

2021/22 Budget Submission

1. SUMMARY

- 1.1. This report sets out the London Legacy Development Corporation's (LLDC) 2021/22 capital and revenue budget submission to the Mayor of London (the Mayor). The submission is prepared in accordance with the Mayor's Budget Guidance issued in June 2020. This year the revenue budget submission is only required to cover the financial years 2021/22 and 2022/23 due the significant uncertainty caused by the COVID-19 pandemic. The impact of the crisis is a key theme in this year's submission.
- 1.2. 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.

2. BACKGROUND

- 2.1. LLDC's budget forms part of the GLA Group budget. The GLA statutory budget process ensures there are robust financial plans to support Mayoral objectives and priorities within available resources.
- 2.2. As for all members of the GLA Group, LLDC is also required¹ 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 2021/22 is attached at Appendix 1 and covers the content required by the Mayor's Budget Guidance.
- 2.3. This year's Budget Guidance is dominated by the forecast impact of the COVID-19 pandemic on the GLA's financial position and, therefore, its funding of functional bodies. Accordingly, the Budget Guidance required all functional bodies, including LLDC, to:
 - immediately repurpose the agreed 2020/21 Budget to deliver in-year savings and efficiencies (for LLDC this is a target of £7.4m);
 - prepare 2021/22 budget submission to meet the savings and efficiencies target set (£2.1m for LLDC); and
 - to assist in delivering further Group-wide collaboration (LLDC already collaborates widely with the GLA Group).
- 2.4. Significant work was undertaken immediately following the publication of the guidance in June and developed as part of this submission. Further details on the required savings and how LLDC intends to achieve these are set out in Section 8.
- 2.5. 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 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 – 35% and 31% affordable • 14,300 homes in planning area by 2023 (21,000 overall since 2014) • 50% affordable housing to be delivered on a portfolio basis across Stratford Waterfront, Pudding Mill Lane, Rick Roberts Way • Pudding Mill Lane and Rick Roberts Way reviewed with a view to accelerating delivery

<p style="text-align: center;">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 – 6.2m visitors per year • Hosting major events at the London Stadium (e.g. Major League Baseball) • Additional council tax and business rates that is being generated within the LLDC area (since 2005). The most recent analysis was that in 2019-20 this was c£70m and by 2039-40 this will increase to £225m.
<p style="text-align: center;">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 style="text-align: center;">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 creating an inclusive and diverse workplace across

		<p>LLDC (further information is provided at Section 9)</p> <ul style="list-style-type: none"> • Stratford Station – development of an outline business case for investment in improvement works
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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 bottom-up review, involving all the LLDC Executive Management Team (EMT), of all revenue budgets as part of the July savings review (following publication of the Mayor's Budget Guidance);
 - an extensive review of the key capital 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 EMT and the LLDC Investment Committee; and
 - meeting senior representatives from the GLA, including the Executive Director of Resources and the Mayor's Chief of Staff, to review the financial projections prior to submission, covering the implications for capital budgets, revenue costs and income forecasts.

4. CAPITAL BUDGET

- 4.1. 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.
- 4.2. LLDC's borrowing limit was capped in 2018/19 at £520m and, 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 Lane 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.
- 4.3. During 2020/21, the Mayor agreed to provide loan funding to LLDC such that it can invest directly into a joint venture to deliver the Stratford Waterfront and Bridgewater Triangle² residential developments. This change to the funding approach set out at 4.2 is to ensure LLDC can:
- Drive delivery of outstanding residential development, that ensures design integrity and regeneration outcomes;
 - Influence delivery programme;

² Part of the Pudding Mill Lane site

- Maximise the returns on investment to LLDC and ultimately the GLA; and
 - Utilise its experience of procuring and managing other developments within the Queen Elizabeth Olympic Park (QEOP).
- 4.4. Accordingly, the equity requirements and expected returns are built into LLDC's 2021/22 budget submission. The delivery approach for the remainder of the Pudding Mill Lane site is still to be agreed with the GLA and, as a result, is not reflected in this submission.
- 4.5. In September 2020, the Mayor approved the allocation of £88.4m towards LLDC's capital programme, in response to a range of pressures facing East Bank and other projects, caused largely by the COVID-19 crisis, and to ensure LLDC remained within its existing borrowing limit of £520m. This allocation was based on a snapshot of LLDC's Long Term Model at that time and was, therefore, likely to change during the budget submission process.
- 4.6. LLDC has a complex long-term capital programme that is subject to significant volatility, particularly in the short and medium-term. During the budget submission process, it was identified that, due to further movements in the expected quantum and timing of capital receipts and expenditure (including from the impact of COVID-19 and other market changes), an additional £37.7m of capital grant was required from the GLA to keep LLDC within its £520m borrowing limit during the years 2023/24 to 2025/26.
- 4.7. Following discussions with the GLA, LLDC has agreed to instead show this additional requirement as loan funding with a commitment by the GLA to review of LLDC's borrowing limits over the coming years (these would need to be increased to £550m and £560m in 2023/24 and 2024/25, respectively). Due to the inherent volatility within LLDC's capital programme (particularly due to the COVID-19 pandemic) and given forecast borrowings for the immediate budget year (2021/22) are well within the current £520m limit, this decision is not required now and will be reviewed again during next year's budget submission.
- 4.8. The proposed capital plan for the next four financial years is set out in the following table, alongside the forecast outturn for 2020/21 (as at 30 September 2020). Further details of LLDC's overall capital plan are included within the Capital Strategy at Appendix 1.
- 4.9. LLDC reviews its short-term capital forecasts monthly to ensure they remain as accurate as possible and based on the latest assumptions. The updated short-term forecasts are presented to LLDC's EMT each month and published in LLDC's Quarterly Corporate Performance Report.

Capital Budget	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Plan £m	2023/24 Plan £m	2024/25 Plan £m	Total Budget/Plan £m
Income						
Capital receipts	10.9	48.2	11.6	10.5	13.9	84.2
East Bank	66.4	44.9	38.7	54.9	7.9	146.4
GLA Grant	75.8	91.6	58.2	48.9	-	198.8
Other (incl Section 106/CIL)	0.9	1.0	0.1	0.4	-	1.5
Total Capital Income	154.1	185.8	108.7	114.7	21.8	431.0
Expenditure						
East Bank	(89.2)	(178.6)	(167.5)	(62.3)	(14.3)	(422.7)
Development - Infrastructure	(8.8)	(1.0)	(11.3)	(19.2)	(4.3)	(35.8)
Development - other	(15.7)	(7.9)	(9.2)	(9.5)	(12.8)	(39.3)
Stadium - Capital	(15.3)	(3.5)	(2.9)	(2.9)	(3.0)	(12.3)
Stadium - Transformation	(0.6)	-	-	-	-	-
Park and Venues	(9.4)	(3.0)	(3.9)	(2.3)	(1.4)	(10.5)
Regeneration	(0.6)	(0.2)	(0.3)	(0.2)	(0.2)	(0.8)
FCCS	(3.1)	(1.9)	(1.7)	(1.7)	(1.5)	(6.9)
Contingency	(9.1)	(2.6)	(0.9)	(0.7)	(0.3)	(4.6)
Corporation Tax	(2.2)	(5.8)	-	-	(1.4)	(7.2)
Irrecoverable VAT	-	-	-	-	-	-
Total Capital Expenditure	(153.9)	(204.5)	(197.7)	(98.9)	(39.1)	(540.2)
Net Capital Expenditure	0.2	(18.7)	(89.1)	15.9	(17.4)	(109.2)
Cash Adjustments (incl for BBC/UAL Loan Fundi	(17.6)	(22.9)	(17.1)	(39.0)	3.4	(75.6)
Cumulative borrowing	372.2	413.8	520.0	543.1	557.1	

Capital Income

Capital Receipts

- 4.10. Capital receipts over the next four years mainly reflect anticipated income from Chobham Manor and East Wick and Sweetwater.
- 4.11. Also included in capital receipts are anticipated receipts from the Bromley-by-Bow development, Hackney Wick Neighbourhood Centre development (currently being procured) and from the disposal of LLDC's share of land at Chobham Farm.

East Bank

- 4.12. 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 are funded via a loan facility from LLDC, repayments of which are expected to begin in 2023/24.
- 4.13. Within the next four years, there is also the first expected land receipt from the Stratford Waterfront residential development. Also included are philanthropic funds to be raised by Foundation for FutureLondon and expected contributions from East Bank partners and other key stakeholders.

GLA grant funding

- 4.14. As set out in section 5.1, the GLA is providing capital grant funding towards East Bank (including the additional cost of the overall East Bank increased budget – see section 4.15), to ensure LLDC remains within its borrowing limit of £520m (currently profiled across 2021/22 to 2022/23 – beyond that, LLDC currently exceeds the £520m limit, see 4.7), and relating to the proceeds that LLDC would previously have received from its delivery of residential developments.

Capital Expenditure

East Bank

- 4.15. Reflected in this year's budget submission is an increase of £114.7m in the AFC of the East Bank project. Of this increase, over half (£62.7m) is due to the estimated impact of COVID-19 on the project. This estimate is based on a robust package-by-package review undertaken by Mace (LLDC's Project Management Partner) and

assumes social distancing until December 2021³. Mace are currently working on a revised programme, which will allocate the additional costs on a build-by-building basis. At this point, therefore, the assumed profiling of expenditure (and additional contributions by UAL under their agreement – see 4.12) is based on high-level assumptions and subject to change. The remainder of the increase in the AFC is driven by continuing higher than anticipated tender price returns and Stage 4 design issues.

- 4.16. Also included within the East Bank costs this year is the required equity to invest in the Stratford Waterfront residential development the joint venture (note the Bridgewater Triangle equity is covered under 'Development' – see 4.19). This funding will be accessed from the GLA via a newly established subsidiary of LLDC and count against LLDC's overall borrowing limit.
- 4.17. University College London's (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

- 4.18. Development costs over the next four years relate mainly to Legacy Communities Scheme (LCS) Section 106 infrastructure works, including for East Wick and Sweetwater, Bridgewater Triangle and Pudding Mill Lane 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 last year (June 2019).
- 4.19. This year, Development costs now include the equity payments required for investment into the joint venture to deliver the Bridgewater Triangle residential site (note the required Stratford Waterfront equity contributions are included in East Bank – see 4.16).
- 4.20. Also included are development strategy costs for masterplanning, design, planning submissions and joint venture/developer procurements on the remainder of Pudding Mill Lane and the Rick Roberts Way development.
- 4.21. Development costs also include staffing (which is capitalised against projects) and a small amount of funding to lead the development of a joint business case (with Transport for London and Network Rail) to Government for the redevelopment of Stratford Station.
- 4.22. Note that 'Development – other' includes the cost of LLDC's Construction team.
- 4.23. 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.
- 4.24. As a result, LLDC submitted a proposal to the Mayor to deliver 50% affordable housing across its three remaining sites⁴ using a 'portfolio approach' - i.e. an average of 50% across the three sites on a unit basis. Note that as the schemes develop LLDC will seek to change this measurement from a unit to habitable room basis.
- 4.25. The following updates/changes have occurred since last year's budget submission:
- Delivery of the Stratford Waterfront residential is now combined with Bridgewater Triangle (part of the Pudding Mill Lane site). Following approval by the LLDC Investment Committee in March 2020, delivery of these sites will be through a joint venture approach, with LLDC (via a newly established subsidiary) investing equity into a joint venture delivery vehicle alongside a third-party developer. The equity requirement and associated returns are now

³ Note these assumptions were prepared prior to the latest announcements regarding the progress of vaccination development programmes

⁴ Stratford Waterfront (SWF), Pudding Mill Lane (PML) and Rick Roberts Way (RRW)

reflected in LLDC's Long Term Model. The development opportunity was launched into the market in October 2020 with procurement expected to conclude by early 2022 (exchange of contracts).

- LLDC is well progressed in its masterplan for the remainder of Pudding Mill Lane, with a planning application expected to be submitted in early 2021. The modelling has been updated to reflect the emerging masterplan and the latest market position. Whilst the costs of masterplanning the site and delivering some elements of infrastructure are reflected within LLDC's Long Term Model, the overall delivery approach for this site is still to be agreed with the GLA.
- LLDC has progressed discussions with London Borough of Newham (LBN) on a suitable approach for the delivery of Rick Roberts Way.

Stadium

- 4.26. Costs for the Stadium relate to LLDC's funding towards the Stadium's capital investment for lifecycle and improvement projects (note that major projects such as the new seating system were undertaken during 2020/21). Funding towards the Stadium's working capital (i.e. operational) requirements are included in LLDC's revenue budget.

Park and Venues

- 4.27. 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.

Regeneration

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

Finance, Commercial and Corporate Services (FCCS)

- 4.29. 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

- 4.30. 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

- 4.31. 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

- 4.32. The following table shows the total borrowing requirement in the proposed budget against the current borrowing limits. As noted earlier in this paper, LLDC has a complex long-term capital programme that is subject to significant volatility, particularly in the short and medium-term. The following table shows that, due to further adverse movements in the expected quantum and timing of capital receipts and expenditure, LLDC is forecast to exceed its current £520m borrowing limit in 2023/24 and 2024/25.
- 4.33. Following discussions with the GLA, LLDC has agreed to show this additional requirement as loan funding subject to a commitment by the GLA to review of LLDC's borrowing limits over the coming years. Due to the inherent volatility within LLDC's capital programme, particularly considering the COVID-19 pandemic, and as the requirement for the immediate year in 2021/22 is well within the current £520m limit, this decision is not required now and will be reviewed again during next year's

budget submission. Proposed new limits are included in the GLA budget submission at Appendix 1.

Summary of Borrowing Requirements	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Plan £m	2023/24 Plan £m	2024/25 Plan £m
Opening Borrowing Requirement	354.9	372.2	413.8	520.0	543.1
Net Capital Expenditure	(0.2)	18.7	89.1	(15.9)	17.4
Cash Adjustments for BBC/UAL Loan Funding	-	22.9	17.1	39.0	(3.4)
Cash vs accruals timing adjustment	17.6	-	-	-	-
Closing Capital Requirement	372.2	413.8	520.0	543.1	557.1
Authorised Borrowing Limit	520.0	520.0	520.0	520.0	520.0
Headroom	147.8	106.2	-	(23.1)	(37.1)
<i>Change in net borrowing requirement¹</i>	(60.4)	(24.5)	84.9	31.9	33.7

¹ from prior year submission (including rollovers)

5. REVENUE BUDGET

- 5.1. The difference between LLDC's revenue income and expenditure is met by grant from the GLA (including specific revenue grant for the London Stadium working capital requirement) and the use of funding carried forward from previous years.
- 5.2. The Mayor's Budget Guidance this year is dominated by the forecast impact of the COVID-19 pandemic on the GLA's financial position and, therefore, its funding of functional bodies. Accordingly, the Budget Guidance required all functional bodies, including LLDC, to:
 - immediately repurpose the agreed 2020/21 Budget to deliver in-year savings and efficiencies (for LLDC a target of £7.4m); and
 - prepare 2021/22 budget submission to meet the savings and efficiencies target set (£2.1m for LLDC).
- 5.3. These savings requirements are therefore reflected in this budget submission as reductions to expenditure and LLDC's core grant funding from the GLA. Note that the reduction in core grant funding is assumed to continue into future years.
- 5.4. The Mayor also committed in his Budget Guidance to fund the direct net impact of COVID-19 on LLDC's revenue position through the provision of additional revenue grant. LLDC is working to minimise the impact and, therefore, the requirement for additional grant funding. The current forecast requirements are shown in the table below.
- 5.5. Due to the impact of COVID-19 and the significant uncertainty the pandemic created in forecasting beyond a short-term horizon, the GLA budget submission this year only requires figures up to 2022/23.
- 5.6. The revenue income and expenditure budget (pre-financing costs) for these years are shown in the following table.
- 5.7. The funding carried forward from previous years (held by the GLA on behalf of LLDC) phases 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 and 2021/22. However, a significant revenue gap in 2022/23 (and the following two years not covered by this submission) will need to be addressed to reduce the funding requirement to the GLA's ongoing allocation.
- 5.8. This is unlikely to be achieved through additional incremental savings given the level of savings already being delivered by LLDC; options therefore include maximising commercial opportunities to generate additional income, reductions in expenditure through structural changes to LLDC's activities or the provision of additional revenue grant funding from the GLA.

Revenue Budget	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Plan £m	Total Budget/Plan £m
Income				
Communications, Marketing and Strategy	-	-	0.3	0.3
Development	0.1	0.6	0.7	1.2
Executive Office	0.0	0.0	0.0	0.1
Finance, Commercial and Corporate Services	0.4	0.3	0.3	0.6
Park Operations and Venues (excl Trading)	3.5	4.7	4.7	9.4
Planning Policy and Decisions	1.8	1.4	1.2	2.6
Regeneration and Community Partnerships	0.1	0.1	0.1	0.1
Trading	7.4	8.0	8.6	16.6
Total Revenue Income	13.2	15.0	15.9	31.0
Expenditure				
Communications, Marketing and Strategy	(1.7)	(1.8)	(2.0)	(3.8)
Development	(0.0)	(0.0)	(0.0)	(0.1)
Executive Office	(2.4)	(2.5)	(2.8)	(5.3)
Finance, Commercial and Corporate Services	(5.8)	(5.8)	(6.0)	(11.8)
Park Operations and Venues (excl Trading)	(9.2)	(9.7)	(9.9)	(19.6)
Planning Policy and Decisions	(3.1)	(2.8)	(2.4)	(5.2)
Regeneration and Community Partnerships	(2.5)	(2.6)	(2.5)	(5.1)
Stadium	(10.9)	(11.8)	(11.1)	(22.9)
Trading	(9.4)	(9.3)	(9.3)	(18.6)
Contingency	(0.9)	(0.7)	(0.4)	(1.1)
Total Revenue Expenditure	(45.9)	(47.0)	(46.4)	(93.4)
Net Revenue Expenditure	(32.7)	(31.9)	(30.5)	(62.5)
GLA Core Funding	8.6	13.9	14.6	28.5
GLA Funding for Stadium	16.6	11.3	11.1	22.4
GLA Funding for Covid 19 Pressures	3.1	1.6	0.5	2.1
Carried Forward Funding	4.4	5.1	-	5.1
Net Revenue After Funding	-	-	(4.3)	(4.3)
Trading				
Trading Income	7.4	8.0	8.6	16.6
Trading Expenditure	(9.4)	(9.3)	(9.3)	(18.6)
Trading Net	(1.9)	(1.3)	(0.7)	(2.0)

Revenue Income

Development

- 5.9. 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, albeit there has been slippage arising from delays to the overall programme.

Executive Office

- 5.10. A small amount of income from recharges for usage of desk space (for example, by E20 Stadium LLP) and HR support services are generated by the Executive Office.

Park Operations and Venues (excluding Trading)

- 5.11. 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 (when the necessary tenancy occupation levels are forecast to be triggered). Again, delays to the timing of these income streams, particularly due to the impact of COVID-19 on LLDC's major developments, are reflected in this submission. Trading income is addressed later in this report.

Planning Policy and Decisions

- 5.12. 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

- 5.13. This income is assumed funding towards the Good Growth Hub, which is intended to be 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

- 5.14. 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. Savings identified from this directorate include from stakeholder engagement events, spend on East Bank-related communications and other marketing campaigns.

Executive Office

- 5.15. 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. Savings identified include from reductions across accommodation (i.e. office costs), recruitment, research and the staff social committee. Note that LLDC has protected its investment in inclusion and diversity, which remains a key priority for the Corporation (see Section 8 of this report).

Finance, Commercial and Corporate Services

- 5.16. This includes finance, IT, governance and programme assurance, commercial, 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. Savings identified are mainly from professional fees and IT costs.

Park Operations and Venues (excluding Trading)

- 5.17. 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. Savings from this area include estates and facilities management, Park headquarter costs, security and programming and events.

Planning Policies and Decisions

- 5.18. Expenditure relates mainly to Staff and professional fees. No savings are included for this area as the existing budget is necessary for LLDC to carry out its duties as a statutory planning authority.

Regeneration and Community Partnerships

- 5.19. 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.

- 5.20. 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.
- 5.21. 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.
- 5.22. Savings for this area are minimal to ensure LLDC protects its core regeneration activities and responsibilities, particularly as the Park and surrounding areas recover from the COVID-19 pandemic.

Stadium

- 5.23. Stadium expenditure relates to the working capital provided by LLDC to fund the deficit of the E20 Group (E20 Stadium LLP and London Stadium 185 Limited) and is predicated on the Stadium's Five-Year Plan, which is currently under review.

Transition costs

- 5.24. Note that, other than for some early professional fees in Communications Marketing and Strategy 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 future years' budget submissions.

Trading

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

Trading	2020/21 Forecast £000	2021/22 Budget £000	2022/23 Plan £000	Total Budget/Plan £000
Trading Income				
3 Mills Studios	5,538	6,032	6,032	12,064
ArcelorMittal Orbit	332	547	656	1,203
Other Attractions	5	111	157	268
Kiosks	4	22	22	44
London Aquatics Centre and Copper Box Aren:	188	335	643	977
Off Park Assets	95	59	(0)	59
On Park Assets	823	374	550	923
The Last Drop	338	345	352	697
Timber Lodge Café	2	58	73	131
Telecoms	105	103	103	206
Total Trading Income	7,430	7,985	8,588	16,573
Trading Expenditure				
3 Mills Studios	(5,084)	(4,970)	(4,970)	(9,940)
ArcelorMittal Orbit	(657)	(823)	(836)	(1,659)
Telecoms & Wifi	(5)	(5)	(5)	(10)
London Aquatics Centre and Copper Box Aren:	(360)	(342)	(327)	(669)
Off Park Assets	(246)	(100)	-	(100)
On Park Assets	(75)	(75)	(75)	(149)
The Last Drop	(30)	(30)	(31)	(61)
Timber Lodge Café	(23)	(23)	(23)	(45)
<i>Estates and Facilities Management (recharge)</i>	<i>(2,877)</i>	<i>(2,934)</i>	<i>(2,993)</i>	<i>(5,928)</i>
Total Trading Expenditure	(9,356)	(9,301)	(9,259)	(18,560)
Net Trading	(1,926)	(1,315)	(672)	(1,987)
Net Trading (excluding EFM recharge)				
3 Mills Studios	454	1,062	1,062	2,124
ArcelorMittal Orbit	(325)	(276)	(180)	(456)
Other Attractions	5	111	157	268
Kiosks	4	22	22	44
London Aquatics Centre and Copper Box Aren:	(171)	(7)	315	309
Off Park Assets	(151)	(41)	(0)	(41)
On Park Assets	748	299	475	774
The Last Drop	308	315	321	636
Timber Lodge Café	(20)	35	50	86
Telecoms	105	98	98	196
Net Trading (excluding EFM recharge)	956	1,619	2,322	3,941
<i>Estates and Facilities Management (recharge)</i>	<i>(2,882)</i>	<i>(2,934)</i>	<i>(2,993)</i>	<i>(5,928)</i>
Net Trading	(1,926)	(1,315)	(672)	(1,987)

Trading income

- 5.26. 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.
- 5.27. Income from the ArcelorMittal Orbit has been revised this year to be more reflective of the venue's current performance trends, reduced opening times and to allow for the impact of UCL and other construction works beginning on the adjacent site (and elsewhere around the Park).
- 5.28. The impact of COVID-19 on LLDC's trading activities is expected to be significant in 2020/21 and continue across the budget period. The COVID-19 impact is funded separately by revenue grant from the GLA.

Trading expenditure

- 5.29. This shows the total costs for the operation of the venues, which remain broadly flat across the budget submission period. Again, the direct of impact of COVID-19 on trading expenditure is included within the above table.

6. CHANGES FROM 2020/21 BUDGET SUBMISSION

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

CAPITAL

Changes - Capital	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Plan £m	2023/24 Plan £m	2024/25 Plan £m	2025/26 Onwards Plan £m	Total £m
Net Borrowings per 2020/21 Submission (incl rollovers)	77.8	66.0	21.3	(8.7)	(19.7)	(691.0)	(554.4)
Income							
Capital receipts	(16.1)	8.3	(21.4)	4.1	(11.5)	(13.1)	(49.6)
East Bank	(31.1)	(7.3)	17.9	41.6	2.9	99.6	123.7
GLA Grant	-	-	46.9	41.5	-	(87.8)	0.7
Other (incl Section 106/CIL)	(0.8)	0.3	(0.8)	0.3	-	-	(1.0)
Expenditure							
East Bank	76.4	(4.8)	(129.7)	(60.8)	(13.6)	(27.0)	(159.4)
Development - Infrastructure	(0.2)	0.0	14.3	(13.2)	(0.6)	2.2	2.6
Development - other	2.8	9.2	(3.6)	(3.0)	(10.7)	(19.2)	(24.4)
Park and Venues	1.1	(0.3)	(0.1)	(0.4)	(0.1)	(0.5)	(0.3)
Regeneration	0.0	0.2	(0.2)	0.0	(0.2)	-	(0.1)
FCCS	(0.5)	(0.3)	(0.2)	(0.3)	(0.9)	-	(2.3)
Contingency	2.3	(0.4)	0.1	0.1	(0.0)	-	2.2
Corporation Tax	-	(3.1)	1.0	0.5	1.1	22.5	22.0
Cash vs Accruals Adjustments (incl BBC & UAL Loans)	26.5	22.6	(9.2)	(42.4)	(0.1)	2.7	0.0
Total Capital Changes	60.4	24.5	(84.9)	(31.9)	(33.7)	(20.5)	(86.0)
Net Borrowings per 2021/22 Submission	17.4	41.5	106.2	23.1	14.0	(670.5)	(640.4)

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 and ongoing commercial negotiations with the developer.
- A reduction in the estimated land value of Pudding Mill Lane, partially due to the separation out of Bridgewater Triangle land value but also due to progression of the masterplan, which is a work-in progress. This is offset by the inclusion of expected gross receipts from the Bridgewater Triangle development (which is to be delivered by a joint venture along with the Stratford Waterfront residential development).
- A reduction in the forecast receipts from the Hackney Wick Neighbourhood Centre (currently in procurement) and Aquatics Triangle developments (procurement expected to begin in early 2021) and from the Sugar House Lane overage. These are offset by the inclusion of an expected receipt from the disposal of LLDC's share of land at Chobham Farm.
- The receipts expectations for the Hackney Wick Neighbourhood Centre development included in this year's budget are based on an up-to-date cost plan. While the nature of the scheme has not changed, incorporating the more up to date and detailed cost plan has led to changes in the modelled assumptions.

East Bank income

- Net increase largely due to inclusion of expected gross Stratford Waterfront residential joint venture receipts and a change in the expected land value.
- Reflects an assumed contractual contribution from UAL towards East Bank overspend.

⁵ Including 2019/20 year-end rollovers as presented to and agreed by the Board on 19 May 2020

GLA grant

- There is a net decrease in GLA Grant during the budget period, made up of an increase to keep LLDC within its £520m borrowing limit offset by a reduction in required grant towards forgone capital receipts from LLDC's three key remaining 'portfolio' residential developments.

East Bank expenditure

- East Bank expenditure reflects the additional forecast cost as set out in 4.15. Note this also includes the estimated required equity contributions towards the Stratford Waterfront residential joint venture.

Development – other

- Includes the estimated required equity contributions towards the Bridgewater Triangle residential joint venture offset by a reduction in investment for the East Wick and Sweetwater development that is no longer required.
- There is an increase to Development staffing costs to align the Long Term Model to LLDC's current transition timings and for river wall repair works at 3 Mills Studios.

Net Borrowing

6.3. The impact of the changes in the capital budget has the following impact on the net borrowing requirement over the next four financial years. As can be seen from the table below, LLDC is expected to exceed its current £520m borrowing limit in 2023/24 and 2024/25, which the GLA has committed to review in due course (proposed new limits are included in the GLA budget submission at Appendix 1).

Summary of Borrowing Requirements	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Plan £m	2023/24 Plan £m	2024/25 Plan £m
Opening Borrowing Requirement	354.9	372.2	413.8	520.0	543.1
Net Capital Expenditure	(0.2)	18.7	89.1	(15.9)	17.4
Cash Adjustments for BBC/UAL Loan Funding	-	22.9	17.1	39.0	(3.4)
Cash vs accruals timing adjustment	17.6	-	-	-	-
Closing Capital Requirement	372.2	413.8	520.0	543.1	557.1
Authorised Borrowing Limit	520.0	520.0	520.0	520.0	520.0
Headroom	147.8	106.2	-	(23.1)	(37.1)
<i>Change in net borrowing requirement¹</i>	(60.4)	(24.5)	84.9	31.9	33.7

¹ from prior year submission (including rollovers)

REVENUE

Revenue income

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

Changes - Revenue	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Plan £m	Total Budget/Plan £m
Total Revenue Income per 2020/21 Submission (incl rollovers)	15.3	16.3	18.2	34.6
Fixed Estate Charge	-	(0.1)	(0.8)	(0.9)
Trading (Venues, Attractions, Kiosks)	(1.6)	(1.8)	(1.0)	(2.8)
Property rental	(0.2)	0.4	(0.8)	(0.5)
Car park income	-	0.1	0.1	0.2
Planning-related	0.2	-	0.1	0.1
Commercial sponsorship/advertising	(0.3)	(0.3)	-	(0.3)
Events	(0.2)	0.2	-	0.2
Other	-	0.3	0.1	0.4
Total Revenue Income Changes	(2.1)	(1.3)	(2.4)	(3.6)
Total Revenue Income per 2021/22 Submission	13.2	15.0	15.9	31.0

6.5. The key drivers of change are:

- A decrease in the Fixed Estate Charge, reflecting a reprofiling of receipts from East Wick and Sweetwater and East Bank.
- Various movements to Trading income forecasts, including the impact of COVID-19 and reductions to ArcelorMittal Orbit to reflect trading performance to date and outlook.
- A decrease in commercial sponsorship and advertising; this reflects a risk for the impact of COVID-19 on commercial and sponsorship opportunities in 2021/22.

Revenue expenditure

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

Changes - Revenue	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Plan £m	Total Budget/Plan £m
Total Revenue Expenditure per 2020/21 submission (incl rollovers)	(54.5)	(46.7)	(47.1)	(93.8)
Communications, Marketing and Strategy	0.2	0.1	0.1	0.2
Development	0.1	0.1	0.1	0.2
Executive Office	0.2	0.1	(0.1)	(0.0)
Finance, Commercial and Corporate Services	0.7	0.1	0.0	0.2
Park Operations and Venues (excl Trading)	0.6	(0.0)	0.2	0.2
Planning Policy and Decisions	(0.0)	(0.2)	(0.1)	(0.3)
Regeneration and Community Partnerships	0.4	(0.2)	(0.1)	(0.3)
Stadium	5.7	(0.5)	(0.1)	(0.6)
Trading	0.6	0.5	0.6	1.1
Contingency	0.2	(0.3)	-	(0.3)
Total Revenue Expenditure Changes	8.6	(0.2)	0.6	0.4
Total Revenue Expenditure per 2021/22 submission	(45.9)	(47.0)	(46.4)	(93.4)

6.7. Main changes are:

- Reductions across directorates and Trading reflecting savings identified during the July review and subsequent budget process (see Section 7).
- A re-profiling of expenditure in Planning Policy and Decisions and Regeneration and Community Partnerships.

7. SAVINGS AND EFFICIENCIES

- 7.1. LLDC has delivered a significant amount of savings and efficiencies in previous years and the core costs for management of the Corporation's significant tranche of deliverables and operation and maintenance of the Park are relatively fixed. LLDC already had significant savings⁶ built into its baseline budgets, particularly in relation to the London Stadium in 2021/22 and beyond.
- 7.2. However, in response to the COVID-19 pandemic, the Mayor's Budget Guidance has required all functional bodies, including LLDC, to identify further savings across the budget period. For LLDC these are set out below:

	2020/21	2021/22	2022/23
	£m	£m	£m
Additional savings target	7.4	2.1	1.3

- 7.3. LLDC's savings target is profiled to be higher in 2020/21 than in the following years due to the impact of lockdown on London Stadium events this summer and the cancellation of the summer event programme and associated seat moves.
- 7.4. Savings are expected to be delivered from:
- **London Stadium:** Most of the savings are expected to come from the London Stadium where, due to the pandemic, the venue has been closed to spectators and its summer events, which included Major League Baseball, international athletics and the Mega Hella tour, have been cancelled or postponed. As a result, the Stadium is expected to incur significantly lower operating costs in 2020/21, particularly relating to the cost of moving the seating between football and summer events mode.
 - **Income opportunities:** These are expected to be challenging in the current climate but LLDC has identified potential for additional income, mainly from opportunities at 3 Mills Studios and interim uses of the Corporation's remaining development sites.
 - **Discretionary spend:** LLDC's discretionary cost base is very limited, largely due to savings delivered over previous years. However, a bottom-up review and challenge of all budgets has identified discretionary spend that can be reduced in 2020/21 including from budget rolled-forward from 2019/20. These costs include professional fees, IT costs, repairs and maintenance and marketing and communications. LLDC is reviewing all staff vacancies on a case by case basis and redeploying staff to other duties where appropriate. It has also protected spend on Inclusion and Diversity, which is a priority area for LLDC.
- 7.5. Within this budget submission the savings targets for 2020/21 and 2021/22 are expected to be fully delivered; however, in 2022/23 there remains a significant funding gap of £4.3m, which needs to be addressed. Additional savings delivered above the target set in 2020/21 (currently estimated to be £2.1m) are carried forward into 2021/22 to help ensure a balanced budget is achieved in that year.
- 7.6. LLDC has reacted quickly and decisively to meet the significant challenge posed by the Mayor in June. Despite committing to delivering the additional savings, LLDC strongly believes that it and Queen Elizabeth Olympic Park are well-placed to support the recovery from COVID-19. The ongoing investment in infrastructure, homes and jobs will play an important role in supporting London's social and economic recovery.

⁶ £2.0m for 2020/21, £6.6m for 2021/22 and £0.9m for 2022/23

GLA Group Collaboration Project

- 7.7. The GLA Group Collaboration Programme is a portfolio set up by the Mayor to ensure the GLA Group realises the maximum benefits obtainable from collaboration, both within the GLA Group and with other like-minded organisations. Senior Executives from across the GLA Group sit on the Group Collaboration Board which is responsible for strategic oversight and key decision making.
- 7.8. The committed membership of the programme includes:
- GLA
 - Transport for London
 - Mayor's Office for Policing and Crime
 - Metropolitan Police Service
 - London Fire Brigade
 - Old Oak and Park Royal Development Corporation
 - LLDC
- 7.9. The programme is looking at options for realising benefits from greater collaboration, including potential financial efficiencies arising from how the Group buys its energy more efficiently; leveraging procurement processes; utilising the Group's estates better and removing duplication in back and middle office support service and policy/delivery areas not provided exclusively by a member of the GLA Group.
- 7.10. Development work is proceeding at pace with clear governance and methodology framework, and a programme in place. Resources are committed to develop the initiatives identified as possible areas of opportunity.
- 7.11. The results of this work will be included in the budget process as they are available on an ongoing basis. For LLDC, savings expected to be yielded from its accommodation strategy (which utilises Group estates) sit outside of the budget period covered by this submission.

8. EQUALITY, DIVERSITY AND INCLUSION

- 8.1. LLDC's Inclusion and Diversity Strategy was approved by the Chair's Committee in November 2019. At its meeting in July 2021 the Committee noted an update on the Strategy, including impacts of COVID-19 and the response to the Black Lives Matter movement.
- 8.2. The Committee approved an action plan to deliver this. The Inclusion and Diversity Strategy has five strategic themes. Of these, four strategic themes (inclusive culture; recruitment; supporting talent from within; and leadership) are led by members of LLDC's Executive Management Team who have set up working groups to develop theme action plans to deliver on each theme. The fifth strategic theme is more externally focused through our work in the local community and is led by the Regeneration and Communities Partnerships directorate and overseen by the Regeneration and Communities Committee, with the Executive Director of Development acting as a critical friend. The working groups are well resourced from across the directorates including representatives from the BAME Lean in Group.
- 8.3. Key positive actions being taken by LLDC include:
- The launch of a flagship **Inclusion Campaign** through an all-staff webcast focussing on 'what inclusion means to me' and was linked to National Inclusion Week activities. This campaign will continue throughout the next 12 months, focussing on six different themes, with activities and communications aligned to each theme to continue to engage everybody across the organisation.
 - Implementation of actions to address the issue of **diversity at senior levels** in LLDC and increase diversity of thought in decision making. These include

the appointment of Chairs of four senior strategic meetings so that they better reflect under-represented groups. The Chairs will become part of the EMT, joining the main twice-a-month decision making EMT Management Meeting.

- LLDC's **Management Forum**⁷ will now receive and scrutinise Inclusion and Diversity statistics on a regular basis.
- **Development Programmes** that focus on employees below Head of Service level in the organisation. These programmes will be open to all employees but with a large proportion of the places ringfenced for Black, Asian and Minority Ethnic (BAME) employees. There will be additional modules for those participants in the form of coaching to understand any systemic barriers to progression, with the aim of tackling them at the corporate level.
- The priority of **Inclusive Culture** has been established as a key message in internal engagement, including through the weekly employee webcast topics and internal and external guest speakers.
- The **BAME Lean In group** (established by employees) continues to go from strength to strength and helps to inform LLDC's approach to inclusion and diversity and corporate discussion. Recently the group held a powerful virtual panel discussion on Black Lives Matter, which was well attended by many staff from across the LLDC Group and received excellent feedback.
- LLDC has also established an **LGBTQ+ drop-in group** for LGBTQ+ colleagues and allies.

8.4. LLDC's work is informed by external challenge and best practice, including through the Mayor's Diversity Standard, work with Inclusive Employers and external networks.

8.5. LLDC has ring-fenced budget for its work on inclusion and diversity and protected this during the recent savings review to ensure it is able to commit to progressing the agenda over the coming years.

9. DELIVERABLES

9.1. 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.

9.2. LLDC will deliver the strategic outcomes through five key business objectives: Live, Work, Visit, Inspire and Deliver. The following deliverables are based on LLDC's existing five-year strategy; these are being updated in a new Corporate Strategy, which will be published in early 2021.

⁷ Forum consists of all employees with line management responsibilities.

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

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
- 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

9.3. The key deliverables for 2021/22 are set out below, along with deliverables achieved in 2020/21:

Live

- Chobham Manor development construction complete (phases 3 and 4)
- East Wick and Sweetwater phase 1 construction complete; delivery for later phases agreed and construction commences
- Developer selected for Stratford Waterfront and Bridgewater residential development; joint venture established
- Complete masterplanning for Pudding Mill Lane and Bridgewater sites and submission of Outline Planning Application
- Urban Design Framework complete for Rick Roberts Way and landswap concluded with LBN. Masterplanning and developer procurement commence
- Hackney Wick Neighbourhood Centre design and Planning complete; commencement of construction.
- Aquatics Triangle developer procurement complete
- Stratford Station Strategic Outline Business Plan submitted

Delivered in 2020/21:

- *Continuation of construction of final two phases at Chobham Manor; first two phases occupied*
- *Continuation of construction of phase 1 of East Wick and Sweetwater, infrastructure (roads and bridges) complete, sales and marketing suite opened and sales commenced*
- *Procurement for a developer for Stratford Waterfront and Bridgewater commenced*
- *Design continued for Pudding Mill Lane and Bridgewater sites*
- *Hackney Wick Neighbourhood Centre procurement complete (currently in progress)*
- *3 Mills river wall repairs complete*

Work

- Continue to deliver the QEOP 'East Works' jobs and skills programme, including:
- Successful operation of the Good Growth Hub, the physical facility to consolidate and scale the East Works
- Successful operation of the QEOP Training Association, including the Training Centre
- Meeting and exceeding targets for construction and end use jobs for local people, BAME groups, disabled people, women and apprentices
- Completion of 2020/21 *Shared Training and Employment Programme (STEP)* programme and commencement of 2021/22 programme
- Delivering the Design...Engineer...Construct Built Environment curriculum in ten local schools and colleges

Delivered in 2020/21:

- *Support to local communities and businesses in their response to the COVID-19 crisis*
- *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 opened at Hackney Bridge (formerly Clarnico Quay)*
- *QEOP Training Association on site facility launched*
- *Completion LLDC's Shared Training and Employment Programme (STEP) programme with East Bank partners*

Visit

- *Maintain safe and well-maintained Park, making adjustments in line with any changes to guidelines relating to COVID-19 and attracting visitors: the estimate is set at the pre-COVID level of 6.2m, noting that delivery of this estimate may be impacted by COVID restrictions*
- *Manage and maintain the quality of the Park and venues, including retaining Green Flag status*
- *Operate safe and well-maintained venues, making adjustments in line with any changes to guidelines relating to COVID-19 and attracting visitors in line with those restrictions. The targets are set at pre-COVID levels: 1m visitors to the London Aquatics Centre; 445k visitors to the Copper Box Arena, noting delivery of these targets may be impacted by COVID restrictions*
- *Support safe delivery of major events including the Rugby League Wheelchair World Cup*
- *Support safe delivery of small events, community sports and filming on the Park*
- *Continue to generate a surplus through 3 Mills Studios and manage effectively the planned refurbishments*
- *Deliver of the Great Get Together and any smaller community events on the Park*
- *Continue Stadium operations including football, summer concerts and athletics*
- *Open High Ropes visitor attraction*

Delivered in 2020/21:

- *Maintained safe and high-quality Parklands during lockdown and recovery with visitor numbers increasing as lockdown measures eased, supported by on Park, web and social media communications. Re-opening of schools on the Park. The Park awarded Green Flag status for the seventh consecutive year*
- *Value of Park to visitors in lockdown underlined by LLDC commissioned research. The research showed that local people understand the value of the Queen Elizabeth Olympic Park as being at the heart of the community and an important asset for London during lockdown*
- *Safe resumption and completion of 2019/20 Premier League football behind closed doors at the London Stadium. Completion of new seating ahead of 2020/21 football season which commenced on 12 September 2020*
- *Supported the local COVID response including provision of space for mobile testing unit, food and PPE distribution hubs and parking for key workers*

Inspire

- Continue construction of East Bank Stratford Waterfront cultural and educational buildings to programme
- Completion of procurement for all construction packages
- UCL continue construction of their new university campus, UCL East.
- Continue to work with East Bank partners and Foundation for Future London 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 London Climate Action Week)
- Develop the QEOP advanced mobility programme
- Contribute to delivery of the QEOP Innovation District programme: Specifically, CleanTech work streams (electric vehicle charging; smart grid; decarbonisation; and circular economy)

Delivered in 2020/21:

- *Following lockdown, the safe resumption of construction at East Bank Stratford Waterfront with good progress made and construction productivity estimates being exceeded*
- *Carpenters Land Bridge contractors won two national Chartered Institution of Highways & Transportation awards*
- *UCL East construction progressed well and on programme. Continuation of East Bank procurement programme, governance and assurance*
- *East Education programme has continued, including the East Summer School, a free 2-week programme for local young people with all East Bank partners, delivered online with over 250 participants*
- *Completed the Capri trials for driverless pods successfully and the Smart Mobility Living Lab launched*

Deliver

- Work towards improved financial sustainability of the Stadium including commercial opportunities
- Close working with the GLA on budget savings and efficiencies
- 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 LS185
- Deliver an effective and responsive planning service. At least 70% of applications determined in time
- Delivery Town Planning programme, including:
 - Annual monitoring report publication
 - Planning Obligations SPD and Carbon Offset SPD adoption and publication
- Annual Environmental Sustainability Report published

- Support the Mayor’s Agenda for ensuring that GLA Group organisations are inclusive and diverse including:
 - Successful completion of Inclusive Culture campaign
 - Reductions in gender and ethnicity pay gaps; increased representation of under-represented groups at senior levels at LLDC,
 - Progress in meeting exemplary across the Mayor’s Diversity Standard
- Progress LLDC’s Transition strategy

Delivered in 2020/21:

- *Unqualified accounts for LLDC, E20 Stadium LLP and LS185 (audits in progress)*
- *High-level LLDC Transition strategy to be agreed in February 2021*
- *The revised Local Plan and Community Infrastructure Levy complete and adopted*
- *Revised budget for 2020/21 incorporating revenue savings and efficiencies agreed with the GLA and implemented. Discussions with GLA group on further collaborative work*
- *Maintained LLDC’s activities whilst successfully transitioning to remote working. Facilitated through a focus on employee welfare, health and wellbeing and internal engagement, informed by employee surveys and supported by successfully accelerating IT projects*
- *Successful move to hold online Board and Committee proceedings, and accommodating the public virtually. Engagement with government to ensure LLDC covered by legislation to allow virtual decision-making meetings with public access. Continued corporate reporting, monitoring and risk management*
- *Continued delivery of the inclusion and diversity action plan, including launch of the flagship Inclusive Culture campaign. Enabling an open debate on Black Lives Matter, including through webcasts and a well-attended event organised by the BAME lean in group and working in partnership with the Boroughs on our approach*
- *Continued communications and marketing including x2 editions of both Park News and Magazine, improved the website and increased followers on social media*

10. FINANCIAL IMPLICATIONS

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

11. LEGAL IMPLICATIONS

11.1. 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 rolling business planning process, including changes to base-line pay for the year covered by the budget, borrowing limits and prudential indicators.

- obtain prior consent to the consideration by the Board of any draft core business plan for approval.

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

12. PRIORITY THEMES

12.1. 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 3, are in line with the priority themes set.

13. 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 (LLDC) is responsible for promoting and delivering physical, social, economic and environmental regeneration in Queen Elizabeth Olympic Park (QEOP) and surrounding area. In particular, LLDC 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, LLDC has delivered the transformation of the Park and venues from their Olympic to their legacy configuration. LLDC 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 ongoing 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 2021/22, LLDC's revenue and capital budgets will be deployed to deliver the strategic outcomes through five key business objectives: Live, Work, Visit, Inspire and Deliver. The following deliverables are based on LLDC's existing five-year strategy; these are being updated in a new Corporate Strategy, which will be published in early 2021.

Live

- Chobham Manor development construction complete (phases 3 and 4).
- East Wick and Sweetwater phase 1 construction complete; delivery for later phases agrees and construction commences.
- Developer selected for Stratford Waterfront and Bridgewater residential development; joint venture established.
- Complete masterplanning for Pudding Mill Lane and Bridgewater sites and submission of Outline Planning Application.
- Urban Design Framework complete for Rick Roberts Way delivery approach concluded with London Borough of Newham. Masterplanning and developer procurement commence.
- Hackney Wick Neighbourhood Centre design and Planning complete; commencement of construction.
- Aquatics Triangle developer procurement complete
- Stratford Station Strategic Outline Business Plan submitted

Work

- Continue to deliver the QEOP 'East Works' jobs and skills programme, including:
- Successful operation of the Good Growth Hub, the physical facility to consolidate and scale the East Works
- Successful operation of the QEOP Training Association, including the Training Centre.
- Meeting and exceeding targets for construction and end use jobs for local people, BAME groups, disabled people, women and apprentices.
- Completion of 2020/21 *Shared Training and Employment Programme (STEP)* programme and commencement of 2021/22 programme
- Delivering the 'Design...Engineer...Construct' Built Environment curriculum in ten local schools and colleges

Visit

- Maintain safe and well-maintained Park, making adjustments in line with any changes to guidelines relating to COVID-19 and attracting visitors: the estimate is set at the pre-COVID level of 6.2m, noting that delivery of this estimate may be impacted by COVID restrictions
- Manage and maintain the quality of the Park and venues, including retaining Green Flag status
- Operate safe and well-maintained venues, making adjustments in line with any changes to guidelines relating to COVID-19 and attracting visitors in line with those restrictions. The targets are set at pre-COVID levels: 1m visitors to the London Aquatics Centre; 445k visitors to the Copper Box Arena, noting delivery of these targets may be impacted by COVID restrictions
- Support safe delivery of major events including the Rugby League Wheelchair World Cup.
- Support safe delivery of small events, community sports and filming on the Park.
- Continue to generate a surplus through 3 Mills Studios and manage effectively the planned refurbishments
- Deliver of the Great Get Together and any smaller community events on the Park
- Continue Stadium operations including football, summer concerts and athletics
- Open High Ropes visitor attraction

Inspire

- Continue construction of East Bank Stratford Waterfront cultural and educational buildings to programme.
- Completion of procurement for all construction packages
- UCL continue construction of their new university campus, UCL East.
- Continue to work with East Bank partners and Foundation for Future London 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 London Climate Action Week);
- Develop the QEOP advanced mobility programme;
- Contribute to delivery of the QEOP Innovation District programme: Specifically, CleanTech work streams (electric vehicle charging; smart grid; decarbonisation; and circular economy).

Deliver

- Work towards improved financial sustainability of the Stadium including commercial opportunities.
- Close working with the GLA on budget savings and efficiencies.
- 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.
- Delivery Town Planning programme, including:
 - Annual monitoring report publication
 - Planning Obligations SPD and Carbon Offset SPD adoption and publication
- Annual Environmental Sustainability Report published.
- Support the Mayor's Agenda for ensuring that GLA Group organisations are inclusive and diverse including:
 - Successful completion of Inclusive Culture campaign
 - Reductions in gender and ethnicity pay gaps; increased representation of under-represented groups at senior levels at LLDC,
 - Progress in meeting exemplary across the Mayor's Diversity Standard
- Progress LLDC's Transition strategy.

Gross revenue expenditure

- 7.4 Gross revenue expenditure in 2021-22 is budgeted to be £58.8 million including estimated capital financing costs of £11.8 million and Stadium funding of £11.8 million, £47.0 million net of financing costs.
- 7.5 Gross revenue expenditure has decreased by net £7.5 million from the 2020-21 revised budget due to savings that have been identified in line with the Mayor's Budget Guidance (published in June 2020).

Net revenue budget and council tax requirement

- 7.6 Net revenue expenditure in 2021-22 is budgeted to be £43.7 million, £31.9 million net of financing costs.

7.7 Net revenue expenditure (financing costs) has decreased by £7.3 million from the 2020-21 revised budget. LLDC's revenue budget is summarised on an objective basis in the following table. Note that the 'COVID support' is funding towards the net impact arising from LLDC's response to COVID-19, which is outside of its core funding control totals.

Objective Analysis	Budget Submission (November 2020)			
	Revised Budget 2020-21	Forecast Outturn 2020-21	Budget 2021-22	Plan 2022-23
Park Operations and Venues	9.8	9.2	9.7	9.9
Trading	9.9	9.4	9.3	9.3
Developments	0.1	0.0	0.0	0.0
Regeneration	2.9	2.5	2.6	2.5
Corporate	11.0	9.9	10.1	10.8
Planning Authority	3.1	3.1	2.8	2.4
Stadium	16.6	10.9	11.8	11.1
Irrecoverable VAT and contingency	1.1	0.9	0.7	0.4
Financing costs	11.8	10.9	11.8	14.0
Income/savings to be identified	0.0	0.0	0.0	-4.3
Total expenditure	66.3	56.8	58.8	56.1
Park Operations and Venues	-4.0	-3.5	-4.7	-4.7
Trading	-9.0	-7.4	-8.0	-8.5
Developments	-0.2	-0.1	-0.6	-0.7
Regeneration	-0.1	-0.1	-0.1	-0.1
Corporate	-0.4	-0.4	-0.3	-0.7
Planning Authority	-1.6	-1.7	-1.4	-1.2
Total income	-15.3	-13.2	-15.1	-15.9
Net expenditure	51.0	43.6	43.7	40.2
Retained Business Rates	32.6	25.2	25.2	25.7
Mayoral Development Corporation Reserve	6.6	4.4	5.1	0.0
COVID Support	0.0	3.1	1.6	0.5
GLA funding for financing costs	11.8	10.9	11.8	14.0
Council tax requirement	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, the impact of COVID-19 on the Corporation's finances (e.g. increased costs and loss of income) and the resources to manage the business alongside required 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

<i>Compares Revised Budget 2020-21 with 2021-22 Budget</i>		£m
2020-21 council tax requirement		0.0
<i>Changes due to:</i>		
Inflation		0.5
Savings and efficiencies		-9.5
Net change in service expenditure and income, excluding inflation and savings		1.7
Net change in GLA funding		7.3
2021-22 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 (though this will follow the overall GLA position).

Savings and efficiencies

7.12 LLDC has delivered a significant amount of savings and efficiencies have been realised in previous years and the core costs for management of LLDC's significant tranche of deliverables and operation and maintenance of the Park are relatively fixed. LLDC already had significant savings built into its baseline budgets, particularly in relation to the London Stadium in 2021/22 and beyond.

7.13 However, in response to the COVID-19 pandemic, LLDC has identified further savings, with forecast savings and efficiencies of £9.5 million between the Revised Budget 2020-21 and the 2021-22 Budget.

7.14 Savings are expected to be delivered from:

- London Stadium: Most of the savings are expected to come from the London Stadium where, due to the pandemic, the venue has been closed to spectators and its summer events, which included Major League Baseball, international athletics and the Mega Hella tour, have been cancelled or postponed. As a result, the Stadium is expected to incur significantly lower operating costs in 2020/21, particularly relating to the cost of moving the seating between football and summer events mode.
- Income opportunities: These are expected to be challenging in the current climate but LLDC has identified potential for additional income, mainly from opportunities at 3 Mills Studios and interim uses of the Corporation's remaining development sites.
- Discretionary spend: LLDC's discretionary cost base is very limited, largely due to savings delivered over previous years. However, a bottom-up review and challenge of all budgets has identified discretionary spend that can be reduced in 2020/21 including from budget rolled-forward from 2019/20. These costs include professional fees, IT costs, repairs and maintenance and marketing and communications. LLDC is reviewing all staff vacancies on a case by case basis and redeploying staff to other duties where appropriate. It has also protected spend on Inclusion and Diversity, which is a priority area for LLDC.

7.15 The budget currently reflects a funding gap of £4.3 million in 2022-23 for which LLDC will need to identify additional savings and efficiencies (including commercial opportunities), or source additional funding.

Net change in service expenditure and income

7.16 The budget proposes a £1.7 million net increase in service expenditure and income (excluding financing costs) is largely due to forecast pressures arising from the COVID-19 pandemic, which are funded separately (see following section).

Change in GLA funding

7.17 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. Funding towards the net impact arising from LLDC's response to COVID-19 is being provided outside of its core funding control totals.

7.18 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 £5.1 million in 2021-22; this includes any over-delivery of savings in 2020-21 above the target set by the Mayor's Budget Guidance in June.

Equalities

7.19 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.

7.20 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.'

7.21 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.

7.22 In addition, 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.

7.23 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.

7.24 Key positive actions being taken by LLDC include:

- The launch of a flagship Inclusion Campaign through an all-staff webcast focussing on 'what inclusion means to me' and was linked to National Inclusion Week activities. This campaign will continue throughout the next 12 months, focussing on six different themes, with activities and communications aligned to each theme to continue to engage everybody across the organisation.

-
- Implementation of actions to address the issue of diversity at senior levels in LLDC and increase diversity of thought in decision making. These include the appointment of Chairs of four senior strategic meetings so that they better reflect under-represented groups. The Chairs will become part of the EMT, joining the main twice-a-month decision making EMT Management Meeting.
 - LLDC's Management Forum¹ will now receive and scrutinise Inclusion and Diversity statistics on a regular basis.
 - Development Programmes that focus on employees below Head of Service level in the organisation. These programmes will be open to all employees but with a large proportion of the places ringfenced for Black, Asian and Minority Ethnic (BAME) employees. There will be additional modules for those participants in the form of coaching to understand any systemic barriers to progression, with the aim of tackling them at the corporate level.
 - The priority of Inclusive Culture has been established as a key message in internal engagement, including through the weekly employee webcast topics and internal and external guest speakers.
 - The BAME Lean In group (established by employees) continues to go from strength to strength and helps to inform LLDC's approach to inclusion and diversity and corporate discussion. Recently the group held a powerful virtual panel discussion on Black Lives Matter, which was well attended by many staff from across the LLDC Group and received excellent feedback.
 - LLDC has also established an LGBTQ+ drop-in group for LGBTQ+ colleagues and allies.

Environmental impact

- 7.25 LLDC'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.
- 7.26 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.
- 7.27 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 per cent 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.
- 7.28 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

¹ Forum consists of all employees with line management responsibilities.

Mobility Living Lab) and developing e.g. with the GLA and partners to promote CleanTech (environmentally beneficial products and services).

Reserves

- 7.29 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 £5.1 million of underspend carried forward in 2021-22; this includes any over-delivery of savings in 2020-21 above the target set by the Mayor's Budget Guidance in June. 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 2021-22. However, revenue gaps in the following three years will need to be addressed to reduce the funding requirement to the GLA's ongoing.

Supporting London's recovery from the COVID-19 crisis

- 7.30 LLDC and Queen Elizabeth Olympic Park are well-placed to support the recovery from COVID-19. The ongoing investment in infrastructure and major projects (such as East Bank), homes and jobs will play an important role in supporting London's social and economic recovery.
- 7.31 LLDC's jobs, apprentice and education programmes, partnership with businesses, track record of regeneration and the creation of a vibrant and skilled workforce provides a strong foundation for recovery.
- 7.32 The Park has showed what a vital role it plays for London's communities and businesses during the COVID-19 pandemic. As the economic and social recovery begins, the Park and LLDC will continue to deliver the regeneration and opportunities for local people, businesses and London.

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	2021-22 £m	2022-23 £m
GLA: Mayor		
GLA: London Assembly		
MOPAC		
LFC		
TfL		
LLDC	9.552	0.05
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	2021-22 £m	2022-23 £m
GLA: Mayor		
GLA: London Assembly		
MOPAC		
LFC		
TfL		
LLDC	9.552	9.557
OPDC		
Total		

LLDC Capital Strategy 2021/22

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 and repay all borrowings owed to the GLA
 - 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 reviewed 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 and will shortly be superseded by the Queen Elizabeth Olympic Park Strategy to 2025 and 2030 Vision, both of which are currently in development.
- **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 Delivery Plan:** This sets out LLDC's ongoing delivery strategy in relation to its land holdings within Queen Elizabeth Olympic Park and the wider Mayoral Development Corporation area.

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 and connectivity projects)
<i>A City for all Londoners</i>	<ul style="list-style-type: none"> • East Bank (V&A, Sadler’s Wells, UAL, BBC and UCL) • Stratford Station improvements (development of outline business case)

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 Requirement

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

- Maximum borrowing limit (currently £520m subject to review);
- Direct capital grant funding will be provided by the GLA towards the East Bank project, to remain within the borrowing limit and for proceeds from the housing developments delivered via joint ventures (where LLDC is not the direct investor); and

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

- The requirement for LLDC to be able to demonstrate that it can repay its borrowing from the GLA across all its activity, including from the proceeds of housing developments.
- 7.2. Note that LLDC’s maximum borrowing requirements will need to be increased in future years due to the impact of the COVID-19 pandemic, particularly on the East Bank project; the balance of funding between borrowings and direct capital grant will therefore be kept under review with the GLA.
- 7.3. 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.
- 7.4. The priority capital programmes included in LLDC’s Capital Requirement (and included in the Capital Investment Plan 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 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 Requirement are the costs to be incurred by LLDC in delivering the Stratford Waterfront cultural and education buildings. The Capital Funding Plan (see Appendix 2) includes third-party funding for the East Bank project, including contributions towards costs from certain partners, lease premiums and philanthropic donations secured by Foundation for FutureLondon, the charity established by the Mayor and LLDC for this purpose. The remaining net costs is funded through borrowings and direct capital grant funding from the GLA.

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 24,000³ 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, 35% affordable and 75% family units. Phase one (259 units) and phase two (207 units) are complete, phase three and four are expected to complete in 2021/22.

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 in total) are now being sold and enabling infrastructure works, including the Fish Island bridges, are nearing completion.

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.

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 and the developer procurement launched in October 2020. This site, along with Bridgewater

³ Note that this will be less due to the impact of the East Bank project on Stratford Waterfront

Triangle (part of Pudding Mill Lane), will be delivered via a joint venture in which LLDC will be an equity investor using funds borrowed from the GLA.

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. Part of the site, Bridgewater Triangle, will be delivered via a joint venture approach with the Stratford Waterfront site. LLDC is progressing its masterplan for the remainder of the Pudding Mill Lane site; the delivery approach for this is yet to be agreed with the GLA.

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 bring forward the start on site date. The site is subject to a planning obligation as part of the Stratford Waterfront scheme to help LLDC provide a portfolio approach of 50% affordable housing. London Borough of Newham are intending to provide a new secondary school on their share of the site. LLDC is discussing a suitable land deal with London Borough of Newham. LLDC will look to appoint a developer in due course to provide the new housing.

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

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

LLDC's capital expenditure on the Stadium mainly includes limited funding for further capital works for lifecycle, improvement/spend-to-save initiatives (such as the new seating system) 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, the GLA agreed to provide significant levels of capital grant funding to ensure LLDC's level of borrowings remain prudent, to directly fund part of the East Bank project and to replace previously expected receipts from development sites where the GLA would instead invest directly to deliver them.
- 8.4. This means that whilst LLDC's Long Term Model generates a long-term capital 'surplus', this is reliant upon the recycling of land receipts into funding from the GLA, which, ultimately, will only be provided by the GLA to enable LLDC to achieve an overall capital breakeven position.
- 8.5. LLDC's third-party funding sources include:
 - Capital receipts from the sale of land and property
 - Partner contributions
 - Philanthropic donations to East Bank
 - Section 106 and Community Infrastructure Levy (as developer)
- 8.6. LLDC 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. Additional Funding Needed

- 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 the COVID-19 global pandemic	Maximising construction productivity through innovative ways of working whilst complying with social distancing regulations.
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.
Stadium restructuring does not sufficiently improve the financial position of the Stadium	E20 Stadium LLP Board and funders considering commercial options. Control of Stadium operator secured during 2019.

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 £10.0m⁴; annual review of the LLDC Capital Budget prior to submission to the Investment Committee and Board (see above); review of monthly Corporate Management Accounts and other business updates that have an impact upon capital income or expenditure.
- **Corporate Change Board:** The forum in which formal requests (e.g. from project managers or budget holders) to modify the schedule, budget and/or scope of an existing project or to add a new project into a programme is approved and/or reported for noting. The Board's membership includes Executive Directors and Directors and is chaired by the LLDC Finance Director.
- **Project Boards:** For major projects such as East Bank there are project boards with responsibility for oversight of project delivery, risk, programme and budget.
- **Senior Budget Holders:** Each directorate has a senior responsible officer for their budget with delegated budget holders beneath them. Senior responsible officers have budgetary responsibility within their job descriptions and their annual personal objectives. Senior responsible officers are responsible for sponsoring any capital investment appraisal that relates to, and originates from, their directorate.
- **Project/Delivery Manager:** Each capital project will have an assigned project manager or lead whose responsibility it is to put forward capital investment proposals, see these through the necessary governance process, monitor and manage risk and budgets and, overall, secure successful delivery of the project. LLDC will often commission external project management services; however, in these instances, there must always be an identified individual within LLDC, at both a senior and operational level, with responsibility for the oversight of the external project manager.

12. Capital Strategy – Delivery, Affordability and Risk

- 12.1. Within the Prudential Code it is the responsibility of the Chief Finance Officer (the Deputy Chief Executive at LLDC) 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 Plan⁵ 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.

⁴ The Executive Management Team will review all capital investment decisions above £10m prior to their submission to Investment Committee or Board

⁵ Regarded as LLDC's Long Term Model for operational purposes

- 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). 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 Spending Plan (Schedule 1a)						
Capital Investment Plan		Years		1	2	3	4	5
Table 1		2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25
Item	Further information	Outturn £m	Revised Budget £m	Forecast Outturn £m	Plan £m	Plan £m	Plan £m	Plan £m
East Bank		58.7	165.5	89.1	178.5	167.5	62.3	14.3
Development	Includes infrastructure costs required under Section 106 obligations	20.0	27.0	24.5	8.8	20.5	28.7	17.1
Stadium	Includes lifecycle costs and other capital investment	6.0	15.9	15.9	3.5	2.9	2.9	3.0
Park and Venues	Includes Park and venue lifecycle costs	3.1	10.5	9.4	3.0	3.9	2.3	1.4
Regeneration		0.2	0.7	0.6	0.2	0.3	0.2	0.2
Finance, Commercial and Corporate Services	Includes ICT and East Bank assurance costs	2.3	2.6	3.1	2.0	1.7	1.7	1.5
Corporation Tax and Contingency	Incurred on capital receipts and income	2.2	13.5	11.2	8.5	0.9	0.7	1.7
Other	Includes cash versus accruals timing adjustments	-9.9	17.8	17.6	0.0	0.0	0.0	0.0
BBC/UAL loan*	Adjustment for BBC/UAL loan	0.0	26.3	0.0	22.9	17.1	39.0	-3.4
Total		82.6	279.8	171.5	227.3	214.9	137.9	35.8

		Capital Strategy (Schedule 1b)		
Capital Investment Plan		Years		
Table 1		6 to 10	11 to 15	16 to 20
Item	Further information	2025-26 to 2029-30	2030-31 to 2034-35	2035-36 to 2039-40
		Plan £m	Plan £m	Plan £m
East Bank		28.8	0.1	0.0
Development	Includes infrastructure costs required under Section 106 obligations	36.3	1.3	0.0
Stadium	Includes lifecycle costs and other capital investment	15.0	12.0	0.0
Park and Venues	Includes Park and venue lifecycle costs	11.2	19.2	9.6
Regeneration		0.0	0.0	0.0
Finance, Commercial and Corporate Services	Includes ICT and East Bank assurance costs	0.9	1.0	1.0
Corporation Tax and Contingency	Incurred on capital receipts and income	19.8	20.0	9.6
Other	Includes a cash versus accruals timing adjustment	6.9	0.0	0.0
BBC/UAL Loan Cash Adjustment	Adjustment for BBC/UAL loan	-17.8	-19.4	-21.5
Total		101.1	34.2	-1.3

Appendix 2 – Capital Funding Plan

Item	Further information	Capital Spending Plan						
		2019-20	2020-21	1	2	3	4	5
		Outturn £m	Revised Budget £m	2020-21 Forecast Outturn £m	2021-22 Plan £m	2022-23 Plan £m	2023-24 Plan £m	2024-25 Plan £m
Capital Receipts		29.6	27.0	10.9	48.2	11.6	10.5	13.9
GLA Grant		17.6	75.8	75.8	91.6	58.2	48.9	0.0
East Bank		0.1	97.5	66.4	44.9	38.7	54.9	7.9
Other (incl Section 106/CIL)	Includes contributions towards projects (e.g. Section 106), for example Hackney Wick Station	0.0	1.7	0.9	1.0	0.1	0.4	0.0
Borrowing	GLA borrowings / Repayment of GLA borrowings	35.3	51.5	17.5	18.8	89.1	-15.9	17.4
Borrowing	Adjustment for BBC/UAL loan	0.0	26.3	0.0	22.9	17.1	39.0	-3.4
		82.6	279.8	171.5	227.4	214.8	137.8	35.8

Item	Further information	Capital Strategy		
		6 to 10	11 to 15	16 to 20
		2025-26 to 2029-30 Plan £m	2030-31 to 2034-35 Plan £m	2035-36 to 2039-40 Plan £m
Capital Receipts		194.5	36.0	26.0
GLA Grant		54.3	26.7	24.7
East Bank		94.2	15.5	0.0
Other (incl Section 106/CIL)	Includes contributions towards projects (e.g. Section 106), for example Hackney Wick Station	0.0	0.0	0.0
Borrowing	GLA borrowings / Repayment of GLA borrowings	-224.1	-24.7	-30.5
Borrowing	Adjustment for BBC/UAL loan	-17.8	-19.3	-21.5
		101.1	34.2	-1.3

Appendix 2 – Risks to the Budget

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

CAPITAL RISKS

1. Development receipts

Timing

The timing of capital receipts and slippage on development programmes has been a feature of the last few years. Whilst LLDC has approached the phasing of receipts more prudently than in previous years, due to the contractual nature of these developments it has little influence over the timing of delivery of receipts. This year there is also the increased risk of delays to development programmes – and therefore the timing of capital receipts – due to the COVID-19 pandemic.

Viability

The impact of COVID-19 and 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.

LLDC has updated its HPI assumptions based on an average of third-party London-wide forecasts who have updated their projections following the first national lockdown earlier in 2020.

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 August 2020 and included an estimate of COVID-19 costs based on assumed social distancing until December 2021 – giving an overall net adverse variance.

The construction baseline AFC also reflects tender returns from the market greater than the budget provision and pre-tender estimates and design development and integration issues.

Key risks:

- Further national/local lockdowns and continuation of social distancing requirements – key mitigation is extending operative capacity onsite and productivity;
- Exceptional tender returns above cost plan and consequential delay to procurement timelines;
- Construction and package interface risks;
- Further design development and integration issues; and
- Brexit risk – tariff-free passage of materials and labour from overseas countries, without border delays.

Key mitigations:

- Bottom-up review of AFC by Mace (LLDC's Project Management Partner) based on an updated programme;
- Third-party assurance of AFC;
- Improved productivity during social distancing measures; and
- Further value engineering/scope reduction opportunities.

Overall there is a risk that if the above mitigating actions are not successful and/or the impact of COVID-19 is longer and deeper than assumed, the AFC (and therefore budget deficit) will increase further.

Timing

The budget submission reflects a high-level profile of anticipated spend on East Bank taking into account the estimated COVID-19 impact upon programme and cost. Mace are currently preparing a revised programme based on social distancing until December 2021; therefore, the profile of spend is likely to change further.

Philanthropic funding

The budget includes a reduced allowance 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.

REVENUE RISKS

5. E20 Stadium LLP (E20)

E20 working capital (i.e. operational) funding is now included within LLDC's revenue budget (was previously in capital) and is based upon the consolidated E20 and London Stadium 185 Limited (LS185) 5-year business plan, which is currently under review. There is a risk that E20 and LS185 do not deliver the improvements assumed within the business plan and/there is an adverse impact of COVID-19 upon its operations that increases costs and/or reduces revenue income (particularly securing a naming rights partner and other commercial

income, which are particularly susceptible to current market conditions and the ongoing COVID-19 impacts). The Chief Commercial Officer post is now filled and a Commercial Strategy will be forthcoming in 2021.

6. 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, most recently from the COVID-19 pandemic, and the overall reduction in the number of housing units, have delayed and reduced the overall fixed estate charge income projected from East Bank.

7. 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 rent threshold, thereby 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 would result in a credit to LLDC's borrowings from the GLA, however the rental stream forgone is significant.

8. Trading performance

Whilst the forecast income from the ArcelorMittal Orbit has been reduced again in this budget submission, there is a risk that further deterioration in performance occurs (for example, from the ongoing impact of COVID-19). Note that there is no provision in the budget for AMO loan (and interest on the loan) 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 2021, suffer lower visitor numbers (and therefore revenue) over the budget period, particularly as a result of the pandemic and whilst there is significant construction work being undertaken on the Park.

9. Commercial sponsorship and new attractions risk

The budget currently assumes additional income can be secured for commercial sponsorship income (advertising or naming rights 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.

The new E20 Chief Commercial Officer has the remit to consider Park-wide commercial opportunities, which will be covered as part the Commercial Strategy to be delivered in 2021.

10. 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 COVID-19 and Brexit, create a risk that inflation may be higher.

11. 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.

The risks outlined in this Appendix are included in the corporate and departmental risk registers and are managed through LLDC's embedded risk management process.