

**PROPOSED CAPITAL INVESTMENT AT
LEE VALLEY VELOPARK**

Presented by Corporate Director

EXECUTIVE SUMMARY

This paper provides Members with the background information on a proposed Health & Fitness investment at the Lee Valley VeloPark.

Authority officers have been working with its Leisure Services Contract operator, Greenwich Leisure Ltd (GLL) since they were informed that their current Gym lease at a property in East Village on Queen Elizabeth Olympic Park (QEOP) would not be renewed. The Lease with East Village (the accommodation used as the Athletes Village during the London 2012 Olympic & Paralympic Games) ends on 28 February 2024 creating an opportunity to relocate the Health & Fitness offer, its existing members and programme to the Lee Valley VeloPark.

The proposed investment has undergone a rigorous process of due diligence to ensure the proposal meets with the priority outcomes as set out within the Leisure Services Contract:

- deliver a sustainable partnership with a forward thinking, adaptable Contractor;
- ensure the long term viability of all six facilities;
- reduce reliance on the levy and tax payers within the Lee Valley region; and
- fulfil the requirements of the Authority's Strategic Aims.

It is proposed that subject to consideration and approval of the recommendation in the Part 2 paper (Paper E/834/23) Members consider the Authority making a financial capital commitment totalling £508,603 for the creation of a new Health & Fitness offer and relocation of meeting space at Lee Valley VeloPark. The specific details of the proposal are set out in this report.

RECOMMENDATION

Members Approve: (1) subject 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.

BACKGROUND – LEE VALLEY VELOPARK (LVVP)

1 During the Leisure Services Contract (LSC) procurement, the Authority committed to invest into the venues in partnership with the eventual operator to:

- maintain their world class status;
- their relevance; and
- to continually improve the Management Fee position.

Since commencement of the LSC the first phase of investment projects at the Lee Valley Athletics Centre (LVAC) and Lee Valley Riding Centre (LVRC) which were approved by Executive Committee (Papers E/796/23 & E/797/23) have been delivered totalling £636,780 and are operating in line with business plan assumptions.

2 GLL has worked with Authority officers on an opportunity to relocate an existing Health & Fitness offer at the former London 2012 Olympic & Paralympic Games Athletes Village known as East Village (EV) which GLL has operated since 2014. GLL was informed recently that the current lease on the property would not continue and GLL started discussions with the Authority regarding the relocation of the Health & Fitness offer to Lee Valley VeloPark (LVVP) along with the majority of its current members.

3 Since LVVP opened in March 2014 the venue has had some investment but mainly around the creation of space for the College of E Sport (CofES) and relocation of the offices for venue staff.

4 Even prior to Covid, the demand for Track Cycling as a standalone offer was starting to drop and this is a trend that has continued since GLL started their contract with the Authority and this is consistent with the other Indoor Velodromes across the UK. Alongside this, the corporate market since Covid has changed and the LVVP has seen a decline in corporate bookings, which has impacted the number of bookings for the type of meeting space offered at the venue.

PROPOSED INVESTMENT

5 The proposal is to introduce a Health & Fitness offer, incorporating:

- a new 60 station indoor gym;
- studio;
- revitalised group cycle area;
- an outdoor fitness space; and
- new meeting pods on the concourse.

The above proposed new facilities along with a revised programme will bring a new community to the venue increasing participation and footfall which contributes to the venue's future diversification and sustainability.

6 The location of the proposed Health & Fitness offer would be on the ground floor

and would involve the refurbishment of the 5 meeting room suite and meeting room 2 into a gym, studio and external outdoor training area, see **Appendix A** to this report for a floor plan. There is additional transformation work proposed on the arena concourse whereby 4 of the current pods are recommended to be converted into meeting rooms to enhance the current meeting room offer and its revenue potential. These spaces would be flexible so can serve as meeting space during business as usual to enhance and mitigate losses in meeting space whilst becoming space, as it is now, available to support any major event or large scale booking. These proposed pods could also be used as boxes / hospitality areas during major events if required.

- 7 As Members are aware, officers have started to assess the North QEOP offer and how the venues can diversify to ensure long term viability. The proposed investment at LVVP will deliver additional benefits that align with the Authority's ambition, taking the first step in positioning the LVVP as more than just a cycling venue and encouraging people and communities to use the venue as part of an active and healthy lifestyle. It is anticipated that the proposal will increase footfall by approximately **100,000** visits per year with a membership base starting at between **1,000–1,200** maturing at approximately **1,500-1,750**.
- 8 The proposed investment will support the financial sustainability of the venue as since Covid, the LVVP usage has dropped by approximately **20%**. This is a consistent trend for the other Velodromes across the UK and a figure that has been recognised industry wide by the National Governing Body, British Cycling.

This proposed investment will, in addition to an increase in income and usage, bring a new audience to the venue that may not have used it before and who will be encouraged to take part in some of the wider cycling activities on offer, including taster sessions, corporate days and experiences through cross marketing and promotion offers.

FINANCIAL IMPLICATIONS

- 9 As per the LSC agreement, the Authority will provide the capital investment for the project to GLL and can chose to either deliver the project directly or to require GLL to deliver the project under the LSC. Given the works are largely refurbishments it is recommended that GLL manage the works and purchasing of equipment, but the Authority signs off all drawings and the works before any orders are placed.
- 10 This was the route used for the investments at LVAC and LVRC and worked well. The new facilities will be owned by the Authority, and GLL will have no right to remove the facilities at the end of the contract (or if the venue is removed from the LSC and GLL cease to be the operator for the venue sooner). GLL will retain ownership of the small amount of equipment that is relocated from the EV Gym and this will all be clearly denoted on the sites inventory data base.
- 11 Total capital required **£508,603** broken down as follows.

Description	Cost (Gross)
Additional kit required	£ 40,000
Gym 2.0 artwork installs throughout gym and studio	£ 7,400
Outdoor equipment	£ 30,000

Indoor functional fitness equipment	£ 5,000
Purchase of new Studio Equipment	£ 12,000
Installation of Access Control	£ 3,653
Bulld of gym, studio and 2 meeting room spaces	£ 391,000
Contingency - Building works	£ 19,550
Sub Total	
Project Management Charge (0%)	£ 0
TOTAL	£ 508,603.00 (ex VAT)

- 12 The Authority will receive a benefit from the proposed investment that significantly exceeds the capital investment. Please see Part 2 Paper E/834/23 for further details on the financial implications of the project.
- 13 The return to the Authority is calculated based on the business plan financial forecast and will be a fixed adjustment but profiled across the contract in line with Profit & Loss expectations.
- 14 The venue's membership base is proposed to increase as per paragraph 7 of this report and reach maturity by year 3. GLL have significant experience in this area given its operating history, size and operating gyms on and around QEOP. The payments, as detailed in the Part 2 Paper E/834/23 to the Authority are guaranteed.
- 15 The Authority has stipulated that no loss of revenue will be granted for this project and that works need to be managed to ensure there is a continuity of service for the venue's users and no negative impact on the Leisure Operator's Base Trading Account (LOBTA).

PROJECT TIMELINE

- 16 GLL would relocate the majority of its membership base from their existing gym in EV directly to the LVVP which would lead to the gym opening with an established membership. This would greatly assist pump priming the membership and kick start the investment with a strong income stream. The current Lease on the EV property is scheduled to finish at the end of February 2024 and it is the recommendation of this report that the new Health & Fitness offer at LVVP opens on 1 March 2024.
- 17 If Members approve the recommendation of this report a project team will be formed consisting of key Authority and GLL officers from:
 - Facility Management;
 - Operations;
 - Product Development; and
 - Marketing.

This project team will ensure there is full agreement on proposed timescales, responsibility areas and set milestones. All drawings, decisions, sign off, spend on contingency etc. associated with the project will be made by the Corporate Director.

18 The key milestones should Members approve the recommendation of this report are:

- Authority approval subject to Members - 14 Dec 2023
- GLL return formal cost estimate for Authority - 22 Dec 2023
- Authority confirms GLL's formal estimate and grants licence for alteration under the lease - 3 Jan 2024
- Contractors appointed - Dec 2023
- Work begins - Post 8 Jan 2024
- Pre Sales / Member communication begins - Feb 2024
- Gym and new meeting spaces open - 1 March 2024

The above is potentially subject to planning permission in regards to the small outside gym area. The Indoor Gym can operate without this being in place for from 1 March and once details are agreed officers will continue discussions with the local planning authority on the route to deliver this aspect of the project.

ENVIRONMENTAL IMPLICATIONS

19 There are no environmental implications arising directly from the recommendations in this report other than all light fittings being installed will be LED's and will contribute to the ongoing invest to save projects relating to the LSC venues.

FINANCIAL IMPLICATIONS

20 The financial implications of these projects are covered in the Part 2 Paper E/834/23.

HUMAN RESOURCE IMPLICATIONS

21 Authority officers will be required to sit on the project team for both projects and Authority sign-off of any decision will be required by the Authority's Representative as per the LSC.

22 All current staff working at the EV gym will move across and become part of GLL's LVVP team from 1 March 2024.

LEGAL IMPLICATIONS

23 These investment projects will be subject to Schedule 21 of the LSC Control Change Protocol and this will allow the agreed financial arrangements to be formally documented. The Authority will also need to grant its consent to alterations under the leases.

24 The Authority must obtain permission from Sport England for any amendments to the facilities or areas within LVVP's red line. This is a stipulation of the Lottery Funding Agreement between the Authority and Sport England but the use is

consistent with the principles of the agreement and from initial officer dialogue the risk of refusal is minimal.

RISK MANAGEMENT IMPLICATIONS

- 25 There is a risk that the area identified for outside fitness may not obtain planning approval. If this was the case, GLL are clear that this will not affect the business case.

EQUALITY IMPLICATIONS

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

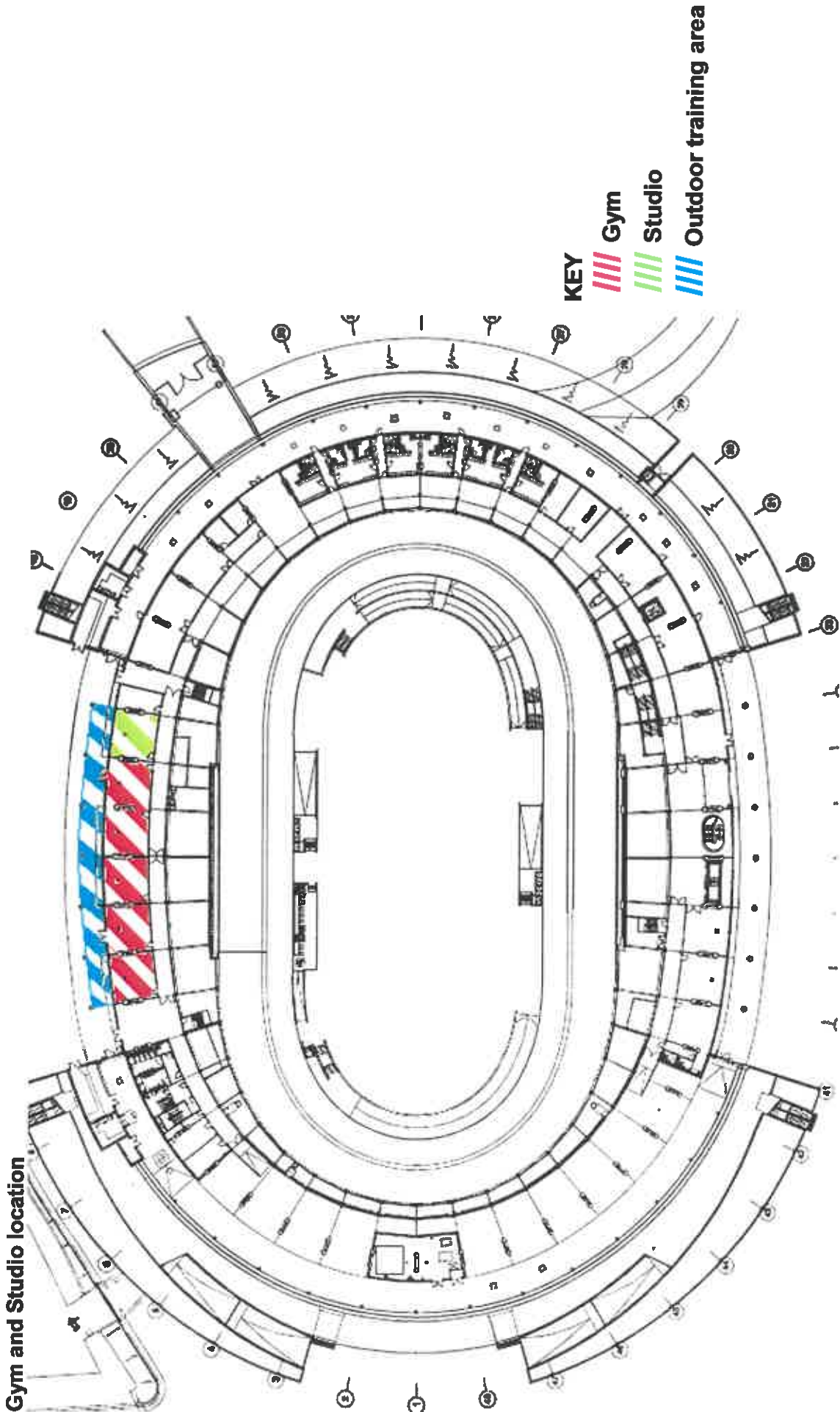
Author: Dan Buck, 01992 709 896, dbuck@leevalleypark.org.uk

APPENDIX ATTACHED

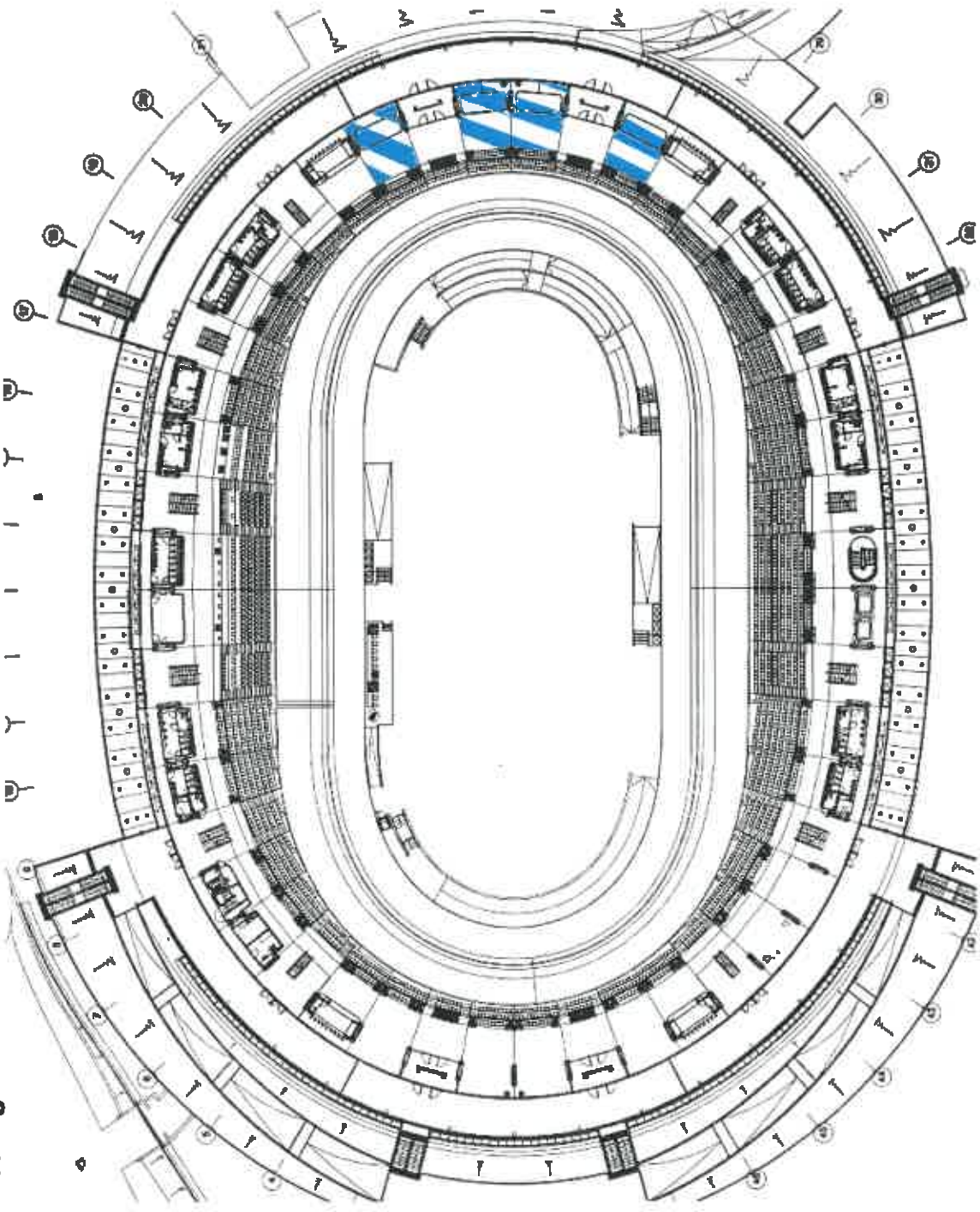
Appendix A LVVP Plans

LIST OF ABBREVIATIONS

the Authority	Lee Valley Regional Park Authority
GLL	Greenwich Leisure Limited
LSC	Leisure Operating Contract between the Lee Valley Regional Park Authority and Greenwich Leisure Limited dated 31 March 2022
LOBTA	Leisure Operator's Base Trading Account, the financial model agreed to in the LSC
LVVP	Lee Valley VeloPark
LSC	Leisure Services Contract



Meeting Room Pods location



KEY
Meeting Room Pods