

**Subject:** Corporate Performance Report, April - June 2012  
**Agenda item:** Public item 7  
**Report No:** 5  
**Meeting date:** 17/07/2012  
**Report to:** Board  
**Report of/by:** Jonathan Dutton, Executive Director of Finance and Corporate Services

**FOR INFORMATION**

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**This report will be considered in public**

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**1. SUMMARY**

- 1.1. This paper provides details of the Corporation's corporate performance during the first quarter of FY2012/13.

**2. RECOMMENDATIONS**

- 2.1 The Board is invited to **NOTE** this report.

**3. LIST OF APPENDICES TO THIS REPORT**

- Corporate Performance Report, April - June 2012

**List of Background Papers**

- LDLC Business plan 2012/13 – 2014/15, approved by LLDC board 22 May 2012 (Report 3)

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## London Legacy Development Corporation Corporate Performance: April - June 2012



## Chief Executive's Report

In April 2012, the London Legacy Development Corporation (the Corporation) was established, taking over the work of the Olympic Park Legacy Company (OPLC), as well as some projects from London Thames Gateway Development Corporation (LTGDC).

The 2012 Games are significant milestone for the legacy project. The Olympic Park Legacy Company set some significant objectives that would need to be achieved before the Games if the legacy was to be optimised:

- securing control of the Olympic Park land,
- agreeing capital and operating budgets
- appointment of venue operators and estates and facilities management contractors
- procurement for legacy use of the Stadium
- procurement for tenants for the Press and Broadcast Centres
- determination of the Legacy Communities Scheme planning application
- procurement for the Company's first development: Chobham Manor
- launch of the Legacy List charity
- completing construction and fit-out of ArcelorMittal Orbit
- integration with the Olympic Delivery Authority's transformation programme
- define an organisational strategy with convergence at its heart
- completing a transition to become a mayoral development corporation

The overwhelming majority of these objectives are set to be achieved before the Games, establishing firm footings for the next phase – the completion of transformation, re-opening of the park and delivery of regeneration programmes.

With a larger area of operation, the addition of planning powers and a broader regeneration remit, the London Legacy Development Corporation will move from planning, to construction, to regeneration and creating a new destination for London. Its three key objectives are

- to deliver social, economic and environmental benefits and convergence for East London;
- to deliver financial returns to the public purse over the long term; and
- to optimise sustainability and success of the Park and venues.

This report shows progress against the 2012/13 budget and the Three Year Business Plan.

Andrew Altman  
Chief Executive

## Financial summary – to the end of June

Financial Performance - London Legacy Development Corporation Summary - June 2012						
Capital Expenditure	Year to Date			Full Year to March 2013		
£'000s	Actual	Revised Budget	Variance	Revised Budget	Baseline Budget	Budget Change
<b>Total</b>	<b>22,312</b>	<b>24,002</b>	<b>1,690</b>	<b>170,525</b>	<b>163,930</b>	<b>(6,595)</b>
<b>Notes</b>						
<ul style="list-style-type: none"> <li>- Capital expenditure in the first quarter is dominated by the final payment on the Lee Valley land acquisition (£10.2m) in April.</li> <li>- Other areas of major capital expenditure include the North Park (£2.2m) and the Olympic Stadium (£2.9m).</li> <li>- The increased full year budget will be met by funding from Newham Borough Council for the Stadium and other budgets brought forward from 2013/14.</li> </ul>						
Revenue Expenditure	Year to Date			Full Year to March 2013		
£'000s	Actual	Revised Budget	Variance	Revised Budget	Baseline Budget	Budget Change
<b>Total</b>	<b>4,565</b>	<b>5,540</b>	<b>975</b>	<b>27,694</b>	<b>26,702</b>	<b>(992)</b>
<b>Notes</b>						
<ul style="list-style-type: none"> <li>- The underspend in the year to date arises from the timing of new staff appointments and some programme slippage in Park Operations &amp; Design.</li> <li>- The budget for the full year has increased to take account of additional funding from GOE for the Planning Decisions Team.</li> </ul>						

### Purpose of the document

This is a quarterly report that provides an update on progress against the work areas and milestones in the Corporation's Business Plan for 2012/13 – 2014/15 and information about the Corporation's financial performance.

The structure of the report is made up of the Corporation's functional areas grouped into three core areas: **Park Opening and Venues and Infrastructure**; **Real Estate, Regeneration and Design**; and **Corporate Support**. The information in each section includes progress against milestones in the Three Year Business Plan, commentary on progress in major projects, financial reporting and key risks and issues.

There is also a section on monitoring the Corporation's performance against targets which will commence as the Corporation's projects start to be delivered.

## Park Operations and Venues, Infrastructure

The work in this area in 2012/13 is focussed on action to ensure that the Queen Elizabeth Olympic Park (the Park) and its venues can be successfully re-opened with a programme of events and visitor attractions establishing the Park's reputation as a compelling visitor destination; and confirming the legacy use for the Stadium.

### Progress against major milestones

Park operations and venues , infrastructure milestones	Target date	Estimated date and comment
Mobilise transformation works: clear, connect, complete	2012/13	On programme to commence after Games time
Announce legacy uses for Stadium	2012/13	8 week extension to the Stadium process has been announced.

### Commentary

Progress is on track to ensure the Park and venues can be successfully re-opened following transformation after the Games. Key projects are highlighted below.

#### Park operations

**Park opening:** Phased opening dates for the Park have been announced: the first area of the park will re-open in July 2013 and the whole Park will be open to visitors in Easter 2014.

**South Park Plaza and Hub:** The RIBA Stage C design report has been received, the scope of phase 1 of the transformation confirmed, and RIBA Stage D design work is underway for completion in August 2012. An updated Outline Business Case has been approved and procurement exercise for the hub and landscaping have commenced.

**North Park and Hub:** The RIBA Stage D design has been signed off and planning application has been submitted; decision due in July 2012.

**Interim Uses and Events:** Interlinked events and interim uses strategies were approved by the OPLC's (Board in March 2012. Work is ongoing to deliver the agreed programmes including the launch of the 'A Day In The Park' competition offering 10,000 tickets to the Paralympic Games to London residents, with sponsorship support from G4S. Work has progressed to develop specifications for a North Park Opening event; procurement has commenced for an Events Booking system.

#### Venues and visitor attractions

**Aquatics Centre and Multi-Use Arena:** The briefs for the fit out requirements have been finalised incorporating comments from external stakeholders. The business case for fit out, to be delivered through Transformation, has been approved.

**ArcelorMittal Orbit:** LLDC became the owner of the sculpture on practical completion in June 2012 and has licensed it to LOCOG for Games time use.

**Stadium:** LLDC announced the extension of the Stadium competition process by eight weeks in May 2012. This gives all parties who registered to receive the Invitation to Tender (ITT) additional time to submit a bid. This is to allow more time to address a number of issues which have arisen since the ITT was issued in January, including governing body approvals, technical improvements to the Stadium and the opportunity to bid for the right to exploit Stadium naming rights.

**Infrastructure:**

Work has continued to mobilise the transformation works programme to clear, connect, and complete the Park; construction work will commence in October 2012.

**Key risks** (from 3 year business plan)

Summary	Impact	Mitigation
There is a risk that the Park opens later than has been announced or without the facilities to encourage people to visit the Park in large numbers. This risk could materialise for example if transformation is delayed due to venues being returned to the Corporation in a poor state of repair.	Significant reputational and operational impacts, and financial impacts on receipts.	Defined and established work programmes and milestone achievement regularly reviewed at Executive and Board levels.
The risk of insufficient site management and communications between Games-time and Park opening.	Negative impacts on the Corporation's reputation with local residents (including new residents in the East Village from 2013) and prospective visitors.	Manage expectations through Park unfolding plan. Develop interim uses, park tours and controlled events. Considerate construction programme and good communications with residents.
The risk of an unsuccessful process to secure tenants for the Stadium.	Stadium plan will change or will not be open on target, leading to financial and reputational impacts for the Corporation.	Ensuring that the process is clear and well communicated and the offer is well defined for a wide range of potential users.
Risks that the design and build programme for the Stadium will slip.	Stadium not opening on target, with financial and reputational impacts for the Corporation.	Efficient procurement to ensure technical programme is achievable.

## Financial Summary to the end of June

<b>Financial Performance - Park Operations, Venues &amp; Infrastructure</b>						
<b>Capital Expenditure</b>	<b>Year to Date</b>			<b>Full Year to March 2013</b>		
<b>£'000s</b>	<b>Actual</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Revised Budget</b>	<b>Baseline Budget</b>	<b>Budget Change</b>
<b>Park Operations &amp; Venues</b>	766	984	218	6,128	17,056	10,928
<b>Infrastructure</b>	6,619	6,832	213	109,152	89,120	(20,032)
<b>Total</b>	<b>7,385</b>	<b>7,816</b>	<b>431</b>	<b>115,280</b>	<b>106,176</b>	<b>(9,104)</b>
<b>Notes</b>						
<ul style="list-style-type: none"> <li>- £145k of the £431k underspend occurred on Interim Uses mainly because legal work is now done in house, thereby generating savings, and delays occurred on the procurement of the South Park Lawn and Stratford Waterfront operators.</li> <li>- The revised budget reflects the transfer of projects, principally the South Park Plaza, Velopark and Acquatics, to the Infrastructure directorate.</li> </ul>						
<b>Revenue Expenditure</b>	<b>Year to Date</b>			<b>Full Year to March 2013</b>		
<b>£'000s</b>	<b>Actual</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Revised Budget</b>	<b>Baseline Budget</b>	<b>Budget Change</b>
<b>Park Operations &amp; Venues</b>	445	808	363	7,198	7,698	500
<b>Total</b>	<b>445</b>	<b>808</b>	<b>363</b>	<b>7,198</b>	<b>7,698</b>	<b>500</b>
<b>Notes</b>						
<ul style="list-style-type: none"> <li>- Costs in the first quarter are below budget due to delays in obtaining information from the ODA and LOCOG on the hostile vehicle mitigation strategy, which caused delays in completing the work.</li> </ul>						



## Real Estate, Regeneration and Design

The work in this area in 2012/13 includes confirming the legacy use of the Press and Broadcast Centres; securing planning permission for the Legacy Communities Scheme; selecting a developer for the provision of 800 homes at Chobham Manor; and developing a range of projects to deliver regeneration and convergence.

### Progress against milestones

Real Estate, Regeneration and Design milestones	Target date	Estimated date and comment
Secure planning consent for Legacy Communities Scheme	2012/13	On programme for planning permission to be granted in October 2102
Secure legacy use for Press and Broadcast Centres	2012/13	On programme for announcement of legacy use in Summer 2012
Appoint developer partner for Chobham Manor	2012/13	On programme for announcement of selected developer in Summer 2012
Develop regeneration and convergence programmes	2012/13	Work continues on the development and delivery of a range of projects contributing to convergence and regeneration

### Commentary on key projects

**Press Centre and Broadcast Centre:** The disposal process of the Press Centre and Broadcast Centre is continuing. A shortlist of three was selected and announced; one bidder has subsequently withdrawn from the process. Two final bids have been received, reviewed and evaluated. These bids have also been reviewed against comparable projects to ensure a public sector comparator. A decision about the preferred option is due to be made in Summer 2012; the Board is considering a report on this matter in July 2012.

#### **Legacy Communities Scheme (LCS) planning application and Section 106**

**Negotiations:** The ODA's Planning Decision Team's Planning Committee met on 26th June 2012 and granted approval to the LCS Planning Application. Section 106 negotiations with the ODA's Planning Decisions Team are largely complete; outstanding issues to be resolved and detailed drafting will continue prior to signing the agreement which is expected in September 2012.

**Chobham Manor development:** The process to find a developer for the Chobham Manor site, north of the Athletes' Village, has continued. A shortlist of three potential developers was announced in March 2012. Final bids were submitted in June; the aim is to announce a preferred developer in Summer 2012. Options are being explored about setting up a possible Community Land Trust for the development.

**Regeneration:** The Welcome Pack, a best practice guide for businesses on and around the Park to deliver community benefits has been published. and LLDC Youth Panel members attended a reception at Number 10 held as part of the recent IOC visit. Stakeholder workshops have been held on LLDC's Regeneration Strategy and partnership working arrangements. The Built Environment Access Panel met to review and input into the Stadium

Planning Application. Community engagement through the Paralympic Park experience has been -launched, including borough roadshows.

**Design and Fringe projects:** The Design Services Framework Panel procurement process was completed with the successful panel members for the three separate lots announced. The first mini competition was launched for the Canal Path on the Lea Navigation Canal. Over 90 applications were received for the LLDC Quality Review Panel, an independent panel to advise on the design of the Park. A Ministerial visit to Leyton Links public realm project took place and the Meridian Square public realm opened. White Building refurbishment work was completed in April with an opening event to be held in July.

**Key risks** (from 3 year Business Plan)

Summary	Impact	Mitigation
There is a risk that the disposal of the Press and Broadcast Centres does not meet expectations for financial returns and job targets.	Reduced financial returns for the Corporation and reputational impacts.	Maintain competitive tension through procurement and a tight commercial negotiation process.
The risk that the Corporation will not be able to return sufficient capital receipts because of factors such as house price inflation, budgetary pressures for the Corporation, the impact of the London Settlement agreement and Section 106 obligations.	Reputational, financial and programme implications for the Corporation.	Continuing S106 negotiations and revised offer to PDT. Commercial delivery arrangements with developer partners via joint ventures and risk sharing.
The risks that related development projects undertaken by other organisations are not successful.	Negative reputational impacts and knock on effect on the success of the Park.	Close work with partners to influence developments and monitor progress.
The risk about failing to deliver regeneration and convergence impacts of the Park for local communities.	A reduction of the regenerative and convergence impact of the Olympic Park for local communities.	Implement socio-economic policy, agree strong targets in contracts (EFM, Transformation and venue operator contract targets already agreed, close working relationship with partners.

**Financial Summary to the end of June**

Financial Performance - Real Estate, Regeneration & Design						
Capital Expenditure	Year to Date			Full Year to March 2013		
£'000s	Actual	Revised Budget	Variance	Revised Budget	Baseline Budget	Budget Change
Real Estate	11,766	12,062	296	24,040	26,928	2,888
Regeneration & Community Partnerships	0	121	121	1,413	1,613	200
Design	1,258	1,665	407	2,543	2,536	(7)
<b>Total</b>	<b>13,024</b>	<b>13,848</b>	<b>824</b>	<b>27,996</b>	<b>31,077</b>	<b>3,081</b>
<b>Notes</b>						
<ul style="list-style-type: none"> <li>- The final balance of £10.2m for the Lee Valley land acquisition is included in the first quarter's figure.</li> <li>- The underspend on Design in the first quarter is due to delays in agreeing grants and scope with a local authority. We expect to catch up in July.</li> <li>- The reduction in budget for the full year reflects the transfer of projects reaching the delivery phase to the Infrastructure directorate, principally hoardings and landscaping.</li> </ul>						
Revenue Expenditure	Year to Date			Full Year to March 2013		
£'000s	Actual	Revised Budget	Variance	Revised Budget	Baseline Budget	Budget Change
Real Estate	1,262	1,134	(128)	2,345	2,354	9
Regeneration & Community Partnerships	143	219	76	1,900	1,870	(30)
Design	25	162	137	299	298	(1)
<b>Total</b>	<b>1,430</b>	<b>1,515</b>	<b>85</b>	<b>4,544</b>	<b>4,522</b>	<b>(22)</b>
<b>Notes</b>						
- Revenue expenditure in the first quarter has been broadly in line with expectations.						

## Corporate Support

Work in this area includes functions to support the delivery of the Corporation's objectives through services including finance, human resources, IT and information management, programme management, legal, procurement and communications. It also includes the programme to transfer planning powers to the London Legacy Development Corporation in October 2012.

### Progress against milestones

Corporate milestones	Target date	Estimated date and comment
Transition to LLDC	2012/13	Completed 1 <sup>st</sup> April 2012
Transfer of planning functions to LLDC	2012/13	On programme for 1 <sup>st</sup> October 2012

### Commentary

The London Legacy Development Corporation was established on 1<sup>st</sup> April 2012. All relevant assets, liabilities and staff were transferred from OPLC and LTGDC to the LLDC with effect from that date. Work is also under way in preparation for the transfer of **planning powers** to the LLDC with effect from 1st October facilitated by a further statutory scheme to transfer the ODA's Planning Decisions Team and LTGDC planners.

Daniel Moylan commenced his role as **Chairman** of LLDC in June 2012. The **Chief Executive** Andrew Altman has announced that he will leave LLDC after the Games in August. Dennis Hone, Chief Executive of the Olympic Delivery Authority, will act as interim Chief Executive whilst recruitment to the permanent role takes place.

The **2012/13 budget** was approved by the OPLC Board in March 2012 and by the LLDC board on 2 April. The **three year business plan** was approved by the LLDC Board on 22<sup>nd</sup> May 2012.

Work has continued to develop the **Park Wide IT** strategy which will set out a fully costed plan to address requirements for IT and technology on the Park after Games and link in with corporate IT requirements. Two programmes of work have commenced to support this: specification for the Park IT system and design of the IT information and security system.

### Key risks (from 3 year Business Plan)

Summary	Impact	Mitigation
There is a risk that the Corporation does not have the capacity to deliver on new areas of activity.	Impacts on the legacy programme, damage to the Corporation's reputation and increasing costs.	Organisational change programme to target resources in areas that require them, staff training, operational readiness programme.
There is a risk that the Corporation's IT systems, information management and security will not be robust enough to cope with increasing requirements.	Commercial and reputational damage to the Corporation, and potential operational failure.	New IT system has been introduced and resourcing for IT and information management has increased. Development of Park wide IT strategy.

## Financial Summary to the end of June

<b>Financial Performance - Corporate &amp; Planning</b>						
<b>Capital Expenditure</b>	<b>Year to Date</b>			<b>Full Year to March 2013</b>		
<b>£'000s</b>	<b>Actual</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Revised Budget</b>	<b>Baseline Budget</b>	<b>Budget Change</b>
<b>Finance &amp; Corporate Services</b>	1,903	2,338	435	27,249	26,677	(572)
<b>Total</b>	<b>1,903</b>	<b>2,338</b>	<b>435</b>	<b>27,249</b>	<b>26,677</b>	<b>(572)</b>
<b>Notes</b>						
<ul style="list-style-type: none"> <li>- The underspend in the first quarter has been achieved mainly through savings on IT Infrastructure and office fit-out costs.</li> <li>- The full year budget has increased following the allocation of budgets brought forward from 2011/12.</li> </ul>						
<b>Revenue Expenditure</b>	<b>Year to Date</b>			<b>Full Year to March 2013</b>		
<b>£'000s</b>	<b>Actual</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Revised Budget</b>	<b>Baseline Budget</b>	<b>Budget Change</b>
<b>Finance &amp; Corporate Services</b>	2,691	3,218	528	15,382	13,912	(1,470)
<b>Planning</b>	0	0	0	570	570	0
<b>Total</b>	<b>2,691</b>	<b>3,218</b>	<b>528</b>	<b>15,952</b>	<b>14,482</b>	<b>(1,470)</b>
<b>Notes</b>						
<ul style="list-style-type: none"> <li>- The favourable variance is driven mainly by the timing of staff recruitment.</li> <li>- The budget for the full year has increased mainly to take account of additional funding from GOE for the Planning Decisions Team.</li> </ul>						

## Targets

The LLDC will monitor its performance against the targets as set out in its Business Plan. These are long term targets that will be measured and reported once work on individual projects is underway; see commentary below.

The targets that have been agreed to date include Transformation targets for construction works after Games and targets within contracts awarded for Estates and Facilities Management and Venue Operations.

### Park Operations and Venues, Infrastructure

Below are the workforce targets associated with Park Operations and Venues and Infrastructure.

Workforce targets	Estates and Facilities Management		Venue Operations		Transformation	
	Target	Actual	Target	Actual	Target	Actual
% permanent residency in the Host Boroughs	85%		70%		25%	
% previously unemployed	N/A	N/A	N/A	N/A	10%	
% from BAME groups	50%		55%		25%	
% women	50%		50%		5%	
% disabled	10%		3-5%		3%	
Apprenticeship places	50		36		3%	
Volunteering opportunities created	1,000		N/A	N/A	N/A	N/A

Transformation will commence after the Park is handed back to LLDC in October 2012; venue operations commence from Summer 2013 and estate and facilities management become operational as the Park begins to re-open. Measuring performance against these targets will commence soon after the operational phases begin later this financial year.

### Real Estate and Regeneration

Targets for the **Chobham Manor** development are being agreed as part of the current developer selection process: these will be reported on once agreed, and performance against them reported when the development is built and starts to be occupied in 2015.

Targets for the Press and Broadcast Centres will start to be measured once the tenant has been selected and is occupying the buildings in 2014; the aspiration is for 3,500 jobs to be created through this project.

Long term targets for the Legacy Communities Scheme planning application are set out below. Measurement of these targets will commence when the scheme enters phase 2 in 2015.

- 7,000 new homes proposed (42% family homes, 35% affordable housing)
- up to 4,000 new jobs;
- three new schools (two primary, one secondary); nine new nurseries; two walk-in health centres; one primary care health centre; and community, leisure and cultural facilities
- 100% lifetime homes and 10% wheelchair homes