

Q3 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 £6.200 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 (Papers A/4340/23 and E/833/23) 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 £8.923 million. The projected capital position for the year is £6.121 million, with £0.399 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 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 and making good progress. The Authority has made its commercial position clear with the Administrators 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 (PWL) 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 the London Borough of Enfield, via the Section 151 Officer, along with their external treasury advisors, Arlingclose, in adopting this approach to borrowing.

Since the Q2 report one loan of £5 million @ 4.50% interest was repaid in December, which was refinanced by a further one year loan, at 4.30%, which was forward arranged in March 2023. 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 £0.94 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. The scheme has now been fully redesigned with support from counter terrorism experts and the changes have achieved the project requirements whilst reducing the overall scheme costs. The project is being procured during the planning process to enable a start on site within this financial year.

10 Lee Valley Park Farm, Holyfield Hall

A paper giving an update on the change of operation at the Farm was presented to Members in October (Paper E/825/23). We are still experiencing difficulty in disposing of some machinery relating to the milking parlour, and may have to

take the approach to scrapping this due to the reduction of dairy farms over the last few years.

On the back of this, we have not yet fully invested in all the livestock, fencing, nor the baler, due in part to the delays in rolling out the Stewardship Agreement at the Farm.

The capital received for the sale of livestock and machinery will be ring-fenced for reinvestment in the Farm, which is now expected in the next financial year.

11 Landscape, Open Spaces and Investment Projects

Middlesex Filter Beds

We now have costings for the interim solution and are progressing quotes to obtain a contractor. The option of a suitable electric feed continues to be investigated and positive steps have been made with Canal & 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 and will be completed this winter in preparation of installation of the pumps.

East India Dock Basin

Final sampling points are still being agreed with the Marine Management Organisation (MMO) and Port of London Authority (PLA) and we are seeking value for money options from the consultants to complete this final element of the sampling stage. This will allow the application for a licence to disperse silt into the Thames. The officer view remains that we should 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.

Works have commenced with clearance completed. Procurement for the fishing swims contract is prepared and final contamination surveys are being undertaken to ensure we can proceed safely. This has caused a slight delay whilst we wait for results and seek the final consultation with the Environment Agency. We expect construction work on the path to commence in late March or early April with completion within a few months of contractors taking possession of the site.

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. We have received and commented on

two versions of draft proposals and are on track to receive 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 in 2024. 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

Main updates since Q2 are as follows.

Lee Valley VeloPark Spectator Barrier

The scheme is to remove the current track barrier and handrail around the indoor velodrome track 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. 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.

We are discussing with GLL to identify a suitable date for installation, and a loss of income calculation.

CAPITAL RECEIPTS

- 13 As reported in Q2, 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, along with receipts of £171,500 relating to the sale of the dairy herd at Lee Valley Farm, Holyfield Hall, and some machinery.

Subject to Member approval, we also expect a small receipt from disposal of encroached land at Hawes Lane, Waltham Abbey (as set out in Paper E/840/24), although this may not be received until after April, so is not included in the current forecast outturn.

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 Q3 Outturn

PREVIOUS COMMITTEE REPORTS

Authority	A/4348/24	Proposed Capital Programme 2023/24 (Revised) to 2027/28	18 January 2024
Executive Committee	E/828/23	Q2 Capital Programme Budget Monitoring 2023/24	23 November 2023
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

ABBREVIATIONS

AM	Asset Maintenance
CRT	Canal & River Trust
HVO	Hydro-treated Vegetable Oil
GLL	Greenwich Leisure Limited
LLDC	London Legacy Development Corporation
MMO	Marine Management Organisation
PLA	Port of London Authority
RIBA	Royal Institute of British Architects
LSC	Leisure Services Contract
BGCL	Buckingham Group Contracting Ltd

Project Name	Full Scheme Budget £000s	Prior Years Spend To Date £000s	Profiled Budget 2023/24 £000s	Actual to 31 Dec 2023 £000s	Projected Outturn at 31/03/2024 £000s	Projected Variance £000s	Comment
ANNUAL EARMARKED PROVISION							
Biodiversity Action Plan	-	-	50	16	55	5	Programme Delivery Profiling
IT Infrastructure & Communications	-	-	140	61	70	-70	Programme Delivery Profiling
Asset Management	-	-	942	623	940	-2	Programme Delivery Profiling
PROJECT SPECIFIC BUDGETS							
Lee Valley Ice Centre Redevelopment	30,000	27,100	2,300	1,207	2,000	-300	Programme Delivery Profiling
Olympic Park Hostile Vehicle Mitigation	495	5	490	7	7	-483	Slippage/In Progress
White Water Pumps Replacement	1,040	885	155	149	149	-6	Additional works - Scheme Complete
Holyfieldhall Farm Operational Change	155	0	66	56	66	0	On target
LANDSCAPE, OPEN SPACE & INVESTMENT PROJECTS							
East India Dock Basin - Feasibility	85	61	24	16	16	-8	Stage Complete
East India Dock Basin - De-silting works	500	0	500	0	50	-450	Provisional Budget
Middlesex Filter Beds Sluice	240	0	240	5	40	-200	Slippage/In Progress
St Pauls Field - Feasibility	50	22	28	18	33	5	In progress
St Pauls Field	300	0	300	0	300	0	Provisional Budget
North Wall Road	40	0	40	23	40	0	On target
Three Mills Green	340	331	9	9	9	0	Retention - Scheme Complete
VENUES INVESTMENT PROJECTS							
Non-Sports Venues							
Feeder Pillars (Springfield)	75	0	75	31	50	-25	In progress
Workshop Extension (Springfield)	100	0	100	0	0	-100	Scheme Delay
Scout Hut Refurbishment (Springfield)	50	0	50	0	0	-50	Scheme Delay
Laundry Room Extend (Stanstead Abbots)	70	0	70	18	56	-14	In progress
Dobbs Weir Bungalow (Renovation)	55	8	47	90	90	43	In progress
Sewardstone House (Renovation)	40	21	19	25	25	6	In progress
Sports Venues							
WhiteWater - Offices/Meeting Rooms	500	496	0	61	60	60	Additional works - Scheme Complete
Whitewater - Slalom Ramp	340	32	308	325	325	17	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	5	800	-722	Slippage/In Progress
Velo Spectator Barrier	300	0	300	8	300	0	Scheme Delay
Velopark Health & Fitness Offer	508	0	508	0	508	0	In progress
TOTAL PROGRAMME			8,923	2,754	6,121	-7,802	
External Funding							
Whitewater - Slalom Ramp	-150	0	-150	-150	-150	0	
North Wall Road	-40	0	-40	-4	-40	0	
Capital Receipts							
Land Disposal, Stanstead Abbots	0	0	-12	-12	-12	0	
Holyfieldhall Farm Livestock/Machinery	-200		-200	-172	-197	3	
TOTAL INCOME			(402)	(338)	(399)	3	
CAPITAL PROGRAMME FINANCING							
Borrowing			2,300		2,000		
External Funding			402		399		
AM Reserve			942		940		
Earmarked Reserves			190		125		
Capital Receipts			5,089		2,657		
TOTAL FINANCING			8,923		6,121		

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