

# **The Finances of the Olympic Legacy**

## Part 1: Olympic Park transfer and continuing liabilities

October 2010



The cover image is an aerial photo of East London with the boundary of the Olympic Park and its venues shown in white.

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enquiries 020 7983 4100  
minicom 020 7983 4458

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# Budget and Performance Committee Members

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The Budget and Performance Committee scrutinises the Mayor's annual budget proposals and holds the Mayor and his staff to account for financial decisions and performance at the GLA. The Committee also looks at spending and performance across the GLA group, undertaking investigations into issues such as the cost of policing, spending on the Olympics and public transport fares.

### Contacts:

William Roberts, Budget and Performance Advisor  
020 7983 4958, [William.roberts@london.gov.uk](mailto:William.roberts@london.gov.uk)

Tim Steer, Scrutiny Manager  
020 7983 4250, [tim.steer@london.gov.uk](mailto:tim.steer@london.gov.uk)

John Barry, Senior Committee Officer  
020 7983 4420, [john.barry@london.gov.uk](mailto:john.barry@london.gov.uk)

Lisa Moore, Communications Officer  
020 7983 4228, [lisa.moore@london.gov.uk](mailto:lisa.moore@london.gov.uk)

Julie Wheldon, Communications Officer  
020 7983 4228, [Julie.Wheldon@london.gov.uk](mailto:Julie.Wheldon@london.gov.uk)

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# Chairman's foreword



So many columns, reports and articles have been written about the 2012 Olympics that a form of 'Olympic fatigue' may well set in, particularly if we find that yet more money is needed. And yet, as this report explains, there is still uncertainty as we move towards the legacy phase.

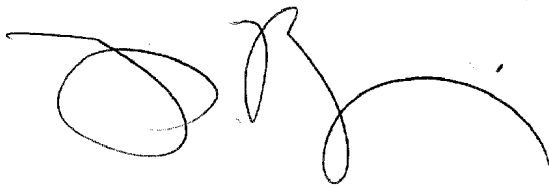
We pose some of the questions that need to be answered about this, in particular about liabilities for which we do not yet have obvious funding. It is good to be clear now, so that we are not surprised later. We are looking for transparency, and for answers, from the Mayor.

The report looks beyond the Games. It is the first of two reports from the Assembly's Budget and Performance Committee looking at the finances, and at who is responsible for funding and delivering what bits of legacy. Are we sufficiently clear about who is responsible for what, and in particular who will pay for it?

The report assembles a number of useful facts and raises a number of questions for the Mayor to answer. The key questions include:

- The London Development Agency is being abolished. When this happens, it will still owe about £400million of land costs. Who will pay this debt? And are there other unfunded liabilities from the abolition of the LDA?
- An Olympic Park Legacy Company (which in turn will be transformed into a Mayoral Development Corporation) will do much of the ensuing regeneration work in the area. While it is debt free, its ambitions remain large. How will it be funded, and how big are these needs?
- Even with an OPLC/MDC and after the abolition of the LDA the GLA will still have responsibilities for the regeneration and support of London's economy. What are these responsibilities and who is responsible for them? Clarity does not yet exist, and is needed.

At a time of funding restraint, such questions are surely unwelcome, but it would be foolish not to ask them. The Olympic bid envisaged the Games as underpinning the transformation of a large part of London. The Games formed a substantial part of this but to finish the job we need to be clear about what happens next, whether the original ambition will continue, and who pays.

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a series of loops and a long horizontal stroke.

**John Biggs AM**  
**Chairman of the Budget and Performance Committee**

# Executive summary

This is the first of a two-part investigation into the financial aspects of the Olympic legacy. This report focuses on the deal to transfer Olympic Park land ownership and legacy responsibility out of the London Development Agency (LDA) into the newly formed “special purpose legacy vehicle” – the Olympic Park Legacy Company (OPLC). Early next year our focus will turn to the likely costs of realising an Olympic legacy for London and the funding available to do so.

The OPLC was set up in 2009 and the land transfer deal was finalised on 30 September 2010. However, with the Mayor’s proposal for a Mayoral Development Corporation (MDC) to replace the OPLC, there is still uncertainty around the final structures for legacy delivery. Negotiations to transfer Olympic land and legacy responsibility to the OPLC were long and drawn out. There is a risk that the creation of an MDC could lead to further protracted talks over the responsibility for the debt and the ownership of the land.

In this report we also identify and assess the key financial and accountability implications of the land transfer deal and raise a number of areas of potential concern to which we ask the Mayor to respond.

The transfer of Olympic Park land has financial implications for the LDA. By selling the land now the LDA will not be reliant on income from the land in the future to repay its debt to government. As such, the risk to the London’s finances of uncertain Olympic Park land values in the future has been removed. On the other hand, the LDA has lost out on the potential for higher returns from the sale of land if land values rise.

In 2011/12, after accounting for the income from the sale of land, the LDA will still have £387 million of government debt to repay. Additionally the LDA retains £25 million of OPLC commitments; and land purchase compensation claims currently estimated at £41 million but with the potential for increases if further claims are made in the future. It is not yet clear how these liabilities will be met.

Prior to the proposal to abolish the LDA these commitments would have been paid over a ten-year period from the LDA’s annual government grant. If the LDA is abolished these commitments will need to be settled as part of the winding-up process. This may have implications for the funding available in London for economic



development and for the Mayor's plans to fold the LDA's functions into the GLA.

In contrast, the OPLC has been given ownership of the Park land free of any debt associated with its purchase. This freedom should help it to attract private investment, but the OPLC (or its successor MDC) should have a clear framework for investment to ensure it achieves value for money whilst pursuing its regeneration objectives.

The OPLC is a body with specialist skills and responsibility for large parts of the Olympic Park's legacy. While London should gain from its creation in advance of the Games, changes in responsibility must not be allowed to lead to a loss of accountability for legacy beyond the physical regeneration of the Park. Prior to its abolition, the LDA will continue to lead on the other aspects of Olympic legacy development in London and look to maximise the overall economic benefit of the Games. This raises questions about longer-term accountability for ensuring that London's Olympic investment achieves value for money.

When we continue our investigation in the New Year, there should be more clarity around the legacy delivery structure and the implications of abolishing the LDA. At that stage we will also follow up on the findings of this report and the Mayor's response.

# 1 Introduction

- 1.1 In 2008, three years after London was awarded the 2012 Olympic and Paralympic Games (the Games) and four years prior to their start, the Mayor and central government decided to set up a special purpose vehicle with responsibility for the legacy of the Olympic Park – the Olympic Park Legacy Company (OPLC). Other Olympic host cities had set up similar legacy bodies successfully in the past, but London had a head-start being the only city to have done it ahead of the Games.
- 1.2 Before the creation of the OPLC the London Development Agency (LDA) had been responsible for the Park's legacy and it had already incurred considerable costs in purchasing and remediating the Park site. Transferring responsibility to the new special purpose vehicle has had implications for the LDA's financial position and for where responsibility for Olympic legacy development in London lies.
- 1.3 The Budget and Performance Committee launched an investigation into Olympic legacy costs earlier this year. Its purpose was first to examine the financial and accountability implications of transferring Olympic Park legacy responsibility from the LDA to the OPLC. Its second objective was to look at the level of legacy that will be possible given the amount of public funding available for legacy development in London, including how this compares to the quality of the legacy anticipated at the time of the Olympic bid.
- 1.4 This report focuses on the first of these issues: the implications of the transfer of legacy responsibility. Chapter 2 describes how the organisational responsibility for legacy development has changed since the bid was won and the financial implications of these changes for the LDA. It sets out the key issues we consider need to be addressed by the Mayor and central government over the coming months following finalisation of the deal to transfer responsibility from the LDA to the OPLC. We also comment on the future of the LDA - including in relation to its remaining debt and liabilities and the funding available for economic development in London going forward.
- 1.5 In Chapter 3 we examine how accountability for the development of an Olympic legacy has changed as a result of the transfer of responsibility for the Park's regeneration. We

look at the implications of setting up another body in London with responsibility for an aspect of the legacy and how the OPLC's structure may affect its focus and priorities.

- 1.6 In advance of the Comprehensive Spending Review, there is considerable uncertainty around the future of many public sector bodies in the UK, not least those involved in delivering London's Olympic legacy. We know, for example, that the Government intends to abolish regional development agencies. The funding available to develop London's Olympic legacy is therefore unlikely to be known for several months.
- 1.7 For this reason we intend to return to the second element of the investigation early next year. At that stage our focus will be on: the costs and funding available to deliver a legacy through the Olympic Park; OPLC plans for legacy development and its funding strategy; what legacy will be possible on the Olympic Park site with the level of funding available – including looking at the budgets for legacy transformation; and how this funding compares with what had been anticipated.
- 1.8 By then there may also be more clarity around the Mayor's proposal that the OPLC (which is jointly owned by the Mayor and government) should be reformed as a Mayoral Development Corporation (MDC) reporting directly to the Mayor.<sup>1</sup> At that stage we hope to be able to assess whether the process of transferring Olympic Park legacy responsibility from the LDA to the OPLC and then, potentially, to a new MDC is likely to affect London's head-start on legacy planning and delivery.
- 1.9 At this stage there is still a lot of uncertainty about the future setup for Olympic legacy development in London and the full implications of the transfer deal are not known. At the end of this report the Committee has listed the key issues and risks that still need addressing and has recommended that the Mayor should respond to the report's findings by the beginning of February.

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<sup>1</sup> [http://www.london.gov.uk/media/press\\_releases\\_mayoral/mayors-vision-better-focused-gla-more-say-and-more-power-key-london-iss](http://www.london.gov.uk/media/press_releases_mayoral/mayors-vision-better-focused-gla-more-say-and-more-power-key-london-iss)

## 2 The financial implications of the transfer deal

### Key points

Following completion of the Olympic Park legacy transfer, the LDA will still owe £387 million in Olympic-related debt to government.

With the LDA set to be abolished by March 2012, it is not yet known how this debt will be repaid and if its repayment will have implications for the funding available for London's economic development in the future.

### Original Olympic Park legacy plans

- 2.1 When London was awarded the Games in 2005, the LDA was given responsibility for buying and remediating the land needed for the Games. It also had overall responsibility for the longer-term regeneration of the area in and around the Olympic Park. The LDA was to remain the owner of the land through its transformation to legacy use and until it was eventually sold, with a share of the proceeds returning to the LDA. This structure enabled the long-term management of the debt from buying and remediating the land to be managed flexibly over a long time period.
- 2.2 The LDA budgeted to spend £995 million in acquiring and remediating the Olympic site and £91 million on other associated costs and legacy planning.<sup>2</sup> On top of this, the Mayor had committed the LDA to contribute £550 million towards the Olympic Delivery Authority's venue construction and Games preparation costs. This took the LDA's total Olympic Park budgeted spend to £1,636 million before accounting for any debt financing costs.
- 2.3 Large initial capital outlays required the LDA to borrow from central government. The initial forecast included £687 million of borrowings. This debt, together with its associated finance costs, was to be repaid by the LDA over a 10-year period using part of its future annual government grant income and the proceeds from the sale of the Olympic Park land after the Games. The £320 million finance costs brought the LDA's total budgeted spend on the Olympic Park to £1,956 million.

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<sup>2</sup> All forecast costs and incomes relating to the Olympic Park have been taken from the LDA's Olympic Funding Strategy and are in cash terms.

- 2.4 The LDA's Olympic funding strategy forecast receiving £669 million from the sale of the land after the Games, although there was potential for the LDA to receive significantly more or less than this depending on the success of the Park. This forecast was based on an estimate of the land's future value and an agreement between the Mayor and the Government setting out how future sales proceeds should be shared between the LDA and the Lottery.<sup>3</sup>
- 2.5 Removing the £669 million of expected income from the total costs of £1,956 million left the LDA with a forecast net Olympic Park cost of £1,287 million, but as this was a long-term regeneration programme there was a possibility that final costs would come in lower or higher than this. The LDA started to purchase the Park site in 2003 and expected to have repaid its government debt and sold the land by 2023. On this basis, the total net Olympic Park cost to the LDA was expected to be equivalent to £64 million a year over the 20 year period. The table below summarises the LDA's original forecast Olympic Park costs.<sup>4</sup>

£m	Original forecast
Acquisition and Remediation costs	995
Other site costs	91
Contribution to ODA costs	550
<b>Total cost before finance</b>	<b>1,636</b>
Finance costs	320
<b>Total cost after finance</b>	<b>1,956</b>
Forecast capital receipts	-669
<b>Net Olympic Park costs</b>	<b>1,287</b>

### Setting up the OPLC

- 2.6 Following Boris Johnson's election as Mayor in May 2008, he appointed David Ross, the Deputy Chairman of Carphone Warehouse, to advise him on the Games legacy and oversee its

<sup>3</sup> The Lottery had contributed over £2 billion towards the Games and was therefore entitled to receive some income from the Olympic Park land sales proceeds under the agreement between the Mayor and central government. Under the Memorandum of Understanding between the Mayor and government, the LDA was to receive the first £650 million of land sales income; the second tranche of £675 million was to be split with 75 per cent going to the Lottery and 25 per cent to the LDA; and any remaining proceeds would be divided with the LDA receiving 75 per cent and the Lottery receiving 25 per cent.

<sup>4</sup> LDA Olympic Funding Strategy, LDA Board paper, Olympic update, 8 Sept 2008 (all figures given in cash terms)

expenditure. Within a month of his appointment, Mr Ross had produced a report on Olympic preparedness and recommended that a separate vehicle with responsibility for legacy delivery should be established as quickly as possible.<sup>5</sup>

- 2.7 In May 2009, almost a year after David Ross's initial recommendation, the OPLC was established and the process of transferring Olympic Park legacy responsibility out of the LDA to the OPLC begun. The LDA's directorate in charge of Olympic legacy was disbanded and some of its staff were transferred to the OPLC on a secondment basis. This ensured that the expertise gained by the LDA's Olympic legacy staff was not lost and that the OPLC could swiftly begin its legacy planning. Nevertheless, until the OPLC had ownership and control of the Olympic Park its future was uncertain and its powers to drive forward legacy development were limited.
- 2.8 Negotiations between the LDA, central government and the OPLC of the deal to transfer the Olympic Park land from the LDA to the OPLC went on for many months. Given the complexities of the development and the size of the investments involved, the due diligence process was always going to be time consuming. However, several factors made reaching an agreement over the transfer particularly complicated. These included: the discovery of a shortfall in the LDA's Olympic funding strategy; a change in government; and the recession, which left the government looking to find significant savings and ration its capital investment going forward.
- 2.9 The LDA Board, the Mayor and the Government came to an agreement over the transfer of Olympic Park land and legacy responsibility to the OPLC in March 2010. However, following the national elections in May, the new Government decided to review the deal and did not approve the terms of the settlement until July 2010. On 30 September 2010 the transfer deal was finally completed.
- 2.10 Under the funding deal, in payment for the land, the LDA would receive £138 million in cash and be relieved of

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<sup>5</sup> Olympic Preparedness, David Ross, 18 June 2008



£300 million of its committed future contribution to the Olympic Delivery Authority (ODA). The LDA would remain responsible for settling all outstanding land acquisition compensation costs and continue to fund the running of the OPLC until 2012. The LDA would also be required to repay £369 million of its government debt between 2011/12 and 2013/14.

- 2.11 As a result of the deal, the Memorandum of Understanding between the Mayor and government will be redrafted so the LDA is no longer eligible for a share of the Olympic Park sales proceeds after the Games.<sup>6</sup>

#### **The financial implications of the transfer**

- 2.12 The transfer deal allows the cost to LDA of developing the Olympic Park to be estimated with some accuracy for the first time. Prior to the deal, the overall cost to the LDA would not have been known until many years after the Games when the Olympic Park land was sold. But now that a price has been agreed for the land, the main variable affecting the overall cost of the Park to the LDA has been fixed.

#### *Net Olympic Park costs*

- 2.13 The net cost to the LDA of developing the Olympic Park site once all spending and income has been included is now forecast to be £1,345 million compared to an original budget of £1,287 million. Below is a summary of the most significant variations between the original budget and the latest forecast:
- The total cost of acquiring and remediating the site is expected to come in £161 million higher than the initial budget of £995 million. This is due to an underestimate by the LDA of the cost of acquiring the land and compensating previous tenants.
  - Finance costs are expected to be £142 million compared to an original budget of £320 million. This significant reduction is due to the LDA repaying its government debt

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<sup>6</sup> Central government will be entitled to 85 per cent of the first £650 million with the remaining 15 per cent going to the Greater London Authority; from the next £1,300 million, the GLA will receive 15 per cent, the Lottery will receive 50 per cent and the remaining 35 per cent will go to central government; any further proceeds will be split evenly between central government and the GLA.

much sooner than initially envisaged using the proceeds from the handover of land to the OPLC.

- Income from the sale of the Park's land is expected to be £597 million compared to the originally forecast £669 million.

2.14 The table below provides a more detailed comparison of the LDA's summer 2010 forecasts against the original Olympic funding strategy. The information was provided by the LDA for the Committee on 29 September 2010:<sup>7</sup>

£m	Original forecast	2010 forecast	Difference
<b>Expenditure</b>			
Land acquisition	620	752	
Contingency	32	15	
Remediation	220	243	
Off site construction	23	47	
Professional fees	100	99	
	<b>995</b>	<b>1,156</b>	<b>161</b>
Management, bid and legacy costs	91	94	3
ODA commitments	550	550	
Finance costs	320	142	-178
<b>Total expenditure</b>	<b>1,956</b>	<b>1,942</b>	<b>-14</b>
<b>Income</b>			
Land transfer		-138	
Release from ODA commitment		-300	
Total main Park land	-669	-438	
Other Olympic land		-159	
<b>Total income</b>	<b>-669</b>	<b>-597</b>	<b>72</b>
<b>Net Olympic Park cost</b>	<b>1,287</b>	<b>1,345</b>	<b>58</b>

<sup>7</sup> Figures have been taken from a submission received from the LDA on 29 Sept 2010 in response to a request from the Committee for information on Olympic legacy costs. All figures are in cash terms with future costs and income based on current estimates.

### *Outstanding liabilities*

- 2.15 At the end of 2010/11 the LDA forecasts having government debt of £599 million. In 2011/12 the LDA will receive its £138 million in payment for the land transfer and is expecting £74 million from the sale of some of the Park land not included in the transfer deal. As such, following the completion of the land transfer in 2011/12, the LDA will have £387 million of government debt to repay.<sup>8</sup>
- 2.16 Given the Government's intention to abolish all Regional Development Agencies – including the LDA – by March 2012, it remains unclear how this liability will be met. The LDA was planning to make repayments over a ten-year period with the majority of cash coming from its annual government grant income. However, that repayment plan now looks improbable and clarity is needed on how the debt will be repaid.
- 2.17 In addition to the £387 million government debt, the LDA will also have £25 million of OPLC commitments and outstanding compulsory purchase compensation claims to settle from 2011/12. The future cost of compensation payments from 2011/12 onwards is currently estimated at £41 million. However, not all settlements have been finalised. Additionally, the LDA remains liable for settling all compensation claims despite no longer owning the land, and there is potential for new claims to be made within the statutory period of six years.
- 2.18 Finally, the LDA continues to own some of the fringe land on the edge of the Olympic site. It forecasts the receipt of approximately £41 million from the sale of this land after 2011/12, although the majority of income is not expected until 2016/17. As with all estimates of future income – particularly land – actual receipts may vary significantly, particularly if the timetable for disposal has to be brought forward. The table on the next page provides a summary of the LDA's outstanding

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<sup>8</sup> The LDA is currently planning to use £39 million of its 2011/12 government grant funding to repay part of the debt leaving £348 million outstanding at the end of 2011/12.

Olympic Park liabilities in 2011/12 and its expected future income from Olympic Park fringe land sales.<sup>9</sup>

<b>£m</b>		
<u>Liabilities</u>		
Closing debt 31 March 2011	-599	
Land transfer income	138	
Income from sale of fringe land in 2011/12	74	
Outstanding debt after payment for land		-387
OPLC Commitments		-25
Ongoing land compensation costs		-41
<u>Future income</u>		
Income from sale of fringe land from 2014/15		41

- 2.19 **The transfer deal between the Mayor and government has removed the risk for the LDA associated with carrying large levels of debt and relying on future income from the sale of land to make repayments. On the other hand, by crystallising the debt and enforcing stricter rules on its repayment, the flexibilities and opportunities that come with managing debt repayment over a longer period have been lost.**
- 2.20 **The cost to the LDA of developing the Olympic Park site is now forecast to vary from the original budget by £58 million (less than 5 per cent of net cost). Given the complexities of the development and changes to the funding strategy this should be commended.**
- 2.21 **However, the LDA's Olympic Park financial responsibilities do not end with the completion of the transfer deal. The LDA will still have £387 million of government debt to repay; £25 million of OPLC commitments; and land purchase compensation claims currently estimated at £41 million with the potential for increases if further claims are made in the future.**

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<sup>9</sup> Figures have been taken from a response received on 29 Sept 2010 from the LDA to a request from the Committee for information on Olympic legacy costs (all figures are given in cash terms)

- 2.22 Previous plans to repay these liabilities over a ten-year period look likely to be cut short by the decision to abolish the LDA by March 2012. Until legislation is passed the abolition of the LDA is not set in stone. However, if the LDA is to be wound up, the outstanding debt to government and other ongoing Olympic commitments will need to be settled. This may have implications for the funding available in London for economic development in 2011/12 and beyond as well as the Mayor's plan to roll the LDA's functions into the GLA.**
- 2.23 The Committee also has concerns that if the LDA's assets have to be sold off quickly to cover debt repayments then the LDA and London may lose out on the greater proceeds that may have been received if the assets were sold off more strategically and over a number of years.**
- 2.24 The implications for the Olympic legacy of winding up the LDA are potentially significant and must be considered explicitly as plans are made for its abolition. In particular, how the remaining LDA liabilities in relation to Olympic legacy will be met if the functions of the LDA are transferred to the GLA. In addition, the LDA or its successor will have to address its continuing duties for the Olympic Park - such as skills, training and 'soft' regeneration - and in relation to Olympic Park fringe areas.**

### 3 Value and accountability

#### Key points

Looking forward from the Olympic land deal between the LDA and the OPLC, the Committee has identified three risks:

1. The OPLC's freedom from Olympic land debt and lack of stake in future land proceeds could reduce the incentives for it to achieve value for money alongside legacy outcomes.
2. The Mayor's proposal for a Mayoral Development Corporation to replace the OPLC has the potential to re-open questions about the respective responsibilities for the outstanding debt and the sale of the land to regenerate the area.
3. The decision to split responsibility for the hard legacy, in terms of venues and land, and the promised soft legacy for East London, such as employment and skills, raises questions about where overall accountability for maximising the economic benefit of the Olympics and ensuring value for money from legacy investment lies.

The recommendation at the end of this report addresses how these risks might be mitigated and seeks clarification from the Mayor about his role in doing so.

#### The Olympic Park's legacy and ensuring value for money

- 3.1 Following the successful completion of a deal between the Mayor and central government, the Olympic Park's physical legacy is now the sole responsibility of the OPLC. Sir Peter Rogers, and its Board both believe that this change in approach and transfer of responsibility out of the LDA should be good for London. The Chief Executive, told us that the LDA was not equipped to manage the task and that the Park would benefit from having an independent organisation with sole responsibility for its legacy.<sup>10</sup>
- 3.2 The OPLC has been given ownership of the Park's land unencumbered by debt. The Chair of the OPLC, Baroness Ford, made it clear before the deal was agreed that success would be dependent on the OPLC's ability to attract investment and that holding debt would deter potential investors.<sup>11</sup>

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<sup>10</sup> Chief Executive of the LDA, Budget Monitoring Sub-Committee, 14 Jul 2010

<sup>11</sup> House of Lords, 14 June 2010 (Hansard column 823)



- 3.3 By contrast, when the LDA had responsibility for the Park's legacy it also had an obligation to repay the debt it incurred in purchasing the land. Together with the opportunity to benefit directly from the future sale of the land, the LDA was incentivised to act in a commercial manner – increasing the value of the land through regeneration and earning a return on its investment.
- 3.4 The OPLC's freedom from debt obligations and its lack of a stake in future land proceeds (including from the leasing of property) have led to concerns that the achievement of a financial return could be diminished as a driver behind investment decisions.<sup>12</sup> The land transfer deal lays out how future proceeds should be split between central government, the Lottery and the GLA, but does not stipulate the level or the timing of income which the OPLC is expected to generate.
- 3.5 **There are clear benefits to the OPLC of having ownership of the Park land without the debt associated with its purchase. It will give the OPLC more time and freedom to develop the Park with long-term legacy in mind and free it from the demands of having to meet a strict debt repayment schedule.**
- 3.6 **However, it is important that this freedom is balanced with the need to ensure regeneration is achieved in a timely and efficient manner. The investment criteria of the body responsible for the Park's legacy in the long run should ensure that decisions are made on the basis of value for money alongside legacy outcomes.**

#### **Proposals for a Mayoral Development Corporation**

- 3.7 The Mayor has recently proposed that the OPLC should be replaced with a Mayoral Development Corporation.<sup>13</sup> This would mean that the Park's legacy vehicle would no longer be jointly owned by the Mayor and Government but would report directly to the Mayor. However, it is unclear whether this would result in

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<sup>12</sup> Discussion at Assembly's Plenary meeting with the OPLC, 10 Mar 2010

<sup>13</sup> The Mayor of London's proposals for devolution, June 2010, included a proposal to reconstitute the OPLC as a Mayoral Development Company. Detail of the proposed structure and powers of the company are not yet known, but the Mayor's proposal suggests that it would be based on a standard Urban Development Corporation.

the introduction of any conditions on the level or timing of Park-related income or any changes to the ownership of Park-related debt.

- 3.8 The negotiations to transfer land and responsibility for legacy from the LDA to Government and the OPLC were long and drawn out. There is a risk that in transferring legacy responsibility to another body, a Mayoral Development Corporation, the complex questions about the allocation of debt and the associated responsibilities of selling the land and venues are re-examined with consequential delays in the development of legacy plans.
- 3.9 A future Mayoral Development Corporation would have significant powers and responsibilities for Olympic legacy. The Assembly will have a key role in holding any such body to account and will need appropriate powers to do so.
- 3.10 **We await the outcome of negotiations between the Mayor and central government about how a future MDC would function and be held accountable. The development of legacy plans should not be delayed by protracted negotiations about the allocation of risks and responsibilities for the land and the debt. Furthermore, in our recommendation at the end of this report we set out the mechanisms which we believe need to be in place to ensure the Assembly can effectively scrutinise a future MDC and hold it to account.**

#### *Transformation budgets*

- 3.11 Following the Games, the Park and its venues will need to be converted into legacy mode. This initial work will be key to the success of the legacy of the Park and is the responsibility of the ODA. Within the £9.3 billion Olympic budget £350 million is ring-fenced to carry out this work, but there have been suggestions that further funding may be required. For example, David Ross' report to the Mayor in 2008 indicated that the LDA was concerned about the adequacy of the transformation budgets for some of the venues.<sup>14</sup> In March 2010 the Chair of the OPLC, Baroness Ford, suggested that early work by LDA

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<sup>14</sup> *Olympic Preparedness*, p7, David Ross, 18 June 2008

officers had estimated that an additional £450 million may be required.<sup>15</sup>

- 3.12 There may be funding issues relating to the post-games Olympic Park transformation to legacy mode are likely to be a key element in the ultimate delivery of a lasting legacy. In light of the concerns already expressed about its adequacy, we propose to examine the transformation budget and the potential sources of extra investment in the second part of this investigation.**

#### **The Olympic Park as part of a broader Olympic legacy**

- 3.13** The OPLC has not been given responsibility for the socio-economic programmes on the Olympic Park that are currently funded by the LDA or for legacy outside the Olympic Park boundary.<sup>16</sup> It remains within the LDA's remit to deliver programmes in areas such as skills and employment as well as to coordinate a broader legacy across the capital. As such, accountability for legacy is now split between the OPLC and the LDA.
- 3.14** In the view of Sir Peter Rogers, the body responsible for economic development in London after the LDA's abolition will have an important role in making sure that the economic benefits of the Olympics are accrued and that the investment represents value for money. He said the following to the Budget Sub-Committee in July:

"It is not an Olympic Games spend, it is a regeneration spend and that means that somebody needs to be accountable for what happens and make sure that it represents value for money in terms of the spend through what is delivered and achieved."<sup>17</sup>

- 3.15 At this stage it is unclear to us who that "somebody" will be – where overall accountability for maximising the**

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<sup>15</sup> Commons Select Committees, Culture, Media and Sports Committee, 3 March 2010,

<sup>16</sup> Baroness Ford, Transcript of the Economic Development, Culture, Sport and Tourism Committee meeting, 21 October 2009, page 8-9

<sup>17</sup> Budget Monitoring Sub-Committee, 14 Jul 2010

**economic benefit of the Olympics and ensuring value for money from legacy investment lies.**

- 3.16 Given the complexities of the Olympic Park and the importance of its legacy for London, the Committee agrees with the decision to set up a specific organisation with specialist skills and sole responsibility for the Park's physical legacy. However, it is important that accountability is not lost between the OPLC and the LDA (or its successor) and that a fragmented approach to London's legacy development does not emerge.**
- 3.17 There are clearly continuing responsibilities for the Olympic Park and Olympic legacy within the GLA. These include soft regeneration, potentially providing additional legacy transformation funding, and supporting and brokering the range of partnerships that have been important to the Olympics to date. Clarity about these arrangements is vital as we progress with legacy development.**

## 4 Conclusions

- 4.1 The Committee welcomes the establishment of a special purpose vehicle with Olympic Park legacy responsibility. It recognises the advantages that should come from having a specific organisation with specialist skills and sole responsibility for the Park. It will be important that the new body's criteria for investment decisions are formulated to ensure that value for money is considered alongside legacy outcomes.
- 4.2 The Mayor has proposed replacing the OPLC with a Mayoral Development Corporation. Whilst London may benefit from the Mayor having control of the Park, consideration needs to be given to the potential implications of any further delays to setting up of the Park's legacy vehicle, particularly if government debt repayment terms need to be revisited.
- 4.3 The OPLC has not been given responsibility for the socio-economic programmes on the Olympic Park which are currently funded by the LDA. For this reason, the body responsible for economic development in London after the abolition of the LDA will have the lead role in making sure that the economic benefits of Olympics are accrued for the whole of London and value for money is achieved.
- 4.4 The transfer of Olympic Park legacy responsibility and the settlement for the transfer of land leaves the LDA with outstanding government debt and ongoing legacy funding commitments. With the LDA set to be abolished, its plan to repay the debt over a ten-year period using grant income looks improbable. If and when the LDA is wound up, the outstanding debt and known Olympic commitments will need to be settled. Moreover, the LDA will remain responsible for any contingent liabilities and it or its successor will have continuing duties to fulfil. This may have implications for the funding available in London for economic development in 2011/12 and beyond, and for the Mayor's plans to roll the LDA's functions into the GLA.
- 4.5 The Committee is seeking clarity from the Mayor on some of the potential issues around the future of Olympic legacy development in London. We invite the Mayor to respond to the findings of this report and to continue to assist with the Committee's examination of Olympic legacy costs when it

continues its investigation early next year. The key areas we will look at in more detail at that stage include the following:

- The Park's long-term funding and legacy responsibility;
- The likely legacy of the Olympic Park site given the funding available;
- How the likely Olympic Park legacy will compare to the legacy which had been anticipated when the bid for the Games was won;
- The adequacy of Olympic Park legacy transformation budgets and where any further funding should come from should it be required; and
- Funding available and responsibility for realising the Olympic legacy beyond the regeneration of the Park after the abolition of the LDA.



## 5 Recommendation

**The Mayor should respond to the findings of this report by the beginning of February in time for the discussion with Assembly Members as part of the GLA group budget approval process. In his response he should address the following points:**

- **How the abolition of the LDA will affect the plan to repay Olympic land debt to government over the next ten years and the implications of any changes to the repayment schedule.**
- **How future government funding for economic development in London might be affected by the LDA's Olympic liabilities to government.**
- **How the remaining LDA liabilities in relation to Olympic legacy will be met if and when the functions of the LDA are transferred to the GLA.**
- **The potential implications of selling off LDA assets more quickly than planned to settle Olympic liabilities.**
- **How the investment criteria of the OPLC, or a new MDC, can be formulated to ensure that decisions incorporate considerations of value for money.**
- **Whether he envisages any agreement by government to replace the jointly owned OPLC with an MDC to reopen negotiations around the future ownership of the LDA's Olympic debt.**
- **The scale of the risk that further changes to legacy responsibilities could result in delays to legacy delivery.**
- **How the MDC would function and be held accountable including confirmation that the Mayor supports the principle that the Assembly should have powers analogous to those with functional bodies to summons information and senior officers.**
- **Where overall accountability for maximising the economic benefit of the Olympics - beyond the physical regeneration of the Park - and ensuring value for money from legacy investment lies.**

# Appendix 1 Orders and translations

## How to order

For further information on this report or to order a copy, please contact William Roberts, Budget and Performance Advisor, on 020 7983 4958 or email: [william.roberts@london.gov.uk](mailto:william.roberts@london.gov.uk)

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### Chinese

如果您需要这份文件的简介的翻译本，  
请电话联系我们或按上面所提供的邮寄地址或  
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### Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

### Greek

*Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.*

### Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

### Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਅਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

### Hindi

यदि आपको इस दस्तावेज़ का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

### Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

### Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

### Arabic

الحصول على ملخص لهذا المستند بلغتك،  
فارجاء الاتصال برقم الهاتف أو الاتصال على  
العنوان البريدي العادي أو عنوان البريدي  
الإلكتروني أعلاه.

### Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં  
જાણતી હોય તો ઉપર આપેલ નંબર પર ફોન કરો  
અથવા ઉપર આપેલ ટપાલ અથવા ઇ-મેઇલ સરનામા  
પર અમારો સંપર્ક કરો.

# Appendix 2 Principles of scrutiny

## **An aim for action**

An Assembly scrutiny is not an end in itself. It aims for action to achieve improvement.

## **Independence**

An Assembly scrutiny is conducted with objectivity; nothing should be done that could impair the independence of the process.

## **Holding the Mayor to account**

The Assembly rigorously examines all aspects of the Mayor's strategies.

## **Inclusiveness**

An Assembly scrutiny consults widely, having regard to issues of timeliness and cost.

## **Constructiveness**

The Assembly conducts its scrutinies and investigations in a positive manner, recognising the need to work with stakeholders and the Mayor to achieve improvement.

## **Value for money**

When conducting a scrutiny the Assembly is conscious of the need to spend public money effectively.

**Greater London Authority**

City Hall  
The Queen's Walk  
More London  
London SE1 2AA

**[www.london.gov.uk](http://www.london.gov.uk)**

Enquiries 020 7983 4100  
Minicom 020 7983 4458