

The Mayor has responded to the Budget and Performance Committee's report, *The Finances of the Olympic Legacy - Part 1*. His response was included in the Mayor's report for the period 13 January - 19 February 2011 (*Section 60 response*).

The Finances of the Olympic Legacy Part 1

Responses to the recommendations set out in the London Assembly's Budget and Performance Committee's report, *The Finances of the Olympic Legacy Part 1*.

The Mayor is asked to 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.*

Response

The LDA will be responsible for those financial commitments falling in the remainder of 2010—11 and throughout 2011-12. Any outstanding obligations at 31 March 2012, when it is envisaged the LDA will be wound up, will transfer to the GLA as successor authority. The LDA's current financing strategy is based on outstanding debt of £349 million at that time with repayment of that debt by the end of 2018-19. The GLA will require a transfer of the government grant that the LDA would have used to meet these obligations together with the assets and capital receipts that are also integral to the repayment of debt. These plans would be reviewed and consideration given to re-financing this debt if it is advantageous to do so as part of the GLA's wider treasury management operations, including whether to do so in advance of the winding up of the LDA.

- *How future government funding for economic development in London might be affected by the LDA's Olympic liabilities to government.*

Response

The Olympic debt and other liabilities will be a first call on any grant funding from government, but any impact on other economic development priorities and programmes can only be assessed in light of the level of government grant funding which is still to be determined for 2011-12 and later years.

- *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.*

Response

It is expected that liabilities which must be met after 31 March 2012 will be met from government grant funding and any capital receipts (including from assets transferred to the GLA) that would otherwise have financed the LDA's financing strategy. The latter would need to be re-assessed alongside the GLA's own Treasury management operations and the winding up arrangements for the LDA and the transfer of assets and liabilities which will be on-going through the coming year.

- *The potential implications of selling off LDA assets more quickly than planned to settle Olympic liabilities.*

Response

The LDA's financing strategy is dependent on the use of £114.8 million of capital receipts from 2011-12 to 2016-17 (excluding the receipt of £138 million from CLG in 2011-12 relating to the land transfer). However, £74 million of this sum is scheduled to be applied in 2011-12 of which £38 million relates to receipts being carried forward from 2009-10 and a further £30 million expected to be raised in 2010-11, leaving only £6 million of new receipts to be generated in 2011-12. Government funding for the GLA for 2012-13 onwards will not be known until February 2011 and a new financing strategy will need to be made in light of this settlement and transferring assets and liabilities.

- *How the investment criteria of the OPLC, or a new Mayoral Development Corporation (MDC), can be formulated to ensure that decisions incorporate considerations of value for money.*

Response

OPLC currently operates under a framework agreement with Government and the GLA, which covers its management and financial responsibilities. If the MDC was operating as a functional body as set out in the Localism Bill then it would be subject to a local government accounting regime with a statutory finance officer and its budget would be a component of the Mayor's consolidated budget. It would be part of the GLA budgetary process, subject to Mayoral budget guidance and to Assembly scrutiny.

- *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.*

Response

On the basis that there is sufficient government grant funding together with transferred capital receipts and assets to meet the LDA's on-going debt obligations that will transfer to the GLA, there would be no reason for any change to the arrangements that are in place.

- *The scale of the risk that further changes to legacy responsibilities could result in delays to legacy delivery.*

Response

The risks to legacy delivery are minimal because I intend that there will be a seamless transition from the OPLC into an MDC. In the period until the creation of the MDC, the OPLC is firmly in the driving seat for the Olympic Park legacy, and is making good progress on essential early tasks, including its masterplan for the site, securing future legacy tenants for the Stadium and Broadcast and Press Centre site, and procuring operators for the venues. Once the MDC is up and running in spring 2012, the programmes and assets of OPLC will transfer into the MDC to ensure the greatest possible continuity. The OPLC will then be wound up.

- *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.*

Response

A Mayoral Development Corporation will be designated by the Mayor, and its primary accountability will be to Londoners through him. The MDC will also have a Board, which is likely to include representation from the affected boroughs, The MDC Board will be accountable to the Mayor. As a functional body of the GLA, an MDC will also be held to account by the London Assembly.

- *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.*

Response

Through the creation of a MDC, I intend that accountability for the delivery of regeneration in the Olympic Park and the surrounding area – which is a strategic priority for London – is the responsibility of the elected strategic authority, and therefore accountable to Londoners, rather than this responsibility lying with an urban development corporation controlled by Whitehall, or with the OPLC which is currently owned by the Mayor and Government. This is consistent with the Government's and my commitment to the principle of localism. An MDC will streamline the delivery of regeneration and provide better value for money for the public purse.

However the economic benefits of the Games are not simply confined to the plans for the Olympic Park and fringe. There are, and will be, wider regeneration benefits across London from the transport investment associated with the Games, as well as employment, skills and business development legacies, in addition to the work of the Host Boroughs in leading efforts to achieve 'convergence' between the Host Boroughs and the rest of London. These will all require partnership between government, Mayor and the boroughs, with the Mayor having a particular responsibility for strategic leadership for legacy right across the city, but with important responsibilities (and hence accountabilities) resting with government and boroughs as well.