic, and then the cost of living crisis, has led to an increase in two of the past three years. However, there has been an overall 7.54% reduction in Levy since 2013/14, which represents a real term reduction of 53.86%.

Year	Levy Movement	Cash Reduction	Real Term Reduction	Levy as a proportion of the Maximum Chargeable
	%	£000s	£000s	%
2013/14	- 2%	-£235	0	52.6%
2014/15	- 2%	-£230	-£593	49.9%
2015/16	- 2%	-£226	-£1,088	47.9%
2016/17	- 2%	-£221	-£1,403	46.6%
2017/18	- 6%	-£650	-£2,303	42.9%
2018/19	- 6%	-£611	-£3,396	38.8%
2019/20	0%	£0	-£3,820	37.6%
2020/21	0%	£0	-£4,145	36.7%
2021/22	+ 2%	+£192	-£4,109	37.0%
2022/23	0%	£0	-£4,783	35.3%
2023/24	+ 9%	+£879	-£5,743	34.1%

The current levy for 2023/24 represents 34.2% of the total budgeted income receiveable for the Authority's operational estate (which includes LSC income). Contrast this against a total of 49.4% of total income in 2013/14, and 67.7% in 2010/11, this demonstrates the reliance on the Levy has almost halved in the last 13 years.

### 4 Funding Strategy

The Authority has focused on the following areas to reduce its reliance on the Levy:



- implementing the retendered Leisure Services Contract (LSC) for the six sporting venues;
  - continual investment in and developing the sports and non-sporting venues;
  - investing in new business development, e.g. Lee Valley Ice Centre;
  - developing new opportunities e.g. Picketts Lock site, Lee Valley White Water Centre, Broxbourne Riverside and Eton Manor.
- 5 The LSC with Greenwich Leisure Limited (GLL) which commenced on 1 April 2022 will contribute to removing the financial risk of exposure to changes in both expenditure and income at the sports venues in the long term. The current Leisure Operators Base Trading Account (LOBTA) which determines the Management Fee payable, shows a net payment to the Authority over the life of the LSC of **£4.3mill**. The profile sees a payment to GLL in the first two years (2022/23 and 2023/24) which reflects the recovery from Covid-19, and the opening and operation of the new Lee Valley Ice Centre. Year 3, 2024/25, will see the first year where the payment flow is back to the Authority of **£488,000**, increasing to **£1.277mill** by Year 10 (2031/32).

However, the risk share agreement regarding Utilities is being extended for the duration of the LSC to help address the uncertainty around future energy prices. This will put the consumption risk with GLL, whereas the price risk is with the Authority. An annual benchmarking exercise will revise the annual targets, reflect both changes in energy prices and consumption change from LED investment and efficiencies.

## **DEMANDS ON THE AUTHORITY**

- 6 The demands on the organisation over the next few years are significant:
- responding to the major financial impact caused by the huge increase in energy prices;
  - building a greater resilience against potential impact from future events;
  - successfully ensuring the continued operation and enhancement of the non-sporting venues transferred back to the Authority;
  - generating additional income through a range of investment projects across all the Venues and the Park's open spaces;
  - maintaining the standard and relevance of major sports venues which are now 11-17 years old;
  - enhancing the Regional Park as a visitor destination through a number of new developments; and marketing the Park to a regional audience and delivering greater value to the communities of London, Essex and Herts.

## **AUTHORITY'S CURRENT FINANCIAL POSITION**

- 7 The Authority approaches 2024/25 with a cautious financial approach. Current projections are for a deficit of **£0.35mill** in the current year, which will take our general reserves down to **£2.6mill**. This, however, is against a budget forecast of a **£0.46mill** deficit, so a small improvement.
- 8 The Medium Term Financial Plan (MTFP) has been updated to assist the budget and Levy setting process. It provides a snapshot in time as it is difficult to predict with any level of certainty beyond the next financial year. The figures beyond 2024/25 should only be used as a guide to determine the general direction of travel. Assumptions made, that have been incorporated into the

MTFP, are listed below.

9 The key risk areas in relation to the MTFP are set out below.

- **Inflation** – current CPI inflation is **3.9%**, and RPI **5.3%** as of November 2023. However, CPI inflation has risen as high as 11.1% in the past year. Whilst there is an expectation that inflation will continue to fall throughout the next calendar year, the compounding effect of the high inflation rates have had a significant impact on the cost of goods and services. Current estimates by the Bank of England is that inflation will remain at a level above their target position of **2%** well into 2025.
- The MTFP includes an assumption around employee pay rise of **4%** for 2024/25. The national pay review for 2023/24 added **£1,925** to every scale point on the NJC grade, and Members additionally approved a **3.88%** rise for those employees above this. This represented an average pay rise for Authority employees of **5.40%**. An increase of **1%** will add approximately **£90,000** to the budget. Based on current inflation prediction for 2024, officers feel that this assumption is appropriate. However, National Employers await the trade union claim for 2024/25 in the coming weeks, and we will report if this, or the initial response, is received before 18 January.
- **Energy costs** - our current agreement with Laser (public bodies energy procurement consortium) for the period October 2023 to September 2024, saw energy prices increase by around 7% against the previous year. However, these prices represent around a 13% saving against those estimated this time last year. GLL has been able to secure prices similar to ours. The forward estimates are for prices to remain at similar levels for the foreseeable future. We have costed the increase from October 2024 at an estimated price that takes into account Laser's forecast for that time, although it would be prudent to allow some contingency for any price increase above the estimated level i.e. for the second half of 2024/25.
- **Income** – Members approved the Fees and Charges for 2024/25 in November (Paper E/823/23), and on average prices were increased by 6%. However the current economic climate will continue to be a challenge to income budgets, and whilst we have seen increases of around 10% in 2023/24 to established income streams, newer offers have yet to start delivering expected returns. A focus will be on generating income in these areas over the next year. Whilst our overall risk exposure to income has fallen significantly with GLL running the major Sporting Venues, a 5% fall would still see a reduction in income of around **£270,000** to our variable non LSC (i.e. non-rental) income.
- **Management Fee for the Leisure Services Contract** - currently the base fee set for 2024/25 is a payment to the Authority of **£0.49mill**. However, as part of the shared risk position for utilities at the LSC venues, the Authority takes the risk for tariff and GLL takes the risk for utility consumption. This arrangement was due to end after the first two contract years, however both parties are discussing an amendment to the contract to agree the most beneficial risk profile. We have costed, based on GLL and our assumptions, and have included provision for a payment of c. **£0.95m** in the MTFP. This is however, subject to

consumption levels and energy price changes.

#### 10 Table 1: Draft 2024/25 Budget Summary

	2023/24 £000s	2024/25 £000s
Base Budget Authority	7,659.8	7,659.8
Base Adjustments	(720.0)	882.1
LSC Management Fee	1,034.5	(487.8)
LSC Utilities Risk Share	1,360.0	950.0
Borrowing Costs (Ice Centre)	1,585.0	1,722.0
Contingency	0	50.0
Levy	(10,646.7)	(10,646.7)
<b>Total Base Budget</b>	<b>272.6</b>	<b>156.4</b>
Outturn Against Budget 2023/24	73.1	0.0
Net Growth & Savings	0	197.5
<b>Levy Increase 3%</b>	<b>0</b>	<b>(319.4)</b>
<b>Deficit/(Surplus) before savings</b>	<b>345.7</b>	<b>7.5</b>

Appendix A sets out the Medium Term Financial Forecast, along with detailed changes to the base budget.

- 11 The MTFP currently shows that a 3% increase to the Levy will set a near balanced budget.

#### BUDGET GROWTH, SAVINGS AND EFFICIENCIES

- 12 The proposed expenditure growth, savings, and additional income for 2024/25 is set out in Appendix A. These represent an overall net budget growth of **£197,500** and a summary of the key budget implications is set out below.

#### 13 Budget Growth

- **Corporate Training (£32,000)** - As a result of the new Health and Safety Contract, additional training needs have been identified at venues and business support. Officers are reviewing all training provision throughout the Park to ensure all staff have the appropriate training for their post.
- **Audit Fees (£40,000)** - The new Public Sector Audit Appointments (PSAA) contract for provision of audit services will commence for five years from 2024/25. PSAA have recently announced that the increase in base scale fee will be 151% to more accurately reflect the cost of delivering the audit requirements. This will increase our annual scale fee to **£65,770**.
- **Security and Grounds Maintenance Contracts (£150,000)** - The retendering of the security contract with Parkguard has resulted in an annual increase of **£80,000**. This was reported to Members in November (Paper E/831/23). Additionally, following the administration of Lee Valley Ice Centre contractor Buckingham, there is a requirement to procure the grounds maintenance contract at Lee Valley Ice Centre, which would have been covered for the first five years by Buckingham. This is

currently estimated at **£60,000** per annum. A further **£10,000** growth is required for the Countryside Areas Meadows Cut contract.

- **Stakeholder Audit / Marketing Campaigns (£35,000)** - Stakeholder perception is one of the Authority's KPIs and is something that hasn't been measured for a number of years. A stakeholder audit is planned for 2024. The Paris 2024 Olympics and Paralympics coincides with the tenth anniversary of the opening of Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre so there is an opportunity for major marketing campaigns.

#### 14 Budget Efficiencies and Savings

##### Changes relating to the Leisure Services Contract (LSC)

- The base LSC Management Fee reverts to a payment from GLL to the Authority of **£487,800**, a net improvement of **£1mill**.

The reduction to energy prices, the investment in LED lighting at all LSC venues, as well as improvements to consumption management is forecast to result in a reduction to the Utility Risk share payment of **£410,000**.

- 15 - **Car Parking (£25,000)** - The current car parking management includes a budget of **£25,000** for general expenses relating to installation of parking facilities. This is being removed from the base budget to be included in future proposals around delivery of EV charging points. The majority of Authority car parks now have electricity supply, and costs are offset against income by car park management.
- **Visitor Counters (£16,300)** - The current visitor counters do not deliver the data requirements at venues. A new solution is proposed to be procured which will more accurately track visitors to venues and open spaces, and the development in counter technology will result in a net saving.
- **Investment Income (£170,000)** - The Authority's base budget only includes provision for **£30,000** of investment income. With interest rates on savings at around **5%** currently, we expect to significantly over achieve this amount. The expected reduction in Authority cash over the next year is still expected to deliver a return of at least **£200,000** based on current interest rate forecasts.
- **New Investment In Lee Valley VeloPark (£25,000)** - Papers were presented to Members on 14 December relating to the Proposed Capital Investment at Lee Valley VeloPark (Paper E/833/23 & E/834/23). These papers set out the full financial implications, but the net revenue benefit to the Authority in 2024/25 will be **£25,000**, increasing to **£100,000** pa from 2025/26.

#### 16 Marinas Staffing Restructure

Members were briefed in November around the proposed restructure of Marina operations. The headline indication was that additional costs would be around **£270,000** pa. Members requested that officers review this, and present a fully

costed Business Plan for the Marinas to reduce this deficit, and ensure that both marinas were delivering a surplus. Officers will present a revised and improved budget plan to Members in February. In the meantime, the base cost is still being shown, although this is expected to improve significantly by February when the revised plan is presented. Any reduction from this £270,000 will initially be added to General Contingency, which in turn may result in a contribution to General Reserves. However, Members will have the opportunity at that time to identify if they wish for an alternative allocation.

## **REVENUE CONTRIBUTION ASSET MANAGEMENT RESERVES AND CAPITAL**

- 17 The Authority makes an annual base contribution to Earmarked Reserves for Asset Maintenance, Repairs and Renewals of **£1.43mill**. This is to fund any asset management or replacement projects that have been identified, along with some contingency for unexpected events.
- 18 The value of these reserves is anticipated to be **£1.2mill** at 31 March 2024. In order to help with the budget deficit in 2023/24 contributions to these funds were reduced by **£720,000**. However, this reduction is not sustainable in the long term, and with a programme in excess of **£1.4mill** over 2024/25 across the Authority estate, it is proposed to reinstate the majority of these contributions. A small reduction of **£100,000** is however proposed while officers review the Authority's asset renewal programme over the next five years.
- 19 It should also be noted that the Authority does not currently make any contribution from Revenue to directly fund its Capital Programme, outside of the statutory requirement to fund past capital expenditure financed by borrowing. Current capital is funded from existing and new capital receipts and external borrowing. The Capital Strategy (Paper E/836/24) and Capital Budget (Paper E/837/24) reports on the same agenda, have more detail on the financing of the Authority's capital programme.

A longer term aspiration should be to finance, at least in part, the capital programme directly in year from revenue contributions rather than rely on future capital receipts, which may not be forthcoming, or borrowing.

External borrowing has implications related to inflation and rates risks, as well as the need to finance repayment of any loans from revenue. The Authority is already highly geared with the £25million short-term loans to fund the Lee Valley Ice Centre redevelopment, and should avoid looking at external borrowing to fund future capital investment.

- 20 Due to the number of major assets the Authority owns, and the maintenance requirements to keep these venues in prime operational condition, Members should consider whether it would be appropriate to establish as a minimum, an Olympic/Major Venues Sinking Fund, to help finance any future maintenance requirements. Members will be aware that we have recently invested **£0.9mill** in the upgrade and maintenance of the pumps at Lee Valley White Water Centre, and **£0.6mill** on the track replacement at Lee Valley Athletics Centre. There was no existing specific reserve in place to fund these, so we had to fund from existing capital receipts. With other venues, such as Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre, now over 12 years old, officers are in the process of reviewing, based on the recent conditions surveys, the future maintenance needs of these venues that sit outside of the requirements of GLL under the LSC.

Whilst there is no specific provision within 2024/25 for this fund, Members may wish to consider whether this could be established from any potential year end surplus, or as direct contributions from 2025/26.

## THE LEVY

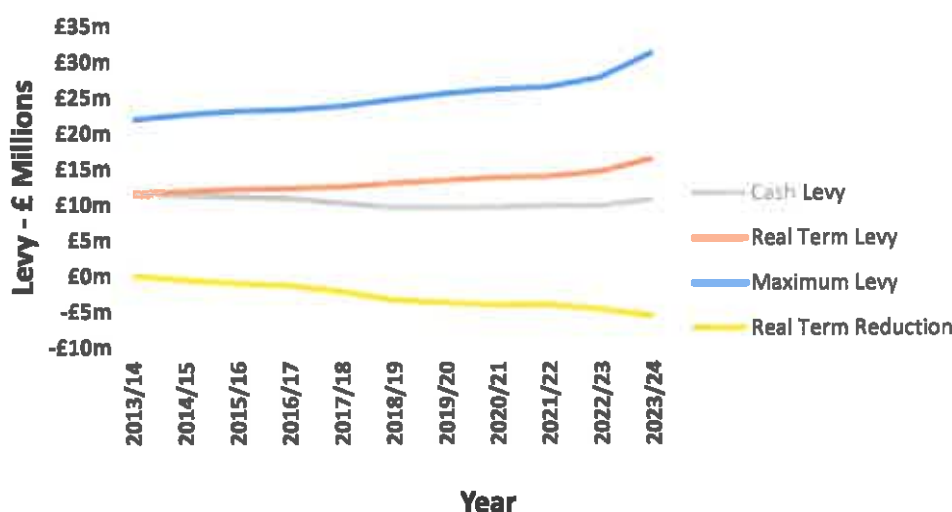
- 21 The maximum Levy is determined by law. The annual increase for the maximum Levy in the year ahead is based on the Retail Price Index (RPI) as at the preceding September. The RPI for September 2023 was 8.66%. Therefore the maximum Levy for 2024/25 is set at **£33.9mill (2023/24 was £31.2mill)**.
- 22 A 1% movement in the Levy equates to approximately **£106k** per annum for the Authority. Whilst a 1% movement in the Levy impacts between **£200** and **£12,900** for the smallest (Corporation of London) and the largest contributing authority (Essex) respectively, with the majority of contributing authorities falling between **£1,200** and **£3,400** per annum.
- 23 Over the last 10 years changes in the Levy have been significantly below inflation (RPI) with a real term decrease of around **46%** over the last ten years.

	Actual Cash Levy £m	Real Term Levy (if had increased with Inflation) £m	Maximum Levy £m
2013/14	£11.514	£11.514	£21.906
2023/24	£10.646	£16.390	£31.181

Levy Decrease	- 7.54%
RPI Increase	+ 42.34%

The current Levy of **£10.646mill** represents an overall reduction against the real term inflated Levy of **£16.390mill** of **53.9%** (**-£5.743mill**).

### Levy Trend 2013/14 to 2023/24



- 24 The Levy is apportioned to contributing authorities, based on proportion of each authority's Council Tax Band D figure, against a combined figure for all

contributing authorities. **Appendix C** sets out how the 2023/24 Levy was apportioned to the contributing authorities.

## RESERVES

- 25 Any decision taken by Members that does not provide for a balanced budget will have a downward impact on reserves. The unallocated General Fund reserve was **£2.9mill** as at 1 April 2023. The projected outturn for 2023/24 is expected to decrease this to around **£2.6mill** by 31 March 2024. This level is under constant review, and reported to Members at the quarterly revenue monitoring throughout the year.

The current general reserves policy is for general reserves of between £3mill - £4mill. Members agreed a temporary reduction below £3mill for 2023/24 due to the significant budget pressures, with an emphasis on building reserves back up above the £3mill minimum level in the medium term.

The Authority benefitted from a **£1.811mill** refund of VAT from HMRC in September 2023. This was presented to Members in October (Paper E/821/23). Members agreed that rather than try to allocate this sum to specific areas or schemes, that it should be held in the General Fund.

A further option was to utilise part or all of this receipt to finance the Lee Valley Ice Centre redevelopment, and thus reduce the requirement for external debt. The full annual charge, in respect of statutory Minimum Revenue Provision (MRP), on £25million of external debt, as per our MRP policy, would be £625,000 pa. In addition, there would be related borrowing interest cost.

However, the £1.8m would only represent a reduction in MRP of £45,000, and whilst there will be a reduction to interest costs, the opportunity to utilise these funds elsewhere will be lost, along with the short-term gain receivable in terms of investment income.

Also, the flexibility of allocating these monies to the General Fund does not then prevent the Authority from making a decision to any of this in a different way, i.e. for capital financing, in the future.

The recommendation remains that this sum is held within the General Fund.

However, Members should also be mindful that there is an outstanding retention fee of around **£800,000** due to Buckingham for the construction of Lee Valley Ice Centre. With Buckingham now in administration, the Authority is having to fund outstanding snagging works on the venue. Whilst we are confident following external legal advice that our costs can be offset against the retention, until there is a final settlement we may be subject to payment of the retention to the Administrator.

- 26 **To use reserves to fund any ongoing deficit is not recommended;** unless it is a sum that doesn't leave the reserves at too low a level and only for a temporary period, i.e. one/two years and that it can be demonstrated there is a clear plan to address the ongoing deficit. The external auditor has previously highlighted the unsustainability of relying on general reserves to fund budget deficits.
- 27 Members annually review the existing policy on revenue reserves ensuring

minimum levels of cash reserves are maintained to deal with unforeseen circumstances. The previous level Members agreed for general reserves to remain around was **£3mill - £4mill**.

The new LSC has transferred the risk for income from the Authority to the contractor and minimises the need to consider shortfalls in income at these major venues as an ongoing risk.

When considering reserve levels financial risks should be assessed and these include:

- further impact of energy price increases;
- assumptions around inflation and interest rates;
- estimates and timing of capital receipts and expenditure;
- the treatment of demand led pressures;
- the treatment of planned efficiency savings;
- the availability of existing reserves; and
- the general economic climate.

Based on the risk factors set out in this paper, it is recommended that the current minimum level reserves policy should be maintained at **£3mill**, with a recommended level at, or above, **£4mill**, which will allow for any short term annual fluctuations that may materialise.

Whilst there is no statutory calculation of reserve levels, and each authority is required to set its own prudent level, and based on the proposed budget for 2024/25, using a level of **20%** of gross expenditure, this gives a reserve figure of **£3.75mill**. The Authority has a large property and open space portfolio, and includes not only legacy Olympic venues, as well as leading national sporting venues, but an extensive network of open spaces, and infrastructure, accessible to all. Having capacity and flexibility to react to any potential maintenance and management need is a key consideration for the level of reserves policy.

- 28 There are a number of factors which are outside of the Authority's direct control – utility price increases, pay negotiations - which in themselves do show the need to hold sufficient reserves to respond to such events. Therefore it is proposed that the current policy of a General Fund reserve of between **£3mill-£4mill** be maintained.

Due to the size of the Authority's asset holding, and the fact we are far more reliant on cash income rather than the Levy, means that using an absolute cash value for reserves is more prudent than basing on a percentage in our circumstances, and suggests reserves at the higher end would be more appropriate.

- 29 An analysis of Revenue Reserves is presented in Appendix B to this report. It sets out movement on these reserves in line with MTFP, and how the balances change over the period. It also includes the balances relating to capital resources.

#### **PROPOSED LEVY FOR 2024/25**

- 30 Subject to the underlying assumptions and risks/uncertainties as set out, the proposed budget for 2024/25 is **£10.966mill**, and represents a **3%** increase to



the current Levy.

- 31 As mentioned in para 20 above, Members may want to look at creating a Sinking Fund for Olympic venues, and whether any contribution could be made in 2024/25, be that as a direct contribution, or by allocation of any possible year-end surplus.
- 32 **Appendix C** sets out the Levy for contributing authorities based upon the 2023/24 Council Tax Band D calculations submitted, with an indicative position on what a 1% and 3% rise would be. These calculations usually change between years and therefore will affect the actual sum charged in 2024/25.

## **FUTURE PROJECTS AND INVESTMENTS**

- 33 Officers are continuing to work on a number of projects and initiatives designed to provide additional income, and/or efficiencies and savings in future years.

Recent project approved to provide additional income streams, and efficiency savings at the LSC venues include Health & Fitness investment at both Lee Valley Athletics Centre, and Lee Valley VeloPark, the Equine Simulator at the Lee Valley Riding Centre, and LED lighting across all venues. These will fully mature over the next few years. The annual net benefit to the Authority over the remaining 8 years of the LSC is £1.886m for the activity investments, plus a saving in energy consumption for the LED investment.

The restructure of Marina operations whilst initially being a net cost to the Authority, will provide sufficient resource and capacity to enable the Marinas to develop and to deliver profitable businesses.

Further details will be brought to Members for discussion and approval as they are developed.

- 34 In addition, officers are looking at a variety of additional income generating projects, which will help to further facilitate investment across the Park. These include:

- Development of Area 4 at Lee Valley White Water Centre;
- Potential visitor accommodation at WaterWorks Centre;
- Picketts Lock site;
- Eton Manor;
- Spitalbrook;
- Investment at Sewardstone Campsite; and
- EV charging points across the Park.

GLL is expected to present a number of further proposals for capital investment at the LSC venues. These will all be income generating, and will benefit the Authority by an increase in the annual payment from GLL to the Authority. All future investment proposals will be subject to presentation of business cases, and will require Member approval.

- 35 In addition, in light of the changes to office accommodation requirements and the high cost of managing the Myddelton House site, over the next year officers will be exploring alternative office accommodation options.

- 36 Members also approved entering into a Memorandum of Understanding with the London Borough of Enfield (Paper E/818/23) for the proposed disposal of land west of Rammey Marsh. Site studies have been jointly commissioned looking at transport, ground conditions and the ecology. This is the first step in preparing for market testing the site.

## **CONCLUSIONS**

- 37 The Authority has significant demands over the next year in responding to the current economic climate, the demands that this will have on purchasing costs, the probable reduction in demand for services and activities and resultant fall to income and energy prices.

The requirement to increase the Levy to respond to these demands is essential in enabling the Authority to fulfil its statutory duties, deliver its corporate objectives and ensure that there is greater confidence regarding the current financial uncertainties over the coming year.

- 38 The Authority will continue to strive to increase value to the regional constituency, whilst reducing the cost of the Lee Valley Regional Park to the taxpayer. A number of major projects are being looked at for future years, which should help to start to bring the Levy back down again. These involve both income generating and efficiency savings schemes that should start to show return from 2024/25.

## **NEXT STEPS**

- 39 Executive Committee are required to make a recommendation to the full Authority on 18 January 2024.
- 40 The Authority will then approve a budget and Levy for 2024/25.

## **LEGAL IMPLICATIONS**

- 41 The Authority is required to set a budget and Levy annually by 24 January and notify contributing authorities by no later than the 15 February in the year preceding the Levy.

## **RISK MANAGEMENT IMPLICATIONS**

- 42 Paragraph 9 sets out the main risks and uncertainties the Authority faces in achieving the budget during 2024/25. Most significantly the economic climate remains extremely uncertain, particularly against the back-drop of the inflationary pressures and increases to energy costs and could impact significantly on any of the assumptions made.

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## **APPENDICES ATTACHED**

Appendix A	Medium Term Financial Forecast Summary
Appendix B	Summary of Reserves
Appendix C	Levy Apportionment 2023/24 and Indicative 2024/25

**PREVIOUS COMMITTEE REPORTS**

Executive	E/823/23	Authority Fees & Charges Review 2024/25	23 November 2023
Authority	A/4329/23	2023/24 Revenue Budget and Levy	19 January 2023
Authority	A/4330/23	Proposed Capital Programme 2022/23 (Revised) to 2026/27	19 January 2023
Authority	A/4324/22	Fees and Charges Policy	20 October 2022

**LIST OF ABBREVIATIONS**

MTFP	Medium Term Financial Plan
RPI	Retail Price Index
CPI	Consumer Price Index
GLA	Greater London Authority
LSC	Leisure Services Contract
Park Act	Lee Valley Regional Park Act 1966
GLL	Greenwich Leisure Limited
PSAA	Public Sector Audit Appointments
MF	Management Fee
LOBTA	Leisure Operators Base Trading Account

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## Medium Term Financial Plan

	2023/24 BUDGET £000s	2023/24 OUTTURN £000s	2024/25 REBASED MTFP £000s	2025/26 MTFP £000s	2026/27 MTFP £000s
Authority Base	7,659.8	7,659.8	7,659.8	8,541.9	8,541.9
Base Adjustments	(720.0)	(720.0)	299.4	(66.5)	(82.4)
Inflation Adjustments			582.7	408.1	761.2
Outturn		73.1		0.0	0.0
<b>Updated Authority Base</b>	<b>6,939.8</b>	<b>6,939.8</b>	<b>8,541.9</b>	<b>8,883.5</b>	<b>9,220.7</b>
Ice Loan Repayments	1,522.0	1,585.0	1,722.0	1,672.0	1,622.0
LSC Management Fee	360.9	514.2	(487.8)	(528.1)	(804.0)
LSC Utilities	1,430.0	1,360.0	950.0	850.0	820.0
LSC Other (Ice Delay)	250.0	520.3	0.0	0.0	0.0
Levy	(10,646.7)	(10,646.7)	(10,646.7)	(10,646.7)	(10,646.7)
	(144.0)	345.7	79.4	230.7	212.0
General Contingency	600.0	0.0	50.0	0.0	0.0
Growth & Savings			197.5	115.3	120.9
Further Growth & Savings			0.0	0.0	0.0
Levy Increase 3%, 0%, 0%			(319.4)	(319.4)	(319.4)
<b>NET BUDGET</b>	<b>456.0</b>	<b>345.7</b>	<b>7.5</b>	<b>26.6</b>	<b>13.5</b>
Opening General Fund	(2,959.7)	(2,959.7)	(4,425.0)	(4,417.5)	(4,390.9)
Budget (Surplus)/Deficit	456.0	345.7	7.5	26.6	13.5
HMRC VAT Refund		(1,811.0)			
<b>Closing General Fund Balance</b>	<b>(2,503.7)</b>	<b>(4,425.0)</b>	<b>(4,417.5)</b>	<b>(4,390.9)</b>	<b>(4,377.4)</b>
<b>GROWTH &amp; SAVINGS</b>					
Corporate Training			32.0	33.6	34.9
External Audit Fees			40.0	40.0	40.0
Parkguard Security Contract			80.0	84.0	87.4
Workplace Health			5.0	5.0	5.0
Ice Centre Grounds Maintenance			60.0	63.0	65.5
Countryside Areas Meadows Cuts			10.0	10.5	10.9
PR/Comms Stakeholder Audit/Campaign			35.0	0.0	0.0
Marina Restructure *			271.8	273.6	263.4
Car Parking Expenses			(25.0)	(26.3)	(27.4)
Visitor Counters Contract			(16.3)	(18.1)	(18.8)
Investment Income			(170.0)	(150.0)	(140.0)
Reduce R&R Contributions			(100.0)	(100.0)	(100.0)
Velopark Health & Fitness Project			(25.0)	(100.0)	(100.0)
<b>TOTAL</b>			<b>197.5</b>	<b>115.3</b>	<b>120.9</b>

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000s	£000s	£000s	£000s	£000s
<b>USABLE RESERVES</b>					
<b>Revenue Reserves</b>					
General Fund	(2,960)	(4,425)	(4,418)	(4,391)	(4,377)
Insurance Fund	(445)	(439)	(319)	(299)	(279)
Repairs & Renewals Funds	(1,318)	(1,050)	(1,032)	(1,014)	(996)
<b>Sub Total Revenue Reserves</b>	<b>(4,723)</b>	<b>(5,914)</b>	<b>(5,769)</b>	<b>(5,704)</b>	<b>(5,652)</b>
<b>Capital and Asset Based Reserves</b>					
Asset Maintenance Reserve	(329)	(189)	(86)	(45)	(610)
Usable Capital Receipts	(16,520)	(8,102)	(7,007)	(7,007)	(7,007)
<b>Sub Total Capital Reserves</b>	<b>(16,849)</b>	<b>(8,291)</b>	<b>(7,093)</b>	<b>(7,052)</b>	<b>(7,617)</b>
<b>Total Usable Reserves</b>	<b>(21,572)</b>	<b>(14,205)</b>	<b>(12,862)</b>	<b>(12,756)</b>	<b>(13,269)</b>
<b>Capital Financing &amp; Borrowing</b>					
Capital Financing Requirement (pre-2007)	10,755	10,323	9,908	9,509	9,125
Assets Under Construction	27,147	0	0	0	0
Capital Financing Requirement (Ice Centre)	0	22,597	22,618	21,822	21,233
Capital Financing Requirement (Velopark)	0	508	445	381	318
External Borrowing	(25,000)	(25,000)	(23,200)	(22,405)	(21,815)
<b>Net Internal Borrowing</b>	<b>12,902</b>	<b>8,428</b>	<b>9,771</b>	<b>9,307</b>	<b>8,860</b>
Cash Flow - General Liabilities	(2,123)	(3,100)	(2,100)	(1,600)	(1,600)
<b>Net Closing Cash Balance</b>	<b>(10,793)</b>	<b>(8,877)</b>	<b>(5,191)</b>	<b>(5,049)</b>	<b>(6,009)</b>

Authority	Levy	Indicative Levy Increase 2024/25		
	2023/24	3%	Increase	1%
Corporation of London	22,517	23,192	675	225
London Borough of Camden	235,139	242,193	7,054	2,351
London Borough of Greenwich	217,756	224,289	6,533	2,178
London Borough of Hackney	195,897	201,774	5,877	1,959
London Borough of Hammersmith & Fulham	213,242	219,639	6,397	2,132
London Borough of Islington	208,024	214,265	6,241	2,080
Royal Borough of Kensington & Chelsea	248,291	255,740	7,449	2,483
London Borough of Lambeth	286,396	294,988	8,592	2,864
London Borough of Lewisham	225,722	232,494	6,772	2,257
London Borough of Southwark	277,360	285,681	8,321	2,774
London Borough of Tower Hamlets	286,953	295,561	8,608	2,870
London Borough of Wandsworth	358,253	369,000	10,747	3,583
City of Westminster	345,399	355,761	10,362	3,454
London Borough of Barking & Dagenham	135,479	139,543	4,064	1,355
London Borough of Barnet	388,886	400,553	11,667	3,889
London Borough of Bexley	211,178	217,513	6,335	2,112
London Borough of Brent	257,069	264,781	7,712	2,571
London Borough of Bromley	340,667	350,887	10,220	3,407
London Borough of Croydon	348,639	359,098	10,459	3,486
London Borough of Ealing	308,961	318,230	9,269	3,090
London Borough of Enfield	245,908	253,285	7,377	2,459
London Borough of Haringey	202,526	208,602	6,076	2,025
London Borough of Harrow	226,323	233,113	6,790	2,263
London Borough of Havering	228,973	235,842	6,869	2,290
London Borough of Hillingdon	263,262	271,160	7,898	2,633
London Borough of Hounslow	226,891	233,698	6,807	2,269
Royal Borough of Kingston upon Thames	164,039	168,960	4,921	1,640
London Borough of Merton	197,385	203,306	5,921	1,974
London Borough of Newham	217,945	224,483	6,538	2,179
London Borough of Redbridge	229,847	236,742	6,895	2,298
London Borough of Richmond upon Thames	226,841	233,647	6,806	2,268
London Borough of Sutton	187,897	193,534	5,637	1,879
London Borough of Waltham Forest	203,550	209,656	6,106	2,035
	<b>7,933,215</b>	<b>8,171,210</b>	<b>237,996</b>	<b>79,332</b>
Hertfordshire County Council	1,180,337	1,215,748	35,411	11,803
Essex County Council	1,399,812	1,441,806	41,994	13,998
Thurrock Council	133,337	137,337	4,000	1,333
	<b>10,646,701</b>	<b>10,966,101</b>	<b>319,401</b>	<b>106,466</b>

NB: Levy apportionment is based on individual authorities Council Tax Band D base, as a percentage of the Total, so final figures will be slightly different to those shown above

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## **CAPITAL STRATEGY 2023/24 TO 2027/28**

Presented by the Head of Finance

### **EXECUTIVE SUMMARY**

This paper sets out a capital strategy that gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. This strategy integrates the Capital Programme, the Annual Investment Strategy, Treasury Management Strategy and the Minimum Revenue Provision Statement.

It also includes the prudential indicators to be approved by the Authority.

### **RECOMMENDATIONS**

- Executive Committee  
Recommend to Authority:
- (1) the Capital Strategy as an overarching strategy document within the body of the report, and Appendices B to D of this report; and
  - (2) the Prudential Indicators for 2023/24 to 2027/28 as set out in Appendix A of this report.

### **BACKGROUND**

- 1 The Capital Strategy is an overarching document with a simple guide on the capital programme, borrowing, investments, and sets out the prudential indicators that the Authority defines as parameters to work within when setting a prudent and sustainable approach to its investment to meet service needs.
- 2 The Capital Programme report provides more details on capital expenditure and financing from the information provided in the Capital Strategy.
- 3 The Chartered Institute for Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities (the Prudential Code) 2021 and Treasury Management Code 2021 sets out the reporting requirements around investment within local authorities. The Authority has traditionally adhered to these requirements.
- 4 The Prudential Code requires a range of Prudential Indicators which provide assurance that the Authority's capital expenditure plans are affordable and

proportionate.

- 5 There are five Prudential Indicators which are defined and quantified within this strategy.

The Prudential Indicators are:

- Estimates of Capital Expenditure;
- Estimates of Capital Financing Requirement;
- Gross Debt and the Capital Financing Requirement;
- Authorised Limit and Operational Boundary for Borrowing; and
- Proportion of Financing Costs to Net Revenue Stream.

## CORE PRINCIPLES THAT UNDERPIN THE CAPITAL PROGRAMME

- 6 The key principles for the capital programme are summarised below:
- capital investment decisions reflect the aspirations and priorities included within the Authority's Business Plan and supporting strategies;
  - schemes to be added to the capital programme will be subject to Member approval, and prioritised according to availability of resources and any specific funding, business needs of the Authority, and with reference to the longer-term impact on the Authority's financial position; and
  - the cost of financing capital schemes, net of any revenue benefits that they may provide, are profiled over the lifetime of each scheme and incorporated, where applicable, into the budget.

## CAPITAL EXPENDITURE AND FINANCING

- 7 The current projected capital programme and financing is shown elsewhere on this agenda (Paper E/837/24) and is summarised below. It includes current estimates for capital expenditure for 2023/24 and beyond.

8

	<b>2023/24 Estimate £0m</b>	<b>2024/25 Estimate £0m</b>	<b>2025/26 Estimate £0m</b>	<b>2026/27 Estimate £0m</b>	<b>2027/28 Estimate £0m</b>
<b>Capital Expenditure</b>	<b>6.764</b>	<b>3.248</b>	<b>1.291</b>	<b>0.685</b>	<b>0.623</b>
<b>Financed By</b>					
- Capital Receipts	3.176	1.095	0.000	0.000	0.000
- Revenue Contributions	0.000	0.000	0.000	0.000	0.000
- External Grants	0.190	0.000	0.000	0.000	0.000
- Asset Maintenance Reserves	0.890	1.353	1.291	0.685	0.623
- External Debt	2.000	0.800	0.000	0.000	0.000
- Internal Debt	0.508	0.000	0.000	0.000	0.000
<b>Total Financed</b>	<b>6.764</b>	<b>3.248</b>	<b>1.291</b>	<b>0.685</b>	<b>0.623</b>

- 9 The Authority is able to finance capital expenditure from a number of different sources, described below.

**Capital Receipts** – monies received by the Authority in respect of the disposal of an interest in a capital asset. This can only be used to finance capital

expenditure, or paying off debt, and cannot be used to fund revenue expenditure

**Revenue Contributions** – the Authority is able to make contributions from its revenue budget to fund in-year capital expenditure. Currently, the Authority does not make any direct revenue contributions to capital.

**Asset Maintenance Contributions** – the Authority does, however, make contributions to its Major Repairs/Asset Management Reserve, to fund its Asset Maintenance programme. Generally this work is classified as repairs, rather than enhancement, but major works may be of a capital nature.

**Short-term borrowing** – under the Local Government Act 2003, the Authority, as a specified Levying Body, is able to borrow monies to fund its capital programme, either in short, or long-term. To date, the Authority has only entered into short-term borrowing; loans of up to two years, to fund the Lee Valley Ice Centre redevelopment project.

- 10 Appendix A to this report sets out the Capital Expenditure and Financing Prudential Indicators that require approval. Appendix E to this report sets out a summary of what should be included as capital expenditure, and what is revenue.

#### **MINIMUM REVENUE PROVISION**

- 11 Each year the General Fund sets aside sums known as the Minimum Revenue Provision (MRP) to reduce its borrowing liabilities. The policy for MRP is set out in Appendix B to this report and complies with the latest guidance issued by the Department for Levelling Up, Housing and Communities (DLUHC.)
- 12 Government guidance on the MRP requires that the General Fund set aside prudent sums to reduce debt and any other long term liabilities arising from capital spend and that the Authority produces a statement on its MRP policy. MRP costs fall on revenue budgets and runs on for many years into the future, usually over the period to which the capital item provides an economic benefit.

#### **TREASURY MANAGEMENT**

- 13 Treasury Management is concerned with keeping sufficient cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of resources can be met by prudential borrowing.
- 14 The Authority's Treasury Management Policy was approved in April 2021 (Paper A/4297/22) and no amendments to that Policy are proposed.

#### **ANNUAL INVESTMENT STRATEGY**

- 15 The Local Government Act 2003 requires local authorities to have regard for the latest guidance on local authority investments, the latest update being 2018.
- 16 Central to the guidance is an Annual Investment Strategy that each authority must approve. Key to that strategy should be the principal for security, liquidity, and then yield.
- 17 The Annual Investment Strategy sets out the general policy objective for

investments, the procedures for determining which investments in the specified and non-specified categories the Authority will use in the forthcoming financial year, and the maximum periods for which funds may be committed in each asset class.

- 18 Attached at Appendix C to this report is the Annual Investment Strategy for 2024/25 for Members consideration and approval. Definitions for specified and non-specified investments are also set out in Appendix A.

### **BORROWING STRATEGY**

- 19 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.
- 20 Appendix D to this report sets out the Authority's borrowing strategy 2024/25, in line with its current Treasury Management Policy.

### **KNOWLEDGE AND SKILLS**

- 21 The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.
- 22 Where Authority staff do not have the knowledge and skills required, or where further support is needed, use is made of external advisors and consultants that are specialists in their field. The Authority currently employs Tullet Prebon as treasury management advisors.
- 23 The Authority also has a service level agreement (SLA) with the London Borough of Enfield for provision of Section 151 services, and is able to utilise this knowledge and experience to assist with its own decisions.

The SLA provides for the statutory function as set out in the Local Government Act 1972, as well as the strategic oversight of the Authority's financial management arrangements.

It extends to include not only an overview of the development of the Authority's budgets and policies, but to share knowledge and expertise that can be accessed from the large finance team in Enfield. Specific areas include capital financing, corporate budget monitoring, treasury management and advice, governance, and an opportunity for employees from either organisation to gain experience in areas that may be appropriate to their role.

### **ENVIRONMENTAL IMPLICATIONS**

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

### **FINANCIAL IMPLICATIONS**

- 25 These are dealt with within the body of the report.

**HUMAN RESOURCE IMPLICATIONS**

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

**LEGAL IMPLICATIONS**

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

**RISK MANAGEMENT IMPLICATIONS**

28 There are no risk management implications arising directly from the recommendations in this report. However future capital expenditure and its phasing may require additional support from borrowing as the level of cash receipts is dependent on future land sales that are yet to be fully determined in both terms of value and timing.

**EQUALITY IMPLICATIONS**

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

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**BACKGROUND INFORMATION**

None

**PREVIOUS COMMITTEE REPORTS**

Executive	E/811/23	Annual Report on Treasury Management Activity 2022/23	25 May 2023
Authority	A/4330/23	Proposed Capital Programme 2022/23 (Revised) to 2026/27	19 January 2023
Authority	A/4331/23	Capital Strategy 2022/23 to 2026/27	19 January 2023
Authority	A/4297/21	Treasury Management Policy	29 April 2021

**APPENDICES ATTACHED**

Appendix A	Prudential Indicators 2023/24 to 2027/28
Appendix B	Annual Minimum Revenue Provision Statement 2024/25
Appendix C	Annual Investment Strategy 2024/25
Appendix D	Borrowing Strategy 2024/25
Appendix E	Capital Expenditure

**LIST OF ABBREVIATIONS**

<b>CFR</b>	<b>Capital Financing Requirement</b>
<b>PWLB</b>	<b>Public Works Loans Board</b>
<b>MRP</b>	<b>Minimum Revenue Provision</b>
<b>CIPFA</b>	<b>Chartered Institute for Public Finance and Accountancy</b>
<b>DLUHC</b>	<b>Department for Levelling Up, Housing and Communities</b>
<b>SLA</b>	<b>Service Level Agreement</b>

## Capital Expenditure and Financing Prudential Indicators 2023-24 – 2027-28

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.

To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

### Estimates of Capital Expenditure

Capital expenditure is the money the Authority spends on assets, such as equipment, property and vehicles, which will be used for more than one year. 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 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.

The Authority's planned capital expenditure and financing may be summarised as follows. These estimates only include the capital expenditure that has been agreed by Members.

	<b>2023/24 Estimate £0m</b>	<b>2024/25 Estimate £0m</b>	<b>2025/26 Estimate £0m</b>	<b>2026/27 Estimate £0m</b>	<b>2027/28 Estimate £0m</b>
<b>Capital Expenditure</b>	<b>6.764</b>	<b>3.248</b>	<b>1.291</b>	<b>0.685</b>	<b>0.623</b>
<b>Financed By</b>					
- Capital Receipts	3.176	1.095	0.000	0.000	0.000
- External Grants	0.190	0.000	0.000	0.000	0.000
- Asset Maintenance Reserves	0.890	1.353	1.291	0.685	0.623
- Debt	2.508	0.800	0.000	0.000	0.000
<b>Total Financed</b>	<b>6.764</b>	<b>3.248</b>	<b>1.291</b>	<b>0.685</b>	<b>0.623</b>

Table 1 : Estimates of Capital Expenditure

## Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) is a measure of the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It measures the underlying need to borrow for a capital purpose, although this borrowing may not necessarily take place externally. The Authority has been able to make prudent use of cash that it has already invested for long-term purposes. In doing so, the level of funds we hold for longer-term investment does not reduce but we have been able to adopt an efficient and effective treasury management strategy. This practice, is known as 'internal borrowing', and is common in local authorities and means there is no immediate link between the need to borrow to pay for capital spending and the level of external borrowing.

The CFR increases with new debt-financed capital expenditure and reduces with Minimum Revenue Position (MRP), contributions from revenue, and any capital receipts used to replace debt. The CFR has increased in 2023/24 as the new Ice Centre became operational, with some additional debt-financing required in 2023/24 for the approved Lee Valley VeloPark Gym Investment.

The Authority's estimated CFR is as follows.

	<b>2023/24 Estimate £0m</b>	<b>2024/25 Estimate £0m</b>	<b>2025/26 Estimate £0m</b>	<b>2026/27 Estimate £0m</b>	<b>2027/28 Estimate £0m</b>
<b>Opening CFR</b>	<b>10.755</b>	<b>33.428</b>	<b>32.989</b>	<b>31.758</b>	<b>30.741</b>
Debt Financed Expenditure	24.230	0.800	-	-	-
Minimum Revenue Provision	(0.432)	(1.039)	(1.031)	(1.017)	(1.001)
Revenue and Grant Financing	(1.125)	(0.200)	(0.200)	-	-
<b>Closing CFR</b>	<b>33.428</b>	<b>32.989</b>	<b>31.758</b>	<b>30.741</b>	<b>29.740</b>

Table 2 : Estimates of Capital Financing Requirement



And an analysis of the different elements of the closing CFR are shown below:

<b>Capital Financing Requirement</b>	<b>2023/24 Estimate £0m</b>	<b>2024/25 Estimate £0m</b>	<b>2025/26 Estimate £0m</b>	<b>2026/27 Estimate £0m</b>	<b>2027/28 Estimate £0m</b>
Pre-2007	10.323	9.908	9.510	9.127	8.759
Ice Centre	22.597	22.637	21.867	21.297	20.727
Velopark	0.508	0.444	0.381	0.317	0.254
<b>Closing CFR</b>	<b>33.428</b>	<b>32.989</b>	<b>31.758</b>	<b>30.741</b>	<b>29.740</b>

Table 3 : Analysis of closing Capital Financing Requirement

### Affordable Borrowing Limit

Irrespective of plans to borrow or not, the Authority is required to set an affordable borrowing limit (also known the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. There are currently plans for external borrowing only to fund the Ice Centre Development, and the limits are set to include the current budgeted amount.

In addition, the Authority should set its limit to include provision for additional borrowing that may be required to deliver the operational strategy as well as for capital development.

The limit reflects the possible need to borrow, subject to timing of capital receipts, to finance the future capital programme. It also includes coverage of the internal borrowing level the Authority has adopted to fund past capital programme. It does not mean that the Authority will actually borrow, rather that it is authorised, subject to further Member approval, to borrow up to that limit.

	<b>2023/24 Estimate £0m</b>	<b>2024/25 Estimate £0m</b>	<b>2025/26 Estimate £0m</b>	<b>2026/27 Estimate £0m</b>	<b>2027/28 Estimate £0m</b>
Operational Boundary	25.0	25.0	25.0	25.0	25.0
Authorised Limit	38.0	35.0	35.0	35.0	35.0

Table 4 : Authorised Limit and Operational Boundary for Borrowing

### Ratio of Financing Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, the MRP, and if applicable, interest payable on loans are charged to revenue, offset by any investment

income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount of revenue budget to be met from the Levy. For the purposes of this table, the Levy is assumed to increase to the level as set out in the Budget and Levy Paper (A/4346/24) and to then remain at the 2024/25 cash level.

Currently due to the accounting for Assets Under Construction, the Authority is not required to make a MRP for the Lee Valley Ice Centre redevelopment until the year following it becoming operational, so the financing costs for 2023/24 are made up of the existing MRP, non-capitalised interest payments, and investment interest received. The change in financing costs from 2024/25 is based on the Authority then fully financing the Lee Valley Ice Centre debt.

	2023/24 Estimate £0m	2024/25 Estimate £0m	2025/26 Estimate £0m	2026/27 Estimate £0m	2027/28 Estimate £0m
Interest Payable	1.010	1.122	1.072	1.022	0.972
Interest Receivable	(0.410)	(0.200)	(0.180)	(0.170)	(0.140)
Minimum Revenue Provision	0.432	1.039	1.031	1.017	1.001
<b>Total Financing Costs</b>	<b>1.032</b>	<b>1.961</b>	<b>1.923</b>	<b>1.869</b>	<b>1.833</b>
Net Revenue Stream (Levy)	10.647	10.966	10.966	10.966	10.966
<b>Proportions of net revenue cost %</b>	<b>9.69%</b>	<b>17.88%</b>	<b>17.54%</b>	<b>17.04%</b>	<b>16.72%</b>

Table 5 : Ratio of Financing Costs to Net Revenue Stream

### Adoption of the CIPFA Treasury Management Code

The Authority has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition. It fully complies with the Code's recommendations.

## **Annual Minimum Revenue Provision Statement 2024/25**

The Minimum Revenue Provision (MRP) is a statutory requirement to make a charge against the Authority's General Fund to make provision for the repayment of the Authority's past capital debt. The Local Government Act 2003 requires local authorities to have regard to statutory guidance on Minimum Revenue Provision. The broad aim of the Guidance is to ensure that capital expenditure is financed over a period that is commensurate with that over which the capital expenditure provides benefits.

The Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP.

A prudent level of MRP on any significant asset or expenditure may be assessed on its own merits or in relation to its financing characteristics in the interest of affordability or financial flexibility.

### **Capital Expenditure incurred before 1 April 2008**

In relation to any capital expenditure incurred before 1 April 2008, the MRP shall be calculated at an amount equal to 4% of CFR at the end of the preceding financial year.

If the Authority refinanced existing internal borrowing with external loans, MRP should be commensurate with the term of the borrowing, and MRP charged appropriate to the principal loan repayment amount.

### **Capital Expenditure from 1 April 2008**

Where capital expenditure incurred from 1 April 2008 is on an asset financed wholly or partly by self-funded borrowing, the MRP is to be made in instalments over the life of the asset, and calculated on a straight line basis and should be linked to when the asset is brought into operational use. The maximum allowable asset life to be used in calculating MRP is 50 years.

Where an asset is financed by long-term borrowing, the useful life of the asset should ideally be commensurate with the term of the borrowing, and MRP charged appropriate to the principal loan repayment amount. Where there is not a direct relationship between financing and borrowing, the MRP should be calculated with reference to the asset life, rather than the borrowing term.

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## **Annual Investment Strategy 2024/25**

This Authority has regard to the DLUHC's Guidance on Local Government Investments and CIPFA's Treasury Management in Public Services: Code of Practice and Cross Sector Guidance Notes.

This Annual Investment Strategy states which investments the Authority may use for the prudent management of its treasury balances during the financial year. In short these will only be specified investments.

This strategy sets out this Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

### **Investment Objectives**

All investments will be in sterling. The general objective, as set out in the Treasury Management Policy for this Authority, is the prudent investment of its treasury balances. The Authority's investment priorities are the security of capital and liquidity of its investments. The Authority will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

The Authority holds cash in the normal course of its business and any cash not immediately required for settling Authority liabilities should be invested until needed. Investments should be managed prudently and fall within two categories: specified investments and non-specified investments, as set out in government guidance. Specified investments are investments up to one year, as detailed below, with high liquidity and credit quality. Non-specified investments, as set out below, are investments that exceed one year and are potentially more responsive to liquidity, credit and market factors.

The DLUHC maintains that the borrowing of monies purely to invest or on-lend and make a return is unlawful and this Authority will not engage in such activity.

### **Specified Investments**

The idea of specified investments is to identify investments offering high security and high liquidity. These investments can be made with minimal procedural formalities. All these investments should be in sterling and normally with a maturity of no more than one year.

### **Non – Specified Investments**

The aim is to ensure that proper procedures are in place for undertaking risk assessments of investments made for longer periods or with bodies which do not have a "high" credit rating. Such investments are not proposed for this Authority for 2024/25 and where such investments were to be made they would require the prior approval of Members.

Based upon its cash flow forecasts, the Authority anticipates its investment balances in 2024/25 to range between £2m and £5m at any one institute. This is in line with the current Treasury Management Policy. A prime consideration in the investment of fund balances is liquidity and the Authority's forecast cash flow.

**Any in-house investment of more than one month needs the approval of the Chief Executive or Deputy Chief Executive.**

**Provisions for Credit – related losses**

**If any of the Authority's investments appeared at risk of loss due to default the Authority will make revenue provision of an appropriate amount.**

**End of year Investment Report**

**At the end of the financial year, the Head of Finance will prepare a report on the Authority's investment activity as part of its treasury management activity report and report this to Executive Committee by the end of June. The Annual Investment Strategy will need approval by Executive Committee.**

## **Borrowing Strategy 2024/25**

The Authority's debt management strategy has been, where capital expenditure is not fully financed when it occurs, to pursue a policy of internal borrowing, which is the use of existing reserves and balances to fund capital expenditure rather than the use of external borrowing.

The use of internal borrowing allows the Authority to minimise unnecessary external borrowing costs by only borrowing when needed for liquidity to fund the major redevelopment of the Ice Centre. Borrowing in advance of need from a cashflow perspective would create a 'cost of carry' which is the difference between the short term investment income earned through holding cash balances compared against longer term external debt financing costs of repayments.

The Authority currently only has short-term external borrowing, loans of up to 2 years, used to cash-flow finance the Ice Centre redevelopment. It has been free from long-term external debt since March 2016. When the Authority is in the position where it needs to borrow long-term, its main objectives would be to achieve low but a certain cost of finance, whilst retaining flexibility should plans change. These objectives are often conflicting, and the Authority would seek to strike a balance between short-term loans and long-term fixed rate loans where the future cost is known but higher.

Officers will monitor current and forecast interest rates to determine the benefits of internal/short-term borrowing against the potential for incurring additional costs by taking longer-term borrowing early, due to the current uncertainty of interest rates in the medium term.

The Authority would look to borrow in the short-term from other local authorities, or the Public Works Loans Board (PWLB), with the focus on obtaining the most favourable rates for the period of borrowing.

Longer term borrowing will likely be from the PWLB at fixed rates and interest.

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## Capital Expenditure

Under standard accounting practices local authorities are required to account for revenue expenditure and capital expenditure differently. Capital expenditure is defined in the Local Government 2003 Act as expenditure which, in accordance with proper accounting practices, falls to be capitalised. Proper accounting practice is currently accepted to be the CIPFA/LASAAC Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (known as the SORP).

Capital expenditure essentially relates to the provision and improvement of significant fixed assets including land, buildings and equipment which will be of use or benefit in providing services for more than one financial year.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation, enhancement or laying out of land;
- Acquisition, construction, preparation, enhancement or replacement of buildings and other structures;
- Acquisition, installation or replacement of plant, machinery and vehicles;
- Replacement of a component of a non-current asset that has been treated separately for depreciation purposes and depreciated over its individual useful life.

In this context, enhancement means the carrying out of works that are intended to:

- Lengthen substantially the useful life of the asset; or
- Increase substantially the open market value of the asset;
- Increase substantially the extent to which the asset can or will be used for the purposes of the Authority.

The Authority can also capitalise Project Management costs where this is directly linked to the delivery of a major project included within the Capital Programme.

Revenue expenditure is expenditure incurred for the purpose of the organisation's daily activity, services or to maintain fixed assets. For example, employees' pay, travel expenses and IT consumables are all deemed to be revenue expenditure.

However, it is often quite difficult to easily distinguish between capital and revenue expenditure so consideration needs to be given to the nature of the expenditure in order to identify what should be classed as capital and what is revenue.

## **Capital and Revenue Examples**

There is no definitive list of items which are revenue and which are capital. All decisions on capitalisation must be made with due regard to legislation, guidance and the individual circumstances of a capital project.

Below is a list of examples for expenditure that falls into each category. This is not intended to be an exhaustive list but should for a guide.

### **Capital Items**

- Land Purchases
- Construction Payments
- Professional fees related to capital projects
- Development costs
- Vehicles
- Major items of Equipment
- Feasibility costs that relate to successful schemes

### **Revenue Items**

- Repair and Maintenance
- General Tools / Equipment
- Stock
- Security Costs
- Rental Costs
- Employee costs, unless directly involved in construction of delivery of projects
- Travel Expenses
- Training
- Abortive feasibility costs
- Costs of Disposal - up to 4% of the proceeds may be netted off the capital receipt;

Expenditure from the Asset Maintenance programme will normally be classed as revenue, as it usually forms repairs or maintenance expenditure. For example, expenditure that simply ensures an asset remains in a condition suitable for its current use would still be classed as revenue. However, some items of asset maintenance expenditure may fall more correctly as expenditure that can be capitalised, and large expenditure items should be reviewed.

## **De-minimus**

Capital expenditure is subject to a de-minimis level of £20,000. Expenditure below this level should usually be classed as revenue. However the limit may be used flexibly as it may be appropriate to add items such as vehicles or equipment of a lower value to the asset register.

In the cases where groups of similar assets are acquired at the same time, which individually would fall under the de-minimus level, can be grouped together to form a collective asset. An example of this would be IT equipment.

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## **PROPOSED CAPITAL PROGRAMME 2023/24 (REVISED) TO 2027/28**

Presented by the Head of Finance

### **EXECUTIVE SUMMARY**

The last full review of the capital programme was undertaken in January 2023 and the current programme was approved at the Executive Committee meeting on 19 January 2023 (Paper E/793/23). 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 2027/28.

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, and significant investment in Sports Venues, but beyond this period is yet to be fully determined with major investment schemes and this will impact the future direction of the capital programme and its financing requirements.

In terms of overall financial provision, the proposed capital and asset management programme provides for total investment by the Authority of up to £12.6 million to 31 March 2028, as set out in Appendix B of this report. This is spread across open spaces and venues investment, along with general asset maintenance.

### **RECOMMENDATIONS**

- Executive Committee  
Recommend to Authority:
- (1) the revised capital programme for 2023/24 (revised) to 2027/28 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 Appendix B to 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 developer 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 shape the character of the Regional Park for the future.

- 2 The Covid-19 pandemic and inflationary pressures have impacted on the potential development of the capital programme over the past 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) have been delayed. More minor but important projects at LSC venues have recently been approved (Lee Valley Athletics Centre Gym, Lee Valley Riding Centre Equine Simulator, Lee Valley White Water Centre Slalom Ramp, Lee Valley VeloPark Gym, LED investment at all venues), and further schemes are being developed.
- 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 2023/24 (revised) to 2027/28 for Members' consideration. This is summarised in paragraph 18 of this report and further detailed in Appendices A and B to this report.
- 4 The key recent project in the capital programme was the development of the Lee Valley Ice Centre, with £30m earmarked for the project. Whilst the venue has been operational since July 2023, we are still in the defect and snagging stage, which has been impacted by the contractor, Buckingham, entering administration in August 2023. The final account won't be fully known until later in 2024/25. The remaining estimated spend is included in the programme.

Another key aspect is the asset maintenance and management programme for the Authority's estate. A major condition survey of the Authority's venues was undertaken prior to commencement of the LSC and provided clarity on the investment sums required by the Authority and Greenwich Leisure Ltd (GLL) to maintain this part of the estate. This is in addition to an already established and ongoing programme of maintenance of Authority venues, infrastructure and open spaces. Estimated Authority expenditure has been incorporated into the revised capital programme attached at Appendix A to this report. GLL has a contractual requirement to manage and maintain the assets they currently manage, and there is a significant asset management programme included in the LSC. The combined asset maintenance programme is set out in Appendix D to this report.

Aside from these, the capital programme beyond the current year, 2023/24, just includes profiled spend of already approved projects, but no new schemes. This just means that currently there are no projects that have been worked up to a stage to include within the programme, but this gives the Authority capacity to review its future investment requirements.

The Authority has adopted a Land & Property Strategy for the consideration of land acquisition and disposal. Officers guided by Members have reviewed the Authority's estate in its widest sense, with the aim of maximising the return, in terms of how the land is used, new land purchase opportunities, and disposals where potentially marginal land can be identified as no longer required for Park purposes.

This approach provides a more strategic overview to the capital programme of which land disposal/acquisition is a key aspect and potential disposals can provide for funding further developments in the programme in the longer term.

## 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 ongoing revenue costs (including the cost of capital) will be the subject of specific reports for Member approval.

Likewise, any land identified for potential disposal **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 investments 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 borrowing and major repairs revenue contributions will provide funds of £20.855m to 31 March 2028.
- 10 A key feature of the Business Plan is 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 look for opportunities for external funding, using the Authority's resources to attract contributions from partners and funding bodies.

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. 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.

## 11 Partnership Funding

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, at Lee Valley White Water Centre, Picketts Lock, Eton Manor, and East India Dock Basin.

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 borrowing. The total net funding requirements of the revised capital programme proposals are **£12.611 million** to 31 March 2028.

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.

## 14 Revenue Contribution to Capital

The proposed revenue contribution to support the capital programme in 2024/25 has been included at £1.250m in line with the current Medium Term Financial Plan. This contribution will support the Asset Maintenance programme, and represents 11.7% of the current 2023/24 levy (£10.647m). Remaining capital resources will come from existing capital receipts and borrowing.

15 The estimated and proposed capital resources available to fund the capital programme proposals are set out in Appendix B to this report and summarised below. This shows the annual accounting balances, movements into the funds, and expenditure from them

16 Table 1 summarises the capital financing and shows that at the end of the five year period to 31 March 2028 capital reserves would be £8.244m. Caution should be taken here though as, as explained below, this does not mean we have direct access to this to finance future capital expenditure, and reference needs to be made to our cash availability.

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Opening Resources	16.849	8.291	7.093	7.052	7.617
Annual Contributions/ Borrowing/Financing	(1.794)	2.050	1.250	1.250	1.250
Capital Expenditure	(6.764)	(3.248)	(1.291)	(0.685)	(0.623)
<b>Surplus Capital Resources</b>	<b>8.291</b>	<b>7.093</b>	<b>7.052</b>	<b>7.617</b>	<b>8.244</b>

Table 1: Summary of Capital Expenditure and Financing

17 The Capital Strategy report (Paper E/836/24) sets out more details on the financing of capital expenditure, but ultimately capital can be financed in two ways – direct up-front financing, or by debt (either internal or external).



Up front financing involves the application of capital grants, contributions, capital receipts, or a direct charge to revenue, whereas debt financing is by external borrowing, or use of own cash reserves. Capital financed by debt will subsequently place a burden on future year's revenue budget, and thus the Levy.

- 18 However, actual availability of funds to finance the capital programme should be looked at only with reference to all other reserves and liabilities, and the actual cash holdings. This therefore provides a link between both the Capital Strategy (Paper E/836/24), and Levy & Budget (Paper E/838/24), and the capital budget.

Appendix C to this report sets out the available reserves, both capital and revenue, against the capital debt financing and cash flow liabilities. It shows the expected cash balance at year end.

At 31 March 2024, we expect to hold £14.2m of available reserves, of which, as per table 1 above, £8.3m are classed as capital reserves. However, due to our underlying net borrowing requirement of £8.4m, which is principally made up of the historic internal borrowing, we do not have the cash capacity to cover all reserves. With the necessity to cash back general reserves, as well as the cash-flow need to cover short-term liabilities, this means that capital resources are not directly cash backed.

The implication of this is that with the exception of low value, or short-term, quick return of investment projects, we would only be able to fund a capital programme with one of external borrowing, external grant funding, or new capital receipts.

## **ENVIRONMENTAL IMPLICATIONS**

- 19 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**

- 20 As part of the budget process over the last couple of years, Members have reviewed the annual revenue contribution to capital increasing it to £1.250m for 2023/24. Whilst realising some level of capital receipts from the Authority's estate to enable re-investment may identify potential new capital resources to support funding of the programme going forward, there is no certainty of this being achieved. Nor is the prospect of securing direct funding from third parties. Members should therefore consider that an increase in direct capital support from revenue may be required in future years, either in the form of contributions, or internal and external borrowing.

## **HUMAN RESOURCE IMPLICATIONS**

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

## **LEGAL IMPLICATIONS**

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

## **RISK MANAGEMENT IMPLICATIONS**

- 23 There are no risk management implications arising directly from the recommendations in this report. The assumptions for future investment and funding rely partly on contributions from the disposal of some marginal sites 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. If the Authority does not achieve some land disposals then it 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.

## **EQUALITY IMPLICATIONS**

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

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## **PREVIOUS COMMITTEE REPORTS**

Executive	E/793/23	Proposed Capital Programme	19 January
		2022/23 Revised To	2026/27 2023

## **APPENDICES ATTACHED**

Appendix A	Capital Development Programme Revised 2023/24 to 2027/28
Appendix B	Capital Programme Financing Forecast 2023/24 to 2027/28
Appendix C	Analysis of Current Reserves
Appendix D	Combined Asset Maintenance Programme

## **LIST OF ABBREVIATIONS**

PDF	Park Development Framework
LSC	Leisure Services Contract
GLL	Greenwich Leisure Ltd

	TOTAL BUDGET £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Asset Management	N/A	890	1,353	1,291	685	623
<b>PROJECT SPECIFIC BUDGETS</b>						
Lee Valley Ice Centre Redevelopment	30,000	2,000	800	0	0	0
Olympic Park Hostile Vehicle Mitigation	495	400	0	0	0	0
<b>Landscape, Open Space &amp; Investment Projects</b>						
East India Dock Basin - Feasibility	85	15	-	-	0	0
East India Dock Basin - De-silting works (Provisional)	500	50	tbc	tbc	tbc	tbc
Middlesex Filter Beds Sluice	240	40	200	0	0	0
St Pauls Field - Feasibility	15	7	-	-	-	-
St Pauls Field	350	350	0	0	0	0
North Wall Road	40	40	-	-	-	-
<b>Non-Sports Venues Investment Projects</b>						
Campsites - WIFI Upgrade	30	0	-	-	-	-
Feeder Pillars (Springfield)	75	50	-	-	-	-
Workshop Extension (Springfield)	100	100	-	-	-	-
Scout Hut Refurb (Springfield)	50	50	-	-	-	-
Laundry Room (Stanstead)	70	70	-	-	-	-
Holyfieldhall Farmhouse Conversion	250	tbc	tbc	tbc	tbc	tbc
Dobbs Weir - Bungalow Refurbishment	55	82	-	-	-	-
Sewardstone - House Refurbishment	40	19	-	-	-	-
Holyfieldhall Dalry Conversion	155	126	29	-	-	-
<b>Sports Venues Investment Projects</b>						
White Water - Offices, Meeting Rooms	500	60	0	-	-	0
White Water - Slalom Ramp	340	318	0	-	0	0
White Water Pumps Replacement	1,040	149	0	-	0	0
Eton Manor Feasibility	25	-	0	-	0	0
LVAC Health & Fitness Refurbishment	575	575	0	-	0	0
LVRC Equestrian Simulator	65	65	0	-	0	0
LSC LED Lighting	1,522	800	566	0	0	0
Velopark Spectator Barrier	300	0	300	0	0	0
Velopark Health & Fitness Offer	508	508	0	0	0	0
<b>NET PROGRAMME</b>		<b>6,764</b>	<b>3,248</b>	<b>1,291</b>	<b>685</b>	<b>623</b>
<b>Financing</b>						
External Borrowing		(2,000)	(800)	0	0	0
Internal Borrowing		(508)	0	0	0	0
Asset Maintenance Reserve		(890)	(1,353)	(1,291)	(685)	(623)
External Grant Funding		(190)	0	0	0	0
Capital Receipts		(3,176)	(1,095)	0	0	0
<b>NET FINANCING</b>		<b>(6,764)</b>	<b>(3,248)</b>	<b>(1,291)</b>	<b>(685)</b>	<b>(623)</b>

Lee Valley Regional Park Authority  
Capital Programme Financing Forecast 2023/24 to 2027/28

Capital Resources	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	TOTAL £000s
<b>Opening Balance</b>		<b>(16,849)</b>	<b>(8,291)</b>	<b>(7,093)</b>	<b>(7,052)</b>	<b>(7,617)</b>	
<b>Movement in Resources</b>							
Capital Receipts	(16,520)	(183)	0	0	0	0	(16,703)
Financing of Ice Centre Expenditure from Receipts	0	5,425	0	0	0	0	5,425
Asset Maintenance Reserve Contributions	(329)	(750)	(1,250)	(1,250)	(1,250)	(1,250)	(6,079)
External Grants	0	(190)	0	0	0	0	(190)
Debt Financing of Capital	0	(2,508)	(800)	0	0	0	(3,308)
Revenue Financing of Capital	0	0	0	0	0	0	0
		1,794	(2,050)	(1,250)	(1,250)	(1,250)	(20,855)
<b>Total Available Resources</b>	<b>(16,849)</b>	<b>(15,055)</b>	<b>(10,341)</b>	<b>(8,343)</b>	<b>(8,302)</b>	<b>(8,867)</b>	<b>(70,855)</b>
<b>Capital &amp; Asset Management Expenditure</b>							
Lee Valley Ice Centre Redevelopment		2,000	800	0	0	0	2,800
Olympic Park Hostile Vehicle Mitigation		400	0	0	0	0	400
Landscape, Open Space & Investment Projects		502	200	0	0	0	702
Non-Sports Venues Investment Projects		497	29	0	0	0	526
Sports Venues Investment Projects		1,967	866	0	0	0	2,833
Velopark Health & Fitness Offer		508	0	0	0	0	508
Asset & Infrastructure Management		890	1,353	1,291	685	623	4,842
<b>Total Capital/AM Expenditure</b>		<b>6,764</b>	<b>3,248</b>	<b>1,291</b>	<b>685</b>	<b>623</b>	<b>12,611</b>
<b>Closing Balance</b>		<b>(8,291)</b>	<b>(7,093)</b>	<b>(7,052)</b>	<b>(7,617)</b>	<b>(8,244)</b>	<b>(8,244)</b>
<b>Capital Related Fund Balances</b>							
Usable Capital Receipts Reserve	(16,520)	(8,102)	(7,007)	(7,007)	(7,007)	(7,007)	(7,007)
Asset Maintenance (Major Repairs) Reserve	(329)	(189)	(86)	(45)	(610)	(1,237)	(1,237)
	(16,849)	(8,291)	(7,093)	(7,052)	(7,617)	(8,244)	(8,244)

## Analysis of Usable &amp; Unusable Reserves

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000s	£000s	£000s	£000s	£000s
<b>USABLE RESERVES</b>					
<b>Revenue Reserves</b>					
General Fund	(2,960)	(4,425)	(4,418)	(4,391)	(4,377)
Insurance Fund	(445)	(439)	(319)	(299)	(279)
Repairs & Renewals Funds	(1,318)	(1,050)	(1,032)	(1,014)	(996)
<b>Sub Total Revenue Reserves</b>	<b>(4,723)</b>	<b>(5,914)</b>	<b>(5,769)</b>	<b>(5,704)</b>	<b>(5,652)</b>
<b>Capital and Asset Based Reserves</b>					
Asset Maintenance Reserve	(329)	(189)	(86)	(45)	(610)
Usable Capital Receipts	(16,520)	(8,102)	(7,007)	(7,007)	(7,007)
<b>Sub Total Capital Reserves</b>	<b>(16,849)</b>	<b>(8,291)</b>	<b>(7,093)</b>	<b>(7,052)</b>	<b>(7,617)</b>
<b>Total Usable Reserves</b>	<b>(21,572)</b>	<b>(14,205)</b>	<b>(12,862)</b>	<b>(12,756)</b>	<b>(13,269)</b>
<b>Capital Financing &amp; Borrowing</b>					
Capital Financing Requirement (pre-2007)	10,755	10,323	9,908	9,509	9,125
Assets Under Construction	27,147	0	0	0	0
Capital Financing Requirement (Ice Centre)	0	22,597	22,618	21,822	21,233
Capital Financing Requirement (Velopark)	0	508	445	381	318
External Borrowing	(25,000)	(25,000)	(23,200)	(22,405)	(21,815)
<b>Net Internal Borrowing</b>	<b>12,902</b>	<b>8,428</b>	<b>9,771</b>	<b>9,307</b>	<b>8,860</b>
Cash Flow - General Liabilities	(2,123)	(3,100)	(2,100)	(1,600)	(1,600)
<b>Net Closing Reserves Balance</b>	<b>(10,793)</b>	<b>(8,877)</b>	<b>(5,191)</b>	<b>(5,049)</b>	<b>(6,009)</b>

	2023-24	2024-25	2025-26	2026-27	2027-28
	£000s	£000s	£000s	£000s	£000s
<b>Authority AM Programme</b>					
Waterworks Visitor Centre	10	30	20	10	0
Lee Valley Riding Centre	0	0	0	0	0
Staff Bungalows Full repairing lease with GLL	0	0	0	0	0
Lee Valley Ice Centre	0	0	0	0	25
Lee Valley Marina (Springfield)	44	25	500	35	0
Lee Valley Athletics Centre	0	30	0	0	0
Lee Valley Campsite (Picketts Lock)	4	0	0	0	0
Lee Valley Golf Course	0	0	0	0	0
Lee Valley Campsite (Sewardstone)	5	0	15	0	0
Lee Valley Caravan Park (Dobbs Weir)	5	0	0	0	0
Myddelton House	50	6	50	0	15
Myddelton House Gardens	14	35	28	0	5
Broxbourne Riverside	0	5	0	0	0
Old Mill Meadows - Broxbourne	0	100	60	0	0
Lee Valley Marina (Stanstead Abbotts)	135	400	0	100	0
River Lee Country Park	0	10	0	0	0
Lee Valley Park Farm (Holyfield Hall)	0	0	0	35	0
Rye House Gatehouse	0	10	0	0	0
Fishers Green	0	0	0	0	0
Lee Valley White Water Centre	50	100	99	0	120
Lee Valley Velopark	10	170	48	130	55
Lee Valley Hockey & Tennis Centre	135	0	31	15	35
Wildlife Discovery Centre	80	80	125	100	100
Open Spaces General Provision	130	150	130	130	130
Abbey Gardens	67	32	30	30	30
Bow Creek	6	0	0	0	0
Gunpowder Park	0	0	0	0	8
East India Dock Basin	40	15	0	0	0
Footpaths and Access Routes General Provision	105	155	155	100	100
<b>Sub Total Authority AM Programme</b>	<b>890</b>	<b>1,353</b>	<b>1,291</b>	<b>685</b>	<b>623</b>
<b>GLL Buildings and Equipment Lifecycle costs (As per LSC LOBTA)</b>					
Lee Valley Velopark	178	184	504	391	113
Lee Valley Hockey & Tennis Centre	174	63	22	42	235
Lee Valley White Water Centre	6	73	179	244	277
Lee Valley Athletics Centre	204	262	38	63	68
Lee Valley Riding Centre	77	78	30	94	57
Lee Valley Ice Centre	13	25	30	35	40
<b>Sub Total LSC Lifecycle Costs</b>	<b>652</b>	<b>685</b>	<b>803</b>	<b>869</b>	<b>790</b>
Miscellaneous Repairs & Renewals	220	100	100	100	150
<b>Total Building And Equipment Maintenance</b>	<b>1,762</b>	<b>2,138</b>	<b>2,194</b>	<b>1,654</b>	<b>1,563</b>