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**Our ref:** MGLA051011-0707

**Date:**

**03 NOV 2011**

Dear Dee

Thank you for sending me a copy of the Committee's report: "The administration of Visit London".

I welcome the report and the acknowledgment that I have resolved the issues caused by Visit London going in to administration, resulting in the protection of benefits for members of the British Tourist Board Pension Scheme and ensuring that Visit London's creditors will be paid in full. In doing so, as Peter Rogers made clear at the Committee meetings on 24 May and 21 June, I have had to balance the interests of these groups with my fiduciary duties and strong commitment to the taxpayers of London to get value for money.

I accept that there are things that could have been done better in transitioning arrangements for the international promotion of London. Indeed there have been lessons learned. Appendix 1 sets out in full my response to each of the conclusions and the specific recommendations contained within the report.

Turning now to the further questions raised in your letter:

- When do you expect creditors of Visit London to be paid and the Visit London portion of the British Tourist Board pension scheme to come out of Pension Protection Fund determination?

The notice period for the creditors expired on 18 October. The Administrators have advised that the case has progressed well and they are in a position where payments to creditors are expected to be made very quickly after that date. As part of the suite of legal agreements executed the Visit London portion of the pension scheme came out of Pension Protection Fund determination on 23 June on receipt by the Pension Trustees of the payment made by the GLA of £6m.

- Further to the June estimate of £2.6 to £3 million as the net costs to the GLA of the scheme rescue has this estimate been revised and when will the final costs be confirmed?

This estimate remains unchanged. The Administrators have not provided an end date but there will be a few residual claims and other matters requiring resolution before the case can be finished and closed.

- Further to paragraph 3.2 of the Mayoral Decision 847, what professional services costs have been incurred to date and what is the final expected cost of these services?

The GLA incurred just over £55,000 on external legal fees associated with the work in relation to the scheme rescue document, the assignment of the dividend and the deed of agreement. The British Tourist Board pension trustees have submitted an invoice for costs of £320,000, and this is subject to review. The Administrators costs totalled £192,000 as at 13 September.

- What Visit London assets will be received by the GLA when the process is complete? Please break these down by cash and non-cash assets.

It is expected that the GLA will receive cash assets only.

Yours ever,



**Boris Johnson**  
Mayor of London

## APPENDIX 1

CONCLUSION	RESPONSE
<p>The decision to set up a new company, rather than transform Visit London as had originally been proposed, triggered the debt in the Visit London pension scheme. Discarding the option of transforming Visit London did not form part of the formal Mayoral decision process. It was recommended by the Chair of the transition board in agreement with senior Mayoral advisers. There is no record of an assessment of the risks associated with this part of the decision-making process. (pp. 13-4)</p>	<p>Accepted.</p> <p>The establishment of a new corporate entity was recommended by Dame Judith Mayhew Jonas in her capacity as Chair of the transition board and approved by the Mayor in MD 658, once funding for the organisation had been confirmed.</p> <p>We accept that this part of the transition-process could have been better documented.</p>
<p>The Mayor's decision to set up a new company to promote London was not informed by a sufficiently detailed assessment of the financial and reputational risks associated with the Visit London pension scheme. (p 15)</p>	<p>Accepted.</p> <p>The risks associated with the Visit London pension scheme were not assessed in sufficient detail.</p>
<p>The assumption within the GLA between November 2010 and March 2011 that London and Partners would become a participating employer in the British Tourist Board pension scheme, without some form of GLA funding, was not a reasonable one. (p 21)</p>	<p>Rejected.</p> <p>It is correct to say that an assumption was made that London &amp; Partners would become a participating employer in the BTB Pension Scheme. The assumption was that London &amp; Partners would make deficit contributions in line with those made by Visit London, i.e. £70,000 per annum.</p> <p>However, the Trustees of the Scheme indicated in their letter of 2 March that, before agreeing to London &amp; Partners' participation in the Scheme (by which they would take on Visit London's Scheme liabilities), London &amp; Partners would need to commit to:</p>



	<ul style="list-style-type: none"> <li>• Providing a cash injection to the Scheme of £500,000; and</li> <li>• Funding the Scheme liabilities attributable to former employees of Visit London over the life over an accelerated recovery plan in line with the four-year grant agreement with the GLA, and not (as previously agreed with Visit London) over a 20-year period from April 2010.</li> </ul> <p>Clearly this indication had a significant impact on London &amp; Partner's view of the financial commitments they would be taking on by participating in the Scheme, and no doubt informed their board's subsequent decision not to become a participating employer in the Scheme.</p>
<p>While the Committee agrees there was a case for integrating the functions of Visit London, Think London and Study London, the way this was carried out resulted in unforeseen extra costs to the public purse. Costs of around £5 million (£3 million for the pension rescue and £2 million brought forward for start up costs) should have been foreseen and formed part of a cost-benefit analysis to inform decision-making. (p 18)</p>	<p>Rejected.</p> <p>The £2 million "extra costs" are within the GLA's overall budget for London &amp; Partners. This has been set at £56 million for 4 years (2011/12 – 2014/15) and whilst the expenditure profile has been adjusted the overall budget has not increased.</p> <p>The £3 million "extra costs" have arisen as a result of the GLA entering in to a scheme rescue relating to the Visit London portion of the BTB Pension Scheme. As a result of the scheme rescue neither London &amp; Partners nor the GLA has any ongoing liability in relation to the Scheme. Had the Scheme continued with London &amp; Partners becoming a participating employer in the Scheme (and taking responsibility for Visit London's deficit) there would have been ongoing liabilities which would have had to have been indirectly met via the GLA's</p>

	<p>grant funding to London &amp; Partners.</p> <p>Hence, whilst it is correct that the estimated £3 million costs of the Scheme rescue were not originally anticipated, it is incorrect that these costs were an “extra” cost to the public purse.</p>
<p>There was no clear transfer of responsibility between the GLA and London and Partners for negotiating with the trustees of the British Tourist Board pension scheme. The two responsibilities of protecting the wider interests of the GLA group and setting up the new company were combined in a single role. (p 25)</p>	<p>Accepted.</p> <p>There could have been greater clarification of roles and responsibilities.</p>
<p>From the way the decision to set up the new company was taken forward, there are lessons to be learned about: the need for appropriate scenario planning; mechanisms to challenge assumptions and respond to change; and the extent to which complex negotiations are carried out face to face. (p 26)</p>	<p>Accepted.</p> <p>There are lessons learned and we agree that there is a need for appropriate scenario planning, challenge and flexibility.</p>
<p>Regardless of whether they are private companies or public bodies, organisations carrying out work on behalf of the Mayor and relying on the GLA for the majority of their funding, should operate within an agreed framework. This should provide clarity and transparency of decision-making for the money which is being spent on behalf of Londoners. (p 31)</p>	<p>Partially accepted.</p> <p>We agree that organisations carrying out work on behalf of the Mayor and receiving the majority of their funding from the GLA should provide clarity and transparency of decision-making for the money that is being spent on behalf of Londoners.</p> <p>The Greater London Authority Acts 1999 and 2007 set out the legislative arrangements for ensuring transparency and accountability within the GLA.</p> <p>Private companies and organisations</p>



	outside of the GLA family are not bound by these arrangements, however grant agreements between the GLA and grant recipients require the provision of information and assistance as necessary for the purpose of responding to enquiries.
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## RECOMMENDATIONS

### Assembly recommendation 1

We recommend that when the GLA is involved in the transfer of functions and staff between other bodies, a targeted and proportionate assessment of the pension implications should form part of the Mayoral decision process. The Mayoral Decision form should record the details of this assessment including what the risks are to pension rights and how these would be managed under different scenarios. Where there is a due diligence process to consider options to inform a Mayoral decision, there should be an auditable record of the outcome.

Accepted. The detailed due diligence being undertaken to support the effective transfer of functions and staff from the LDA and HCA is an example of how this is being put into practice. We should note that, depending on the circumstances, advice to the Mayor on pension matters may need to be made exempt from publication.

### Assembly recommendation 2

We recommend that in his response to this report, the Mayor set out what processes he plans to put in place to ensure that in future such negotiations: there is appropriate scenario planning; there are mechanisms to challenge assumptions and respond to changes; and that the undertaking of complex negotiations is carried out as far as possible in face-to-face meetings rather than mainly through correspondence. We further recommend that, when private companies are set up in the future, there is a clear separation between the roles of protecting the interests of the GLA and responsibility for setting up the new company.

Accepted in principle. The arrangements in place to bring together HCA, the DCLG and other stakeholders to discuss housing devolution exemplify the processes in place to ensure appropriate scenario planning, challenge and flexibility. We would note however that all negotiations differ and it is unlikely that the same set of circumstances arises again. It is also the case that such detailed and complex negotiations, whilst of course involving meetings, will need to be recorded and, where necessary, transacted in writing in order to ensure clarity. We accept that there is potential conflict between protecting the interests of the GLA and in operating any such company that the GLA is involved in setting up. Appropriate steps will be taken to consider and resolve any potential conflicts in future.

### Assembly recommendation 3

We recommend that the Mayor ensure that the governance arrangements and grant agreement with London and Partners be re-examined. The aim of this should be to ensure that there are appropriate checks and balances to protect the interests of the GLA while allowing London and Partners sufficient freedom to operate efficiently and effectively. We ask that the Mayor report back on this process and any proposed changes to the arrangements by the end of October 2011.

Accepted. We have re-examined the governance arrangements and grant agreement with London & Partners and are satisfied that there are appropriate checks and balances to protect the interests of the GLA while allowing London and Partners sufficient freedom to operate efficiently and effectively. Further details are set out below:

#### Governance

- The London & Partners board will comprise twelve Directors. Under the articles of association the Chair and one other Non Executive Director are appointed by the Mayor and the Mayor approves the appointment by the board of two Executive Directors – the Chief Executive and the executive with responsibility for the financial affairs of the Company.

#### The Grant Agreement between the GLA and London & Partners

- The Mayor has approved a grant funding package of £56m over four years beginning 1 April 2011. The terms and conditions under which the grant is paid are set out in a grant agreement.
- The grant is not payable until the business plan is approved by the Mayor and each of the sums payable in financial years after 2011/12 depends on the issue by the Mayor of a further award letter and the approval of the business plan for that year. The company is not therefore guaranteed future year's grant.
- The company must operate its business in accordance with the business plan. The agreement includes conditions relating to management and evaluation and reporting. The GLA is entitled to regular management accounts.
- The board must procure that its executives report to each meeting on whether or not a "material deviation" has occurred. This occurs when activities, outputs, achievements in relation to milestones or financial performance have been or are reasonably likely to be materially inconsistent with the terms of the business plan. The board must then put forward a "material deviation action plan" to rectify the material deviation and submit it to the Mayor for approval. Subject to that approval the company must implement the plan.
- Grant may be reduced suspended or withheld in the following circumstances:
  - there is a breach of any material terms;
  - there is an unapproved substantial change to the Business;
  - there is evidence of financial irregularity, impropriety or negligence in the operation of the Business which is not rectified within the timescale specified;
  - financial reserves are built up from the Grant in excess of any agreed amount;
  - grant is received from another funding source;
  - statutory returns are not filed by the due date.

and in the case of material breach or the building up of unauthorised reserves grant can be reclaimed. Reserves may be maintained out of the grant to a limit of



£500,000 with the prior approval of the GLA. Reserves can also be augmented from commercial income.

- The agreement may be terminated by the GLA if:
  - there is an unremedied material breach of the agreement or any other agreement in force with the GLA;
  - there is an unauthorised assignment;
  - the whole or a substantial part of the business ceases;
  - the company is convicted or charged (or any of the directors, officers or representatives are convicted or charged) of a criminal offence related to business, professional conduct or dishonesty;
  - the directors, officers or representatives fail to disclose any material misrepresentation in supplying information to the GLA;
  - there is an insolvency event.
- Other terms include:
  - the right of the GLA to appoint an observer to board meetings. Sir Peter Rogers is the current observer.
  - an obligation on L&P to procure works, equipment goods and services on the basis of best value and to seek three quotes for items costing above £10,000 plus VAT.
  - rights for the GLA to be notified of any announcements and communications to be made relating to the Agreement and to the impact of activities funded by the Grant and to approve and be represented in any such communications.
  - rights for the GLA to use data and market intelligence provided by the company.
  - the grant of a non exclusive, royalty-free, worldwide, irrevocable, non-assignable, perpetual licence of all Intellectual Property Rights for the purposes of any of the functions of the GLA or its functional bodies such as TfL, the LDA or a future mayoral development corporation.
  - an obligation on L&P to co-operate fully and provide all information and assistance as required by the GLA for the purpose of responding to internal and external enquiries.
  - an obligation on L&P to maintain employers liability insurance.

#### **Assembly recommendation 4**

We recommend that London and Partners, and any other companies or external bodies set up and funded by the Mayor from GLA resources, sign the GLA Group Corporate Governance Framework and that the requirements for transparency and accountability for decision making apply. We ask the Mayor to respond to this and the other recommendations in this report by the end of October 2011.

The Authority's Standards Committee has already asked the Monitoring Officer to undertake a review of the current GLA Group Framework Agreement and to bring forward proposals, which are to include the issue of ensuring that the Agreement is fit for purpose across the entire Group (as re-configured), as soon as is possible following the 2012 elections for agreement and adoption. The proposal made in this recommendation will be considered as part of the review.