

## Budget Monitoring Sub-Committee – 14 December 2016

### Transcript of Item 6 – LLDC and the London Stadium

**Gareth Bacon AM (Chairman):** Item 6 is the main item of business today, which is the London Legacy Development Corporation (LLDC) and the London Stadium. I would like to welcome our guests, David Goldstone CBE, who is the Chief Executive of the LLDC, and Gerry Murphy, the Executive Director of Finance and Corporate Services at the LLDC.

It is a subject that seems to be in the news all the time, the LLDC, and obviously we will cover elements like the stadium and various other things a bit later on. In the first question, though, I am going to focus a bit on the financial performance in Q2. I will take revenue first, and then we will come on to capital. Will the LLDC ever become financially sustainable in revenue terms?

**David Goldstone CBE (Chief Executive, LLDC):** I will hand over to Gerry in a moment to pick up some of the detail on that. Yes, the long-term objective always has been, as you know, to become financially self-sustaining, and I think we are on the right track to do that, but it has always been a long-term aspiration. I do not think it was ever anticipated to be achieved in the short term. The trend we are moving on is of our income growing and our cost base coming down and the gap between the two narrowing as we move in that right direction. There is effectively a first objective to get so that we are sustainably within the grant level that is now planned into the Greater London Authority (GLA) budgets, and then to move forward from there, and I think we are on a trajectory to do that. Yes, absolutely, the long-term aspiration has always been to make the park financially self-sustaining. That remains the objective.

**Gareth Bacon AM (Chairman):** That was supposed to happen sooner rather than later, though, was it not? You said “long-term” two or three times in that answer. It has been reprofiled in the last year or so, but it was going to be happening rather sooner than you just implied, was it not?

**David Goldstone CBE (Chief Executive, LLDC):** I do not think us being financially self-sustaining has ever been short-term. I am not sure what you have in mind. No, I do not think it has.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** The long-term financial sustainability is based on the collection of the fixed estate charge, which grows as the park is developed out. That is a relatively long-term proposition. Over the next ten to 15 years, that grows to significant levels: £10 million to £12 million per annum. It is at that time we would expect that that, along with any other rental income, would be a sustaining proposition. That would depend a lot on the cost base of the organisation or the type of organisation at that time the LLDC will become.

**David Goldstone CBE (Chief Executive, LLDC):** The GLA budgets have had significant grants into our budget for the last few years, anticipated always for a number of years ahead. I do not think that has changed.

**Gareth Bacon AM (Chairman):** Yes, but that was due to taper and then stop.

**David Goldstone CBE (Chief Executive, LLDC):** Yes, eventually.

**Gareth Bacon AM (Chairman):** Yes, but that has been changed and put into the almost dim and distant future, has it not? If I were to ask you for a date of when you think the LLDC will be self-sustaining, what would you say?

**David Goldstone CBE (Chief Executive, LLDC):** As Gerry [Murphy] said, fixed estate charge coming through is long-term. It is 15 to 20 years away, I think. We are in the 2030s probably, but I do not think I am saying anything new there. As some of the future development sites that have not started being developed yet get developed in future and as those get fully developed and residents move into those, the income builds up. It was always long-term.

**Gareth Bacon AM (Chairman):** What assurances has the Mayor given you around future funding for the LLDC?

**David Goldstone CBE (Chief Executive, LLDC):** In that respect, we are much the same as other functional bodies, that we annually agree a budget on the profile of the number of years that we are looking at. You will know obviously what is already profiled into existing budgets. There is no long-term guarantee different to other organisations. We manage within the budget profile set for the period that the Assembly and the Mayor are looking at each budget round.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Yes. I think we will be returning to discuss in more detail the proposed budgets, and we do have a short-term deficit against funding position that we have been managing year by year, very transparently, with the GLA. I think that will probably be a subject for discussion at a future meeting.

**David Goldstone CBE (Chief Executive, LLDC):** In terms of the Mayor and the administration and the Assembly, there is the fact that this was a long-term programme and that there was investment for a period, there are long-term capital receipts that come through and, as Gerry said, the fixed estate charge provides a revenue stream. That is an investment that successive mayors have backed. I do not think anything has changed on that.

**Gareth Bacon AM (Chairman):** OK. Some of the various different parts of the park like the slide and the tower - you touched on it before the meeting started - have brought the tower into surplus for 2016/17, which is something we are very pleased to see. By how much, if I may ask?

**David Goldstone CBE (Chief Executive, LLDC):** The introduction of the slide has turned what we have talked about in the past, an attraction that was costing us money and needed subsidy. This year we are looking at a surplus somewhere between £100,000 and £150,000, but the slide only opened in June [2016] so it is not a full year. Sustainably, long term, we expect it to generate surpluses year on year and, therefore, to reverse the previous pattern of it being something that required subsidy. The slide itself has been a great success in that respect, turning the whole Orbit attraction around from something requiring subsidy to one generating a surplus, and it has been a successful visitor attraction, adding to what else is in the park and adding to people's range of things they can do if they come for a day out or for the weekend in the area. They can use all the other facilities and there is another attraction to use. I think it has made a real difference.

Interestingly, the number of people using it, just going up the Orbit without going down the slide but just for the views and the experience and to see the sculpture, have increased as well since the slide opened, so it has had an all-around beneficial effect.

**Gareth Bacon AM (Chairman):** That is good. The Aquatics Centre was forecast to lose £2.9 million but only lost £1.8 million. In a way, that is positive. Do you anticipate a time when the Aquatics Centre will break even and not require subsidy going forward?

**David Goldstone CBE (Chief Executive, LLDC):** Publicly-owned swimming pools - it is a fantastic and globally iconic feature, but at heart it is a swimming facility - which traditionally have required subsidy. It has been a great success in terms of visitor numbers, and that is still growing. We have had over 2 million visitors through in the two-and-a-bit years since it reopened, so we are really pleased with the performance.

It is bearing in mind that the pricing is set to be comparable to other local facilities, and that is something we are proud of and was a commitment that was made a number of years ago in relation to the Games facilities in legacy, but it does mean it is priced comparable to other local swimming facilities, where we have an iconic and world-class venue in itself. Again, a bit like my comments about the long-term sustainability, I do not think we have ever anticipated the Aquatics Centre would itself cover its own costs. It is part of the package of facilities on the park, but together, over time, we are expecting that with the fixed estate charges coming in, which can effectively provide the revenue to provide that subsidy, the whole can be sustainable. It is a package of visitor attractions that will bring people [in], as well as the businesses and the house-builders and the homes, to make the whole park sustainable in all. We have never necessarily required each individual asset to try to achieve that status.

**Gareth Bacon AM (Chairman):** On the capital side, we see the forecast income for 2016/17 or the budgeted income for 2016/17 was due to be £61.6 million, and the current forecast indicates that you are going to be short of that by about two thirds. What is the reason for that?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Sorry, I just have a breakdown of that. £27 million is a delay on the Chobham receipt, so this is our development at Chobham Manor. At the time of budgeting, which would have been this time or earlier last year, we were assuming that the rest of phase 1 would complete within the year. We now think that will take longer.

**Gareth Bacon AM (Chairman):** What is the reason for that?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Taylor Wimpey has taken --

**David Goldstone CBE (Chief Executive, LLDC):** It is delays with the contractor in terms of completions. Some of the aspects of the design that went through planning initially for an incredibly high-end, sustainable and very innovative design have proved challenging to deliver through their supply chain. The important point with this is it is a timing difference, not a loss of receipt, first of all. They are slipping into the early part of the next financial year, not lost altogether. The completion of the phase 1 homes is going on. There are around 60-odd complete now, and we expect that to get beyond 100 by the end of the financial year, but that is a bit behind which is why that income is later. The phase 2 works have now started on site as well, and what we have tried to do with Taylor Wimpey and London and Quadrant, the joint developers, is to resolve for phase 2 the issues that have caused delay in phase 1. I have had a series of meetings with the senior teams from both organisations to say, "What caused those delays? What are the underlying reasons, and what can we do to fix them?" We keep all the key features that were crucial to them winning the bid and the sustainability standards, but ease some of the things that have caused delay during this project during the first phase so that the future phases can roll out more efficiently. The good progress that they are making now on phase 2, which they have on site, on time - it was due in September and they did it in September, and the planning has gone

through - is showing that that is working well. We have had delays on phase 1 slipping into the new year, but for the future phases we are more confident.

**Gareth Bacon AM (Chairman):** On phase 1, when do you expect to make up the ground? By how much is it going to delay?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** By quarter 1 next financial year, and in fact we have taken a fairly prudent approach to that.

**Gareth Bacon AM (Chairman):** By the end of June 2017?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Yes. We would expect to have received all of the balance of phase 1 money. It may come in by March, but we have been quite prudent about that forecast.

**David Goldstone CBE (Chief Executive, LLDC):** That means houses complete, first of all, for the local people, and therefore the money follows the completions.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Phase 1 is all presold, so there is no market risk on those receipts.

**Gareth Bacon AM (Chairman):** Of the £61.6 million that was budgeted for in 2016/17, we are missing around about £40 million of that.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Yes.

**Gareth Bacon AM (Chairman):** That £40 million: we will have taken that in by the end of June, will we?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** That is one part. About £13 million or £14 million of that reduction in revenue relates to the Cultural and Education District, where we had been intending to do the work on one of the university's phase 2 and 3 design, and they are actually doing the work.

**Gareth Bacon AM (Chairman):** That is University College London East (UCL), is it not?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Yes.

**Gareth Bacon AM (Chairman):** We are talking about what used to be known as the Olympicopolis, are we not?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Yes.

**Gareth Bacon AM (Chairman):** See, I can still say the word.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** The point here is that in the original plans, we were going to do the work for UCL's design at each stages, and they were going to reimburse part of the cost to us, so we would have had a capital income line. In practice, they have taken it on

and they are incurring the costs themselves, which means our costs are lower and our income is lower by equal amounts. There is no net effect from that; it is just a transfer of responsibility.

**Gareth Bacon AM (Chairman):** Looking forward into the future, how much of the land bank is left unaccounted for on the Olympic Park? Is everything now under planning? Is there anything left that you can pull out?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Do you mean developable?

**Gareth Bacon AM (Chairman):** Yes.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** I think it is all allocated. The Legacy Communities Scheme planning permission from 2012 identified the planning designation for the whole park, so in that sense it is all spoken for.

**Len Duvall AM (Deputy Chair):** Spoken for as in that it is for disposal, or have you disposed of it?

**David Goldstone CBE (Chief Executive, LLDC):** No. Sorry. It is spoken for, as in its intended long-term use is identified. We can, as we have to introduce the Cultural and Education District - erstwhile Olympicopolis - go back and reopen that and change it and say, "Actually, we had planned to have housing there, and now we are going to have universities and cultural facilities". It is an outline planning permission, but it did identify which areas stay as parkland and public open space and which areas are developable for housing and other development.

**Gareth Bacon AM (Chairman):** What we are talking about is a planning brief and planning permission. They are different things. You are saying the planning brief has been applied across the whole park. That is fine.

**David Goldstone CBE (Chief Executive, LLDC):** There is planning permission across the whole park.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** An outline.

**David Goldstone CBE (Chief Executive, LLDC):** Outline planning permission for the whole park.

**Gareth Bacon AM (Chairman):** Yes, but we do not have specific, detailed planning permissions across the park at this point, so you can still change it.

**David Goldstone CBE (Chief Executive, LLDC):** Correct, for the sites that do not already have it.

**Gareth Bacon AM (Chairman):** Yes, indeed. It is my fault for not asking a sufficiently precise question. How much of the park does not have detailed planning permission on it at the moment?

**David Goldstone CBE (Chief Executive, LLDC):** That is a very precise question to which I do not think I can give you the answer off the top of my head.

**Gareth Bacon AM (Chairman):** A percentage?

**David Goldstone CBE (Chief Executive, LLDC):** Let me come at it this way. The two sites that will make up the Cultural and Education District, so the Stratford Waterfront, a long, thin site opposite the Aquatics Centre, and the site by the orbit where UCLE will be based all have the outline permission. The housing sites, basically for East Wick and Sweetwater, have outline permission, and the first part of that now has detail, and it will go and get detail in phases, like Chobham Manor has, as the developer brings those forward. Chobham Manor is going through the same process. Most of the park will stay under the existing outline because it is parkland. I could find out a proportion for you, but effectively it is the developable sites that have developers who will bring them forward for detailed planning site by site. At the moment, Here East has planning detail, Chobham Manor phase 1, and the first stage of East Wick and Sweetwater. The venues clearly had from their original development. It is not really a very precise answer, but it is plot by plot, in effect.

**Gareth Bacon AM (Chairman):** I will come to Len [Duvall AM] in just a second. Just while it is in my memory because you have just made the offer, could we take you up on that, please, if you could write to us afterwards?

**David Goldstone CBE (Chief Executive, LLDC):** The proportion that has detailed planning and the proportion that has the outline. Yes.

**Gareth Bacon AM (Chairman):** Indeed, and if you can indicate which bits do not have the detail, that would be great.

**David Goldstone CBE (Chief Executive, LLDC):** Yes, we can do that.

**Gareth Bacon AM (Chairman):** Thank you.

**Len Duvall AM (Deputy Chair):** For the timescale, the reason why we got 2030 that you answered earlier is around how you think that land is going to be developed over that period of time. Is that how you have reached that timescale, or is there some other factor that is coming to be?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** No. That is it. There is still development, the long-term view going out to 2050, but at the back end of that are sites like Rick Roberts Way, which are --

**Len Duvall AM (Deputy Chair):** That is in the London Borough of Newham's ownership, is it not?

**David Goldstone CBE (Chief Executive, LLDC):** No, it is joined.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** It is joined.

**David Goldstone CBE (Chief Executive, LLDC):** Rick Roberts Way is a complicated patchwork quilt of ownership. There is some that we own, there is some that Newham owns, and there is some that we jointly own. Broadly, yes, it is jointly owned. It is jointly owned because we own some and they own some and because we jointly own some. What we are talking about is the existing approved plan, when we are talking about those long-term horizons. We have been working with Newham about accelerating the development of Rick Roberts Way, bringing it forward, and meeting the new Mayor's objectives more quickly, but we do that jointly with Newham as joint landowners.

**Len Duvall AM (Deputy Chair):** I would like that information back so I completely understand that. That falls inside your planning zone, that you decide --

**David Goldstone CBE (Chief Executive, LLDC):** Correct. We are the planning authority for that. Rick Roberts Way and Pudding Mill Lane are both --

**Len Duvall AM (Deputy Chair):** Can I just ask? In terms of tensions within your budget, the Mayor has certain aspirations, you clearly have an agenda in terms of what you need to do in making your money and making your return. In terms of more affordable versus high-end luxury to get the 'spondoolies' in, to be as straightforward as that, how do you reconcile that? How do you think you are going to reconcile that over this administration?

**David Goldstone CBE (Chief Executive, LLDC):** There are always tensions, choices and trade-offs. What we are trying to achieve, where we have a common agenda, is we are trying to develop a park to meet all the legacy promises about regenerating the area and for the benefit of local people in terms of transforming those opportunities, but we need to do so in a way that is financially sustainable long-term. Financially, there are two really high-level objectives. From a capital side, to state the obvious, we have to be able to repay our borrowings. We have to meet all the statutory obligations around public bodies borrowing and the local authority requirements. Revenue: we are trying to reach the position of self-funding and being self-sufficient in revenue long-term, and we move towards that.

The Mayor absolutely, as you say, has the priority around affordable housing. For example, we have anticipated that where we already have housing planned that does not meet the Mayor's affordable priorities but it is effectively being used to subsidise other priorities, such as cultural infrastructure, we should carry on in that direction. We are doing so looking at other sites and saying, can we help meet the Mayor's agenda on housing delivery and affordable housing by accelerating other sites, accelerating their delivery and bringing in more affordable housing? We are a Mayoral body, we absolutely have to work to the Mayor's agenda and the Mayor's priorities, but we have to do so in a way that is financially sustainable. I do not think that is a tension between us and City Hall and the Mayor so much as it is a tension of reconciling the priorities to achieving the overall maximum benefit from the regeneration programme in a way that is long-term financially sustainable in revenue and capital.

**Len Duvall AM (Deputy Chair):** Chairman, just before we move on, just remind us. You have no Chair [of the LLDC Board] at the moment.

**David Goldstone CBE (Chief Executive, LLDC):** Correct.

**Len Duvall AM (Deputy Chair):** Your Board is having to reapply for its own positions because you are in transitional arrangements. Do we have a timescale for that at the moment?

**David Goldstone CBE (Chief Executive, LLDC):** Just to slightly nuance it, under our governance, the deputy chair can step in and become Chair. Philip Lewis, who was the Deputy Chair, can now do whatever a chair would do, so there is not a limbo, if you like, to avoid in terms of governance. The advertisement for a permanent Chair went out last Sunday, so there is now a search started for a permanent chair. The board's terms of appointment will be due to expire during December, and because of that issue around the Chair position, they have all been asked to extend for a period I think of up to six months to see us through to when the new chair would be appointed, and the Chair could then reactivate the board appointment process. The intention is that that is all completed within the first few months of the new calendar year. The existing board

is staying in place for the time being. We have a Deputy Chair who can do what the full Chair will do. When there is a new Chair, the Board appointments will recommence. I think it is clear how that works through.

**Len Duvall AM (Deputy Chair):** To be clear, maybe you can nuance the rest of the piece. The review that the Mayor has put in place, is that into the stadium or is it into the entire LLDC?

**David Goldstone CBE (Chief Executive, LLDC):** No. The review is specific to the stadium.

**Len Duvall AM (Deputy Chair):** It is specific to the stadium. OK. We will come back to that later on today.

**Gareth Bacon AM (Chairman):** We are coming back to that shortly. Do not worry; we could not possibly have this discussion without talking about the stadium.

**David Goldstone CBE (Chief Executive, LLDC):** I will be very happy to do it if you want to do it.

**Gareth Bacon AM (Chairman):** I am sure you will be delighted to.

**David Goldstone CBE (Chief Executive, LLDC):** We are very happy to talk about it as well.

**Gareth Bacon AM (Chairman):** Indeed we are.

**Len Duvall AM (Deputy Chair):** Sorry. On the flagship project, Chair, is it the right time to ask the question? Where are we on the cultural -- I cannot pronounce it. I am from south London.

**Gareth Bacon AM (Chairman):** So I am. Olympicopolis.

**Len Duvall AM (Deputy Chair):** Where are we in terms of the aspirations? They were pretty big aspirations, not just on the part of your organisation but on the part of the previous Mayor and, I assume, the current Mayor.

**David Goldstone CBE (Chief Executive, LLDC):** Exactly. If I can pick that theme up, we think it is a fantastic project that will bring enormous benefits, but it is, in doing so, also quite a complex and challenging thing to deliver. The long-term benefits from bringing world-class universities and cultural partners to the area we think are absolutely enormous in terms of local benefits, and really creating a new heart of London in Stratford and in the park and the surrounding area in a way that the original vision anticipated. I think we have made really good progress. It is pretty much exactly two years since the project was launched at the time of the autumn statement in 2014 when the Government and the Mayor's commitments were confirmed. We have had extensive public consultation during that time. We have had I do not know how many events in the park and surrounding area over the last few months, consulting on the emerging designs for Stratford Waterfront and for the University College London (UCL) site. We launched the images in the summer, and we are working now with the partners towards planning applications going in and the business case going in to secure the funding, which we hope to take forward in the new year. Yes, it is challenging, but it is an enormous project with enormous potential benefits.

**Len Duvall AM (Deputy Chair):** The role of your organisation in terms of whether it is just land, or is it monetary contribution that you are making? Is there a subsidy for bringing these organisations in or not? Just be clear on that.

**David Goldstone CBE (Chief Executive, LLDC):** We are leading the delivery of the whole project. The land has gone. We have had a land transaction in relation to UCL's land. The Stratford Waterfront: it is anticipated that each partner will take a lease of space on that site. Through our budgets that are in this process, through the budgets as part of the GLA group budgeting process, there is funding going in that supports this project, absolutely, yes. It is not the case that it is all funded from elsewhere. It is a complex package of funding, so there is funding from Government, funding from the residential development we anticipate on the site, significant contributions from the partners themselves, the philanthropic element, and there is also the part that comes from reinvesting proceeds from development through the GLA budgeting. Yes, there is money in this budget that is supporting the project.

**Gareth Bacon AM (Chairman):** Thank you. We are going to move on and ask about the 2017/18 budget now.

**Dr Onkar Sahota AM:** Thank you. I understand that you have made a submission for the 2017/18 submission, but you put it through as a part 2 confidential document to the Board, while the Mayor said this would be a public document. Can you explain why you have done that, please?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** It was our intention to publish the preamble and the submission that we made to the GLA, but we were asked by officers to hold that in private until such time as the Board had approved it and until such time as it had been consolidated into the Mayor's budget. Following discussion with officers, we have now published the papers on 2 December 2016, so they are on our website.

**David Goldstone CBE (Chief Executive, LLDC):** They have been fully published.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** They have been fully published.

**Gareth Bacon AM (Chairman):** Which officers were you discussing that with who told you to put it in under part 2?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** I would have to come back to you.

**Gareth Bacon AM (Chairman):** You do not have to give me the names. Working where? Here? Working for the Mayor?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** I think it was through the team that manage Board papers on our behalf at the GLA.

**Gareth Bacon AM (Chairman):** The GLA?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Yes.

**Gareth Bacon AM (Chairman):** Working on whose instructions?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** I would have to come back to you on that.

**Gareth Bacon AM (Chairman):** Sorry, I am interrupting your question, Onkar. Shall I pass it back to you?

**Dr Onkar Sahota AM:** The Mayor gave an undertaking that this would be a public document. You backed this, that you have put it in the public domain, but he said this would be a public document. I am just wondering why there was a need to go from a confidential, private document, then having something done to it, before coming out to the public.

**David Goldstone CBE (Chief Executive, LLDC):** I think we have absolutely complied with what the Mayor said because the intention was that it was a public document. As soon as the Board approved it, we made it a public document.

**Dr Onkar Sahota AM:** It is your document, and something has happened to it in the meanwhile before you released it out to the public.

**David Goldstone CBE (Chief Executive, LLDC):** All that has happened is the Board approved it, but that is the important step in terms of corporate governance, that the board needed to be able to consider it. There is no point having a Board reviewing and approving and applying that corporate governance overview if they do not have the ability to make changes. The view was that it was not final and, therefore, ready to go into the public domain until the Board had approved it. To be clear, as soon as it was approved by the Board, we made it public and put it on the website. Immediately, at that point, we made it public.

**Dr Onkar Sahota AM:** I just want to understand this, just to get it clear in my mind. You made a recommendation to your Board. It then would have been approved by the Board - I can understand that - but was it shared with the GLA before the Board approved it?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** No. It was submitted on 30 November, after the Board --

**Dr Onkar Sahota AM:** After your Board approved it.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Yes. It was submitted on the 30th and published on our website on the 2<sup>nd</sup> [December 2016].

**David Goldstone CBE (Chief Executive, LLDC):** I think there was a weekend in between, but literally there were no working days in between.

**Dr Onkar Sahota AM:** Thank you.

**Gareth Bacon AM (Chairman):** We have danced around it long enough, so now we are going to talk about the stadium, and I know you are desperate to get it off your chest, David. Len is going to lead on that for us.

**Len Duvall AM (Deputy Chair):** David, you have made a number of statements including your previous chair. We can talk about figures, but figures we recognise in terms of the total cost of the stadium from the Olympics onwards. It is a big, big figure. Let us see if we get some agreement on the figures. There was an estimate at one time of a new stadium at a cost of £250 million. Three years on from hosting the games, that stadium's costs tripled to £752 million, yes? Do we have that evidenced?

**David Goldstone CBE (Chief Executive, LLDC):** I am trying to think how you get to £752 million.

**Gareth Bacon AM (Chairman):** Shall I give you a helpful summary, David?

**Len Duvall AM (Deputy Chair):** Yes, please do that if you have it.

**Gareth Bacon AM (Chairman):** I anticipated this, so I wrote it down before we moved on. The original bid estimate was £250 million. That was back in 2004, so land values are different, construction costs are different. We accept that that was going to go up. The completion cost of the Olympic Stadium was £429 million. The original contract to Balfour Beatty to convert the stadium was £154 million, so that took the estimated cost to £583 million. After that, we had an extra £36 million given to Balfour Beatty because of problems over the retractable seating the roof, which takes it to £619 million. Then, in June of this year, the LLDC announced that the contracts for the transformation now sat at £272 million, so the £272 million plus the £429 million, which was the completion cost, takes you to £701 million. Then we had the announcement a few weeks ago of an extra £51 million, which we are led to believe is associated with the seating. That takes you up to a cost now of £752 million.

**Len Duvall AM (Deputy Chair):** Leaving aside the £51 million, leaving all of that, in terms of that, you have made no public statement that has been reported, or we could not find a public statement. Is that a figure you accept, the £51 million increase that was reported in the media last month? Presumably someone leaked it to the media or gave it to the media. We do not assume it was you, with your organisation. Do you recognise this figure?

**David Goldstone CBE (Chief Executive, LLDC):** Yes. Just to help you slightly further, we made the announcement of the £272 million in the summer of 2015. We said at that time that there was still a lot of work to do - there was a year's plus work still to go until completion - and we said that we would not give a running commentary on it, but we committed that once the work was complete we would announce the final cost, which we expected to be this autumn. The information you are referring to, you are right, there was a leak, wherever that came from, but the Mayor made a statement very soon after which confirmed the £323 million number you are talking about and I think referred to the £51 million increase over what had been previously announced. Effectively, those numbers were confirmed in that statement by the Mayor when he announced that there would be the investigation into the stadium. I think the numbers are as you say. We are not arguing about those numbers.

I would just start by saying - I will come on to the numbers in detail in a second - the stadium has been completed, and in doing so we have had a series of really successful events. It is proving itself a really successful venue for major events. Last year, you will know we had over 500,000 spectators in through the Rugby World Cup, through our first concert, through rugby league internationals and all that before it opened permanently this year. You go to West Ham [Premier League football club] matches; over 500,000 people have already attended this season. That just shows how much it will be a major contributor to the legacy more broadly in the park because it is a big part of creating a vibrant place, a visitor attraction, and bringing very large numbers of people, probably over 1 million people a year, itself into the area. That does help. That is a really significant part of us creating a place where new businesses and house builders and all the aspects we want of a complete regeneration with new homes and jobs comes together. That has absolutely happened.

The costs are clearly as we have said, as you have described, and the Mayor announced that there would be an investigation into that. The increase of £51 million is a combination. A lot of it is to do with the seating, which we can talk about more if you want. Some of it was things that were to enhance the stadium for its

long-term viability. There were some conscious decisions to make further investments. I can go through that, if you want.

**Len Duvall AM (Deputy Chair):** As I think you have said to the [London] Assembly Plenary, if I can recall rightly, you want to give absolute clarity to the situation. This is the opportunity to do so.

**David Goldstone CBE (Chief Executive, LLDC):** If we go through the difference between the £272 million and the £323 referred to in the £51 million increase, a chunk of it was to do with the very unfortunate failure of the seating contractor, who had been appointed to introduce the seating system. That happened just before the Rugby World Cup last summer, so an inopportune moment. Effectively, in the effort of installing the new seating system, the contractor failed and were unable to meet the requirements of the contract. We were left with a partially installed system with a Rugby World Cup imminent, with very large crowds and a very high profile event. We had to step in and make it ready for that event. It had been a joint venture. One partner, the main designer and installer of seating systems, went bust. The other inherited it but was not the most suitable long-term contractor. They took it forward during 2016, but we had to settle out with them because they were not suitable to provide that service long-term. It was only really for the 2016, this summer's seat moves, that we were able to do the first moves with the fully installed system and understand fully what that would involve.

The seating issues we have had, starting with the collapse of the appointed contractor in mid-2015, have caused about £21 million of that increase. It is not all of the £51 million. About £21 million is seating. The other parts are a chunk that were, I am going to say, sort of discretionary, further investment that E20, the joint venture between ourselves and the London Borough of Newham, agreed, which would enhance the long-term viability and the commercial sustainability of the stadium. Things like we put in enhancements to enable concert crowds and bigger concert crowds to come, so better gangways for concert movements. We have enhanced the lighting system so it can take more sports, different sports. We have increased the robustness of the pitch, again to hold more events. There is the large screen, which you will have seen at matches, which is a potential source of revenue from advertising and sponsorship. All that came to about £14 million. £21 million related to the seats. £14 million related to those enhancements. We had held some contingency, and we refer to that in the press release we did when we announced the £272 million. We said there was contingency - that was about £12 million - which we had to use for things that happened and risks that had been anticipated, and then the balance, which is about £4 million, was basically insurances and our own management costs. To give a complete picture, we have included our own costs of management. The £51 million is the £21 million for the seats, the £14 million for the discretionary enhancements, the £4 million for insurance, and £12 million for contingency.

**Len Duvall AM (Deputy Chair):** Some of that would be revenue. The insurance would be revenue. What is the one-off capital, the bulk of that?

**David Goldstone CBE (Chief Executive, LLDC):** Gerry will correct me on the accounting.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** That was all capitalised.

**David Goldstone CBE (Chief Executive, LLDC):** Yes. Because it is a capital project, even what looks like revenue costs of people and staff and things gets capitalised on a capital project. Project management and that sort of thing all gets capitalised.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Yes. They were project insurances specific to the stadium works.

**Len Duvall AM (Deputy Chair):** Just for clarity around the seating issue, what is the £8 million? I do not know why that was in the media. £8 million annual revenue costs reported in the media. Where does that figure come from? What do you think it is? We have a view of it. It is all associated with the so-called retractable seating. Let us say the scaffolding seating. Shall we call it what its real word is? Do you know what I mean? What is that about, and is that an ongoing revenue commitment?

**David Goldstone CBE (Chief Executive, LLDC):** What I just described was the finalisation of all the upfront capital, the transformation and those enhancements I referred to to get the stadium complete and opened this summer. The £8 million, again, was in the information that was leaked, and I am not validating it completely, but it was an estimate of what the future --

**Len Duvall AM (Deputy Chair):** Let us be fair.

**David Goldstone CBE (Chief Executive, LLDC):** I am answering your question.

**Len Duvall AM (Deputy Chair):** Let us be fair to you. It is between £0.3 million to £8 million, so somewhere in there is the --

**David Goldstone CBE (Chief Executive, LLDC):** What that is referring to is this cost of the annual - annual as in both ways - moves for the whole seating system between football modes and athletics, or athletics and concerts. It is the cost of moving seating back from pitch to athletics, all four stands, and then moving forward again at the end of the summer ready for pitch sports again. It is an estimate of the total costs of those seat moves, but I should say that is not a confirmed amount. We are in a tendering process at the moment for the long-term operator. We have literally just had the tenders in in the last few days, so we will know a real cost out of that, and that is why it is uncertain what that number will be. The Mayor's statement referred to the issue around seating costs as one of the things that will be looked at in the review, so we are not pretending it is not an issue, but we will know firmly what the costs are in the near future.

**Len Duvall AM (Deputy Chair):** Are there any more surprises and other costs that you think you could share with us at this stage?

**David Goldstone CBE (Chief Executive, LLDC):** I do not think there are any other surprises. I will answer a slightly different question in the interests of full transparency regarding the challenges we are looking at going forward in relation to the business plan generally for the stadium. We have talked about the seating. I think it is well known that - you were at the Police and Crime Committee - there are some challenges, in the very early days at the moment, of the stadium operations, which we are working with. I think it has already got considerably better, and the crowd management arrangements have considerably improved. We talked then around the fact that Chris Allison [CBE, former National Olympic Security Co-ordinator] has been working with us to make sure the egress arrangements get settled down. That is the other challenge I would refer to, but again we have made really good progress there and we are confident that will get into a steady state where that is not a significant ongoing burden.

**Len Duvall AM (Deputy Chair):** You rightly referred to that earlier meeting, and the Police and Crime Committee was looking around the issues of disturbance, the police and the security issues associated with the stadium. In terms of the cost of policing, as in we talked to you in terms of the stadium, the fact that the

surrounding land of the stadium is private, is that when the police start charging you, as it is not a public highway? The roads are, presumably.

**David Goldstone CBE (Chief Executive, LLDC):** Correct. The roads are.

**Len Duvall AM (Deputy Chair):** The walkways are not public highways, are they?

**David Goldstone CBE (Chief Executive, LLDC):** Correct. I have to say this may be beyond my expertise because there are particular issues between the police and football clubs generally in the United Kingdom (UK) in play here. We have an agreement with the police now for the policing of the stadium, and the police do deploy to the park for major events. There is a match tonight. They will be deployed to support that. I think there is an issue generally being considered around the police's ability to recharge to deploy outside the stadium but on private land, and I think we will be part of however that is resolved.

**Len Duvall AM (Deputy Chair):** What I am trying to get at is that may well be a further cost that you will need to factor in.

**David Goldstone CBE (Chief Executive, LLDC):** It may be. What we are working towards - and I think we have been making good progress with all the partners, and again that appointment came through in that discussion - is that there are a range of partners working together on the management of crowds between the stations and the stadium and across the park. The objective is that we minimise, if not completely remove, the need for the police to deploy at all. That is where we are trying to get to, that with the arrangements for the movement of spectators, the interface with everybody else going around their normal daily business, and the management of the stewarding and how that is deployed, we will not need the significant police presence that there has been, not at all the games but at a small number.

**Len Duvall AM (Deputy Chair):** You will know that this Committee, along with many others across the GLA, is always questioning the transparency. We have a role in the questions of not just your operations but also other functional bodies of the GLA. It is not just you. I do not want anyone thinking, listening in, that it is about you, that you are hiding from transparency. The question we do need to ask, and we should not wait for it, is about some of these extra costs. When was your organisation - not the stadium, though that might be my secondary question - or when were you aware of these extra costs?

**David Goldstone CBE (Chief Executive, LLDC):** We are going back to the transformation, the capital?

**Len Duvall AM (Deputy Chair):** Yes. Let us talk about transformation and the seating issues. That is the big one, is it not? When was your organisation aware of that?

**David Goldstone CBE (Chief Executive, LLDC):** If I go back to that breakdown I gave you, the seating, I gave you a brief history. We only knew what the estimates were for the future transition costs for moving the seating between the modes as a result of the work we did this summer. That came through effectively around the period before the start of the football season. Recognising that in the spirit of transparency, as you say, we had committed last year that we would announce it this autumn, that is what we were planning to do as part of the total transformation costs. We were not sitting on that information for a long time before it came out.

The announcement we had made in summer 2015 with the £272 million figure in it had made clear there was contingency, but we had not specified the number. We did that because we need to hold a contingency, and

our contractor is not to know what that is for us to be able to have any ability to negotiate and resolve outstanding issues. If they knew the pot of money we are sitting on, our position would be much cheaper, and I think everyone accepted that was reasonable at the time.

The only other two parts were the discretionary enhancements, as I called them, for improving the commercial viability of the stadium, which we had plans for when we announced the £272 figure, but they were not firm, and they have been worked on really right through over the last 12 months. They were not actually part of the transformation. They were additional things that E20 commissioned. Insurance and management: technically, we could have included it. It was the £4 million. We could have included it originally, but when we announced the £272 million we were answering a specific question, which was the value of the contracts for transformation, and that was the question we answered. The seats we only knew latterly. That was the big change. The others were progressively going on. We only really reached the end of the work for this summer's events, and we always planned to announce them this autumn. The leak slightly pre-empted that, but then the Mayor's statement confirmed it in the public domain. I think we did what we said we were going to do.

**Len Duvall AM (Deputy Chair):** In terms of the governance, there is your organisation, then the stadium management. Correct me if I am wrong. That looks after the day to day side.

**David Goldstone CBE (Chief Executive, LLDC):** Yes.

**Len Duvall AM (Deputy Chair):** The finance side is you, or is it them? Are they a subsidiary of you?

**David Goldstone CBE (Chief Executive, LLDC):** No.

**Len Duvall AM (Deputy Chair):** Is it a joint venture?

**David Goldstone CBE (Chief Executive, LLDC):** It is a joint venture. The important point is that we are in a joint venture with the London Borough of Newham.

**Len Duvall AM (Deputy Chair):** A joint venture with Newham. What is the relationship back with your main board, then? What is the monetary relationship between this? Do they draw down on a grant from you, or do they make a business case to you, and you empty your wallet? Is that how it works?

**David Goldstone CBE (Chief Executive, LLDC):** There are two parts to the answer. The transformation is different to the future-looking. The transformation was an LLDC responsibility. Under previous decisions from way back, it had been agreed that, effectively, under the GLA's auspices, we would take responsibility for the transformation. Newham made a fixed contribution to that. You may remember a £40 million amount. That was Newham's contribution. There were other contributions from others, including West Ham and UK Athletics, etc, but we held the ring, if you like, and therefore we were responsible for the transformation and had the financial risk. It was funded through LLDC, went through Gerry's [Murphy] finance team, went through our books, and we received the contributions and we paid the contractors, etc.

Once the transformation was complete, effectively this summer, E20 has operational - exactly what you said - day-to-day responsibilities. E20, as a joint venture between LLDC and Newham, has that responsibility. It is a joint venture that is owned 65% us, 35% Newham. To the extent that E20 needs funding, that is the split of contributions. Then if it makes surpluses in time, as we hope it will, long-term, then surpluses get shared as well. Newham's contribution was a loan which went through Newham's own governance, and there are

provisions pertaining to repayment of that loan as well. Basically, if it needs more money, we both commit 65% - 35%, and that is what we will be doing this year.

**Len Duvall AM (Deputy Chair):** Your exit strategy will be from the stadium management for the joint venture, because it is not complete yet, complete exit strategy, but in terms of that stand-alone entity to get on with it, to do it --

**David Goldstone CBE (Chief Executive, LLDC):** You are looking forward to when we come --

**Len Duvall AM (Deputy Chair):** It is never really going to be like that, is it? You said it. If it needs some more money, there will be an element that will come from Newham and there will be an element that will come from your good selves if a business case can be made and you have the cash to do it.

**David Goldstone CBE (Chief Executive, LLDC):** Correct. That is how it is today. We have not determined if, how or when we would exit. To state the obvious, we are a development corporation so we are not intended to be here forever. That is not news; we have said that before. Quite what our exit from individual developments, venues etc looks like, we have done some early work looking at it now, but how that will pan out for the stadium is not determined yet. Again, the fact that the Mayor has announced this review to look at the financial consequences of the decisions on the stadium may well inform the thinking on that. Ultimately, that would be the Mayor's decision.

**Len Duvall AM (Deputy Chair):** David, over the years we have crossed swords. We have also shared things together across the table. Would you make it clear that you inherited some of these issues? Olympic Stadium: great for the Olympics, great for athletics. I think we can all agree on that. As we move to the next stage, multi-purpose stadium, no. If we could go back to a different point, either designing the stadium to be for a multi-purpose activity post the Olympics, we would have done so, presumably. Do you think now, with hindsight, that maybe we should have started again in terms of the stadium, in terms of the cost that we have put into this, in terms of the transformation process? It was a great venue for the Olympics, it is a great athletics stadium, but that is not what is required post-Olympics. Even though that is what it was designed for at the time, as the reality dawns on people about what needs to take place, what is your view?

**David Goldstone CBE (Chief Executive, LLDC):** I disagree with you. I think it is actually a great multi-use venue. I have been to football, I have been to rugby, I have been to --

**Len Duvall AM (Deputy Chair):** At a price, is it not? At a price.

**David Goldstone CBE (Chief Executive, LLDC):** Absolutely, but I think it is not fair --

**Len Duvall AM (Deputy Chair):** Do you accept that?

**David Goldstone CBE (Chief Executive, LLDC):** Yes. I think it is not fair to say it is not a great multi-use venue. I think it is. All the events it has hosted - bearing in mind football, rugby league, rugby union, Race of Champions, motorsport, concerts, we have three fantastic concerts next summer - it has been fantastic for all of those, and more. I do think it works fantastically as a multi-use arena, and we have been really delighted how it has hosted each of those different activities. Yes. You are right, obviously, at a cost.

I think the right decisions have been made, and I would go back to what I said right at the beginning when we started on the stadium. It is an important part of the vibrancy and the visitor attraction of the area that go

with the rest of the regeneration. We should not lose sight of that aspect. If we want an area that feels like a new heart of London, Premier League Football is an enormous global brand, if we can talk in those terms for a moment, in terms of image, in terms of rights, in terms of marketing and in terms of perception of a place. Having Premier League Football there is a really big benefit to the park and the area of Stratford and the surrounding communities' location and attracting other businesses and other significant activity, whether that is universities, cultural venues, new homes and the new communities coming. It all helps, and I think it is a significant contributor.

With hindsight, might you have made that decision in 2007 to build a multi-use one, rather than the one that was built for the games, which was demountable to a 25,000-seat bowl? With hindsight, you may, and that I can completely see may be a view. That is the sort of thing the review will absolutely look into. I would say the information available - as I believe, at the time, because that was before even my involvement in the Olympics started - was there was not a football club that would commit then, so it would have been slightly speculative. It would have risked it being a white elephant. West Ham went bust, as you all know, in the intervening period, and the new ownership came in after that. It would have been a hard decision to take at that time. On the information available, you can sort of understand why that decision was taken. You said I have inherited a problem. I do feel that. I think that is probably true, but it is one where I can understand the decisions that were made at each point, and it will be interesting to see the review as it now, with the benefit of hindsight, looks back and says how we have got here in terms of the decisions that were made in late 2006, early 2007, about what we should build for the games. Then the subsequent decisions: yes, we are going to keep a multi-use venue in legacy for athletics and football. If I look back now and look at that point, and there were those expectations made and commitments made in 2011, but what was not known was how it would transition between the two modes. That will be part of what the review will look at, but that assumed a solution to move between being able to host concerts, athletics - particularly athletics, as it was a commitment to athletics - and football from the new competition that was run then when the solution to how to do that was not known.

**Len Duvall AM (Deputy Chair):** Thank you.

**Gareth Bacon AM (Chairman):** I have one or two sweeping-up questions, David, before we move on. Firstly, thank you for the breakdown of that £51 million because, up until today, I do not think anybody knew what the constituent parts were.

**David Goldstone CBE (Chief Executive, LLDC):** I think that is true too.

**Gareth Bacon AM (Chairman):** To summarise it, the £21 million is for the seating. You mentioned the £14 million was for better gangways, better lighting, the big screen that is there, toughening the grounds so it could be used for different things. £4 million was spent on balances, so insurance etc. The contingency of £12 million was utilised and spent. Was that spent on anything specific, or was it just chucked in the pot for everything else?

**David Goldstone CBE (Chief Executive, LLDC):** When we announced the £272 million, we said we had a contingency. £12 million was the contingency we were holding at the time, but we did not announce the number at the time, for reasons that I said earlier.

**Gareth Bacon AM (Chairman):** Was it spent on anything specific?

**David Goldstone CBE (Chief Executive, LLDC):** It was. Can I tell you now precisely what? The way we build the contingency is not a lump we just put in as allocation. It is built up from known risks, so we quantify risk in all our capital projects and we say, "What is the likelihood? What is the outcome if it happens? How much contingency do we need?" It had been an assessment of risks that were known at the time and were likely to be needed. I have to say I do not have the breakdown now, but again it is something we could get.

**Gareth Bacon AM (Chairman):** Was £12 million the full contingency, then, for the whole project?

**David Goldstone CBE (Chief Executive, LLDC):** £12 million was the contingency at the time we announced the £272 million, and we used it.

**Gareth Bacon AM (Chairman):** It was fully utilised.

**David Goldstone CBE (Chief Executive, LLDC):** What I described was the extra over on top of that.

**Gareth Bacon AM (Chairman):** In other words, then, the worst-case scenario on your risk planning is what turned out to be correct?

**David Goldstone CBE (Chief Executive, LLDC):** I cannot say it is the worst-case scenario because we had all the issues with the seats that came through on top, as I have described. On all the risks, yes --

**Gareth Bacon AM (Chairman):** The contingency that was set, the £12 million --

**David Goldstone CBE (Chief Executive, LLDC):** If we left out the seats, then yes.

**Gareth Bacon AM (Chairman):** Yes, so the £12 million contingency was set before you knew there was a problem with the seats?

**David Goldstone CBE (Chief Executive, LLDC):** Correct, because when we announced £272 million, that was before we knew we had a problem with the seats.

**Gareth Bacon AM (Chairman):** The way that you have packaged it today in the breakdown you have just given - you are quite smooth at doing this, so I am not surprised - sounded very controlled and it was all part of the plan and it is all OK, so it is all under control. That is how it has come across. The £51 million leaked into the public domain. I am interested in how that got into the public domain but I am not going to ask you about it because for the purposes of this question it is irrelevant. On 1 November, the Mayor, having heard this figure, announced that there would be a review, an inquiry, into why the costs were going up all the time. Two days later, the Chair resigned. If it was under control and it was all part of the plan, why did the Chair resign two days after that announcement from the Mayor?

**David Goldstone CBE (Chief Executive, LLDC):** Can I take that in parts? First of all, I certainly did not say it was all part of a plan. The seating issue and that extra £21 million incurred was not something we planned or intended. It was caused by a contractor going into administration.

**Gareth Bacon AM (Chairman):** I understand that, but that would not cause the resignation of your Chair, though, would it?

**David Goldstone CBE (Chief Executive, LLDC):** No. I was --

**Gareth Bacon AM (Chairman):** Sorry. I am being rude. Carry on.

**David Goldstone CBE (Chief Executive, LLDC):** The Chair chose to resign for his own personal reasons, and I do not think I should go into more than. We did have a leak. There was an announcement about the inquiry and, following all those things, the Chairman made his decision for his own reasons to resign.

**Gareth Bacon AM (Chairman):** His own reasons?

**David Goldstone CBE (Chief Executive, LLDC):** Absolutely for his own reasons.

**Gareth Bacon AM (Chairman):** OK, so entirely unconnected with the fact that the Mayor had launched an inquiry into the escalating costs of the stadium?

**David Goldstone CBE (Chief Executive, LLDC):** I did not say unrelated. I just said it was for his own reasons.

**Gareth Bacon AM (Chairman):** OK. The way that this stuff has come out into the public domain -- because you and I are veterans of this. We have been in these committees many times and we have asked you about the cost of the stadium and retrofitting the stadium and preparing for legacy mode, and the costs seem to be creeping up. The LLDC's stock answer is, "We would like to say that but we cannot, because it is commercially confidential and we cannot put it in the public domain". There are reasons for that, which we understand.

**David Goldstone CBE (Chief Executive, LLDC):** I think I have not said that at all today, to be fair.

**Gareth Bacon AM (Chairman):** You have not said that today, I agree. I might ask you if there are any more costs coming, so I might give you the opportunity to say it. The point is, though, that I ran through the summary of how we have gone from £250 million in 2004 to £752 million at the end of 2016, and how we have gone from the £429 million completion costs for the Olympic Stadium to £752 million, which is £323 million more, so 75% roughly of the build costs of the Olympic Stadium has been spent on retrofitting it to legacy mode. You could almost build another stadium in that time. The way it has come into the public domain, piece by piece by piece, is almost like death by 1,000 cuts, is it not? Again, another hindsight question. If you could go back and say, "It is going to cost this much" and just give us the figure, would that not have been better for the LLDC than letting it leach out bit by bit?

**David Goldstone CBE (Chief Executive, LLDC):** You are putting together things that are completely different, with respect. The £429 million was the cost that was incurred by the Olympic Delivery Authority to build the Olympic Stadium for the Olympic Games. These are decisions that go back to the Olympic board and various previous administrations ten or so years ago, but there was a decision made to build a venue that was suitable for the Games and then could be largely demounted, a largely temporary venue demountable to a 25,000 seat bowl for athletics, because there was the commitment to the athletics legacy.

There was no way at that time, because decisions had not been made about future legacy use, that the whole figure we are now talking about could have been announced. The announcements that were around earlier Balfour Beatty contract prices were specific about one contract, which actually was not all of the works. Now, with hindsight, could we have given a total budget for transformation? That is the issue where I think as a public body it is very difficult to give out a budget when you are having multiple contracts, dealing with contractors. There is a lot of work, complex work, to do. The scale and scope of this transformation, you said

it was sort of 75% on top of the original. We have almost completely rebuilt the stadium. The bowl at the bottom, which was the only bit that was going to stay, has been redeveloped to put in the seating system. Everything above ground that was temporary has now been made permanent, with the largest roof of its kind in the world, massive enhancements to the structure, all the spectator facilities, the toilets, the catering, the turnstiles all being put in as permanent and the seating system. It has been complete rebuilt, effectively. We call it transformed.

But we could not have announced the total at a very much earlier point. If we had given a budget for transformation at an early point, we would have been, I think, really weakening a commercial position. We announced the £272 million as soon as we had let the final contract and that is exactly the same. I did a lot of this on the Olympic Games budget, releasing progress reports, media briefings, and we always announced budgets for projects once the final contract had been let and not before. Actually, we were praised for our transparency on that, and effectively I think we followed the same practice here. I think we have been pretty transparent. We did announce the £272 million last year. That was genuinely the number at the time. Things have happened about the seating that have made that wrong.

I understand why you add them together. It is not wrong to add them together, but they are two completely different things. There was a stadium built for the Games. There was then a decision taken relatively soon before the Games to say, "Actually, no, we are going to change the plans for the legacy. We are not going to have the demountable. We are going to have a multi-use, full-scope stadium, almost unique in the world in terms of its ability to hold multiple events" and that is a different thing. We announced the £272 million. We have been now transparent. It came out in a way we had not intended, but we were going to announce the full cost. Yes, that is where we are. I think we have been as transparent as we reasonably could be on this and I think we have followed the same practice we followed in all the lead-up to the Olympic Games in terms of financial reporting, when we were praised for our transparency.

**Gareth Bacon AM (Chairman):** There are a number of things there. The first thing is the stadium, as I understand it, is fabulous. I have not been to it in legacy mode yet. I went to it during the Olympics and I went to the Anniversary Games, but I hear from Len [Duvall AM] here that it has clean beer, which is good, and it has clean toilets and all sorts.

**David Goldstone CBE (Chief Executive, LLDC):** We would be delighted to host you if you would like to come over again. In their capacity, the members of the Police and Crime Committee are coming to watch operational arrangements around crowd management. We would be delighted if you would like to visit the stadium.

**Gareth Bacon AM (Chairman):** I am sure we can sort that out. The point that I was trying to make though is that to the people on the receiving end of the information that you have just given, such as ourselves - we are all very simple souls - this is a public asset funded by the taxpayer. I appreciate lots of other things happen there as well, but it houses a Premier League football club. Now, rightly or wrongly, Premier League football clubs are seen to be extraordinarily rich. I realise that a lot of football clubs, the way they run their finances, they do not have lots of cash in the bank, they pay their players and it is not as rich as you might imagine, but nevertheless, there are eye-watering sums of money being bandied around, paying players, buying players etc. West Ham's contribution to this £750 million stadium has been £15 million, I understand, which is not a lot. Again, rightly or wrongly, people will focus in on that, but the way it has dribbled into the public domain, we heard first that the contract to Balfour Beatty was £154 million to convert the stadium. Then there was an additional £36 million, which you came to one of our previous Committee meetings and discussed. Then the £272 million, which you say was the final figure, then it went up by £51 million. It creates the impression

among the general public that it is more, then more, then more, then more. It feels like Oliver Twist, "Please, sir, can I have some more?" That cannot be good. Surely you would look back on that and think, "We could have done that differently"?

**David Goldstone CBE (Chief Executive, LLDC):** I can see your point. I think you are almost criticising us for being transparent at different points. Look, if we had known the seating issue was going to happen, we would have announced a bigger figure before. We did not know that was going to fall out in the way it did, and therefore we announced a figure that has turned out to be an underestimate. I can sort of apologise, if you like, but I do not think it is our fault directly, but it is an unfortunate consequence of what has happened.

**Gareth Bacon AM (Chairman):** It clearly is not your fault the contractor went bust. There might be some questions around the due diligence that was done on that contractor though.

**David Goldstone CBE (Chief Executive, LLDC):** Yes, so due diligence was done on that contractor. They were publicly procured through an Official Journal of the European Union procurement and that puts lots of obligations on us, which were followed, around evaluation of their financial standing and their technical competency etc. That was all done. Again, that may well be looked at in the review and we would be happy if you want to look at that in more detail, but that was all done. It was a complex task and it is pretty much a one-off task, because we were looking to retrofit a seating system into an already-built stadium. The contractor was unable to do that and failed in the task.

In the way the information has been announced, we have tried to be transparent. That has meant we have made announcements at various points. For the reasons we have said, the numbers have gone up. I can see that people may react in the way you have and that is, I think, part of the reason why the Mayor said there should be a review to look back. We feel we have tried to manage it professionally and recognise the commercial dynamics, but also recognise the obligations on us to be transparent. Those things are often quite difficult things to balance in positions like ours, where you are doing large commercial contracts in a public sector environment, where there are the obligations on transparency.

**Gareth Bacon AM (Chairman):** We will await the outcome of the review. Are you approaching that review with confidence?

**David Goldstone CBE (Chief Executive, LLDC):** Yes. I think it will be really helpful. Yes, I am pleased it is happening. I think it will be helpful for all of us, in a way, some of the things we have talked about, understanding how we got here and the decisions made at key points that have led us to this position. I think it will be really helpful in terms of actually what you just said about the public understanding and sort of head-scratching, there must be a little bit of, "How did we end up here?" I think it will be really helpful, so I am glad that is happening and I think it is something that will be very helpful.

**Gareth Bacon AM (Chairman):** Do you see it as an opportunity to clear the air?

**David Goldstone CBE (Chief Executive, LLDC):** Yes, and the record will be put straight and hopefully it will be a good factual objective report. I absolutely welcome it and look forward to working with the team appointed.

**Gareth Bacon AM (Chairman):** Sitting here today on 14 December 2016, can you rule out any additional stadium costs for the foreseeable future?

**David Goldstone CBE (Chief Executive, LLDC):** The £323 million, that is the final number.

**Gareth Bacon AM (Chairman):** That is it?

**David Goldstone CBE (Chief Executive, LLDC):** Yes. The work is finished, yes, so that is the final number. The challenge we have now is making the ongoing business work and we referred to the issues of the seating and making sure the operation is working as smoothly as possible, but yes, the transformation is complete, so that is the final figure.

**Gareth Bacon AM (Chairman):** OK. I am going to move on to the next part, which is funding the extra costs, because at the Budget Performance Committee in November, we heard that the increased costs will be paid for through capital receipts. Is that correct? That came from the Head of Resources at the GLA. Is that correct?

**David Goldstone CBE (Chief Executive, LLDC):** Yes. In high level - and Gerry [Murphy] might pick this up in more detail - our contributions into E20 are our capital payment and it becomes part of our capital plan, which long-term we generate receipts which more than repay that, so yes, it goes into that profile.

**Gareth Bacon AM (Chairman):** Long-term receipts, so that depends then on future capital receipts, so there is not cash in the bank at the moment?

**David Goldstone CBE (Chief Executive, LLDC):** Correct, correct. At the moment we borrow from the GLA for our capital expenditure and we borrow on the basis that we have capital receipts that are generated in future, largely out of housing developments and other developments that will repay that borrowing and generate a surplus on the back of that. The capital contributions into E20 are part of that capital expenditure.

**Gareth Bacon AM (Chairman):** When will the additional costs become payable? Upon receipt of the capital receipts?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Contractors have been paid for the additional costs, as in when their entitlement means they bill and we are happy to pay. The model that we have with the GLA is that we draw down; we do not hold very much cash reserve at all, just a working balance. We draw down from the GLA the net capital requirement, so any expenditure net of any receipts that have come in. In some years, we will actually end up paying money back to the GLA, so I think the budget that we have put in, I believe it is 2018/19, has a net repayment back to the GLA. At any time, our borrowing is the net of our requirement less any receipts that we have, and if those receipts are in excess of the requirement, it goes back. The overall long-term model gets paid back with a surplus over quite a long period of time.

**Gareth Bacon AM (Chairman):** How long?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** The model goes out, as I said previously, to 2050 I think in the mid-2020s, the GLA gets repaid its borrowing and then we are into surplus. I could confirm that.

**Gareth Bacon AM (Chairman):** Yes, that might be useful, because we have noted in the accounts --

**David Goldstone CBE (Chief Executive, LLDC):** Sorry, I suppose the point is it is not different from any other bit of our capital expenditure.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Yes.

**David Goldstone CBE (Chief Executive, LLDC):** It is a capital item within a very large bucket of capital expenditure that is all funded from borrowing, all of which gets repaid from receipts, so it is not different to any other capital item, whether that is on stations or housing or universities that we might incur.

**Gareth Bacon AM (Chairman):** Yes. No, that is fine. In the published accounts of the LLDC in 2015/16, it stated that you were planning on paying back £54.6 million in 2017/18. However, one year later you are not doing that, you have deferred that, and you are borrowing £47 million instead. Is this simply debt reprofiling?

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** It is not. There are changes in assumptions about the phasing of spend and of income, so we discussed earlier that the profile of the Chobham receipts had changed due to delays to close out phase 1 on the site. That will have factored into those shifts. There are two things going on: one is any kind of reprofiling of income and the other then is the reprofiling of capital spend.

**Gareth Bacon AM (Chairman):** We are going to move on to our final section, which is next steps, and Onkar is going to lead us through that.

**Onkar Sahota AM:** Yes, and certainly this is about what happens next. I think the last football game will be played, on 30 May 2017 by West Ham, and a few weeks later you are going to have a concert there. This all depends upon you changing it from the football mode into the concert mode. Do you foresee any problems with that happening?

**David Goldstone CBE (Chief Executive, LLDC):** No. We did it within that time period this summer. Let me just get my points right. After the Diamond League Athletics and before the first West Ham match there was less than that time available and we got the seats moved through in that period. We are appointing a new contractor, so I suppose there is a caveat that we need to get that appointment completed - and that is due to happen early in the New Year - and then they will have time to get familiar to manage that. That should be a manageable timescale, so yes, we are not unduly worried about that.

**Onkar Sahota AM:** OK, that is great, thank you. The other thing is this additional £51 million we were speaking about earlier on. The GLA's Director of Resources said that this additional cost will impinge upon your priorities when it comes to affordable housing or regeneration. Do you agree with that comment?

**David Goldstone CBE (Chief Executive, LLDC):** I would never disagree with the Director of Resources from the GLA. That would not be a good thing to do. It impinges in the sense that it adds to the capital profile in the way we discussed and we have to make sure that we generate receipts that are obviously more than sufficient to repay that. What it is not doing is changing our plans in terms of the regeneration that we are delivering and the investment that we are delivering, because actually it would be counterproductive, for example, to do less housing, because housing generates the receipts that help repay the borrowing and are obviously both good from a regeneration point of view and good from a financial point of view. I do not think the stadium is changing our plans.

Obviously there is a financial capital addition to our capital cost, capital borrowings, that goes into what we repay. If we were at the point where we are able to repay our borrowings, that would create a material point where we had to really make sure we were not going to borrow what we could not repay. We are not at that point, so in terms of our plans for housing, in terms of the new employers we are bringing into the area, by and large we are not incurring capital, it is done through our planning and sort of regeneration activities. The work on the park and venues, those are not affected and those are carrying on as planned.

**Onkar Sahota AM:** The proportion of affordable housing will not go down?

**David Goldstone CBE (Chief Executive, LLDC):** As a result of the stadium? No, I do not think the stadium affects it. Obviously the new Mayor's policies we are very mindful of in relation to affordable housing. I mentioned earlier that we are looking at some of our future development sites to say can we do more affordable housing and do it more quickly to respond, if you like, not just to the Mayor's policy, but the wider issues in London, for the need for more housing and particularly affordable housing. We are looking to accelerate that and to build more affordable, but that is not a consequence of the stadium.

**Onkar Sahota AM:** I think earlier on you did answer the Chairman when he asked whether there were any more conversion costs you envisaged, so there is a line in the sand drawn there, that we should not expect any more conversion costs coming along, no unexpected costs coming along, did I understand it right?

**David Goldstone CBE (Chief Executive, LLDC):** Yes, you did.

**Onkar Sahota AM:** Great, OK. Can you also categorically rule out that there will not be any athletics events being hosted within the stadium for the next ten years?

**David Goldstone CBE (Chief Executive, LLDC):** No, there will be athletics. There absolutely will be athletics events.

**Gareth Bacon AM (Chairman):** I think, for clarity, the question was badly-written, actually, so it is not Onkar's fault. It said, "Can you categorically rule out not hosting athletics events?" Can you assure us that there will be athletics events?

**David Goldstone CBE (Chief Executive, LLDC):** To start off, we have the World Athletics Championships and the International Paralympic Committee World Power Athletics next summer, which we are really looking forward to and it will be a major event. We have got a long-term agreement with UK Athletics for them to have access. I have forgotten, is it 25, 30 years? I cannot remember.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Fifty years.

**David Goldstone CBE (Chief Executive, LLDC):** Fifty years. Yes, so there is a long-term agreement with UK Athletics with an athletics window each summer, when they have the right to host athletics events, so that is in place.

**Len Duvall AM (Deputy Chair):** Could we just be clear, so the £0.328 million figure is revenue, so you are contracted for some events, but if you do not want to reconfigure the stadium, you do not pay that cost, do you?

**David Goldstone CBE (Chief Executive, LLDC):** Correct, yes. If you did not need to --

**Len Duvall AM (Deputy Chair):** Are we only reconfiguring the stadium - just for our benefit - for the athletics meetings or is it for other events?

**David Goldstone CBE (Chief Executive, LLDC):** The concert capacity is bigger with the seats back.

**Len Duvall AM (Deputy Chair):** Bigger?

**David Goldstone CBE (Chief Executive, LLDC):** Yes, because more people can stand on the field of play.

**Len Duvall AM (Deputy Chair):** Fine. Yes.

**David Goldstone CBE (Chief Executive, LLDC):** OK? It holds more people with the seats back and therefore you can get more income and you can have bigger events and all the benefits that go with that, but if I sense where you are thinking of going, there is a judgement that could be made each year about whether it is worth moving the seats in the light of the events. We have a commitment about athletics, but for the other events --

**Len Duvall AM (Deputy Chair):** The commitments that you have - just for us to understand - now for athletics events are up until when? It cannot be forever and a day, can it?

**David Goldstone CBE (Chief Executive, LLDC):** It is not forever. I cannot help you on that.

**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC):** Fifty years again.

**David Goldstone CBE (Chief Executive, LLDC):** Is it 50 years? Yes, I think it is 50 years.

**Len Duvall AM (Deputy Chair):** Fifty years?

**Gareth Bacon AM (Chairman):** If, for example, London were to host a Diamond League Athletics meeting every year, obviously you would reconfigure for that. If for whatever reason London lost the right to do that - I do not know how these things work with the International Weightlifting Federation, but let us say they did - and there were no other athletics events that were required that year, you would not convert the stadium, you would leave it as it is and therefore not incur that cost?

**David Goldstone CBE (Chief Executive, LLDC):** That would be an option we would have and we might look at what concerts we might have and see whether it is worth it. UK Athletics have the right to that period if they so --

**Len Duvall AM (Deputy Chair):** Do you have the right to charge them though for holding the booking fee for this period of time? If they pull out, for whatever reason, can you not say to them, "Thank you very much, we have set this aside. We could have marketed this and you have to pay a fee" or was that not built into the contract?

**David Goldstone CBE (Chief Executive, LLDC):** No, it was not. They have a right to it for I think it is a month each year, each summer.

**Gareth Bacon AM (Chairman):** That brings us to the end. Can I thank our guests for their contributions today? Helpful as ever.