

Budget and Performance Committee – 5 January 2017

Transcript of Agenda Item 3 – 2017-18 GLA Group Budget - OPDC

Gareth Bacon AM (Chairman): . We are joined now by Doug Wilson, Chief Finance Officer at the Old Oak and Park Royal Development Corporation (OPDC), Victoria Hills, Chief Executive at the OPDC and **David Gallie Assistant Director of Finance, Greater London Authority (GLA)**. Thank you very much and apologies for the very long wait.

As with all of the functional bodies, I am going to give Victoria the opportunity to make an opening statement. I have offered that to all of the chief executives. You do not have to but, if you would like to, we would be happy to have it.

Victoria Hills (Chief Executive Officer, OPDC): Thank you very much, Chair. Yes, I would like to make a brief opening statement.

Thank you for the invitation for me and my Chief Finance Officer to be here today. It is now 20 months since the Mayor established the second mayoral development corporation (MDC) in London and I would like to take this opportunity to just highlight a couple of things that we have been up to over the course of the last 20 months and, in particular, progress. We have an opportunity area planning framework (OAPF) adopted, a local plan through first-stage consultation, and so we have some very strong recommendations for a planning framework underway. The local plan stage 2 consultation is now being prepared with a view to taking that out this year, with an examination in public (EIP) to follow, and adoption of the local plan, we hope, late 2017 or early 2018.

We have master plan procurement underway, so we now have seven world-class consortia shortlisted for what will be the largest public sector master plan since the Olympic Games legacy master plan. I am delighted to say, with our first major scheme approved by the Mayor last August, we now have 11,000 housing units in the planning system already. This has exceeded our expectations. There is significant interest in bringing forward schemes earlier than we had previously anticipated, with several live planning applications now on the way, and Cargiant is due to submit its planning application later in the year. We think things are looking quite optimistic for driving forward housing delivery.

We have all our governance structures and stakeholder engagement in place. We have a Park Royal strategy in development. We have our first skills pilot underway, working in partnership with West London Business, local employers and local colleges. During this short period, we have been able to lay some very strong foundations. Not only is it the London Plan's largest opportunity area, but it is a very exciting part of London, where High Speed 2 (HS2) and Crossrail come together at the only part in the country.

It is still very early days for this project, but our role has really been to start de-risking the sites, incentivising delivery, and we have been doing that through the planning framework. We have been doing that preparation of the master plan. We have been taking our time to meet and engage with local residents and local businesses so that they very much feel part of what is to come over the next two to three decades of development. 2017 is going to be a very significant year for OPDC because the HS2 build is set to get Royal

Assent in the next month or so. That will really be a game-changer in terms of the level of interest because a lot of people say to us, "Is it really happening?" That Royal Assent will take that question out of the equation. We have the enabling works due to start on site this year, so this is not about something that is happening in the future; it is already here.

There is still much to do. We are very excited about our role in helping to de-risk the site, drive forward delivery and basically make the most of this future opportunity for London and Londoners. We would now be happy to take any questions that you have in relation to our budget proposals.

Gareth Bacon AM (Chairman): Thank you very much for that. I will start with a couple of factual understanding questions. The Mayor's draft budget shows a revised budget -- there is an error in here. It is your budget but it says London Legacy Development Corporation (LLDC) on it, which is interesting. Anyway, it is your budget of £11.4 million. Your last published board papers from 20 October last year showed a budget of £5.4 million. Where did the £11.4 million come from?

Victoria Hills (Chief Executive Officer, OPDC): Before I answer that question, I just want to provide a bit of context to the budget. When the OPDC was established in 2015, it was established as a thin client to maximise use of shared services. There was no intention to create a large organisation. We have responded to the GLA's request for efficiency savings and I am sure we will get to that through the course of the questions. It is absolutely factually correct to say that in October 2015 there was a budget shown of £5.4 million. At that meeting, the board agreed scenario A and scenario B. Scenario A was a business-as-usual budget, and scenario B was if the then-Mayor wanted to take a greater role in bringing forward and driving forward delivery, that we might ask the GLA for an additional £6 million, which gives you your £11.4 million. That was a private paper at that meeting, which is why the public board papers that you see are the £5.4 million figure.

Gareth Bacon AM (Chairman): Was that £6 million approved by the Mayor?

Victoria Hills (Chief Executive Officer, OPDC): It was, yes.

Gareth Bacon AM (Chairman): What we have in here then is the adjusted figure and so it is an in-year adjustment.

Doug Wilson (Chief Finance Officer, OPDC): In terms of timing, the additional budget was dependent on us agreeing the memorandum of understanding (MoU) with the Department for Transport (DfT). That was not achieved until March, by which time the formal budget process had ended.

Gareth Bacon AM (Chairman): For the benefit of the Committee, especially members who were not here, could you explain what the MoU is?

Doug Wilson (Chief Finance Officer, OPDC): Yes. We entered into negotiations with the Government, primarily the DfT, regarding the public sector land at Old Oak, which comprises about 70% of the total developable land there. The bulk of that is owned by Network Rail and we reached agreement that, in principle, subject to us satisfying certain conditions precedent, land would transfer to OPDC so that we could drive forward regeneration as a whole, rather than piecemeal, for the scheme.

Gareth Bacon AM (Chairman): That MoU is there to prevent Network Rail from selling the land off piecemeal to other developers, correct?

Doug Wilson (Chief Finance Officer, OPDC): That was our primary objective in pushing it through because Network Rail had already sold one plot of land and had income targets which meant it was pushing forward with other sales.

Gareth Bacon AM (Chairman): The point of the MoU was to allow the land assembly to take place for the regeneration project to go forward?

Doug Wilson (Chief Finance Officer, OPDC): Absolutely.

Gareth Bacon AM (Chairman): Off the back of that, that was when you wrote to the Mayor and asked for an extra £6 million, as provided by the £11.4 million. Have I understood that correctly?

Victoria Hills (Chief Executive Officer, OPDC): The land was part of it but not all of it, because clearly at that point in November 2015 we were not even a year old. It was an early budget proposal. As the project has developed, it has become clear there are opportunities to take a greater role in driving forward the delivery. Part of that is preparing a master plan. Part of it is being very clear on what infrastructure is required for the future site so that you can be very clear on the costs at the start and who is going to pay what and when. It became clearer as we went along that nobody was taking that co-ordinating role across the site. HS2 is very focused on the delivery of a station and tracks and tunnels. Who is doing the other bit around it? Absolutely, the MoU's greatest achievement is holding the land together. Throughout this period of the last year, we have been in a period of mayoral review. That would have been an ideal time for Network Rail to start selling off chunks of land. A fundamental principle of holding the land together, regardless of who takes it forward in the future, was really at the heart of it: "Let's stop a fire sale. Let's just hold it". Although it is not a legally binding document, the MoU has stood the test of time, because not one additional hectare has been sold off since the MoU was signed last March. It has been helpful from that perspective.

Gareth Bacon AM (Chairman): On the back of that, that is what led to the budget being increased in-year from the original one to £11.4 million?

Victoria Hills (Chief Executive Officer, OPDC): It was a contributing factor. It was not the sole factor because, as the project grew, it was clear that other things needed to be done on construction master planning.

Gareth Bacon AM (Chairman): What I am trying to get to with this series of questioning is that last year's budget was £11.8 million, less the income you are getting from planning applications of £0.4 million. £11.4 million is the figure that stacks up.

The proposed budget for 2017/18 is £6.9 million, which, on a rough calculation, is around about a 40% reduction, which seems extremely significant to me, but is it significant? What are the implications of reducing the budget by 40%?

Victoria Hills (Chief Executive Officer, OPDC): Were savings of 40% to be delivered, we believe that there would be an impact on delivery of homes and jobs. Clearly, if the GLA was prepared to release the £1 million that you will be aware of, that does help to significantly mitigate against that, and so does our ability to draw upon shared services across the GLA group, so some of the things we would have been doing with that funding if we could get those resources from Homes for Londoners, from TfL's commercial property team and so on. These are all mitigating factors but, yes, the 40% saving, we feel, would have an impact on the delivery of homes and jobs.

Gareth Bacon AM (Chairman): To what degree?

Victoria Hills (Chief Executive Officer, OPDC): It is always very difficult to say precisely, "This is the exact number of homes that you are not going to build by scaling back the level of master plan by not taking such an active role in Old Oak South", for example. We could be talking in the region of several thousand homes, and this is something we would be happy to come back to you in writing on because some of the figures that we have discussed with the GLA are, as you might understand, part of a private discussion and so it would not be appropriate to quote those now. We are not talking about a couple of hundred homes. We are talking about a few thousand homes that we would not be directly involved in putting forward and we feel might not happen as a result.

Gareth Bacon AM (Chairman): Was the extra money that was put into the budget just for the financial year that we are coming to the end of or was that in perpetuity?

Doug Wilson (Chief Finance Officer, OPDC): Because of the timing, it could only be agreed for one year, but we were perfectly clear that in terms of the next three years at least it would be required at a similar level.

Gareth Bacon AM (Chairman): There was an understanding in the then-Mayor's office and the GLA family group that that would be so?

Doug Wilson (Chief Finance Officer, OPDC): Yes.

Victoria Hills (Chief Executive Officer, OPDC): We had it in writing. Our previous chair wrote to the Mayor back in March, setting that out. We were very clear from the outset on that particular point.

Gareth Bacon AM (Chairman): Not for the first time today - this does not reflect on you - there seem to be some discrepancies in the documentation that we have before us. We have now agreed, then, that it is a £4.5 million reduction to your budget. On page 46 of the Mayor's draft budget, it suggests that actually you are only going to have to make a £1.7 million saving. How do you explain the difference between the £4.5 million that we have just discussed and the £1.7 million figure that is in the papers?

Doug Wilson (Chief Finance Officer, OPDC): Their figure is £4.5 million, which is comparing this year's budget with next year's. The figure quoted in the GLA budget document is the difference between our forecast outturn for this year and the proposed budget for next year. That forecast outturn is significantly below budget, primarily due to the Mayor's review causing a delay in operations.

Gareth Bacon AM (Chairman): I see. Mr Gallie [David Gallie], that is slightly unusual, is it not? Would you usually forecast a saving next to outturn or against the previous year's budget?

David Gallie (Assistant Director of Finance, GLA): The normal practice is to compare budget to budget. However --

Gareth Bacon AM (Chairman): What were you doing in this case?

David Gallie (Assistant Director of Finance, GLA): What we were trying to do here was to show the general meaning for comparison. It is important to recognise that the public March mayoral decision that was made to a previous £6 million was for a one-off spend in 2016/17.

Gareth Bacon AM (Chairman): What Victoria Hills has just said is that they have in writing that that was going to be year-on-year-on-year, not a one-off spend.

David Gallie (Assistant Director of Finance, GLA): The public mayoral decision in March last year was that the £6 million was a one-off approval.

Gareth Bacon AM (Chairman): There is some hair-splitting going on here, if I may say so. For how many other functional bodies are we making forecast budget adjustments based on outturn?

David Gallie (Assistant Director of Finance, GLA): The OPDC is the only one but that is to reflect, as I say, what we consider to be a more meaningful comparison, given that OPDC, as Victoria [Hills] has said, is only 20 months old. The additional £6 million was a one-off spend, and we felt that in terms of giving the --

Leonie Cooper AM: I am sorry, could you speak up a bit? I cannot hear you. It might be because I have gone deaf through blowing my nose, but you are quite quiet, sorry.

David Gallie (Assistant Director of Finance, GLA): Apologies. The £6 million is a one-off resource. We felt it more meaningful to give a comparison based upon the forecast outturn, rather than the approved £11.4 million budget for 2016/17.

Gareth Bacon AM (Chairman): The problem with that, David, is that is not the way we do things. That is not normal practice, and we are doing it now, bearing in mind we have a mayoral press release saying that the OPDC is a shambles, some of the money was not spent because the Mayor himself ordered them not to because he did a review. To be cynical, or to be the devil's advocate rather than to be cynical, I would suggest to you that the reason it is being compared to outturn is to minimise the scale of the cut. It is a presentation thing.

David Gallie (Assistant Director of Finance, GLA): The intent has been to try to give the public and you the most meaningful picture of what actually is the variance between --

Gareth Bacon AM (Chairman): Why have we never done it for any other functional body?

David Gallie (Assistant Director of Finance, GLA): I need to go back and check whether we have ever done it for other functional bodies.

Gareth Bacon AM (Chairman): Why are we not doing it this year?

David Gallie (Assistant Director of Finance, GLA): As I say, the reason is to try to show to the public and you the most meaningful comparison we can make of what the variance is on the Mayor's proposals.

Gareth Bacon AM (Chairman): Other members may have a view on that, but to me it looks like the Mayor's Office is trying to disguise the scale of the cut.

David Gallie (Assistant Director of Finance, GLA): It is important to recognise that the context is around the £6 million approval, and the public mayoral decision was for a one-off spend.

Gareth Bacon AM (Chairman): Again, if we have it in writing that that was not a one-off spend, then the Mayor is trying to hide behind semantics, I would suggest, to disguise a 40% cut in the largest regeneration project in Europe as something else.

David Gallie (Assistant Director of Finance, GLA): I have set out my position.

Gareth Bacon AM (Chairman): Ms Hills, do you agree with that position?

Victoria Hills (Chief Executive Officer, OPDC): The only position I can agree with is the facts that we have set out, that we had a three-year budget agreed with the GLA. We have been very clear in writing on what those figures are, and we were clear when we consulted with our board on the level of budget cut. We have been very clear with the GLA on our view on the budget cut. I cannot really add any more than that. Those are the facts as we see them.

Doug Wilson (Chief Finance Officer, OPDC): Can I just add one point of clarification so that no one is misled? As everyone here is aware, the budget is set annually, so there was no question of setting the budget for three years. Particularly, as David says, the public documents refer to £5.4 million. Certainly the approval is only for one year in terms of the process we had to go through because of the timing, but what Victoria is referring to is a letter from Sir Edward Lister, as Chairman, to the Mayor, saying, "I envisage the amount of preparatory work required, that a similar amount would be required for 2017/18 and 2018/19".

Gareth Bacon AM (Chairman): How did your board react to this news?

Victoria Hills (Chief Executive Officer, OPDC): The board reactions. You will appreciate, in the absence of a chair - the chair would usually mediate some of those - I had to relay the board views directly back to the Mayor, and they are in my response to the Mayor of 8 December [2016], very clearly out in the public domain. To summarise, two of the three borough leaders have asked for a pause in the budget process until a chair is appointed. There is, of course, a divergence of views within the responses, which we have not summarised. We have used their exact words. The highlight is that request for a pause until the chair is appointed.

Gareth Bacon AM (Chairman): The previous chair resigned. Can you remind me? Was it April or May?

Victoria Hills (Chief Executive Officer, OPDC): It was May.

Gareth Bacon AM (Chairman): May, yes. We have had no chair for eight months. Our papers advise us that applications are closing on 17 January and interviews are planned on 10 February [2017]. Is that correct?

Victoria Hills (Chief Executive Officer, OPDC): Yes, that is correct. We understand that in addition to the advertisement, GLA has retained search consultants, who are actively going out looking for the very best candidates, we hope, and we understand that the interviews will be held sometime in mid-February, and we very much look forward to a swift appointment so that we can have our 22 March board meeting where, as you can imagine, we have a bit of business to run through for that. We are very excited that things are moving forward, and we look forward to welcoming the new chair at the earliest opportunity.

Gareth Bacon AM (Chairman): In that scenario, we will have been without a chair for the best part of the year, for ten months. Is that fair?

Victoria Hills (Chief Executive Officer, OPDC): Those are the facts, yes. We have had an interim chair for a board meeting in September, and that was agreed among the board members, but that was purely for a meeting.

Gareth Bacon AM (Chairman): We have a 40% cut in the budget, notwithstanding what appears to be a mayoral decision to try to hide that, and we will have had no chair for the better part of ten months. You have offered to write to us with details about what cannot be done because of that cut. Would that be correct?

Victoria Hills (Chief Executive Officer, OPDC): Yes. We have been very open and transparent in our response back to the Mayor anyway, setting out the particular areas that would be impacted. Of course, we would be delighted to reiterate those areas, but in summary it is some of the socioeconomic regeneration work that would be impeded. The master plan would need to be scaled back somewhat. We will set out a bit more detail for you on that in writing.

Gareth Bacon AM (Chairman): You said in your opening remarks that around about - forgive me if I am paraphrasing you incorrectly - 11,000 planning permissions?

Victoria Hills (Chief Executive Officer, OPDC): We have 11,000 units in the system. Broadly, about 1,500 are granted. Most of those are pre-applications courtesy of the Cargiant scheme alone, which is 6,500. Just to put that into context, that is broadly the size of the Basingstoke urban expansion, so that one is quite a big deal. All in all, we have about 11,000 currently, as in granted pre-applications, or to be determined shortly.

Gareth Bacon AM (Chairman): To put it in the popular colloquialism these days, these are “shovel-ready” projects?

Victoria Hills (Chief Executive Officer, OPDC): Those particular sites are on what we would call the easier ones. They are what we call Old Oak North and North Acton. That is not to say they are easy. They still will require some infrastructure support, but they are certainly a lot easier than Old Oak South. As you will be aware, in the mayoral review report it identified that that really should be an early focus, which is indeed what we are doing. When you put all of those together with the rest of Old Oak North, you have about 15,000 homes that you can get away over the next ten to 15 years, which is the equivalent to Barking Riverside, so this is quite a big deal. It is worth remembering there are another ten on top of that that we can get to the south.

Gareth Bacon AM (Chairman): If this budget is approved, how many of the homes currently in the planning pipeline would be imperilled?

Victoria Hills (Chief Executive Officer, OPDC): The homes in the current planning pipeline broadly we can say are safe. They are in Old Oak North. It is the ones to the south. It is that overarching figure of 25,500 homes that is currently in the London Plan. That is the figure that we are saying would be hard to achieve on this current budget. Nothing is impossible, and we can call in resources across the GLA group, but we have been quite clear that our direct role in that would be limiting to get to that 25,500 figure.

Gareth Bacon AM (Chairman): We are going to move on and ask about activity on the OPDC site and

Leonie Cooper AM: It does seem that you started off mentioning the 11,000 in your initial remarks, but you do seem to be saying that the OPDC is not now on track to reach the key deliverable of 24,000 if this budget change goes through. Can you just clarify that for me? I did not quite understand. In the papers that we have on page 46 - and it is labelled LLDC, but I am assuming this is OPDC - it says, “Revised budget”. That is a one-year revision. Then, next to that, it says, “A forecast outturn”. The revised budget was an uplifted amount that was agreed just before the beginning of this year, but your board thought it was agreed for three years, except, of course, we do annual budgeting, so it was indicative for subsequent years. I am just not clear where we are and what you are saying.

Doug Wilson (Chief Finance Officer, OPDC): We were always clear there was no process for the GLA to give formal approval for three years after the closure of the budget process, but in any event, regardless of the three-year approval, it is reviewed annually. What we have is a letter from our chair to the Mayor --

Leonie Cooper AM: From the previous chair to the previous Mayor?

Doug Wilson (Chief Finance Officer, OPDC): -- yes, making it clearer that it was anticipated that that would be required for the three years so that there could be no misunderstanding in terms of future requirement.

Leonie Cooper AM: In fact you have not spent that and that is specifically because the Mayor has been carrying out this review?

Victoria Hills (Chief Executive Officer, OPDC): It is fair to say that there are pieces of work that we were not able to progress while the review was underway. Therefore it would be accurate to say that our outturn would have been significantly higher.

Leonie Cooper AM: Is your programme still delayed because of the mayoral review or are you now back into activity?

Victoria Hills (Chief Executive Officer, OPDC): We are very much back into activity. In a long-term, 30-odd year project like this, while ten months - as the Chair has rightly highlighted - seems incredibly problematic, over a longer period there is of course time to catch up, not least because we got off to a very quick start in the planning framework. Progress is moving forward on a number of areas, not least the masterplan procurement, which will be quite a big milestone for us. If we get that team appointed in the spring, it is a big one. Of course there is time to catch up with a lot.

Really, the external factor is HS2 for us. It is important that we carry on working very closely with it, in particular on station design, to ensure that when it lets out a big design tender, which it is going to do this summer, it meets the aspirations of the Mayor in terms of a station that links into existing communities and enables development.

Casting back five, six or seven years, Old Oak was only going to be an interchange station for HS2 and Crossrail. As things have moved forward everybody has now realised that there is a major opportunity to put in a lot of homes and commercial space for jobs. It is very exciting but if you do not get the station designed right, we will have a situation when the station opens in just under ten years' time when everyone will be looking around and saying, "Why isn't there an access route out of there? Where is the development?" I am exaggerating a little. A lot of the work that we are now moving on is working very closely with HS2 to push them to provide flexibility in that design to futureproof the opportunity.

Leonie Cooper AM: Putting in context not having a chair from 5 May 2016 until March 2017, why did you not appoint an acting chairman while the review was carried out and that sort of thing? Was that not something that was considered? Presumably you have a deputy chairman who could have stepped up to replace Sir Edward Lister [former Chair, OPDC].

Victoria Hills (Chief Executive Officer, OPDC): We did not have a deputy chair. That was a conscious decision by the previous administration. We do not have an acting chairman. That is a conscious decision by the current administration.

Leonie Cooper AM: It may be something for somebody to think about. Within the context of HS2 and those wider decisions perhaps having that ten-month pause has not mattered but it does sound as though we might now be a bit behind. You are saying that overall it will not make a difference to the delivery of the 24,000 new homes and the social and economic regeneration, it might just be extended by ten months?

Victoria Hills (Chief Executive Officer, OPDC): The delay would not. Obviously what we are here to talk about today is the budget, which would have implications.

Leonie Cooper AM: Do you think an acting chairman would have been able to more effectively argue on your behalf about any potential budget reduction of 40%?

Victoria Hills (Chief Executive Officer, OPDC): As Chief Executive, I can do my very best to put forward arguments. Of course, if you have a more experienced heavyweight who is performing that role alongside you, that may have been a help. It is probably not appropriate for me to say any more than that because it is not really one for me to comment on.

Leonie Cooper AM: Sure. I am putting you on the spot, obviously.

Doug Wilson (Chief Finance Officer, OPDC): For context, what Victoria cannot say is that the previous chair, being Sir Edward Lister, was also the Mayor's Chief of Staff --

Leonie Cooper AM: I know.

Doug Wilson (Chief Finance Officer, OPDC): -- and so what Old Oak needed Old Oak got, basically. Without leadership for ten months, perhaps it has been cast adrift slightly. I know that she cannot comment on that but that would certainly be my interpretation of it. Sorry, I interrupted you.

Leonie Cooper AM: No, I was just trying to explore whether having someone with a closeness with the administration would have assisted you. You have extrapolated from that in that way.

Doug Wilson (Chief Finance Officer, OPDC): I am ruining your question. Sorry.

Leonie Cooper AM: I will leave my questions there. Thank you.

Keith Prince AM: A very simple question: what are the next steps for your organisation?

Victoria Hills (Chief Executive Officer, OPDC): Clearly a big next step for us is the appointment of the chair. Getting that sorted out as soon as possible is a big one. In terms of our work programme, we are currently shortlisting the seven consortia on the masterplan. We have a process taking place at the moment and we would like to make a recommendation up to the board in March [2017] for that appointment. Getting that masterplan team appointed is one of our big early milestones.

On the local plan, we are getting stage two consultation underway as soon as possible. We will of course need to discuss that with the new chair. That is one we would like to get going in mid-2017. It is not to say the work is not there ready to go and it is not to say that the boroughs are not all aligned. It is one of our big achievements that all three borough leaders on the board are happy with the OAPF and with the local plan and they have all endorsed it. We are ready to go but it is so significant that we do need to wait on the new chair.

Adopting the Community Infrastructure Levy (CIL) is important. For those of you not familiar with our powers, we are the planning authority but also the local plan-making authority. That is significant because it means we set the CIL and we can raise the CIL, which is funding that the Mayor can directly use to put back into infrastructure. That is a really important power that urban development corporations - Edgeley, for example - do not have but the Mayor does.

You will have seen in the mayoral review and referred to in the budget documents the developing of self-finance mechanisms. We need to do some work on that, very clearly. Perhaps you might have some more questions on that. There is also renegotiating parts of the MoU on land. There is a theme here. These are the things that have been set in the mayoral review report very clearly as priorities. We will be picking up all of those priorities and implementing them.

The third-party milestones I have already alluded to are HS2-related. The value-added tax (VAT) bill and getting royal assent take out any uncertainty about whether it is going to happen. Yes, the station is going to happen. We look forward also to HS2 appointing its new chief executive because it is going through a period of change also. It is a good opportunity and an exciting year ahead. Those are the main big milestones.

I have not mentioned Park Royal in this, which is a bit remiss. We have an awful lot of work going on with local businesses there. We have a skills pilot. We are getting a very clear strategy set out that focuses on infrastructure improvements, focuses on skills and getting some sort of park team helping businesses navigate their way through all of this change, but also opportunity. It is a big one for us. I do not know if I have missed anything.

Doug Wilson (Chief Finance Officer, OPDC): That pretty well sums it up.

Victoria Hills (Chief Executive Officer, OPDC): We have a lot. There is a lot to do. It is an exciting time.

Gareth Bacon AM (Chairman): You touched on it just now and I meant to ask you earlier on about the £1 million contingency. In one of your earlier answers or your opening remarks, you said that if you were able to access that, it would mitigate the scale of the cut that is in the draft budget. On page 46 of the Mayor's draft budget, it says that the contingency is held by the Mayor to support self-funding proposals to be developed by the OPDC. I am looking for you to correct me if I am wrong on this. My understanding of that means that you would not be able to use that, business-as-usual. You would have to use that for a specific purpose, which presumably is to make yourselves self-funding so that you do not have to rely on the Mayor for any funding. Am I correct?

Doug Wilson (Chief Finance Officer, OPDC): The point is that we would need to have some money in the short term that could generate a return in the longer term --

Gareth Bacon AM (Chairman): Like seed funding.

Doug Wilson (Chief Finance Officer, OPDC): -- so that it becomes more of a cash flow issue than an outright funding question.

Gareth Bacon AM (Chairman): All right. It would be a pump-priming type of thing. It could not be used on the scale of the cut.

Doug Wilson (Chief Finance Officer, OPDC): It can. If we are able to satisfy the GLA that we can fulfil such an arrangement then the funding should be available to enable us to move forward. We are talking about an inability to deliver to our targets; we are talking over a 35- to 40-year period. There is still time to recover that.

Gareth Bacon AM (Chairman): My understanding of what Victoria said earlier on is that if the 40% cut were put back into your budget, it would mitigate the scale of the cuts. That would imply that that stays in your budget in perpetuity and takes the 40% down to 31% or 32%, I suppose. However, the way it is written in the budget document here, that can only be accessed in order to provide funding to work up schemes to make your self-funding. It cannot be used for what you would normally do as business-as-usual, for what the £11.4 million is. It is used for something else.

Doug Wilson (Chief Finance Officer, OPDC): What we have to do are the two aspects of this. The one that we earn is revenue. The real issue would be capital. What we would propose is that, given that the OPDC's regeneration activity (Inaudible) the arrival of the Crossrail/HS2 station will create a significant uplift in land value, then what we would be looking to do, or looking for the GLA to do, is to acquire plots of land now, whether that is MoU land or private land that could be negotiated through negotiation or compulsory purchase order (CPO) powers. That land would increase in value, delivering the returns needed. When purchasing that land, we are also pressing ahead with our regeneration effort.

Victoria Hills (Chief Executive Officer, OPDC): There are a number of opportunities that we have identified, a number of sites, which it would make perfect sense for the GLA to buy as a future investment. When I say "GLA", the London Housing Property Company, on OPDC's behalf to capture land value. We know this is something of interest to the London Finance Commission but also the Assembly: capturing that land value. There are a number of sites here that help make that self-financing mechanism work, if you see what I mean. The uplift in those sites would more than cover some of the seed funding costs we are talking about in our budget. What Doug is alluding to is that it is over a longer period. It is not immediate. We do not get immediate payback in year one or even year five. This is a long-term view about taking a stake in the area and capturing the uplift for the public purse in a way that is not always done that well in this country. We can all recognise that. HS2 is doing it and it is not part of its remit to do it and so there is a golden opportunity here for the Mayor to take a direct role.

Gareth Bacon AM (Chairman): Given the timing of the HS2 station, your argument is that it needs to be done sooner rather than later. Once it is there, the land value --

Victoria Hills (Chief Executive Officer, OPDC): It has already gone up on a number of sites. There are some no-go sites that we would not think of recommending for the GLA to buy now, but there are a number of sites - five, six or seven - which we think would be worth getting hold of. We have the CPO powers to do it and the masterplan provides a scheme in which we can exercise those CPO powers, which is why we are moving ahead with the masterplan.

Doug Wilson (Chief Finance Officer, OPDC): An important aspect of this that is not implicit in the MoU - we had discussions with the DfT and Treasury about this - is that in the event we do reach agreement to transfer land, it is unlikely that that land will transfer to OPDC. There are several reasons why it would make a lot more sense to have it as GLA Land and Property. We have used "OPDC" in the memorandum as shorthand for "the GLA group".

Gareth Bacon AM (Chairman): All right. We have reached the end of the questions on this.

Sian Berry AM: I have a second part as well, as we have reached that part of the agenda. My apologies.

We have talked about London a little bit. One of my questions written down was about land. You have mentioned that you want to negotiate parts of the MoU on land that was made with the DfT. Can I ask what sort of terms you are looking for there when you are talking about renegotiating?

Victoria Hills (Chief Executive Officer, OPDC): I can show you the high-level bit and then I will hand over for the detail. Just to be clear, it was the outcome of the mayoral review. The Mayor is very clear that he wants to negotiate the MoU and get a better deal for Londoners. What tends to happen on schemes is that you can come to an arrangement with other Government sector landowners that you share the uplift together. Broadly, there is an opportunity to do that after costs are met. That is after all the infrastructure has gone in the ground, the land has been cleaned up and the development has happened. If there is anything left over, you can all share it together. I am just going to hand you over to Doug for a little bit more detail.

Doug Wilson (Chief Finance Officer, OPDC): Yes. It is helpful to understand that while the land is clearly an issue, it is a relatively small part of the MoU. What the MoU says in principle is that land should transfer commercial value based on existing use. When you get to determine what that is and in some instances, we could be talking about negative values if the land is badly contaminated.

What is potentially a much greater issue is the fact that the MoU says that we should not come back cap-in-hand to the Government for more money. Given the size of the infrastructure bill that is likely to be incurred at Old Oak, it is a more pertinent issue to renegotiate than the land itself. The land is only one element. There are a number of interlinked factors.

Victoria Hills (Chief Executive Officer, OPDC): In summary, it is about getting the best possible deal. What the Mayor has quite rightly said is that this is a big station coming, we are building it and you want me to help you deliver reservation around it. Let us do it on favourable terms rather than me being expected to pay something up front for it. That is broadly where we are. Of course that renegotiation will have to wait for the appointment for the new chair and is currently on hold until we have the chair in position to lead that forward with the DfT.

Sian Berry AM: I am on the Housing Committee as well and there we have identified when talking to TfL, which has been looking at its land, contradictions between wanting to make the most money out of the land and achieving the affordable housing targets of the Mayor. There we have been talking about not selling off the land. Most of what you said about capturing the land value and the uplift, those are sales words for selling off the land as opposed to keeping the land and making money from it in other ways. TfL is looking at potentially getting involved with the build-to-rent sector and things like that.

Are those the kinds of things you might be talking to the DfT about, sharing the income from that in the long-term?

Doug Wilson (Chief Finance Officer, OPDC): Yes. To be clear, when we are talking about selling land, we are not talking about simply buying it and selling it on. It is likely to be in partnership with a developer so that we could wait longer and benefit from the ultimate uplift and revenue stream.

Sian Berry AM: Is that being co-ordinated at a GLA level?

Victoria Hills (Chief Executive Officer, OPDC): Yes. We are very much wanting to sit down with Homes for Londoners when it is properly established to have those detailed conversations about how all of that

will work. With all of that expertise here and in TfL Commercial Property, there is a great opportunity for some exciting work here but it does require a lot of work upfront to make the most of that opportunity.

Sian Berry AM: Yes. There is a lot of staff time involved and things like that. Finally, about the Secretary of State for Transport - who is not, arguably, getting on very well with the Mayor at the moment because they have an argument about devolution of rail - does the organisation have separate relationships with the DfT when we are talking about renegotiation or is that dependent on the Mayor?

Victoria Hills (Chief Executive Officer, OPDC): It would not be appropriate for me or Doug to comment on the Mayor's relationship with the Secretary of State.

Sian Berry AM: No. Do you have a separate relationship?

Victoria Hills (Chief Executive Officer, OPDC): We have an excellent working relationship, and have done from the outset, with DfT officials. I speak regularly with the Director General for HS2. All of his directors and assistant directors meet regularly. We have a delivery steering group which they sit on monthly and indeed up until very recently they were board members. The board is now going to change. As the organisation evolves, we will have a less stakeholder board. At a working level, it does not impact what we are doing and has not done to date. I cannot comment on how the future renegotiation will pan out because it will be dependent on what the Mayor asks the new chair to do. We are there to smooth it along as much as we can.

Doug Wilson (Chief Finance Officer, OPDC): It is worth adding that we also have excellent relations with Treasury and its infrastructure people because clearly they play a part in all of this as well. It is not purely down to DfT.

Victoria Hills (Chief Executive Officer, OPDC): The Department for Communities and Local Government (DCLG) as well. It would be remiss of us not to mention that. We are joined up with all of them and it is an excellent working relationship.

Gareth Bacon AM (Chairman): Assembly Member Berry has come on to something here that I am going to explore with you now. You said you have excellent relationships with the officials at the DfT and the Treasury. The MoU was signed in March 2016, correct? The officials, I am assuming, on all sides are broadly the same. Since March last year, there have been a number of changes. The world has indeed tipped on its axis. We have a new Secretary of State for Transport, a new Mayor and a new Chief of Staff. We do not yet have a chair of the OPDC. All of the political personnel have changed. That is correct, is it not? I want to get back to the MoU. How long did it take to get that put together and signed?

Victoria Hills (Chief Executive Officer, OPDC): From memory, when I started the job the first question I had was, "Who owns all the land?" We ran a geographic information system (GIS) map and found out that about 80% of it, 97 hectares, was sitting with DfT and Network Rail. In April 2015, we were asked by a joint DfT/DCLG team to put together a growth strategy, which was essentially, "What do you need from us to help you to deliver?" It was very clear at that time that there were not going to be big pots of cash sat around for OPDC for infrastructure. I am talking about a different time, a different political administration in the Government and the Mayor.

It became increasingly obvious that something that we might be able to ask for would be the land. Very early conversations started with Government, I would say, from about May or June 2015, along those lines, and they progressed significantly over the summer to the extent that we were able to take a private paper to our board in November 2015 recommending, if an agreement were reached, we would have Budget A, which is business

as usual, and Budget B, where we take a much more proactive role. To the time that the MoU was signed you are talking broadly a year. This was a year in the making. It was very much about how we could work together to get developments away. This is at the official level.

Gareth Bacon AM (Chairman): You got political agreement, presumably, because it was signed around about then. The Mayor, as you said in your remarks, and your comment was fair, wants to renegotiate the MoU to get a better deal for Londoners. There is nothing wrong with that sentiment at all. However, I am a bit worried about the implications. Having said that in public, what are the implications for the existing MoU?

Victoria Hills (Chief Executive Officer, OPDC): In what sense, sorry?

Gareth Bacon AM (Chairman): We are getting a very strong beam from the Mayor of London, who will be here for several years to come, that he thinks this MoU is no good and he is reducing your budget significantly. You said it was not legally binding, and indeed it is not. It is not a contract. Does that have implications? Will the MoU lose legitimacy in the eyes of DfT and Network Rail? Is it possible that they will start selling land?

Victoria Hills (Chief Executive Officer, OPDC): Just taking a step back, our ultimate objective here is to ensure that as many homes and jobs as possible can be delivered around the station. The reason why we stepped in with the MoU was because it was obvious that the Government was not going to be doing that role. That is why we stepped in. If it comes to pass that Network Rail, Continental Railways, somebody else or something else that is set up by Government is now going to take forward development of that land, you could argue that our role should be much more co-ordinating and getting the planning framework together. "Let us all work together". At the moment, we are not in that situation and nothing has really changed.

My own personal view is that the Mayor is in a very strong position given the transport sector has a state desire to move forward very quickly with HS2 and deliver as much growth around stations as possible, having world-class stations with development around them. My own view is that the Mayor is in a very strong position to go back and negotiate a better deal for London but it must be done quickly and we need to move forward with that as soon as the Chair is appointed.

Gareth Bacon AM (Chairman): Do you think that the risk is minimal, then, that going back to the Government and saying, "Actually, we thought that the deal you gave us before was not that good and we want to change it", would invalidate the previous MoU? This is where I am going with this. If the Government turns around and says no, then the whole thing falls to bits, does it not?

Victoria Hills (Chief Executive Officer, OPDC): First, I would not say the risk is minimal. Secondly, the Mayor has a legitimate reason for going back and renegotiating it because it was his predecessor who negotiated the earlier deal. There is a legitimate reason why he can go back. My personal view is that I cannot see how it would be in DfT's interests to tear up the MoU. It wants development to happen and it wants to work with all the local growth areas. It is doing it in Birmingham, it is doing it in Manchester, it is doing it in Leeds and it is already thinking about phase two. It would be very odd for them not to want to work together.

I am not saying it is going to be all plain sailing or a piece of cake but there is a window of opportunity here around the HS2 Bill getting royal assent stage to have a detailed discussion with the DfT about how we can work together to make the most of this very significant investment that HS2 are making into the station. It is not in their interests to have a station opening in ten years' time with nothing happening around it.

Gareth Bacon AM (Chairman): I will be blunt in terms of my concern. The previous Mayor and the previous Secretary of State who signed this MoU were also terribly keen on mayoral devolution. They published a

prospectus around that. The existing Mayor is as keen on mayoral devolution as the previous Mayor but the new Secretary of State is not. We have all heard the issues with that. If this Mayor goes to this Secretary of State saying, "The MoU that was signed by your predecessor is something we think does not hold up and we want you to give us a better deal", and the Secretary of State turns around and says, "Actually, no", then what are the implications for the existing MoU and the work programme on the OPDC?

Victoria Hills (Chief Executive Officer, OPDC): It is highly likely that when the Mayor appoints a new chair, he will be asking the chair to go back and do that renegotiation in the first instance. You might say it is a semantic point but that is the situation. As I stated earlier, I personally feel it is highly unlikely. It would not be in the interests of the DfT. Just for the avoidance of doubt, this is the largest station on the HS2 phase one and HS2 tells me this is the largest subsurface station to have ever been built in the United Kingdom (UK). I just cannot foresee a situation where the DfT is going to say, "We do not want development to happen around it".

The only scenario that I can envisage in which it would tear up the MoU is if it has another plan in its back pocket that is to set up another development company or it asks Network Rail to do it. All of our discussions to date make us feel that that would be unlikely because it very much wants the local places to drive forward the growth off the back of its stations.

Just to be very clear and to answer your question very specifically, if the DfT did not want to proceed with the MoU, of course that would be, in my opinion, an issue. As I said at the start, it is important not to lose sight of the fact that the whole purpose of the MoU was to hold the land together. We would then proceed to persuade Network Rail to do that rather than selling it off piecemeal in a fire sale. There are other options open to us, of course, through CPO and whether the GLA wanted to take a role in that way. There are a lot of variables.

Gareth Bacon AM (Chairman): I do not want to pursue this point for too much longer because Assembly Member Berry wants to come in, but I am not surprised by what you say about the DfT being quite keen on the MoU because of course it was a party to it when it signed it. It is fully aware of the implications of the station. It is the Mayor who is critical in his review, very critical, of the terms upon which the MoU was signed. If the Mayor is sending signals that he thinks the terms of the MoU do not stack up, surely there might be some implications as the validity and the seaworthiness of that MoU.

Victoria Hills (Chief Executive Officer, OPDC): All I can do, sorry, is to quote back the findings of the review, the sentence, "Transferring land holdings in the area from Government to the Mayor remains a sound concept". This is in the Mayor's own review. There is no intention to enter into a negotiation that sees the negotiation failing. The intent is very clearly set out in the review report: to reach a better deal. The concept of getting that land transferred across is a sound concept and rings true with what the Mayor and many of his Deputy Mayors say very regularly on a public basis: that getting hold of more brownfield land and bringing forward brownfield sites holds the key to delivering more housing in London. With 97 hectares of it currently sitting there with the DfT, there is this golden opportunity to do that. Sorry, I interrupted you.

Doug Wilson (Chief Finance Officer, OPDC): Sorry, I just wanted to add - if it might be helpful - that having been involved in the discussions leading up to it, clearly there is a risk and the risk depends on the extent one seeks to renegotiate. One of the points we discussed in drawing up this MoU was whether it should be an MoU or a more formal binding agreement. The reason it is an MoU is I do not think anyone around the table expected it to stay exactly as it is. It was to give us the scope to look at this further because we were not in a position to get into any detail on what the land value might be or various other important factors. There was a conscious decision taken to make this an MoU.

Gareth Bacon AM (Chairman): I think everyone would agree that it is a sound concept to do this. It has taken a significant period of time in the OPDC's life to get this MoU drawn up, signed and agreed. I take comfort from what you have just said there, Doug, about the fact that it was an MoU rather than a contractually-binding document was that it might evolve over time. Are you confident that the DfT are going to be willing to agree to something that it may have termed more commercially acceptable?

Victoria Hills (Chief Executive Officer, OPDC): If we just go back to what I was saying about our excellent official working relationships, the senior officials that I meet with - and my senior team meet with - regularly all want to make this work. That is the starting point: they want to make this work. The onus is on us and on our colleagues on the other side, if you like, to ensure that when the two parties have to sign a bit of paper that they are happy to do it. I strongly believe that there is the will to do that. I am not saying it is going to be plain sailing, but it is in everybody's interests to make it work.

Gareth Bacon AM (Chairman): My final point on that then is probably back to what I said about rail devolution. The officials on both sides are very keen on that and on making it happen.

Sian Berry AM: Sorry to come back in on this but, seeing as it was brought up, Assembly Member Bacon has focused quite a lot on the relationship between the Mayor and the DfT, which I did in my question, admittedly. One of the other changes that has happened particularly since the MoU was signed is a change in land policy away from fire sales, more towards longer-term benefits, more towards putting together things that work across the whole public sector.

You did mention, Victoria, the DCLG, which you have good relations with. We had the Minister for London - the Minister for Housing - who came to one of our plenary sessions, who gave us really encouraging comments about that slightly more mature attitude towards land ownership. I do not know how much that has filtered through to the DfT itself. I know that it is very well embedded now in TfL, within the GLA and it is something that seems to be going throughout Government. I hope this is something that can happen. I do not think all the risk is with the DfT's relationship; we have other Ministers we can talk to. Are you talking to the Minister for London about this? He is the Minister for Housing as well.

Victoria Hills (Chief Executive Officer, OPDC): I would very much like our new Chair to sit down and have those precise conversations. Where our frustration is that every Government department has a different view about how land should be disposed of --

Sian Berry AM: Currently, yes.

Victoria Hills (Chief Executive Officer, OPDC): Currently. The DCLG really is the lynchpin of pulling everybody else together. You are absolutely right that we are not going to do it just through our conversations with officials or with the DfT. The DCLG holds a very key role in looking at the broader picture. Indeed, when you look at all of the responsibilities related to HS2, the DCLG does have a role in ensuring that there is delivery of homes and jobs around stations. Ultimately, the DfT holds the responsibility for the strategic benefits, but the DCLG is part of that. We wish that all Government departments were as forward-thinking as the DCLG but, joking apart, it does provide a really key role in helping to rally other departments. It is a common theme when we sit down with Treasury to say, "Wouldn't it be nice if all Government departments approached land release in the same way?" Currently they do not but, if they did, we might all be able to work to a strategic objective.

Gareth Bacon AM (Chairman): We have reached the end of this section. We will write to you this afternoon requesting the various bits of information that you offered. If you could return that relatively speedily, it would be very much appreciated. Can I thank the witnesses for their attendance and their answers?