

**PROPOSED CAPITAL PROGRAMME
2022/23 (REVISED) TO 2026/27**

Presented by the Head of Finance

EXECUTIVE SUMMARY

The last full review of the capital programme was undertaken in January 2022 and the current programme was approved at the Executive Committee meeting on 20 January 2022 (Paper E/750/22). 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 2026/27.

The Authority's capital development programme is geared to the management and development of its existing assets, legacy venues on its land and business development schemes to generate further income for the Regional Park. The capital programme incorporates the major development scheme at Lee Valley Ice Centre, but beyond this period is yet to be fully determined with major investment schemes identified and potential new investment following the re-letting of the new Leisure Services Contract post 2022 and this will impact the future direction of the capital programme and its financing requirements. Two projects at Leisure Service Contract venues have been identified, and included in the proposed capital budget, and will be presented in detail in a separate report (Paper E/796/23).

In terms of overall financial provision, the proposed capital programme provides for total investment by the Authority of up to £27.3 million to 31 March 2027, as set out in Appendix B of this report. The majority of this investment is for the new Ice Centre, which has a total budget of £30 million, and general asset maintenance.

RECOMMENDATIONS

- Executive Committee
Recommend to Authority:
- (1) the revised capital programme for 2022/23 (revised) to 2026/27 as set out in Appendix A to this report;
 - (2) the proposed capital funding to meet the planned capital programme as set out in Appendix B to this report; and
 - (3) the use of capital receipts to part finance the redevelopment costs of the Lee Valley Ice Centre, as set out in paragraph 9 of this report.

BACKGROUND

- 1 A significant programme of capital development and investment is an important part of the Authority's statutory remit, whether funded directly by the Authority or with other partners. The capital programme reflects the Authority's key role as a 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 determine the character of the Regional Park for the near future.
- 2 The Covid-19 pandemic has had a major impact on the Authority's cash reserves, but has also impacted on the potential development of the capital programme over the next few years. Projects such as third party investment at Picketts Lock and Eton Manor, as well as potential development investment at venues as part of the Leisure Services Contract (LSC) have been delayed. Projects at LSC venues are now being developed, and details of two schemes are being presented to Members in a separate paper (Paper E/796/23).
- 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 2022/23 (revised) to 2026/27 for Members' consideration. This is summarised in paragraph 18 in this report and further detailed in Appendices A and B to this report.
- 4 The key project in the capital programme is the redevelopment of Lee Valley Ice Centre, with £30m earmarked for the period August 2021 to February 2023. This requires external funding from borrowing, and has been included within the programme at the current expected phased expenditure.

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 the commencement of the LSC and provided clarity on the investment sums required by the Authority and 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 have 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 C to this report.

The Authority has adopted a land and 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 major investments e.g. Lee Valley Ice Centre and venue investment will require separate business cases and funding plans to be in place before committing to the project, but indicative figures are included in the plan.

CAPITAL RECEIPT FOR DISPOSAL OF MILE AND LANGLEY NURSERY

- 9 The Authority has received a capital receipt of £7.75m in respect of the disposal of Mile and Langley Nursery (Executive 23 June 2022 Paper E/772/22), which will result in a net usable receipt of around £7.5m. Members agreed that the funding of the Venue Improvement Programme (Executive 18 November 2021 Paper E/743/21) would come from this receipt, with the remainder being added to the general usable capital receipts pool.

It is proposed that the remainder of this receipt, around £5m, is applied to the direct financing of the Lee Valley Ice Centre redevelopment, thereby reducing the need for external borrowing, and the associated financing costs.

Whilst the return from GLL in respect of the Management Fee receivable by the Authority for the operation of the new Ice Centre, once at full usage, is expected to cover the financing costs, reducing the borrowing need would provide for a saving of around £300,000 in 2023/24, and continued savings over future years.

This saving has been factored into the Medium Term Financial Forecast for 2023/24. Members should be aware that if this is not directly applied to finance redevelopment of Lee Valley Ice Centre, whilst it would mean that capital reserves would increase, there would be an increase in the net revenue budget deficit for 2023/24, and further impact on the revenue budget in future years to support the borrowing requirement.

PROJECTED AVAILABLE CAPITAL FUNDING

10 Initial indications are that existing capital reserves together with projected borrowing and major repairs revenue contributions will provide funds of £35.7m to 31 March 2027.

11 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 funding of the programme as well as key strategic sites for investment. Any income that is generated can be used to develop the Park further through the capital programme.

12 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 Picketts Lock, Eton Manor, and East India Dock Basin.

13 The proposed revised capital programme is detailed at Appendix A to this report; the financial provision shown represents the Authority's own capital investment alongside any anticipated borrowing. The total net funding requirements of the revised capital programme proposals are **£27.3 million** to 31 March 2027.

14 Appendix A to this report does not include the potential impact from any new work undertaken through the Park Development Framework (PDF) or works resulting due to contaminated land. Further investment across the themed categories of the PDF and decontamination works may be needed in the longer term and where this occurs officers will need to identify resources required through the normal capital programming process.

15 The programme includes two capital development works at the LSC venues, which have been identified by GLL for investment. These two schemes, the gym development at Lee Valley Athletics Centre (LVAC) and Mechanical Horse simulator at Lee Valley Riding Centre (LVRC) are subject to separate Member approval (Paper E/796/23), but have been included in the programme. Further works have not yet been identified, but will be brought to Members for approval of expenditure and funding plan when appropriate.

16 Revenue Contribution to Capital

The proposed revenue contribution to support the capital programme in 2023/24 has been reduced to £0.8 million in line with the current Medium Term Financial Plan. This contribution will support the Asset Maintenance programme, and represents 7% of the proposed 2023/24 levy (£10.647m). Remaining capital resources will come from existing capital receipts and borrowing.

- 17 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.
- 18 Table 1 summarises the capital financing, and shows that at the end of the five year period to 31 March 2027 capital reserves would be £8.38 million.

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Opening Resources	12.22	10.68	8.61	8.16	7.79
Contributions/Borrowing	15.00	4.75	1.25	1.25	1.25
Capital Expenditure	(16.52)	(6.84)	(1.70)	(1.62)	(0.67)
Surplus Capital Resources	10.68	8.61	8.16	7.79	8.38

Table 1: Summary of Capital Expenditure and Financing

- 19 The Capital Strategy report 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.

ENVIRONMENTAL IMPLICATIONS

- 20 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

- 21 As part of the budget process over the last couple of years, Members have reviewed the annual revenue contribution to capital reducing it to £0.8 million 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

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

- 24 There are no risk management implications arising directly from the recommendations in this report. The assumptions for future capital 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

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

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PREVIOUS COMMITTEE REPORTS

Executive	E/750/22	Proposed Capital Programme 2021/22 Revised To 2025/26	20 January 2022
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APPENDICES ATTACHED

Appendix A	Capital Development Programme Revised 2022/23 to 2026/27
Appendix B	Capital Programme Financing Forecast 2022/23 to 2026/27
Appendix C	Combined Asset Maintenance Programme

LIST OF ABBREVIATIONS

PDF	Park Development Framework
LSC	Leisure Services Contract

LEE VALLEY REGIONAL PARK AUTHORITY
CAPITAL PROGRAMME 2021/22 to 2026/27

	TOTAL BUDGET £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Asset Management	N/A	1,018	992	1,303	1,271	510
PROJECT SPECIFIC BUDGETS						
Lee Valley Ice Centre Redevelopment	30,000	11,750	4,000	-	-	-
Olympic Park Hostile Vehicle Mitigation	495	490	0	-	-	-
LANDSCAPE, OPEN SPACE & INVESTMENT PROJECTS						
East India Dock Basin - De-silting works	500	0	500	0	0	0
Middlesex Filter Beds Sluice	240	240	0	0	0	0
St Pauls Field	300	0	300	0	0	0
Waltham Abbey Gardens	tbc	tbc	tbc	tbc	tbc	tbc
Non-Sports Venues Investment Projects						
Campsites - WIFI Upgrade	30	30	0	-	-	-
Marinas - Welding Tents	10	10	0	-	-	-
Holyfieldhall Farm - Calf Nursery/Milk Storage	62	62	0	-	-	-
Feeder Pillars (Springfield)	75	75	0	-	-	-
Canoe Racks (Springfield)	3	3	0	-	-	-
Workshop Extension (Springfield)	100	0	100	-	-	-
Scout Hut Refurb (Springfield)	50	0	50	-	-	-
Laundry Room (Stanstead)	70	0	70	-	-	-
Holyfieldhall Farmhouse Conversion	250	0	0	250	-	-
Slurry Store (Holyfieldhall)	200	0	0	0	200	0
Dobbs Weir - Bungalow Refurbishment	50	50	0	-	-	-
Sewardstone - House Refurbishment	40	40	0	-	-	-
Sports Venues Investment Projects						
White Water - Offices, Meeting Rooms	450	465	-	-	-	-
White Water - Slalom Ramp	100	0	100	0	0	0
White Water Pumps Replacement	800	816	-	-	-	-
LVAC Gym *	575	0	575	0	-	-
LVRC Mechanical Horse *	65	65	0	-	-	-
Project Management	N/A	150	150	150	150	150
Schemes Completed 2022/23		1,255	-	-	-	-
NET PROGRAMME		16,519	6,837	1,703	1,621	660
Financing						
External Borrowing		(6,750)	(4,000)	0	0	0
Asset Maintenance Reserve		(1,018)	(992)	(1,303)	(1,271)	(510)
Capital Receipts		(8,751)	(1,845)	(400)	(350)	(150)
NET FINANCING		(16,519)	(6,837)	(1,703)	(1,621)	(660)

Lee Valley Regional Park Authority
Capital Programme Financing Forecast 2022/23 to 2026/27

Capital Resources	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	TOTAL £000s
Opening Balance		(12,216)	(10,697)	(8,610)	(8,157)	(7,786)	
Usable Capital Receipts Reserve	(11,506)	(7,500)	0	0	0	0	(19,006)
External Borrowing	0	(6,750)	(4,000)	0	0	0	(10,750)
Asset Maintenance (Major Repairs) Reserve	(710)	(750)	(750)	(1,250)	(1,250)	(1,250)	(5,960)
Revenue Financing Of Capital	0	0	0	0	0	0	0
		(15,000)	(4,750)	(1,250)	(1,250)	(1,250)	(35,716)
Total Available Resources	(12,216)	(27,216)	(15,447)	(9,860)	(9,407)	(9,036)	(35,716)
Capital & Asset Management Programmes							
Ice Centre Redevelopment	11,750	4,000	0	0	0	0	15,750
General Capital Expenditure	667	150	150	150	150	150	1,267
Infrastructure and Open Space Projects	677	800	0	0	0	0	1,477
Investment Projects (Non Sports)	424	220	250	200	200	0	1,094
Investment Projects (Sports)	1,983	675	675	0	0	0	2,658
Asset & Infrastructure Management	1,018	992	1,303	1,271	1,271	510	5,094
	16,519	6,837	1,703	1,621	1,621	660	27,340
Closing Balance	(10,697)	(8,610)	(8,157)	(7,786)	(8,376)	(8,376)	(8,376)
Capital Related Fund Balances							
Usable Capital Receipts Reserve	(11,506)	(10,255)	(8,410)	(8,010)	(7,660)	(7,510)	(7,510)
Asset Maintenance (Major Repairs) Reserve	(710)	(442)	(200)	(147)	(126)	(866)	(866)
	(12,216)	(10,697)	(8,610)	(8,157)	(7,786)	(8,376)	(8,376)

Lee Valley Regional Park Authority
Asset Maintenance Summary Rolling Programme

	2022-23	2023-24	2024-25	2025-26	2026-27
	£000s	£000s	£000s	£000s	£000s
Authority AM Programme					
Waterworks Visitor Centre	0	20	30	20	0
Lee Valley Riding Centre	0	0	60	0	0
Staff Bungalows	25	25	25	25	25
Lee Valley Marina (Springfield)	50	175	5	500	0
Lee Valley Athletics Centre	483	45	45	0	75
Lee Valley Golf Course	0	0	0	0	0
Lee Valley Campsite (Sewardstone)	15	5	0	15	0
Dobbs Weir Caravan Site	53	15	0	0	0
Myddelton House	14	50	6	50	0
Myddelton House Gardens	3	14	0	28	0
Broxbourne Riverside	0	0	5	0	0
Old Mill Meadows - Broxbourne	8	60	100	0	0
Lee Valley Marina (Stanstead Abbotts)	5	90	500	0	0
River Lee Country Park	0	0	10	0	0
Lee Valley Park Farm (Holyfield Hall)	0	0	0	0	35
Rye House Gatehouse	0	0	10	0	0
Fishers Green	6	0	0	0	0
Lee Valley White Water Centre	111	0	0	99	0
Lee Valley Velopark	70	10	130	118	0
Lee Valley Hockey & Tennis Centre	1	110	0	31	15
Wildlife Discovery Centre	50	80	80	125	100
Open Spaces/Bridges	50	130	150	130	130
Abbey Gardens	16	67	32	30	30
Bow Creek	0	6	0	0	0
Dobbs Weir Toilet Block	3	0	0	0	0
Gunpowder Park	5	0	0	0	0
East India Dock Basin	0	40	15	0	0
Footpaths and access routes	50	50	100	100	100
Additional Contingency	0	0	0	0	0
Sub Total Authority AM Programme	1,018	992	1,303	1,271	510
GLL Buildings and Equipment Lifecycle costs (As per LSC LOBTA)					
Lee Valley Velopark	139	178	184	504	391
Lee Valley Hockey & Tennis Centre	8	174	63	22	42
Lee Valley White Water Centre	121	6	73	179	244
Lee Valley Athletics Centre	139	204	262	38	63
Lee Valley Riding Centre	120	87	77	30	94
Lee Valley Ice Centre	0	13	25	30	35
Sub Total LSC Lifecycle Costs	527	662	684	803	869
Miscellaneous Repairs & Renewals	220	150	100	100	100
Total Building And Equipment Maintenance	1,765	1,804	2,087	2,174	1,479

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