Level 10, 1 Stratford Place
Montfichet Road
London E20 1EJ
Tel: +44 (0) 20 3288 1848
Fax: +44 (0) 20 3288 1801
davidgoldstone@londonlegacy.co.uk

LONDON LEGACY DEVELOPMENT CORPORATION

23 February 2016

By **Post and Email**:

Gareth Bacon AM
Chairman of the Regeneration Committee
City Hall
Queen's Walk
London SE1 2AA

Dear Gareth

**Regeneration Committee 2 February 2016**

Thank you for your letter dated 9th February. Following on from LLDC's recent appearance in front of the Regeneration Committee, I would like to respond to your follow-up questions about the venues on the Queen Elizabeth Olympic Park, and in particular, the ArcelorMittal Orbit.

***Why the LLDC's loan from ArcelorMittal Orbit Limited stood at £10.6m in March 2015 (£9.2m plus unpaid interest of £1.4m) when the Mayor indicated that a £6m loan may be repayable in March 2010:***

The loan increase was agreed with ArcelorMittal in September 2010 before construction of the ArcelorMittal Orbit and before LLDC took ownership. The loan is only paid back once a profit is generated and it is then done on a profit share basis with 50% going to the LLDC and 50% to loan repayment. This information has been previously shared with the London Assembly Budget Monitoring Sub Committee, in July 2012.

***A breakdown of actual running costs for the ArcelorMittal Orbit (including the Podium, restaurant and café in the adjacent site) in 2014-15 and of budgeted costs for 2015-16 and 2016-17 (including additional annual running costs associated with the new slide:***

The Podium, including the restaurant and café, is operated by Cofely, who pay LLDC a rent and service charges. All income earned is retained by the operator, who are also responsible for the costs of the operation. The Podium rent and service charges are excluded from the tables below.

The ArcelorMittal Orbit is operated for LLDC by Cofely. LLDC receives all income and meets all costs. The Operating costs in 2014/15 and the budget for 2015/16 and 2016/17 are:

| | **2014/15** | **2015/16** | **2016/17** | |
|---|---|---|---|---|
| **Item** | **£k** | **£k** | **£k** | ***Notes*** |
| Staff | 745 | 668 | 821 | *The Slide at the ArcelorMittal Orbit will require three full time staff but no other running costs are anticipated in the first year of operation.*<br>*All staff are paid London Living Wage.* |
| IT Systems (inc ticketing system) | 106.5 | 87 | 86 | |
| Marketing | 342 | 299 | 380 | *Increase in cost in order to launch the Slide* |
| Mobilisation | 364.7* | na | na | **This includes Mobilisation costs in readiness for reopening* |

| | | | | |
|---|---|---|---|---|
| Other Overheads | 94.8 | 162.1** | 92 | ***i.e. health and safety audits, staff training, uniforms, and licenses. Also Includes abseiling costs (no abseiling was offered in 2014/15). A different abseil model in 2015/16 will place cost responsibility on supplier.* |
| Cofely Management Fee | 89 | 84 | 95 | |
| Rates | 51.7 | 26 | 30 | |
| Utilities & Insurance | 97 | 105 | 155 | *Anticipated insurance increase for Slide* |
| **Total** | **1,891** | **1,432** | **1,659** | |

Lifecycle replacement costs have been calculated as part of the business planning process and are included in initial capital outlay. Maintenance is in the separate Estates and Facilities Management contract.

**Additional questions:**

1. ***Financial projections for the AMO for the next 5 years (2016-17 to 2020-21) and how the £3.5m capital cost of slide will be repaid over this period. Please also include visitor projections for this time too:***

The Financial projections for the years 2016/17 to 2020/21, taken from the business case which show projected visitor numbers and surpluses, are as follows. This is a mid-range visitor estimate:

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | TOTAL |
|---|---|---|---|---|---|---|
| *VISITORS (number)* | *239,000* | *246,000* | *259,000* | *259,000* | *261,000* | *1,374,400* |
| **Item** | | | **£k** | | | |
| **INCOME** | **2,768** | **2,658** | **2,846** | **2,844** | **2,938** | **15,318** |
| **COSTS** | | | | | | |
| Staff | 821 | 846 | 871 | 897 | 924 | 4,359 |
| IT Systems (inc ticketing system) | 86 | 87 | 87 | 88 | 89 | 437 |
| Marketing | 380 | 350 | 350 | 350 | 320 | 1,750 |
| Other Overheads | 92 | 95 | 98 | 100 | 104 | 489 |
| Cofely Management Fee | 95 | 98 | 101 | 104 | 107 | 505 |
| Rates | 30 | 31 | 32 | 33 | 34 | 160 |
| Utilities & Insurance | 155 | 160 | 165 | 170 | 175 | 823 |
| **TOTAL COSTS** | **1,659** | **1,665** | **1,703** | **1,742** | **1,752** | **8,522** |
| **SURPLUS** | **1,109** | **993** | **1,142** | **1,102** | **1,186** | **5,532** |

The surplus generated is retained by LLDC to pay for the capital outlay of the Slide before any repayments to ArcelorMittal are made.

2. ***An explanation as to how the capital costs for the slide at the ArcelorMittal Orbit will be funded:***

The Legacy Corporation's capital funding requirements are provided through a loan facility from the GLA, which is anticipated to be repaid and generate a significant surplus from capital receipts from the sale of development land over the next 25 years.

In relation to the Slide, the surplus generated is retained by LLDC to pay for the capital outlay of the Slide before any repayments to ArcelorMittal are made.

3. ***Confirm that surpluses from the ArcelorMittal Orbit will pay the loan or the capital investment for the slide:***

Any surpluses generated from the ArcelorMittal Orbit will repay the GLA loan for capital investment first. Once the venue moves into a profitable operation, any surplus is shared equally between the Legacy Corporation and ArcelorMittal as part of the ArcelorMittal loan repayment.

4. ***Confirm in which year the LLDC forecasts to have repaid the loan to ArcelorMittal:***

   The current Ten Year Plan's estimate is that the loan will not be repaid within the timeframe of the plan though future iterations of the forecast will be informed by the performance of the venue.

5. ***Confirm that actual, budget and forecast income and expenditure for each of the Legacy Corporation's trading accounts will be included in future reports:***

   The Quarterly Corporate Reports published in LLDC's public Board papers will in future include details on the financial performance of each venue. The last Quarter Corporate Report included details of actual, budget and forecast net income and expenditure position of each individual venue.

6. ***Confirm that you will explore opportunities to link the apprenticeship programmes at the LLDC and OPDC:***

   We will definitely explore how we can link the apprenticeship programmes at the two development corporations at our regular liaison meetings.

I hope the above answers the questions you raised and we will be happy to provide further information if required.

Yours sincerely

David Goldstone CBE
Chief Executive

Copy to: Dan Maton- Scrutiny Team, GLA – dan.maton@london.gov.uk