

2019/20 Budget Submission

1. SUMMARY

- 1.1. This report sets out the London Legacy Development Corporation's (LLDC) 2019/20 capital and revenue budget submission to the Mayor of London (the Mayor). The budget submission covers the financial years 2019/20 to 2022/23 and is prepared in accordance with the Mayor's Budget Guidance (issued in June 2018). This year there is a new requirement to produce a Capital Strategy as part of the submission; LLDC's strategy will form part of a wider Greater London Authority (GLA) Group Capital Strategy.

2. BACKGROUND

- 2.1. LLDC's budget forms part of the GLA budget. The GLA statutory budget process ensures there are sound financial plans to support Mayoral objectives and priorities within available resources.
- 2.2. This year there is a new requirement¹ on all members of the GLA Group (including LLDC) to produce a Capital Strategy. The purpose of the GLA Group Capital Strategy is to set out the Mayor's capital investment ambition. The strategy will demonstrate that the GLA Group's capital expenditure and investment decisions are made in line with Mayoral priorities and properly take account of stewardship, value for money, prudence, sustainability and affordability, and give due regard to risk and reward. LLDC's draft Capital Strategy is attached at Appendix 1.
- 2.3. The Mayor has asked all GLA functional bodies, including LLDC, to support his aims and priorities for London in their business plans and budgets. Many of LLDC's deliverables align to the Mayor's priorities. A summary of how LLDC is supporting the Mayor's priorities is shown in the following table, setting out the Mayor's priorities, how they are to be achieved and what LLDC is doing to deliver them.

¹ Required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2018

Mayor's priorities	Policy drivers	LLDC activities
<p>Accommodating Growth</p> <ul style="list-style-type: none"> – <i>London Plan</i> – <i>Transport Strategy</i> – <i>Environment Strategy</i> – <i>Cultural Infrastructure Plan</i> – <i>'Healthy Streets' approach</i> 	<ul style="list-style-type: none"> • Accessible city • Transport development and investment • Promote mixed use development • 'Green growth' – clean air, green space, cleaner energy • Zero carbon London by 2050 • Cultural infrastructure • Promoting economic activity in Outer London • Good Growth by Design 	<ul style="list-style-type: none"> • New business districts driving economic activity (IQL, Here East) • Zero carbon homes • Biodiverse green space • East Bank • Mixed-use developments • Sustainability guide to the Park • Revised Local Plan policies • LLDC design standards and design review
<p>Housing</p> <ul style="list-style-type: none"> – <i>London Plan</i> 	<ul style="list-style-type: none"> • 50% affordable housing • More housing delivered sooner • Build-to-rent 	<ul style="list-style-type: none"> • First two Park Neighbourhoods, Chobham Manor and East Wick and Sweetwater – 28% and 30% affordable • 14,300 homes in planning area by 2023 (21,000 overall since 2014) • 50% affordable housing to be delivered on a portfolio basis across Stratford Waterfront, Pudding Mill Lane, Rick Roberts Way • Pudding Mill Lane and Rick Roberts Way reviewed with a view to accelerating delivery
<p>Economy</p> <ul style="list-style-type: none"> – <i>London Plan</i> – <i>Transport Strategy</i> – <i>Environment Strategy</i> – <i>Equality Framework</i> – <i>Economic Development Strategy</i> Creative Enterprise Zones 	<ul style="list-style-type: none"> • Pro-business • Infrastructure investment • Improve skills and nurture talent • Promoting tourism across the City • London Living Wage • Support night-time economy • Creative enterprise zones 	<ul style="list-style-type: none"> • Here East: Loughborough University, Plexal, Ford Innovation • International Quarter: TfL, FCA, Cancer Research UK, British Council • London Living Wage: paid to all employees and Tier 1 Park contractors • 170,000m² workspace granted including 18,000m² low cost space for small business and start-ups • Skills for growth programme – over 240 apprenticeships • 40,000 jobs by 2025 • Successful visitor attraction – 5m visitors per year

Mayor's priorities	Policy drivers	LLDC activities
<p>Environment, transport and public space</p> <ul style="list-style-type: none"> - <i>London Plan</i> - <i>Transport Strategy</i> - <i>Environment Strategy</i> - <i>'Healthy Streets' approach</i> 	<ul style="list-style-type: none"> • Improve air quality • Low carbon London – zero Carbon by 2050 • Making cycling easier and safer • Public space and neighbourhoods are attractive and accessible • National Park City 	<ul style="list-style-type: none"> • European Smart, Sustainable District • Zero carbon homes • Biodiverse, green space • 98% waste diverted from landfill; material reused in construction • Green Flag status • Advanced mobility test bed, autonomous vehicle trials
<p>A City for All Londoners</p> <ul style="list-style-type: none"> - <i>Gender Pay Gap</i> - <i>Equality Framework</i> - <i>Transport Strategy</i> - <i>Police and Crime Plan</i> - <i>Culture Strategy</i> 	<ul style="list-style-type: none"> • Social integration • Challenging inequality and promoting tolerance • Accessible to all • Affordable, reliable transport system • Safer and more secure communities • Use culture as a driver for regeneration 	<ul style="list-style-type: none"> • East Bank: V&A, Sadler's Wells, University of the Arts London, University College London, BBC • Programme of major cultural festivals and global sporting events on the Park • Community focussed programmes and events • Sport and healthy living programme • Focus on diversity and gender pay gap

3. REVIEW PROCESS

3.1. LLDC's Long Term Model sets out all capital and revenue income and expenditure projections and underpins the budget submission.

3.2. This year, the budget process has involved:

- an extensive review of the key assumptions underpinning the Long Term Model
- updating the Long Term Model for changes identified since the previous year, based on discussions with budget holders
- an assessment of LLDC's capital strategy against the Mayor's priorities
- challenging cost and income proposals with responsible senior budget holders, including to identify savings and efficiencies
- scrutiny by the Executive Management Team (EMT)
- meeting senior representatives from the GLA, including the Executive Director of Resources and the Mayor's Chief of Staff, to review the financial projections prior to submission, covering the implications for capital budgets, revenue costs and income forecasts.

4. CAPITAL BUDGET

4.1. During last year's budget submission process, LLDC's borrowing limit was capped at £520m to reflect a more prudent level of borrowings. At that time, the GLA agreed to:

- Provide direct capital grant funding towards the East Bank project;
- Invest equity directly in the joint ventures to develop LLDC's aforementioned three remaining sites (Stratford Waterfront, Pudding Mill Lane and Rick Roberts Way); and
- As required, provide capital grant funding to ensure LLDC remains within its borrowing limit (of £520m) over the lifetime of the Long Term Model.

4.2. The proposed capital budget for the next four financial years is set out in the following table, alongside the forecast outturn for 2018/19 (as at 30 September 2018). LLDC's net expenditure is funded by capital borrowings from the GLA, which are repaid from capital receipts over the long-term.

Capital Budget	2018/19 Forecast £m	2019/20 Budget £m	2020/21 Plan £m	2021/22 Plan £m	2022/23 Plan £m	Total Budget/Plan £m
Income						
Capital receipts	0.2	52.1	38.1	39.4	48.9	178.4
East Bank	55.3	39.3	82.5	40.0	10.9	172.7
GLA Grant	3.2	17.6	25.8	83.5	6.2	133.1
Other (incl Section 106/CIL)	0.3	-	-	-	-	-
Total Capital Income	59.0	109.0	146.4	162.9	65.9	484.2
Expenditure						
East Bank	(30.6)	(83.3)	(186.6)	(128.7)	(8.3)	(406.9)
Development	(31.3)	(15.8)	(10.0)	(26.2)	(13.1)	(65.2)
Stadium	(27.3)	(29.3)	(28.8)	(19.2)	(19.9)	(97.3)
Park and Venues	(5.4)	(7.9)	(1.7)	(1.6)	(3.2)	(14.4)
Regeneration	(0.4)	(0.7)	(0.6)	(0.3)	(0.3)	(1.8)
Finance, Commercial & Corporate Services (FCCS)	(1.9)	(2.5)	(1.9)	(1.7)	(1.7)	(7.7)
Contingency	(8.5)	(4.1)	(1.8)	(1.5)	(1.2)	(8.7)
Corporation Tax	-	(0.5)	(3.1)	-	(1.8)	(5.4)
Total Capital Expenditure	(105.4)	(144.2)	(234.6)	(179.0)	(49.6)	(607.4)
Net Capital Expenditure	(46.4)	(35.2)	(88.2)	(16.2)	16.3	(123.2)
Cumulative borrowing	372.4	415.5	503.7	519.9	503.6	

Capital Income

Capital Receipts

4.3. Capital receipts over the budget submission period mainly reflect anticipated income from Chobham Manor and East Wick and Sweetwater.

4.4. Also included are assumed receipts from the disposal of 3 Mills Studios (in 2020/21) and the Bromley-by-Bow development (in 2021/22).

4.5. The 3 Mills Studios disposal strategy was approved by the Investment Committee on 13 November; LLDC continues to discuss the future of 3 Mills Studios with the GLA to secure the site's long-term future.

East Bank

- 4.6. Income from East Bank includes the lease premium payments from University College London (UCL) and University of the Arts London (UAL) in 2018/19 and 2019/20 respectively. Contributions from UAL towards the costs of constructing their building are forecast in 2019/20 through to 2020/21 – note that part of their contributions is funded via a loan facility from LLDC, so will be received via repayments starting outside of the budget submission period (2023/24).
- 4.7. Also included are philanthropic funds to be raised by Foundation for Future London and other expected contributions from East Bank partners and key stakeholders.

GLA grant funding

- 4.8. As set out in 4.1, the GLA is providing capital grant funding across the budget submission period towards East Bank (including the additional cost of the BBC building), to ensure LLDC remains within its borrowing limit of £520m (required in 2021/22), and relating to the proceeds from the joint venture delivery of residential on Stratford Waterfront².

Capital Expenditure

East Bank

- 4.9. Costs for East Bank reflect the latest programme and baseline budget; this includes the cost of the BBC building and assumes the Stratford Waterfront residential is built through a joint venture in which the GLA invests equity directly (meaning the costs are outside of LLDC's budget).
- 4.10. UCL construction of the academic building at Marshgate is being delivered directly by UCL (in addition to the student accommodation at Pool Street), hence no costs are included within LLDC's budget.

Development

- 4.11. Development costs during the budget submission period relate mainly to Legacy Communities Scheme (LCS) Section 106 infrastructure works, including for East Wick and Sweetwater and Pudding Mill Lane in anticipation of the residential developments to be delivered there.
- 4.12. Also included are development strategy costs for masterplanning, design, planning submissions and joint venture/developer procurements on the Pudding Mill Lane and Rick Roberts Way developments.
- 4.13. Development costs also include staffing (which is capitalised against projects) and funding towards future road adoption costs.

Stadium

- 4.14. Costs for the Stadium relate mainly to LLDC's funding towards the Stadium's working capital requirements (based on E20 Stadium LLP's latest forecast and business plan), anticipated restructuring costs and capital investment for lifecycle and improvement projects.
- 4.15. There is no funding for the Stadium beyond the current budget submission period. Future funding will be subject to the outcomes of the E20 Stadium LLP restructuring plan and agreement with the GLA.
- 4.16. Transformation spend covers final defects rectification works, Atkins work on seating warranties and settlement of the Balfour Beatty final account (which is currently going through formal mediation). Note that, overall, the project is still within the previously assumed £323m forecast outturn.

² Similar grant funding for Pudding Mill Lane and Rick Roberts Way falls outside the budget submission period

Park and Venues

- 4.17. Includes costs relating to lifecycle works on the Park and in the venues based upon a lifecycle investment plan developed in conjunction with Engie, the Park estates and facilities management contractor.
- 4.18. Additional funding is included in this year's submission towards the second phase of Hostile Vehicle Mitigation works around the Park (subject to a business case).

Regeneration

- 4.19. Costs relating to capitalised staff costs and spend on sustainable energy projects.

Finance, Commercial and Corporate Services (FCCS)

- 4.20. Expenditure includes the costs of IT projects (for example, Smart Park IT equipment), staff working on capital projects and the provision of assurance work on East Bank.

Contingency

- 4.21. LLDC maintains a level of corporate contingency, which is informed by a Quantitative Risk Assessment (QRA). Note that this excludes major projects, such as East Bank, which have their own contingency, QRA and risk monitoring processes.

Corporation Tax

- 4.22. As a Mayoral Development Corporation, LLDC is subject to Corporation Tax on the income it generates (capital and revenue). Certain costs are allowable against this income when determining the net liability.

Net Borrowing

- 4.23. The following table shows the total borrowing requirement in the proposed budget against the current borrowing limits, together with the borrowing limits proposed with this submission. The change from the prior year submission is also shown.

Summary of Borrowing Requirements	2018/19	2019/20	2020/21	2021/22	2022/23
	Forecast £m	Budget £m	Plan £m	Plan £m	Plan £m
Opening Borrowing Requirement	326.0	372.4	415.5	503.7	519.9
Net Capital Expenditure	46.4	35.2	88.2	16.2	(16.3)
Cash vs accruals timing adjustment	-	7.9	-	-	-
Closing Capital Requirement	372.4	415.5	503.7	519.9	503.5

Commentary on key capital items

Housing strategy

- 4.24. In May 2018, LLDC sought to maximise the level of affordable housing it can deliver within the constraints of its Long Term Model in response to the Mayor's Homes for Londoners Affordable Housing and Viability Supplementary Planning Guidance.
- 4.25. As a result, LLDC submitted a proposal to the Mayor to deliver 50% affordable housing across its three remaining sites³ using a 'portfolio approach' - i.e. an average of 50% across the three sites on a unit basis.
- 4.26. The assumed approach for delivery of the three sites is via joint ventures with the GLA investing equity directly in the joint venture rather than via LLDC (which was the approach assumed in previous budget submissions). The GLA will provide capital grant funding to LLDC in lieu of the capital receipts it would have previously received from being the joint venture partner.

³ Stratford Waterfront (SWF), Pudding Mill Lane (PML) and Rick Roberts Way (RRW)

4.27. LLDC is currently in discussions with the GLA to establish the detailed structure.

London Stadium

4.28. On 30 November 2017, Newham Legacy Investments Limited retired from the E20 Stadium LLP joint venture. The Mayor – through LLDC – took full control of the London Stadium.

4.29. A restructuring plan was presented to the E20 Board and LLDC Board in May 2018. The plan, currently being implemented by E20, set out a strategy to restructure the business to ensure the Stadium's long-term future as a world-class multi-purpose venue providing significant benefits to the community.

4.30. LLDC's Long Term Model includes budget for the Stadium until 2022/23; beyond that any additional funding will be subject to agreement with the GLA. The funding is intended to cover contributions towards E20's working capital requirements (subject to satisfactory ongoing progress against the restructuring plan) and further capital investment into improvements, spend-to-save programmes and necessary lifecycle works.

5. REVENUE BUDGET

5.1. The revenue income and expenditure budget (pre-financing costs) is shown in the following table. The profile shows increasing income from the Fixed Estate Charge, driven largely by the Chobham Manor and East Wick and Sweetwater developments as they progress over the budget submission period. Income from trading operations reduces mainly due to the assumed disposal⁴ of 3 Mills Studios in 2020/21. Trading income further declines across the budget submission period as rental income from some of LLDC's rental properties are vacated in line with the development programme.

5.2. Expenditure reduces from 2019/20 to 2020/21 (largely due to the reduction of assumed 3 Mills Studios expenditure in 2020/21) and then remains broadly flat until 2022/23. A large part of LLDC's revenue expenditure is the relatively fixed costs required to operate its business.

5.3. The difference between income and expenditure is currently met by reserves (held by the GLA on behalf of LLDC) and grant from the GLA. There are sufficient reserves and grant funding to balance LLDC's requirements for 2019/20 and 2020/21. However, revenue gaps in the following two years will need to be addressed to reduce the funding requirement to the GLA's ongoing allocation of £16.0m per year.

⁴ Note that 3 Mills Studios will require significant capital investment if it is retained by LLDC for the long-term; the disposal strategy was approved by the Investment Committee on 13 November but is subject to ongoing discussions with the GLA

Revenue Budget	2018/19 Forecast £m	2019/20 Budget £m	2020/21 Plan £m	2021/22 Plan £m	2022/23 Plan £m	Total Budget/Plan £m
Income						
Development	0.1	0.1	0.2	0.5	1.0	1.9
Executive Office	0.0	0.0	0.0	0.0	0.0	0.1
Finance, Commercial and Corporate Services	0.4	0.3	0.3	0.3	0.3	1.2
Park Operations and Venues (excl Trading)	4.1	3.8	3.7	4.7	6.9	19.1
Planning Policy and Decisions	1.9	1.6	1.6	1.4	1.1	5.7
Regeneration and Community Partnerships	-	-	-	-	-	-
Trading	7.6	7.5	6.0	3.8	3.7	21.0
Total Revenue Income	14.1	13.3	12.0	10.9	13.0	49.1
Expenditure						
Communications, Marketing and Strategy	(1.7)	(1.7)	(1.7)	(1.9)	(1.9)	(7.2)
Development	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)
Executive Office	(2.4)	(2.5)	(2.6)	(2.6)	(2.7)	(10.3)
Finance, Commercial and Corporate Services	(5.9)	(6.0)	(5.5)	(5.5)	(5.6)	(22.6)
Park Operations and Venues (excl Trading)	(8.8)	(8.9)	(8.9)	(9.3)	(9.8)	(37.0)
Planning Policy and Decisions	(3.0)	(2.4)	(2.2)	(2.2)	(2.2)	(9.0)
Regeneration and Community Partnerships	(2.9)	(2.8)	(2.1)	(2.3)	(2.3)	(9.5)
Trading	(9.2)	(8.9)	(7.1)	(5.1)	(5.3)	(26.4)
Contingency	(0.6)	(0.6)	(0.6)	(0.5)	(0.5)	(2.1)
Total Revenue Expenditure	(34.5)	(34.0)	(30.9)	(29.4)	(30.3)	(124.6)
Net Revenue Expenditure	(20.4)	(20.7)	(18.9)	(18.6)	(17.3)	(75.5)
GLA Funding	16.8	16.8	16.0	16.0	16.0	64.8
Reserves	3.6	3.9	2.9	0.2	-	7.0
Net Revenue After Funding	-	-	-	(2.4)	(1.3)	(3.7)
Trading						
Trading Income	7.6	7.5	6.0	3.8	3.7	21.0
Trading Expenditure	(9.2)	(8.9)	(7.1)	(5.1)	(5.3)	(26.4)
Trading Net	(1.6)	(1.4)	(1.1)	(1.3)	(1.6)	(5.4)

Revenue Income

Development

- 5.4. Development income is from project monitoring fees and, from 2021/22, rental income from the East Wick and Sweetwater development (prior to eventual disposal). The income from rents grows as more units are completed but has slipped in line with the revised East Wick and Sweetwater development timeline.

Executive Office

- 5.5. A small amount of income from recharges for usage of desk space by third parties and HR support services are generated by the Executive Office.

Park Operations and Venues (excluding Trading)

- 5.6. Largely income from the Fixed Estate Charge, a charge on all occupiers of the Park to contribute towards the cost of maintaining the Park and its facilities. LLDC's income from this charge increases as developments are completed and more occupiers move onto the Park in the later years. Other income comes from short-term programmes and events that take place on the Park, car parking and rental from Here East.

Planning Policy and Decisions

- 5.7. Income related to planning fees and Community Infrastructure Levy administration income payable to the LLDC Planning Authority, which is forecast to reduce over time due to a reduction in major planning applications and the phasing of large scale approved development.

Regeneration and Community Partnerships

- 5.8. Whilst the Regeneration and Community Partnerships directorate no longer generates revenue income for LLDC directly, they actively work with and support local groups and organisations to access funding; for example, helping to write Good Growth Fund bids to the Mayor of London.

Revenue Expenditure

Communications Marketing and Strategy

- 5.9. Expenditure on marketing promotions for the Park and attractions, media monitoring and dealing with media requests, design and implementation of corporate communications (such as the statutory annual report and the website), stakeholder management, strategy development and preparation of branded material for the Park.

Executive Office

- 5.10. Covers office accommodation, corporate Human Resources activities and the costs of the Executive Office (including the Chief Executive) and other non-salary staff costs such as training and recruitment.

Finance, Commercial and Corporate Services

- 5.11. This includes finance, IT, assurance, commercial, procurement, legal and professional fees (including tax advice), insurance, internal and external audit and the costs of the LLDC Board. Legal, insurance, standard procurement categories and internal audit are provided through a shared service with the GLA.

Park Operations and Venues (excluding Trading)

- 5.12. Day-to-day operational costs of the Park, the most significant element being estate and facilities management of the Park, which is carried out under a third party contract. In addition, there are other costs including Park security, utilities and rates.

Planning Policies and Decisions

- 5.13. Staff and professional fees to enable LLDC to carry out its duties as a statutory planning authority.

Regeneration and Community Partnerships

- 5.14. The largest element of expenditure in the directorate's budget covers socio economic programmes, which, amongst other things, support the East Works programme, aimed at ensuring that local people and members of under-represented groups benefit fully from employment and skills development opportunities on the Park.
- 5.15. The directorate budget also supports the development of new residential and business communities on the Park, in ways that also create opportunities for local communities; for example, through extensive engagement with schools and community groups. A major focus continues to be the development of the East Bank partnership to ensure that the Strategic Objectives of the project are being delivered, with practical collaborative work streams focusing on Arts and Culture; Education and Opportunity; Employment and Enterprise; and Research and Innovation.
- 5.16. The directorate's budget for activities promoting environmental sustainability has reduced as the bulk of investment in this activity is being secured via LLDC's work with partners, for example via the Smart Sustainable District and Centre for Connected and Autonomous Vehicles initiatives.

5.17. The directorate no longer has a budget for a Paralympic Legacy programme as this activity was transferred successfully to Global Disability Innovation Hub in 2018/19.

Trading

5.18. A breakdown of the Trading activities is provided in the following table.

Trading	2018/19 Forecast £000	2019/20 Budget £000	2020/21 Plan £000	2021/22 Plan £000	2022/23 Plan £000	Total Budget/Plan £000
Trading Income						
3 Mills Studios	4,197	3,500	1,995	-	-	5,495
ArcelorMittal Orbit	2,020	2,015	2,062	2,117	2,157	8,351
Attractions (High Ropes)	10	144	148	153	157	602
Kiosks	-	50	50	50	50	200
London Aquatics Centre and Copper Box Arena	383	635	637	640	643	2,555
Off Park Assets	557	78	42	32	32	184
On Park Assets	-	642	640	374	133	1,789
The Last Drop	315	320	325	330	337	1,312
Timber Lodge Café	76	117	118	119	122	477
Total Trading Income	7,558	7,502	6,018	3,815	3,629	20,964
Trading Expenditure						
3 Mills Studios	(3,945)	(3,500)	(1,744)	-	-	(5,244)
ArcelorMittal Orbit	(1,634)	(1,583)	(1,621)	(1,668)	(1,701)	(6,574)
London Aquatics Centre and Copper Box Arena	(330)	(330)	(330)	(330)	(365)	(1,355)
Off Park Assets	(358)	(484)	(306)	-	-	(790)
On Park Assets	-	(92)	(92)	(92)	(92)	(368)
The Last Drop	(30)	(30)	(30)	(30)	(31)	(121)
Timber Lodge Café	(20)	(20)	(20)	(20)	(20)	(80)
<i>Estates and Facilities Management (recharge)</i>	<i>(2,861)</i>	<i>(2,904)</i>	<i>(2,948)</i>	<i>(2,992)</i>	<i>(3,052)</i>	<i>(11,895)</i>
Total Trading Expenditure	(9,178)	(8,943)	(7,091)	(5,132)	(5,261)	(26,426)
Net Trading	(1,620)	(1,442)	(1,072)	(1,317)	(1,631)	(5,462)
Net Trading (excluding EFM recharge)						
3 Mills Studios	252	-	251	-	-	251
ArcelorMittal Orbit	386	432	441	450	456	1,778
Attractions (High Ropes)	10	144	148	153	157	602
Kiosks	-	50	50	50	50	200
London Aquatics Centre and Copper Box Arena	53	305	307	310	278	1,200
Off Park Assets	199	(406)	(264)	32	32	(606)
On Park Assets	-	550	548	282	41	1,421
The Last Drop	285	290	295	300	306	1,191
Timber Lodge Café	56	97	98	99	101	396
Net Trading (excluding EFM recharge)	1,241	1,462	1,875	1,675	1,420	6,433
<i>Estates and Facilities Management (recharge)</i>	<i>(2,861)</i>	<i>(2,904)</i>	<i>(2,948)</i>	<i>(2,992)</i>	<i>(3,052)</i>	<i>(11,895)</i>
Net Trading	(1,620)	(1,442)	(1,072)	(1,317)	(1,631)	(5,462)

Trading income

5.19. Trading income is derived from rental and other income from venues on the Park (including ArcelorMittal Orbit, the London Aquatics Centre and the Copper Box Arena) and other off Park sites held by LLDC, such as 3 Mills Studios.

5.20. Income from the ArcelorMittal Orbit has been revised this year to be more reflective of the venue's current performance trends and to allow for the impact of UCL and other construction works beginning on the adjacent site (and elsewhere around the Park).

Trading expenditure

5.21. Total costs for the operation of the venues on the Park reduce in later years reflecting, particularly, the assumed disposal of 3 Mills Studios. The remainder of the costs relate mainly to the London Aquatics Centre (e.g. rates and utilities subsidies), the Copper Box Arena and the ArcelorMittal Orbit.

6. CHANGES FROM 2018/19 BUDGET SUBMISSION

6.1. The changes between the budget presented last year⁵ and that presented this year are detailed in the following sections.

CAPITAL

Changes - Capital	2018/19 Forecast £m	2019/20 Budget £m	2020/21 Plan £m	2021/22 Plan £m	2022/23 Plan £m	Total Budget/Plan £m
Net Capital expenditure per 2018/19 submission (incl rollovers)	(62.3)	(40.1)	(58.3)	(26.7)	(0.0)	(125.1)
Income						
Capital receipts	(0.3)	38.1	3.0	(26.2)	6.8	21.7
East Bank	1.2	(1.7)	6.2	(9.9)	4.9	(0.5)
GLA Grant	(0.2)	6.8	20.0	2.6	(8.3)	21.0
Other (incl Section 106/CIL)	-	(0.5)	(0.5)	(0.5)	(0.5)	(2.0)
Expenditure						
East Bank	(1.5)	(38.8)	(68.7)	52.8	43.9	(10.9)
Development	12.6	3.3	15.4	(17.6)	(9.1)	(8.0)
Stadium	(0.8)	8.4	(0.0)	10.1	(19.6)	(1.2)
Park and Venues	1.3	(6.5)	(0.5)	0.5	(0.3)	(6.8)
Regeneration	0.7	(0.4)	(0.4)	(0.1)	(0.3)	(1.2)
Finance, Commercial & Corporate Services (FCCS)	0.4	(0.9)	(0.8)	(0.6)	(0.8)	(3.2)
Contingency	2.8	(3.2)	(0.8)	(0.6)	(0.6)	(5.1)
Corporation Tax	(0.5)	0.6	(2.8)	-	0.2	(2.0)
Irrecoverable VAT	-	-	-	-	-	-
Total Capital Changes	15.8	4.9	(29.9)	10.5	16.3	1.9
Net Capital expenditure per 2019/20 submission	(46.4)	(35.2)	(88.2)	(16.2)	16.3	(123.2)

6.2. Major changes are due to:

- A reprofiling of capital receipts from the Chobham Manor.
- GLA grant income has increased mainly for their contribution towards the East Bank project and to keep LLDC within its £520m maximum borrowing limit.
- East Bank expenditure reflects the latest Baseline Budget; profiling of overall expenditure has also changed to reflect the latest programme.
- Development expenditure includes additional costs for masterplanning, design, planning submissions and joint venture/developer procurements on the Pudding Mill Lane and Rick Roberts Way developments.
- Additional costs within Park and Venues are mainly for the second phase of Hostile Vehicle Mitigation works around the Park.
- FCCS costs have increased for procurement and commercial assurance costs related to delivery of East Bank – note that this is offset by a corresponding transfer from East Bank project contingency.
- Corporate contingency has increased for identified risks/trends and a transfer from East Bank project contingency to fund the cost of staffing required to deliver the project.

⁵ Including 2017/18 year-end rollovers as presented to and agreed by the Board on 22 May 2018

Net Borrowing

6.3. The impact of the changes in the capital budget has the following impact on the net borrowing requirement.

Summary of Borrowing Requirements	2018/19 Forecast £m	2019/20 Budget £m	2020/21 Plan £m	2021/22 Plan £m	2022/23 Plan £m
Borrowing Requirement (per prior approved year budget ¹)	388.1	436.1	494.4	521.1	521.1
Annual net movements	(15.7)	(4.9)	29.9	(10.5)	(16.3)
Cumulative net movements	(15.7)	(20.6)	9.3	(1.2)	(17.5)
Closing Borrowing Requirement	372.4	415.5	503.6	519.9	503.6
Authorised Borrowing Limit	480.0	500.0	520.0	520.0	520.0
Headroom	107.6	84.5	16.4	0.1	16.4

¹ Including rollovers from 2017/18

REVENUE

Revenue income

6.4. The changes in the revenue income are shown in the table below.

Changes - Revenue	2018/19 Forecast £m	2019/20 Budget £m	2020/21 Plan £m	2021/22 Plan £m	2022/23 Plan £m	Total Budget/Plan £m
Total Revenue Income per 2018/19 submission (incl rollovers)	13.2	10.2	8.1	10.1	11.6	40.0
Fixed Estate Charge	-	0.3	0.4	0.7	0.9	2.3
Trading (Venues, Attractions, Kiosks)	0.3	2.2	2.7	0.4	(0.1)	5.2
Property rental	-	-	0.3	(0.8)	0.2	(0.3)
Car park income	(0.2)	(0.2)	(0.2)	(0.0)	(0.1)	(0.6)
Planning-related	0.2	0.4	0.7	0.5	0.1	1.6
Commercial sponsorship/advertising	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
Events	0.4	0.2	(0.1)	(0.1)	0.0	0.2
Other	0.4	0.3	0.3	0.3	0.3	1.1
Total Revenue Income	0.9	3.1	3.9	0.7	1.3	9.1
Total Revenue Income per 2019/20 submission	14.1	13.3	12.0	10.9	13.0	49.1

6.5. The key drivers of change are:

- Increase in forecast Fixed Estate Charge, reflecting a change in methodology for determining inflation increases and a reprofiling of receipts from Chobham Manor and East Wick and Sweetwater.
- Various movements to Trading income forecasts. This year there is the addition of the new High Ropes attraction (due to open in early 2019) and the Park kiosks, which LLDC will regain from the Stadium operator in 2019/20. Projected income for the London Aquatic Centre and the Copper Box Arena have increased (to recognise LLDC's expected share of the venues' surplus); however, income from the ArcelorMittal Orbit has been revised down since last year to be more reflective of the venue's current performance trends and to allow for the impact of UCL construction beginning on an adjacent site and elsewhere around the Park.
- Car park income has decreased as a result of Here East handing back 200 spaces (permitted under the terms of their agreement). This results in a loss of rental income for LLDC.
- Increased income on planning fees and other development management income reflects an increase in the volume of planning applications and requests for pre-planning advice.

Revenue expenditure

6.6. The changes in revenue expenses are shown in the table below.

Changes - Revenue	2018/19 Forecast £m	2019/20 Budget £m	2020/21 Plan £m	2021/22 Plan £m	2022/23 Plan £m	Total Budget/Plan £m
Total Revenue Expenditure per 2018/19 submission (incl rollovers)	(34.9)	(30.7)	(28.3)	(28.7)	(30.3)	(118.0)
Communications, Marketing and Strategy	0.1	0.1	0.1	0.1	-	0.2
Executive Office	0.1	0.0	0.0	0.0	0.0	0.1
Finance, Commercial and Corporate Services	0.2	(0.1)	(0.0)	0.1	0.1	0.1
Park Operations and Venues (excl Trading)	(0.3)	(0.7)	(0.6)	(0.7)	(0.6)	(2.6)
Planning Policy and Decisions	(0.2)	(0.1)	(0.2)	(0.2)	(0.1)	(0.5)
Regeneration and Community Partnerships	0.5	(0.4)	0.1	0.1	0.1	(0.2)
Trading	(0.7)	(2.1)	(2.0)	(0.1)	0.4	(3.8)
Contingency	0.6	-	-	-	-	-
Total Revenue Expenditure	0.3	(3.3)	(2.6)	(0.7)	(0.1)	(6.6)
Total Revenue Expenditure per 2019/20 submission	(34.5)	(34.0)	(30.9)	(29.4)	(30.3)	(124.6)

6.7. Major changes are due to:

- An increase in estimated Estate and Facilities Management (EFM) contract costs (within Park Operations and Venues – excluding Trading), which is a result of adjustments to inflation. Additionally, there have been minor increases in costs for CCTV (additional maintenance costs arising from the recent upgrade), security and staffing.
- Changes to Planning Policy and Decision Team expenditure relate to staffing, policy support and decision support required to support the increase in the volume of planning applications and requests for pre-planning advice (offset by additional income highlighted in paragraph 6.5).

7. SAVINGS AND EFFICIENCIES

7.1. Savings and efficiencies for 2019/20 are measured by comparing the budget submitted last year for 2018/19 against the budget submitted this year for 2019/20 and identifying instances where the budgeted expenditure has reduced or the budgeted income has increased. A saving is recognised where a cost reduction is due to a reduction in activity; an efficiency is recognised where the same outcome is achieved, but through fewer resources. Savings and efficiencies for the following years' budgets are measured by a comparison with the previous year's budget.

7.2. The anticipated savings and efficiencies incorporated in the budget, together with the forecast for 2018/19, are shown in the following table.

Revenue: Total savings and efficiencies incorporated in the budget	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Park Operations and Venues (excl Trading)	(144)	(133)	4	(55)	(22)
Regeneration and Community Partnerships	1,881	558	653	(109)	(15)
Communications, Marketing and Strategy	213	103	(21)	(19)	(19)
Corporate and Finance	662	890	397	280	(42)
Total Savings	2,612	1,419	1,033	97	(98)
Park Operations and Venues (excl Trading)	841	(602)	(121)	342	952
Trading	1,636	(475)	415	(195)	(252)
Development	(18)	12	118	347	451
Planning Policy and Decisions	0	300	150	0	138
Communications, Marketing and Strategy	91	62	(2)	0	0
Corporate and Finance	207	(95)	(3)	(36)	(0)
Total Efficiencies	2,756	(797)	557	459	1,290
Total Savings and Efficiencies	5,369	621	1,590	557	1,191

- 7.3. The 2018/19 outturn is currently forecast to be £0.6m better than the savings and efficiencies target identified during the 2018/19 budget submission. This is largely due to reductions in the subsidy on the London Aquatics Centre and better than forecast results from other trading venues. A significant amount of savings and efficiencies are therefore being realised in 2018/19, which, when set against the income and cost pressures already highlighted in this report, limit the opportunities to generate further savings and efficiencies across the budget submission period.
- 7.4. Savings and efficiencies proposed within this year's budget submission arise from a range of initiatives, including increases in income:

Savings

- Savings from the regeneration budget, which includes⁶ the Paralympic Legacy programme, which was transferred successfully to Global Disability Innovation Hub in 2018/19;
- Savings from legal costs (outline plans in place with some risk); and
- Savings from a reduction in required contingency in 2019/20 (firm/reasonable plans in place but with risk);

Efficiencies

- Efficiencies from corporate services, for example spend on corporate communications (firm/reasonable plans in place);
- Efficiencies from reduced subsidy for the London Aquatic Centre and Copper Box Arena (firm/reasonable plans in place);
- Efficiencies from income generated by interim uses on some of LLDC's remaining development plots prior to development work taking place (e.g. Pudding Mill Lane); and
- Efficiencies from decision support services in LLDC's Planning Policy and Decisions team.

However, these are offset by:

- A reduction in car parking income due to Here East handing back 200 spaces (permitted under the terms of their agreement). This results in a loss of rental income for LLDC;
- Reforecast of trading income from ArcelorMittal Orbit (reflective of the venue's current performance trends, albeit still profitable, and to allow for the impact of UCL construction beginning on an adjacent site) and Off Park Properties (as they are handed over for development); and
- The reversal of the trend for increased events income (in 2019/20 and 2020/21) as land available to stage events is restricted by developments.

- 7.5. There is a funding gap from 2021/22 to 2023/24 (see 5.3) for which LLDC will need to identify additional savings and efficiencies.

⁶ Note that there is a reduction in the Socio-Economic budget; however, this is offset by an increase in the Regeneration staffing budget as elements of the socio economic programme are now being delivered by LLDC staff instead of third parties

8. DELIVERABLES

- 8.1. The mission of LLDC is to use the opportunity of the London 2012 Games and the creation of Queen Elizabeth Olympic Park to change the lives of people in east London and drive growth and investment in London and the UK, by developing an inspiring and innovative place where people want - and can afford - to live, work and visit.
- 8.2. LLDC will deliver the strategic outcomes through five key business objectives: Live, Work, Visit, Inspire and Deliver. The deliverables of each objective for the next **four years** are set out below.

Live - Establish successful and integrated neighbourhoods, where people want – and can afford - to live, work and play

- Planning for around 8,000 homes across the LLDC area, including affordable homes in line with the Mayor's ambitions and housing mix to meet local need
- Building approximately 2,350 homes on LLDC land
- Plans and designs in place for total Legacy Community Scheme commitment of 1,052sqm social infrastructure (health centres and community space)
- Off-Park physical regeneration programme complete (station improvements, A12 crossings)
- Development of local neighbourhood centres at Hackney Wick, Bromley-by-Bow and Pudding Mill proceeding in line with plans Smart, Sustainable District plan finalised and embedded with partners and operators

Work - Retain, attract and grow a diverse range of high quality businesses and employers, and maximise employment opportunities for local people and underrepresented groups

- Approximately 8,000 jobs through developments on Queen Elizabeth Olympic Park
- Stimulation of business growth in the LLDC area: measured through net gain in employment floorspace
- Minimum percentage of workforce jobs secured by growth borough residents (30% construction; 25%-85% end use depending on sector)
- Minimum percentage of workforce from priority groups (targets defined by sector and development)
- 5% apprentices in the workforce (construction, EFM, end use)
- Hackney Wick Neighbourhood Centre first phase on-site
- Here East fully occupied with planned profile of tenants
- Payment of London Living Wage

Visit - Create a diverse, unique, successful and financially sustainable visitor Destination

- Varied annual events programme delivered for a range of audiences in collaboration with partners and operators
- Brand strategy for Queen Elizabeth Olympic Park embedded with all partners, operators and developers
- Queen Elizabeth Olympic Park protected as one of the largest metropolitan parks in east London
- Aspiration for Queen Elizabeth Olympic Park to be an exemplar of accessibility, sustainability, and community benefit fully embedded in visions/missions/long-term plans of developers, operators and partner institutions

Inspire - Create a global, future-ready exemplar for the promotion of cross-sector innovation in technology, sustainability, education, culture, sport, inclusion and participation

- Stratford Waterfront and UCL East design and build nearing completion (UAL opens in 2022)
- Plans for robust visitor offer developed for East Bank, including ambitious and appropriate content and visitor services, and integration with the wider Queen Elizabeth Olympic Park offer and brand
- Co-ordinated marketing, programming and audience development plans developed with Stratford Waterfront institutions and local partners, and integrated into the wider Queen Elizabeth Olympic Park offer
- Mechanisms for engaging local communities established and embedded with all partner institutions
- Long-term solution for sports delivery on the Park identified and implemented
- Support for emerging industrial sectors at Queen Elizabeth Olympic Park (e.g. automotive; fashion; digital technology).

Deliver - Deliver excellent value for money, and champion new models and standards which advance the wider cause of regeneration, in line with LLDC's core values: Ambition, Responsibility, Collaboration, Excellence, Accessibility and Sustainability.

- Commercial objectives being delivered in line with revised commercial framework and strategy
- Learning from the transformation of the Park shared to guide future regeneration activity both nationally and internationally
- Long term transition plan for LLDC developed
- Continue to deliver the People Strategy with a specific focus on Learning and Development and Performance Management
- Support the Mayor's Agenda for ensuring that GLA Group organisations are diverse and inclusive, this includes;
 - Implementing the GLA Diversity Standard as part of the Leading by Example Chapter of the Mayor's Diversity and Inclusion Strategy
 - Addressing the Gender Pay Gap

8.3. The key deliverables for 2019/20 are:

Live

- Chobham Manor phase 2 construction complete and phase 3 continues on schedule
- East Wick and Sweetwater construction continues on schedule, including commencement of phase 2.
- Procure developer for Stratford Waterfront residential development
- Progress master planning for Pudding Mill Lane and Rick Roberts Way development
- Agree delivery approach for Rick Roberts Way with London Borough of Newham and GLA
- Hackney Wick Neighbourhood Centre development partner procurement complete
- 3 Mills river walls repair work completed
- Advanced mobility prospectus launch
- Local Plan and Community Infrastructure Levy reviewed and adopted

Work

Continue to deliver the QEOP 'East Works' jobs and skills programme, including:

- Holding the annual East Works awards
- Continuing the development of the QEOP Training Association
- Meeting and exceeding targets for construction and end use jobs for local people, BAME groups, disabled people, women and apprentices.
- Delivering the Design...Engineer...Construct BIM curriculum in five local schools
- Delivering of demand led centrally commissioned construction training programme

- Delivering the Hobs Studios training academy at Here East
- Planning approval for new International Quarter London masterplans

Visit

- Achieve 6.2m visitors to the Park in the context of less event space and more construction work
- Achieve 1m visitors to the London Aquatics Centre
- Achieve 445k visitors to the Copper Box Arena
- Achieve 180k visitors to the ArcelorMittal Orbit
- Manage and maintain the quality of the Park and venues, including retaining Green Flag status
- Support safe delivery of summer concerts, music festivals and sporting events, including the Diving Word Series
- Deliver two community events on QEOP (Big Lunch and Harvest Stomp)
- High Ropes attraction opens
- Continue Stadium operations including football, summer athletics and Major League Baseball

Inspire

- Stratford Waterfront town planning approved
- Stratford Waterfront start on site construction of cultural and educational buildings
- UCL start on site constructing their new university campus, UCL East (undertaken by UCL)
- UCL East Town Planning reserved matters approvals
- Progress the procurement of the Joint Venture partner to deliver the Stratford Waterfront residential scheme
- Continue to work with East Bank partners and Foundation for FutureLondon to facilitate the development of the partnership to ensure delivery of the East Bank strategic objectives and to maximise the value of the cluster
- Progress EAST Education, an education engagement programme with East Bank partners
- Deliver environmental engagement events (including World Environment Day, Sustainable Events Management and Climathon)
- Develop the QEOP advanced mobility programme (including the commencement of the Connected and Autonomous Vehicles test bed and trials of the Capri pods)
- Deliver the QEOP Smart Sustainable District programme and CleanTech work streams (electric vehicle charging, smart grid, circular economy)

Deliver

- Work towards improved financial sustainability of the Stadium
- Health and safety: construction undertaken without a fatal accident on site; to prevent any life-changing injury or occupational ill-health for any individual and to minimise reportable accidents to a rate below 0.17 per 100,000 hours worked
- Unqualified accounts for LLDC and E20 Stadium LLP

- Deliver an effective and responsive planning service. At least 70% of applications determined in time
- Conclude finalisation of revised Local Plan
- Annual Environmental Sustainability Report published
- Transfer corporate IT services to a GLA shared service
- Support the Mayor's Agenda for ensuring that GLA Group organisations are diverse and inclusive, this includes:
 - Continuing to implement the GLA Diversity Standard as part of the Leading by Example Chapter of the Mayor's Diversity and Inclusion Strategy
 - Continuing to address the Gender Pay Gap
- Develop and agree high-level LLDC Transition strategy

9. FINANCIAL IMPLICATIONS

9.1. The financial implications of the budget are set out in the body of this paper.

10. LEGAL IMPLICATIONS

10.1. Under the terms of the Mayoral London Legacy Development Corporation Governance Direction 2013, LLDC is obliged to:

- consult with the Mayor before approving the budget and business plan for the purpose of making a formal submission to the GLA as part of the GLA Group's annual statutory budget approval process.
- before the end of each financial year, and in consultation with relevant GLA officers, prepare a detailed core business plan for the following year as part of a four-year rolling business planning process, including changes to base-line pay for the year covered by the budget, borrowing limits and prudential indicators for the next four years.
- obtain prior consent to the consideration by the Board of any draft core business plan for approval.

10.2. The GLA has been consulted on the Long Term Model and reviewed the financial information underpinning it.

11. PRIORITY THEMES

11.1. LLDC is continuing the priority themes set by its predecessor the Olympic Park Legacy Company. These are: Promoting convergence and community participation; Championing equalities and inclusion; Ensuring high quality design; Ensuring environmental sustainability. LLDC, in fulfilling the Mayor's priorities, as set out in Section 2, are in line with the priority themes set.

12. APPENDICES

- Appendix 1 – GLA budget submission (Revenue submission and Capital Strategy)
- Appendix 2 – Risks to the Budget

London Legacy Development Corporation

- 7.1 The London Legacy Development Corporation ('the Legacy Corporation') is responsible for promoting and delivering physical, social, economic and environmental regeneration in the Queen Elizabeth Olympic Park (QEOP) and surrounding area. In particular, the Legacy Corporation aims to maximise the legacy of the Olympic and Paralympic Games, by securing high-quality sustainable development and investment, ensuring the long-term success of the facilities and assets within its direct control and supporting and promoting the aim of increased social mobility in surrounding communities.
- 7.2 Since the London 2012 Olympic and Paralympic Games, the Legacy Corporation has delivered the transformation of the Park and venues from their Olympic to their legacy configuration. The Corporation also works in partnership to bring forward regeneration schemes and housing to further the transformation of east London enabled by the London 2012 Games. Two such housing schemes are under contract and in progress, one at Chobham Manor and one at East Wick and Sweetwater. Further work includes delivering East Bank, new social and transport infrastructure, and working with the host boroughs and other partners to create economic opportunity and support local people and businesses, as they seek to access it.

Key deliverables

- 7.3 During 2019-20 the LLDC's revenue and capital budgets will be deployed to deliver the following objectives:

Live

- Chobham Manor phase 2 construction complete and phase 3 continues on schedule
- East Wick and Sweetwater construction continues on schedule, including commencement of phase 2
- Procure developer for Stratford Waterfront residential development
- Progress master planning for Pudding Mill Lane and Rick Roberts Way development
- Agree delivery approach for Rick Roberts Way with London Borough of Newham and GLA
- Hackney Wick Neighbourhood Centre development partner procurement complete
- 3 Mills river walls repair work completed
- Advanced mobility prospectus launch
- Local Plan and Community Infrastructure Levy reviewed and adopted

Work

Continue to deliver the QEOP 'East Works' jobs and skills programme, including:

- Holding the annual East Works awards
- Continuing the development of the QEOP Training Association
- Meeting and exceeding targets for construction and end use jobs for local people, BAME groups, disabled people, women and apprentices
- Delivering the Design...Engineer...Construct BIM curriculum in five local schools
- Delivering of demand led centrally commissioned construction training programme
- Delivering the Hobs Studios training academy at Here East
- Planning approval for new International Quarter London masterplans

Visit

- Achieve 6.2m visitors to the Park in the context of less event space and more construction work
- Achieve 1m visitors to the London Aquatics Centre
- Achieve 445k visitors to the Copper Box Arena
- Achieve 180k visitors to the ArcelorMittal Orbit
- Manage and maintain the quality of the Park and venues, including retaining Green Flag status
- Support safe delivery of summer concerts, music festivals and sporting events, including the Diving Word Series
- Deliver two community events on QEOP (Big Lunch and Harvest Stomp)
- High Ropes attraction opens
- Continue Stadium operations including football, summer athletics and Major League Baseball

Inspire

- Stratford Waterfront town planning approved
- Stratford Waterfront start on site construction of cultural and educational buildings
- UCL start on site constructing their new university campus, UCL East (undertaken by UCL)
- UCL East Town Planning reserved matters approval
- Progress the procurement of the Joint Venture partner to deliver the Stratford Waterfront residential scheme
- Continue to work with East Bank partners and Foundation for FutureLondon to facilitate the development of the partnership to ensure delivery of the East Bank strategic objectives and to maximise the value of the cluster
- Progress EAST Education, an education engagement programme with East Bank partners.
- Deliver environmental engagement events (including World Environment Day, Sustainable Events Management and Climathon)
- Develop the QEOP advanced mobility programme (including the commencement of the Connected and Autonomous Vehicles test bed and trials of the Capri pods)
- Deliver the QEOP Smart Sustainable District programme and CleanTech work streams (electric vehicle charging, smart grid, circular economy)

Deliver

- Work towards improved financial sustainability of the Stadium
- Health and safety: construction undertaken without a fatal accident on site; to prevent any life-changing injury or occupational ill-health for any individual and to minimise reportable accidents to a rate below 0.17 per 100,000 hours worked
- Unqualified accounts for LLDC and E20 Stadium LLP
- Deliver an effective and responsive planning service. At least 70% of applications determined in time
- Conclude finalisation of revised Local Plan
- Annual Environmental Sustainability Report published
- Transfer corporate IT services to a GLA shared service
- Support the Mayor's Agenda for ensuring that GLA Group organisations are diverse and inclusive, this includes:

Explanation of budget changes

- 7.8 Changes to the LLDC's budget predominantly reflect the changing scope of the organisation's work as the Corporation matures, the cost of managing the Park and venues and the resources to manage the business alongside targeted savings and efficiencies.
- 7.9 An analysis of the year on year movement in the council tax requirement is set out below.

Changes in the council tax requirement

Compares Revised Budget 2018-19 with 2019-20 Budget

2018-19 council tax requirement	0.0
<i>Changes due to:</i>	
Inflation	0.4
Savings and efficiencies	-0.6
Net change in service expenditure and income, excluding inflation and savings	0.4
Net change in GLA funding	-0.1
2019-20 council tax requirement	0.0

Inflation

- 7.1 The EFM contract with Engie has a clause allowing the core contract to rise by CPI. An assumed rate of 1.5% (£0.250m) has been incorporated into the budget.
- 7.2 LLDC's forecast payroll bill for 2019-20 assumes increases for annual increments dependent on performance and a 1.5% cost of living award (£0.125m).

Savings and efficiencies

- 7.3 The budget incorporates planned savings and efficiencies of £0.621 million.
- 7.4 The 2018-19 outturn is currently forecast to be £0.6m better than the savings and efficiencies target identified during the 2018-19 budget submission. This is largely due to reductions in the subsidy on the London Aquatics Centre and better than forecast results from other trading venues. A significant amount of savings and efficiencies are therefore being realised in 2018-19, which, when set against the income and cost pressures already highlighted in this report, limit the opportunities to generate further savings and efficiencies across the budget submission period.
- 7.5 Savings and efficiencies proposed within this year's budget submission arise from a range of initiatives, including increases in income:

Savings

- Savings from the regeneration budget, which includes¹ the Paralympic Legacy programme, which was transferred successfully to Global Disability Innovation Hub in 2018/19;
- Savings from legal costs (outline plans in place with some risk); and
- Savings from a reduction in required contingency in 2019/20 (firm/reasonable plans in place but with risk);

¹ Note that there is a reduction in the Socio-Economic budget; however, this is offset by an increase in the Regeneration staffing budget as elements of the socio economic programme are now being delivered by LLDC staff instead of third parties

Efficiencies

- Efficiencies from corporate services, for example spend on corporate communications (firm/reasonable plans in place);
- Efficiencies from reduced subsidy for the London Aquatic Centre and Copper Box Arena (firm/reasonable plans in place);
- Efficiencies from income generated by interim uses on some of LLDC's remaining development plots prior to development work taking place (e.g. Pudding Mill Lane); and
- Efficiencies from decision support services in LLDC's Planning Policy and Decisions team.

However, these are offset by:

- A reduction in car parking income due to Here East handing back 200 spaces (permitted under the terms of their agreement). This results in a loss of rental income for LLDC;
- Reforecast of trading income from ArcelorMittal Orbit (reflective of the venue's current performance trends, albeit still profitable, and to allow for the impact of UCL construction beginning on an adjacent site) and Off Park Properties (as they are handed over for development); and
- The reversal of the trend for increased events income (in 2019/20 and 2020/21) as land available to stage events is restricted by developments.

7.6 There is a funding gap from 2021/22 to 2023/24 for which LLDC will need to identify additional savings and efficiencies.

Net change in service expenditure and income

7.7 The budget proposes a £0.379 million net increase in service expenditure and income (before savings and efficiencies).

Change in GLA funding

7.8 The LLDC receives its revenue funding via the GLA, paid from business rates and funds held in the Mayoral Development Corporation Reserve.

7.9 The LLDC's reserves have been subsumed into the GLA's earmarked reserves. The GLA will fund the historic aggregate underspends carried forward of up to £3.1m.

Equalities

7.10 LLDC was established to deliver the legacy ambitions of the London 2012 Games through 'the regeneration of an entire community for the direct benefit of everyone who lives there'. The host boroughs for the London 2012 Games contained some of London's most deprived neighbourhoods and communities and ambitious plans had long been fostered to regenerate this part of east London: to transform the post-industrial landscape while preserving local heritage and to create stronger economic conditions and better life chances for its residents.

7.11 The LLDC's mission is 'to use the opportunity of the London 2012 Games and the creation of the Queen Elizabeth Olympic Park to change the lives of people in east London and drive growth and investment in London and the UK, by developing an inspiring and innovative place where people want to – and can afford – to live, work and visit.'

7.12 The LLDC promotes equality through its objectives to:

- Establish successful and integrated neighbourhoods where people want and can afford to live, work, and play;
- Retain, attract and grow a diverse range of high quality businesses and employers, and maximise employment opportunities for local people and under-represented groups; and
- Create a global, future-ready exemplar for the promotion of cross-sector innovation in technology, sustainability, education, culture, sport, inclusion and participation.

7.13 In addition, the LLDC is promoting equality by putting in place arrangements to create more affordable housing within the residential developments around the Park which have yet to be contracted.

7.14 LLDC internally fulfils its equality obligations through:

- Its own internal HR policies and procedures;
- Ensuring all project initiation documents are assessed for their equalities and inclusion impacts (there is a section in all PIDs and business cases);
- The submission of equalities statements accompanying planning applications for major new developments; and
- Equality objectives as a scored element within the procurement process.

7.15 LLDC has set up a Diversity and Inclusion group to monitor the organisation's progression against its Diversity action plans and standards.

7.16 The Diversity and Inclusion group has responsibility for ensuring the development and delivery of the organisation's Diversity and Inclusion agenda.

7.17 The group is ultimately accountable to the Board, via the Executive Management Team. The group will promote, champion and encourage diversity, inclusion and equality in the workplace and will monitor the key areas of performance and consider the future strategic agenda relating to diversity and inclusion as well as advising and make recommendations on appropriate initiatives and activities that will help LLDC achieve its key diversity aims.

7.18 The organisation has developed an integrated Gender Pay and Ethnicity Pay action plan to address the current pay gaps and will report on an annual basis on progression.

7.19 Other notable examples of action taken are:

- Participating in the 'Our Time: Supporting Future Leaders' programme (Women's' sponsorship programme across the GLA)

-
- Achieving base level of the Mayor’s Diversity Standard – LLDC has an action plan in place to further progress the standard
 - Work experience – placed two refugees through Transitions Programme to provide short-mid term development (paid London Living Wage)
 - Recruited two Black and Ethnic Minority Apprentices from local communities
 - Provided Inclusive leadership training for LLDC’s senior team
 - Unconscious Bias recruitment training across the whole organisation (including Board)

Environmental impact

7.20 The Legacy Corporation’s policy is that the Park will use the best of the Games’ infrastructure, innovation and inspiration to provide a pioneering model of urban regeneration promoting sustainable lifestyles through sustainable infrastructure. The Park was conceived as an environmental showcase and will continue to strive for environmental excellence. The Corporation has set a wide range of environmental performance measures and publishes an annual sustainability report.

Reserves

7.21 As stated previously, historic LLDC reserves have been subsumed into the GLA. The GLA will provide additional funding in lieu of these, including an estimated £3.1 million of underspend carried forward in 2019-20.

Appendix

London Legacy Development Corporation

Table 1: LLDC - Subjective analysis

Subjective Analysis	Budget Submission (November 2018)					
	Revised Budget	Forecast Outturn	Budget	Plan	Plan	Plan
	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
Employee expenses	8.3	7.8	8.5	8.6	8.8	9.1
Premises costs	1.3	1.3	1.3	1.3	1.3	1.4
Supplies and services	25.3	25.4	24.2	21.0	19.3	19.8
Income/savings to be identified	0.0	0.0	0.0	0.0	-2.4	-1.3
Financing costs	10.7	10.5	11.8	13.8	15.4	15.4
Total expenditure	45.6	45.0	45.8	44.7	42.4	44.3
Total income	-13.2	-14.1	-13.3	-11.9	-10.8	-12.9
Net expenditure	32.4	30.9	32.5	32.7	31.5	31.4
Business rates	1.9	0.6	20.7	18.9	16.2	16.0
Mayoral Development Corporation Reserve	19.8	19.8	0.0	0.0	0.0	0.0
GLA funding for financing costs	10.7	10.5	11.8	13.8	15.4	15.4
Council tax requirement	0.0	0.0	0.0	0.0	0.0	0.0

Table 2: LLDC - Capital financing costs

	Budget Submission (November 2018)					
	Revised Budget	Forecast Outturn	Budget	Plan	Plan	Plan
	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
Financing costs	10.7	10.5	11.8	13.8	15.4	15.4
Total expenditure	10.7	10.5	11.8	13.8	15.4	15.4

Table 3: LLDC - Authorised limit for external debt

	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	2021-22	2021-22	2022-23
	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Requested
	(March 2018)	(Nov 2018)	(March 2018)	(Nov 2018)	(March 2018)	(Nov 2018)	(March 2018)	(Nov 2018)	(Nov 2018)
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Borrowing	480.0	480.0	500.0	500.0	520.0	520.0	520.0	520.0	520.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	480.0	480.0	500.0	500.0	520.0	520.0	520.0	520.0	520.0

Table 4: LLDC - Operational limit for external debt

	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	2021-22	2021-22	2022-23
	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Requested
	(March 2018)	(Nov 2018)	(March 2018)	(Nov 2018)	(March 2018)	(Nov 2018)	(March 2018)	(Nov 2018)	(Nov 2018)
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Borrowing	470.0	470.0	490.0	490.0	520.0	520.0	520.0	520.0	520.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	470.0	470.0	490.0	490.0	520.0	520.0	520.0	520.0	520.0

Appendix

GLA Group Four-Year Efficiency Plan

Savings and efficiencies across the GLA Group

The total savings and efficiencies to 2022-23 which have been identified across the Group are summarised below. The figures are presented on an **incremental** basis and do not include any savings still to be identified.

Savings and efficiencies	2019-20	2020-21	2021-22	2022-23
	£m	£m	£m	£m
GLA: Mayor				
GLA: London Assembly				
MOPAC				
LFC				
TfL				
LLDC	0.621	1.589	0.556	1.194
OPDC				
Total				

The table below sets out the savings to be identified within the budgets of each of the GLA Group functional bodies. The figures are set out on a **cumulative** basis because the plans to meet these savings are being developed - until the plans have been completed the savings cannot be said to have been identified and so accumulate across the four years.

Savings to be identified	2019-20	2020-21	2021-22	2022-23
	£m	£m	£m	£m
GLA: Mayor				
GLA: London Assembly				
MOPAC				
LFC				
TfL				
LLDC	0.621	2.210	2.766	3.960
OPDC				
Total				

LLDC Capital Strategy 2019/20

1. Introduction

- 1.1. London Legacy Development Corporation (LLDC) is a Mayoral Development Corporation established under the Localism Act 2011 and a functional body of the Greater London Authority (GLA). The GLA is the strategic authority for London and supports the Mayor and the London Assembly in delivering their responsibilities and functions.
- 1.2. LLDC's mission is *'to use the opportunity of the London 2012 Games and the creation of Queen Elizabeth Olympic Park to change the lives of people in east London and drive growth and investment in London and the UK, by developing an inspiring and innovative place where people want - and can afford - to live, work and visit'*.

2. Intention

- 2.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code now requires all local authorities to produce a Capital Strategy.
- 2.2. LLDC's Capital Strategy will form part of a GLA Group-wide strategy, intended to drive the Mayor's capital investment ambition, whilst ensuring the sustainable, long term delivery of services. The strategy will demonstrate that LLDC's capital expenditure and investment decisions are made in line with Mayoral priorities and properly take account of stewardship, value for money, prudence, sustainability and affordability, and give due regard to risk and reward.
- 2.3. The aims of the Capital Strategy are to:
 - Prioritise projects that deliver Mayoral priorities and LLDC's vision 'to create a dynamic new metropolitan centre for London'
 - Set out how LLDC identifies, priorities and programmes funding requirements from the GLA arising from business plans and project proposals that are submitted through LLDC's governance process
 - Consider options available for funding capital expenditure and identify the resources available for investment over the long-term
 - Identify capital income streams, assessing the associated risks and profiling
 - Establish effective arrangements for the oversight and management of expenditure, including the assessment of deliverability, outcomes, budget profiling and value for money

3. Benefits

- 3.1. The benefits of preparing a Capital Strategy are to:
 - Provide a clear framework in which LLDC's capital investment decisions are made

- Help ensure LLDC's capital plans aligns to the Mayor's priorities and, ultimately, achieves LLDC's mission (set out in 1.2)
- Promote transparency and accountability, ensuring that LLDC takes ownership of its decisions and commitments

4. Approach

- 4.1. To help ensure capital resources are allocated optimally and deliver value for money, LLDC's long-term capital planning is determined in parallel with the annual statutory GLA budget process.
- 4.2. LLDC has a Long Term Model, which underpins the Capital Strategy and forecasts LLDC's capital income and expenditure over a long-term period, using assumptions about economic factors (e.g. inflation), future spending scenarios (e.g. major capital projects) and other salient variables (e.g. staffing levels). The Long Term Model enables LLDC to plan and align its financial capacity with its corporate strategy and objectives.
- 4.3. LLDC operates within the overall legislative and governance framework provided by the GLA Act 1999 and 2007 (which include the London Assembly's power of summons and budgetary approval), provisions of the Local Government Act 1972 (for example, in relation to public access to meetings and information) and the Localism Act 2011. To aid good decision making and ensure that public funds are optimally utilised, LLDC has in place a capital investment oversight and appraisal mechanism that includes:
 - **LLDC Board:** Review and approval of all capital investment decisions above £20.0m; annual review and approval of the LLDC Capital Budget before submission to the GLA.
 - **LLDC Investment Committee:** Review and approval of all capital investment decisions between £10.0m and £20.0m; review of quarterly Corporate Management Accounts, which includes year-to-date capital expenditure versus budget and forecast outturn for the financial year; annual review and recommendation of the LLDC Capital Budget for Board approval before submission to the GLA.
 - **Executive Management Team:** Review and approval of all capital investment decisions between £0.25m and £10.0m¹; annual review of the LLDC Capital Budget prior to submission to the Investment Committee and Board (see above); review of monthly Corporate Management Accounts and other business updates that have an impact upon capital income or expenditure.
 - **Project Boards:** For major projects such as East Bank there are project boards with responsibility for oversight of project delivery, risk, programme and budget.

¹ The Executive Management Team will review all capital investment decisions above £10m prior to their submission to Investment Committee or Board

- 4.4. The Long Term Model is reviewed and updated on an annual basis (as a minimum) and shared with key stakeholders, including the GLA and the LLDC Board, as part of the annual budget setting process.
- 4.5. The Capital Strategy will be updated on an annual basis as part of the budget submission process and approved by the Executive Management Team, Investment Committee and Board prior to submission to the GLA.

5. Influences

- 5.1. Key influences upon LLDC's Capital Strategy include:

Internal

- **LLDC's Five Year Strategy (2015 – 2020):** sets out LLDC's strategic context, vision and mission, desired strategic outcomes, business objectives and deliverables. The Five Year Strategy was approved by the LLDC Board in October 2016.
- **LLDC Local Plan:** sets out LLDC's strategy for the sustainable development of its planning area, including the general amount, type and location of new development it considers could take place and the policies to which applications for planning permission should conform to meet these objectives. LLDC's planning powers, including preparing and implementing the Local Plan, represent one part of its role as a development corporation.
- **Housing Strategy:** currently under development but will set out how LLDC, in conjunction with the GLA, will deliver the Mayor's priorities for delivering housing, including affordable housing, across LLDC's remaining development sites.

External

- **The Mayor of London/GLA:** As set out in the following section, LLDC's Capital Strategy aligns to the Mayor's priorities including Housing, Accommodating Growth and Environment, Transport and Public Space. Clearly, a change in Mayor can bring with it a change in policy direction. In addition, the GLA is LLDC's main funder, providing funding for capital investment, which will be repaid over the long term. LLDC maintains a continuous dialogue with the GLA at both a policy and operational level, which helps inform capital investment proposals and decisions.
- **Local authorities within LLDC area:** The mayors from each of the four 'host' boroughs, London Boroughs of Newham, Hackney, Tower Hamlets and Waltham Forest, are members of the LLDC Board.
- **Key partners:** For example, for the East Bank project these include the V&A, Sadler's Wells, University of the Arts London (UAL), BBC and University College London (UCL). Elsewhere, these also include Taylor Wimpey and London and Quadrant Housing Trust (Chobham Manor) and Balfour Beatty Investments Limited and Places for People (East Wick and Sweetwater).

- **Macro-economic factors:** As a development corporation, LLDC is involved in significant levels of development activity, incurring capital expenditure (such as construction costs) as well as generating capital receipts. These mean that it is exposed to key economic factors such as inflation (in particular house price and construction cost inflation), labour costs, interest rates and taxation rates. Each of these factors will influence capital investment decisions and outcomes.

6. Policies

6.1. LLDC’s Capital Strategy aligns to the Mayor’s policies as set out in ‘A City for all Londoners’² – these are set out in the following table:

Mayor’s policy	Examples of aligned projects
<i>Accommodating Growth</i>	<ul style="list-style-type: none"> • East Bank (V&A, Sadler’s Wells, UAL, BBC and UCL)
<i>Housing</i>	<ul style="list-style-type: none"> • Housing (including Chobham Manor, East Wick and Sweetwater, Stratford Waterfront, Pudding Mill Lane and Rick Roberts Way)
<i>Economy</i>	<ul style="list-style-type: none"> • East Bank (V&A, Sadler’s Wells, UAL, BBC and UCL)
<i>Environment, Transport and Public Space</i>	<ul style="list-style-type: none"> • Development (including investment in infrastructure, redevelopment of Hackney Wick Station)
<i>A City for all Londoners</i>	<ul style="list-style-type: none"> • East Bank (V&A, Sadler’s Wells, UAL, BBC and UCL)

6.2. There are links between the Capital Strategy and the Treasury Management Strategy, which is reviewed and approved annually by the LLDC Board. LLDC is part of the GLA Group Investment Syndicate.

7. Capital Ambition

7.1. LLDC’s 20-year Capital Ambition³ is framed within the following financial parameters, as agreed with the GLA and in line with the Prudential Code:

- Maximum borrowing limit of £520m;
- Direct capital grant funding will be provided by the GLA towards the East Bank project, to remain within the £520m limit and for proceeds from the housing developments delivered via joint ventures; and
- The requirement for LLDC to be able to demonstrate that it can repay its borrowing from the GLA across all its activity, including from the proceeds of housing developments.

7.2. LLDC has four priority themes, which drive its objectives and outcomes and to which this Capital Strategy is aligned – these are:

² ‘A City for all Londoners’, Greater London Authority, October 2016

³ As defined by the Mayor’s Budget Guidance 2019-20 (issued June 2018)

- Promoting convergence and community participation;
- Championing equalities and inclusion;
- Ensuring high quality design; and
- Ensuring environmental sustainability.

7.3. The priority capital programmes included in LLDC's Capital Ambition (included in the Capital Investment Plan⁴ at Appendix 1) are as follows:

East Bank

LLDC corporate priorities: Promoting convergence and community participation, Ensuring high quality design

Mayoral priorities: Accommodating Growth, A City for All Londoners

LLDC and its partners, Sadler's Wells, UAL, BBC, V&A in collaboration with Smithsonian and UCL have been working together to bring forward transformative, world-leading additions to the education and cultural offer in Stratford.

The key elements are to establish a new campus for UCL (to be delivered by UCL), to the south of the Park (UCL East), and at Stratford Waterfront, a mixed educational and cultural district with housing on the Stratford Waterfront site. This will include a new V&A Museum, consolidation of all UAL's current multi-site activities on one site, a new Sadler's Wells dance theatre and a new building for the BBC's Symphony Orchestra and broadcasting studio currently located in Maida Vale, and residential development (covered further under 'Housing').

East Bank will bring an additional 1.5 million visitors to the Park and surrounding area each year, create more than 2,500 jobs and generate an estimated £1.5 billion for the local economy.

Within LLDC's Capital Ambition are the costs to be incurred by LLDC in delivering the Stratford Waterfront cultural and education buildings to shell and core (and fit-out for Sadler's Wells). The Capital Funding Plan⁵ (see Appendix 2) includes third-party funding for the East Bank project, including contributions towards costs from certain partners, lease premiums and philanthropic donations secured by Foundation for FutureLondon, the charity established by the Mayor and LLDC for this purpose. The remaining net costs is funded through borrowings and direct capital grant funding from the GLA.

⁴ As defined by the Mayor's Budget Guidance 2019-20 (issued June 2018)

⁵ As defined by the Mayor's Budget Guidance 2019-20 (issued June 2018)

Housing delivery plans

LLDC corporate priorities: Promoting convergence and community participation

Mayoral priorities: Accommodating Growth, Housing, A City for all Londoners

LLDC secured outline consent to build five new neighbourhoods on the Park under the Legacy Communities Scheme (LCS) in 2012, with the aim of delivering 24,000⁶ homes by 2031. These are Chobham Manor, East Wick and Sweetwater, Rick Roberts Way, Pudding Mill Lane and Stratford Waterfront.

Chobham Manor is the first of the LCS neighbourhoods to welcome residents. It is being delivered by Chobham Manor LLP (Taylor Wimpey and London & Quadrant) and will deliver 859 homes, 28% affordable and 75% family units. Phase one is complete (259 units); phase two (207 units) has started on site with the first block due to complete towards the end of 2018.

The **East Wick and Sweetwater** neighbourhoods were originally planned to start in 2022 but were accelerated to bring forward housing, sooner. To do this successfully, LLDC included Private Rented Sector (PRS) housing into the housing mix and has also accelerated the social infrastructure to create successful and sustainable neighbourhoods. The housing will be delivered by East Wick and Sweetwater Projects (Balfour Beatty Investments and Places for People). It will deliver 1,500 homes, 30% affordable. Phase one (302 units) started on site in October 2018. Enabling infrastructure works have commenced, including Fish Island bridges.

Expected income from the Chobham Manor and East Wick and Sweetwater developments are included within 'Capital Receipts' in the Capital Funding plan. The expected receipts are based upon the terms of the respective development agreements and are subject to external factors such as housing demand and house price inflation.

In June 2018, the Mayor announced that at least 50% of new homes across the remaining development sites on the Park – Stratford Waterfront, Pudding Mill and Rick Roberts Way - will be affordable, in line with the Mayor's commitment that all sites he disposes of will be at least 50% affordable (sites already under contract remain unchanged). It was also agreed with the Mayor that these developments will be delivered via joint ventures, with the GLA investing directly into those joint ventures with LLDC acting as delivery agent. Other than for professional fees relating to the early design and planning stages, the capital costs and income from these developments are no longer included within LLDC's capital plan; the GLA will instead provide direct capital grant funding to LLDC to achieve an overall breakeven position on capital. Note that the timing of breakeven for LLDC falls outside the 20-year timeframe of the Capital Strategy.

Stratford Waterfront was initially intended, under the original LCS outline masterplan consent, to include a significant amount of residential development – approximately 900 homes. Subsequent plans for East Bank reduced this residential

⁶ Note that this will be less due to the impact of the East Bank project on Stratford Waterfront

provision to accommodate the new cultural and education district, with the intention that the residential delivered on Stratford Waterfront will help to cross-subsidise the East Bank project.

Pudding Mill Lane was originally intended to provide up to 1,200 homes with a start on site projected for 2024 under the LCS outline consent. In response to the Mayor's housing agenda, LLDC looked at opportunities to accelerate delivery and meet the Mayor's affordability housing target of 50%. This is a challenging and constrained site that will require infrastructure works to enable development to come forward. LLDC will shortly be carrying out a re-masterplan for the scheme.

Rick Roberts Way is jointly owned by LLDC and London Borough of Newham. Based on existing use value not site area, LLDC owns 68% of the site. Originally planned to start on site in 2028, but in response to the Mayor's housing agenda, LLDC are seeking to meet the Mayor's affordable housing target of 50% and bring forward start on site. Timing needs to take account of physical constraints and market capacity, with a number of large developments planned along Stratford High Street. Joint project governance with London Borough of Newham is in place to bring forward this scheme, and a housing capacity study was completed in 2017, to understand the full potential for the site if neighbouring landholdings (owned by Kesslers and National Grid) are taken into consideration.

Development

LLDC corporate priorities: Promoting convergence and community participation

Mayoral priorities: Accommodating Growth, Housing, Economy, A City for all Londoners

Development expenditure contained within the Capital Investment Plan includes the cost of discharging LLDC's Section 106 obligations under the LCS planning consent. It also covers the significant investment required in necessary infrastructure to deliver the housing developments – for example, roads and bridges.

London Stadium

LLDC corporate priorities: Promoting convergence and community participation

Mayoral priorities: Economy, A City for all Londoners

The London Stadium (the Stadium) temporarily opened in the summer of 2015 for a concert, athletics and the Rugby World Cup and fully re-opened in summer 2016 following an extensive transformation programme. The Stadium has hosted a wide range of world-class major events including five 2015 Rugby World Cup matches, Rugby League internationals, the 2017 IAAF World Athletics Championships and IPC World Para-Athletics Championships, sell out live music concerts and West Ham United home matches.

Conceived and run until November 2017 as a joint venture between Newham Legacy Investments Limited (NLI), a wholly owned subsidiary of London Borough of

Newham and LLDC, E20 is now a partnership between LLDC (99%) and Stratford East London Holding Ltd (SELHL, 1%), a wholly owned subsidiary of LLDC.

LLDC owns the freehold to the London Stadium and leases it to E20 on a long lease (until 2115).

LLDC's capital expenditure on the Stadium includes closing out the transformation programme, which is largely complete other than some final defects rectification works and conclusion of the Balfour Beatty construction contract.

Ongoing capital expenditure includes limited funding for E20 Stadium LLP working capital requirements, currently provided as a loan facility, and further capital works for lifecycle, improvement works and restructuring.

8. Capital Funding

- 8.1. Funding for LLDC's capital programme was previously on the basis that capital investment would be self-financing over the long term, repaid from capital receipts generated from the exploitation of LLDC's ownership of development platforms on and around the Park, ultimately generating a surplus to be paid to the GLA.
- 8.2. LLDC's capital investment falls within, and needs to comply with, the CIPFA 'Prudential Code for Capital Finance in Local Authorities' (the Code). Under the Code local authorities (including LLDC) have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver capital plans and programmes.
- 8.3. However, following discussions with the GLA in early 2018, to ensure LLDC's level of borrowings remain prudent, LLDC's borrowing limit was set at £520m. The GLA also agreed to directly fund part of the East Bank project, invest equity directly in the joint ventures to develop LLDC's remaining development sites (Stratford Waterfront, Pudding Mill Lane and Rick Roberts Way) and, where extra funding is required, fund LLDC directly so that its borrowing limit is not breached.
- 8.4. This means that whilst LLDC's Long Term Model generates a long-term capital 'surplus', this is reliant upon the recycling of land receipts into funding from the GLA, which, ultimately, will only be provided by the GLA to enable LLDC to achieve an overall capital breakeven position.
- 8.5. LLDC's third-party funding sources include:
 - Capital receipts from the sale of land and property
 - Partner contributions
 - Philanthropic donations to East Bank
 - Section 106 and Community Infrastructure Levy (as developer)
- 8.6. LLDC's Capital Funding Plan can be seen at Appendix 2.

9. Ambition Gap

9.1. As set out in Section 8, LLDC’s capital plan breaks even over time. The breakeven point falls outside of the 20-year timeline in the Capital Investment Plan; the difference between the Capital Investment Plan and the Capital Funding Plan is met through borrowings from the GLA.

10. Risk

10.1. The key risks to LLDC’s Capital Investment Plan are set out in the following table along with how they are to be managed.

Risk	Mitigation
Housing market under-performance against expectations	Close working with development partners and monitoring of housing market conditions, including inputs from third-parties (e.g. property consultants)
Impact of Brexit on demand for housing, cost of building or industry capacity	Close work with development partners, close economic and financial monitoring.
East Bank does not deliver within current budget or delays to the East Bank project resulting in financial implications	Effective design management and coordination. Cost control. Close work with East Bank partners, GLA and Government. Coordination with Planning Authority. ‘Three lines of defence’ assurance approach.
Capital funding not fully secured for East Bank project (e.g. philanthropic donations)	Close working with Foundation for FutureLondon. Full Business Case for the project approved by Government subject to conditions. Ensure best outcome from residential development.
Stadium restructuring does not sufficiently improve the financial position of the Stadium	E20 Stadium LLP Board and funders considering commercial options.

11. Appraisal

11.1. Capital proposals are developed, appraised and monitored as follows:

- **LLDC Board:** Review and approval of all capital investment decisions above £20.0m; annual review and approval of the LLDC Capital Budget before submission to the GLA.

- **LLDC Investment Committee:** Review and approval of all capital investment decisions between £10.0m and £20.0m; review of quarterly Corporate Management Accounts, which includes year-to-date capital expenditure versus budget and forecast outturn for the financial year; annual review and recommendation of the LLDC Capital Budget for Board approval before submission to the GLA.
- **Executive Management Team:** Review and approval of all capital investment decisions between £0.25m and £10.0m⁷; annual review of the LLDC Capital Budget prior to submission to the Investment Committee and Board (see above); review of monthly Corporate Management Accounts and other business updates that have an impact upon capital income or expenditure.
- **Corporate Change Board:** The forum in which formal requests (e.g. from project managers or budget holders) to modify the schedule, budget and/or scope of an existing project or to add a new project into a programme is approved and/or reported for noting. The Board's membership includes Executive Directors and Directors and is chaired by the LLDC Finance Director.
- **Project Boards:** For major projects such as East Bank there are project boards with responsibility for oversight of project delivery, risk, programme and budget.
- **Senior Budget Holders:** Each directorate has a senior responsible officer for their budget with delegated budget holders beneath them. Senior responsible officers have budgetary responsibility within their job descriptions and their annual personal objectives. Senior responsible officers are responsible for sponsoring any capital investment appraisal that relates to, and originates from, their directorate.
- **Project/Delivery Manager:** Each capital project will have an assigned project manager or lead whose responsibility it is to put forward capital investment proposals, see these through the necessary governance process, monitor and manage risk and budgets and, overall, secure successful delivery of the project. LLDC will often commission external project management services; however, in these instances, there must always be an identified individual within LLDC, at both a senior and operational level, with responsibility for the oversight of the external project manager.

12. Capital Strategy – Delivery, Affordability and Risk

- 12.1. Within the Prudential Code it is the responsibility of the Chief Finance Officer (in this instance, the Deputy Chief Executive) to explicitly report on the delivery, affordability and the risks associated with this Strategy. This is set out in the following paragraphs.

⁷ The Executive Management Team will review all capital investment decisions above £10m prior to their submission to Investment Committee or Board

Delivery

- 12.2. The delivery of the individual schemes in LLDC's Capital Investment Plan⁸ are directly linked to the original approval of the capital project supported by each project having a senior responsible officer and a project manager who are responsible for the delivery of the project and the subsequent achievement of the objectives of that project.
- 12.3. LLDC's Executive Management team receive regular updates on capital budgets. These updates are driven by the requirement of internal and external financial reporting (e.g. quarterly budget monitoring reports), however in doing so the Executive Management Team can review and challenge the delivery of projects and any changes to both the timing and value of the Capital Investment Plan.
- 12.4. If, subsequent to the capital scheme being authorised, there are variations to the income expected to be generated from that project, or the cost of delivering the project, these will be brought to the Corporate Change Board (as appropriate) or Project Board and reported as a variance in monthly budget reporting (Corporate Management Accounts) and, if ongoing, will be included in the following year's budget proposals.
- 12.5. LLDC's Executive Management Team has ultimate responsibility for the oversight of delivery of the Capital Investment Plan.

Affordability

- 12.6. Affordability is critical in applying the Capital Strategy and approving projects for inclusion in the Capital Investment Plan.
- 12.7. This is demonstrated by the relevant project approval document (e.g. business case) identifying the income, expenditure and funding, appraisal of alternative options and the risks for any given project.
- 12.8. Affordability of each project needs to be clear, not only for the funding of the capital spend, but also to cover any ongoing revenue costs of the capital investment (e.g. maintenance costs).

Risks

- 12.9. The risks associated with capital investment should be made clear in any proposal, including how these risks will be mitigated (e.g. adequate project management and/or project boards, suitable skills for the delivery of the project, tax planning). Where relevant a full Quantitative Risk Assessment should be undertaken on the project and used to identify, quantify and manage risk over the lifetime of the project.
- 12.10. There are links between the Capital Strategy and the Treasury Management Strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by the Executive Management Team, Audit Committee (for the Treasury Management Strategy), Investment Committee and Board.

⁸ Regarded as LLDC's Long Term Model for operational purposes

12.11. Borrowing limits are agreed with the GLA on an annual basis and all major projects are discussed with the GLA (and Mayoral approval sought as necessary).

13. Appendices

- Appendix 1 – Capital Investment Plan
- Appendix 2 – Capital Funding Plan

Appendix 1 – Capital Investment Plan

Capital Investment Plan - Years 1 to 5		Years	0	1	1	2	3	4	5
Table 1a			2017-18	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
Expenditure item	Any Further notes		Outturn	Revised Budget	Forecast Outturn	Plan	Plan	Plan	Plan
East Bank			13.4	29.1	30.6	83.3	186.6	128.7	8.3
Development	Includes infrastructure costs required under Section 106 obligations		32.9	43.9	31.3	15.8	10.0	26.2	13.1
Stadium	Includes working capital funding and other capital investment		5.1	26.5	27.3	29.3	28.8	19.2	19.9
Park and Venues	Includes Park and venue lifecycle costs		2.6	6.6	5.4	7.9	1.7	1.6	3.2
Regeneration			0.5	1.1	0.4	0.7	0.6	0.3	0.3
Finance, Commercial and Corporate Services	Includes ICT and East Bank assurance costs		1.0	2.2	1.9	2.5	1.9	1.7	1.7
Corporation Tax and Contingency	Incurred on capital receipts and income		0.0	10.9	8.5	4.6	4.9	1.5	3.0
Other	2019/10 includes a cash versus accruals timing adjustment		0.0	0.0	0.0	7.9	0.0	0.0	0.0
Total			55.5	120.3	105.4	152.0	234.5	179.2	49.5

Capital Investment Plan - Years 6 to 20		Years	6 to 10	11 to 15	16 to 20
Table 1b			2023-24 to	2028-29 to	2033-34 to
Expenditure heading	Description of expenditure summarised and further notes		2027-28	2032-33	2037-38
			Plan	Plan	Plan
East Bank			5.6	0.0	0.0
Development	Includes infrastructure costs required under Section 106 obligations		28.4	8.0	0.0
Park and Venues	Includes Park and venue lifecycle costs		12.0	17.2	11.8
Finance, Commercial and Corporate Services	Includes ICT and East Bank assurance costs		2.3	0.9	1.0
Corporation Tax and Contingency	Incurred on capital receipts and income		27.1	19.8	15.5
			75.4	45.9	28.3

Appendix 2 – Capital Funding Plan

Capital Funding Plan - Years 1 to 5			Years						
Table 2a			0	0	1	2	3	4	5
Funding Type	Funding Item	Any Further Notes	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
			Outturn	Revised Budget	Forecast Outturn	Plan	Plan	Plan	Plan
Capital Receipts	Capital Receipts		34.0	0.5	0.2	52.1	38.1	39.4	48.9
Capital Grants	GLA Grant		0.0	3.4	3.2	17.6	25.8	83.5	6.2
Other	East Bank		0.2	54.1	55.3	39.3	82.5	40.0	10.9
Other	Other	Includes contributions towards projects (e.g. Section 106), for example Hackney Wick Station	16.2	0.3	0.3	0.0	0.0	0.0	0.0
Borrowing	Borrowing	GLA borrowings / Repayment of GLA borrowings in 2022/23	0.0	62.0	46.4	43.0	88.1	16.3	-16.5
Total			50.4	120.3	105.4	152.0	234.5	179.2	49.5

Note that borrowing in 2019-20 includes a £7.9m cash versus accruals timing adjustment

Capital Funding Plan - Years 6 to 20			Years		
Table 2b			6 to 10	11 to 15	16 to 20
Funding Type	Funding Item	Any Further Notes	2023-24 to 2027-28	2028-29 to 2032-33	2033-34 to 2037-38
			Plan	Plan	Plan
Capital Receipts	Capital Receipts		167.3	37.6	92.5
Capital Grants	GLA Grant		49.0	34.5	29.8
Other	East Bank		45.7	19.4	21.5
Borrowing	Borrowing	Repayment of GLA borrowings	-186.6	-45.6	-115.5
Total			75.4	45.9	28.3

Appendix 2 – Risks to the Budget

There are a number of risks to achieving the financial forecast in the budget as submitted.

CAPITAL RISKS

1. E20 Stadium LLP (E20)

Without remedial action, E20 is projecting substantial losses over the budget period. These losses are driven by the cost of moving the seats, the full cost of putting on events and the commercial performance of the operator. In November 2017, LLDC took full control of the Stadium following the retirement of the London Borough of Newham from the E20 partnership. Since then, E20 has undertaken significant work on developing and implementing a restructuring plan to make the Stadium more financially sustainable in the long term. The funding incorporated into the budget is £94m over the next four years based on E20's latest forecasts (September 2018). Allowance is also included for restructuring costs and further capital investment. There is a risk, however, that this may prove inadequate as the full restructuring costs are currently unknown.

2. Development receipts

Timing

The four-year budget assumes receipts from East Wick and Sweetwater and Chobham Manor. Timing of receipts and slippage on development has been a feature of the last few years. Whilst LLDC has approached the phasing of receipts more prudently than in previous years, due to the contractual nature of these developments it has little influence over the timing of delivery of receipts.

Viability

The uncertainties of Brexit have slowed the property market with house price inflation slowing and pressure on construction pricing due to the fall in the pound and labour shortages.

Market risk and house price inflation (HPI) assumptions

Forecast development receipts are sensitive to market risk and house price indexation (HPI) assumptions.

The assumption for HPI in the current budget period (April 2019 – March 2023) varies between 2.9% and 4.3% pa in line with a forecast produced by Knight Frank for the QEOP area.

Other assumptions

There is a risk that variations to other assumptions such as construction costs, construction cost inflation and developer profits, could have a material impact upon LLDC's development receipts assumed within the Long Term Model.

3. Corporation Tax

LLDC is liable to pay corporation tax and there is a risk relating to its ability to offset certain investment in the Park against future expected tax profits, in particular those related to East Bank.

4. East Bank

Timing

The budget reflects the latest profile of anticipated spend on East Bank, reflecting the Managed Package Solution (MPS) delivery strategy. The programme is designed to achieve the opening date for UAL on 2022. The design is now at Stage 4 (other than for the BBC, which is at Stage 2), and there is a risk that the timing of the spend may vary in the event that delays are encountered – for example, during the planning submission process.

Philanthropic funding

The budget includes assumptions for philanthropic income from 2022/23 to 2027/28. There is a risk that the East Bank charity, Foundation for FutureLondon, is unsuccessful in raising this amount, particularly in the timeframe assumed.

Contingency and the Quantitative Risk Assessment (QRA)

LLDC regularly reviews the East Bank risk register and produces a QRA based on pre and post mitigated risks. As at the time of writing, the Stratford Waterfront QRA values LLDC's risk and trends at £63.1m. Planning determination is a significant risk in the QRA – planning was submitted in line with the programme in November.

5. Asset adoptions

LLDC currently owns and has responsibility for a range of infrastructure and other assets (including roads, bridges and district heating) that will require future adoption by third parties, such as the local boroughs. Currently, the Long Term Model contains limited provision for these costs; therefore, there is a risk that significant additional costs may arise.

6. 3 Mills Studios

The Long Term Model currently assumes that the 3 Mills Studios are disposed of in 2020/21. If the site is to be retained by LLDC then significant capital investment is required to maintain and improve the site; these costs are not currently provided for in the Long Term Model and would require additional funding to be secured.

REVENUE RISKS

7. Fixed Estate Charge income

The Fixed Estate Charge, received from occupants of the Park, is a significant future revenue stream and fundamental in the long term financial sustainability of QEOP. Delays to completion of developments on the Park have led to delays in residents moving onto the park, resulting in lower than anticipated Fixed Estate Charge income to date. Similarly, the delay to the East Bank programme and the overall reduction in the number of housing units, have delayed and reduced the overall fixed estate charge income projected from East Bank.

8. Rental income

The rent income from Public Rental Sector (PRS) units on the Eastwick and Sweetwater development is dependent on the timing of the development. Delays have led to a delay in the start of the rent income.

The Here East rental agreement pays 10% of net rental income received on a cash basis to LLDC. There is a risk that Here East takes longer to reach the

necessary tenancy occupation levels, impacting the amount and timing of any receipt of rental income for LLDC.

9. Trading performance

The commercial performance of the attractions on the Park has improved particularly from the ArcelorMittal Orbit since the introduction of the slide and from the London Aquatics Centre following measures to reduce rates and utilities costs. There is no provision in the budget for AMO loan (and interest on the loan) repayments as this is assumed to fall outside of the budget period. There is a risk that LLDC's venues and attractions, including the new high ropes attraction due to open in early 2019, suffer lower visitor numbers (and therefore revenue) over the budget period, particularly whilst there is significant construction work being undertaken on the Park.

There is a risk that the income from 3 Mills falls in 2019/20 and or 2020/21 whilst significant repair works to the river wall are undertaken and any disposal process is triggered.

10. Commercial sponsorship and new attractions risk

The budget currently assumes additional income can be secured for commercial sponsorship income (naming rights on individual assets and/or Park-wide) from 2020/20 onwards. There is a risk that the full extent of the budgeted new income is not achieved within the time frames.

11. Security

Following the increase in the security alert across London, the budget has incorporated an allowance in Park Operations and Venues for reactive additional security measures. Should threat levels increase, there is a risk the cost allowed for security may be inadequate.

12. Inflation

The budget assumes a general inflation rate of 2% unless there are reasons for using a different rate (for example on salaries 1.5% and Estates and Facilities Management 1.5%). General uncertainties in the economy, particularly over Brexit, create a risk that inflation may be higher.

There is a risk that staff retention issues and hard-to-fill posts could result in staff cost increases (e.g. using market supplements). This additional cost is not currently factored into the budget.

13. Transition costs

LLDC is currently developing its future transition strategy; however, the Long Term Model does not currently include funding for any potential costs arising from the transition process. These are likely to substantially fall outside of the budget period.

The above risks are included in the corporate and departmental risk registers and are managed through LLDCs embedded risk management process.