

Q2 CAPITAL PROGRAMME BUDGET MONITORING 2023/24

Presented by Head of Finance

EXECUTIVE SUMMARY

This report summarises capital spending in 2023/24 compared to the current capital programme.

Appendix A to this report provides a financial summary of current schemes within the capital programme and shows that overall capital expenditure for the year-end is currently projected to be £6.854 million, along with £0.374 million of capital related income.

RECOMMENDATION

Members Note: (1) the report.

BACKGROUND

- 1 Authority initially approved the capital programme for 2023/24 at its meeting on 19 January 2023 (Paper A/4330/23). Additional approvals for investment at Lee Valley VeloPark (Paper A/4340/23) and LED lighting at Leisure Services Contract (LSC) venues (Paper E/802/23) has updated the programme. This report compares the actual spend with the current programme.
- 2 Where there is a significant variance, resulting in a projected under or over spend for a particular project, a brief explanation for the variance is provided below by the Accountable Officer for that scheme.
- 3 Where slippage is projected and reported, those resources remain earmarked for the particular schemes in question in future years. Where an under spend is reported these savings are added back into capital funds.
- 4 The original annual budget for 2023/24 was £6.837 million net expenditure. However, reprofiling due to prior year slippage, along with the inclusion of other identified schemes, has meant the current capital budget is now £8.470 million. The projected capital position for the year is £7.310 million, with £0.374 million of capital related income.

SPECIFIC SCHEMES

5 The review of major schemes in 2023/24 is detailed below.

6 Lee Valley Ice Centre Redevelopment

The Lee Valley Ice Centre redevelopment project reached Practical Completion (PC) on 11 May 2023 and was immediately handed over to Greenwich Leisure Ltd (GLL) after completion of the Lease and associated Deed of Variation.

The Venue opened to the public on 17 June. There are a number of snagging / defects that were being remedied until Buckingham Group Contracting Limited (BGCL) filed for administration in August due to escalating contract losses (unrelated to Lee Valley Ice Centre redevelopment). They were unable to continue trading and issued a notice of intention to appoint Administrators.

On 4 September 2023 BGCL entered into administration, with Rob Parker, Jon Roden and Kevin Coates of Grant Thornton UK LLP being appointed as Joint Administrators. At this point BGCL officially ceased to continue with any contracts that they were involved with.

Members approved the recommendations within paper E/820/23 to make a claim for the outstanding liquidated damages owed to the Authority, terminate the contract with BGCL and, following the termination, where possible to require BGCL's sub-contractors to remedy defects under collateral warranties and to employ third parties to undertake any remaining outstanding snagging and defect works.

Officers have undertaken all of the above and the process for rectification of the snagging and defects is being undertaken. The Authority continues its dialogue with the Administrators regarding its commercial position and will update Members in due course of any progress in this area.

7 Lee Valley Ice Centre Funding

The redevelopment of Lee Valley Ice Centre has always been anticipated to be fully funded from external borrowing, with the original strategy one of short-term loans during the construction phase, to be converted to long-term loans on completion. This was subsequently amended to allow greater flexibility with borrowing due to the increase in lending rates.

Officers have continued to adopt the more cash and affordability efficient approach of short-term loans, rather than locking in long-term debt, and have to date borrowed £25 million on terms of up to two years.

Due to the current volatility in rates we have continued with this approach as it gives the Authority greater freedom and flexibility to respond should rates drop. Over the last few weeks we have seen Public Works Loans Board (PWLB) long term rates at around 5.50%. Our Medium Term Financial Forecast is based on rates being around 4%. The rates in the short-term market are around 5.30%, although our current borrowing is between 4.10% and 4.50%. It would therefore be prudent to wait for when it may be appropriate to take longer-term borrowing.

Having short-term borrowing also allows us to easily apply and repay loans should we benefit from future capital receipts, without charges that would be associated with repaying long-term loans.

We continue to be supported by London Borough of Enfield, via the Section 151 Officer, along with their external treasury advisors, Arlingclose, in adopting this approach to borrowing.

Since the Q1 report one loan of £5 million @ 4.40% interest was repaid in October, which was refinanced by a further one year loan, also at 4.40%, which was forward arranged in March 2023. A further loan of £5 million @ 4.50% is due for repayment in December, which again will be financed by a forward arranged loan @ 4.30%. The next loan repayment that currently doesn't have financing is due for repayment in April 2024.

We will continue to update Members on borrowing in future quarterly Capital Outturn reports.

8 Asset Maintenance

The Authority has developed an Asset Management (AM) programme across the assets and open spaces that it is directly responsible for. This is a rolling programme of major one-off and planned/cyclical maintenance over 10 years. The programme is funded by annual direct contributions from revenue to ensure that the programme is fully funded to cover both lower and higher maintenance years.

The annual AM budget is amended each year to take into account where additional maintenance is required, or is deferred to future years.

The annual AM profiled budget is expected to be around £0.8 million, and includes schemes carried over from the prior year. Main areas included in the programme for 2023/24 include:

- Lee Valley Marina Springfield – asbestos roof replacement;
- Marina lighting upgrades;
- Footpath maintenance;
- Bridge maintenance and repairs; and
- Abbey Gardens.

Where AM works can be identified as capital in nature, these can then be capitalised, although the revenue funding will be assigned to these schemes so as not to further increase the charge to revenue that would occur with an unfinanced capital spend.

9 Hostile Vehicle Mitigation

This project has seen a number of delays due to both the planning process and a significant increase in material costs. This has seen a significant rise in costs above the current approved budget. As a result the scheme is now in a redesign phase, which may result in a change to the overall scheme costs. The project will be procured during the planning process to enable a start on site within this financial year.

10 Lee Valley Park Farm, Holyfield Hall

A separate Paper (E/825/23) is on this agenda which gives an update on the change of operation at the Farm.

11 Landscape, Open Space and Investment Projects

Officers have been reviewing the Landscape and Open Space project list (Paper E/711/20) for any schemes that may progress. Listed below are some that are progressing. In addition to those others are in the pipeline and these will start progressing throughout 2023 and onwards, such as Cheshunt Lakes S106, and Lea Bridge Station mitigation, although the progress of these will be dependent on the release of funds when the trigger points of the developments are met.

Middlesex Filter Beds

Consultants are at the stage of getting quotes for the interim secure generator housing, new pumps and a generator. The option of a suitable electric feed continues to be investigated and positive steps have been made with Canal and River Trust (CRT). It has been difficult to engage with Thames Water where the potential electric feed would come from a sub-meter on their land but CRT have provided some additional information and we will now work in partnership to get a feed to site as soon as possible. Bio fuel options and Hydro-treated Vegetable Oil (HVO) will be used for the generator. Consultants are progressing the required works and we expect to procure contractors and install the interim solution by March 2024. Members will be updated as to how this project is progressing and when completion is expected once contractors have been procured. Habitat improvement works are underway this winter in preparation of the installation of the pumps.

East India Dock Basin

Final sampling is having to be renegotiated with the Marine Management Organisation (MMO) and Port of London Authority (PLA) following cost implications and value for money on their proposals. This will allow the application for a licence to disperse silt into the Thames.

The National Lottery Heritage Fund (NLHF) bid was unsuccessful and we were informed in September that we had not been allocated funding for this project. We were given feedback and encouraged to resubmit a revised bid towards the end of next year. The officer view is to wait until Spring 2024 and see if there is any progress on the adjacent Orchard Wharf planning application as this may have an impact on the direction of this project and may open up further funding streams. A paper will be brought to Members in the first half of 2024 when more information is available.

St Pauls Field

The St Paul's Field project will deliver 3.25km of new footpath from Meadgate Road in Nazeing to Dobbs Weir Road. This will open up an area of the Park which has been inaccessible to the public, delivering a countryside and lakeland pathway for pedestrians and cyclists.

Full planning permission has been granted with some minor and standard conditions which officers are working through. Lanpro Landscape Architects have been appointed to administer the delivery of the project and will support development of specification and contractor procurement which will go out in the next month. We have obtained a licence from Natural England to close an outlier

Badger set. This involves one way gates so the animals do not use the set during works. Animals have three alternative sets on site to use. The set will be reopened after works have been completed. The set has now been closed and quotes for clearance works are being obtained in anticipation of commencing work in the next month or so. We expect construction work to commence in February next year with completion within a few months.

North Wall Road

North Wall Road is north of Lee Valley VeloPark and jointly owned with the London Legacy Development Corporation (LLDC). It is a hard landscape which has had little value for either organisation. Land Use Consultants are in the process of running the consultation exercise and engagement sessions with the local community. They are on track to produce draft proposals in December followed by RIBA Stage 2 proposals by the end of March 2024. Officers will report back to Members on the designs, costs and outcome of the development work early next year. Delivery funding will be investigated but it is currently unclear from the GLA if the Green and Resilient Spaces funding stream will continue and we are likely to know further details on this early in 2024.

12 Venue Investment Projects

Executive Committee approved a list of venue investment projects at the meeting on 16 November 2021 (Paper E/743/21) which will enhance venues and deliver cost savings, additional and new income streams.

The projects will be delivered over a number of years, with a number being initiated in the current financial year. For example, the welding tents are proving hard to source to our exact requirements, as such any element not viable we will return the allocated money into the capital account and report back.

Main updates since Q1 are as follows.

Lee Valley Athletics Centre Gym Refurbishment

The scheme is an upgrade of the existing Health and Fitness areas at Lee Valley Athletics Centre, which involves the refurbishment of the strength and conditioning areas and equipment replacement; refurbishment and remodel of the Cross Fit Box area; modernisation of changing rooms; a more formalised and flexible studio space; and modernisation of the main reception area. These works are now complete.

Lee Valley VeloPark Spectator Barrier

The scheme is to remove the current track barrier and handrail around the indoor velo circuit and replace it with a clear Perspex screen that will be around 1400mm high. This will not only enhance significantly the spectator experience but also allow the venue to achieve accreditation to stage UCI events when the new governance comes into place next year. This is after a review by UCI into the major incident when a rider and bike traversed the old barrier and injured a spectator during a UCI event held at the Velodrome last year. The details and design have been approved by UCI and the cost of the scheme is approx £300,000.

The installation work was expected to be undertaken in December, with a loss of income payment approved by Members in October (Paper A/4341/23). Unfortunately, supply issues with specially fabricated and cut Perspex has meant

there will be a delay to this project. We are discussing with GLL to identify a suitable date for installation, and will have to revisit the loss of income calculation.

CAPITAL RECEIPTS

- 13 The Authority has received a small capital receipt of £11,250 in respect of the disposal of land at the rear of 42 South Street, Stanstead Abbots. This will be added to the general capital receipts pool and utilised to part finance future capital expenditure.

We also have receipts of £171,500 relating to the sale of the dairy herd at Lee Valley Farm, Holyfield Hall, along with some machinery. This sum is ring-fenced for reinvestment at the Farm with the change of operation.

ENVIRONMENTAL IMPLICATIONS

- 14 There are no direct environmental implications arising from the recommendations in this report. However, within each project a full evaluation of environmental implications is undertaken and reported to Members as part of the overall project brief.

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 16 A variance during the year on the capital programme can result in additional/reduced investment income being earned in the year as cash balances deposited in the Authority's approved bank accounts change.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 19 Failure to deliver a capital project within an agreed timescale could lead to adverse publicity. It may also mean that the Authority fails to achieve its corporate objectives within the time span that was originally anticipated and/or result in revenue budget variations as part of the Medium Term Financial Plan where the investment is intended to generate new income streams.

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APPENDIX ATTACHED

Appendix A Capital Monitoring 2023/24 Q2 Outturn

PREVIOUS COMMITTEE REPORTS

Executive Committee	E/817/23	Q1 Capital Programme Budget Monitoring 2023/24	21 September 2023
Executive Committee	E/810/23	Q4 Capital Programme Budget Monitoring 2022/23	24 May 2023
Executive Committee	E/800/23	Q3 Capital Programme Budget Monitoring 2022/23	23 February 2023
Authority	A/4330/23	Proposed Capital Programme 2022/23 (Revised) to 2026/27	19 January 2023
Executive Committee	E/785/22	Q2 Capital Programme Budget Monitoring 2022/23	17 November 2022
Executive Committee	E/775/22	Q1 Capital Programme Budget Monitoring 2022/23	22 September 2022

ABBREVIATIONS

AM	Asset Maintenance
CRT	Canal and River Trust
HVO	Hydro-treated Vegetable Oil
NLHF	National Lottery Heritage Funding
GLL	Greenwich Leisure Limited
LLDC	London Legacy Development Corporation
MMO	Marine Management Organisation
PLA	Port of London Authority
RIBA	Royal Institute of British Architects

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Project Name	Full Scheme Budget £000s	Spend To Date £000s	Profiled Budget 2023/24 £000s	Actual to 31 Oct 2023 £000s	Projected Outturn at 31/03/2024 £000s	Projected Variance £000s	Comment
ANNUAL EARMARKED PROVISION							
Biodiversity Action Plan	-	-	50	7	50	0	Expected on budget
IT Infrastructure & Communications	-	-	140	59	140	0	Expected on budget
Asset Management	-	-	942	488	790	-152	Programme Delivery Profiling
PROJECT SPECIFIC BUDGETS							
Lee Valley Ice Centre Redevelopment	30,000	27,100	2,300	1,162	2,000	-300	Programme Delivery Profiling
Olympic Park Hostile Vehicle Mitigation	495	5	490	8	8	-482	Slippage/In Progress
White Water Pumps Replacement	1,040	885	155	149	149	-6	Additional works - Scheme Complete
Holyfieldhall Farm Operational Change	155	0	155	66	126	-29	On target
LANDSCAPE, OPEN SPACE & INVESTMENT PROJECTS							
East India Dock Basin - Feasibility	85	61	24	15	15	-9	Stage Complete
East India Dock Basin - De-silting works	500	0	500	0	50	-450	Provisional Budget
Middlesex Filter Beds Sluice	240	0	240	0	40	-200	Slippage/In Progress
St Pauls Field - Feasibility	25	22	3	7	7	4	Stage Complete
St Pauls Field	300	0	300	0	350	50	Provisional Budget
North Wall Road	40	0	40	9	40	0	
VENUES INVESTMENT PROJECTS							
Non-Sports Venues							
Feeder Pillars (Springfield)	75	0	75	31	50	-25	In progress
Workshop Extension (Springfield)	100	0	100	0	100	0	In progress
Scout Hut Refurbishment (Springfield)	50	0	50	0	50	0	In progress
Laundry Room Extend (Stanstead Abbots)	70	0	70	1	70	0	In progress
Dobbs Weir Bungalow (Renovation)	55	8	47	82	82	35	In progress
Sewardstone House (Renovation)	40	21	19	14	19	0	In progress
Sports Venues							
WhiteWater - Offices/Meeting Rooms	500	496	0	60	60	60	Additional works - Scheme Complete
Whitewater - Slalom Ramp	340	32	308	318	318	10	Scheme Complete
LVRC Equestrian Simulator	65	0	65	0	65	0	Scheme Complete
LVAC Health & Fitness Refurbishment	575	0	575	1	575	0	In progress
LSC LED Lighting	1,522	0	1,522	0	1,400	-122	
Velo Spectator Barrier	300	0	300	8	300	0	Scheme Delay
TOTAL PROGRAMME			8,470	2,485	6,854	-1,616	
External Funding							
Whitewater - Slalom Ramp	-150	0	-150	-150	-150	0	
North Wall Road	-40	0	-40	-4	-40	0	
Capital Receipts							
Land Disposal, Stansted Abbots	0	0	-12	-12	-12	0	
Holyfieldhall Farm Livestock/Machinery	-200		-200	-172	-172	28	
TOTAL INCOME			(402)	(338)	(374)	28	
CAPITAL PROGRAMME FINANCING							
Borrowing			2,300		2,000		
External Funding			402		190		
AM Reserve			942		790		
Revenue Projects			190		190		
Capital Receipts			4,636		3,684		
TOTAL FINANCING			8,470		6,854		

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