

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2320

Title: Financial Support for V&A East

Executive Summary:

The Victoria & Albert Museum will be entering into leases for premises at Here East and Stratford Waterfront as part of the East Bank project. There is an estimated potential funding gap in the running costs of these premises when they open to the public in 2023 and the Mayor is asked to approve the GLA's provision to the V&A, by way of deed, to provide a capped level of financial support, if required in certain circumstances, for a period of 15 years from this date.

Decision:

That the Mayor approve:

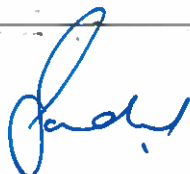
- entering into a deed with the Victoria & Albert Museum to provide funding, if required, for the operation of the Victoria & Albert Museum's Waterfront and Here East premises;
- that funding be capped at up to £1.5 million per annum and £12 million in aggregate over a period of up to 15 years;
- that the funding commence from the later of 1 April 2023 and the beginning of the financial year that the first of these premises opens to the public; and
- that the above be subject to V&A signing the agreement for lease for its Here East premises.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

18/7/17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

1.1 The Mayor approved (under cover of MD2234) the LLDC's entry into an Agreement for Lease (AfL) with the V&A for premises at Stratford Waterfront as part of East Bank within the Queen Elizabeth Olympic Park. There were several conditions that would need to be satisfied before the AfL could be signed, including approval by Government of the V&A's business case for grant funding for the operation of the new premises and the finalisation of the terms for the V&A's relocation of its Blythe House reserve collection to Here East. This relocation was conditional on the LLDC agreeing to commit to disposing of its economic interests in Here East at a future point in time, subject to the satisfaction of certain conditions and approval was given by the GLA for LLDC to do this in DD2260. The V&A's outline business case has been approved and it will be able to sign its agreement for its Here East premises once the deed recommended in this decision is executed.

1.2 The V&A business case for its grant funding for V&A East identified a potential funding gap, after the inclusion of grant funding from Government, over the first 15 years of its operation. Agreement has been reached that this would be funded by the GLA, if required and should certain other funding sources not be available, given the importance of the V&A as a cultural tenant at East Bank and to help establish successful operations. This would be subject to a cap of £1.5 million in each year and in any event £12 million in aggregate over the entire 15 year period, after which any entitlement to such funding will cease. A deed has been agreed with the V&A which governs the terms for the provision of this funding from the GLA, subject to V&A signing the agreement for its Here East premises.

2. Objectives and expected outcomes

2.1 The V&A is the world's leading museum of art and design with collections unrivalled in their scope and diversity. The V&A East will offer a new model for exploring its world-renowned collection of craft, design and performance at the heart of east London. A dynamic new museum, it will inspire and empower the next generation of artists, designers and innovators; support and promote the creative industries; and enable audiences to discover the value of creativity and design. The provision of funding, if required, would contribute to the successful operation of V&A East. The scheme includes:

- a new museum where visitors can explore the V&A's collections, meet, socialise, and take part in events
- pioneering exhibitions, gallery displays, and community activities
- spaces for community-led projects, residencies, installations, and emerging design talent
- a co-curated programme with the Smithsonian Institution, bringing two of the world's leading museums together for the first time

3. Equality comments

3.1 As lead organisation for the delivery of V&A East LLDC's priority theme of championing equalities and inclusion was taken into account in the development of the proposition for East Bank, in consultation with all the project partners. LLDC will ensure that equalities, access and sustainability considerations are applied to procurement, employment participation and inclusive design as required throughout the project.

3.2 LLDC is a public body with a responsibility to promote equality, tackle discrimination and promote good relations between different groups of people with protected characteristics. LLDC undertook a strategic equality impact assessment on its renewed priorities, including its emerging five-year organisational strategy and East Bank plans. As part of this process, LLDC consulted with equality

groups and tested whether its approach is helping to promote its equality priorities. The outcomes of the strategic equality impact assessment in relation to CED have been used to inform the planning process and public consultations, the Mayor is under the same duty. It is anticipated that there will be no adverse impact on equalities issues and any protected characteristic groups.

4. Other considerations

- 4.1 HM Treasury approval has been given to the V&A for an uplift in grant funding of £9 million per annum for V&A East. The approval was granted on the basis that the estimated future funding gap remaining after this grant funding would be provided by the GLA. The V&A set out two scenarios in its business case to Government showing projected costs and income over the first 15 years of operations. In the most likely scenario a subsidy of up to £1.5 million is required, but not every year, hence the proposal to cap support at that level in any one year and at £12 million in aggregate over the period. For example, in the first year of operation expenditure is estimated to exceed income from exhibition ticketing, sponsorship, fundraising and other trading and grant income by more than £9 million, but after taking account of £9 million grant in aid funding from DCMS and the transfer of the previous reserve collection storage budget, no subsidy is required from the GLA. However, in the second year of operation income from all sources is estimated to be nearly £10.5 million less than expenditure and this would require a subsidy of just under £1 million from the GLA after grant in aid funding and the previous storage budget.
- 4.2 In its optimistic scenario based on a greater number of visitors, V&A East is projected to operate without any additional subsidy from the GLA. These projections include inflation so are at outturn prices. They were produced in 2017 and at 2016-17 prices the aggregate GLA grant funding over the 15 years in the most likely scenario is less than £3 million.
- 4.3 The V&A is receiving a one-off grant from Government to move its reserve collection out of Blythe House into Here East so if there is any surplus remaining on this grant it would be used in the first instance to meet any shortfall on operations. To incentivise the V&A to operate as efficiently as possible it will be able to keep 50 per cent of any surpluses up to £2 million in any year to use at its discretion, with the remaining 50 per cent set aside in a reserve to be used to meet any future deficits. If a surplus were to exceed £2 million, anything above that threshold will be split one third to V&A with two thirds being set aside into the reserve. The V&A would bear the risk of having to make additional savings or generating more revenues if there is still an estimated shortfall after funding from the GLA.
- 4.4 The level of grant in aid funding from DCMS is assumed to be £9 million per annum in line with the current approval from HM Treasury. Should this funding be reduced, any shortfall in total income against costs would not be funded by the GLA to the extent that it was due to this grant reduction. For example, if grant in aid funding was reduced to £8 million and there was a total shortfall of £1.5 million, the GLA would only fund £0.5 million. Similarly, projections for the V&A's joint project with the Smithsonian Institution include expenditure on Smithsonian operations that are met from income from fundraising. However, the GLA is prohibited from funding any operations relating to an overseas organisation and any shortfall in assumed fundraising would be not form part of the GLA's financial support.
- 4.5 Policy 7 of the Mayor's Culture Strategy states that the Mayor will integrate culture into major infrastructure projects through the establishment of a new cultural and educational district at the Queen Elizabeth Olympic Park. V&A East is a key part of the delivery of this policy.
- 4.6 The GLA has consulted LLDC in the development of this proposal and the V&A has consulted with DCMS and HM Treasury, but there are no other consultation requirements.

5. Financial comments

- 5.1 The basis and terms of the deed with V&A are set out in the body of the report. The projection of income and expenditure will be updated before the premises become operational and this would initially be the basis for financial planning purposes for 2023-24 and subsequent years. If the GLA is required to provide any funding the sourcing of this would be determined at that time.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that the decisions requested of the mayor fall within the statutory powers of the Authority to promote and/or to do anything which is facilitative of or conducive or incidental to social development and economic development and wealth creation within Greater London and in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
- (a) pay due regard to the principle that there should be equality of opportunity for all people;
 - (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - (c) consult with appropriate bodies.
- 6.2 In taking the decisions requested of him, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.
- 6.3 The officers must ensure that a deed containing the conditions set out in the decisions section of this report be executed by both the GLA and the V&A. That agreement will also contain provisions to ensure State aid compliance.

7. Planned delivery approach and next steps

- 7.1 V&A East is expected to open to the public in 2023 and no funding would be required from the GLA before operations commence. If GLA funding is necessary the first year this would fall due is 2024. The V&A will be required to produce an annual statement at the end of each financial year with full transparency of costs and income which will determine how much, if any, support is required from the GLA. An updated forecast of operational performance would also have to be provided. There will be provision to end the arrangement early if GLA funding does not become necessary and there will be a specific requirement to review if there are three consecutive years in which no GLA funding has been required.

Activity	Timeline
V&A enters lease for V&A East and LLDC disposal of Here East interest	July 2018
Signing of deed	July 2018
Delivery Start Date – V&A East open to public	April 2023
On-going annual monitoring and operation	
Delivery End Date – based on a 15 year period of support	April 2038

Appendices and supporting papers:

V&A East Outline Business Case to DCMS (reserved from publication)

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason:

The signing of the last Agreement for Lease by one of the East Bank tenants will not take place until September 2018 and HM Treasury approval of the Final Business Case (for Government capital funding) for East Bank was conditional on all AfLs being signed.

Until what date: October 2018

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Ray Smith has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

David Bellamy has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 16 July 2018

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. D. Clarke

Date

16.7.18

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

D. Bellamy

Date

16/7/2018.

