Appendix 3

Budget and Performance Committee – 5 January 2017

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

Gareth Bacon AM (Chairman): .

Firstly, can I welcome our guests? Gerry Murphy is the Executive Director of Finance and Corporate Services and of course David Goldstone we are very familiar with as the Chief Executive of the London Legacy Development Corporation (LLDC) and David Gallie Assistant Director of Finance, Greater London Authority [GLA]

With all of the functional bodies, I have offered the opportunity to the chief executives to make an opening statement. You do not have to: some have; some have not. If you would like to, then please do. Otherwise we will just crack on with the questions.

David Goldstone CBE (Chief Executive, LLDC): Thank you. I will not make a long statement. In fact, it is that we are trying to deliver a transformational regeneration of an area that was - as is well-known - an area of great deprivation previously. Whilst it is a very challenging endeavour and a long-term enterprise to deliver tens of thousands of jobs and homes and all the community facilities that we are delivering around that, we are making fantastic progress. We are very keen to keep an eye on the big picture of that transformational regeneration we deliver, which will create new communities with sustainable employment, high-level, good-quality jobs. Long-term sustainable communities are being delivered with many tens of thousands of homes being created and schools that we now got operational in the area and the other community facilities, using the Park as a lever and the opportunity to do that. I know there are a number of specific issues you will want to pick up, which we understand, but big picture we think that transformational regeneration is going very well. We are really pleased with the progress it is making.

Gareth Bacon AM (Chairman): Before we get to the questions, Assembly Member Desai wants to make a declaration.

Unmesh Desai AM: Thank you, Chair. Just to declare a non-pecuniary interest in two respects: I am a trustee of West Ham United Foundation and I am also a Newham councillor, which is of course a part of E20. I will maybe ask you some questions about it in due course.

Gareth Bacon AM (Chairman): Thank you for that clarification. We are going to open it up and talk about the revenue budget.

Leonie Cooper AM: Thank you very much, Chair. This might be something that David Gallie (Assistant Director of Finance, GLA): might be able to help with. On page 41 and 42 of the documentation, the group budget proposals and precept 2017/18, it is just about the savings. I do not quite understand - if you could just explain this to me - in the chart on page 41 at the bottom there, it says, "Savings to be identified in 2017/18, zero", and yet over the page in paragraph 7.16, where it talks about savings and efficiencies, it says, "The budget in 2017/18 includes proposed savings and efficiencies of £3.8 million". That does not seem to be the same figure, but then £3.8 million then recurs in 2019/20, £4.6 million in 2018/19 and then zero in 2021. Can I assume that these are not cumulative, that these are individual figures per year? Can you tell me why it says "zero" on page 41 and yet talks about £3.8 million in paragraph 7.16?

David Gallie (Assistant Director of Finance,GLA): The £3.8 million in 2017/18 are savings that have been identified by LLDC hence the savings identified figure for 2017/18 is zero because there are no additional savings.

David Goldstone CBE (Chief Executive, LLDC): We do not need to find any more. We have identified them.

Keith Prince AM: That chart is not a cumulative one.

Leonie Cooper AM: They are not cumulative. You have already found those savings is what you are saying?

David Gallie (Assistant Director of Finance, GLA): The LLDC in the future needs to find cumulative savings of £4.6 million and then £3.8 million.

Leonie Cooper AM: Then £3.8 million and so I need to add £4.6 million to £3.8 million to get the fully cumulative figure across this?

David Gallie (Assistant Director of Finance, GLA): No. The reason why the £3.8 million is lower than the £4.6 million is because at this stage the savings are not yet identified and therefore they would still arise. They need to be made on the assumption that at this point we do not have detail in 2018/19 of those savings. It has to make a lesser level of savings in 2019/20 than it does in 2018/19. We may come back to the explanation.**David Goldstone CBE (Chief Executive, LLDC):** We will have had to achieve the £4.6 million in 2018/19 first and then the £3.8 million in 2019/20 to get to the balanced position we have achieved for 2017/18.

Leonie Cooper AM: Do you have savings plans for the year 2017/18 or your --

David Goldstone CBE (Chief Executive, LLDC): For 2017/18, yes --

Leonie Cooper AM: You do? All right.

David Goldstone CBE (Chief Executive, LLDC): -- which identify the £3.8 million savings. Gerry[**Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC]**can talk more about how we are doing that, which is why we do not have any more savings to be identified.--**LLDCLLDCLLDC**
Leonie Cooper AM: In the material that I have been given, there is not very much detail on that. It just gives some headlines: finance, corporate services, contingency, that sort of thing. I wonder if you could unpack that a bit more for us so that we have a better understanding of what that is about.

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): I can. In 2017/18 we have identified £3.8 million of savings and efficiencies. By far the largest element of that relates to the cost of running the venues: the Aquatics Centre, the Copper Box and the Orbit. There is £1.2 million of cost reductions, if you like, in the net cost of running those venues and that is by far the largest element. Within that, the Aquatics [Centre] is significant.

Last year we identified savings in security by bringing our security services within our facilities management contract. However, we retained a security contingency because the Park was in 2016/17 going into a significant new period of operation with the opening of the Stadium. We have found that we have not needed to substantially call on that security contingency and so we will not be carrying that forward. We will be dropping the security contingency.

We have had, in our regeneration programme, a planned stepdown or retrenchment in community sport engagement and business engagement programmes. It was always intended that we would invest more heavily in regeneration in those areas at the start, at the opening of the Park, and so we have planned savings in those areas.

Then, because our budget is relatively small, there is a long list of small items that make up our savings, but, broadly, we have targets for the commercial strategy, for further savings from our estates facilities management contract, for bringing new income in --

Leonie Cooper AM: That has unpacked it sufficiently without going into every last jot and tittle --

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): Yes, there is a long --

Leonie Cooper AM: --but, clearly, mentioning the fact that there is a lot of very small savings going on in the budget overall as it is a reasonably small budget and yet you still have this quite large figure for 2018/19 of over £4 million. Is that achievable? How much more lean can you really become?

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): How much more lean can we get? That is a very fair question. We have, by way of context, delivered savings of £9 million in the current year and £3.8 million in the next year. Our planned savings, already included in these numbers, are about £1 million in 2018/19 and so we have already identified £1 million.

What we have done over the last couple of years is we have borne down on costs and tried to expand our income and we have, working with the Greater London Authority (GLA), balanced the budget over the last two years. We would anticipate seeking to do that again, although it is a very fair point that, actually, our budget is quite constrained now.

Leonie Cooper AM: Is your income rising in line with the expectations that you had from the beginning? Presumably, you are offsetting that against the --

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

Leonie Cooper AM: A number of these facilities you talk about being fundamentally loss-making. You do not expect to make money from the Aquatics Centre but, presumably, if you rent it out more, your loss is ameliorated.

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): The Aquatics Centre will probably always require some sort of subsidy, but we have increased income and reduced cost and so the underlying performance of the Aquatics Centre is been improving. We would continue to seek to do that, although I very much doubt whether it will ever [make money]. However, the Aquatics Centre sits as a venue among venues on the Park and so we are looking at the total --

Leonie Cooper AM: You look at them globally, do you not?

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): Yes, we look at the total cost base of running the Park. The direct costs of that are in the region of £10 million. We look across that for trying to make efficiencies.

In the big picture, the LLDC has started to collect a fixed estate charge that is levied on all residents and businesses. Over time, that will grow, but that is a long-term growth as residents move onto the Park and as businesses move onto the Park. That grows over a long period of time. Over 10 to 15 years, that gets up to £10 million, £11 million and £12 million. That is the sort of timescale that we would be looking at to be seeking to be truly sustainable. It is one of the long-term aims.

Leonie Cooper AM: You would expect, really, that you would break even at about that point when you have all of the businesses, the Cultural and Education District and all of the buildings, some of which are still under construction at the moment --

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

Leonie Cooper AM: -- when they are all complete? Everyone recognises that when they come on, they will have to pay those charges. If I could just come back to my point, then, your income at the moment is rising relatively slowly, but there is going to be an incremental increase as those come on-stream?

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

David Goldstone CBE (Chief Executive, LLDC): Just on income, just to go back, there are two things in there. There is now the day-to-day. As we are, as Gerry said, bearing down on costs, we do try to maximise income. It may be obvious, but part of the £3.8 million of savings and efficiencies you were talking about is that we are, for example, increasing income on our car-parking charges around the Park. With those sorts of things, we are incrementally pushing the income to make sure we can minimise our burden on the GLA budget overall and --

Leonie Cooper AM: I did not even know that there was parking anywhere near there. I assumed that everyone had to go there on bicycle, on foot or by public transport.

David Goldstone CBE (Chief Executive, LLDC): It is limited. You are correct. The basic principle is to be a public transport area and there is some limited car-parking, for example, by the Aquatics Centre and by the Broadcast and Media Centre. Pushing our income is part of what, day to day, we try to do to absolutely balance the budget. Long term, as Gerry said, the fixed estate charge increasingly kicks in to be the main source of revenue.

Leonie Cooper AM: On the cost-reduction side, we understand that with the savings programme, as well as bearing down on the Aquatics Centre particularly, you are going to reduce some sort of major sports programme or is that just generally the reduction you referred to with the community and sports engagement areas?

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

David Goldstone CBE (Chief Executive, LLDC): On the sports programme, there are two elements. The thing that is referred to in the budget papers that is reducing specifically is that once the Park reopened in 2014, 18 months after the Games, there was a conscious commitment to try to attract major sporting events to the Park to help establish the venues as world-class venues in a legacy mode for hosting major events in the future. That has been really successful. You will know, I am sure, that we have had international diving at the European Aquatics Championships this summer. We had the Union Cycliste Internationale (UCI) World Track Championships at the VeloPark, the Lee Valley venue. We had the EuroHockey Nations, etc. These are the sorts of events we have been supporting to help bring those major events to the Park to help establish the venues.

We always planned to reduce that once they had got established. We should not need to keep subsidising them and that is what is reflected in the budget numbers you are seeing. We will effectively bring that to a halt now. That does not mean we will stop having the events because that approach has been successful and those major international events will carry on coming to the Park but without us needing to subsidise them. We have coming up the Six Day cycling event, the World Hockey League, the World --

Leonie Cooper AM: You have enticed them in --

David Goldstone CBE (Chief Executive, LLDC): We have enticed them in. We have proved --

Leonie Cooper AM: -- and they liked the venue.

David Goldstone CBE (Chief Executive, LLDC): Exactly.

Leonie Cooper AM: You have proved its worth, as if the 2012 Olympics was not enough of a showcase already, and they are coming back again.

There was just one last thing I wanted to ask you about, which is the issue of the Mayor's gender pay audit. I understand, obviously, you are a smaller team than perhaps some of the other parts of the GLA family, but it was quite a substantial gap, the highest gap, 35%. Do you have anything that you are planning to do to address this gender pay gap?

David Goldstone CBE (Chief Executive, LLDC): Yes, absolutely. As you say, we are a relatively small organisation. The workforce that was in the scope of that review was less than 150 people. Nonetheless, we do take our commitment to diversity and equality very seriously. Not only - I am sure - in our own workforce but also in all the programmes we deliver, it is a big part of our focus in our regeneration programme.

I would say that just in the way we recruit and appoint and in all our employment policies we have an independent job evaluation process, which evaluates roles - effectively the role, not the person - and so recruitment, retention and payment are blind to gender or any other characteristics of the employee. Nonetheless, we were concerned by the findings of the audit, as you say.

The small nature of the organisation means we are very sensitive to a small number of changes in people's positions and recruitment can change it quite dramatically. We have rerun the exercise recently and what was, as you said, a 35% gap has already come down to about 25% just through some natural changes, some new appointments and some changes in grading without us doing anything very consciously yet to address the issue.

We do have an action plan. We will be publishing it later this month and that will address a whole number of issues around, for example, job titles, how they are described, capabilities, how we are defining the skills we are looking for and the language that is used because some of the --

Leonie Cooper AM: It is really important to make sure that you do address equal pay for work of equal value. However, you describe the work. If it is work of an equivalent value, despite whatever you might decide to call it, there is clear case law that establishes that you should be paying the same.

David Goldstone CBE (Chief Executive, LLDC): If I could just add, on that, our job evaluation process, I am absolutely clear, does that because we appoint to a role without taking into account the characteristics of the person who is being appointed to it. We have a process that is absolutely clear on that. We have set scales and pay bands for jobs, for the role, determined by the role by independent valuation and so I am quite confident on that that we do that.

Nonetheless, the fact that the audit did show such a gap says there is an issue we should, clearly, look at and that is why we are developing an action plan, which we plan to publish later this month. There must be some underlying reasons about maybe the way we define terms or define roles or the skills we are looking for or whether there is some unconscious bias. We are doing unconscious bias training; we have already started that. All of those things we will capture into a plan that we will publish later this month.

LLDCLeonie Cooper AM: If you have made progress from a 35% to a 25% gap, we look forward to hearing next year that you have made further progress and perhaps eradicated most of the gap altogether. Thank you. That is the end of my questions. Thank you, Chairman.

Gareth Bacon AM (Chairman): Thank you for that. We will move on to the capital programme now. **Unmesh Desai AM:** Your savings programme includes a reference to a reduction in the major sports programme for 2017. Can you tell us what sports programme is being dropped and are you in negotiations with another sport?

LLDC

David Goldstone CBE (Chief Executive, LLDC): It is the funding we have used to attract major events, yes.

Keith Prince AM: A reduction in subsidy, basically.

Unmesh Desai AM: One last question, then, Chairman, on development revenue. Rental income is £100,000. That is rental income from - is it what I understand it to be - homes and --

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): There are a number of strands of rental income on the Park. One of the strands is rental income in relation to Here East. That will come on-stream probably outside of this budget period. The other one relates to the LLDC's deal on the development of East Wick and Sweetwater where we get a gross share of rental receipts for private-sector rental properties. They will be held for a period of 15 to 20 years and we will get a share of those receipts and, when they are sold, then we will get a share of the sales.

David Goldstone CBE (Chief Executive, LLDC): The £100,000 you referred to is in 2018/19, by which time East Wick and Sweetwater will have started being delivered. It is roughly a third private-rented homes, a third affordable and a third private-for-sale. There is a significant private rental section to that.

Unmesh Desai AM: It will go up to £1.4 million. It is just that it is a very low figure right now.

David Goldstone CBE (Chief Executive, LLDC): It builds up, as you will see. It does build up.

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): It builds over time. It builds up.

LLDC
Gareth Bacon AM (Chairman): We are now moving to the capital programme.
Caroline Pidgeon MBE AM: Your capital programme: £722.4 million up to 2020/21 and next year looking at about £104 million. Are you on track with the capital programme? How far along are you with it?

David Goldstone CBE (Chief Executive, LLDC): One of the important things to say is that there are a number of elements of that. It is not one project. We talked at the Committee before Christmas about the stadium works, which are now complete and there was a big chunk in previous years that was around that. There is working capital still going into the joint venture, E20, in relation to the stadium, which we can come on to.

As we were just touching on, the East Wick and Sweetwater housing development is now starting and we are funding infrastructure in there, which is on track. That work is underway now. We have started this September [2016] on time with works on Hackney Wick Station, which is one of the very important enablers of the masterplan we have for the Hackney Wick area, which is in the planning process at the moment and so that has started and that is on track.

Then we have the very last programme around the Cultural and Education District, where we are incurring capital expenditure at the moment. That is a big part of that forward-looking programme, that cumulative total that you referred to, where we are currently incurring the work around the design and the planning to go into the planning process in the near future. That is a programme that will roll on into, again, early 2020 and so it is a large, complex programme with a number of elements.

Broadly, yes, we produce a quarterly report published every quarter, which reports progress on all of our main milestones in all our major projects. I am not going to say there is no delay there but, broadly, they are all going ahead as planned.

Caroline Pidgeon MBE AM: Thank you for that. In terms of the museum, why is the second museum now going to be paying back through rentals instead of capital receipts? That is a big change.

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): The original proposal for the second museum in the Cultural and Education District was actually the Smithsonian as a standalone and that is now going to be incorporated as part of the Victoria & Albert (V&A) --

Caroline Pidgeon MBE AM: Do you know why they pulled out? That is hugely disappointing because it is so significant with them coming here to London.

David Goldstone CBE (Chief Executive, LLDC): We should say that they have not completely pulled out. The plan now is that --

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): No, they are going in with the V&A --

David Goldstone CBE (Chief Executive, LLDC): Yes, they are now going to collaborate with the V&A within the V&A's new building and programme and curate exhibitions together, which will be great but which is not the same as --

Caroline Pidgeon MBE AM: No, it is not.

David Goldstone CBE (Chief Executive, LLDC): -- them having their own standalone museum, which would have been major. The step they would have taken to establish a standalone facility is not something they have ever done outside the United States before. It had a significant risk issue for them, but they are still very committed and still want to be part of the scheme. That is why they have worked closely with the V&A to develop a proposition where they can co-programme and co-curate within the V&A new museum. We will still have a Smithsonian presence, albeit in that form. Whether that becomes a stepping stone to something more is not impossible, but it was quite a commitment for them.

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): Quite an obligation --

Caroline Pidgeon MBE AM: A step too far at this stage for them, perhaps?

David Goldstone CBE (Chief Executive, LLDC): I am loath to put words in their mouths, but you understand what we are now looking at.

Caroline Pidgeon MBE AM: Let us get back to the rentals and the capital receipts.

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): The plan was that the LLDC would build that, funded by loan finance from the GLA and it would be funded by philanthropic receipts at a point in time. The LLDC is in conversation with a new tenant and the deal is broadly similar but the broad will be financed through a rental stream over a longer period of time. Essentially, the capital costs plus interest will be recovered over a longer period of time.

Caroline Pidgeon MBE AM: How much longer? What is the --

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): It would be a 30-year rental with --

Caroline Pidgeon MBE AM: What would it have been under the previous capital receipts plan?

David Goldstone CBE (Chief Executive, LLDC): Previously, philanthropy would have paid for it upfront and so there would have been capital cost with funding coming in almost at the same time --

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): Slightly--

David Goldstone CBE (Chief Executive, LLDC): -- whereas what this budget reflects is that it is assumed that the LLDC funds the build and recovers that over a long lease period --

Caroline Pidgeon MBE AM: Thirty years?

David Goldstone CBE (Chief Executive, LLDC): -- over 30 years.

Caroline Pidgeon MBE AM: Three Mills Studios seems to be one of your successful venues in that it is actually generating a profit. Why are you planning to sell it and why are you, even whilst you are planning to sell it, spending capital on it?

David Goldstone CBE (Chief Executive, LLDC): It is better than being profitable; we have turned it around from something that was requiring subsidy to now generating a surplus, which we are very pleased about. Just to be clear, there are no definite plans to sell it today. We are still operating it. We are still taking bookings through to 2018 and possibly we will extend that period. We know that the site is an important and valued part of the television and film filming industry in London and for the United Kingdom (UK).

Equally, for us as a regeneration body and when I look at what we are doing in and around the Park with the housing, with the jobs we are creating and with the use of the Park and the venues, owning a site that is in the filming industry is not core business to us. We do not need to own it for it to be of value and we do not need to have hands-on operation of it. All we have said at the moment is that we ought to look at, strategically, what the options are. It is something that we may well sell and the future years' budgets show a receipt if we sell it in 2019/20 because there is no reason. It is not part of the core business of what we are doing in the Park or in the surrounding area to operate it as a filming site for us, even though it may continue doing so because of the wider benefits. A commercial operator could take that on.

If we sold it, we would be looking to get the best commercial value that would recognise the fact that it is now running at an operating surplus; albeit I would say - and you mentioned the capital spend that is identified - if you know the site, it requires investment. If it is going to continue operating in its current mode long term, the site needs quite a lot of investment. There are elements that are quite run down. It would need redevelopment. It has opportunities, probably, to accommodate more than is there now if it is redeveloped. There is a redevelopment opportunity for the site. In the short term, it needs some investment to keep it going. It is generating a surplus for us. In the long term, we do not think it is core that we need to own it.

I should say also that what we are talking about selling is a lease interest. We have a long lease on it. The Lee Valley Regional Park is the owner and it is not for us to say. We are talking about it. What we would sell is our lease interest, which is 80-something years. We just have a time-limited lease on it.

Caroline Pidgeon MBE AM: It just seems that when lots of other parts of your portfolio in the Park are making losses, something that is generating some income, rather than constantly coming to the GLA - it seems from my reading of this that basically the GLA bails you out constantly - and something that is making a profit you might want to keep a little bit longer.

David Goldstone CBE (Chief Executive, LLDC): If we kept it long term, it would require investment. We do not feel like - and I hope the GLA does not feel like - it is always bailing out. There is investment going into the area, which, again, in the long term will generate receipts, which generate a surplus back to the GLA over time. There is an investment going into this area that was part of the commitment with London secured the 2012 Games. This can generate a long-term return. That is the analysis on 3 Mills.

Gareth Bacon AM (Chairman): Before Caroline moves on with this, just for clarification, if you are going to invest short-term capital money on 3 Mills Studios, are you expecting when you sell the lease to get back more than you would now and so more than the extra investment?

David Goldstone CBE (Chief Executive, LLDC): Exactly, yes. Absolutely, yes. We were reminded today - and it may depend when the decision is made as to whether or not we sell it - that we could sell it with the work still to be done for a lesser amount or we could do the work if we thought it would to sell it as a going concern at an increased value. That would just be a value-for-money commercial judgement we would make at the time.

Caroline Pidgeon MBE AM: My final questions relate to the stadium, of course. Before the Budget Monitoring Subcommittee, you were very clear, David, that the transformation was £323 million and that is the final number and the work is finished. Can you just put on record and explain why there is continued capital investment in the stadium, despite those words?

David Goldstone CBE (Chief Executive, LLDC): Yes. I did try to make this distinction clear in that meeting, but if not I will repeat it. The transformation was to redevelop the stadium from the Games-time mode that we inherited, which had been built so that everything above ground was demountable and not built in a permanent structure, and to transform it into the multiuse venue that we see now, which - I will say and I keep saying but it is important - has really successfully hosted a number of events. In 2015 and 2016, we had over 500,000 people already through there and a wide range of events very successfully hosted. The transformation was to get it into a mode where it now can be a multiuse venue that can host football and athletics and concerts and the wide range of activity that is happening and all the rugby internationals we have hosted as well. That transformation was completed in the summer of 2016, last summer, and it was at that point that we said we would release the final cost that had been spent on the transformation, which came out not quite as planned, as you know, but was released in the autumn.

What we are talking about and what is in the future-looking capital budgets, to go to your question, is the working capital that is required to support E20, which is the joint venture we established with Newham that holds the ownership of the stadium and the contract with West Ham, indeed, and other users. That is for the long term. E20 is the joint venture. It requires some working capital support in its early years because --

Caroline Pidgeon MBE AM: --What is that to be spent on? Just spell it out, please.

David Goldstone CBE (Chief Executive, LLDC): That is meeting the net requirement of the business of running the stadium. You will know from the announcements there were in the autumn on the Mayor's review that there are issues with the seating system. We have talked in other forums and at other Committees about some of the operating challenges we have in the early years of running the stadium or the early matches and early months. We are talking about the cash flow to support the business operating.

I will say we are looking to reduce those numbers. We have budgeted prudently for what it might be but we are looking to improve it and reduce the cost requirement. The Mayor's review will be an important part of that because these issues are all in play for that investigation that the Mayor announced. This is a budget at a point in time now when we are taking the budget through, but it is meeting the costs of running the stadium business but net of the various revenues that come from the various users and the costs of running it, including the seat moves and including the running costs more generally.

Caroline Pidgeon MBE AM: I understand the stadium a little bit more. We did a site visit with the Police [and Crime] Committee and so I went out there. Clearly, with West Ham in there, there are lots of changes you are having to make to make it operate safely and that will be coming out of this pot of money. Some of the changes you would be having to make --

David Goldstone CBE (Chief Executive, LLDC): The changes we talked about at the Police [and Crime] Committee are operational. We have an operator, as you know, and we talked about it in that Police Committee and on your visit. Those are fairly small-scale operational changes. We are looking at the moment. For example, we are looking at improvements we can still make around the egress routes, which will reduce the costs quite significantly. There is not an investment to make in those. They reduce. We are finding routes through the Park to the station --

Caroline Pidgeon MBE AM: Generally, some of those tweaks and some of that may have a capital cost, but that is what this money is budgeted for?

David Goldstone CBE (Chief Executive, LLDC): It is quite possible, yes. It is possible that if there is an investment we can make that will have a long-term benefit to pay back for itself in terms of improving operational costs, then that would come in there. At the moment, what we are trying to do and the focus is on - and what we are doing is - funding operational improvements that reduce the costs and therefore reduce the working capital that is required.

Caroline Pidgeon MBE AM: Then, just finally, on the seating, those of us who had this idea that the seating would be retractable, "Move in. All right, tonight we are having a concert. We will move it", and the next night, whatever. Clearly, once a year, you take all the seats and all that scaffolding out, you have it for the summer for whatever events and concerts and then you put it back in so that it is there for the football season. How can that cost about £8 million? A team of people - I do not know; 50 people - come in and they are scaffolders and they take it down. It has to go off to storage and then they have to come back and put the puzzle back together. How does that cost about £8 million, seriously?

David Goldstone CBE (Chief Executive, LLDC): We are in procurement at the moment for an operator and so we are running a competitive process at the moment, which will determine what it will cost us going forward. What you are referring to is some information which was leaked at the time the other information was released about what it may cost. I am not saying that was wrong, but I am just saying that those were some estimates that were around and that were released.

I would say that it is a large and complex job. It is doing what you said, but it is a very large --

Caroline Pidgeon MBE AM: I have seen it, but it is literally --

David Goldstone CBE (Chief Executive, LLDC): Those stands are large. They require a lot of time. To do it quickly - and we want to be able to do it quickly so that we can host events and we have to do it very safely - it requires quite intense working on a 24/7 basis.

Caroline Pidgeon MBE AM: I understand that but --

David Goldstone CBE (Chief Executive, LLDC): It is a function of the amount of manpower or labour required and the cost of labour and supervision and the health. That has been built up as estimates, which we are now putting through the competition and so --

Caroline Pidgeon MBE AM: I really hope it comes through a lot lower than that because that will be an extraordinary --

David Goldstone CBE (Chief Executive, LLDC): Yes, but I did want to say --

Caroline Pidgeon MBE AM: -- waste of public money every year. Quite frankly, if it comes in as that, then you need to reconsider and look at whether you should keep it as an athletics venue or something because it is just not worth that money every year.

Keith Prince AM: --Crystal Palace.

David Goldstone CBE (Chief Executive, LLDC): That is a perfectly fair question.

Caroline Pidgeon MBE AM: Yes, or Crystal Palace, yes.

David Goldstone CBE (Chief Executive, LLDC): The statement when the Mayor announced the investigation made it clear that, in a sense, that sort of question will be in play in the Mayor's review. We are not disagreeing that that is a question that may well get asked, not necessarily about whether we have athletics but whether there is something more fundamental we can do to reduce the cost.

I made clear in the Committee hearing before Christmas that we were not anticipating the stadium seat moving costs being at the level they are. There was a long saga that I went through in the meeting, which I can repeat if you want - you probably do not want me to - about how we got there, starting with the contractor going bust and us having to step in.

Caroline Pidgeon MBE AM: Yes, I have read all of the --

David Goldstone CBE (Chief Executive, LLDC): It was not what we desired and it was not what we anticipated. It was only last summer when we did the move for the start of the football season that we really knew what it was going to cost. Therefore, that prompted the announcements that there were in the autumn. We agree that that is not a desirable position. It is not where we wanted to be. It does need a real review now. The questions the Mayor's review will ask will look at the future use of the stadium in light of knowing (a) what it has cost to transform and (b) what it will cost to go forward. The Mayor's investigation statement made that clear.

Gareth Bacon AM (Chairman): Is there any scope to revisit the lease of West Ham United? This is the nub of it, always. It is a Premiership football club. It pays the players huge amounts of money, astronomical amounts of money compared to what any of us will ever earn. The public purse is picking up the cost of transforming its £750 million stadium that it has and it is paying a lease of £15 million a year.

David Goldstone CBE (Chief Executive, LLDC): We have a contract, which, other than built-in reviews for particular things, does not invite it to be reopened. I only would say - and I would not pre-empt - that we are going to, hopefully, go through an inquiry that the Mayor has instigated looking at everything to do with the stadium. Whether that will raise questions about that agreement or not, I do not know. The agreement itself does not invite the usage fee to be reopened. There is a set fee that is indexed to inflation, but otherwise it is established as the contractual usage fee that West Ham pays.

I would say we should remember that, whatever we feel about it and our own personal opinion, again, it was openly competed and that was the best offer that came in. It was the best bid on the table at the time of that competition. It was a number of years ago, but it was a competed price that won a competition.

Sian Berry AM: In accounting terms, this seat-moving business seems very not-capital to me. Are we comfortable with this being down as a capital investment?

David Goldstone CBE (Chief Executive, LLDC): It is not capital for that reason. It is capital because it is a joint venture. It is a bit like shareholders' funds into a business. It is a capital investment into the business called E20 in accounting --

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): Yes, it is a joint venture and so we account for the partnership as a joint venture. We have had discussions with our auditors about the accounting treatment of this and so we are reasonably comfortable about the accounting.

Sian Berry AM: When we were talking to Transport for London (TfL), it was very clear in defining capital as something that led to improved operations as opposed to something that just maintained business as usual. This moving of seats back and forth is definitely just maintaining business as usual.

Keith Prince AM: No, the services (Overspeaking)
David Goldstone CBE (Chief Executive, LLDC): That is true, but the point is that this is capital for a different reason. It is capital because we are investing into the business.

Sian Berry AM: Yes, but I am really not happy about that.

LLDCUnmesh Desai AM: What are the problems, David, with the naming rights for such an iconic venue? There are far smaller stadiums that have secured naming rights and I know you have been in negotiations and I know that one of the parties fell through from somewhere in Asia, but I just do not understand why you cannot find someone to move to such a venue.

David Goldstone CBE (Chief Executive, LLDC): I am very confident that we will and I do not think there is a fundamental problem. We are talking to a number of parties still. We have a world-class agency acting on our behalf, ESP, part of Sir Martin Sorrell's group. I am confident that we will --

Unmesh Desai AM: That is fine, David. I am conscious of the time and so --

David Goldstone CBE (Chief Executive, LLDC): You do not need to take it because we do not have one yet that we will not get one.

Unmesh Desai AM: You are in talks. All right.

Gareth Bacon AM (Chairman): We have also some questions to ask you about long-term viability. We are very pressed for time and so I am going to ask you a couple and we will write to you after the meeting with the others.

You are running your reserves down to zero in 2017/18 and you have a £6 million budget gap. Does that means the GLA will have to plug gap? How are you going to meet it?

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): We have always planned to run our reserves down and to fully utilise our reserves over time and we do work very openly and transparently. We are supported by the GLA and work very openly and transparently with it and have done over the last couple of years when we have been faced with similar deficit issues. It reflects the actual relationship between the LLDC and the GLA. The reserves are --

David Goldstone CBE (Chief Executive, LLDC): I remember saying in one of these meetings a year or two ago that for us to hold a separate pot of reserves, separate from the GLA, which in effect we are a wholly owned subsidiary of, seemed to not make a lot of sense. That was something we agreed --

David Gallie (Assistant Director of Finance, Greater London Authority): I would just add that we hold a mayoral development corporation reserve as well.

David Goldstone CBE (Chief Executive, LLDC): Yes. Effectively, that is the reserve.

Gareth Bacon AM (Chairman): We could make that argument about all the funding bodies, could we not, really?

David Gallie (Assistant Director of Finance, Greater London Authority): It is explicitly for the two mayoral development corporations.

Gareth Bacon AM (Chairman): What further capital receipts are you expecting to make after 2020/21?

David Goldstone CBE (Chief Executive, LLDC): We have significant housing developments that go way beyond 2020/21. For the housing sites, there are two large sites - one at Pudding Mill Lane near the station south of the Park and one at Rick Roberts Way on Stratford High Street - that are planned for development way beyond a number of years. They will be starting then and cover plans but will go for a number of years. That is part of the reason we have the long tail of capital that helps repay the GLA borrowing over time. We have significant sites there. Those will be the main two.

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): Yes, but even Chobham --

David Goldstone CBE (Chief Executive, LLDC): --will still be going, yes.

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): -- East Wick and Sweetwater will still be going on.

David Goldstone CBE (Chief Executive, LLDC): We will have the tail end of the existing developments, Chobham Manor, East Wick and Sweetwater, which are already underway because they are all over six or seven phases. Rick Roberts Way and Pudding Mill Lane will not even have started by then.

Gareth Bacon AM (Chairman): I have a final question I am going to ask you. To get to a breakeven status, the LLDC is going to have to quadruple what its current receipts are. Is that realistic? If it is, when?

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): In terms of revenue?

Gareth Bacon AM (Chairman): Revenue, yes.

Gerry Murphy (Executive Director of Finance and Corporate Services, LLDC): It is not realistic in the short term. Our focus looking towards next year is that we will be looking at the venue operations to see whether we can increase income and reduce costs. However, in all our discussions with the GLA, we have been clear that there are revenue deficits in the earlier years that we need to work as hard we can on to bridge the gap on. Being realistic, we know that we will not, but it is incumbent on us to make sure that that gap is as small as possible.

David Goldstone CBE (Chief Executive, LLDC): Chairman, you are leaping straight to getting completely sustainable. We are moving in that direction. Costs are coming down. Income is going up. The gap is closing. We have had in mind that there is a stage to which we will get when we are living within the currently assumed GLA profile of support that we get in the GLA budgeting, which we think is a handful of years away, five or so years. As that keeps going and as the fixed estate charge that Gerry talked about earlier keeps going up and as the organisation will not be doing as much development and we will not need as much costs ourselves, costs will keep coming down. We can anticipate that period. We have always said that this is long term. We have talked about 15 to 20 years as the profile by which the organisation becomes self-sustaining.

Gareth Bacon AM (Chairman): All right, Members. Can I thank our guests for their attendance?