Lee Valley
Regional Park Authority

Lee Valley Regional Park Authority
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To: Paul Osborn (Chairman)
David Andrews (Vice Chairman)
Susan Barker
Ross Houston
Chris Kennedy
Heather Johnson
Graham McAndrew
Mary Sartin

A meeting of the **EXECUTIVE COMMITTEE** (Quorum – 4) will be held by remote access on:

THURSDAY, 20 JANUARY 2022 AT 10:30

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 16 December 2021
(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 2022/23 REVENUE BUDGET AND LEVY Paper E/751/22

Presented by Keith Kellard, Head of Finance

6 PROPOSED CAPITAL PROGRAMME 2021/22 (REVISED) TO 2026/27 — Paper E/750/22

Presented by Keith Kellard, Head of Finance

7 CAPITAL STRATEGY 2021/22 TO 2025/26 — Paper E/749/22

Presented by Keith Kellard, Head of Finance

8 LEISURE SERVICES CONTRACT – GRANT OF VENUE LEASES TO GREENWICH LEISURE LIMITED — Paper E/752/22

Presented by Beryl Foster, Deputy Chief Executive

9 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 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)

11 FUTURE DEVELOPMENT AT LEE VALLEY LEISURE COMPLEX, PICKETTS LOCK — TO FOLLOW

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Not for publication following the principles of the Local Government Act 1972, Schedule 12A, Part I, Section 3

12 January 2022

Shaun Dawson
Chief Executive

LEE VALLEY REGIONAL PARK AUTHORITY

EXECUTIVE COMMITTEE
16 DECEMBER 2021

Members in remote presence:	Paul Osborn (Chairman) Susan Barker Ross Houston Heather Johnson	Chris Kennedy Graham McAndrew Mary Sartin

Apologies Received From: David Andrews

In remote attendance: John Bevan

Officers in remote presence:	Shaun Dawson	- Chief Executive
	Beryl Foster	- Deputy Chief Executive
	Dan Buck	- Corporate Director
	Jon Carney	- Corporate Director
	Keith Kellard	- Head of Finance
	Claire Martin	- Head of Planning
	Paul Roper	- Head of Projects & Funding Delivery
	Michael Sterry	- Senior Accountant
	Ges Hoddinott	- Ranger Service Manager
	Sandra Bertschin	- Committee & Members' Services Manager

Also in remote presence: Matt Bowmer – S151 Officer (Director of Finance & Commercial – LBE)
Laurie Elks – member of the public
Abigail Woodman – Save Lea Marshes

Part I

109 DECLARATIONS OF INTEREST

There were no declarations of interest.

110 MINUTES OF LAST MEETING

THAT the minutes of the meeting held on 18 November 2021 be approved and signed.

111 PUBLIC SPEAKING

Laurie Elks addressed the meeting in regard to agenda item 6, Sustainable Water Management for Middlesex Filter Beds, including:

- request for approval of option 1;
- in the 1980s there had been a proposal to create additional football pitches on the land, but to the Authority's credit it reconsidered this proposal;
- Middlesex Filter Beds represent the best of urban countryside and are what the 'green lung' is all about;
- although not of the Authority's making, Middlesex Filter Beds have been dry for too long causing loss of habitat;

- it was agreed in 2019 to find a solution and any of the other options would mean further delay;
- this was an ideal project for Section 106 monies, along with his previous suggestion of a footbridge;
- land disposals represented a bounty to the Authority which could yield significant capital which should be used to improve green spaces; and
- plea for this project to be progressed immediately.

Abigail Woodman addressed the meeting in regard to agenda item 6, Sustainable Water Management for Middlesex Filter Beds, and agenda item 8, Proposed Scrutiny Review – Environmental Policy, including:
- support for officers' recommendation of a sluice at Middlesex Filter Beds and that this should be funded from capital expenditure;
- habitat had been destroyed and any further delay would make this worse;
- funding this project from capital receipts would demonstrate the Authority's commitment to open spaces in the south of the Park; and
- endorsement for development of a coherent, robust and ground-breaking Environmental Policy, this was critical as the needs of the environment should be put first by individuals and organisations who manage green and open spaces on behalf of residents.

112 FEES AND CHARGES REVIEW 2022/23 — Paper E/746/21

The report was introduced by the Corporate Director.

In response to a Member's comments it was advised:
- it had been recognised that the introduction of car parking charges may lead to displacement parking at some car parks;
- due to vandalism the parking payment machine at Clayton Hill car park had been removed and payment was now by app and phone.

(1) the Authority's proposed 2022/23 fees and charges as summarised from paragraph 7 and set out in detail in Appendix A to Paper E/746/21 was approved.

113 SUSTAINABLE WATER MANAGEMENT FOR MIDDLESEX FILTER BEDS — Paper E/747/21

The report was introduced by the Corporate Director.

Members expressed full support for the project recognising that the proposed funding model included external funding which was not yet confirmed.

(1) the need for a permanent solution for water management on the Middlesex Filter Beds;

(2) external funding has not currently been secured to deliver a construction phase was noted; and

(3) option 1 – installation of a sluice with control valve as outlined in paragraph 10 of Paper E/747/21, including the financial obligations was approved.

114 FOOD SAFETY POLICY Paper E/744/21

The report was introduced by the Corporate Director.

In response to Member questions it was advised that:
- cold food and stock rotation practices were included within existing procedures and stock rotation was subject to external audit; and
- the Authority's food outlets had all achieved 5 star food hygiene ratings.

(1) recommendation of the draft Food Safety Policy and associated procedure to the Authority for adoption was approved.

115 PROPOSED SCRUTINY REVIEW – ENVIRONMENTAL POLICY Paper E/745/21

The report was introduced by the Head of Projects and Funding Delivery.

(1) the focus of the next Scrutiny Review be Environmental Policy as per the scope set out in paragraph 6 of Paper E/745/21 was approved.

116 UPDATE ON THE SECTION 106 OUTLINE SCHEDULE OF PROJECTS FOR THE LEA BRIDGE STATION SITES PLANNING APPLICATION Paper E/748/21

The report was introduced by the Head of Planning.

The Chairman thanked officers for developing a good list of potential projects.

(1) the content of the outline schedule of Section 106 projects attached as Appendix B to Paper E/748/21 was noted.

Chairman

Date

The meeting started at 10.33am and ended at 10.59am

Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **EXECUTIVE COMMITTEE** **20 JANUARY 2022 AT 10:30**	**Agenda Item No:** **5** **Report No:** **E/751/22**

2022/23 REVENUE BUDGET AND LEVY

Presented by the Head of Finance

EXECUTIVE SUMMARY

The context for setting the 2022/23 budget is to continue with recovery from the impact as a result of the Covid pandemic. The Authority's cash reserves have been depleted by circa £2.6mill over the past two years and in the short term the focus needs to be on continued recovery of the financial position and building in resilience for any future shocks. A combination of significant savings, income recovery and a continued good budget discipline has seen 2021/22 start the process of recovery with a projected surplus of circa £630k.

The Authority is going through an exceptional period with the planning and delivery of a range of business development/investment projects, the move to a third party operation and management of the main sporting venues and bringing the non-sporting venues back in-house to enable further investment and development. In the medium term, 2 to 4 years, it is expected that these projects will both enhance the Park and deliver additional income streams.

In order to assist the Authority beginning the rebuilding process and insure against further impact from Covid, the levy was increased by 2% for 2021/22. This represented the first cash increase to the levy since 2009/10 and was on the back of an eleven year real-term reduction. The levy for 2022/23 onwards is yet to be determined, but will be a factor in dealing with the significant challenges facing the Authority over the coming period.

The actual levy for 2021/22 is £9.767m (which is 37.0% of the maximum chargeable). This equated to £0.81p per person in Herts, Essex and London.

The Authority is required to set a budget and levy for 2022/23 by 24 January 2022 and notify contributing authorities by 15 February 2022.

This paper sets out a budget and levy proposal to support the delivery of the Authority's ambitions and objectives over the coming years as part of the new Business Plan (2022-2027).

RECOMMENDATIONS

Executive Committee Recommend Authority:

(1) a proposed levy for 2022/23;

(2) additional expenditure, income and efficiencies as set out in **Appendix C** to this report; and

(3) a proposed medium term general reserves policy.

BACKGROUND

1 **Remit**
The Authority and its Members have a statutory duty to develop the 10,000 acre Park as a regional destination, be that directly and via third party investors and operators. The Authority's current vision is that the Lee Valley Regional Park should be "A World Class Leisure Destination".

2 **Business Planning**
The Authority is continuing to be "community focused and commercially driven", optimising income generation to enable maximising community impact. There is a continuing drive 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.

The 2022-27 business plan is currently being developed and Member engagement will take place early in 2022.

The draft work programme for 2022/23 is attached as Appendix F to this report.

3 **Funding Strategy**
The Authority recognises the importance of developing new income streams, making efficiency savings and maximising the return from its assets to enable it to reduce its reliance on the levy and at the same time fulfilling its statutory remit to enhance the Park through further investment. Over the past ten years the Authority has successfully applied a measured approach to reducing the levy, by 2% per annum since 2011/12 and 6% in both 2017/18 and 2018/19, managed by realistic increases in income, some stretch targets and expenditure efficiencies, whilst incorporating major parts of the Olympic Legacy into its property portfolio and increasing the quality and value of its services.

4 The Authority continues to focus on the following areas to enhance the visitor offer in the Park and to increase income:

- implementing the retendered Leisure Service Contract (LSC) for the six sporting venues;
- further investment in the sports venues, to increase income and service efficiencies beyond the base LSC;
- investing in and developing the non-sporting venues, and open spaces;
- investing in new business development, e.g. Ice Centre;
- developing new opportunities e.g. Picketts Lock site, Broxbourne Riverside Eton Manor and visitor accommodation across the Park.

Contributing Authorities – Funding

5 Following the November Spending Review announcement, the Provisional Local Government Finance Settlement was announced in mid December, with a consultation period running until 13 January 2022. The final settlement is expected to be laid before the House of Commons in late January or early February 2022.

6 In the Provisional Local Government Finance Settlement for 2022/23, the government advised that authorities will overall receive an increase in their core spending power of 6.9% for 2022/23.

7 Each year the Mayor publishes a Budget Guidance document to aid the GLA and GLA group in preparing their budgets for the next financial year. The Mayor published his budget guidance for 2022-23 on 30 July 2021. In it, three scenarios were set out based on different levels of funding. As set out in the 2021/22 budget, it remains the assumption that future year budgets should broadly increase by 1.99%. Final submissions were due by the end of November with a draft consolidated budget to be published mid to late-December. The GLA 2021/22 budget increased the band D by £31.59 which represented a 9.5% increase. Next year's proposal, if available, will be updated as part of the budget report in January.

AUTHORITY'S CURRENT FINANCIAL POSITION

8 The Authority enters the coming financial year with a cautious financial approach. Through prudent and efficient financial management, the Authority was in a strong position ahead of the lockdown that impacted the current financial year. Current projections are for a net surplus on revenue of around £0.7million, and added to the £3.5million committed capital, venues investments and asset maintenance, will see the Authority's cash reserves stand at around £7.4million by March 2022. **Appendix D** to this report sets out the reserves position and movement in cash in line with the Medium Term Financial Plan (MTFP).

9 The MTFP has been updated to assist the recovery programme, as well as the mid-term delivery of the Authority's vision and its new Business Plan to 2027 (see **Appendix F** to this report.) 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 2022/23 should only be used as a guide to determine the general direction of travel.

10 The MTFP is attached at **Appendix B** to this report. The proposal for the 2022/23 budget and levy is summarised in Table 1 below.

Members discussed at the Levy and Budget Workshop, held on 16 December 2021, whether the Levy should be held at 0% change, or whether an increase would be appropriate.

For the purposes of this paper, the MTFP assumes a 0% change to the base Levy for the years 2022/23 to 2026/27.

11 **Table 1: Draft 2022/23 Budget Summary**

		2021/22 Forecast £000s	2022/23 Proposed £000s
1	Base Budget Authority LSC Venues	 7,931.6 1,557.0	 7,264.1 0
2	LSC Management Fee	0	2,170.7
3	Base Adjustments Growth/Savings Outturn surplus	0 0 (349.9)	351.1 (42.4) 0
4	**Total Budget**	**9,138.7**	**9,743.5**
5	Levy % Change	(9,767.6) -	(9,767.6) 0%
6	Uncertainties	0	160.0
7	**Deficit/(Surplus)**	(628.9)	135.9

Common Fund Balance

Opening	(3,496.7)	(4,125.6)
Budget Deficit/(Surplus)	(628.9)	135.9
Closing	(4,125.6)	(3,989.7)

12 A summary of the Option A budget proposal is set out below:

- 0% change in the levy in 2022/23;
- Service reviews and efficiencies;
- Future year surpluses can be invested in the Park;
- Proposed Levy in 2022/23 at £9.768m;
- Maintain the medium term general reserves policy of £3-£4m – although this should be subject to annual review.

Members should also review the medium term general reserves policy in line with any decision around the Levy.

13 The **key risk areas** in relation to the current MTFP are set out below:

- **Covid-19** - The impact of the Coronavirus Covid-19 pandemic in 2020 had a significant impact on the Authority's cash resources. Whilst 2021 was an improved year, there was still an impact from reduced venue usage, and in turn income. This is likely to still have an impact on the national economy over the coming year, and result in further financial pressure around income levels. Whilst the roll out of vaccinations and boosters is a promising step forward, there is still uncertainty around when 'normality' will return and the peak income generating period for the Authority starts in April.

- **Income Generation** – The Authority's net budget, and therefore the annual Levy, depends on income generated from fees and charges. It is estimated that around £4.0million will be collected through fees and charges in 2022/23. However, income can be adversely, or favourably, affected by many factors; market demand, weather, but especially in the coming year, the general national economy. Fees and charges need to be set that reflect both the need of the Authority with regard its own income targets, but recognising the pricing impact in the wider economy. The Fees and Charges Review for 2022/23 was approved by Executive Committee on 16 December 2021 (Paper E/746/21).

- **Inflation** - The re-costed base budget assumes pay increases at 2% for 2022/23. The national pay review for 2021/22 has still to be determined, but the prudent increase also includes standard increments plus the 1.25% change to National Insurance contributions for the Health and Social Care Levy. It covers a 5.0% increase assumed for insurances for next year, as well as significant increases for utilities (electricity 30% and gas 50% which will impact the Authority from October 2022 contractual arrangements/ supplies and services have had inflationary increases, whilst grounds maintenance and IT licence arrangements which have a contractual uplift built in linked to inflation (either CPI or RPI).

  However, the economic climate is uncertain at present with expectations for CPI inflation to increase to around 5% by April 2022, before falling to 2.5% by late 2022. However, a 1% variance in inflation could impact on the base budget by up to an additional £100k. The latest Consumer Price Index (CPI) is currently 5.1% and 7.1% for RPI (November 2020). These figures will be monitored on a regular basis and any variation reported to Members through the quarterly revenue monitoring reports.

- **Budget uncertainties** – In addition to the above, there are a number of specific budget uncertainties. These include the level of car parking income, grain and milk prices and income levels generated a result of the economic climate. Estimates for these areas have been included within the budget proposals based on previous experience/usage. However, there may be some variation to these figures, which will be reported to Members through the quarterly revenue monitoring reports.

- **Management Fee for the new Leisure Services Contract** – Currently the base fee for 2022/23 has been set at £2.170m. This has been agreed by Members, although a contingency in respect of utility costs of £300k has been included in the budget. Additionally, the Authority is making investment in Lee Valley VeloPark and Lee Valley White Water Centre which should have a positive impact on the Management Fee.

- Future years beyond 2022/23 show an ongoing reduction in that base fee over the 10 year contract period and, where further investments are delivered as part of the variant bid, this will reflect in further savings coming through in future years' budget calculations (these additional savings are currently excluded from the figures). As investment proposals are developed from April 2022 the Authority will have a lot more certainty over the reductions in fee from 2023/24 and the years ahead.

- There is a further identified uncertainty with regards the LSC around the level of pension contributions, and the rate that will be required to pay for employees that TUPE transfer to GLL in April 2022. The London Pension Fund Authority (LPFA) have indicated that there may be an increase to the rate, which will impact on the Year 1 Management Fee. From Year 2, officers are currently reviewing this and discussing with GLL and LPFA.

- **Investment Income** – Low levels of investment income are anticipated due to the reduction in available cash resources. Currently investments are securing a maximum of 0.2% return. It is possible that similar reinvestments will only continue to achieve this level of return. Future year returns will depend on utilisation of borrowing to achieve short-term returns, investment periods, demands placed on the capital programme (resulting in outgoing capital funds) and potential future capital receipts.

14 **Budget Growth and Savings 2022/23**

The budget includes a number of income and expenditure growth, and budget efficiency savings which are set out in Appendix C to this report. This includes changes to operational budgets that have not yet been built into the base budget as are subject to final approval.

Additionally, we have included **£177,000** in respect of expected return on the venues investment projects approved by Members in November (paper E/743/21).

There are also included two growth items that have been identified as one-offs:

- a budget **of £60,000** for possible events to mark the 10 Year Anniversary of the London 2012 Olympic Games;
- a budget of **£50,000** to restart the training and development programme for all Authority staff. With the introduction of the Senior Management structure from April 2020, there is need to deliver a structured development programme to Senior Management. Additionally, training budgets need to be reopened for all staff to apply/take training relevant to the Authority's needs. Going forward, training budgets need to be reviewed to ensure sufficient cover for 2023/24 forward.

15 Subject to the underlying assumptions and risks/uncertainties as set out above, a proposed balanced budget can be achieved in 2022/23 based on a standstill levy. Appendix A sets out the proposed budget in both an objective and subjective format.

From this, it is possible to conduct a sensitivity analysis to show what impact a variation to the budget might have.

Whilst some costs are subject to contract, and prices know for the year ahead, others may not. Employees budgets are set at a level assuming full establishment for the whole year, and as stated in the Budget Methodology paper (Exec E/742/21) include provision for a 2% pay rise for both 2021/22 and 2022/23. An additional 1% would lead to approximate costs of around £70,000.

Some areas of income have fixed fees (such as commercial rents, mooring fees), and are less prone to variations. Variable income, such as campsite touring fees, car parking, and golf, are more prone to variation.

It should also be noted, that the Authority receives around 80% of its more variable income during the summer 7 months

16 Officers have taken a prudent approach to producing the draft Budget for 2022/23, being mindful of the need to consolidate our financial position and rebuild for the future financial strength of the Authority. Income levels have been set at realistic expected levels, without building fully back in to pre-pandemic levels. In addition, a cautious approach to expenditure has also been

built in. However, should income levels pick up above net budget level, Members should consider the opportunity to reinvest within services in year, rather than simply build cash reserves.

REVENUE CONTRIBUTION TO CAPITAL

17 The Authority is in a new phase of capital programming. Over the last couple of years there has been a shift from replacement and renewal to maintenance of assets and investment in existing assets/business development projects to increase income.

However, expenditure on asset management had been restricted over the last two years. The recent condition survey identified areas that required investment over the coming years, and longer term additional contributions and investment will be needed to ensure the wider estate is maintained to the standard required and this will be identified through further condition surveys and discussion with GLL at venues that fall within the LSC.

18 **It is proposed to set the annual revenue contribution at £1.3m** which will enable delivery of the current capital and asset maintenance programme. A major part of any future capital development programme will be reliant upon capital receipts to support future investment proposals. The Authority can also consider borrowing to fund any potential developments. Given the current favourable borrowing rates, it may be beneficial for the Authority to undertake borrowing at this time if required. Any loan repayments would however need to be funded from the levy/additional income or savings.

19 The revised capital programme 2021/22 to 2026/27 is subject to a separate paper and is due to be considered by the Executive Committee on 20 January 2022.

THE LEVY

20 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 2021 was 4.86%. Therefore the maximum levy for 2022/23 is set at £27.7m (2021/22 was £26.4m).

21 A 1% movement in the Levy equates to approximately £97k per annum for the Authority. Whilst a 1% movement in the Levy impacts between £196 and £12,880 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.

Levy Strategy

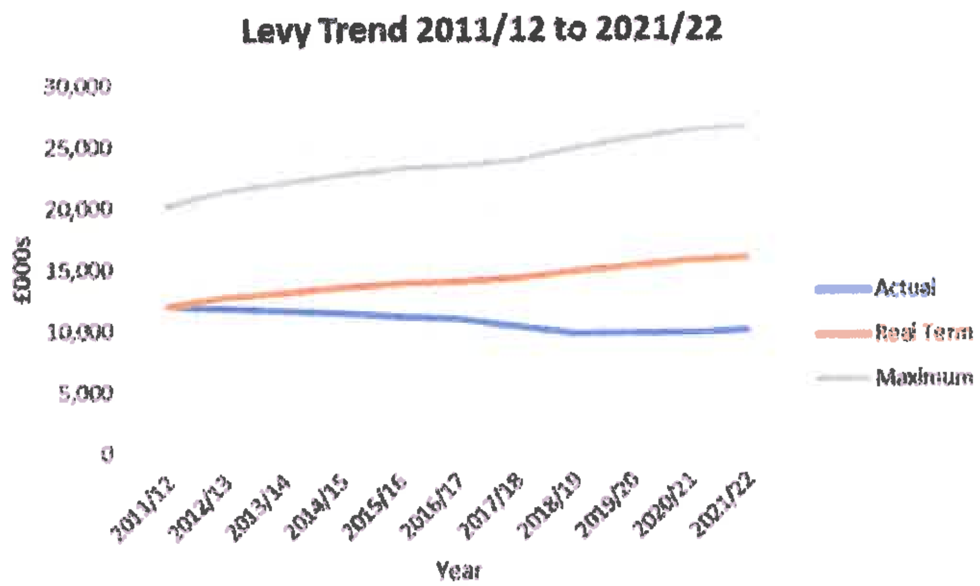
22 Over the last ten years Members have approved a continuous reduction in the Levy as a part of a strategy to become more commercial and to generate resources from existing assets and so reduce the financial burden on the regional tax payer. As part of the 2016-19 business plan a Member led Levy Strategy Working Group was established to review the Levy policy going forward. Its objective was to look at options for a significant reduction of the Levy. The 20% reduction in Levy represents a real term reduction of 56.0%.

Year	Levy Movement	Levy as a proportion of the Maximum Chargeable
2012/13	- 2%	55.1%
2013/14	- 2%	52.6%
2014/15	- 2%	49.9%
2015/16	- 2%	47.9%
2016/17	- 2%	46.6%
2017/18	- 6%	42.9%
2018/19	- 6%	38.8%
2019/20	0%	37.6%
2020/21	0%	36.7%
2021/22	+ 2%	37.0%
Total	**- 20%**	

23 Over the last 10 years changes in the Levy have been significantly below inflation (RPI) with a real term decrease of around 50% over the last ten years.

	Cash Levy £m	Real Term Levy £m	Maximum Levy £m
2011/12	£11.989	£11.989	£20.210
2021/22	£9.767	£15.661	£26.400

Levy Decrease	- 18.53%
RPI Increase	+ 30.63%



24 The Levy is apportioned to contributing authorities, based on proportion of each authority's Council Tax Band D figure, against combined figure for all contributing authorities. **Appendix E** to this report sets out how the 2021/22 Levy was apportioned to the contributing authorities. Whilst a 0% change in the

Levy will not impact the overall total contributions, the proportion allocated to each authority will change in line with their own individual Band D figures.

In addition, Appendix E to this report also compares the 2021/22 Levy against the 2011/12 cash and RPI inflated figures, to indicate the change that has occurred in the past 10 years.

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 £3.5m as at 1 April 2021. The projected outturn for 2021/22 is expected to increase this to around £4.1m by 31 March 2022. This level is under constant review and reported to Members at the Quarterly Revenue Monitoring throughout the year.

26 **To use reserves to fund any ongoing deficit is not recommended**; unless it is 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 £3m - £4m.

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

- further covid-19 related impacts;
- 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.

Historic analysis of reserves over the past five years has shown there has been small draw downs, which until 2012/20 has mainly related to funding one-off events and meeting commitments under clause 14 of the LSC. The new LSC removes the clause 14 requirements so that this risk is transferred to the new operator.

Year	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
General Fund	4.6	4.2	4.2	4.4	3.5

Based on the risk factors set out in this paper. It is recommended that the current minimum level reserves policy is maintained between £3m and £4m over the short/medium term, allowing for short term annual fluctuations that may materialise, and any "one-off" commitments approved by Members in a given year.

28 An analysis of Revenue and Capital Reserves is presented in **Appendix D** to this report. It compares these reserves against available cash balances, and identifies the year-on-year movement in capital and revenue.

PROPOSED LEVY

29 Subject to the underlying assumptions and risks/uncertainties as set out, the proposed **budget for 2022/23 is £9.8m**, based on a 0% change against the 2021/22 levy. This has been calculated in line with the Budget Methodology and Assumptions paper which was presented to the Executive Committee on 18 November 2021 (paper E/742/21).

30 Members are also asked to consider whether the current general reserves policy of £3m-£4m is still appropriate with reference to the proposed Levy.

CONCLUSIONS

31 The Authority has significant demands in the next couple of years, including continued financial recovery from the Covid-19 pandemic, implementing the new LSC by April 2022; the investment in and development of non-LSC venues alongside the longer-term development and implementation of major investment projects at Picketts Lock, Eton Manor and the Ice Centre. These initiatives, when developed, will allow the Authority to continue to seek reductions in its reliance on the Levy longer term as well as delivering key land disposals to support the capital programme and new investment.

The proposal to keep the Levy at its current level will enable the Authority to meet its corporate objectives, fulfil its statutory duties and ensure that there is greater clarity regarding the current financial uncertainties over the coming year.

Any uncertainties around the LSC, in terms of utilities and pension costs can be met from reserves for 2022/23, but this should only be treated as a one-off.

32 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. It will continue to work with partners, outsource/buy-in services and further investigate shared service provision, to push down on costs and to improve quality. Furthermore, it will continue to use and develop technology to further improve efficiency.

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

34 The financial implications are fully considered within the body of the report.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

36 The Authority is required to set a budget and Levy annually by 24 January 2022 and notify contributing authorities by no later than 15 February in the year preceding the Levy.

RISK MANAGEMENT IMPLICATIONS

37 Paragraph 18 sets out the main risks and uncertainties the Authority faces in achieving the budget during 2022/23. Most significantly the economic climate remains extremely uncertain particularly against the back-drop of Covid-19 and Brexit and could impact significantly on any of the assumptions made.

38 The new LSC transfers 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. This income is also protected to a certain degree by business interruption insurance held by the contractor. Other earmarked reserves, e.g. the insurance fund, are established to deal with specific matters. The Authority currently has an insurance fund of £0.4m that deals with excesses on the existing policies, i.e. £10,000 or uninsured/self-insured items.

Author: Keith Kellard 01992 709 864 kkellard@leevalleypark.org.uk

PREVIOUS COMMITTEE REPORTS

Executive	E/746/21	Authority Fees & Charges Review 2022/23	16 December 2021
Executive	E/742/21	2021/22 Budget Methodology, Assumptions, and Timetable	18 November 2021
Executive	E/743/21	Venues Capital Investment Projects Capital Budget 2021/22	18 November 2021
Authority	A/4292/21	Proposed Budget & Levy 2021/22	21 January 2021
Executive	E/703/20	Proposed Capital Programme 2020/21 Revised to 2024/25	17 December 2020

APPENDICES ATTACHED

Appendix A	Operational Revenue Budget 2022/23
Appendix B	Medium Term Financial Plan
Appendix C	Growth and Savings Schedule
Appendix D	Analysis of Revenue and Capital Reserves to Cash
Appendix E	Cash and Real Term Levy 10 Years
Appendix F	Summary of 2022-23 Work Programme

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

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Lee Valley Regional Park Authority

Operational Budget 2022/23

Appendix A to Paper E/751/22

OBJECTIVE ANALYSIS £000s	Current Budget 2021/22	Forecast Outturn 2021/22	Proposed Budget 2022/23
OPERATIONAL SERVICES			
Corporate Management *	3,818.1	3,308.5	3,560.3
Parklands and Open Spaces	2,579.8	2,544.3	2,724.7
Small Venues	(749.5)	(641.9)	(661.0)
Caravan Sales	0.0	(159.2)	0.0
LSC Venues and Support/Management Fee	1,587.0	2,620.0	2,170.7
Community Access Fund	30.0	30.0	80.0
Employee Payrise/Increments	92.0	92.0	75.0
Service Efficiencies/Savings	(410.0)	0.0	0.0
Operational Contingency	700.0	0.0	0.0
Ice Transition Fund	50.0	27.0	50.0
	7,697.4	**7,820.7**	**7,999.7**
Contracted Furlough & Covid Grants	0.0	(523.2)	0.0
Business Rates Refund	0.0	(136.0)	0.0
Service Redundancy Costs	500.0	397.0	0.0
FINANCING			
Interest Receivable	(20.0)	(6.0)	(8.0)
Interest Payable & Bank Charges	56.0	26.0	56.0
Contributions to Asset Management/R&R	688.7	688.7	1,000.3
Financing of Capital Expenditure	330.0	405.0	290.0
Minimum Revenue Provision	466.5	466.5	448.2
Growth & Savings	0.0	0.0	25.0
Venues Investment Projects Return	0.0	0.0	(177.4)
One-off Growth Items	0.0	0.0	110.0
LEVIES	(9,767.6)	(9,767.6)	(9,767.6)
NET BUDGET TOTAL	**(49.0)**	**(628.9)**	**(23.8)**
Budget Uncertainties			
LSC Utilities/IT Contingency	0.0	0.0	300.0
LSC Pensions Contingency	0.0	0.0	100.0
Caravan Sales Budget*	0.0	0.0	(240.0)
NET BUDGET	**(49.0)**	**(628.9)**	**136.2**

* Corporate Management - Chief Executive, Legal Services, Property Management, Financial, HR, IT support services, Sport and Events Management, Committee Services, Audit and H&S Support

Lee Valley Regional Park Authority

Operational Budget 2022/23

SUBJECTIVE ANALYSIS	TOTAL PROPOSED BUDGET £000s	COMMENTS
Operational Income		
Commercial Rents	(1,684.2)	
Fees & Charges - Fixed	(1,759.1)	Mooring Fees, Static Caravan Rentals, etc
Fees & Charges - Variable	(2,111.5)	Touring Site Fees, Golf etc
Retail Sales	(600.6)	Catering, Rechargeable Works
Operational Expenditure		
Employee Costs	6,229.5	Salaries, NI, Pension, Training Expenses
Premises	749.9	Building Maintenance, Rents, Cleaning
Business Rates	264.5	
Grounds Maintenance	930.0	
Supplier & Services	1,456.0	
Transport	180.6	
Insurance	594.1	
Third Parties	478.8	Consultants - H&S, Audit
Utilities	525.6	
Animal Feed	150.0	
Community Access Fund	80.0	
Retail Expensiture	345.4	
LSC Management Fee	2,170.7	
Net Operational Services	**7,999.7**	
Financing	1,786.5	
Growth/Savings/VIP	(42.4)	
Levies	(9,767.6)	
NET BUDGET TOTAL	**(23.8)**	
Budget Uncertainties	160.0	
NET BUDGET	**136.2**	

LEE VALLEY REGIONAL PARK AUTHORITY

REVENUE BUDGET 2021/22 to 2026/27

MEDIUM TERM FINANCIAL PLAN SUMMARY	Note	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Authority Base Budget		7,931.6	7,264.4	7,194.4	7,194.4	7,194.4	7,194.4
LSC Venues / Management Fee		1,557.0	2,170.7	806.6	(138.8)	(144.2)	(397.1)
Inflation / Base Adjustments		-	351.1	755.3	1,009.0	1,266.0	1,525.8
Growth & Savings		0.0	(42.4)	964.0	887.0	638.0	620.0
Current Year Movement		(349.9)	-	-	-	-	-
Levy (0% Change)		(9,767.6)	(9,767.6)	(9,767.6)	(9,767.6)	(9,767.6)	(9,767.6)
Sub Total		**(628.9)**	**(23.8)**	**(47.3)**	**(816.0)**	**(813.4)**	**(824.5)**
LSC Utilities/IT Contingency		-	300.0	200.0	0.0	0.0	0.0
LSC Pension Contingency		-	100.0	90.0	80.0	70.0	65.0
Caravan Sales		-	(240.0)	(160.0)	0.0	0.0	0.0
TOTAL MOVEMENT IN COMMON FUND (Surplus)/Deficit		(628.9)	136.2	82.7	(736.0)	(743.4)	(759.5)
Closing General Fund Balance		**(4,125.6)**	**(3,989.4)**	**(3,906.7)**	**(4,642.7)**	**(5,386.1)**	**(6,145.6)**

LEE VALLEY REGIONAL PARK AUTHORITY
REVENUE BUDGET 2021/22 to 2026/27

Growth & Savings Schedule	Note	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Velopark Rental		-	(90.0)	(180.0)	(180.0)	(180.0)	(180.0)
Hayes Hill Farm Lease		-	-	(50.0)	(100.0)	(150.0)	(150.0)
Ice Centre Borrowing Loan Repayment		-	-	1,270.0	1,256.0	1,242.0	1,229.0
Picketts Lock (Wave)		-	-	-	-	(160.0)	(160.0)
Eton Manor Development		-	-	-	-	(20.0)	(20.0)
Health & Safety Contract		-	60.0	120.0	120.0	120.0	120.0
Internal Audit Contract		-	25.0	25.0	25.0	25.0	25.0
Grounds Maintenance Meadows Contract		-	30.0	30.0	30.0	30.0	30.0
Sub Total			25.0	1,215.0	1,151.0	907.0	894.0
Investment Projects Income/Efficiencies		-	(177.4)	(251.0)	(264.0)	(269.0)	(274.0)
One-off Growth items		-	110.0	-	-	-	-
Total Growth & Savings		-	(42.4)	964.0	887.0	638.0	620.0

Other projects are being pursued over the next year, including
- additional leisure offer at Lee Valley White Water Centre
- visitor accommodation at Waterworks Centre
- Broxbourne. Spitalbrook/Former Leisure Pool site

To facilitate delivery of these capital developments, we have included a £150k pa Project Management provision in the capital programme

LEE VALLEY REGIONAL PARK AUTHORITY
REVENUE BUDGET 2021/22 to 2026/27

Analysis of Revenue and Capital Reserves to Cash	Note	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Usable Reserves							
General Fund		(4,125.6)	(3,989.4)	(3,906.7)	(4,642.7)	(5,386.1)	(6,145.6)
Asset Maintenance (Major Repairs) Reserve		(494.9)	(90.9)	(133.9)	(332.9)	(655.9)	(1,260.9)
Insurance Fund		(440.2)	(430.2)	(420.2)	(410.2)	(400.2)	(390.2)
Repairs and Renewals		(1,815.0)	(1,670.0)	(1,722.9)	(1,775.8)	(1,828.7)	(1,881.6)
Usable Capital Receipts *		(10,090.6)	(13,758.6)	(13,348.6)	(12,938.6)	(12,328.6)	(11,918.6)
Net Usable Reserves		**(16,966.3)**	**(19,939.1)**	**(19,532.3)**	**(20,100.2)**	**(20,599.5)**	**(21,596.9)**
Capital Financing Requirement (CFR) *		11,207.2	39,759.0	38,603.4	37,464.7	36,342.2	35,235.3
External Borrowing (Ice Centre Redevelopment)		0.0	(29,000.0)	(28,275.0)	(27,550.0)	(26,825.0)	(26,100.0)
Creditors/Debtors - General Liabilities		(1,623.0)	(1,523.0)	(1,423.0)	(1,300.0)	(1,200.0)	(1,200.0)
Net Unusable Reserves		**9,584.2**	**9,236.0**	**8,905.4**	**8,614.7**	**8,317.2**	**7,935.3**
Net Closing Cash Position		(7,382.1)	(10,703.1)	(10,626.9)	(11,485.5)	(12,282.3)	(13,661.6)

NOTES

* **Usable Capital Receipts** - represents monies received from asset disposals, which can be utilised to finance capital expenditure
* **Capital Financing Requirement (CFR)** - this is the amount of capital spending that has not yet been financed by capital receipts, grants of revenue contributions

Lee Valley Regional Park Authority
Analysis of Levy 2011/12 to 2021/22

	2011/12 £s	2011/12 RPI Inflated £s	2021/22 £s	Real Term Change in Levy £s	Cash/Actual Change in Levy £s
Corporation Of London	17,857	23,326	19,665	(3,661)	1,808
Inner London Boroughs					
Camden	285,582	373,044	212,129	(160,915)	(73,453)
Greenwich	235,330	307,402	199,453	(107,950)	(35,878)
Hackney	224,954	293,848	173,408	(120,440)	(51,546)
Hammersmith And Fulham	235,913	308,163	194,810	(113,353)	(41,103)
Islington	260,064	339,710	187,124	(152,586)	(72,940)
Kensington And Chelsea	294,233	384,344	233,495	(150,849)	(60,737)
Lambeth	314,730	411,118	266,885	(144,234)	(47,845)
Lewisham	261,597	341,714	213,307	(128,407)	(48,290)
Southwark	292,631	382,251	254,382	(127,870)	(38,249)
Tower Hamlets	262,869	343,375	246,905	(96,470)	(15,964)
Wandsworth	375,162	490,059	327,525	(162,534)	(47,637)
Westminster	384,111	501,749	322,119	(179,630)	(61,993)
Outer London Boroughs					
Barking And Dagenham	155,869	203,605	122,754	(80,851)	(33,115)
Barnet	412,873	539,319	356,483	(182,836)	(56,390)
Bexley	248,808	325,008	196,764	(128,244)	(52,044)
Brent	287,510	375,562	237,200	(138,362)	(50,310)
Bromley	394,169	514,886	317,805	(197,081)	(76,363)
Croydon	378,181	494,002	312,786	(181,215)	(65,394)
Ealing	351,364	458,973	281,968	(177,005)	(69,397)
Enfield	325,830	425,618	223,780	(201,838)	(102,050)
Haringey	255,922	334,300	184,252	(150,048)	(71,670)
Harrow	257,639	336,543	210,353	(126,190)	(47,286)
Havering	265,184	346,398	212,413	(133,985)	(52,770)
Hillingdon	293,026	382,768	245,699	(137,069)	(47,327)
Hounslow	256,722	335,346	206,980	(128,365)	(49,742)
Kingston Upon Thames	185,818	242,726	151,300	(91,426)	(34,518)
Merton	220,206	287,645	178,658	(108,987)	(41,547)
Newham	223,623	292,110	193,381	(98,729)	(30,243)
Redbridge	268,625	350,893	217,305	(133,589)	(51,320)
Richmond Upon Thames	263,975	344,819	213,001	(131,819)	(50,974)
Sutton	218,601	285,550	174,314	(111,235)	(44,287)
Waltham Forest	224,309	293,006	184,630	(108,376)	(39,679)
Total London	**8,933,288**	**11,669,181**	**7,273,034**	**(4,396,147)**	**(1,660,253)**
Hertfordshire and Essex Authorities					
Hertfordshire	1,328,209	1,734,984	1,084,197	(650,787)	(244,012)
Essex	1,574,226	2,056,345	1,288,042	(768,303)	(286,183)
Thurrock	153,375	200,347	122,326	(78,021)	(31,049)
Total Levy on Local Authorities	**11,989,097**	**15,660,858**	**9,767,600**	**(5,893,258)**	**(2,221,497)**

Work Programme for 2022/23

1. **Major Development Projects**
   a) **Lee Valley Ice Centre** - completion of build and opening of new venue.
   b) **Eton Manor** - development of detailed plans and pre planning application process.
   c) **The Wave** - working with and supporting The Wave through the planning process.
   d) **East India Dock Basin** - complete the technical and feasibility/design studies. Submit bid to the Heritage Lottery Fund.
   e) **Spitalbrook & Leisure Pool site** - develop options for the 200 acre area, including a new country park and work with Broxbourne to determine a planning framework.
   f) **Lee Valley White Water Centre** - carry out a marketing exercise for complementary leisure investment on the site and establish approach to the planning process.
   g) **WaterWorks site** - explore feasibility for visitor accommodation on footprint currently occupied by the building and car park.

2. **Investment in Open Spaces**
   Around £2.4mill of investment is in the process of being invested across the Park's open spaces over the next 1-2 years. The most significant projects are:

   a) Middlesex Filter Beds - installation of a sluice and pipe to provide water supply solution to the Filter Beds.
   b) St Paul's Field - new path network to open up retained areas of St Paul's Field and make accessible to the public.
   c) Waltham Abbey Gardens - restoration of ancient monuments, interpretation and biodiversity improvements to Cornmill Stream and Cornmill Meadows Fish Pond.
   d) Spitalbrook - habitat improvements to the River Lynch to restore back to naturally functioning chalk stream.
   e) Glen Faba - installation of 1.5 km of new footpath and a new car park, plus a range of habitat improvements.

3. **Management of the new Leisure Services Contract**
   a) Develop an effective working relationship with the new contractor.
   b) Maximise investment opportunities at the 6 venues.

4. **Events**
   a) 2022 Commonwealth Games Track Cycling at Lee Valley VeloPark
   b) International hockey fixtures as part of the FIH Pro League at Lee Valley Hockey & Tennis Centre
   c) International Champion's League track cycling at Lee Valley VeloPark

5. **London 2012 10 Year Anniversary**
   Series of events and activities to commemorate 2012 and to highlight the legacy achievements over the past 10 years.

6. **Environmental Policy**
   Produce a new and progressive policy with clear ambition and an action plan.

7. **London Legacy Development Corporation (LLDC) Transition Plan**
   Work with the LLDC, the 4 Boroughs and the GLA to determine an effective governance and management regime for the Queen Elizabeth Olympic Park under the new Mayoral Development Corporation body.

8. **New 5 Year Business Plan 2022-27**

a) Review the Authority's vision, mission and priorities for the next 5 years.

b) Produce a 5 year plan of projects, programmes and initiatives along with a financial and communications plan.

Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **EXECUTIVE COMMITTEE** **20 JANUARY 2022 AT 10:30**	**Agenda Item No:** **6** **Report No:** **E/750/22**

PROPOSED CAPITAL PROGRAMME 2021/22 (REVISED) TO 2026/27

Presented by the Head of Finance

EXECUTIVE SUMMARY

The last full review of the capital programme was undertaken in December 2020 and the current programme was approved at the Executive Committee meeting on 17 December 2020 (Paper E/703/20). 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.

In terms of overall financial provision, the proposed capital programme provides for total investment by the Authority of up to £41.4 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, £30 million.

RECOMMENDATIONS

Executive Committee Recommend to Authority:	(1)	the revised capital programme for 2021/22 (revised) to 2026/27 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 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.

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 2021/22 (revised) to 2026/27 for Members' consideration. This is summarised in paragraph 16 in this report and further detailed in Appendices A and B to this report.

4 The key project in the capital programme is the development of the Ice Centre, with £30m earmarked for the period August 2021 to November 2022. This will require external funding from borrowing, and has been included within the programme at the current expected phased expenditure.

Another key development in the programme is to provide an asset management programme for the Authority's estate. This work is ongoing but a major condition survey of the Authority's venues ahead of the LSC retender has provided clarity on the investment sums required by the Authority to maintain this part of the estate. Estimated figures have been incorporated into the revised capital programme attached at Appendix A to this report.

The Authority has adopted a land and property strategy when considering land acquisition and disposal. Officers guided by Members have reviewed the Authority's estate in its widest sense, in terms of maximising the return, both in terms of how the land is used, new land purchases, and disposals where potentially land can be identified as no longer required for Park purposes, alongside its strategic and financial viability.

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. The proposed capital programme includes a Land Acquisition and Remediation provision.

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. the 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.

PROJECTED AVAILABLE CAPITAL FUNDING

9 Initial indications are that existing capital reserves together with projected borrowing and revenue contributions will provide funds of £54.5m to 31 March 2027.

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 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 and Eton Manor.

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 **£41.4 million** to 31 March 2027.

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.

Neither does it include capital development works at the major sports venues, which have yet to be identified and agreed with GLL.

14 The proposed future revenue funding to support the capital programme has been reduced to £1.3 million in line with the current Medium Term Financial Plan. This currently represents 13.3% of the existing levy (£9.767m). 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.

16 Table 1 shows that at the end of the five year period to 31 March 2027 capital reserves would be £13.16 million.

Table 1: Summary of Capital Expenditure and Financing

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m	£m
Opening Resources	12.43	10.59	13.85	13.48	13.27	12.98
Contributions/Borrowing	17.66	19.29	1.29	1.29	1.28	1.28
Capital Expenditure	(19.50)	(16.03)	(1.66)	(1.50)	(1.58)	(1.10)
Surplus Capital Resources	**10.59**	**13.85**	**13.48**	**13.27**	**12.98**	**13.16**

ENVIRONMENTAL IMPLICATIONS

17 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

18 As part of the budget process over the last couple of years, Members have reviewed the annual revenue contribution to capital reducing it to £1.3 million for 2022/23. This recognised that the contribution to capital has a direct impact on the levy (12.4%). Some rationalisation of the Authority's estate to enable re-investment has identified potential new capital resources to support funding of the programme going forward, therefore placing less reliance on the levy for capital investment. This is however reliant on achieving a capital receipt within any given year.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

21 There are no risk management implications arising directly from the recommendations in this report. The assumptions for future investment and funding rely to a degree on rationalisation of the Authority's estate 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. It should be noted that any land disposals may result in adverse publicity or potential legal challenge where local stakeholders/residents/interest groups do not agree with an Authority decision to dispose of areas of land.

EQUALITY IMPLICATIONS

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

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PREVIOUS COMMITTEE REPORTS

Executive Committee	E/703/20	Proposed Capital Programme 2020/21 Revised To 2024/25	17 December 2020

APPENDICES ATTACHED

Appendix A	Capital Development Programme Revised 2021/22 to 2026/27
Appendix B	Capital Programme Financing Forecast 2021/22 to 2026/27

LIST OF ABBREVIATIONS

PDF	Park Development Framework
LSC	Leisure Services Contract

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

	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	Comments
Land Acquisition & Remediation	0	450	450	450	450	450	Annual Provision
IT Infrastructure & Communications	250	100	100	100	100	100	
Olympic Park Hostile Vehicle Mitigation	245	250	0	0	0	0	
Wildlife Discovery Centre	17	0	0	0	0	0	
Dobbs Weir	0	27	0	0	0	0	
Lee Valley Ice Centre Stage 1	30	0	0	0	0	0	
Lee Valley Ice Centre Stage 2 Build	16,000	12,300	0	0	0	0	
Lee Valley Ice Centre Stage 2 Fit out	0	700	0	0	0	0	
Capital Development Projects	0	0	tbc	tbc	tbc	tbc	
Infrastructure and Open Space Projects	275	0	0	0	0	0	
Venue Investment Projects	1,506	595	0	0	200	0	
Olympic Rings	0	50	0	0	0	0	
Project Management	0	150	150	150	150	150	
AM Schemes							
Asset & Infrastructure Management	1,001	1,404	957	801	677	395	
Abercrombie Lodge Repair Work	173	0	0	0	0	0	
NET PROGRAMME	**19,497**	**16,026**	**1,657**	**1,501**	**1,577**	**1,095**	
Financed By							
Capital Receipts	(1,998)	(1,332)	(410)	(410)	(610)	(410)	
Contribution from Revenue	(325)	(290)	(290)	(290)	(290)	(290)	
Asset Management Reserve	(1,174)	(1,404)	(957)	(801)	(677)	(395)	
Borrowing	(16,000)	(13,000)	0	0	0	0	
NET FINANCING	(19,497)	(16,026)	(1,657)	(1,501)	(1,577)	(1,095)	

Lee Valley Regional Park Authority

Capital Programme Financing Forecast 2021/22 to 2026/27

Capital Resources	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	TOTAL £000s
Opening Balance		(12,424.5)	(10,585.5)	(13,849.5)	(13,482.5)	(13,271.5)	(12,974.5)	
Usable Capital Receipts Reserve	(11,809.6)	(279.0)	(5,000.0)	0.0	0.0	0.0	0.0	(17,088.6)
Capital Fund	0.0	(250.0)	(290.0)	(290.0)	(290.0)	(280.0)	(280.0)	(1,680.0)
External Borrowing	0.0	(16,000.0)	(13,000.0)	0.0	0.0	0.0	0.0	(29,000.0)
Asset Maintenance (Major Repairs) Reserve	(614.9)	(1,054.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(6,668.9)
Revenue Financing Of Capital	0.0	(75.0)	0.0	0.0	0.0	0.0	0.0	(75.0)
		(17,658.0)	(19,290.0)	(1,290.0)	(1,290.0)	(1,280.0)	(1,280.0)	(54,512.5)
Total Available Resources	(12,424.5)	(30,082.5)	(29,875.5)	(15,139.5)	(14,772.5)	(14,551.5)	(14,254.5)	(54,512.5)
Proposed Net Capital Expenditure		16,542.0	14,027.0	700.0	700.0	700.0	700.0	33,369.0
Asset & Infrastructure Management		1,174.0	1,404.0	957.0	801.0	677.0	395.0	5,408.0
Infrastructure and Open Space Projects		275.0	0.0	0.0	0.0	0.0	0.0	275.0
Investment Projects		1,506.0	595.0	0.0	0.0	200.0	0.0	2,301.0
Total Capital Expenditure		19,497.0	16,026.0	1,657.0	1,501.0	1,577.0	1,095.0	41,353.0
Closing Balance		(10,585.5)	(13,849.5)	(13,482.5)	(13,271.5)	(12,974.5)	(13,159.5)	(13,159.5)
Capital Related Fund Balances								
Usable Capital Receipts Reserve	(11,809.6)	(10,090.6)	(13,758.6)	(13,348.6)	(12,938.6)	(12,318.6)	(11,898.6)	
Capital Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Asset Maintenance (Major Repairs) Reserve	(614.9)	(494.9)	(90.9)	(133.9)	(332.9)	(655.9)	(1,260.9)	
	(12,424.5)	(10,585.5)	(13,849.5)	(13,482.5)	(13,271.5)	(12,974.5)	(13,159.5)	

Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **EXECUTIVE COMMITTEE** **20 JANUARY 2022 AT 10:30**	**Agenda Item No:** **7** **Report No:** **E/749/22**

CAPITAL STRATEGY 2021/22 TO 2025/26

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 2021/22 to 2025/26 as set out in Appendix A of this report.

BACKGROUND

1 Publication of CIPFA's Prudential Code 2017 and Treasury Management Code 2017 introduced a change to the reporting requirements around investment within local authorities.

2 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.

3 The Capital Programme provides more details on capital expenditure and financing from the information provided in the Capital Strategy.

4 The CIPFA Prudential Code for Capital Finance in Local Authorities (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;
- 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/750/22) and is summarised below. It includes current estimates for capital expenditure for 2021/22 and beyond.

8

	2021/22 Estimate £0m	2022/23 Estimate £0m	2023/24 Estimate £0m	2024/25 Estimate £0m	2025/26 Estimate £0m
Capital Expenditure	**19.497**	**15.976**	**1.657**	**1.501**	**1.577**
Financed By					
- Capital Receipts	1.998	1.282	0.410	0.410	0.610
- Revenue Contributions	0.325	0.290	0.290	0.290	0.290
- Asset Maintenance Reserves	1.174	1.404	0.957	0.801	0.677
- Short Term Borrowing	16.000	13.000	0.000	0.000	0.000
Total Financed	**19.497**	**15.976**	**1.657**	**1.501**	**1.577**

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

MINIMUM REVENUE PROVISION

10 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 MHCLG.

11 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

12 Treasury Management is concerned with keeping sufficient but not excessive 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.

13 The Authority's Treasury Management Policy was approved in April 2021 (paper A/4297/21) and no amendments to that Policy are proposed.

ANNUAL INVESTMENT STRATEGY

14 The Local Government Act 2003 requires local authorities to have regard for the latest guidance on local authority investments, the latest update being 2018.

15 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.

16 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.

17 Attached at Appendix C to this report is the Annual Investment Strategy for 2022/23 for Members consideration and approval. Definitions for specified and non-specified investments are also set out in Appendix A.

BORROWING STRATEGY

18 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.

19 Appendix D to this report sets out the Authority's borrowing strategy 2022/23, in line with its current Treasury Management Policy.

KNOWLEDGE AND SKILLS

20 The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and

investment decisions.

21 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.

22 The Authority also has a service level agreement 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.

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

24 These are dealt with within the body of the report.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

27 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

28 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/750/22	Proposed Capital Programme 2021/22 (Revised) to 2025/26	20 January 2022

Executive	E/725/21	Annual Report on Treasury Management Activity 2020/21 and Annual Investment Strategy 2021/22	27 May 2021
Authority	A/4297/21	Treasury Management Policy	29 April 2021
Executive	E/702/20	Capital Strategy and Prudential Indicators 2020/21 to 2024/25	17 December 2020
Executive	E/647/19	Capital Strategy and Prudential Indicators 2019/20 to 2023/24	19 December 2019

APPENDICES ATTACHED

Appendix A	Prudential Indicators 2021/22 t0 2025/26
Appendix B	Annual Minimum Revenue Provision Statement 2022-23
Appendix C	Annual Investment Strategy 2022/23
Appendix D	Borrowing Strategy 2022/23
Appendix E	Capital Expenditure

LIST OF ABBREVIATIONS

CFR	Capital Financing Requirement
PWLB	Public Works Loans Board
MRP	Minimum Revenue Provision
CIPFA	Chartered Institute for Public Finance and Accountancy
MHCLG	Ministry for Housing, Communities and Local Government

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Capital Expenditure and Financing
Prudential Indicators 2021-22 – 2025-26

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.

	2021/22 Estimate £0m	2022/23 Estimate £0m	2023/24 Estimate £0m	2024/25 Estimate £0m	2025/26 Estimate £0m
Capital Expenditure	**19.497**	**15.976**	**1.657**	**1.501**	**1.577**
Financed By					
- Capital Receipts	1.998	1.282	0.410	0.410	0.610
- Revenue Contributions	0.325	0.290	0.290	0.290	0.290
- Asset Maintenance Reserves	1.174	1.404	0.957	0.801	0.677
- Short Term Borrowing	16.000	13.000	0.000	0.000	0.000
Total Financed	**19.497**	**15.976**	**1.657**	**1.501**	**1.577**

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 capital financing requirement increases with new debt-financed capital expenditure and reduces with MRP and any capital receipts used to replace debt. The CFR is expected to decrease during 2021/22, but the long term borrowing in relation to the Ice Centre redevelopment project will see the CFR increase at the end of 2022/23.

The Authority's estimated CFR is as follows.

	2021/22 Estimate £0m	2022/23 Estimate £0m	2023/24 Estimate £0m	2024/25 Estimate £0m	2025/26 Estimate £0m
Opening CFR	**11.674**	**11.206**	**39.756**	**38.599**	**37.459**
Long Term Borrowing	-	29.000	-	-	-
Minimum Revenue Provision	(0.468)	(0.450)	(1.157)	(1.140)	(1.123)
Closing CFR	**11.206**	**39.756**	**38.599**	**37.459**	**36.336**

Table 2 : Estimates of 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 to borrow long term to fund the Ice Centre Development in 2022/23, and whilst the actual borrowing amounts are subject to further Member approval, the limits are set to include the current budgeted amount less contingency.

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 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.

	2021/22 Estimate £0m	2022/23 Estimate £0m	2023/24 Estimate £0m	2024/25 Estimate £0m	2025/26 Estimate £0m
Operational Boundary	30.0	30.0	30.0	30.0	30.0
Authorised Limit	35.0	35.0	35.0	35.0	35.0

Table 3 : 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 Minimum Revenue Provision (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 remain at the 2021/22 cash level.

Currently the Authority does not have any external borrowing, so the financing costs for 2021/22 are made up of the MRP and investment interest received. The change in financing costs from 2023/24 is based on the Authority borrowing £29m in the latter part of 2022/23, with the costs being rolled up into the project and repayments commencing in 2023/24.

	2021/22 Estimate £0m	2022/23 Estimate £0m	2023/24 Estimate £0m	2024/25 Estimate £0m	2025/26 Estimate £0m
Financing Costs	0.460	0.442	1.691	1.659	1.627
Proportions of net revenue cost %	4.71%	4.52%	17.31%	16.98%	16.66%

Table 4 : 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 2017 Edition. It fully complies with the Code's recommendations.

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Annual Minimum Revenue Provision Statement 2022-23

Background

The Minimum Revenue Provision (MRP) is 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.

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.

The useful life of the asset should be commensurate with the term of the borrowing, and MRP charged appropriate to the principal loan repayment amount.

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Annual Investment Strategy 2022/23

This Authority has regard to the MHCLG's Guidance on Local Government Investments and CIPFA's Treasury Management in Public Services: Code of Practice and Cross Sector Guidance Notes 2017.

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 MHCLG 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 2022/23 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 fund balances in 2022/23 to range between £2m and £6m. 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 2022/23

The Authority's debt management strategy has been 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 council 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, 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 cheap short-term loans (currently available at around 0.6%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0% to 2.5%).

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 uncertainly of interest rates in the medium term.

The Authority would look to borrow in the short-term from other local authorities as this is typically at lower rates than from other sources, such as PWLB, for short duration debt.

Longer term borrowing will likely be from the Public Works Loans Board (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 capitalises 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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Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **EXECUTIVE COMMITTEE** **20 JANUARY 2022 AT 10:30**	**Agenda Item No:** **8** **Report No:** **E/752/22**

LEISURE SERVICES CONTRACT – GRANT OF VENUE LEASES TO GREENWICH LEISURE LIMITED

Presented by the Deputy Chief Executive

EXECUTIVE SUMMARY

The new Leisure Services Contract (due to commence on 1 April 2022) approved by Members in October 2021 (Paper A/4308/21) and where Members also noted the need to return to Members to seek approval to enter into leases with the new operator, Greenwich Leisure Limited. The Authority will be granting separate 10-year lease agreements for each of the sporting venues to allow Greenwich Leisure Limited to take occupation of the six venues that form part of the new Leisure Services Contract. Secretary of State consent will be required for all the leases due to the lease period being longer than 7 years.

This report highlights the key lease terms for five of the six sporting venues forming part of the new Leisure Services Contract with Greenwich Leisure Limited and seeks Member approval for the Authority to enter into the leases on the key terms set out in the report.

RECOMMENDATIONS

Members Approve:

(1) granting of 5 leases as per the key terms set out in paragraphs 6 to 10 of this report and the boundary lease plans as shown at Appendix A to this report;

(2) delegation to the Deputy Chief Executive to make any non-material changes;

(3) subject to (1) and (2) above application to be made to the Secretary of State for consent to enter into the leases; and

(4) subject to (1), (2) and (3) above the signing and sealing of all documentation as necessary.

BACKGROUND

1 This report specifically addresses the proposed lease arrangements for the use of the six sporting venues forming part of the new Leisure Services Contract (LSC). The completion of the LSC is subject to leases being completed for each venue at the same time.

2 The previous contract with Lee Valley Leisure Trust Ltd (the Trust), trading as Vibrant Partnerships, expired on 31 March 2020 and in accordance with the Public Contract Regulations 2015 the Authority undertook a procurement process to appoint an external contractor to operate six of its venues.

Members approved the Authority entering into the LSC with Greenwich Leisure Limited (GLL) in October 2021 (Paper A/4308/21). The LSC is due to commence on 1 April 2022 and the use of the venues will require lease arrangements to be entered into by the Authority with GLL.

3 Members are also asked to approve the boundary lease plans for each of the venues as shown at Appendix A to this report.

4 The six sporting LSC venues are as follows:

- Lee Valley VeloPark (LVVP);
- Lee Valley White Water Centre (LVWWC);
- Lee Valley Hockey & Tennis Centre (LVHTC);
- Lee Valley Riding Centre (LVRC);
- Lee Valley Athletics Centre (LVAC); and
- Lee Valley Ice Centre (LVIC) (Member approval for this venue will be sought at a later date due to the ongoing construction).

LEASE TERMS

5 The LSC provides that the Authority will grant a lease for each of the six venues to ensure that GLL will be able to take occupation of each venue on 1 April 2022. Members should note that approval for the LVIC lease has not been included in this report and Member approval will be requested at a later date.

6 Officers have been working on the details of the individual venue leases with GLL and have agreed a draft form of lease. A template master lease was provided as part of the procurement process. Members are asked to approve the draft form of the leases and the key terms are set out in the following paragraphs. The final form of the two Master leases will also be attached as a schedule to the LSC.

7 Of the six leases, two of the venues namely LVAC and LVRC, will be granted on Full Repairing and Insuring basis (FRI leases), where the costs of all repairs and insurance are borne by the tenant.

For the remaining four leases, the Landlord will comply with the obligations for repair and maintenance as agreed and set out in the LSC and the Services Specification (where the tenant is responsible for the internal parts and the plant and the Landlord is responsible for the external fabric). The Landlord is responsible for insuring the premises.

8 All the Leases will be excluded from the provisions of sections 24 -28 (inclusive) of the Landlord and Tenant Act 1954 and will not therefore be automatically renewed at the end of the lease term.

9 **General Terms of the Leases**

- **Lease Term** – period of ten years commencing on 1 April 2022.

- **Rent** - a peppercorn per year (if demanded).

- **Rights to Terminate**
    - in the event that the LSC is terminated or the venue is removed from the provisions of the LSC then the lease will simultaneously and immediately also terminate whether or not notice is given to the tenant;
    - whenever an Insured Damage occurs and the Premises or any part of them are in the reasonable opinion of the Landlord unlikely to be fit for occupation and use within the remainder of the term of the LSC the Landlord may serve notice on the Tenant to terminate the lease.

- **Third Party Rights** – each property is subject to any existing agreements, licences and underleases and any renewal, re-grant or extension of the same.

- **Alterations**
    - not to erect any new building or structure on the Premises or unite the Premises with any adjoining premises;
    - not to make any addition or alteration to the exterior of the Building or to any load-bearing part of the Building or its roof or foundations or to change the existing design or appearance of the exterior of the Premises;
    - not to make any addition or alteration to any existing landscaping or change the design or appearance of the same;
    - not to make any addition or alteration to the interior of the Premises unless consent of the Landlord has been obtained and all necessary consents from any competent authority have been obtained;
    - **LVAC and LVRC** - not to make any addition or alteration to the interior of the Premises unless: it does not require any building regulations or other consents and it is cosmetic in nature.

- **Alienation**
    - the Tenant will not assign underlet or charge the whole or any part of the venue, part with possession of the venue or any part of them, permit another to occupy the Premises or any part of them, hold the venue or any part of them on trust for another;
    - the tenant is permitted to underlet (up to an aggregate no more than 20% of the total net lettable floor area of the lease area). Landlord consent in writing will be required (such consent not to be unreasonably withheld or delayed);
    - the Tenant shall not underlet any part of the premises unless such underletting is at an open market rent.

- **Landlord's repairing obligation** - to comply with the obligations for repair and maintenance set out in the LSC to the extent that they are applicable to the venue.

- **Exclusion of sections 24-28 of the LTA 1954** - the parties agree that the provisions of sections 24 to 28 of the LTA 1954 are excluded in relation to the tenancy created by this lease

- **Permitted use** - a public sport and leisure facility (each venue will have its individualised wording in addition).

- **Grounds Maintenance** - the Landlord is permitted to enter the premises and carry out the Grounds Maintenance as per the procedure set out in the Services Specification.

10 **Specific terms relating to particular venues**

LVVP and HTC – Heating and Cooling agreement - The Authority became aware that the current heating and cooling system (as designed under a concession agreement entered into by the Olympic Development Authority (ODA), Stratford City Developments Limited and Elyo East London Energy Limited in 2008) does not permit the LVVP to return water back into the system at the temperature required by the concession agreement. The LLDC has proposed a co-operation agreement with the Authority and the other occupiers in the Queen Elizabeth Olympic Park to match the liabilities in the 2008 concession agreement. LLDC are intending to carry out works to provide a solution and then a report will come back to Members to seek approval to enter into the co-operation Agreement.

In the meantime, the Authority will incorporate the relevant clauses from the proposed co-operation agreement into both LVVP and LVHTC leases. GLL will then take the leases subject to these provisions and will be bound by its terms.

LVRC – the venue is subject to three residential buildings which provide accommodation to staff members under Service Occupancy Agreements.

Certificate of Best Value – valuation advice obtained from external advisors, Montagu Evans, which has been provided to Members separately as a confidential Part 2 item.

11 Members are asked to approve the key terms of the leases as set out above and Members are also asked to approve delegation to the Deputy Chief Executive to make any non-material changes, if required. The lease agreements will be subject to Secretary of State consent.

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

13 The financial implications arising directly from the recommendations are included in the LSC contract update report (Paper A/4308/21) which Members have approved.

HUMAN RESOURCE IMPLICATIONS

14 There are no direct implications in this report.

LEGAL IMPLICATIONS

15 The Authority is able to grant a lease of land under section 21 of the Lee Valley Regional Park Act 1966. Any lease of land for more than 7 years requires both Member and Secretary of State consent and will require a valuation certificate.

16 Officers are still finalising the exact wording of the terms of the leases for each of the venues with GLL, and GLL are still in the process of undertaking any due diligence of the title to any of the venues. It is possible that issues will arise from the due diligence process that will need to be accounted for in the final version of the leases and LSC, but otherwise officers do not anticipate any substantive changes to the current draft of the LSC Contract outside of the delegation. There is a formal approval process with Sport England and other bodies associated with completion of the leases that is being undertaken and will need to be in place prior to completion of the relevant leases. Consent from Sport England can only be obtained once the Authority has received Secretary of State consent.

17 Officers are seeking delegation to the Deputy Chief Executive to make any non-material changes to enable the documents to be finalised.

RISK MANAGEMENT IMPLICATIONS

18 If the leases are not entered into prior to 1 April 2022 there is a risk that the LSC will be unable to commence.

EQUALITY IMPLICATIONS

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

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BACKGROUND REPORTS

None

PREVIOUS COMMITTEE REPORTS

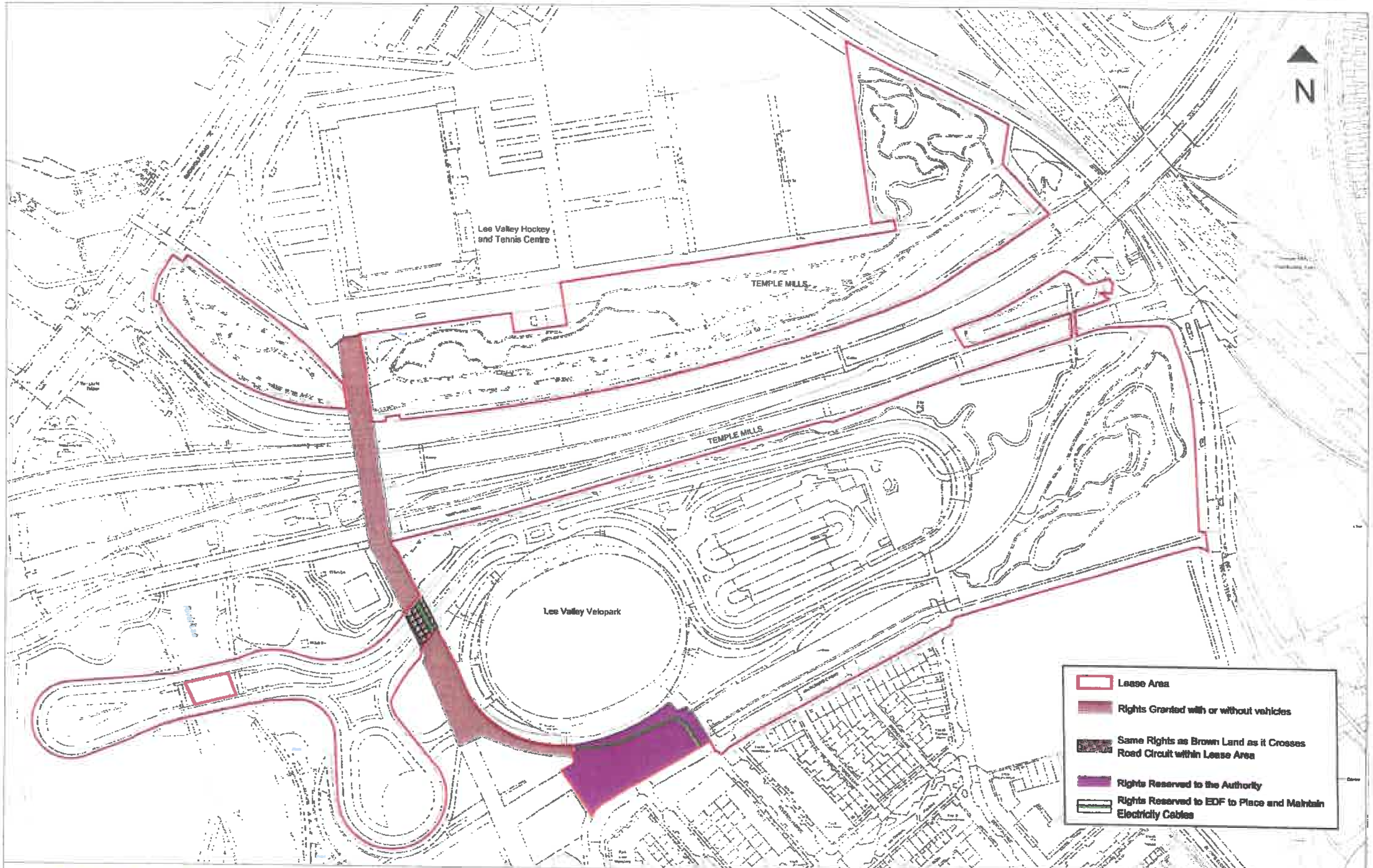
Authority	A/4308/21	Lee Valley Leisure Services Contract Update	21 October 2021

APPENDIX ATTACHED

Appendix A Lease Plans

LIST OF ABBREVIATIONS

GLL	Greenwich Leisure Limited
SOS	Secretary of State
LSC	Leisure Services Contract
the Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)
FRI	Full Repairing and Insuring
LVVP	Lee Valley VeloPark
LVWWC	Lee Valley White Water Centre
LVHTC	Lee Valley Hockey & Tennis Centre
LVRC	Lee Valley Riding Centre
LVAC	Lee Valley Athletics Centre
LVIC	Lee Valley Ice Centre



Lee Valley Regional Park Authority

Lee Valley Velopark

Not to Scale

10.01.22

Produced by: Corporate GIS (AAB)

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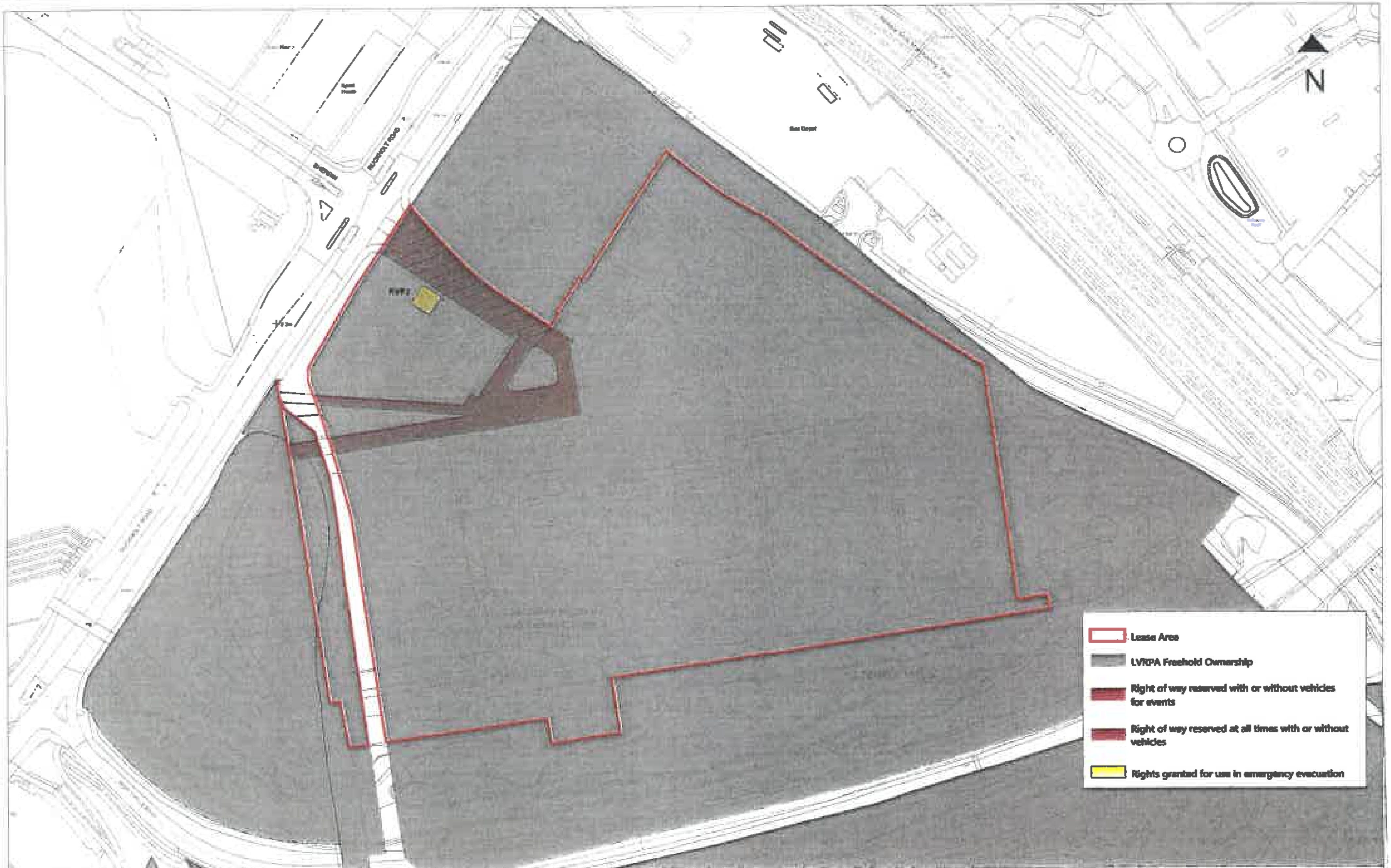

Lee Valley Regional Park Authority

Lee Valley Hockey and Tennis Centre

Not to Scale

10.01.22

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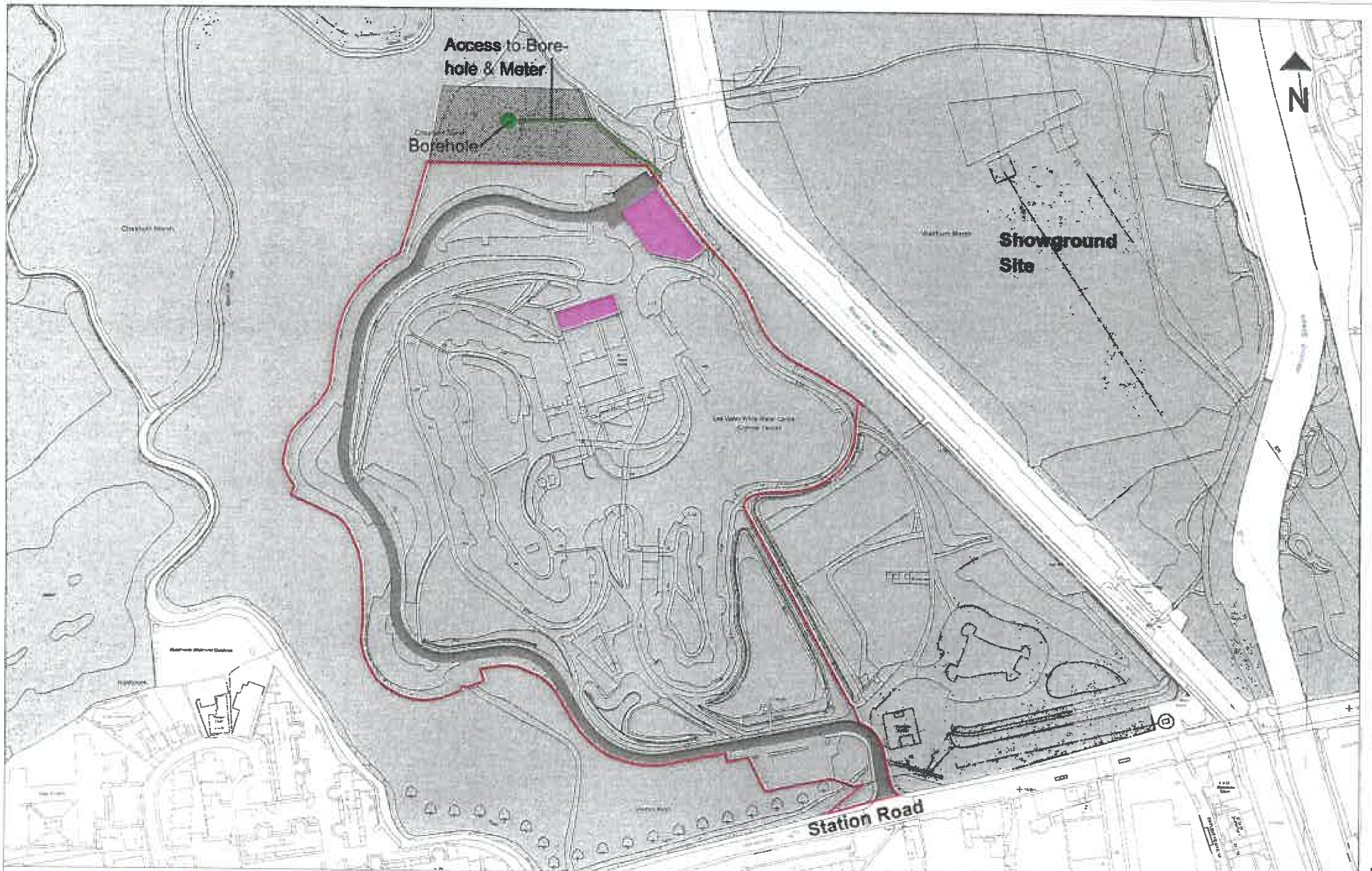

Lee Valley Regional Park Authority

Lee Valley White Water Centre

1:2000 @ A3

12.01.22

Lease Area

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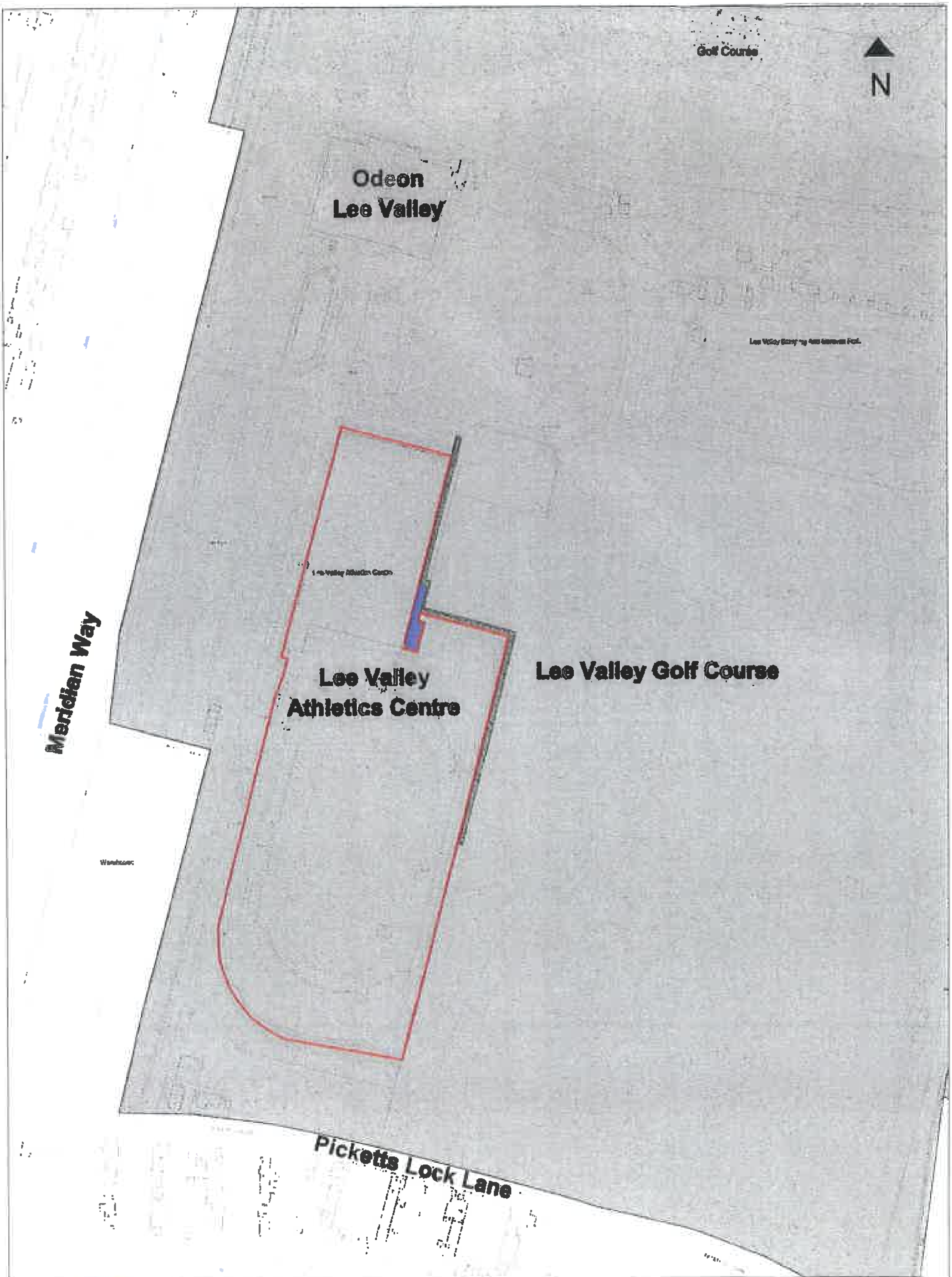

Lee Valley Regional Park Authority

Lee Valley Athletics Centre

Lease Area

NTS @ A3

11.01.22

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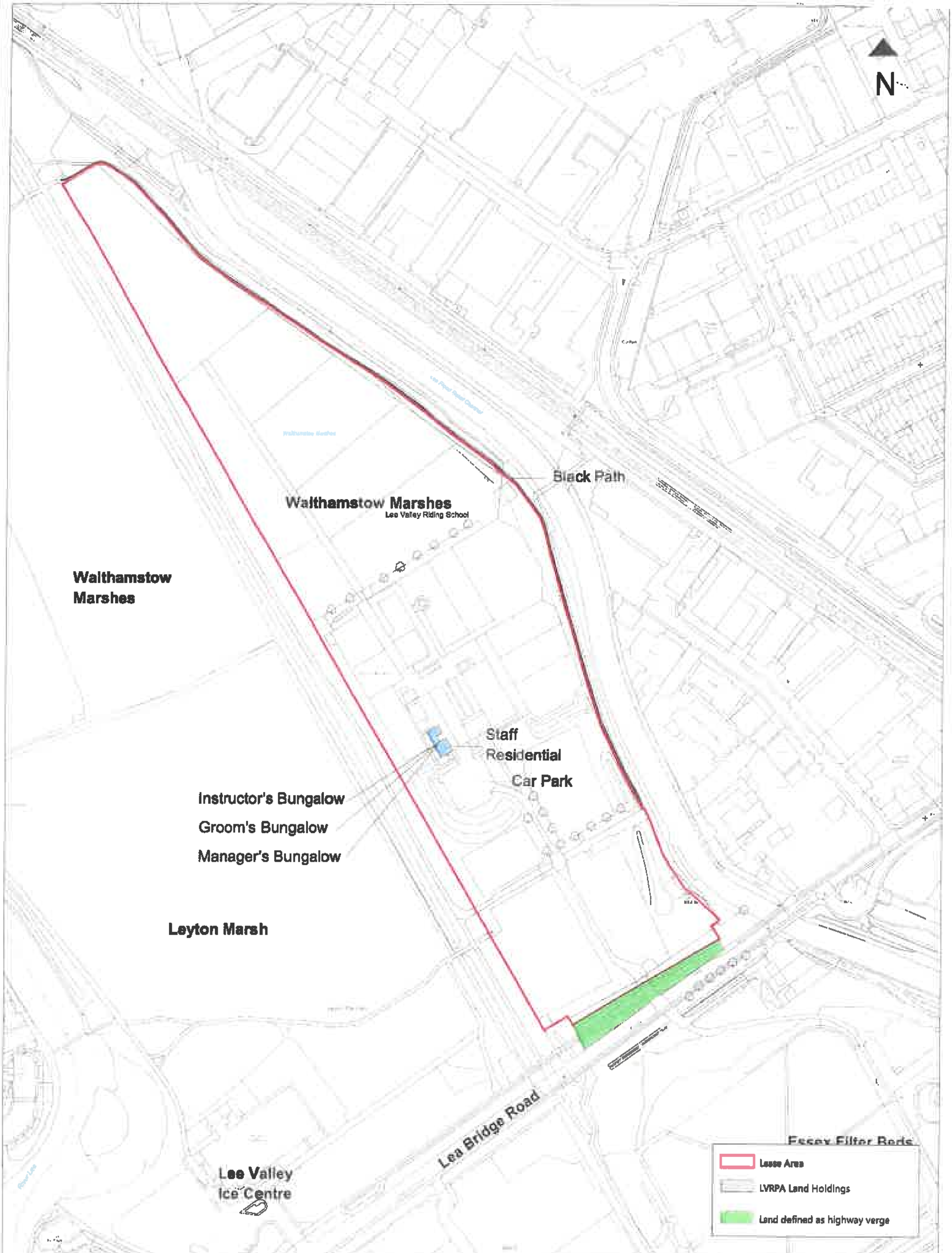

Lee Valley Regional Park Authority

Lee Valley Riding Centre: Plan 2

Not to Scale

10.01.22

Produced by: Corporate GIS (AAB)

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