

5 Securing the best Olympic legacy

It will be difficult to achieve all of London's Olympic legacy objectives

5.1 The London Legacy Development Corporation (LLDC) took over responsibility for the legacy of the Olympic Park and surrounding area in April 2012.⁵⁰ It was set up by the Mayor to “promote and deliver physical, social, economic and environmental regeneration in the Olympic Park and surrounding area”.⁵¹ It is currently transforming the Olympic Park, ready for re-opening from summer 2013.

5.2 The LLDC has three ambitious strategic aims:

- to deliver social, economic and environmental benefits and convergence for east London;
- to deliver financial returns to the public purse over the long term; and
- to optimise sustainability and success of the Park and venues.⁵²

The most challenging of these aims is to ensure that within 20 years the communities which hosted the 2012 Games will have the same social and economic chances as their neighbours across London – the concept of convergence. This will require the involvement of a wide range of public and private stakeholders, including the LLDC, and a long-term commitment.

5.3 There is a risk that the objectives around regeneration and convergence might be eclipsed by the need to generate financial returns, particularly in the form of capital receipts from housing development. There may be pressure, for example, to reduce the proportion of affordable homes in the Park, or to scale back the ambitions for environmentally sustainable housing, in order to maximise sale receipts.

5.4 The LLDC is well aware of this risk, and there does appear to be a general willingness to pursue the wider regeneration objectives by the LLDC, the Mayor and the government. That commitment, however, may not be maintained over the programme’s timescale which is in excess of 20 years.⁵³ As Chair of the LLDC, the Mayor is ultimately responsible for ensuring that this commitment *is* maintained, at least over the rest of his term of office.

There is a risk that council tax payers will have to pay more

- 5.5 In his Olympic Manifesto the Mayor noted that he would “ensure that the Olympic legacy does not cost London taxpayers a penny more in council tax”.⁵⁴ We have concerns, however, that he may not be able to stick to this pledge.
- 5.6 The LLDC has recently appointed West Ham United Football Club as the preferred bidder for the tenancy of the Olympic Stadium. A final agreement is still some way off, however, and there are still financial risks for the LLDC to manage.⁵⁵ We understand that the cost of converting the Stadium for Premier League football is estimated at £160 - £200 million. There is £78 million of public funding already earmarked for that conversion work, leaving more than half of the costs to be found either from West Ham or elsewhere.⁵⁶
- 5.7 The Assembly has consistently argued against the concept of a permanent athletics track in the Stadium, and this has proved to be the main barrier to a successful and speedy reopening.⁵⁷ It is possible that the Stadium may not reopen before the next Games begin in August 2016 in Rio de Janeiro.⁵⁸ We hope that negotiations can be swiftly concluded to allow the Stadium to reopen as soon as possible.
- 5.8 The importance of the Stadium to the success of the Park cannot be underestimated. The LLDC has forecast that up to 2 million people could visit the Stadium each year out of its overall forecast of 9.3 million visitors to the Park by 2016. This would generate income and jobs not only for the Stadium but the whole Park and wider community. That forecast, however, was based on a Premier League football club being the Stadium's main tenant.⁵⁹ Relegation for West Ham would result in fewer visitors to the Park, with implications for the success of the Park and the legacy programme as a whole. It would also have financial consequences for LLDC and, by extension, the whole GLA Group.
- 5.9 The GLA is now exposed to financial risks arising from the LLDC's commitment to provide, among other things, transport improvements, new schools, housing, employment and training as part of a section 106 agreement. This commitment is worth some £238 million, spread over a number of years into the future, and the LLDC told us that it hopes to pass on “a large proportion” of this to developers.⁶⁰ A recent LLDC Board paper stated that “these commitments represent a high

financial burden on the project". It also noted that "the GLA has undertaken to work with LLDC on an appropriate funding package to support LLDC to implement the scheme".⁶¹ We have yet to receive further detail on these arrangements from the LLDC.⁶²

5.10 London's Olympic legacy objectives are ambitious and they could bring about transformational improvements to the East End. The Mayor must ensure, however, that short-term financial returns are not pursued at the expense of the longer-term convergence and regeneration goals.

5.11 The London Legacy Development Corporation and the GLA are exposed to significant financial risks that might increase pressure on the Mayor to provide additional financial support. We cannot support any further burden being placed on council tax payers, particularly if they are asked to fund stadium improvements for a wealthy Premier League football club.

Recommendation

7. The Consultation Budget should respond to our concerns about the risk that Londoners will face further financial burdens from the Olympic Park. In particular it should set out the financial implications for the GLA Group relating to the risk of visitor numbers not being met, the section 106 agreement and the costs associated with the delay in converting and reopening the Olympic Stadium.

Appendix 3 Supporting information

⁵⁰ The London Legacy Development Corporation (the LLDC) was created as London's first Mayoral Development Corporation. From April 2012 it took on the responsibilities of the Olympic Park Legacy Company (OPLC) as well as some of the assets and responsibilities of existing regeneration agencies in the area, such as the London Thames Gateway Development Corporation. In October 2012 the LLDC took control of the Olympic Park from the London Organising Committee of the Olympic and Paralympic Games (LOCOG) and also took on the planning powers for the Park.

⁵¹ Greater London Authority, *OPLC: proposals by the Mayor of London for public consultation* (February 2011), page 5.

⁵² LLDC *Business Plan*, page 3.

⁵³ A recent LLDC Board paper noted that “the obligations to return significant receipts and deliver the wider socio economic objectives are not necessarily aligned”. LLDC Board Paper 10, *Legacy Communities Scheme Planning Permission* (27 September 2012) page 4.

⁵⁴ www.backboris2012.com/olympics

⁵⁵ LLDC press release, 5 December 2012. “The Legacy Corporation’s Board determined that any agreement with West Ham United should be conditional on resolution of a number of issues including: the final specification for adaptations to the stadium and associated funding; securing planning permission; obtaining appropriate national governing body approvals; and the finalisation of commercial terms, including a mechanism to protect the taxpayers’ investment in the stadium were the value of the club to increase significantly through a change in location.”

⁵⁶ £38 million from the Olympic budget and £40 million from Newham Council as a loan.

⁵⁷ For example see the Assembly’s Economic Development, Culture, Sport and Tourism Committee’s report *Towards a lasting legacy: a 2012 Olympic and Paralympic Games update* (July 2009), page 24.

⁵⁸ Chief Executive of the LLDC, Dennis Hone, speaking at the Budget and Performance Committee meeting, 7 November 2012.

⁵⁹ Confirmed by Neale Coleman, Director of London 2012 Co-ordination at the GLA, at the Budget and Performance Committee meeting, 7 November 2012.

⁶⁰ Dennis Hone speaking at the Budget and Performance Committee meeting, 7 November 2012.

⁶¹ LLDC Board Paper 10, *Legacy Communities Scheme Planning Permission* (27 September 2012) pages 6-7.

⁶² Details of the financial implications of the Section 106 agreement were requested at the Budget and Performance Committee meeting on 7 November 2012.

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