

Subject: 2012/13 Budget
Agenda item: 9
Report No: 6
Meeting date: 02/04/2012
Report to: Board
Report of/by: Jonathan Dutton, Executive Director of Finance and Corporate Services

FOR DECISION

This report will be considered in public

1. PURPOSE

- 1.1. To secure approval of the Corporation's Capital, Programme and Operational Budgets for 2012/13.

2. RECOMMENDATIONS

- 2.1 The Board is asked to **APPROVE** the Corporation's Capital, Programme and Operational Budgets for 2012/13.

3. SUMMARY

- 3.1. Following their agreement by the Greater London Authority (GLA) and the Olympic Park Legacy Company (OPLC), the London Legacy Development Corporation is asked to approve budgets for 2012/13, comprising:
- Capital budget: £157.6m
 - Revenue budget: £26.5m

4. BACKGROUND

- 4.1. The 2012/13 budget allocations to the OPLC formed part of the Mayor of London's budget for 2012/13, in anticipation of the establishment of a mayoral development corporation, and the transfer of OPLC's budgets to the new organisation. The allocation of these budgets by department was the subject of discussion by OPLC management, and was agreed by the OPLC Board at their 20 March meeting.
- 4.2. Following transfers to London Legacy Development Corporation, the budgets are now presented to the Corporation Board for endorsement, so that spending commitments can be made in line with the Corporation's Financial Regulations.
- 4.3. These budgets will be consolidated into the Corporation's three-year Business Plan, which will be presented to a subsequent meeting of the Board for approval.

5. TIMING

- 5.1. Approval of the budgets is URGENT to enable effective operation of the London Legacy Development Corporation.

6. CAPITAL BUDGETS

- 6.1. LLDC has a capital budget of £157.6m available for 2012/13. This comes from the funding sources set out below and in Table 1:
- Greater London Authority (GLA) funding includes Comprehensive Spending Review (CSR) funding transferred to the Mayor from Government in preparation for the establishment of the London Legacy Development Corporation.
 - Greater London Authority fringe funding represents the residue of grants for public realm projects, carried forward from 2011/12 (the precise sum may differ slightly from that shown).
 - Transformation funding is provided from the Public Sector Funding Package (PSFP), the package that was put together to fund the London 2012 project.

Table 1: capital funding sources

Funding Source	Allocated funding (£ millions)
GLA (CSR)	64.0
GLA (fringe)	1.0
PSFP (Transformation, plus solar panels for car park)	92.6
Total	157.6

- 6.2. Capital budgets have been allocated as set out in the Table 2 below.

Table 2: capital budget commentary

Programme area	Budget 2012/13 (£m)	Key spending items
CSR-funded		
Park operations and venues	22.5	Commence construction of hubs, South Park landscaping and fencing. Commence construction of revised cycle circuit layout. Commence fit out of Aquatics Centre, and costs to complete operator procurement Commence fit out of Multi Use Arena, and costs to complete operator procurement Initial security cost including fencing, CCTV and vehicle mitigation First tranche of LLDC contribution to conversion costs, and costs to complete user procurement Completion of fit-out and lighting works, and initial operating support Conversion of site-operations centre

Programme area	Budget 2012/13 (£m)	Key spending items
Real Estate	23.0	Works to buildings and infrastructure to ensure viable legacy uses Balance of payment for purchase of 'option land' at Chobham Manor from LVRPA Connectivity enhancements including bridge works, riverside connections and allowance for transport provision Includes sustainability, utilities, remediation, Chobham Manor, estates management, estates strategy, LTGDC projects, waterways Security, edge treatments, and temporary development and landscaping on long-term development platforms Completion of LCS planning application process, including related legal and planning authority costs. Initial s106 allowance.
Regeneration and Community Partnerships	1.6	Community and business engagement, socio-economic programmes (job brokerage etc), inclusive design and equalities and inclusion
Fringe projects and Urban Design	2.5	Support for urban design guidance and input into early phases development, park programming etc Final contribution to fringe public realm projects at Hackney Wick, Fish Island and Leyton
Corporate		
	17.4	VAT, programme management (CSR only), Park-wide ICT, contingency
Transformation-funded		
Transformation works	90.7	Includes parklands transformation, Eton Manor conversion, Basketball removal, park hubs core scope, stadium, hub and aquatics centre core scope, waterpolo removal Security, technical services, Section 106 for transformation works Including contingency, VAT and programme management
Total	157.6	

- 6.3. CSR funded budgets will be transferred to the transformation team throughout the financial year when decisions are made that capital works will be delivered through the transformation contract. Budgets will be transferred in line with Financial Regulations.
- 6.4. Contingency amounts to six per cent for transformation scope and 11 per cent for CSR-funded projects, reflecting the greater degree of uncertainty in relation to the latter.
- 6.5. Spend will be monitored through the year to achieve optimal use of budgets and contingency.

- There are a number of projects that could potentially accelerate expenditure into 2012/13 (in order to make the most of current year budgets and reduce burden on future years). These include works to the stadium, Press Centre, South Park, connectivity projects to link the Park to Carpenters Estate, as well as park-wide ICT.
- There are additional projects, particularly in the fringe areas, that are not currently included in the Business Plan, but could be brought forward, and any proposals to introduce these will be considered in the light of their overall impact on scope and budgets. Pending approval of the Business Plan, any such changes will be approved in line with Financial Regulations and the Scheme of Delegations.

7. REVENUE PROGRAMME BUDGETS

7.1. London Legacy Development Corporation has a revenue programme budget of £26.5m available for 2012/13. This comes from the funding sources set out below and in Table 3:

- Greater London Authority (GLA) funding includes Comprehensive Spending Review (CSR) funding of £10.6m for the Corporation's core administration costs (staffing, accommodation, corporate services etc).
- GLA funding of £5.0m forms the residue of the programme commitment previously made by the London Development Agency to the Olympic Park Legacy Programme, plus an estimated further £177,000 of allocated project funding carried forward from the current year.
- Reserves have been built up in the current year to address the anticipated imbalance of funding over these two financial years. £6.1 million is available. The Corporation will seek to use no more than £5.28m of these balances within 2012/13, allowing for a further £800,000 to be retained in reserves for the years from 2015/16, when the Corporation's external funding will significantly reduce.
- Operational readiness (£5.4m) is a specific allocation from the PSFP, to meet the costs of operating the Park as a construction site during the transformation period (eg, maintaining and protecting infrastructure, systems and venues, utilities, environmental monitoring).

Table 3: revenue funding sources

Funding Source	Allocated funding (£ millions)
GLA (administration grant)	10.6
GLA (programme grant) and LDA novated	5.2
Brought forward from reserves	5.3
PSFP (Operational readiness)	5.4
Total	26.5

7.2. Programme budgets have been allocated as set out in the Table 4 below.

Table 4: revenue budget commentary

Programme area	Budget £ m	Key spending areas
Corporate operations	10.6	Staffing, accommodation, board costs, corporate ICT operations, consumables etc
Real estate	1.2	Developing real estate strategy, Three Mills strategy, property rights etc
Park operations and venues (including operational readiness)	8.7	Operating costs for Park during construction phase Developing events and attractions programme, including preparation for Park re-opening Interim uses, food and beverage, ticketing, sport and healthy living policy, buses. Developing commercial brand, and marketing for sponsorship and commercial partnerships Initial (part-year) payment for EFM, waterways maintenance and security.
Urban design and fringe	0.3	Project support costs
Regeneration and community partnerships	1.9	Community and business engagement, socio-economic programmes (job brokerage etc), inclusive design and equalities and inclusion
Planning authority	0.2	Developing planning policy
Corporate costs	3.6	Insurance, rates, corporate marketing/development, VAT, contingency
Total	26.5	

7.3. A contingency allowance of £600,000 (1.5 per cent) has been retained. Depending on other demands, potential uses for this would include an enhanced park marketing programme, and accelerated spend on ticketing systems. Spend will be monitored through the year to achieve optimal use of budgets and contingency.

8. LEGAL IMPLICATIONS

8.1. The Localism Act makes mayoral development corporations subject to the provisions of the Greater London Authority Acts 1999 and 2007 in relation to the preparation of budgets.

9. RESOURCE IMPLICATIONS

9.1. The agreement of these budgets will enable the Corporation to meet new commitments, as well as those transferred from OPLC.

10. PRIORITY THEMES

10.1. The Olympic Park Legacy Company set the following priority themes:

- **Promoting convergence and community participation**

For the goal of convergence to be achieved, the Olympic Park legacy needs to be fully accessible for local people. This means ensuring the Park evolves with input from local residents, that economic opportunities are accessible to local people,

businesses and social enterprises, and that sporting, cultural and leisure facilities and events in the Park can be used and enjoyed by local people at all income levels.

- **Championing equalities and inclusion**

The Park lies in one of the most diverse areas of the UK. In addition to statutory duties, the Company will take this diversity into account in order to attract the best talent, understand how its decisions impact different communities and groups, and to create and manage its estate in a way that capitalises on, and is accessible by, these diverse communities.

- **Ensuring high quality design**

Architectural, urban and landscape design will be essential elements for creating a place that is engaging, safe, usable and beautiful, and which creates and maintains value over the long term.

- **Ensuring environmental sustainability**

Establishing clear standards for environmental performance, and making the most of natural and built assets to meet the challenges posed by climate change mitigation and adaptation.

10.2. The proposed budget includes provision for regeneration and community partnerships, which includes specific capital and revenue budgets for furthering priority themes, as well as design and sustainability projects.

11. LIST OF APPENDICES TO THIS REPORT

- None

List of Background Papers:

- | |
|---|
| <ul style="list-style-type: none">• Scheme of Delegations• Financial Regulations |
|---|

Report originator(s): Richard Brown
Telephone: 020 3288 1830
Email: richardbrown@londonlegacy.co.uk