Appendix 2

Budget and Performance Committee – 8 January 2015

Transcript of Item 3 – The 2015/16 GLA Group Budget (London Legacy Development Corporation)

John Biggs AM (Chairman): Now we hear from Neale Coleman, David Goldstone and Gerry Murphy, who I thought was a singer, but there we are. From the London Legacy Development Corporation, we have the Chief Executive, the Deputy Chairman and --

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): Executive Director of Finance and Corporate Services.

John Biggs AM (Chairman): Executive Director of Finance and Corporate Services. Is this your first or your second meeting at the Assembly?

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): It is my first.

John Biggs AM (Chairman): Your first? OK, welcome and good luck.

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): Thank you.

John Biggs AM (Chairman): And happy New Year apparently I am meant to say as well. Without further ado, I am going to go straight to questioning. I am sorry to have kept you waiting, but it was TfL, they always keep people waiting. Gareth Bacon is going to do the first question, I think.

Gareth Bacon AM: I will get straight into it. Your reply to the business plan assumes that you are going to make £15 million of savings in 2015/16. How are you going to do that?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Savings and efficiencies we are putting together, yes. I think there is a number of things. Some of it is sort of opportunistic savings. There is provisions around irrecoverable Value Added Tax (VAT) that we had in the budget last year. We have reduced some of the contingencies that we were holding. Some of it is also coming from now the Park is open and operating, obviously this time last year, only the part of the North Park had opened, but the whole Park was not open and all the main activity areas in the South Park were not functioning.

Now that is operating, we have got a much better idea about the costs and the sort of management arrangements we need and the income we can generate out of the Park, so the contract we have got in place around facilities management and around sort of marketing the Park and all that, we have been able to take savings out. We have not reduced any functions that deliver core regeneration benefits or socioeconomic benefits that we are achieving. The efficiencies are genuine reductions in what we need to spend, mostly in the way we manage the Park. Sorry, I am focusing on the main areas. There are a raft of small items we have made some savings in, but really those are the predominant areas. We did have sort of a windfall effectively in relation to the level of irrecoverable VAT that we need to hold and the contingency.

Gareth Bacon AM: How much was that?

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): It was about £3.7 million.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Yes, over £3 million, so that is about half of the £7 million that is in the savings category.

Gareth Bacon AM: Yes, OK. Are you saying then that the operational activities, they obviously will not be harmed by the efficiencies and the reductions that you are proposing in 2015/16.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Was your question that they not be harmed?

Gareth Bacon AM: Yes.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Yes. We have provided them at the level we think they need to be provided at.

Gareth Bacon AM: That is not the same as saying they will not be harmed. Are you reducing the operational activities?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I am happy to say they will not be harmed. We had higher allowances in last year, before the Park had opened and was functioning, and we did not have the experience of operating the Park and it being in this level of activity. Part of the answer to this is the success we have had in terms of the visitor numbers and the activity going through the Park. We have had over 4 million visitors through the Park since they started opening in July last year, so the visitor numbers are very good. The operational arrangements we have got through the contracts we have got to manage on the Park are working well and so we have been able to reduce contingencies and some of the contract costs we are incurring have been lower than they may have been when we put the budget together last year.

But I do want to say, there are a raft of other small savings. One of the things I did fairly soon after I came in and the budget process was starting off was sort of line by line look through the budget and just see where there were areas: were there savings we could make; were there opportunities to either reduce cost or increase income without, as you say, harming either the park function or any of the core objectives we are trying to deliver?

Gareth Bacon AM: You have reduced your income forecast by about £600,000, haven't you, on last year? What was behind that? Is it slightly more robust forecasting or what?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): On the income side?

Gareth Bacon AM: Yes.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Some of it is more robust forecasting. I think we are changing the events. Again, since we put the budget together a year ago, the arrangements for managing the Park are going to be different, because we are letting a contract to an operator, so we will effectively get a net receipt out of income share, whereas in last year's budget, we were sort of showing in-house costs of doing it and we were showing gross costs and gross revenues from income, whereas now we are just going to get a net receipt from the operator. But some of the changes, because we are developing more of the Park more quickly and because the housing is being accelerated with the Olympicopolis developments coming in, there is less space, there is less room for events and activities, so actual income-generating activity, looking forward, there will be less than there would have been when we put the budget together previously because of that faster development, but we think that brings the economic benefits into play much more quickly and that is the big prize.

Gareth Bacon AM: I want to touch on reserves, because you are forecasting by 2016/17 you will have no reserves at all, which is remarkable.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Yes.

Gareth Bacon AM: Why are you forecasting that?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I think partly about the relationship - and David [Gallie, Assistant Director, Group Finance] may want to come in on this - between the London Legacy Development Corporation (LLDC) and the GLA. I know all the functional bodies have a close relationship, but we are effectively part of the way the GLA manages the finances of the group. I think there has been an understanding on both sides of the discussion that we do not hold separate reserves, because in effect we are financed through the GLA to the extent we have a funding requirement. There is a change going in, so we can wind down the reserves that had been held and do not need to replenish them.

Over the long term, all our projections are that the Development Corporation becomes sort of self-financing and what is early investment from the GLA gets repaid through the receipts we generate and through the activity on the Park and the income that it generates. That is why are moving to an arrangement where effectively what has been previously been grant will be borrowing that comes to LLDC and we repay to the GLA, reflecting the fact we will generate income that enables us to do that, but in that context, we do not need to hold separate reserves. We do have contingencies in individual project budgets, so where we have got a significant capital spend, we have got project contingencies against those, so it does not mean we have got no resilience, if you like, to shocks, but we do not feel we need to hold a reserve separately. David, does that --

David Gallie (Assistant Director, Group Finance): That is fine. I have nothing to add to that.

Gareth Bacon AM: That was very eloquent. Thank you very much. As Members then, should we in any way be concerned that there is no reserve in the LLDC? I appreciate the LLDC is a slightly different beast to most of the functional bodies. For example, we constantly talk about the Fire Authority's reserves. If they had no reserves, we would be slightly surprised by that, or indeed, very worried. Should we be worried, David?

David Gallie (Assistant Director, Group Finance): I do not think so. Clearly, as David [Goldstone] said, the GLA is providing substantial income now to LLDC. That gives us reassurance. There is a very, very close working relationship, and as David [Goldstone] said, we work much more hand in glove together rather than the conversations just had with TfL.

Gareth Bacon AM: OK, because I recognise the model you describe, where the LLDC's plan is for it to become self-financing, and when the Park is in full operation, then that should finance all activities. I think we all support that and hope it works. If there is a drag or there is a delay or something goes wrong, the fallback position is going to be to get the GLA to basically pay for it. Is that a fair description?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Ultimately that may be. I think what we would be doing, we communicate very closely with GLA finance so that there is understanding of emerging positions as they happen and we can react accordingly, so I would not want to say immediately that the GLA has to provide funds. That might be the end of a conversation, but it would not be the first point. We would be looking at can we cut our cloth accordingly, can we generate income, can we reduce spend. If there is a shortfall in our income, we may also be able to reduce or defer expenditure accordingly, so I think there is a lot of uncertainty. There is a lot of options in those cases before you just say, "We need to take additional funding".

Gerry Murphy (Executive Director of Finance and Corporate Services, London Legacy Development Corporation): There are contingencies.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Sorry, yes, absolutely. There are contingencies in the budget at a programme and project level as well, so as I say, it would not be the first port of call.

Gareth Bacon AM: It would not be the first call, you would also have that option first. If this is a good way of doing things going forward, why did you originally have reserves in the first place?

David Gallie (Assistant Director, Group Finance): I am going to struggle to answer.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): I am as well, actually, yes.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I think the relationship has changed as LLDC's status has changed, hasn't it?

David Gallie (Assistant Director, Group Finance): That is right, so there is an evolution of the role that has come from the Olympic Park Legacy Company (OPLC) originally to LLDC now and also in terms of the way the LLDC is developing the Olympicopolis as well.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): Yes, I think that is right, and I think obviously the Olympicopolis project is a very large and ambitious project and one that absolutely has to be delivered by the GLA and the LLDC working very closely together. I think as we have recast the budget, some proposals to move to a loan rather than a grant form of funding, that really has come primarily out of a discussion around that project.

Gareth Bacon AM: OK. There are questions on the Olympicopolis and the funding of it a bit later on. I do not want to steal someone's thunder. It is sort of flowing quite nicely for me, because I am very interested in the answer when we get to it, but I will stop there. Chairman, I think my questions are through now.

John Biggs AM (Chairman): Oh, are they?

Gareth Bacon AM: Yes.

John Biggs AM (Chairman): Shall we do them again, because I was out of the room?

Gareth Bacon AM: Yes, we sped up.

John Biggs AM (Chairman): So you no longer need reserves because you are a wholly-owned subsidiary of Boris Johnson?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): That is part of it, and also we have got contingencies in our budget. We have also got a projection that shows we repay all the funding we need to draw from the GLA over time.

Stephen Knight AM (Deputy Chair): It was just really some clarification around the guarantee, if you like, that you have got the GLA corporately around this position of not holding reserves. I mean, do you have a letter of comfort from group finance people saying that, "In the event"?

John Biggs AM (Chairman): You do, in that the auditors required City Hall to give a sort of indemnity letter to LLDC last year, I think, as part of the budget process. Is that right?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): Yes, that was when there was an issue of signing off the going concerns status of the organisation and we did get such a letter from the GLA.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I think the answer to the question is we are part of, in effect, a corporate group that --

Stephen Knight AM (Deputy Chair): But so is the Metropolitan Police, TfL, the Fire Authority, as has been said. The question is whether you have got some legal document in your hands that is more than the fire authority have or the police or TfL or anybody else that says, "Do not worry, chaps. If you run over, you can borrow some money from us". You do not have that?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I have to say, we do not have such a letter, but I do not think we need such a letter, so I am not worried about the fact we do not have a letter.

David Gallie (Assistant Director, Group Finance): I think the relationship transcends that sort of guarantee in the way that we are working together. I think neither side would require that level, but I think conversely, of course, there is a risk to the GLA because of that, but I think --

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Sorry, I think it is materially different from TfL, which I know slightly better than I know the Metropolitan Police, partly because of scale.

Stephen Knight AM (Deputy Chair): Plenty of cash they are sitting on borrowing --

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): It may do, because TfL has about £4.5 billion a year of fares income, which it is impossible for the GLA to step in and cover, whereas we are a much smaller-scale activity. We are delivering development and investment which is discretionary. If there was a problem financially, one of the things you could do is do less or go slower. We are not providing a service like TfL or the fire service, where there is an emergency, so there is lots more discretion, but there is an understanding, a relationship between us where because we are part of the group, clearly we are a mayoral body and it is a mayoral priority and we know that working with GLA colleagues, we will not be left in that sort of urgent position.

John Biggs AM (Chairman): We could be sidetracked by this, couldn't we?

Stephen Knight AM (Deputy Chair): I was just going to ask, Chair, clearly we have got a proposal for a new Mayoral Development Corporation (MDC), Old Oak Common, and is the same approach going to be taken there? Perhaps David could tell us. Will they not have to happen first?

John Biggs AM (Chairman): We do not know yet.

David Gallie (Assistant Director, Group Finance): Obviously it is subject to the processes we will go through in terms of the Secretary of State agreeing the MDC, which obviously we await. But I think we envisage the MDC for Old Oak Common to be a very different MDC to the LLDC, so in terms of the structures that you have in place, the scale of spend. At the moment, clearly we are in very early stages of the MDC in terms of their running costs, but clearly, as you debated earlier on, the MDC at the Old Oak Common, the scale ultimately of that project would be a very much, much larger scale of operation than envisaged by the LLDC.

John Biggs AM (Chairman): Yes, OK. I think this is probably not the right place for us to get buried in this constitutional stuff, but it would be interesting to understand quite what it is. I think people assume that a development corporation is a bit like a governmental development corporation and it clearly is not. It may have some legal statutory basis which is copied from that legislation, but it is a different legal form and it is a different operation.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): The Localism Act gave specific powers to the Mayor to --

John Biggs AM (Chairman): Yes.

David Gallie (Assistant Director, Group Finance): I think the key thing is that each functional body has that separate legal status and entity, but each functional body has a very different scale of relationship between ourselves and the functional body itself.

John Biggs AM (Chairman): It may have different statutory requirements to produce accounts and so on as well, so the fire authority - I have broken my own rule that says we should not be talking about this now - is a local authority, and so --

David Gallie (Assistant Director, Group Finance): As is the LLDC.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Well, the LLDC is a local authority. We produce accounts consistent with the local authority requirements, the local authority code.

David Gallie (Assistant Director, Group Finance): It is TfL that is the exception really on that.

John Biggs AM (Chairman): Let us not carried away. Let us move on to the more exciting question of the Olympic Stadium, which everyone gets excited about, apart from me.

Stephen Knight AM (Deputy Chair): David, I think you told the Regeneration Committee in November that you were in the final stages of negotiating the new contract for an operator for the Olympic Stadium. I wonder if you can tell us whether you have now closed the deal.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Not quite yet, but we are very close. We are --

Stephen Knight AM (Deputy Chair): The final stages?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Yes. Late November, wasn't it, I think we had that conversation, so we are confident we have got an operator lined up who has a world-class track record in managing the sort of multi-use venue that we want the stadium to become and we are confident it will become. We are just closing out the final contractual issues and hope to be able to announce that very soon. But you should not read into that any substantive concern or substantive issue that is causing a big delay. It is a detailed, complex, contract. We are --

Stephen Knight AM (Deputy Chair): You can only say very soon at the moment? Is it likely weeks or months or days?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Oh, weeks, not months. It could possibly be days, maybe days, but it will not be months.

Stephen Knight AM (Deputy Chair): Days or weeks, OK. That is helpful.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): We are keen to get the operational arrangements in place very soon, obviously, because we have got events we are planning to hold this summer.

Stephen Knight AM (Deputy Chair): You see, we are very keen on transparency in all these things. Can you tell us what information around the contract is going to be published?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): We will make a statement obviously when we announce it.

Stephen Knight AM (Deputy Chair): When you announce it.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): When the contract is agreed. I think there will be obviously arrangements in that contract that are commercially confidential in relation to some of those performance regimes and incentives, but we can certainly look at releasing what is not commercially confidential once we are post the completion point.

Stephen Knight AM (Deputy Chair): Thank you. Tottenham Hotspur, have there been any further conversations with Tottenham about sharing the stadium?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): There have been no further conversations with Tottenham about sharing the stadium. I think what I said about this the last time it came up was Tottenham are well aware of the position. They know that if they have got a clear plan for when they are going to move and how their stadium programme works and whatever, they can come and talk to us if they want to about using the stadium and they are plainly are not at that stage yet and they have not approached us yet.

Stephen Knight AM (Deputy Chair): So you have made clear to them that you would actively encourage them to approach you?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): Absolutely. I mean, if that is what they want to do, we have made it quite clear we are very open to having that sort of discussion with them.

John Biggs AM (Chairman): Did you make it clear to them in the newspapers, on the television or by speaking to them?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): I speak regularly with a slightly different hat on in my job to senior people who are involved in the management and running of Tottenham Hotspur.

John Biggs AM (Chairman): Because the Mayor has given you responsibility for that.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Can we just say we have a business plan for the stadium --

John Biggs AM (Chairman): That is sort of a yes.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): That is successful and is viable and not requiring a subsidy from multiple uses. We do not need to bring Tottenham in to make it work. We obviously have an anchor tenant.

Stephen Knight AM (Deputy Chair): Nevertheless, it would make it presumably stack up even better with them.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): It depends on the terms.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): It does depend very much on the terms of the arrangement and obviously it would need to be a viable arrangement and it would need to be an arrangement, in particular, that the Premier League were content with.

John Biggs AM (Chairman): Sorry, this is a double act. Are you clear that were West Ham to actually have a veto, that would fall foul of state aid rules and they do not actually have one?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): I think I made it quite clear last time that in terms of our arrangements there was no such veto. However, it equally is the case that any arrangement to use the stadium would need to be agreed by the Premier League and that it very likely would require the co-operation of both clubs.

Stephen Knight AM (Deputy Chair): Moving forward, in terms of future development to the stadium, is there any risk that there will be a further call on the public purse around stadium works?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I think we are very confident now with the agreement that we announced in October that we have got the arrangements in place to get it through to completion for the amounts that we have announced. Would I ever want to say there is absolutely zero risk?

Stephen Knight AM (Deputy Chair): There is a risk.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I think we have got an agreement that closes off the risk that there was and therefore we have an agreement in place that we are very confident will see us through to completion.

John Biggs AM (Chairman): This is the double act. If it remains a public asset though, it must therefore maintain the status of also potential public liability.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Yes, so it is a public asset and it is actually owned by a joint venture between the LLDC and the London Borough of Newham, so it is two public bodies. As I said earlier, we have a business plan that projects it operating and making a surplus and contributing to our financial position, and that recognises maintenance obligations and all those sorts of things, but is there a risk if --

Stephen Knight AM (Deputy Chair): If the business plan were to fail for any reason, then the liability is there?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): It is an asset that we own through the E20 joint venture and we would have to meet those liabilities, but the projection is it will be successful and profitable.

John Biggs AM (Chairman): I think that is what they said about most Olympic stadiums, actually. Yes, but in respect of this one, it has had far more work applied to it than I think any other.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I think our planning for legacy has been comprehensive than most previous games.

Murad Qureshi AM: There is no risk of additional cost on the covered stadium then, the roof? Is it a complete fixed, sealed contract?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Yes. We signed heads of terms. We are just literally going over these few days the detailed agreement that puts the agreement into place that we announced previously, but no, that risk is covered off now.

Murad Qureshi AM: Completely. Just out of interest, who was asking for that?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): With regard to what?

Murad Qureshi AM: To be completely covered.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): It is not completely covered.

Murad Qureshi AM: Not a completely covered stadium then?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): No. The roof works that we announced in the agreement with Balfour Beatty in October, that was always part of the specification from 2011.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): Yes. Essentially the roof works --

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Yes, so the roof covers all the seating.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): -- the roof covers the seating in all its positions.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): It does not cover the field of play at all.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): Yes, it does not cover the field of play. The reason why it needs to cover the seats in football mode is because that would be a Premier League requirement.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): So it is not fully covered.

John Biggs AM (Chairman): Let us move on then to this Olympicopolis. I get a prize for pronouncing it, I think, and this is my question: so the Chancellor has awarded £141 million for the Olympicopolis project in the Autumn Statement. Can you unpack that? What did he actually award? He did not give you a bag of money.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): He actually awarded £141 million.

John Biggs AM (Chairman): Do you have the money with you?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): It was on the basis of a business case. The money will be drawn down once we get further down the process in terms of a final business case, but we have got in-principle agreement, as was, as you say, announced by the Chancellor. It is against the benefits and the objectives that we articulated in the business case. There are no other strings attached to it that --

John Biggs AM (Chairman): Did it in any way relate to the memorandum about land and allocation of receipts? No, OK. Does it relate to Higher Education Funding Council for England (HEFCE) funding for the university part of it?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I think we say no to that. The only connection is that the project itself will generate some receipts that will fall into that agreement, so it helps meet the obligations under that agreement, but there is no connection in terms of the two agreements.

John Biggs AM (Chairman): So is part of it required to buy the land in order for the Olympicopolis project?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): No, the land is all land we already own.

John Biggs AM (Chairman): So the cost of that land is in addition to the £141 million?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): The land is land that we already own, so there is no additional cost now. It is land that was part of the agreement before the games.

John Biggs AM (Chairman): But there is foregone receipt from the inability to dispose of bits of that land which in the previous plans would have been available for housing or whatever use.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): Yes, but we will secure a receipt for the land.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Secure a receipt, which is why I said it contributes to meeting the --

John Biggs AM (Chairman): OK, so who buys the land?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): Within the business case proposal, we are entering into a long lease with University College London (UCL) for some of the land and they will pay for that. In the case of the waterfront scheme, there will be a big residential development for which people will obviously pay for the land that is involved in that and we also have arrangements with the cultural organisation and with the University of the Arts. Again, they will make payments in respect of those leases.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): So we will be entering leases for those tenants.

John Biggs AM (Chairman): What do you get for the £141 million then? Do you actually build the entire thing and then rent it to them?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): It contributes to the costs of construction essentially, yes.

John Biggs AM (Chairman): This sounds somewhat less than transparent, to use that word. It is confusing.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): In what way?

John Biggs AM (Chairman): Is there a detailed memorandum that explains what the costs are, who is meeting them, what the liabilities are, who is potentially meeting those so that we can understand?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): There is a very detailed business case.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): There was a business case that was submitted to Government that --

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): That sets all that out.

John Biggs AM (Chairman): Which is, I am sure, very confidential.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): Some of it is and some of it is not.

John Biggs AM (Chairman): OK. We would like to see the bits that we cannot see then, please!

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): Plainly, as with any project like this, there are issues around our estimates of cost and the fact we are going to have a massive series of procurements to go through, but there is nothing peculiar about the Government money. It is essentially grant money which will go towards the construction, design and implementation of the scheme.

John Biggs AM (Chairman): The overall cost of the scheme is what, £200 million and something?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): No, no, it is over £800 million.

John Biggs AM (Chairman): £800 million?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation):
So there is funding from the Government, there was funding from the receipts that are generated out of the residential development and contributions that the individual partners are making. Neale mentioned UCL and others. Some of those do have commercial confidentiality around them, because, for example, they come from proceeds of sales of sites that they need to make. So the whole package of funding has got a number of sources, but in effect the Government is providing the funding that closed the gap to make the scheme viable.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): I think David is right, that some of that is confidential, but UCL have publicly stated that they have committed to put in £270 million into the scheme, so there are substantial contributions from the partner organisations, particularly the universities, in addition to the money that comes in from the residential development and the £141 million.

John Biggs AM (Chairman): OK. Are there particular conditions or deliverables attached to the funding?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): There are no unusual conditions. The deliverables are the objectives that we articulated and the benefits are all around the economic benefits of bringing world-class arts, cultural and educational institutions to the site. There were economic benefit projections, I think over the life, of around £3 billion of economic value brought into the area. There is educational skills and attainment objectives, there is raising local aspirations in terms of opportunity. Obviously there is jobs created. We are over 3,000 jobs we think will come out of the site. It obviously helps, what we talked about earlier around activity and visitors in the Park and making Stratford and the area a destination and a centre that people want to visit for its own sake and for the range of opportunities that are there.

John Biggs AM (Chairman): So you made a proposition to Government in the form of a business case, which you are going to let us have some of - I think we are going to ask for this - and I am Gareth's [Bacon] committee would be very keen to see it as well. In return for that, they have given you the £141 million, but presumably there are some conditions in terms of deliverability, so if you do not build it and instead go to live in the Cayman Islands with the money or something, then you would have to give it back?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Clearly then we would not get the benefits that would --

John Biggs AM (Chairman): OK.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): That is why I said earlier we will go back with a final business case once we are further down the road into procurement and we have got more certainty about costs and confirm, but yes, so if we did as you say, then obviously we would not deliver the anticipated benefits and the funding would not be forthcoming.

John Biggs AM (Chairman): I am not suggesting that as an option, but since Stratford is far more exciting than the Cayman Islands anyway. The money I think comes to City Hall and then is given to LLDC as a loan.

David Gallie (Assistant Director, Group Finance): The £141 million you are talking about?

John Biggs AM (Chairman): Yes.

David Gallie (Assistant Director, Group Finance): There is a separate set of transactions. There is a GLA loan which is built upon on our cash flow to assist the delivery of Olympicopolis. That is separate from the £141 million.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): The grant arrangements are not finalised. I think it is anticipated that the Government grant will probably come into the GLA, into City Hall and then --

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): As general grant.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): -- as part of the grant between Government and the GLA and then on to the project, but that has not actually been finalised yet, but that is the expectation.

John Biggs AM (Chairman): OK. Is there any reason why we understand from the wording that it would be a loan from City Hall rather than a grant? Is that for --

David Gallie (Assistant Director, Group Finance): There are two separate transactions here. There is the £141 million flow of money and then there is the flow of money that is the GLA loan to LLDC.

John Biggs AM (Chairman): Why would be a loan? If you are getting a grant, why are you going to do that?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): The £141 million is grant.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): No, the £141 million comes as grant. It comes as grant to the GLA and then effectively it is granted on to LLDC. In addition, the GLA will need to make loans to LLDC to cash flow the project because some elements of the project, for example, the residential receipt, is likely to come in at the end of the project or later on in the project in advance of works that it has to finance.

John Biggs AM (Chairman): So we are talking about sorting out the cash flow rather than any --

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): It is a cash flow transaction, the loan, yes.

John Biggs AM (Chairman): OK, I think I understand that, and I think we are reaching the end of this meeting almost actually, so what are the greatest risks from the Olympicopolis project - I said it quickly that time - other than unpronounceability?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): That is a challenge, undoubtedly. I think the fact we have got a business case that stacks up financially that the Government has reviewed in detail and approved gives us a lot of confidence we have got a really good deliverable scheme. We have heads of terms signed with all the partners and that gives a lot of confidence that they are committed and we have in-principle agreement on the terms. So I think a lot of the early stage risks are addressed and we are confident we are in a good position on. It is nonetheless inevitably a large, complex and challenging scheme to deliver, so I would not want to say anything other than there are nonetheless significant risks in delivering it around the costs of construction, around the generation of receipts and those normal project risks, but we think we are starting from a very strong position with a well-developed business case that everybody who needs to sign up to has signed up to.

John Biggs AM (Chairman): Is it of any interest to you whether Sadler's Wells or Victoria and Albert Museum (V&A) or UCL are seeking other dollops of public money to help them assemble their part of this?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): It is definitely of interest, because if that was essential to them, we would want to make sure they were able to fully play their part in the scheme.

John Biggs AM (Chairman): Is it essential to them to receive other public funds?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): Insofar as it is in relation to particularly the revenue consequences of extending their operations, we have sought and broadly received assurances during the discussions with Government that that will be forthcoming. I think that would have been necessary to enable those organisations to make the commitments to the heads of terms that they have.

John Biggs AM (Chairman): So if Sadler's Wells or V&A, if we take the example of the Garden Bridge, where the nice people from the Garden Bridge project came to City Hall and said, "Give us about £8 and we will build this bridge for you" and it has gone up to £60 million of public money, you do not see there are financial risks to the project in the event that the partners do not raise the funds that they committed to raise? Obviously there is.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): I do not think so. I think the major contributions to the project coming from the two universities and UCL have gone through a very --

John Biggs AM (Chairman): Sorry, hang on. Which is the second university?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): The University of the Arts.

John Biggs AM (Chairman): Oh, of course. Yes, sorry.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): UCL have gone through a very rigorous internal business process there and this has gone right through all their governance, through their finance committee and through their council and they have fully underwritten the investment. From what we know of UCL's finances, that is something they are well able to do, if you look at their accounts, and they are relatively debt-free and they are a big and obviously very successful organisation. Similarly, in relation to the University of the Arts, which is a slight --

John Biggs AM (Chairman): The University of the Arts is a slightly more struggling institution, but it has quite a series of scattered facilities.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): The University of Arts is slightly different. In the case of UCL, this is very much new provision and an expansion of activity. In the University of the Arts London (UAL), it is primarily a consolidation of existing activity, although there will be new activity as well. What gives us a degree of confidence there - and obviously we have been through this with them in terms of doing some early stage due diligences - they do have a substantial amount of existing property interests, both freehold and leasehold, where they would be disposing of those to enable them to come to Stratford. In sort of crude terms of their current annual surplus, they are probably in a slightly better position than UCL, although one can argue about the overall financial strengths of the two bodies. But since we are largely depending on them disposing of property --

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Sites that they will not need because they will be moving the activities.

John Biggs AM (Chairman): I am aware people want to go home - including, bizarrely, myself - at some stage today, but I am aware the University of the Arts has been, and I think it is a matter of public record, a somewhat struggling institution in recent years. It has had some difficulties in terms of its performance. I am probably going to get a letter from them tomorrow saying, "This is outrageous and untrue" but that was my understanding, so there was some risk attached. You are looking bewildered, Mr Goldstone.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I am not aware of what the performance issues you are referring to are. I am not going to say categorically there are not, but I believe they have got a very high reputation and they are successful in terms of student numbers and, as far as I am aware, financially they are able to commit to what they have committed to. I am really not aware of what --

John Biggs AM (Chairman): OK, I will retract that then, but perhaps we need to look offline. V&A and Sadler's Wells, they need to raise money from private backers or whatever?

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): Yes, there will be a need for them to do that. More fundamentally, I think one concern that one has particularly with new cultural offers is making sure that there is a solid basis for the revenue funding that they will need. Obviously the new V&A, they will largely be a free admission organisation. Sadler's Wells is an organisation that is very successful commercially, but does rely on a degree of public subsidy and therefore we have sort of encompassed the discussions around future revenue funding as well as the capital funding in what we have been talking to Government about. I think from the point of view of both the V&A and Sadler's Wells, it was clear right from the start that they had to have comfort on that from Government to make the commitments to us that they have now.

John Biggs AM (Chairman): Finally on this then, the Orbit has been somewhat underperforming on its visitor numbers, I think, and so one has presumably learnt from that. The theory is that adding these institutions will give sufficient weight to what is happening up there to make the whole thing work effectively. Have you critically appraised that model and does it really work? The answer to that is yes, of course, but that will be examined further offline, I suspect.

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I think there are two different propositions. I mean, what we are bringing in terms of the Olympicopolis institutions are proven educational institutions, but also arts and cultural institutions, where obviously bringing visitors is a significant part of the business, but very well-established and world-renowned institutions. I think the amount of due diligence we need to do on their performance in delivering their core business is fairly limited, because there is obvious long well-established track records there. The [ArcelorMittal] Orbit opened April this year. It is a completely new facility, so I would not see a lot of read-across between the two. The Orbit, it is no secret that the visitor numbers are below projections. There have been over 100,000 visitors this year since it opened in April, so it is not insignificant numbers going through, but it is lower than had originally been forecast. Yes, we are certainly thinking about and looking at what we might do to enhance that and bring it up to the sort of level of performance of the other venues that have brought, as I said earlier, over 4 million visitors to the Park in the last year.

John Biggs AM (Chairman): I am embarrassed that my colleagues look like they are virtually losing the will to live at this stage, so we will move on. I am just reflecting that the Mayor made it clear that the reason we wanted these other attractions was that it would provide the momentum for the Olympic Park that would make it a totally successful and viable attraction, but that can be examined at other committees.

Valerie Shawcross AM: With some TfL funding and turn it into a helter skelter.

John Biggs AM (Chairman): Yes, indeed. TfL could pay for all of this, don't forget.

Neale Coleman CBE (Deputy Chairman, London Legacy Development Corporation): I am sure they could.

John Biggs AM (Chairman): I am sure they could, and they probably will, but anyway. The very final question, which should have been the first question, of course, but I am just doing what I am told, which is why did the LLDC not publish a detailed budget submission this year in light of the Mayor's budget guidance?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): I think we were in a position at the end of November where we needed to make a full submission to the GLA for the budget process, which we did at the end of November, but we were a few days away from what we hoped and expected, but could not be certain, was an announcement around Olympicopolis during the Autumn Statement at the beginning of December. It is such a massive project, and in terms of our future activity has such a scale that I think we were in a position where if we had included it or not included it in a published document at that point, it was going to have a very dramatic effect on the position we had reported. Now, we have not had a --

John Biggs AM (Chairman): You agreed the budget confidentially at your Board, but it is a secret budget, which is why it could not be published?

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): We took a budget through the Board in November. Since the Autumn Statement is at the beginning of December, there has not been a Board or Audit Committee meeting to take a budget position through. We have got one next week, yes, so there will be papers going to that on the budget and those are going out and will be in the public domain with the budget submission details in, so we are now making that public, but this is the first opportunity we have had since the Autumn Statement.

David Gallie (Assistant Director, Group Finance): Just to add, I think it is worth just saying that the actual budget documentation that you have in front of you in reality will be what David will put in the public domain, that there is actually no inadvertent --

David Goldstone CBE (Chief Executive, London Legacy Development Corporation): Yes, there is nothing you have not seen.

David Gallie (Assistant Director, Group Finance): The aim is not to try to not give you information here, it is just literally the timing, as David has described, of the Autumn Statement.

John Biggs AM (Chairman): I do not feel hard done by, but I think when TfL talk about transparency, it is as much about understanding more detail of how the decisions were made in terms of public spending and resources as it is the bottom line numbers, which I suspect would not change insofar as the Mayor's Budget is worth the paper it is written on, of course, which of course it is.