

2020/21 Budget Submission

1. SUMMARY

1.1. This report sets out the London Legacy Development Corporation's (LLDC) 2020/21 capital and revenue budget submission to the Mayor of London (the Mayor). The budget submission covers the financial years 2020/21 to 2023/24 and is prepared in accordance with the Mayor's Budget Guidance (issued in June 2019). There is a 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. This year a new Financial Management (FM) Code has been introduced by the Chartered Institute of Public Finance and Accountancy (CIPFA). Accordingly, the Mayor's Budget Guidance includes certain new additional advice from the draft FM Code, which LLDC has considered in preparing this budget submission.

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. LLDC is also required¹, as for all members of the GLA Group, to produce a Capital Strategy. The purpose of the GLA Group Capital Strategy is to set out the Mayor's capital investment ambition and funding thereof. The strategy demonstrates 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 2020/21 is included in Appendix 1 and covers the content required by the Mayor's Budget Guidance.

2.3. This year CIPFA has introduced a new Financial Management (FM) Code, which LLDC has addressed in this budget submission, including:

- setting out details of any 'savings to be required' arising from the budget submission
- setting out an explanation of how reserves are adequate but also why they are necessary and details of where the actual level of reserves have deviated significantly from forecasts
- considering making a Financial Risk Assessment, which focusses on stress-testing capital receipts assumptions but also, within the bounds of commercial confidentiality, look at exit plans for key contractors
- considering reviewing capital expenditure forecasts to ensure they are not overly optimistic and so help minimise slippage

2.4. 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 on public land • 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, Rick Roberts Way • Pudding Mill and Rick Roberts Way reviewed with a view to accelerating delivery

Mayor's priorities	Policy drivers	LLDC activities
<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> – <i>Creative Enterprise Zones</i> 	<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 – over 6m visitors per year • Hosting major events at the London Stadium (e.g. Major League Baseball) • Hackney Wick Fish Island creative enterprise zone designation
<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 with detailed action plan in place

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:
 - a 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); and
 - meeting senior representatives from the GLA, including the Executive Director of Resources, the Chief Operating Officer 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. LLDC's borrowing limit was capped in 2018/19 at £520m to reflect a more prudent level of borrowings. At that time, the GLA also agreed to:
 - Provide direct capital grant funding towards the East Bank project;
 - Invest equity directly in the joint ventures to develop LLDC's three remaining sites (Stratford Waterfront, Pudding Mill and Rick Roberts Way) and replace LLDC's expected net proceeds from those sites with capital grant; 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 2019/20 (as at 30 September 2019). LLDC's net capital expenditure, where not funded by capital grant, is funded by capital borrowings from the GLA, which are repaid from capital receipts over the long-term.
- 4.3. LLDC reviews its short-term capital forecasts monthly, and its longer term forecasts as part of the budget cycle, to ensure its forecasts remain as accurate as possible and based on the latest assumptions. The updated short-term forecasts are published in LLDC's Quarterly Budget Monitoring Report.

Capital Budget	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Plan £m	2022/23 Plan £m	2023/24 Plan £m	Total Budget/Plan £m
Income						
Capital receipts	30.7	26.0	39.9	33.0	6.4	105.2
East Bank	35.8	73.8	46.5	14.8	13.0	148.0
GLA Grant	17.6	75.8	91.1	11.3	7.4	185.6
Other (incl Section 106/CIL)	0.3	0.8	0.1	0.1	0.1	1.0
Total Capital Income	84.4	176.3	177.5	59.2	26.8	439.8
Expenditure						
East Bank	(83.7)	(195.3)	(142.5)	(13.5)	(2.5)	(353.7)
Development - Infrastructure	(9.5)	(4.9)	(0.3)	(24.8)	(6.1)	(36.1)
Development - other	(16.6)	(15.6)	(17.3)	(5.6)	(6.2)	(44.6)
Stadium - Capital	(9.4)	(11.2)	(3.5)	(2.9)	(2.9)	(20.6)
Stadium - Transformation	(2.7)	(3.3)	-	-	-	(3.3)
Park and Venues	(5.7)	(7.4)	(2.7)	(3.8)	(1.9)	(15.7)
Regeneration	(0.3)	(0.5)	(0.4)	(0.1)	(0.2)	(1.2)
FCCS	(2.9)	(1.8)	(1.6)	(1.5)	(1.4)	(6.4)
Contingency	(5.7)	(2.7)	(2.3)	(1.0)	(0.9)	(6.8)
Corporation Tax	(1.5)	(1.3)	(0.6)	(1.9)	(2.6)	(6.3)
Irrecoverable VAT	-	-	-	-	-	-
Total Capital Expenditure	(138.0)	(244.0)	(171.1)	(55.1)	(24.6)	(494.8)
Net Capital Expenditure	(53.6)	(67.7)	6.4	4.0	2.3	(55.0)
Cash Adjustments for BBC/UAL Loan Funding	-	(35.0)	(42.5)	(2.1)	3.4	(76.2)
Cumulative borrowing	381.1	483.9	520.0	518.0	512.3	

Capital Income

Capital Receipts

- 4.4. Capital receipts over the budget submission period mainly reflect anticipated income from Chobham Manor and East Wick and Sweetwater.
- 4.5. Also included are assumed receipts from the Bromley-by-Bow development (in 2021/22) and the Aquatics Triangle plot.
- 4.6. The 3 Mills Studios disposal strategy was approved by the Investment Committee on 13 November 2018; an updated strategy will be presented to the Investment Committee in early 2020.

East Bank

- 4.7. Income from East Bank includes contributions from University of the Arts London (UAL) towards the costs of constructing their building; note that part of UAL's contributions is funded via a loan facility from LLDC, repayments of which are expected to begin within the budget submission period (2023/24).
- 4.8. Also included are philanthropic funds to be raised by Foundation for FutureLondon and expected contributions from other East Bank partners and key stakeholders.

GLA grant funding

- 4.9. The GLA is providing capital grant funding across the budget submission period towards East Bank (including the additional cost of the overall East Bank increased budget), to ensure LLDC remains within its borrowing limit of £520m (required in 2021/22), and relating to the proceeds that LLDC would previously have received from the joint venture delivery of residential on Stratford Waterfront.

Capital Expenditure

East Bank

- 4.10. Costs for East Bank reflect the latest forecast at 30 September 2019 for construction, an agreed contribution to the BBC's Stamp Duty Land Tax and the Corporation's Section 106 and Community Infrastructure Levy obligations arising from the planning approval secured in June 2019. This results in an overall year-on-

year increase of £32.8m to the East Bank budget, which is funded by additional GLA capital grant and estimated partner contributions to the overspend.

- 4.11. The construction forecast, which accounts for the majority of the overspend, reflects tender returns from the market, which were significantly more than the budget provision. The procurement programme required for East Bank to hit the 2022 opening date is delivering in challenging and uncertain economic conditions.
- 4.12. 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

- 4.13. 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 in anticipation of the residential developments to be delivered there. They also reflect the cost of planning obligations arising from the Stratford Waterfront planning permission secured during 2019/20.
- 4.14. Also included are development strategy costs for masterplanning, design, planning submissions and joint venture/developer procurements on the Pudding Mill and Rick Roberts Way developments.
- 4.15. Development costs also include staffing, which is capitalised against projects in line with accounting standards.
- 4.16. Note that 'Development – other' includes the cost of LLDC's Construction team.

Stadium

- 4.17. Capital costs for the Stadium relate to LLDC's funding towards the Stadium's capital investment for lifecycle and improvement projects, including improvements to the Stadium's current seating system. Funding towards the Stadium's working capital (i.e. operational) requirements are now included in LLDC's revenue budget following discussions with the GLA. This is funded by additional GLA revenue grant and has reduced the grant required to maintain LLDC's borrowing within the Corporation's maximum borrowing limits. Previously, equity or loan funding of the Stadium operating deficit was reviewed at each financial year-end and reclassified in line with the relevant regulations and accounting standards. This change will provide greater transparency in the reporting of the Stadium deficit.
- 4.18. Transformation spend covers defects rectification works, including Atkins work on seating warranties. Note that, overall, the project is still within the previously published £323m forecast outturn.

Park and Venues

- 4.19. 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.
- 4.20. Additional funding is included for the second phase of Hostile Vehicle Mitigation works around the Park and for the second phase of roof replacement works at 3 Mills Studios (both subject to business cases).

Regeneration

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

Finance, Commercial and Corporate Services (FCCS)

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

Contingency

- 4.23. 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

- 4.24. 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

- 4.25. 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.

Summary of Borrowing Requirements	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Plan £m	2022/23 Plan £m	2023/24 Plan £m
Opening Borrowing Requirement	319.6	381.1	483.9	520.0	518.0
Net Capital Expenditure	53.6	67.7	(6.4)	(4.0)	(2.3)
Cash Adjustments for BBC/UAL Loan Funding	-	35.0	42.5	2.1	(3.4)
Cash vs accruals timing adjustment	7.9	-	-	-	-
Closing Capital Requirement	381.1	483.9	520.0	518.0	512.3
Authorised Borrowing Limit	500.0	520.0	520.0	520.0	520.0
Headroom	118.9	36.1	-	2.0	7.7
<i>Change in net borrowing requirement¹</i>	<i>(26.1)</i>	<i>(20.0)</i>	<i>(22.0)</i>	<i>12.0</i>	<i>20.0</i>

¹ from prior year submission (including rollovers)

Commentary on key capital items

Housing strategy

- 4.26. 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.
- 4.27. As a result, LLDC submitted a proposal to the Mayor to deliver 50% affordable housing across its three remaining sites using a 'portfolio approach' - i.e. an average of 50% across the three sites on a unit basis.
- 4.28. The assumed approach for delivery of the three sites is via joint ventures (with a private sector partner), with the GLA investing equity directly in the joint venture rather than via LLDC. 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.
- 4.29. The following updates/changes have occurred since last year's budget submission:
- Stratford Waterfront residential was granted outline planning consent on 25 July 2019. In response to the Stratford Waterfront Section 106 obligations, the Bridgewater element of the Pudding Mill development is now being procured as part of the Stratford Waterfront. This was approved by the LLDC Investment Committee in April 2019.
 - Significant progress in agreeing how LLDC and the GLA will work together to form a joint venture (with the private sector) to deliver the Stratford Waterfront/Bridgewater developments. The Investment Committee approved the proposed legal structure and procurement strategy (the London Development Panel) in October 2019.
 - LLDC is progressing its masterplan for Pudding Mill, with a planning application expected to be submitted in October 2020. The modelling has

been updated to reflect the emerging masterplan and the latest market position.

- LLDC is discussing the delivery approach for Rick Roberts Way with London Borough of Newham (LBN).

London Stadium

- 4.30. On 22 January 2019, LLDC (via its subsidiary E20 Stadium LLP) acquired the full share capital of the stadium operator, London Stadium 185 Limited, from Vinci Stadium. The acquisition gives LLDC full control of the Stadium operations, allowing it to better deliver its plans to make the Stadium operationally efficient and financially sustainable in the long-term.
- 4.31. Funding for the Stadium's working capital requirements is now included in LLDC's revenue budget (funded by additional GLA revenue grant) and is based upon the consolidated E20 Stadium LLP and London Stadium 185 Limited 5-year plan. The 5-year plan includes a risk-weighted trajectory to reduce the annual operational funding requirement of the Stadium between 2019/20 and 2023/24. Funding for the Stadium's working capital requirements beyond 2023/24 will be subject to agreement with the GLA.
- 4.32. Funding for capital investment in the Stadium (spend-to-save projects, such as seating improvements, and necessary lifecycle works) is retained in LLDC's capital budget.

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 remains steady due to the retention of 3 Mills Studios.
- 5.2. Expenditure reduces from 2020/21 to 2021/22 (largely due to the assumed reduction in the Stadium working capital requirement) and then remains broadly flat until 2023/24. 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 cumulative underspends against budget (held by the GLA on behalf of LLDC) and grant from the GLA (including specific revenue grant for the London Stadium working capital requirement). There are sufficient cumulative underspends and grant funding to meet LLDC's requirements for 2019/20 and 2020/21. However, revenue gaps in the following three years will need to be addressed to reduce the funding requirement to the GLA's ongoing allocation of £16.0m per year (excluding Stadium revenue grant).

Revenue Budget	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Plan £m	2022/23 Plan £m	2023/24 Plan £m	Total Budget/Plan £m
Income						
Development	0.1	0.2	0.5	1.0	1.3	3.1
Executive Office	0.0	0.0	0.0	0.0	0.0	0.1
Finance, Commercial and Corporate Services	0.3	0.4	0.2	0.2	0.2	0.9
Park Operations and Venues (excl Trading)	3.5	3.9	4.3	6.2	7.2	21.7
Planning Policy and Decisions	2.5	1.6	1.4	1.1	1.0	5.1
Regeneration and Community Partnerships	-	0.1	0.1	0.1	0.1	0.3
Trading	7.6	9.0	9.8	9.6	9.4	37.8
Total Revenue Income	14.0	15.2	16.3	18.2	19.2	69.0
Expenditure						
Communications, Marketing and Strategy	(1.7)	(1.9)	(1.9)	(2.0)	(2.1)	(7.9)
Development	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)
Executive Office	(2.4)	(2.5)	(2.5)	(2.7)	(2.7)	(10.4)
Finance, Commercial and Corporate Services	(6.1)	(6.1)	(6.0)	(6.1)	(6.2)	(24.3)
Park Operations and Venues (excl Trading)	(9.0)	(9.6)	(9.6)	(10.1)	(10.3)	(39.5)
Planning Policy and Decisions	(3.4)	(3.1)	(2.6)	(2.3)	(2.3)	(10.3)
Regeneration and Community Partnerships	(2.6)	(2.4)	(2.4)	(2.4)	(2.4)	(9.6)
Stadium	(17.5)	(16.6)	(11.3)	(11.1)	(10.8)	(49.8)
Trading	(9.0)	(9.9)	(9.8)	(9.9)	(10.5)	(40.1)
Contingency	(0.6)	(0.6)	(0.5)	(0.5)	(0.4)	(1.9)
Total Revenue Expenditure	(52.4)	(52.7)	(46.7)	(47.1)	(47.8)	(194.3)
Net Revenue Expenditure	(38.4)	(37.5)	(30.4)	(28.9)	(28.6)	(125.3)
GLA Funding	16.8	16.0	16.0	16.0	16.0	64.0
GLA Funding for Stadium	17.5	16.6	11.3	11.1	10.8	49.8
Reserves	4.1	4.9	1.0	-	-	5.9
Net Revenue After Funding	-	-	(2.1)	(1.8)	(1.8)	(5.7)
Trading						
Trading Income	7.6	9.0	9.8	9.6	9.4	37.8
Trading Expenditure	(9.0)	(9.9)	(9.8)	(9.9)	(10.5)	(40.1)
Trading Net	(1.4)	(0.9)	(0.0)	(0.2)	(1.1)	(2.3)

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.

Executive Office

- 5.5. A small amount of income from group recharges for usage of desk space 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. This income is assumed funding towards the Good Growth Hub, which is intended to become the centrepiece of the LLDC's and its partners' work to deliver a truly

inclusive Innovation District, offering a dedicated space from which Park employers and local residents will co-design and access a range of bespoke services from London Living Wage-paid internships and apprenticeships to a Freelancers' Academy.

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 (including the work on LLDC's Transition Strategy) 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, governance and programme assurance, procurement, legal and professional fees (including tax advice), insurance, internal and external audit, commercial assurance and the costs of the LLDC Board. Legal, secretariat, indirect 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 supports the implementation of the London Environment Strategy across the Park's operation and development: This includes implementing a single-use plastic reduction action plan, implementing the GLA Group Responsible Procurement policy, and developing and implementing a carbon reduction plan that enables LLDC to achieve a 60% reduction in carbon emissions by 2025 from its operations, including plans to retrofit buildings, sourcing more renewable energy, offsetting all flights, and considering the opportunities to support decentralised energy and heat networks.

Transition costs

5.17. Note that, other than for some early professional fees and provision for some potential additional resource to support transition readiness, no revenue costs have been assumed in relation to LLDC's emerging Transition Strategy (e.g. staff-related costs). These costs will become more apparent as work on the strategy progresses and included in next year's budget submission.

Trading

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

Trading	2019/20 Forecast £000	2020/21 Budget £000	2021/22 Plan £000	2022/23 Plan £000	2023/24 Plan £000	Total Budget/Plan £000
Trading Income						
3 Mills Studios	3,850	5,100	5,100	5,100	5,100	20,400
ArcelorMittal Orbit	1,905	1,920	1,973	2,009	2,046	7,948
Other Attractions	-	111	153	157	253	674
Kiosks	50	50	50	50	51	201
London Aquatics Centre and Copper Box Arena	635	637	640	643	645	2,565
Off Park Assets	105	87	79	20	20	207
On Park Assets	409	422	1,097	968	578	3,065
The Last Drop	320	338	345	352	359	1,394
Timber Lodge Café	155	159	161	164	167	651
Telecoms & Wifi	131	164	154	154	154	625
Total Trading Income	7,560	8,989	9,751	9,616	9,374	37,730
Trading Expenditure						
3 Mills Studios	(3,500)	(4,500)	(4,500)	(4,500)	(5,100)	(18,600)
ArcelorMittal Orbit	(1,900)	(1,908)	(1,960)	(1,999)	(2,039)	(7,906)
London Aquatics Centre and Copper Box Arena	(2,696)	(2,776)	(2,806)	(2,841)	(2,795)	(11,218)
Off Park Assets	(484)	(306)	(100)	(100)	(100)	(606)
On Park Assets	(92)	(92)	(92)	(92)	(92)	(368)
The Last Drop	(209)	(213)	(217)	(221)	(226)	(877)
Timber Lodge Café	(120)	(121)	(123)	(125)	(127)	(497)
Telecoms & Wifi	(10)	(5)	(5)	(5)	(5)	(20)
Total Trading Expenditure	(9,011)	(9,921)	(9,803)	(9,884)	(10,484)	(40,092)
Net Trading	(1,451)	(932)	(52)	(267)	(1,110)	(2,361)
Net Trading (including EFM recharge)						
3 Mills Studios	350	600	600	600	-	1,800
ArcelorMittal Orbit	5	12	13	10	7	42
Other Attractions	-	111	153	157	253	674
Kiosks	50	50	50	50	51	201
London Aquatics Centre and Copper Box Arena	(2,060)	(2,139)	(2,167)	(2,198)	(2,149)	(8,653)
Off Park Assets	(379)	(218)	(21)	(80)	(80)	(399)
On Park Assets	317	330	1,005	876	486	2,697
The Last Drop	111	125	128	131	133	517
Timber Lodge Café	36	38	38	39	40	155
Telecoms & Wifi	121	159	149	149	149	605
Net Trading (including EFM recharge)	(1,451)	(932)	(52)	(267)	(1,110)	(2,361)

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 construction works beginning on the adjacent site (and elsewhere around the Park).

Trading expenditure

5.21. This shows the total costs for the operation of the venues, which remain broadly flat across the budget submission period until 2023/24 when there is increase mainly driven by additional expenditure at 3 Mills Studios towards site repairs and maintenance.

6. CHANGES FROM 2019/20 BUDGET SUBMISSION

6.1. The changes between the budget presented last year² and that presented this year are detailed in the following sections.

CAPITAL

Changes - Capital	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Plan £m	2022/23 Plan £m	2023/24 Plan £m	Total Budget/Plan £m
Net Capital Expenditure per 2019/20 Submission (incl rollovers)	(79.7)	(87.9)	(15.6)	16.2	22.6	(64.6)
Income						
Capital receipts	(1.3)	(12.1)	0.5	(15.9)	(17.7)	(45.2)
East Bank	(3.5)	31.2	46.5	3.9	(3.4)	78.2
GLA Grant	-	10.0	(33.0)	5.2	-	(17.8)
Other (incl Section 106/CIL)	0.1	0.8	0.1	0.1	0.1	1.0
Expenditure						
East Bank	3.2	(8.7)	(13.8)	(5.1)	3.1	(24.5)
Development - Infrastructure	2.3	(3.0)	17.9	(17.0)	2.5	0.5
Development - other	1.1	(6.5)	(9.2)	(0.1)	(3.4)	(19.2)
Stadium - Capital	17.9	16.3	15.7	17.0	(2.9)	46.1
Stadium - Transformation	(0.1)	-	-	-	-	-
Park and Venues	4.6	(5.7)	(1.1)	(0.6)	(0.1)	(7.4)
Regeneration	0.5	0.1	(0.1)	0.1	(0.2)	(0.0)
FCCS	(0.0)	0.2	0.2	0.2	(0.3)	0.3
Contingency	2.3	(1.1)	(1.2)	-	(0.3)	(2.5)
Corporation Tax	(0.9)	(1.3)	(0.6)	0.1	2.0	0.2
Irrecoverable VAT	-	-	-	-	-	-
Total Capital Changes	26.1	20.2	22.0	(12.2)	(20.4)	9.6
Net Capital Expenditure per 2020/21 Submission	(53.6)	(67.7)	6.4	4.0	2.3	(55.0)

6.2. Major changes are due to:

Capital receipts

- A decrease in forecast receipts from East Wick and Sweetwater due to revised House Price Inflation assumptions.
- The removal of 3 Mills Studios capital receipt pending a decision on its future as part of the Transition Strategy work.
- A re-profiling of expected receipts from the Hackney Wick Development from 2023/24 to 2024/25 (outside of the budget period).
- Offsetting the above is inclusion of anticipated receipts for Aquatics Triangle and Stour Space disposal in Hackney Wick, Crossrail contributions towards the U07 underpass works and an increase in Sugar House Lane overage.

East Bank

- Change mainly reflects contributions by UAL and BBC towards the cost of their buildings funded by repayable loans from LLDC; previously these contributions were recognised on a cash basis now adjusted to be shown an accruals basis.

GLA grant

- There is a net decrease in GLA Grant during the budget period, made up of an increase towards East Bank overspend but a reduction in grant to keep LLDC within its £520m borrowing limit.

East Bank expenditure

- East Bank expenditure reflects the additional forecast cost as set out earlier in this paper.

² Including 2018/19 year-end rollovers as presented to and agreed by the Board on 21 May 2019

Development – other

- Includes increased Development staffing costs following the agreed restructure and market benchmarking exercise during 2019/20.

Stadium – capital

- This reflects the change in funding for Stadium working capital as described in Section 4.

Park and Venues

- This change is largely driven by a reprofiling of spend on the second phase of Hostile Vehicle Mitigation works from 2019/20 to 2020/21, pending approval of a business case.

Contingency

- Assumed carry forward of capital contingency from 2019/20 for identified risks/trends.

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	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Plan £m	2022/23 Plan £m	2023/24 Plan £m
Borrowing Requirement (per prior approved year budget)	407.2	495.1	510.7	494.5	471.8
Annual net movements	(26.1)	14.9	20.5	14.2	17.0
Cumulative net movements	(26.1)	(11.2)	9.3	23.5	40.5
Closing Borrowing Requirement	381.1	483.9	520.0	518.0	512.3
Authorised Borrowing Limit	500.0	520.0	520.0	520.0	520.0
Headroom	118.9	36.1	-	2.0	7.7

REVENUE

Revenue income

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

Changes - Revenue	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Plan £m	2022/23 Plan £m	2023/24 Plan £m	Total Budget/Plan £m
Total Revenue Income per 2019/20 Submission (incl rollovers)	13.3	12.0	10.9	13.0	14.2	50.0
Fixed Estate Charge	-	-	-	(0.3)	(0.4)	(0.6)
Trading (Venues, Attractions, Kiosks)	0.1	3.0	5.9	6.0	5.6	20.5
Property rental	-	-	-	-	-	-
Car park income	(0.1)	(0.2)	(0.4)	(0.4)	(0.4)	(1.3)
Planning-related	0.9	-	-	-	-	-
Commercial sponsorship/advertising	(0.2)	-	-	-	-	-
Events	-	0.3	-	-	-	0.3
Other	-	0.1	(0.1)	(0.1)	0.2	0.2
Total Revenue Income Changes	0.7	3.2	5.5	5.3	5.0	19.1
Total Revenue Income per 2020/21 Submission	14.0	15.2	16.3	18.2	19.2	69.0

- 6.5. The key drivers of change are:

- Marginal decrease in the Fixed Estate Charge, reflecting a reprofiling of receipts from Chobham Manor and East Wick and Sweetwater.
- Various movements to Trading income forecasts including the removal of the 3 Mills Studio disposal assumption (so additional revenue income) and Rick

Roberts Way and Pudding Mill interim uses offset by reductions elsewhere (such as ArcelorMittal Orbit to reflect trading performance to date).

- Car park income has decreased to reflect performance to date and impact of East Bank and East Wick and Sweetwater developments (road closures and access restrictions).

Revenue expenditure

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

Changes - Revenue	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Plan £m	2022/23 Plan £m	2023/24 Plan £m	Total Budget/Plan £m
Total Revenue Expenditure per 2019/20 submission (incl rollovers)	(35.4)	(31.3)	(29.9)	(30.8)	(30.8)	(122.7)
Communications, Marketing and Strategy	0.0	(0.2)	(0.1)	(0.1)	(0.1)	(0.4)
Executive Office	0.1	0.1	0.1	(0.0)	0.0	0.2
Finance, Commercial and Corporate Services	0.2	(0.3)	(0.2)	(0.1)	(0.4)	(1.0)
Park Operations and Venues (excl Trading)	(0.1)	(0.6)	(0.3)	(0.3)	(0.5)	(1.7)
Planning Policy and Decisions	(0.9)	(0.8)	(0.2)	0.1	(0.2)	(1.1)
Regeneration and Community Partnerships	0.7	(0.2)	(0.1)	(0.1)	(0.1)	(0.6)
Stadium	(17.5)	(16.6)	(11.3)	(11.1)	(10.8)	(49.8)
Trading	(0.1)	(2.8)	(4.7)	(4.6)	(5.1)	(17.3)
Contingency	0.4	-	-	-	0.1	0.1
Total Revenue Expenditure Changes	(17.1)	(21.4)	(16.9)	(16.3)	(17.0)	(71.7)
Total Revenue Expenditure per 2020/21 submission	(52.4)	(52.7)	(46.7)	(47.1)	(47.8)	(194.3)

6.7. Main changes are:

- Increase in Finance, Commercial and Corporate Services for the extension of the E20 Stadium Commercial Lawyer role (albeit offset by recharge income) and for IT GLA Shared Service costs reflecting costs agreed with the GLA.
- Increase in Park Operations and Venues expenditure due to bridge inspection costs, staffing cost increases, increased security costs and changes to the EFM contract.
- Increase in Planning Policy and Decisions budget due to the requirement for consultant support to deal with major planning applications for Pudding Mill, East Wick and Sweetwater, Bromley-by-Bow and Bow East.
- Inclusion of Stadium funding for E20 Stadium LLP and London Stadium 185 Limited consolidated working capital requirement.
- Increase in Trading expenditure reflecting inclusion of 3 Mills Studios in LLDC's budget to the end of the budget submission period (pending a decision on its future as part of the Transition Strategy work).

7. SAVINGS AND EFFICIENCIES

7.1. Savings and efficiencies for 2020/21 are measured by comparing the budget submitted last year for 2019/20 against the budget submitted this year for 2020/21 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 or greater income is derived from the same asset. 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 2019/20, are shown in the following table.

Revenue: Total savings and efficiencies incorporated in the budget	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Savings					
Park Operations and Venues (excl Trading)	(153)	(58)	(272)	(241)	1
Trading	-	178	206	-	-
Regeneration and Community Partnerships	730	1,045	6	-	87
Planning Policy and Decisions	-	(539)	350	100	(80)
Communications, Marketing and Strategy	140	8	-	-	-
Corporate and Finance	1,162	44	33	3	4
Stadium	-	-	5,321	241	306
Total Savings	1,879	678	5,643	103	318
Efficiencies					
Park Operations and Venues (excl Trading)	(717)	26	97	1,032	119
Trading	(415)	381	739	(124)	(842)
Development	12	(15)	(45)	-	(20)
Planning Policy and Decisions	(475)	12	-	-	-
Communications, Marketing and Strategy	62	-	-	-	-
Executive Office	-	122	-	(150)	21
Corporate and Finance	(201)	785	180	28	55
Total Efficiencies	(1,734)	1,311	971	786	(667)
Total Savings and Efficiencies	145	1,989	6,614	889	(348)

- 7.3. The 2019/20 outturn is currently forecast to be £0.5m lower than the savings and efficiencies target identified during the 2019/20 budget submission (£0.6m). This is largely due to a reduction in car parking income (due to the impact of East Bank and housing developments in close proximity to the car parks), a reforecast of trading income from ArcelorMittal Orbit (reflective of the venue's current performance trends) and Off Park Properties (as they are handed over for development).
- 7.4. A significant amount of savings and efficiencies have been realised in previous years and the core costs for management of the Corporations deliverables and operation and maintenance of the Park are relatively fixed. In addition to the income and cost pressures already highlighted in this report, this limits the opportunities to generate further savings and efficiencies across the budget submission period. Potential areas of opportunity include better exploitation of sponsorship and marketing opportunities across the Park and above planned improvements in the Stadium.
- 7.5. Savings and efficiencies proposed in this year's budget submission arise from a range of initiatives (including increases in income):

Savings

- Stadium savings from 2021/22 (improvements to net event income, other commercial income and seat move costs)
- Reduction in regeneration and community partners spend for Socio Economic and Community Sport and Engagement, reflecting that these activities have now been transferred to other parties.
- Reduced costs for voids and off-Park properties as properties are being disposed of / handed over for development
- Reduced Planning spend for Policy and Decision support (albeit with an increase in 2020/21)

Efficiencies

- Increased income from 3 Mills Studios
- Reduction in required revenue contingency

- Reduced accommodation costs
- Rental income from the Here East forecast to begin being paid
- Reduced costs of and professional advice including legal support through TfL Legal
- Increased commercial income
- Reduced costs for interim uses of RRW and PML

7.6. There is a funding gap of £5.7m from 2021/22 to 2023/24 for which LLDC will need to identify additional savings and efficiencies, or source additional funding.

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 2020/21** are set out below, along with deliverables achieved in 2019/20:

Live

- Chobham Manor Phase 3 continues on schedule to complete in 2021/22

- East Wick and Sweetwater Phase 1 construction continues on schedule to complete in 2021/22
- Select a developer for Stratford Waterfront and Bridgewater residential development
- Submit a planning application for Pudding Mill Lane and Bridgewater sites, secure interim uses for the site
- Commence masterplanning and agree the 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
- Delivery plan for Stratford Station improvements agreed with partners

Delivered in 2019/20:

- *Completion of Phase 2 of Chobham Manor construction.*
- *Planning approval for Stratford Waterfront residential confirmed, procurement for a developer for Stratford Waterfront and Bridgewater to commence later in 2019/20*
- *Design teams appointed for Pudding Mill Lane and Bridgewater sites, preferred option to be identified later in 2019/20*
- *Delivery approach for Hackney Wick Neighbourhood Centre agreed, procurement for a developer to commence later in 2019/20*
- *3 Mills Studios river wall repairs are underway and will be substantially complete by the end of 2019/20*

Work

- Continue to deliver the QEOP 'East Works' jobs and skills programme, including:
- Good Growth Hub, the physical facility to consolidate and scale the East Works programme to open at Clarnico Quay
- QEOP Training Association on site facility launched
- 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 Built Environment curriculum in ten local schools and colleges
- Delivering demand led centrally commissioned construction training programme
- Completion of LLDC's Shared Training and Employment Programme (STEP) programme with East Bank partners and commencement of 2020/21 programme
- Hobs Studios training academy fully operational

Delivered in 2019/20:

- *Progressed the QEOP Training Association including procurement of the Training provider, planning to be submitted later in 2019/20 for site assembly in early 2020*
- *15 local young people selected for STEP programme with East Bank partners*

- *Delivery partner selected for Delivering the Hobs Studios training academy at Here East which will open later as a pilot later in 2019/20*
- *Delivery route for Good Growth Hub agreed*
- *Delivery of Creative Opportunities Programme in summer 2019*
- *Ongoing delivery of the Design...Engineer...Construct BIM curriculum in local schools and the demand led centrally commissioned construction training programme*

Visit

- Achieve estimated 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.
- Deliver two community events on QEOP (Great Get Together and Family Fun Day)
- Continue Stadium operations including football, summer athletics and Major League Baseball

Delivered in 2019/20:

- *On target to meet visitor estimates for the Park.*
- *Delivery of successful summer in the Stadium including Major League Baseball, athletics and Muse performing in concert*
- *Delivery of a programme of major sporting and community events on the Park including the Diving World Series, World ParaSwimming Championships and the Great Get Together*
- *High Ropes attraction due to open later in 2019/20*

Inspire

- Continue construction of East Bank Stratford Waterfront cultural and educational buildings to programme
- 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
- Deliver the QEOP Smart Sustainable District programme and CleanTech work streams (electric vehicle charging, smart grid, circular economy)

Delivered in 2019/20:

- *Stratford Waterfront Town Planning and UCL East Town Planning reserved matters approvals*

- *Ground breaking event held to mark the start of East Bank construction. Works have continued at Stratford Waterfront and UCL Marshgate.*
- *East Education programme has continued, including the East Summer School, a free 2-week programme for local young people with all East Bank partners.*
- *The trial of the Capri project on the Park, using autonomous pods on paths in the Park, was undertaken in September 2019.*
- *UCL start on site constructing their new university campus, UCL East (undertaken by UCL)*

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, E20 Stadium LLP and London Stadium 185 Limited.
- 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.
- Progress LLDC's Transition strategy

Delivered in 2019/20:

- *Agreed high-level LLDC Transition strategy to be agreed later in 2019/20*
- *The revised Local Plan and Community Infrastructure Levy are complete and public examination undertaken, the inspector's report is due to allow finalisation by the end of 2019/20*
- *Unqualified accounts for LLDC.*

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 4-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, a new cultural and educational centre, 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 2020-21 the LLDC's revenue and capital budgets will be deployed to deliver the following objectives:

Live

- Chobham Manor phase 3 continues on schedule to complete on 2021-22
- East Wick and Sweetwater phase 1 construction continues on schedule to complete in 2021-22
- Select developer for Stratford Waterfront and Bridgewater residential development
- Submit planning application for Pudding Mill Lane and Bridgewater sites, secure interim uses for the site
- Commence masterplanning and 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
- Delivery plan for Stratford Station improvements agreed with partners

Work

- Continue to deliver the QEOP 'East Works' jobs and skills programme, including:
- Good Growth Hub, the physical facility to consolidate and scale the East Works programme to open at Clarnico Quay
- QEOP Training Association on site facility launched.
- 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 Built Environment curriculum in ten local schools and colleges

-
- Delivering demand led centrally commissioned construction training programme
 - Completion of LLDC's Shared Training and Employment Programme (STEP) with East Bank partners and commencement of 2020-21 programme
 - Hobs Studios training academy fully operational

Visit

- Achieve estimated 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.
- Deliver two community events on QEOP (Great Get Together and Family Fun Day)
- Continue Stadium operations including football, summer athletics and Major League Baseball

Inspire

- Continue construction of East Bank Stratford Waterfront cultural and educational buildings to programme
- 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
- 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, E20 Stadium LLP and London Stadium 185 Limited
- 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
- Progress LLDC's Transition strategy

Gross revenue expenditure

- 7.4 Gross revenue expenditure in 2020-21 is budgeted to be £65.7 million including estimated capital financing costs of £13.0 million and Stadium funding of £16.6 million, £57.2 million net of financing costs. Note that Stadium funding, for its working capital requirement was previously funded from capital.
- 7.5 Gross revenue expenditure has increased by £19.2 million from the 2019-20 revised budget of which £16.6 million relates to the Stadium funding (previously included in capital). The remaining £2.6 million relates to financing costs (£1.9 million), which are driven by LLDC's level of borrowings, and a net increase across LLDC's other directorates (£0.7 million), including an additional £1.0 million of expenditure at 3 Mills Studios (offset by a corresponding increase in income).

Net revenue budget and council tax requirement

- 7.6 Net revenue expenditure in 2020-21 is budgeted to be £50.5 million, £37.5 million net of financing costs.
- 7.7 Net revenue expenditure (excluding changes in Stadium and financing costs) has decreased by £1.2 million from the 2019-20 revised budget. Its revenue budget is summarised on an objective basis in the following table.

Objective Analysis	Budget Submission (November 2019)					
	Revised Budget 2019-20	Forecast Outturn 2019-20	Budget 2020-21	Plan 2021-22	Plan 2022-23	Plan 2023-24
Park Operations and Venues, and Trading	9.0	9.0	9.6	9.6	10.1	10.3
Trading	8.9	9.0	9.9	9.8	9.9	10.5
Developments	0.1	0.1	0.1	0.1	0.1	0.1
Regeneration	3.3	2.6	2.4	2.4	2.4	2.4
Corporate	10.5	10.2	10.4	10.4	10.8	11.0
Planning Authority	2.5	3.4	3.1	2.6	2.3	2.3
Stadium	0.0	17.5	16.6	11.3	11.1	10.8
Irrecoverable VAT and contingency	1.0	0.6	0.6	0.5	0.5	0.4
Financing costs	11.1	10.5	13.0	15.1	15.6	15.5
Income/savings to be identified	0.0	0.0	0.0	-2.1	-1.8	-1.8
Total expenditure	46.5	63.0	65.7	59.7	60.9	61.5
Park, Operations and Venues	-3.8	-3.5	-3.9	-4.3	-6.2	-7.2
Trading	-7.5	-7.6	-9.0	-9.8	-9.6	-9.4
Developments	-0.1	-0.1	-0.2	-0.5	-1.0	-1.3
Regeneration	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Corporate	-0.3	-0.3	-0.4	-0.2	-0.2	-0.2
Planning Authority	-1.6	-2.5	-1.6	-1.4	-1.1	-1.0
Total income	-13.3	-14.0	-15.2	-16.3	-18.2	-19.2
Net expenditure	33.1	48.9	50.5	43.4	42.7	42.3
Retained Business Rates	16.8	16.8	16.0	16.0	16.0	16.0
Mayoral Development Corporation Reserve	5.2	4.1	4.9	1.0	0.0	0.0
Stadium funding	0.0	17.5	16.6	11.3	11.1	10.8
GLA funding for financing costs	11.1	10.5	13.0	15.1	15.6	15.5
Council tax requirement	0.0	0.0	0.0	0.0	0.0	0.0

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 2019-20 with 2020-21 Budget

2019-20 council tax requirement	0.0
<i>Changes due to:</i>	
Inflation	0.5
Savings and efficiencies	-2.0
Net change in service expenditure and income, excluding inflation and savings	18.8
Net change in GLA funding	-17.3
2020-21 council tax requirement	0.0

Inflation

7.10 The EFM contract with Engie has a clause allowing the core contract to rise by CPI. An assumed rate of 2.0% has been incorporated into the budget.

7.11 LLDC's forecast payroll bill for 2020-21 assumes increases for annual increments dependent on performance and a 2.0% cost of living award.

Savings and efficiencies

7.12 The budget incorporates planned savings and efficiencies of £2.0 million.

7.13 The 2019-20 outturn is currently forecast to be £0.5 million lower than the savings and efficiencies target identified during the 2019-20 budget submission (£0.6 million). This is largely due to a reduction in car parking income (due to the impact of East Bank and housing developments in close proximity to the car parks), a reforecast of trading income from ArcelorMittal Orbit (reflective of the venue's current performance trends, and to allow for the impact of UCL construction beginning on an adjacent site) and lower Off Park Properties income (as they are handed over for development).

7.14 A significant amount of savings and efficiencies have been realised in previous years, 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.

7.15 Savings and efficiencies proposed within this year's budget submission arise from a range of initiatives, including increases in income:

Savings

- Reduction in regeneration and community partners spend for Socio Economic and Community Sport & Engagement
- Reduced costs for voids and off park properties as properties are being disposed of / handed over for development

Efficiencies

- Increased income from 3 Mills Studios within the budget period

-
- Reduction in required revenue contingency
 - Reduced accommodation costs
 - Rental income from the Here East forecast to begin being paid
 - Reduced costs of and professional advice including legal support through TfL Legal

7.16 The budget currently reflects a funding gap of £5.7 million between 2021-22 and 2023-24 for which LLDC will need to identify additional savings and efficiencies, or source additional funding.

Net change in service expenditure and income

7.17 The budget proposes a £18.8 million increase in service expenditure and income (before savings and efficiencies); however, this includes £16.6 million relating to Stadium expenditure and £1.9 million for financing costs. Excluding these, there is an underlying net year-on-year increase of £0.3 million.

Change in GLA funding

7.18 The LLDC receives its revenue funding via the GLA, paid from business rates and funds held in the Mayoral Development Corporation Reserve. Funding for Stadium expenditure (previously held in capital) is also provided by the GLA.

7.19 The LLDC's reserves have been subsumed into the GLA's earmarked reserves. The GLA will fund historic aggregate underspends carried forward of up to £5.9 million.

Equalities

7.20 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.

7.21 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.'

7.22 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.

7.23 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.

7.24 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.

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

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

7.27 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.

7.28 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.

7.29 Other notable examples of action taken are:

- Participating in the 'Our Time: Supporting Future Leaders' programme (Womens' sponsorship programme across the GLA)
- Achieving the 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 the Transitions Programme to provide short-mid term development (paid London Living Wage)
- Recruited Black and Ethnic Minority Apprentices from local communities
- Provided Inclusive leadership training for LLDC's senior team
- Mandated unconscious Bias recruitment training across the whole organisation (including Board)

Environmental impact

7.30 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 that

exceeds requirements under the London Plan. The LLDC commits to implementing the new London Plan environmental policies.

- 7.31 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.
- 7.32 LLDC supports the efficient and effective delivery of the London Environment Strategy; delivered by ensuring that Mayoral targets are met by planning, procuring and project managing the sustainability elements of developments over which LLDC has influence. This includes providing sustainability-related input to the East Bank development, related to carbon emissions (in-use and embodied), water consumption and efficient use of materials/supply chain management.
- 7.33 In addition, the directorate's budget for activities promoting environmental sustainability supports the implementation of the London Environment Strategy across the Park's operation and development. This includes:
- Drafting and implementing a new Biodiversity Action Plan (BAP) for the Park;
 - Supporting the development of the circular economy, including implementing a single-use plastic reduction action plan;
 - Implementing the GLA Group Responsible Procurement policy;
 - Developing and implementing a carbon reduction plan that enables LLDC to achieve a 60 per cent reduction in carbon emissions by 2025 from its operations (this includes continued efforts to improve the energy efficiency of the Park's venues);
 - Sourcing renewable electricity;
 - Offsetting all flights;
 - Considering the opportunities to support decentralised energy and heat networks; and
 - Supporting the deployment of LLDC's Carbon Offset Fund; developing partnerships to ensure this resource is effectively invested – reflecting the urgency of the Mayor's Climate Emergency response.
- 7.34 Additionally, the budget supports working with stakeholder organisations to bring about good environmental outcomes in collaboration with LLDC partners, both existing (e.g. the Smart Mobility Living Lab) and developing e.g. with the GLA and partners to promote CleanTech (environmentally beneficial products and services).

Reserves

- 7.35 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 £5.9 million of cumulative underspend carried forward in 2020-21. The reserves (held by the GLA on behalf of LLDC) phase out over time, with LLDC fully reliant on the GLA for revenue grant funding in the future years. There are sufficient reserves and grant funding to balance LLDC's requirements for 2020-21. However, revenue gaps in the following three years will need to be addressed to reduce the funding requirement to the GLA's ongoing allocation of £16.0m per year (excluding Stadium revenue grant and grant funded financing costs).

Appendix

London Legacy Development Corporation

Table 1: LLDC - Subjective analysis

Subjective Analysis	Budget Submission (November 2019)					
	Revised Budget	Forecast Outturn	Budget	Plan	Plan	Plan
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
Employee expenses	8.6	8.1	9.2	9.1	9.4	9.7
Premises costs	1.3	1.2	1.2	1.3	1.4	1.4
Supplies and services	25.5	43.1	42.3	36.4	36.3	36.7
Income/savings to be identified	0.0	0.0	0.0	-2.1	-1.8	-1.8
Financing costs	11.1	10.5	13.0	15.1	15.6	15.5
Total expenditure	46.5	63.0	65.7	59.7	60.9	61.4
Total income	-13.3	-14.0	-15.2	-16.3	-18.2	-19.2
Net expenditure	33.1	48.9	50.5	43.4	42.6	42.2
Retained Business Rates	16.8	16.8	16.0	16.0	16.0	16.0
Mayoral Development Corporation Reserve	5.2	4.1	4.9	1.0	0.0	0.0
Stadium funding	0.0	17.5	16.6	11.3	11.1	10.8
GLA funding for financing costs	11.1	10.5	13.0	15.1	15.6	15.5
Council tax requirement	0.0	0.0	0.0	0.0	0.0	0.0

Table 2: LLDC - Capital financing costs

Financing costs	Capital Spending Plan						
	2018-19	2019-20	1	2	3	4	5
	Outturn	Revised Budget	2019-20	2020-21	2021-22	2022-23	2023-24
Capital financing expenditure item	£m	£m	Forecast Outturn £m	Plan £m	Plan £m	Plan £m	Plan £m
Financing costs	10.9	11.1	10.5	13.0	15.1	15.6	15.5
Total	10.9	11.1	10.5	13.0	15.1	15.6	15.5

Financing costs	Capital Strategy		
	6 to 10	11 to 15	16 to 20
	2024-25 to 2028-29	2029-30 to 2033-34	2034-35 to 2038-39
Capital financing expenditure item	Plan £m	Plan £m	Plan £m
Financing costs	67.3	44.2	33.9
Total	67.3	44.2	33.9

Table 3: LLDC - Authorised limit for external debt

	2019-20	2019-20	2020-21	2020-21	2021-22	2021-22	2022-23
	Approved	Requested	Approved	Requested	Approved	Requested	Requested
	(March 2019)	Approval (Nov 2019)	(March 2019)	Approval (Nov 2019)	(March 2019)	Approval (Nov 2019)	Approval (Nov 2019)
	£m	£m	£m	£m	£m	£m	£m
Borrowing	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
Total	500.0	500.0	520.0	520.0	520.0	520.0	520.0

Table 4: LLDC - Operational limit for external debt

	2019-20 Approved (March 2019) £m	2019-20 Requested Approval (Nov 2019) £m	2020-21 Approved (March 2019) £m	2020-21 Requested Approval (Nov 2019) £m	2021-22 Approved (March 2019) £m	2021-22 Requested Approval (Nov 2019) £m	2022-23 Requested Approval (Nov 2019) £m
Borrowing	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
Total	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 2023-24 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	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m
GLA: Mayor				
GLA: London Assembly				
MOPAC				
LFC				
TfL				
LLDC	1.989	6.614	0.889	(0.348)
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	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m
GLA: Mayor				
GLA: London Assembly				
MOPAC				
LFC				
TfL				
LLDC	0.000	2.100	3.885	5.702
OPDC				
Total				

LLDC Capital Strategy 2020/21

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 in 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), Balfour Beatty

Investments Limited and Places for People (East Wick and Sweetwater) and Delancey (Here East).

- **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 Londoners²’ – 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), Here East
<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.

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

³ As defined by the Mayor’s Budget Guidance 2020-21 (issued June 2019)

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

- 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, 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 London College of Fashion 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. 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 independent 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 2020-21 (issued June 2019)

⁵ As defined by the Mayor's Budget Guidance 2020-21 (issued June 2019)

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 (259 units) and phase two (207 units) are complete, phase three is in train and phase four is due to start construction in the current financial year.

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 is being delivered by East Wick and Sweetwater Projects (Balfour Beatty Investments and Places for People). It will deliver 1,500 homes, 31% affordable. Phase one (302 units) started on site in October 2018. Enabling infrastructure works are well progressed, 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). That commitment was embedded within the planning consent granted for Stratford Waterfront in July 2019.

The Mayor also agreed that these developments will be delivered via joint ventures, with the GLA investing directly into those joint ventures and 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.

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

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 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. Outline planning permission was granted in July 2019 with developer procurement expected to take place in early 2020.

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 is progressing its masterplan for Pudding Mill Lane, with a planning application expected to be submitted in October 2020.

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. LLDC is discussing the delivery approach for Rick Roberts Way with London Borough of Newham, which is proposed to include a disposal of LLDC's interest to London Borough of Newham, with an obligation for them to deliver the balance of the portfolio affordable housing on the site.

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 (1%).

On 22 January 2019, LLDC (via its subsidiary, E20) acquired the full share capital of the stadium operator, London Stadium 185 Limited, from Vinci Stadium. The acquisition gives LLDC full control of the Stadium operations, allowing it to better deliver its plans to make the Stadium operationally efficient and financially sustainable in the long-term.

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 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 LTM 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

8.6. LLDC regularly reviews its capital receipt assumptions and ‘stress-tests’ these in particular circumstances. LLDC regularly shares the outputs of such exercises with its funded, the GLA, to ensure the sensitivity and risks associated with LLDC’s capital receipt assumptions are clearly understood, particularly in circumstances where these receipts are subject to third party and/or market performance. When and where appropriate, LLDC also considers exit plans for key contractors.

8.7. 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. ‘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. Ensure best outcome from residential development.

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.

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

12. Capital Strategy – Delivery, Affordability and Risk

- 12.1. Within the Prudential Code it is the responsibility of the Chief Finance Officer (currently, 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.

Delivery

- 12.2. The delivery of the individual schemes in LLDC's Capital Investment Plan⁸ are set out in 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, which are reviewed by LLDC's Investment Committee and Board.
- 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).

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

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.

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 Table 1		Years	Capital Spending Plan (Schedule 1a)						
			2018-19	2019-20	1	2	3	4	5
Item	Further information	Outturn	Revised Budget	Forecast Outturn	Plan	Plan	Plan	Plan	
		£m	£m	£m	£m	£m	£m	£m	
East Bank		27.0	86.9	83.7	195.3	142.5	13.5	2.5	
Development	Includes infrastructure costs required under Section 106 obligations	19.5	29.3	26.0	20.5	17.6	30.4	12.2	
Stadium	Includes lifecycle costs and other capital investment	25.3	29.9	12.1	14.5	3.5	2.9	2.9	
Park and Venues	Includes Park and venue lifecycle costs	3.4	10.3	5.7	7.4	2.7	3.8	1.9	
Regeneration		0.3	0.8	0.3	0.5	0.4	0.1	0.2	
Finance, Commercial and Corporate Services	Includes ICT and East Bank assurance costs	2.1	3.1	3.0	1.9	1.6	1.5	1.4	
Corporation Tax and Contingency	Incurred on capital receipts and income	2.7	8.6	7.2	4.0	2.8	2.9	3.5	
Other	2019/20 includes a cash versus accruals timing adjustment	-6.7	7.9	7.9	0.0	0.0	0.0	0.0	
BBC/UAL Loan Cash Adjustment	Adjustment for BBC/UAL loan	0.0	0.0	0.0	35.0	42.5	2.1	-3.4	
Total		73.6	176.8	145.9	279.1	213.6	57.2	21.2	

Capital Investment Plan Table 1		Years	Capital Strategy (Schedule 1b)		
			6 to 10	11 to 15	16 to 20
Item	Further information	2024-25 to 2028-29	2029-30 to 2033-34	2034-35 to 2038-39	
		Plan	Plan	Plan	
		£m	£m	£m	
East Bank		2.2	0.2	0.0	
Development	Includes infrastructure costs required under Section 106 obligations	20.8	5.1	0.0	
Stadium	Includes lifecycle costs and other capital investment	15.0	15.0	0.0	
Park and Venues	Includes Park and venue lifecycle costs	10.8	17.6	10.8	
Regeneration		0.0	0.0	0.0	
Finance, Commercial and Corporate Services	Includes ICT and East Bank assurance costs	1.3	1.0	1.0	
Corporation Tax and Contingency	Incurred on capital receipts and income	22.0	22.3	12.3	
Other	2019/20 includes a cash versus accruals timing adjustment	6.7	0.0	0.0	
BBC/UAL Loan Cash Adjustment	Adjustment for BBC/UAL loan	-18.1	-19.8	-21.9	
Total		60.7	41.4	2.2	

Appendix 2 – Capital Funding Plan

Capital Funding Plan Table 2		Capital Funding Plan						
		2018-19	2019-20	1	2	3	4	5
Item	Further information	Outturn	Revised Budget	Forecast Outturn	Plan	Plan	Plan	Plan
		£m	£m	£m	£m	£m	£m	£m
Capital Receipts		20.3	32.0	30.7	26.0	39.8	33.0	6.4
GLA Grant		3.3	17.6	17.6	75.8	91.1	11.3	7.4
East Bank		56.1	39.3	35.8	73.8	46.5	14.8	13.0
Other (incl Section 106/CIL)	Includes contributions towards projects (e.g. Section 106), for example Ha	0.3	0.3	0.3	0.8	0.1	0.1	0.1
Borrowing	GLA borrowings / Repayment of GLA borrowings in 2022/23	-6.4	87.6	61.5	67.7	-6.4	-4.0	-2.3
Borrowing	Adjustment for BBC/UAL loan	0.0	0.0	0.0	35.0	42.5	2.0	-3.4
		73.6	176.8	145.9	279.1	213.6	57.2	21.2

Capital Funding Plan Table 2		Capital Funding Plan		
		6 to 10	11 to 15	16 to 20
Item	Further information	2024-25 to 2028-29	2029-30 to 2033-34	2034-35 to 2038-39
		Plan	Plan	Plan
		£m	£m	£m
Capital Receipts		171.0	90.1	29.8
GLA Grant		54.3	26.7	24.7
East Bank		15.0	0.0	0.0
Other (incl Section 106/CIL)	Includes contributions towards projects (e.g. Section 106), for example Ha	0.0	0.0	0.0
Borrowing	GLA borrowings / Repayment of GLA borrowings in 2022/23	-161.5	-55.6	-30.4
Borrowing	Adjustment for BBC/UAL loan	-18.1	-19.8	-21.9
		60.7	41.4	2.2

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. Development receipts

Timing

The four-year budget assumes receipts from East Wick and Sweetwater and Chobham Manor. Timing of receipts and slippage on the developments have 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. These matters can present significant challenges to the viability of large-scale residential developments.

Market risk and house price inflation (HPI) assumptions

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

Previous assumptions (used for last year's budget submission) were based upon QEOP-specific forecasts. However, given the uncertainty in the current economic outlook, LLDC has revised its HPI assumptions this year based on an average of third-party London-wide forecasts.

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.

2. Corporation Tax

LLDC is liable to pay corporation tax and there is a risk that changes in tax legislation or rulings from HMRC could have an adverse impact upon LLDC's forecast costs.

3. East Bank

Anticipated Final Cost

East Bank costs reflect the Anticipated Final Cost (AFC) as at 30 September 2019 – giving an overall net adverse variance.

The construction baseline AFC reflects tender returns from the market on packages, which are greater than budget.

In response to the increase in prices, there are several actions in progress:

- a Value Engineering exercise looking at all options for reducing costs.
- revisions to the packaging strategy.

- LLDC are selectively taking tariff and foreign exchange risk.

Overall there is a risk that if the above mitigating actions are not successful, thereby increasing the AFC (and therefore budget deficit) further.

Timing

The budget reflects the latest profile of anticipated spend on East Bank, reflecting the agreed procurement strategy. The programme is designed to achieve the opening date for UAL on 2022. There is a risk that the timing of the spend may vary if delays are encountered.

Philanthropic funding

The budget includes assumptions for philanthropic income from 2022/23 to 2026/27. There is a risk that the East Bank charity, Foundation for FutureLondon, is unsuccessful in raising capital donations required by the business plan, particularly in the timeframe assumed.

4. 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.

5. 3 Mills Studios

The previously assumed disposal of 3 Mills Studios has now been removed from the Long Term Model; a revised strategy for the future of the asset will be brought to the Investment Committee in early 2020.

An assessment of the capital investment required to maintain and improve the site has been undertaken and some provision for these costs allowed for in the capital and revenue budgets; however, any additional costs beyond these would require additional funding to be secured (e.g. from the GLA).

REVENUE RISKS

6. E20 Stadium LLP (E20)

E20 working capital (i.e. operational) funding is now included within LLDC's revenue budget (was previously in capital). This has the effect of moving Stadium funding, across the budget period, from capital to revenue, and is based upon the consolidated E20 and London Stadium 185 Limited (LS185) 5-year plan. There is a risk that E20 and LS185 do not deliver the improvements assumed within the plan.

Some allowance is also included for restructuring costs and further capital investment into areas such as the seating and lifecycle. There is a risk, however, that this may prove inadequate.

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 Rented 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.

Here East have an option to buy out LLDC's rental interest in Here East at Market value, which will result in a credit to borrowings, however, the rental stream forgone is significant.

9. Trading performance

Whilst the forecast income from the ArcelorMittal Orbit has been reduced in this budget submission, there is a risk that further deterioration in performance occurs. Note that 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 more general risk that LLDC's venues and attractions, including the new high ropes attraction due to open in early 2020, suffer lower visitor numbers (and therefore revenue) over the budget period, particularly whilst there is significant construction work being undertaken on the Park.

10. Commercial sponsorship and new attractions risk

The budget currently assumes an additional income can be secured for commercial sponsorship (advertising on individual assets and/or Park-wide) from 2020/21 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 budget 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. General uncertainties in the economy, particularly over Brexit, create a risk that inflation may be higher.

13. Transition costs

LLDC is currently developing its future Transition Strategy; however, other than for some early professional fees and a new staff post (in Park Operations and Venues) to support on transition readiness, 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 risks outlined in this Appendix are included in the corporate and departmental risk registers and are managed through LLDCs embedded risk management process.