2018/19 Budget Submission

1. SUMMARY

1.1. This report sets out the 2018/19 capital and revenue budget submissions of the LLDC to the Mayor. It covers the four financial years 2018/19 to 2021/22 and is prepared in accordance with the Mayor's budget guidance.

2. BACKGROUND

2.1. The LLDC budget forms part of the GLA budget. The GLA budget process ensures there are sound financial plans to support Mayoral objectives and priorities within available resources.

2.2. Following informal discussions with the GLA in respect of the Corporation's deliverables and financial plans, a draft budget submission is attached at Appendix 1, which reflects the outcome of these discussions and which will be submitted by 29 November 2017 as part of the GLA's statutory budget process. A draft consolidated budget will be published for consultation by the GLA in December 2017. It is expected that LLDC will be asked to attend the London Assembly Budget and Performance Committee on 3 January 2018. The draft will be considered by the London Assembly in January 2018, with a further review of the final draft in February 2018. The final budget for the Corporation will be submitted to LLDC's Board for approval in March 2018.

2.3. The Mayor has asked the GLA bodies, including LLDC, to support his aims and priorities for London in their business plans and budgets. Many of the deliverables of the Corporation align to the Mayor's priorities. A summary of how LLDC is supporting the Mayor's priorities is shown in the diagram below, setting out the Mayor's priorities, how they are to be achieved and what LLDC is doing to deliver them.

Mayoral Priorities from a City for All Londoners	Relevant policy drivers	LLDC activities

Accommodating Growth

Relevant policy drivers

- 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

LLDC activities

- New business districts driving economic activity (IQL, Here East)
- Zero carbon homes
- Biodiverse green space
- Culture and Education District
- Mixed use developments
- Sustainability guide to Park

London Plan, Transport Strategy, Draft Environment Strategy, Cultural infrastructure Plan, 'Healthy Streets' approach

Housing

Relevant policy drivers

- 50% affordable housing
- More housing sooner
- Build to rent

LLDC activities

- First two Park neighbourhoods – 28% and 30% affordable
- 6,800 homes in the planning area by 2020 under current plans (24,000 overall)
- PML and RRW being reviewed with a view to accelerating delivery and increasing affordable homes

London Plan

Economy

Relevant policy drivers

- Pro-business
- Infrastructure investment
- Improve skills and nurture talent
- Promoting tourism across the City
- London Living Wage
- Support night-time economy
- Creative enterprise zones

LLDC activities

- HereEast: Loughborough Uni, Plexal, Ford Innovation
- IQL: TfL, FCA, Cancer Research UK, British Council
- LLW [paid to all employees and Tier 1 Park contractors
- 5.2m ft2 workspace including space for small business and start-ups
- Skills for growth programme – over 240 apprenticeships
- 40,000 jobs by 2025
- Successful visitor attraction – 5m visitors per year

London Plan, Transport Strategy, Draft Environment Strategy, Equality Framework, Economic Development Strategy, Creative Enterprise Zones

Environment, transport and public space

Relevant policy drivers

- 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

LLDC activities

- 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

London Plan, Transport Strategy, Draft Environment Strategy, 'Healthy Streets' approach

A City for All Londoners

Relevant policy drivers

- 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

LLDC activities

- Culture and Education District – V&A, Sadler's Wells, UAL, UCL,
- Programme of major cultural festivals and global sporting events on the Park
- Community focussed programmes and events
- Sport and healthy living programme
- Focus on gender pay gap

Gender pay gap, Equality Framework, Transport Strategy, Police and Crime Plan, Culture Strategy

Review process

2.4. The Corporation's long term financial model underpins the short term budget submission. The model sets out all capital and revenue income and expenditure by directorate. The model was last approved in March 2016 by the LLDC Board. Movements and changes in assumptions from the previously approved model have been reflected in an updated model that will be subject to formal approval by LLDC's Board and the GLA. The finalisation and submission for approval of the long term model has been delayed pending an agreed plan for the development of Pudding Mill Lane and Rick Roberts Way, including the level of affordable housing to incorporate into the plan and this is now expected to go to the Board in March 2018.

2.5. This year, the budget process involved:

- assessment of LLDC's strategy against the Mayor's priorities
- updating the long term financial model for changes identified since the previous year
- review of key assumptions that underpin budget projections
- challenging cost and income proposals with responsible Executive Directors to identify savings and efficiencies
- scrutiny by the Executive Management Team (EMT) and the Corporation's Investment Committee
- meeting GLA Finance to review the financial projections prior to submission, covering the changes from last year, and the implications for capital budgets, revenue costs and income forecasts

3. CAPITAL BUDGET

3.1. The capital requirement for the next four years is set out in the table below, showing the profile of both capital income and expenditure. Net capital expenditure, after capital receipts and other income, is currently funded entirely through loan finance from the GLA which will be repaid from net receipts from the various development zones on and around Queen Elizabeth Olympic Park (QEOP).

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Capital Income					
Development	46.6	1.3	14.5	35.5	69.8
Cultural and Education District	0.4	53.9	49.8	35.9	7.6
Total Capital Income	47.0	55.1	64.3	71.4	77.4
Capital Expenditure					
Development	(41.7)	(35.1)	(21.9)	(31.3)	(16.4)
Finance, Commercial and Corporate Services	(1.4)	(1.6)	(1.5)	(1.1)	(1.0)
Cultural and Education District	(14.2)	(29.6)	(49.1)	(118.8)	(203.2)
Park Operations and Venues	(5.5)	(3.8)	(1.5)	(1.2)	(2.1)
Regeneration and Community Partnership	(1.5)	(0.2)	(0.2)	(0.2)	(0.2)
Stadium	(26.3)	(26.5)	(26.0)	(28.8)	(29.2)
Contingency	(5.3)	(6.6)	(0.9)	(1.1)	(0.9)
Corporation Tax	(0.5)	0.5			
Total Capital Expenditure	**(96.4)**	**(102.9)**	**(101.1)**	**(182.5)**	**(253.1)**
Net Capital Expenditure	**(49.4)**	**(47.7)**	**(36.8)**	**(111.1)**	**(175.7)**

3.2. Capital Income

3.2.1. Development

The development income largely reflects anticipated receipts from the developments as they come to market. Receipts from Chobham Manor Phase 2 have been reforecast from 2018/19 to 2019/20 - 2021/22 and Phase 3-4 from 2020/21 to 2022/23 and 2023/24, in light of our experience of Phase 1 completions being delayed. East Wick and

Sweetwater receipts have slipped by two years from 2018/19 onwards to 2020/21 onwards due initially to design and planning issues and more recently due to commercial issues.

Receipts are now profiled as follows:

- 2019/20 Chobham Manor Phase 2 receipts
- 2020/21 further Chobham Manor Phase 2 receipts and initial Eastwick and Sweetwater receipts together with the planned disposal of 3 Mills and Bromley by Bow
- 2021/22 further Chobham Manor Phase 2 receipts and East Wick and Sweetwater receipts, together with receipts from the Hackney Wick Neighbourhood Centre development.

3.2.2. Cultural and Education District

Income from the Cultural and Education District is largely land receipts from the universities when Agreements for Lease become unconditional. Contributions towards the costs of constructing the UAL building are also forecast in 2019/20 and 2020/21.

3.3. Capital Expenditure

3.3.1. Development

Development costs in 2018/19 relate to section 106 works on the East Wick and Sweetwater development site rolled over from 2017/18, together with infrastructure costs for Pudding Mill Lane in anticipation of bringing forward this development. There are also costs for river wall works at 3 Mills. Expenditure in 2019/20 relates largely to infrastructure spend on the Pudding Mill Lane site. Expenditure in later years relates broadly to infrastructure spend, again mainly on Pudding Mill Lane.

3.3.2. Finance and Corporate Service

Expenditure covers the costs of IT implementation in the Park and staff working on capital projects.

3.3.3. Cultural and Education District

Costs for the Cultural and Education District reflect the remodelled master plan and assumes the Stratford Waterfront residential is built through a joint venture. UCL construction of the academic building at Marshgate will now be delivered directly by UCL (in addition to the student accommodation at Pool Street).

3.3.4. Park Operations and Venues

Costs relate to lifecycle works on the Park.

3.3.5. Regeneration and Community Partnerships

Costs relate to the environmental team.

3.3.6. Stadium

Costs for the Stadium relate to E20s operational forecast (based on a range of assumptions on operating costs and revenues, naming rights income and the cost of seat moves which are subject to ongoing review) and restructuring provisions.

3.3.7. Staffing - capital

The proposed capital staff headcount and cost for the budget are:

Staffing - Capital	2017/18 Forecast	2018/19 Budget	2019/20 Plan	2020/21 Plan	2021/22 Plan
Equivalent full time staff (No)	**47.5**	**51.2**	**51.2**	**48.2**	**48.2**
Cost (£000s)	**4,049**	**4,554**	**4,681**	**4,311**	**4,462**

The forecast 2017/18 equivalent full time staff numbers and costs are below budget due to a number of vacancies throughout the year. Revised staff resource costs match the updated headcount baseline for the Corporation and deliver the Cultural and Education District and the planned developments. Capital staffing does not reflect the recently approved revised procurement route for the Cultural and Education District, costs for which sit in the programme budget. The headcount projections will be updated once the resourcing decisions for the procurement strategy are approved.

Capital headcount for 2018/19 has decreased by 0.7 from last year's budget submission and costs have decreased by £61k. The forecast payroll bill for 2018/19 assumes increases for annual increments dependent on performance and a 1.5% cost of living award, pending consultation with the GLA and approval at the Chairman's Committee.

3.4. Net Borrowing

The table below shows the total borrowing requirement in the proposed budget against the current borrowing limits, together with the borrowing limits proposed with this submission.

Capital: Summary Borrowing Requirements	2017/18 Forecast £m	2018/19 Budget £m	2019/20 Plan £m	2020/21 Plan £m	2021/22 Plan £m
Opening Borrowing Requirements	(345.8)	(395.2)	(442.9)	(479.7)	(590.9)
Net Capital Expenditure	(49.4)	(47.7)	(36.8)	(111.1)	(175.7)
Closing Borrowing Requirements	**(395.2)**	**(442.9)**	**(479.7)**	**(590.9)**	**(766.6)**

Although the forecast borrowing requirements in this budget submission are within approved limits, the late years, in particular in 2021/22, forecast borrowing requirements are not considered to be prudential and discussions are ongoing with the GLA to identify alternative sources of direct funding. Authorised borrowing limits are subject to approval by the Mayor.

4. REVENUE BUDGET

4.1. The revenue income and expenditure budget (pre-financing costs) is shown below.

4.2. The profile shows a trend for reducing income through to 2020/21, caused by a planned reduction in income from events (as developments progress and there is less available events space on the Park), a forecast reduction in planning application income and delays in receiving Fixed Estate Charge income from the Chobham Manor, East Wick and Sweetwater and Cultural and Education District developments. Income rises in 2021/22 due to increases in the Fixed Estate Charge receipts and rental income.

4.3. Expenses continue to decline as the business matures and activity in Regeneration and Community Partnerships is handed over to third parties. A large part of the revenue expenditure is the relatively fixed costs required to operate the business.

4.4. The difference between income and expenditure is currently met by reserves and grant from the GLA. The reserves phase out over time reflecting a reliance on the GLA for revenue grant funding. There are sufficient reserves and grant funding to balance the budgets for 2018/19 and 2019/20. However, revenue gaps in the following two years will need to be addressed to reduce the funding requirement to the GLA's £16m ongoing allocation.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Revenue Income					
Development	0.1	0.1	0.1	0.1	0.5
Executive Office	0.1				
Finance, Commercial and Corporate Services	0.3	0.1	0.1	0.1	0.1
Parks, Operations and Venues (excl Trading)	3.9	4.1	3.6	3.7	5.3
Planning Policy and Decisions	1.6	1.7	1.2	1.0	1.0
Regeneration and Community Partnerships	0.2				
Total Revenue Income	**6.2**	**6.0**	**5.0**	**4.9**	**6.8**
Forecast Revenue Expenditure					
Communications, Marketing and Strategy	(1.9)	(1.8)	(1.8)	(1.8)	(1.9)
Development		(0.1)	(0.1)	(0.1)	(0.1)
Executive Office	(2.2)	(2.5)	(2.5)	(2.6)	(2.6)
Finance, Commercial and Corporate Services	(6.2)	(6.0)	(5.9)	(5.5)	(5.6)
Parks, Operations and Venues (exc Trading)	(8.5)	(8.3)	(8.2)	(8.4)	(8.6)
Trading (net)	(0.3)	(1.2)	(1.6)	(1.9)	(1.7)
Planning Policy and Decisions	(2.8)	(2.8)	(2.4)	(2.0)	(2.1)
Regeneration and Community Partnerships	(4.4)	(2.5)	(2.4)	(2.2)	(2.3)
Stadium	0.0				
Contingency	(0.8)	(0.6)	(0.6)	(0.6)	(0.5)
Total Revenue Expenditure	**(27.2)**	**(25.8)**	**(25.5)**	**(25.1)**	**(25.4)**
Net Revenue Expenditure	**(21.0)**	**(19.8)**	**(20.5)**	**(20.2)**	**(18.6)**
GLA Funding	16.8	16.8	16.8	16.0	16.0
Reserves	4.2	3.0	3.7	0.3	
Net Revenue after Funding	**(0.0)**	**0.0**	**(0.0)**	**(3.9)**	**(2.6)**
Trading Income	7.7	7.2	5.2	3.2	3.3
Trading Expenditure	(8.1)	(8.5)	(6.8)	(5.1)	(5.0)
Trading Net	**(0.3)**	**(1.2)**	**(1.6)**	**(1.9)**	**(1.7)**

4.5. Revenue Income

4.5.1. Development

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 come on stream and has slipped, in line with the overall delay to the East Wick and Sweetwater development.

4.5.2. Park Operations and Venues - excluding trading

Largely income from the Fixed Estate Charge, a charge on all occupiers of the Park to support its maintenance as a world class park and venues environment. It increases as more occupiers move onto the Park in the later years. Other income comes from short term events and attractions which take place on the Park.

4.5.3. Planning Policy and Decisions

Planning fees and Community Infrastructure Levy (CIL) administration income payable to the LLDC's Planning Authority which reduces over time as fewer new developments are built in the area.

4.6. Revenue Expenditure

4.6.1. Communications Marketing and Strategy

Marketing promotions for the Park and attractions on the Park, media monitoring and dealing with media requests, design and implementation of corporate communications (such as the statutory annual report and the website), and preparation of branded material for the Park.

4.6.2. Executive Office

Office accommodation, HR and the costs of the Executive Office and other non-salary staff costs such as training and recruitment.

4.6.3. Finance, Commercial and Corporate Services

Finance, IT, assurance, commercial, procurement, legal and professional fees, insurance and the costs of the LLDC Board. Legal, insurance, some procurement categories and internal audit are provided through a shared service with the GLA.

4.6.4. Park Operations and Venues – excluding Trading

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

4.6.5. Park Operations and Venues - Trading

Trading - Income and Expenditure	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £000	2021/22 £000
Trading Income					
AMO	2,243	2,513	2,510	2,562	2,717
Podium	315	315	320	325	330
Timber Lodge	76	76	117	118	119
3 Mills	4,110	3,989	1,995		
Off Park Assets (HW hub, B-by-B, other estate)	857	194	103	62	
LAC & CBA	131	133	135	137	140
Total Trading Income	**7,732**	**7,220**	**5,180**	**3,205**	**3,307**
Trading Expenditure					
AMO	(1,764)	(1,729)	(1,764)	(1,804)	(1,854)
Podium	(165)	(212)	(215)	(217)	(220)
Timber Lodge	(106)	(118)	(120)	(121)	(123)
3 Mills	(3,520)	(3,487)	(1,744)		
Off Park Assets (HW hub, B-by-B, other estate)	(163)	(184)	(184)	(184)	
LAC & CBA	(2,342)	(2,733)	(2,769)	(2,806)	(2,843)
Total Trading Expenditure	**(8,060)**	**(8,464)**	**(6,795)**	**(5,133)**	**(5,040)**
Net Trading	**(328)**	**(1,244)**	**(1,615)**	**(1,928)**	**(1,733)**
Net Trading					
AMO	479	784	746	758	864
Podium	150	103	105	108	110
Timber Lodge	(30)	(42)	(2)	(3)	(3)
3 Mills	590	502	251		
Off Park Assets (HW hub, B-by-B, other estate)	694	10	(81)	(122)	
LAC & CBA	(2,211)	(2,600)	(2,634)	(2,668)	(2,703)
Net Trading	**(328)**	**(1,244)**	**(1,615)**	**(1,928)**	**(1,733)**

4.6.6. Trading income

Trading income is derived from rental and other income from venues on the Park (including ArcelorMittal Orbit (AMO), the London Aquatics Centre (LAC) and the Copper Box Arena (CBA)) and other off Park sites held by LLDC, such as 3 Mills. Income from the ArcelorMittal Orbit has increased in 2017/18 due to the addition of the Slide but slightly reduces in 2018/19 to allow for the impact of UCL construction beginning on an adjacent site. The reduction in income in 2019/20 is due to the assumed disposal of 3 Mills (which forms a large part of the current trading income) and other off site properties as the land is assumed to be developed.

4.6.7. Trading expenditure

Costs for the operation of the venues on the Park reduce in later years reflecting the assumed disposal of 3 Mills (bookings are currently being taken up to the end of 2018, however this is under review. Any extension to 3 Mills current use will require significant maintenance/lifecycle expenditure). The remainder of the costs relate to the London Aquatics Centre, the Copper Box Arena and the ArcelorMittal Orbit.

4.6.8. Planning Policies and Decisions

Staff and professional fees to enable the LLDC to carry out its statutory planning function.

4.6.9. Regeneration and Community Partnerships

The largest element of expenditure in the directorate's budget covers socio economic programmes which 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 at QEOP, which are expanding enormously in size and scope as new businesses and organisations from diverse sectors arrive.

The directorate budget also supports the development of new residential and business communities at QEOP, 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 Cultural and Education District 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.*

The directorate has a modest budget for activities promoting environmental sustainability, with the bulk of investment at QEOP being secured by LLDC's work with partners, for example via the *Smart Sustainable District* and *Centre for Connected and Autonomous Vehicles* initiatives.

The significant decrease in the directorate's budgets from the current year to next relates to the decrease in the *Paralympic Legacy* and *Sports and Healthy Living* budgets in line with LLDC's plan that the leadership and resourcing of work in these areas transfers progressively to Park partners, for example through the *Global Disability Innovation Hub* moving to the leadership of UCL

4.6.10. Staffing – Revenue

The proposed revenue staff headcount and costs for the budget are:

Staffing - Revenue	2017/18 Forecast	2018/19 Budget	2019/20 Plan	2020/21 Plan	2021/22 Plan
Equivalent full time staff (No)	**108.9**	**108.7**	**104.3**	**104.1**	**104.1**
Cost (£000s)	**8,051**	**8,270**	**8,252**	**8,480**	**8,707**

The 2017/18 forecast is below budget due to a number of vacancies during the year. Revised staff resource costs match the updated headcount baseline for the Corporation.

2018/19 revenue headcount has increased net in total by 5.4 equivalent full time staff from last year's budget submission but costs have reduced by net £65k. The increases in headcount are in Planning and POV and both are funded by increased income. The decrease in cost (compared to last year's budget cost) is due to positions being filled at lower than previously anticipated cost. The forecast payroll bill for 2018/19 assumes increases for annual increments dependent on performance and a 1.5% cost of living award, pending consultation with the GLA and approval at the Chairman's Committee.

5. CHANGES FROM LAST YEAR'S BUDGET

5.1. Major changes between the budgets presented last year and those presented this year are detailed below.

CAPITAL

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Net Expenditure per approved LTM	**(78.2)**	**84.9**	**(165.3)**	**(87.6)**	**(101.0)**
Development Income	0.4	(68.0)	(21.9)	(72.7)	37.1
Cultural and Education District Income	(14.0)	(96.1)	(25.0)	24.3	(13.9)
Development	41.2	(22.4)	9.5	(25.9)	(9.5)
Finance, Commercial and Corporate Services	0.8	0.0	(0.6)	(0.2)	(0.4)
Cultural and Education District	4.1	81.9	187.8	74.7	(60.3)
Park Operations and Venues	(0.0)	(1.2)	0.2	0.8	1.6
Regeneration and Community Partnerships	0.0	0.0	(0.1)	(0.1)	(0.1)
Stadium	(13.1)	(21.1)	(21.0)	(24.0)	(28.9)
Contingency	5.8	(6.3)	(0.5)	(0.5)	(0.5)
Corporation Tax	3.8	0.5			
Change in Forecast	**28.8**	**(132.7)**	**128.5**	**(23.5)**	**(74.8)**
Net Expenditure per 2018/19 Budget	**(49.4)**	**(47.7)**	**(36.8)**	**(111.1)**	**(175.7)**

- Development income reflects the slippage in development receipts
- Cultural and Education District income and expenditure reflects the revised programme following revision to the masterplan to reflect changes in the planning framework
- Development expenditure shows the impact on section 106 and infrastructure spend from the delays on East Wick and Sweetwater and the revised Pudding Mill Lane and Rick Roberts Way programmes
- Stadium expenditure reflects costs to support the Stadium business and related restructuring provisions.

5.2. **Mayor's Housing Strategy**

Last year LLDC budgeted for resources and capital infrastructure costs to accelerate the development of the Pudding Mill Lane and Rick Roberts Way sites to begin construction in 2020 in line with the Mayors housing strategy of delivering more affordable housing earlier. These plans have developed over the year, but are still under review for their impact on the Corporations long term financial plans and its ability to repay borrowing from the GLA. The current assumption is that, pending approval of LLDCs long term financial model and the Pudding Mill Lane strategy and business plan, work will start on this site in 2021. Because of issues around ownership, clearing and saturation of the market, Rick Roberts Way is not now assumed to start on site until later.

The timing of the costs of the infrastructure works required to support these developments has been adjusted to reflect later starts on site.

5.3. **Cultural and Education District**

In early 2017 the Stratford Waterfront element of the Cultural and Education District project was significantly revised as a result of planning issues relating to the height of the proposed residential development. This revision to the project resulted in the design process being recommenced, causing a 12 month delay to the programme, reflected in significant changes in the phasing of both income and expenditure for the project. In October 2017 LLDC received conditional approval of its Outline Business Case for the revised project from Government. The proposed budgets for the Stratford Waterfront elements of the Cultural and Education District project are based on the information available for the revised project at the end of Stage 1 design, which concluded in August 2017. These budgets are broadly in line with those submitted to Government as part of the amended Outline Business Case. Stage 2 design is ongoing at present and is scheduled to conclude in January 2018. The redesign has resulted in lower residential development over a larger area and has re-organised the positioning of the buildings on the Stratford Waterfront.

The residential development on Stratford Waterfront is expected now to deliver 500+ new homes for private sale across four buildings, reduced from 650 units under the original scheme. It is now anticipated that the site be developed by a joint venture between LLDC and a private sector delivery partner. The budget for the residential development is based on the Stage 1 cost information as well as general market information (sales prices, interest rates, developer fees etc.).

Following negotiations during 2017/18, and subject to approval of the Board at the November meeting, it is now proposed that UCL will deliver all elements of the UCL East campus. As a result the cost incurred directly by LLDC and subsequently recharged to UCL has reduced significantly.

5.4. **Stadium**

Funding proposals for Stadium operations, lifecycle and restructuring in this year’s budget reflect a deterioration in the commercial performance of E20, driven by lower net revenue returns from the operator, more than anticipated seat move costs, higher than anticipated West Ham match day costs and the absence of a naming rights sponsor.

5.5. In light of the emerging deficits from E20’s first full year of operation in 2016/17, members commissioned an independent review of the business which reported in the summer making projections of losses in the partnership of between c£20.2m - £27.5m in 2017/18 and c£14.1m-£20.2m pa thereafter, before lifecycle or restructuring costs. A turnaround expert has subsequently been appointed to develop and implement a restructuring plan for the business.

5.6. The budget has been prepared from the latest E20 business plan forecast, including risks and lifecycle costs and currently committed restructuring costs and reflects a pre-mitigation position. .

5.7. The 2018/19 deficit after risk assumes a marginal improvement in the performance of LS185, no naming rights and no significant utility saving but also assumes lower seat move costs in a revised configuration to facilitate concerts and athletics in the 2018 summer. The 2017/18 and 2018/19 costs also include the legal costs in relation to disputes, largely with West Ham.

5.8. Lifecycle costs have been prepared in conjunction with LS185's engineering advisers and scrutinised by LLDC. The large increases in later years allow for escalator and lift replacements, and seat refurbishments.

5.9. Restructuring contingency.

A restructuring contingency has been included in the budget provision although restructuring plans have not been fully developed or tested. Any restructuring spend will be approved based on a business case for deficit reductions.

5.10. Restructuring costs will be required demonstrably to mitigate operational losses, although it is too early to forecast any restructuring cost requirements with any degree of accuracy, potential restructuring costs include

5.10.1. Radical seating solution costs, however we also need to understand these options in the context of the continued operation and maintenance costs and life expectancy of the existing assets.

5.10.2. Hospitality refurbishment costs to improve the flexibility of the catering and conferencing facilities and maximise their use throughout the year

5.11. **Development Income**

Changes in assumptions on house price indexation and timing of development receipts are reflected in the budget.

Receipts from the later phases of Chobham Manor have been moved to later years following revised forecasts from the developers and given our experience of past delivery against forecast. Receipts from the East Wick and Sweetwater development have also been moved out by one year following the delays. These delays have a consequential impact on the Fixed Estate Charge and rental incomes received by LLDC, which are now forecast later.

5.12. **Net Borrowing**

The impact of the changes in the capital budget have changed the timing of drawdown requirement but also result in high peak borrowing which in the budget period is £766.6m in 2021/22.

Capital: Summary Borrowing Requirements	2017/18 Forecast £'m	2018/19 Plan £'m	2019/20 Plan £'m	2020/21 Plan £'m	2021/22 Plan £'m
Cumulative Borrowing Requirement per approved Budget	**424.0**	**339.1**	**504.4**	**592.0**	
2021-22 planned borrowing from 2017-18 submission					101.0
Opening Cumulative Borrowing Requirements	**424.0**	**339.1**	**504.4**	**592.0**	**693.0**
Annual Net Movements	(28.8)	132.7	(128.5)	23.5	74.8
Cumulative Net Movements	**(28.8)**	**103.8**	**(24.6)**	**(1.1)**	**73.6**
Revised Cumulative Borrowing Requirements	**395.2**	**442.9**	**479.7**	**590.9**	**766.6**

As noted above, these borrowing levels are not considered to be prudential and discussions are ongoing with the GLA for alternative sources of direct funding.

REVENUE

5.13. Revenue income

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

Income (excluding Trading Income)	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Revenue Income per approved LTM	**4,571**	**4,988**	**5,269**	**10,055**	**12,335**
Car Park Income	100	245	245	205	205
Eastwick and Sweetwater Income	(39)	(127)	(592)	(1,253)	(1,363)
Planning fees	20	150	300	200	196
Other development management income	510	520	250	200	200
Estate charges income	(68)	(435)	(625)	(4,323)	(4,549)
Programming and events	1,076	719	275	75	75
Kiosks	(48)	(50)	(75)	(150)	(150)
Attractions income				(150)	(150)
Other changes	49				
Change in Forecast	**1,599**	**1,022**	**(222)**	**(5,196)**	**(5,536)**
Revenue Income per 2018/19 Budget	**6,170**	**6,010**	**5,046**	**4,858**	**6,799**

Car park income increases due to income from the London Aquatics Centre and Copper Box Arena.

The delay of the East Wick and Sweetwater development delays the rental income to be received by LLDC from private rental sector units on this site.

Increased income on planning fees and other development management income reflects an increase in the volume of planning applications and requests for pre-planning advice.

The main revenue income in future years is the Fixed Estate Charge, a charge on all occupants of the Park to support its ongoing upkeep. Developers' forecasts have moved the completion of the Chobham Manor later phases by a year and the East Wick and Sweetwater developments by two years, resulting in delays in the start of the Fixed Estate Charge income.

Additional events income arises owing to the delays in developments, which results in land being available to stage more events.

5.14. **Revenue expenses**

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

Revenue Expenditure	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Total Revenue Expenditure per LTM	**(28,805)**	**(26,423)**	**(25,846)**	**(26,009)**	**(26,723)**
Communications, Marketing and Strategy	64	142	106	98	94
Development	115				
Executive Office	(94)	(37)	(40)	(42)	55
Finance, Commercial and Corporate Services	238	199	(186)	267	410
Parks, Operations and Venues (exc Trading)	(300)	(232)	(189)	(157)	(172)
Trading (net)	1,934	1,400	1,384	1,146	1,275
Planning Policy and Decisions	(465)	(639)	(494)	(121)	(136)
Regeneration and Community Partnerships	23	6	(8)	(22)	7
Stadium	25				
Contingency	115	(250)	(250)	(250)	(250)
Total Revenue Expenditure Movements	**1,654**	**589**	**324**	**919**	**1,284**
Revenue Expenditure per 2018/19 Budget	**(27,151)**	**(25,834)**	**(25,522)**	**(25,090)**	**(25,440)**

Reductions in Communications Marketing and Strategy are a result of reductions in media monitoring and time lapse photography.

Increases in Executive office are due to increases in training and recruitment budgets.

Reductions in Finance, Commercial and Corporate Services come from savings in IT reflecting the proposed transfer of services to the GLA under a shared service arrangement.

Increases in Parks, Operations and Venues cost (excluding trading) is largely due to the costs of the Park headquarters, the rent for which had previously been paid as a lump sum five years in advance.

The improved net Trading position reflects improved performance on the ArcelorMittal Orbit and the London Aquatics Centre.

The increase in Planning Policy and Decisions is due to an increase in resources to deliver the increased income mentioned above.

6. SAVINGS AND EFFICIENCIES

6.1. Savings and efficiencies for 2018/19 are measured by comparing the budget submitted last year for 2017/18 against the budget submitted this year for 2018/19 and identifying instances where the budgeted expenditure has reduced or the budgeted income has increased. A saving is recognised where a cost reduction is due to a reduction in activity; an efficiency is recognised where the same outcome is achieved, but through fewer resources. Savings and efficiencies for the following years' budgets are measured by a comparison with the previous year's budget.

6.2. The anticipated savings and efficiencies incorporated in the budget, together with the forecast for 2017/18, are shown in the table below.

Revenue: Savings & Efficiencies	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Park Opening and Operations	459	(69)	42	(33)	(9)
Developments, Regeneration and Design	392	1,800	137	191	(109)
Planning Authority					
Finance, Commercial and Corporate Services	1,188	470	86	426	79
Total Savings	**2,039**	**2,202**	**264**	**583**	**(40)**
Park Opening and Operations	3,716	2,396	(743)	(128)	1,817
Developments, Regeneration and Design	(10)	(18)	0	10	407
Planning Authority	(269)				
Finance, Commercial and Corporate Services	828	234	99	40	19
Total Efficiencies	**4,265**	**2,612**	**(643)**	**(78)**	**2,243**
Total Savings and Efficiencies	**6,304**	**4,813**	**(379)**	**505**	**2,204**

6.3. The 2017/18 outturn is currently forecast to be better than the £3.8m identified last year due largely to reductions in the subsidy on the ArcelorMittal Orbit and the London Aquatics Centre and better than forecast results from other trading venues.

6.4. Savings and efficiencies proposed arise from a range of initiatives, including increases in income:

- Savings from the transfer of the activities of the Paralympic, equalities and inclusion team to the GDI Hub and one off costs for support of the World Para Athletics Championship in 2017 (definitely happening);
- Savings from a planned reduction in the communities and business engagement programmes as activities are taken up by partners (definitely happening);
- Savings from the socio-economic budget which covers activities aimed at ensuring that local people and members of under-represented groups benefit fully from employment and skills development opportunities at QEOP (definitely happening);
- Savings from professional fee costs (firm/reasonable plans in place);
- Efficiencies from increased income from AMO from improved commercial performance (firm/reasonable plans in place);
- Efficiencies from events income following delays in developments leaving land available to stage more events (firm/reasonable plans in place).
- Efficiencies from a reduction in the subsidy required by the London Aquatics Centre and Copper Box Arena, resulting from improved financial performance of the venue and due to the investment in measures to reduce utility costs (firm/reasonable plans in place);
- Efficiencies from a reduction in utilities cost on the Park (firm/reasonable plans in place); and
- Efficiencies from IT costs following the proposed transfer of IT support services to the GLA under the collaborative procurement initiative (firm/reasonable plans in place).

6.5. The savings in 2019/20 arise from a further reduction in the communities and business engagement budget (as more activities are taken up by other partners) and the physical regeneration budget which supports refurbishment of physical assets on the fringes of the Park. The negative efficiency is due to reduction in events income as developments start and there is less land on which to stage events and reduction in income from 3 Mills due to the planned disposal partway through the year. Further efficiencies arise from planned reductions in the Corporate Communications and Media budgets.

6.6. The savings identified for 2020/21 are further reduction in the socio-economic budget and a forecast reduction in professional fees, but this remains under review dependent upon legal and tax activity in the Corporation at the time. The negative efficiency is due to further reductions in income from events and the planned disposal of 3 Mills.

6.7. The increase in 2021/22 is due to increases in rental income from Here East (as the rent free periods for tenants expire), increased Fixed Estate Charge from completion of properties in phase 2 of Chobham Manor and the first phase of East Wick and Sweetwater and rental income from the first PRS units from East Wick and Sweetwater.

7. DELIVERABLES

7.1. The mission of the 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.

7.2. LLDC will deliver the strategic outcomes through five key business objectives: Live, Work, Visit, Inspire and Deliver. The deliverables of each objective for the next five years are set out below.

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

- Planning for around 8,000 homes across the LLDC area, including affordable homes in line with the Mayor's ambitions and housing mix to meet local need (as per the Local Plan)
- Building approximately 2,350 homes on LLDC land
- Mossbourne Riverside Academy school and Bobby Moore Academy open, and 1,200 places delivered
- 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, Leaway, A12 crossings)
- Development of local neighbourhood centres at Hackney Wick, Bromley-by-Bow and Pudding Mill proceeding in line with plans
- Smart, Sustainable District plan finalised and embedded with partners and operators

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

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

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

- Varied annual events programme delivered for a range of audiences in collaboration with partners and operators
- Brand strategy for Queen Elizabeth Olympic Park embedded with all partners, operators and developers
- Access to waterways opened up via Canal Park and the Leaway
- 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 the Culture and Education District, 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
- Collaborative and innovative programme developed for disability sport, art, theatre, urban design and transport through the Global Disability Innovation Hub
- 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 Queen Elizabeth Olympic Park shared in order 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

7.3. The key deliverables for 2018/19 are:

Live

- Start on site at East Wick and Sweetwater
- Commence procurement of the delivery partner to enable the PML development to start on site in 2021
- Agree delivery strategy for RRW with London Borough of Newham and GLA
- Launch the procurement of the JV partner to deliver the Stratford Waterfront residential
- Hackney Wick Neighbourhood Centre development partner procurement underway
- Progress development strategy for Bromley by Bow
- 3 Mills river walls repair work undertaken

Work

- Deliver the QEOP 'East Works' jobs and skills programme
- Establish a QEOP Group Training Association pilot at East Wick and Sweetwater
- Deliver the Design…Engineer…Construct BIM curriculum in five local schools
- Award ten post-graduate bursaries through the Inspiring Success programme
- Work with Echo ++ to provide start-up support to forty five entrepreneurs over three programmes
- Deliver the QEOP annual apprenticeship awards
- Support fifteen local young people to access digital, media, tech apprenticeships linked to Here East activities

Visit

- Achieve 6m visitors to the Park
- Achieve 1m visitors to the London Aquatics Centre in 2018-19
- Achieve 445k visitors to the Copper Box Arena
- Achieve 220k visitors to the ArcelorMittal Orbit
- Manage and maintain the quality of the Park and venues, including retaining Green Flag status
- Support safe delivery of women's Hockey World Cup
- Deliver two community events on QEOP (Big Lunch and Harvest Stomp)
- Host the Table Tennis World Cup
- Open a high ropes visitor attraction

Inspire

- Continue to work with Cultural and Education District partners and Foundation for FutureLondon to facilitate the development of the partnership so as to ensure delivery of the Cultural and Education District strategic objectives and to maximise the value of the cluster
- Ensure mechanisms are in place amongst Cultural and Education District partners to establish relationships with local stakeholders and to build early partnerships locally
- Stratford Waterfront town planning submitted
- Final business case for Cultural and Education District approved by HMG
- Progress a co-ordinated Cultural and Education District education engagement programme with partners linking into the Go! schools network
- Deliver the QEOP Smart Sustainable District programme
- Deliver environmental engagement events (including World Environment Day, World Water Week and Climathon)

Deliver

- Annual Environmental Sustainability Report published
- Development of smart mobility living lab on the Park and in Greenwich (funded by the Government's Connected and Autonomous Vehicle test bed funding)
- 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
- Commence public consultation on score of Local Plan review
- Park Wifi re-procured
- Transfer corporate IT services to a GLA shared service
- Continue to deliver the People Strategy with a specific focus on Learning and Development and Performance Management
- Support the Mayor's Agenda for ensuring that GLA Group organisations are diverse and inclusive, this includes;
  - Implementing the GLA Diversity Standard as part of the Leading by Example Chapter of the Mayor's Diversity and Inclusion Strategy
  - Addressing the Gender Pay Gap

8. FINANCIAL IMPLICATIONS

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

9. LEGAL IMPLICATIONS

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

9.1.1. 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.

9.1.2. before the end of each financial year, and in consultation with relevant GLA officers, prepare a detailed core business plan for the following year as part of a 4 -year rolling business planning process, including changes to base-line pay for the year covered by the budget, borrowing limits and prudential indicators for the next four years.

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

9.2. As stipulated in the Direction, the GLA has been consulted on the Plan and reviewed the financial information underpinning it.

10. PRIORITY THEMES

10.1. The 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. The LLDC, in fulfilling the Mayor's priorities, as set out in Section 3, are in line with the priority themes set.

11. APPENDICES

- **Appendix 1 – GLA Budget Submission**
- **Appendix 2 – Risks in the budget**

Appendix 1

London Legacy Development Corporation

7.1 The London Legacy Development Corporation (‘the Legacy Corporation’) is responsible for promoting and delivering physical, social, economic and environmental regeneration in the Queen Elizabeth Olympic Park and surrounding area. In particular, the Legacy Corporation aims to maximise the legacy of the Olympic and Paralympic Games, by securing high-quality sustainable development and investment, ensuring the long-term success of the facilities and assets within its direct control and supporting and promoting the aim of increased social mobility in surrounding communities.

7.2 Since the London 2012 Olympic and Paralympic Games, the Legacy Corporation has delivered the transformation of the Park and venues from their Olympic to their legacy configuration. The Copper Box Arena, Timber Lodge, Aquatics Centre, ArcelorMittal Orbit and the re-modelled Park opened in 2014. Residents began moving into the first phase of the Chobham Manor residential development in 2015-16. The Stadium opened permanently in summer 2016 as a multi use facility including athletics, Premier League football and concerts. The Stadium was host to the 2017 IAAF World Athletic Championships and World Para Athletics Championships and successfully staged three concerts in the summer of 2017. A slide was added to the ArcelorMital Orbit which opened in June 2016 which has greatly increased visitor numbers to the attraction.

7.3 Alongside its operational mobilisation, the Legacy Corporation’s wider role in creating a great place and opportunities for local people will assume ever greater importance. The Corporation will work 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, one at Chobham Manor and one at Eastwick and Sweetwater. Further work includes delivering the Cultural and Education District (CED), 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.

7.4 The LLDC budget has been prepared on the basis of the best information available at the time. The assumptions and estimates incorporated in the budget have been reviewed for reasonableness and are considered to be the most appropriate under the known circumstances.

7.5 The 2018-19 and 2019-20 revenue budgets are fully funded through grant funding from the GLA and revenue reserves. It is anticipated that the reserves will be utilised in full in 2020-21 and that any shortfall in future LLDC net revenue expenditure, after further savings and efficiencies have been fully explored, will be supported by grant funding from the GLA.

7.6 This year, the budget process involved:

- Assessment of the LLDC's strategy against the Mayor's priorities
- Updating the long term model for changes identified since last year
- Review of key assumptions which underpin the budget projections
- Challenging cost and expenditure proposals with responsible Executive Directors to identify savings and efficiencies
- Scrutiny by the Executive Management Team (EMT) and the Corporation's Investment Committee
- Meeting the GLA to review the financial projections prior to submission, covering the changes from last year and the implications for capital budgets, revenue costs and income forecasts
- Approval of this draft budget submission by the LLDC Board in November

Key deliverables

7.7 During 2018-19 the LLDC's revenue and capital budgets will be deployed to deliver the following strategic objectives:

Live

- Start on site at East Wick and Sweetwater
- Commence procurement of a delivery partner to enable the PML development to start on site in 2021
- Agree delivery strategy for Rick Roberts Way development site with London Borough of Newham and GLA
- Launch the procurement of a JV partner to deliver the Stratford Waterfront residential
- Hackney Wick Neighbourhood Centre development partner procurement underway
- Progress the development strategy for Bromley by Bow
- 3 Mills river walls repair work completed

Work

- Deliver the QEOP 'East Works' jobs and skills programme
- Establish a QEOP Group Training Association pilot at East Wick and Sweetwater
- Deliver the Design…Engineer…Construct BIM curriculum in five local schools
- Award ten post-graduate bursaries through the Inspiring Success programme
- Work with Echo ++ to provide start-up support to 45 entrepreneurs over three programmes
- Deliver the QEOP annual apprenticeship awards
- Support fifteen local young people to access digital, media, tech apprenticeships linked to Here East activities

Visit

- Achieve 6m visitors to the Park
- Achieve 1m visitors to the London Aquatics Centre in 2018-19
- Achieve 445k visitors to the Copper Box Arena
- Achieve 220k visitors to the ArcelorMittal Orbit
- Manage and maintain the quality of the Park and venues, including retaining Green Flag status
- Support safe delivery of women's Hockey World Cup
- Deliver two community events on the Park (Big Lunch and Harvest Stomp)
- Host the Table Tennis World Cup
- Open a high ropes visitor attraction

Inspire

- Continue to work with Cultural and Education District partners and Foundation for FutureLondon to facilitate the development of the partnership so as to ensure delivery of the Cultural and Education District strategic objectives and to maximise the value of the cluster
- Ensure mechanisms are in place amongst Cultural and Education District partners to establish relationships with local stakeholders and to build early partnerships locally
- Stratford Waterfront town planning submitted
- Final business case for Cultural and Education District approved by HMG
- Progress a co-ordinated Cultural and Education District education engagement programme with partners linking into the Go! schools network
- Deliver the QEOP Smart Sustainable District programme
- Deliver environmental engagement events (including World Environment Day, World Water Week and Climathon)

Deliver

- Annual Environmental Sustainability Report published
- Development of smart mobility living lab on the Park and in Greenwich (funded by the Government's Connected and Autonomous Vehicle test bed funding)
- 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
- Commence public consultation on score of Local Plan review
- Park Wifi re-procured
- Transfer corporate IT services to a GLA shared service
- 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

Cultural and Education District (CED)

7.8 The Cultural and Education District brings together the world class cultural and education institutions of Sadler's Wells, University of Arts London (UAL), University College London (UCL) and the Victoria and Albert Museum (V&A) on the Park to create an arts and education quarter that will bring 2,500 jobs in the area and attract 1.5m visitors a year. The £1.1 billion programme is funded through a combination of Government funding, contributions from partners, receipts from the sale of residential developments, philanthropic donations and GLA funding.

7.9 In early 2017 the Stratford Waterfront element of the Cultural and Education District project was significantly revised as a result of planning issues relating to the height of the proposed residential development. This revision to the project resulted in the design process being recommenced, causing a 12 month delay to the programme. In October LLDC received conditional approval of its Outline Business Case for the revised project from Government. The proposed budgets for the Stratford Waterfront elements of the Cultural and Education District project are based on the information available for the revised project at the end of Stage 1 design, which concluded in August 2017. These budgets are broadly in line with those submitted to Government as part of the amended Outline Business Case. Stage 2 design is ongoing at present and is scheduled to conclude in January 2018. The redesign has lower residential units and has re-organised the positioning of the buildings on the Stratford Waterfront.

7.10 The residential development on Stratford Waterfront is expected now to deliver 500+ new homes for private sale across four buildings. It is now anticipated that the site be developed by a joint venture between LLDC and a private sector delivery partner. The budget for the residential development is based on the Stage 1 cost information as well as general market information (e.g. sales prices, interest rates, developer fees etc.).

7.11 Following negotiations during 2017-18, it is now proposed that UCL will deliver all elements of the UCL East campus and fund the development directly. UCL will now fund all elements of UCL East. UCL have also taken over various delivery roles from LLDC. As a result the amount of cost incurred directly by LLDC and subsequently recharged to UCL has reduced significantly.

Stadium

7.12 Funding proposals for the Stadium operations, lifecycle and restructuring in this year's budget reflect the significant deterioration in the commercial performance and the change in ownership of E20. A number of workstreams are in train to reduce costs and increase income in order to minimise the public subsidy required to support Stadium operations.

Gross revenue and capital expenditure

7.13 Gross revenue expenditure in 2018-19 is budgeted to be £38.4m including estimated capital financing costs of £12.6m, £25.8m net of financing costs.

7.14 Gross revenue expenditure has decreased £0.3m from 2017-18 revised budget due to gross savings, efficiencies and other expenditure reductions of £1.4m and an increase of £1.1m in financing revenue.

7.15 The proposed capital programme for the LLDC for 2018-19 totals £102.9m, incorporating £12.5m of rollover from the 2017-18 outturn. The capital programme is set out in Section 9 and in more detail in Appendix E. The increase is due to greater expenditure on the stadium and a change in the expenditure profile for the CED.

Net revenue budget and council tax requirement

7.16 Net revenue expenditure (net of income) in 2018-19 is budgeted to be £32.4m, £19.8m net of financing costs.

7.17 Net revenue expenditure has decreased £0.1m from 2017-18 revised budget due to net savings, efficiencies other cost and revenue movements of £1.2m and by a £1.1m increase in financing costs.

Objective analysis	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Park Operations and Venues, and Trading	10.5	8.8	9.6	9.9	10.3	10.3
Developments	0.1	0.0	0.1	0.1	0.1	0.1
Regeneration	4.5	4.4	2.5	2.4	2.2	2.3
Corporate	10.5	10.3	10.3	10.2	9.9	10.1
Planning Authority	2.3	2.8	2.8	2.4	2.0	2.1
Irrecoverable VAT and Contingency	0.9	0.8	0.6	0.6	0.6	0.5
Financing Costs	12.2	11.5	12.6	13.8	16.1	20.4
Total expenditure	41.0	38.7	38.4	39.4	41.1	45.8
Park Operations and Venues	(3.0)	(3.9)	(4.1)	(3.6)	(3.7)	(5.3)
Developments	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)
Regeneration	(0.2)	(0.2)	0.0	0.0	0.0	0.0

Corporate	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)
Planning Authority	(1.1)	(1.6)	(1.7)	(1.2)	(1.0)	(1.0)
Total Income	(4.6)	(6.2)	(6.0)	(5.0)	(4.9)	(6.8)
Net expenditure	36.4	32.5	32.4	34.3	36.3	39.0
Transfer to/(from) reserves	(7.4)	(4.2)	(3.0)	(3.7)	(0.3)	
Financing requirement	29.0	28.3	29.4	30.6	36.0	39.0
Financed by						
GLA funding for core activities	16.8	16.8	16.8	16.8	16.0	16.0
GLA funding for financing costs	12.2	11.5	12.6	13.8	16.1	20.4
Funding/savings to be identified	0.0	0.0	0.0	0.0	3.9	2.6
Council tax requirement	0.0	0.0	0.0	0.0	0.0	0.0

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

Changes in the council tax requirement	£m
2017-18 council tax requirement	0.0
Changes due to:	
Inflation	0.2
Savings and efficiencies	(4.8)
New initiatives and service improvements	0.2
Change in use of reserves	4.4
Net change in GLA funding	0.0
2018-19 council tax requirement	0.0

Inflation

7.19 The Estates and Facilities Management contract, which accounts for c£7.5m of revenue costs, allows the core contract to rise by CPI. An assumed rate of 1.5% has been incorporated into the budget.

7.20 The LLDC's forecast payroll bill for 2018-19 assumes increases for annual increments dependent on performance and a 1.5% cost of living award, pending consultation with the GLA. In total the salary cost is £8.3m.

Savings and efficiencies

7.21 The savings and efficiencies outurn for 2016-17 together with the forecast for 2017-18 and those identified for the next four years are shown below.

Savings and Efficiencies	Outturn 2016-17 £m	Forecast 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Savings	5.2	2.0	2.2	0.3	0.6	(0.0)
Efficiencies	6.4	4.3	2.6	(0.6)	(0.1)	2.2
Total	11.6	6.3	4.8	(0.4)	0.5	2.2

7.22 Savings and efficiencies for 2016-17 were higher than the £9.2m identified due largely to reductions in subsidy on the ArcelorMittal Orbit (following the introduction of a slide which increased visitor numbers) and the London Aquatics Centre (following the introduction of measures to reduce utility use), and reductions in salary costs.

7.23 The 2017-18 outturn for savings and efficiencies is currently forecast to outperform the £3.8m identified in the budget due largely to further reductions in the subsidy on the Arcelor Mittal Orbit and the London Aquatics Centre and better than forecast results from other trading venues.

7.24 Savings and efficiencies proposed, including projected income for 2018-19 include the following:

- Savings from the transfer of the activities of the Paralympic, equalities and inclusion team to the GDI Hub and one off costs for support of the World Para Athletics Championship in 2017 (definitely happening);

- Savings from a planned reduction in the communities and business engagement programmes as activities are taken up by partners (definitely happening);

- Savings from the socio-economic budget which covers activities aimed at ensuring that local people and members of under-represented groups benefit fully from employment and skills development opportunities at QEOP (definitely happening);

- Savings from professional fee costs (firm/reasonable plans in place);

- Efficiencies from increased income from ArcelorMittal Orbit from improved commercial performance (firm/reasonable plans in place);

- Efficiencies from events income following delays in developments leaving land available to stage more events (firm/reasonable plans in place).

- Efficiencies from a reduction in the subsidy required by the London Aquatics Centre and Copper Box Arena, resulting from improved financial performance of the venue and due to the investment in measures to reduce utility costs (firm/reasonable plans in place);

- Efficiencies from a reduction in utilities cost on the Park (firm/reasonable plans in place); and

- Efficiencies from IT costs following the transfer of IT support services to the GLA under the collaborative procurement initiative (firm/reasonable plans in place).

7.25 The savings in 2019-20 arise from a further reduction in the communities and business engagement budget (as more activities are taken up by other partners) and the physical regeneration budget which supports refurbishment of physical assets on the fringes of the Park. The negative efficiency is due to reduction in events income as developments start and there is less land on which to stage events and reduction in income from 3 Mills due to the planned dispoal partway through the year. Further efficiencies arise from planned reductions in the Corporate Communications and Media budgets.

7.26 The savings identified for 2020-21 are further reductions in the socio-economic budget and a forecast reduction in professional fees, but this remains under review dependent upon legal and tax activity in the Corporation at the time. The negative efficiency is due to further reductions in income from events and the planned disposal of 3 Mills.

7.27 Increased efficiencies in 2021-22 of £2.2m are due to increases in rental income from Here East (as the rent free periods for tenants expire), increased Fixed Estate Charge from completion of properties in phase 2 of Chobham Manor and the first phase of East Wick and Sweetwater and rental income from the first PRS units from East Wick and Sweetwater.

New initiatives and service improvements

7.28 The net income position under new initiatives and service improvement includes increases in income and expenditure in Planning and Policy Divisions to help process an increase in volume of planning applications and requests for pre-planning advice. This is offset by a reduction in income as services with Crossrail close out.

7.29 The rent for the Park Headquarters accommodation cost was previously paid five years in advance in 2013. The time for the advance payment will lapse by March 2018. The rent of the Park Headquarters is now incorporated into the budget from April 2018.

Change in use of reserves

7.30 During 2017-18 the LLDC expects to draw down £4.2m of revenue reserves, bringing the balance to £7.0m as at 1 April 2018. Reserves of £3.0m are anticipated to be used during 2018-19. Reserves will be fully utilised by 2020-21 and further savings and efficiencies will need to be found to fund the gap.

Change in GLA funding

7.31 The LLDC receives its revenue funding via the GLA. GLA grant funding in 2017-18 and 2018-19 is £16.8m, reducing to £16.0m thereafter. The reserves will be fully utilised in 2020-21. Additional savings/efficiencies will need to be identified of £3.9m and £2.6m in 2020-21 and 2021-22 respectively, failing which additional funding from the GLA will be sought.

Equalities

7.32 The 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.

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

7.34 The LLDC promotes equality through its objectives to:

- Establish successful and integrated neighbourhoods where people want - and can afford - to live, work, and visit;
- 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.

7.35 The Cultural and Education District is a major part of the transformation programme which will touch the lives of everyone who visits, lives and works in east London. It will create a new powerhouse for innovation and creativity through a unique collaboration between world-leading universities, arts and culture bodies, opening up opportunities for all.

7.36 In addition, the budget promotes equality by putting in place the infrastructure required to create more affordable housing within the developments which have yet to be contracted.

7.37 It should be noted that the budget has maintained its planned reductions in a number of other areas which promote equality on the basis that the Corporation has united with partners on the Park to develop activities in such a way that they can be handed over progressively; namely

- the reduction in the LLDC's Paralympic legacy programme after the 2017 World Para Athletics Championships. The Paralympic legacy will be delivered through the Global Disability Inclusion Hub, leadership of which transferred to UCL in September 2017;
- leadership of LLDC's Sports and Health programme are planned to transfer to other Park partners in April 2018 under arrangements currently being discussed; and
- leadership of the Socio-Economic, Community Engagement and Sustainability programmes is planned to remain with LLDC longer, though the LLDC's planned budget for these activities reduces year-on-year as incoming organisations arrive at the Park and become progressively more able to sustain the legacy work established by LLDC.

7.38 The LLDC 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.

7.39 The LLDC is working closely with the Mayor and the GLA in developing the Mayor's Diversity and Inclusion Strategy.

Environmental impact

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

Reserves

7.41 At 31 March 2017 the LLDC's general reserves balance was £11.2m. This balance is forecast to fall to £7.0m by 31 March 2018, £4.0m by 31 March 2019 and to £0.3m by 31 March 2020. The expected movements in reserves over the planning period are set out in the table below.

Movement in reserves during financial year	Outturn 2016-17 £m	Forecast 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Opening balances	12.5	11.2	7.0	4.0	0.3	0.0
Transfer to/(from) reserves						
Earmarked reserves						
General reserves	(1.2)	(4.2)	(3.0)	(3.7)	(0.3)	0.0
Total	11.2	7.0	4.0	0.3	0.0	0.0

7.42 The expected total reserves at the end of each financial year are summarised below:

Total reserves at end of financial year	Outturn 2016-17 £m	Forecast 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Earmarked reserves						
General reserves	11.2	7.0	4.0	0.3	0.0	0.0
Total	11.2	7.0	4.0	0.3	0.0	0.0

Section 9 – FOR COMPLETION

Draft Capital Spending Plan and Borrowing Limits

9.1 The Mayor is required to prepare a Capital Spending Plan (CSP) every year for each of the GLA's functional bodies. Before issuing his final plan he is required to consult on a draft plan with the Assembly and each functional body under section 123 of the GLA Act. This section sets out the draft capital spending plan for consultation. Even though the statutory timetable for the submission of the CSP is different from the requirements for the revenue budget, the same timeframe is adopted to ease consultation. The Mayor is also required to set the borrowing limits for the GLA Group – the proposals for which are set out in Appendices A to F for the GLA and each functional body.

Key deliverables

9.2 Set out below is a summary of the key deliverables in the Mayor's CSP:

- Delivery of the Cultural and Education District;
- Working capital to fund Stadium operations, lifecycle and restructuring;
- Maintenance of assets on the Park;
- Delivery of infrastructure primarily under the Legacy Communities Scheme to facilitate development of the Park; and
- Investment in joint venture structures to deliver residential developments.

Draft capital spending plan

9.3 Set out below is a summary of the Mayor's Draft Capital Spending Plan for 2018-19 which sets out the capital funding sources for the CSP in line with the format required under section 122 of the GLA Act. Further details on the GLA and each functional body's draft plan are set out in Appendices A to F. More details of the key deliverables are set out in this section under each member of the Group and in the relevant Appendices.

Draft GLA Group statutory capital spending plan 2018-19 under Section 122 of the GLA Act (for consultation)

Section		GLA £m	MOPAC £m	LFEPA £m	TfL £m	LLDC £m	OPDC £m
	Total external capital grants					0.8	
	Opening balance of capital receipts						
	Total capital receipts during the year					54.4	
A	**Total capital grants/ receipts**					**55.2**	
	Minimum s.120(1) grant						
	Total borrowings during the year					47.7	
	Total borrowings					47.7	
B	**Total borrowings and credit arrangements**						
	Total capital expenditure anticipated during the year					102.9	
	Total credit cover arrangements in respect of requirements of 50(2) and 51(4) Local Government and Housing Act 1989						
C	**Total capital spending for the year**					**102.9**	
	Funding: capital grants					0.8	
	Funding: capital receipts/reserves					54.4	
	Funding: borrowings and credit arrangements					47.7	
	Funding: revenue contributions						
D	**Total funding**					**102.9**	

N.B. Estimates of capital receipts are those made by functional bodies

9.4 Set out below is a summary of the Mayor's draft Capital Plan to 2021-22

Summary of the capital plan 2017-18 to 2021-22	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
GLA					
MOPAC					
LFEPA					
TfL					
LLDC	96.4	102.9	101.1	182.5	253.1
OPDC					
Total capital expenditure					

9.5 LLDC has set out its net capital requirements which are currently funded entirely through loan finance from the GLA, to be repaid from development receipts. Due to increases in the net capital requirement driven largely by additional spend on Stadium, Cultural and Education District, and projection of corporation tax, the LLDC does not consider that the level of borrowing required to support the capital plan can be prudentially borrowed and are in ongoing discussions with the GLA regarding areas for direct funding.

9.6 A reconciliation of the 2017-18 Capital Plan from the 2017-18 submission to the Capital Plan above is shown below.

Reconciliation of Movement on Capital Plan	2016-17 Actual £m	2017-18 Forecast £m	2018-19 Plan £m	2019-20 Plan £m	2020-21 Plan £m	2021-22 Plan £m	TOTAL £m
2016-17 to 2020-21 Capital Plan							
Expenditure	109.1	108.5	134.6	276.4	207.4		836.1
Year end rollover	(30.5)	30.3	(0.3)				(0.5)
2021-22 planned expenditure from 2017-18 submission						155.2	155.2
Opening position	**78.6**	**138.8**	**134.3**	**276.4**	**207.4**	**155.2**	**990.7**
Movements							
Development relignment		(41.2)	22.4	(9.5)	25.9	9.5	7.1
Cultural and Education District Expenses		(4.1)	(81.9)	(187.8)	(74.7)	60.3	(288.1)
Stadium (Working Capital)		13.1	21.1	21.0	24.0	28.9	108.1
Other		(10.3)	6.9	0.9	(0.0)	(0.7)	(3.2)
Movements total		(42.4)	(31.5)	(175.4)	(24.9)	98.0	(176.1)
Expenditure 2018-19 submission	**78.6**	**96.4**	**102.9**	**101.1**	**182.5**	**253.1**	**814.6**
Income	(21.1)	(57.3)	(219.3)	(111.2)	(119.7)		(528.6)
Year end rollover	2.3	(3.3)					(1.0)
2021-22 planned income from 2017-18 submission						(54.2)	(54.2)
Opening position	**(18.8)**	**(60.6)**	**(219.3)**	**(111.2)**	**(119.7)**	**(54.2)**	**(583.8)**
Movements							
Development income slippage		(0.4)	68.0	21.9	72.7	(37.1)	125.1
Cultural and Education District Income		14.0	96.1	25.0	(24.3)	13.9	124.7
Movements total		**13.6**	**164.1**	**46.9**	**48.4**	**(23.2)**	**249.8**
Income 2018-19 submission	**(18.8)**	**(47.0)**	**(55.1)**	**(64.3)**	**(71.4)**	**(77.4)**	**(334.0)**
2016-17 to 2020-21 Capital Plan							
Opening Position - Expenditure	78.6	138.8	134.3	276.4	207.4	155.2	990.7
Opening Position - Income	(18.8)	(60.6)	(219.3)	(111.2)	(119.7)	(54.2)	(583.8)
Opening net borrowing position	59.8	78.2	(84.9)	165.3	87.6	101.0	407.0
Movement - Expenditure		(42.4)	(31.5)	(175.4)	(24.9)	98.0	(176.1)
Movement - Income		13.6	164.1	46.9	48.4	(23.2)	249.8
Movements total		**(28.8)**	**132.7**	**(128.5)**	**23.5**	**74.8**	**73.6**
Closing Position - Expenditure	78.6	96.4	102.9	101.1	182.5	253.1	814.6
Closing Position - Income	(18.8)	(47.0)	(55.1)	(64.3)	(71.4)	(77.4)	(334.0)
Revised net borrowing position subject to ongoing discussions	**59.8**	**49.4**	**47.7**	**36.8**	**111.1**	**175.7**	**480.6**

9.7 The changes in expenditure are due to:

- Changes in the expenditure profile on infrastructure within Development following changes in the timing of the development programme;
- Changes in the profile for the revised Cultural and Education District expenditure following revisions to the plan as a result of planning issues relating to the height of the residential towers; and
- Stadium operational, lifecycle and restructuring requirements.

9.8 The changes in income are due to:

- Delay in receipts on the Chobham Manor and East Wick and Sweetwater developments; and
- Changes in the receipts profile from the Cultural and Education District following the previously noted revisions to the plan.

London Legacy Development Corporation

9.9 The priorities of the LLDC's capital plan are:

- The Cultural and Education District (CED) to further the Mayor’s cultural agenda and the regeneration of Queen Elizabeth Olympic Park (QEOP) and the surrounding areas;
- Support for the restructure and operating costs for the running of the Stadium through E20;
- Infrastructure costs to assist in the development of the area; and
- Investment in the delivery of developments to generate receipts in order to repay borrowings.

9.10 The Mayor's proposed capital spending plan for the LLDC is £102.9m in 2018-19. This represents an increase over the forecast for 2017-18 of £5.5m. The main elements are:

- Costs to progress the buildings on the Stratford Waterfront part of the CED;
- Working capital and restructuring costs to support Stadium operations;
- Infrastructure costs for the East Wick and Sweetwater development;
- Infrastructure costs for the Pudding Mill Lane development;
- Site wide infrastructure costs;
- 3 Mills river walls works;
- LEP repayment; and
- Lifecycle costs on the Park.

9.11 Further delays in receipts from the development sites form a risk to the timing of the income included in the budget. Although the approach to the phasing of receipts has been more prudent, the delivery of receipts is beyond the control of LLDC and sits with development partners.

9.12 The assumption for HPI in the current capital plan period (April 2018 – March 2022) varies between 3.3% and 4.2%pa in line with a forecast from Knight Frank. A fall of 1% to would have a total impact of c£2m on receipts in this period.

9.13 Details of LLDC's Capital Plan to 2021-22, together with the financing costs of the programme and the Authorised Limit and Operational Boundary for external debt are set out at Appendix E. The Mayor proposes that capital support to LLDC should be provided as loan funding to bridge the funding gap between the cost of the infrastructure required to enable the development of the Queen Elizabeth Olympic Park (including the CED and Stadium costs) and the future receipts from land sales, contributions from a variety of sources to fund the CED (including contributions from partners and philanthropic funding), which will enable the LLDC to repay its borrowings. In 2018-19 this is estimated to be £47.7m, in 2019-20 £36.8m, in 2020-21 £111.1m and in 2021-22 £175.7m.

Appendix E – FOR COMPLETION

Table 1: LLDC - Subjective analysis

Subjective analysis	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Employee expenses	8.1	7.7	8.3	8.3	8.5	8.7
Premises costs	1.0	1.1	1.3	1.3	1.3	1.3
Supplies and services	19.7	18.3	16.3	16.0	15.3	15.4
Financing costs	12.2	11.5	12.6	13.8	16.1	20.4
Total expenditure	41.0	38.7	38.4	39.4	41.1	45.8
Total income	(4.6)	(6.2)	(6.0)	(5.0)	(4.9)	(6.8)
Net expenditure	36.4	32.5	32.4	34.3	36.3	39.0
Transfer to/(from) reserves	(7.4)	(4.2)	(3.0)	(3.7)	(0.3)	(0.0)
Financing requirement	29.0	28.3	29.4	30.6	36.0	39.0
Financed by						
GLA funding for core activities	16.8	16.8	16.8	16.8	16.0	16.0
GLA funding for financing costs	12.2	11.5	12.6	13.8	16.1	20.4
Funding/savings to be identified		(0.0)	(0.0)	(0.0)	3.9	2.6
Council tax requirement	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)

Table 2: LLDC - Draft Capital Plan

Draft capital plan	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Expenditure					
Park Operations and Venues	31.8	30.3	27.4	30.0	31.3
Real Estate and Development	41.7	35.1	21.9	31.3	16.4
Regeneration	1.5	0.2	0.2	0.2	0.2
Cultural and Educational District	14.2	29.6	49.1	118.8	203.2
Corporate	1.4	1.6	1.5	1.1	1.0
Irrecoverable VAT & contingency	5.8	6.1	0.9	1.1	0.9
Over-programming	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total expenditure	96.4	102.9	101.1	182.5	253.1
Funding					
Net funding required (to be determined)*	49.4	47.7	36.8	111.1	175.7
Capital receipts: Cultural and Educational District	0.4	53.9	49.8	35.9	7.6
Capital receipts: Other	34.0	0.5	14.0	35.0	69.3
Other grants and funding	12.6	0.8	0.5	0.5	0.5
Total funding	96.4	102.9	101.1	182.5	253.1

* LLDC do not propose that this net funding requirement be funded entirely through the existing loan facility with the GLA as this level of borrowing is not considered prudential – options for direct funding are being explored.

Table 3: LLDC - Authorised limit for external debt

Authorised limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing*	(500.0)	(500.0)	(550.0)	(750.0)	(750.0)	(850.0)
Long term liabilities						
Total	(500.0)	(500.0)	(550.0)	(750.0)	(750.0)	(850.0)

Table 4: LLDC - Operational limit for external debt

Operational limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing*	(490.0)	(490.0)	(540.0)	(740.0)	(740.0)	(840.0)
Long term liabilities						
Total	(490.0)	(490.0)	(540.0)	(740.0)	(740.0)	(840.0)

* LLDC do not propose that this net funding requirement be funded entirely through the existing loan facility with the GLA as this level of borrowing is not considered prudential – options for direct funding are being explored.

Appendix G – FOR COMPLETION

Savings and efficiencies across the GLA Group

The total savings and efficiencies to 2021-22 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	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
GLA: Mayor				
GLA: London Assembly				
MOPAC[1]				
LFEPA				
TfL				
LLDC	4.8	(0.4)	0.5	2.2
OPDC				
Total	4.8	(0.4)	0.5	2.2

1. The negative £11.7 million for MOPAC in 2018-19 relates to one-off savings identified in 2017-18. This reflects MOPAC's current saving and efficiency plans and will be reviewed and developed as part of future budget setting processes.

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	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
GLA: Mayor				
GLA: London Assembly				
MOPAC				
LFEPA				
TfL				
LLDC			3.9	6.5
OPDC				
Total				

2018/19 Budget Submission
Appendix 2 – Risks to the Budget

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

CAPITAL RISKS

1. E20 Stadium LLP (E20)

Without remedial action, E20 is projecting substantial losses over the budget period. These losses are driven by the cost of moving the seats, the full cost of putting on events and the commercial performance of the operator. To date, E20 have engaged consultants to provide an independent business review, and recruited a turnaround specialist to deliver a turnaround plan for the business. While this work is ongoing, full restructuring costs and projections of the likely costs of operating the Stadium are difficult to assess. The operational and lifecycle support incorporated into the budget is £88m over the next four years based on the March 2017 E20 business plan, including all risks. A further provision of £22m has been included for restructuring the business and there is a risk that this may prove inadequate as the restructuring costs are currently unknown.

2. Development receipts

Timing

The four year budget assumes receipts from East Wick and Sweetwater and Chobham Manor. Timing of receipts and slippage on development has been a feature of the last few years and while we have approached the phasing of receipts more prudently than in previous years, there is little that we can do to influence the timing of delivery of receipts.

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

Market risk and house price indexation (HPI) assumptions
Forecast development receipts are sensitive to market risk and HPI assumptions. Small variations in the rates can have a large impact on receipts, particularly on the later developments (Pudding Mill Lane and Rick Roberts Way).

The assumption for HPI in the current budget period (April 2018 – March 2022) varies between 3.3% and 4.2%pa in line with a forecast produced by Knight Frank for the QEOP area. If HPI were to 1% per annum lower, this would have a total impact of c£2m on receipts in this period.

3. Corporation Tax

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

LLDC have developed a tax strategy and intends to submit a statutory clearance application to HMRC early in the New Year.
The budget assumes the application is successful.

4. Cultural and Education District

Timing
The budget reflects the latest profile of anticipated spend on the Cultural and Education District, largely reflecting the assumptions in the Outline Business Case approved by HM Treasury. The programme is designed to achieve the opening date for UAL in 2022. The design is at an early stage, and there is a risk that the timing of the spend may vary.

Philanthropic funding
The budget includes an assumption that for philanthropic income and there is a risk this may not be raised.

VAT recovery
The budget assumes that VAT is fully recoverable.

Contingency and the Quantitative Risk Assessment (QRA)
LLDC regularly reviews the CED risk register and produces a QRA based on pre and post mitigated risks. The contingency allowance for CED is c£64m (based on 20% of the construction costs and professional fees budgets taken together).

REVENUE RISKS

5. 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 Cultural and Education programme and the overall reduction in the number of housing units, have delayed and reduced the overall fixed estate charge income projected from the Cultural and Education District. Delays in development are a significant risk to the fixed estate charge revenue projections.

Fixed estate charge receipts are also impacted by the market/affordable housing mix (affordable housing units pay a lower charge). The full implementation of the Mayors housing strategy has not yet been reflected in future fixed estate charge income.

6. Rental income

The rent income from Public Rental Sector (PRS) units on the Eastwick and Sweetwater development is dependent on the timing of the development. Delays have led to rental income being received later than planned. Further delays in the development put the timing of rental income at risk.

The Here East rental agreement pays 10% of net rental income received on a cash basis to LLDC. Rent free periods granted to tenants and additional early year costs have deferred rental receipts from Here East to 2021/22.

7. **Trading performance**

   The commercial performance of the attractions on the Park has improved particularly from the ArcelorMittal Orbit since the introduction of the slide and from the London Aquatics Centre following measures to reduce utilities costs. The budget assumes the improved performance from the slide continues. There is no provision in the budget for AMO loan repayments as this is assumed to fall outside of the budget period.

   3 Mills has also performed well in the current year following the combination of a few favourable factors.

8. **Commercial sponsorship and new attractions risk**

   The budget is currently assumes an additional income can be secured for commercial sponsorship income (naming rights on individual assets) and from new attractions from 2018/19 onwards. While some new attraction income may be achieved through for example a high ropes attraction in the north Park there is a risk that the full extent of the budgeted new income is not achieved within the time frames.

9. **Security**

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

10. **Inflation**

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

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