

2022/23 Budget Submission

1. SUMMARY

1.1. This report sets out the London Legacy Development Corporation’s (LLDC) 2022/23 capital and revenue budget submission to the Mayor of London (the Mayor). The submission is prepared in accordance with the Mayor’s Budget Guidance issued in July 2021. This year the revenue budget submission is required to cover the financial years 2022/23, 2023/24 and 2024/25. There is also a requirement to produce a Capital Strategy as part of the submission; LLDC’s strategy will form part of a wider Greater London Authority (GLA) Group Capital Strategy.

2. BACKGROUND

- 2.1. LLDC’s budget forms part of the GLA Group budget. The GLA statutory budget process ensures there are robust financial plans to support Mayoral objectives and priorities within available resources.
- 2.2. As for all members of the GLA Group, LLDC is also required¹ to produce a Capital Strategy. The purpose of the GLA Group Capital Strategy is to set out the Mayor’s capital investment ambition and funding thereof. The strategy demonstrates that the GLA Group’s capital expenditure and investment decisions are made in line with Mayoral priorities and properly take account of stewardship, value for money, prudence, sustainability and affordability, and give due regard to risk and reward. LLDC’s draft Capital Strategy 2022/23 is attached at Appendix 1 and covers the content required by the Mayor’s Budget Guidance.
- 2.3. The Mayor requires all GLA functional bodies, including LLDC, to support his aims and priorities for London in their business plans and budgets. Many of LLDC’s deliverables align to the Mayor’s priorities. A summary of how LLDC is supporting the Mayor’s priorities is shown in the following table, setting out the Mayor’s priorities, how they are to be achieved and what LLDC is doing to deliver them.

| Mayor’s priorities | Policy drivers | LLDC activities |
|--|--|---|
| Accommodating Growth <ul style="list-style-type: none"> – <i>London Plan</i> – <i>Transport Strategy</i> – <i>Environment Strategy</i> – <i>Cultural Infrastructure Plan</i> – <i>‘Healthy Streets’ approach</i> | <ul style="list-style-type: none"> • Accessible city • Transport development and investment • Promote mixed use development • ‘Green growth’ – clean air, green space, cleaner energy • Zero carbon London by 2050 • Cultural infrastructure • Promoting economic activity in Outer London • Good Growth by Design | <ul style="list-style-type: none"> • New business districts driving economic activity (IQL, Here East) • Zero carbon homes • Biodiverse green space • East Bank • Mixed-use developments • Sustainability guide to the Park • Revised Local Plan policies • LLDC design standards and design review |

¹ By the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code

| Mayor's priorities | Policy drivers | LLDC activities |
|---|--|--|
| <p style="text-align: center;">Housing</p> <ul style="list-style-type: none"> – <i>London Plan</i> | <ul style="list-style-type: none"> • 50% affordable housing on public land • More housing delivered sooner • Build-to-rent | <ul style="list-style-type: none"> • First two Park neighbourhoods, Chobham Manor and East Wick and Sweetwater – 35% and 30% affordable and build to rent (at East Wick and Sweetwater) • 14,300 homes in planning area by 2023 (21,000 overall since 2014) • 50% affordable housing to be delivered on a portfolio basis across Stratford Waterfront, Pudding Mill Lane, Rick Roberts Way • Procurement underway for a joint venture partner to deliver the Stratford Waterfront and Bridgewater (part of Pudding Mill Lane) residential developments • Pudding Mill Lane and Rick Roberts Way reviewed with a view to accelerating delivery |
| <p style="text-align: center;">Economy</p> <ul style="list-style-type: none"> – <i>London Plan</i> – <i>Transport Strategy</i> – <i>Environment Strategy</i> – <i>Equality Framework</i> – <i>Economic Development Strategy</i> – <i>Creative Enterprise Zones</i> | <ul style="list-style-type: none"> • Pro-business • Infrastructure investment • Improve skills and nurture talent • Promoting tourism across the City • London Living Wage • Support night-time economy • Creative enterprise zones | <ul style="list-style-type: none"> • Here East: Loughborough University, Plexal, Ford Innovation • International Quarter: TfL, FCA, Cancer Research UK, British Council • London Living Wage: paid to all employees and Tier 1 Park contractors • 170,000m² workspace granted including 18,000m² low cost space for small business and start-ups • Skills for growth programme – over 240 apprenticeships • 40,000 jobs by 2025 • Successful visitor attraction – 5m visitors per year • Hosting major events at the London Stadium (e.g. Major League Baseball) |

| | | |
|---|---|--|
| <p>Environment, transport and public space</p> <ul style="list-style-type: none"> - <i>London Plan</i> - <i>Transport Strategy</i> - <i>Environment Strategy</i> - <i>'Healthy Streets' approach</i> | <ul style="list-style-type: none"> • Improve air quality • Low carbon London – zero carbon by 2050 • Making cycling easier and safer • Public space and neighbourhoods are attractive and accessible • National Park City | <ul style="list-style-type: none"> • European Smart, Sustainable District • Zero carbon homes • Biodiverse, green space • 98% waste diverted from landfill; material reused in construction • Green Flag status • Advanced mobility test bed, autonomous vehicle trials |
| <p>A City for All Londoners</p> <ul style="list-style-type: none"> - <i>Gender Pay Gap</i> - <i>Equality Framework</i> - <i>Transport Strategy</i> - <i>Police and Crime Plan</i> - <i>Culture Strategy</i> | <ul style="list-style-type: none"> • Social integration • Challenging inequality and promoting tolerance • Accessible to all • Affordable, reliable transport system • Safer and more secure communities • Use culture as a driver for regeneration | <ul style="list-style-type: none"> • East Bank: V&A, Sadler's Wells, University of the Arts London, University College London, BBC • Programme of major cultural festivals and global sporting events on the Park • Community focussed programmes and events • Sport and healthy living programme • Focus on creating an inclusive and diverse workplace across LLDC (further information is provided at Section 9) |

3. REVIEW PROCESS

3.1. LLDC's Long Term Model sets out all capital and revenue income and expenditure projections and underpins the budget submission.

3.2. This year, the budget process has involved:

- A review, involving all the LLDC Executive Management Team (EMT), of revenue budgets;
- an extensive review of the key capital assumptions underpinning the Long Term Model and various scenario modelling;
- updating the Long Term Model for changes identified since the previous year, based on discussions with budget holders;
- an assessment of LLDC's capital strategy against the Mayor's priorities;
- challenging cost and income proposals with senior budget holders, including to identify savings and efficiencies;
- scrutiny by EMT and the LLDC Investment Committee; and
- meeting senior representatives from the GLA, including the Executive Director of Resources and the Mayor's Chief of Staff, to review the financial projections prior to submission, covering the implications for capital budgets, revenue costs and income forecasts.

4. CAPITAL BUDGET

Background

- 4.1. LLDC has a complex long-term capital programme that is subject to significant volatility, particularly in the short and medium-term. LLDC's net capital expenditure, where not funded by capital grant, is funded by capital borrowings from the GLA, which are to be repaid from capital receipts over the long-term.
- 4.2. LLDC's borrowing limit was capped in 2018/19 at £520m and, at that time, the GLA also agreed to:
 - Provide direct capital grant funding towards the East Bank project;
 - Invest equity directly in the joint ventures to develop LLDC's three remaining sites (Stratford Waterfront, Pudding Mill Lane and Rick Roberts Way) and replace LLDC's expected net proceeds from those sites with capital grant; and
 - As required, provide capital grant funding to ensure LLDC remains within its borrowing limit over the lifetime of the Long Term Model.
- 4.3. During 2020/21, the Mayor agreed to provide loan funding to LLDC such that it can invest directly into a joint venture to deliver the Stratford Waterfront and Bridgewater Triangle² residential developments. This change to the funding approach was to ensure that LLDC can:
 - Drive delivery of outstanding residential development, that ensures design integrity and regeneration outcomes;
 - Influence delivery programme;
 - Maximise the returns on investment to LLDC and ultimately the GLA; and
 - Utilise its experience of procuring and managing other developments within the Queen Elizabeth Olympic Park (QEOP).
- 4.4. Accordingly, the equity requirements and expected returns were built into LLDC's 2021/22 budget submission (November 2020). The delivery approach for the remainder of the Pudding Mill Lane site remains to be finalised and, as a result, is not yet reflected in LLDC's submission.
- 4.5. During 2020/21, the Mayor further approved the allocation of £88.4m towards LLDC's capital programme, in response to a range of pressures facing East Bank and other projects, caused largely by the COVID-19 crisis, and to ensure LLDC remained within its existing borrowing limit of £520m. This allocation was based on a snapshot of LLDC's Long Term Model at that time and was, therefore, subject to change.
- 4.6. It was subsequently identified during the 2021/22 budget submission process that, due to further movements in the expected quantum and timing of capital receipts and expenditure (including from the impact of COVID-19 and other market changes), additional capital grant was required from the GLA to keep LLDC within its borrowing limit during the years 2023/24 to 2025/26.
- 4.7. However, following discussions with the GLA, LLDC agreed to instead show this additional requirement as loan funding and, accordingly, LLDC's borrowing limit was [increased by the GLA to £550m](#) from 2023/24.

2022/23 budget submission

- 4.8. The proposed capital plan for the next four financial years is set out in the following table, alongside the forecast outturn for 2021/22 (as at 30 September 2021). Further details of LLDC's overall capital plan are included within the Capital Strategy at Appendix 1 The table shows that LLDC is forecast to be within its borrowing limits

² Part of the Pudding Mill Lane site

for the next three years. However, due to adverse movements in the expected quantum and timing of capital receipts and expenditure (arising from challenging market conditions, construction inflation and changes to affordable housing policy, market confidence and assumptions), LLDC is forecast to exceed the £550m borrowing limit in 2025/26 by c£10m. As there will continue to be changes arising from the ongoing COVID-19 pandemic and other macroeconomic challenges in the coming year, this will be reviewed again with the GLA as part of next year's budget submission when the borrowing limit for 2025/26 will be set formally.

- 4.9. LLDC reviews its annual capital forecasts regularly to ensure they remain as accurate as possible and based on the latest assumptions. The updated short-term forecasts are presented to LLDC's EMT quarterly and published in LLDC's Quarterly Corporate Performance Report.

| Capital Budget | 2021/22 Forecast £m | 2022/23 Budget £m | 2023/24 Plan £m | 2024/25 Plan £m | 2025/26 Plan £m | Total Budget/Plan £m |
|--|---------------------------|-------------------------|-----------------------|-----------------------|-----------------------|----------------------------|
| Income | | | | | | |
| Capital receipts | 60.7 | 2.1 | 4.5 | 20.6 | 5.4 | 32.7 |
| East Bank | 20.6 | 49.0 | 53.2 | 1.9 | - | 104.1 |
| GLA Grant | 130.4 | 78.2 | 48.9 | - | 5.0 | 132.2 |
| Other (incl Section 106/CIL) | 3.9 | 2.5 | 0.4 | - | - | 2.9 |
| Total Capital Income | 215.6 | 131.8 | 107.1 | 22.5 | 10.4 | 271.9 |
| Expenditure | | | | | | |
| East Bank | (161.5) | (197.1) | (45.0) | (2.2) | (0.7) | (245.0) |
| Development - Infrastructure | (3.3) | (1.3) | (0.9) | (22.6) | (17.3) | (42.2) |
| Development - other | (13.9) | (10.7) | (13.5) | (5.9) | (19.8) | (49.9) |
| Stadium - Capital | (9.1) | (11.3) | (2.9) | (3.0) | (3.0) | (20.2) |
| Park and Venues | (11.8) | (8.0) | (2.1) | (1.1) | (1.5) | (12.7) |
| Regeneration | (0.5) | (0.3) | (0.2) | (0.2) | - | (0.6) |
| FCCS | (2.5) | (1.8) | (1.8) | (1.6) | (0.2) | (5.4) |
| Contingency | (9.0) | (0.9) | (0.7) | (0.3) | - | (1.9) |
| Corporation Tax | (7.1) | - | (5.0) | - | - | (5.0) |
| Total Capital Expenditure | (218.5) | (231.3) | (72.2) | (37.0) | (42.5) | (382.9) |
| Net Capital Expenditure | (3.0) | (99.5) | 34.9 | (14.4) | (32.1) | (111.1) |
| <i>Cash Adjustments for BBC/UAL Loan Funding</i> | <i>(24.1)</i> | <i>(14.3)</i> | <i>(41.6)</i> | <i>3.4</i> | <i>3.4</i> | <i>(49.1)</i> |
| Cumulative borrowing | 399.3 | 513.1 | 519.8 | 530.8 | 559.5 | |

Capital Income

Capital Receipts

- 4.10. Capital receipts over the next four years mainly reflect anticipated income from East Wick and Sweetwater.

- 4.11. Also included in capital receipts are anticipated receipts from:

- the Stratford Waterfront and Bridgwater development;
- the Bromley-by-Bow development;
- the Hackney Wick Neighbourhood Centre development (contract awarded subject to execution); and
- the disposal of LLDC's share of land at Chobham Farm.

- 4.12. Also included within capital receipts is a land value assumption for the Pudding Mill development. This is based on LLDC's latest development appraisal modelling.

East Bank

- 4.13. Income from East Bank includes contributions from University of the Arts London (UAL) towards the costs of constructing their building; note that part of UAL's contributions are funded via a loan facility from LLDC, repayments of which are expected to begin in 2024/25.

- 4.14. Also included are philanthropic funds, for which a fundraising strategy is currently being developed, and expected contributions from East Bank partners (e.g. BBC funded via a loan facility from LLDC) and other key stakeholders.

4.15. Previous budget submissions have included an assumption that the retail units being built as part of the East Bank (Stratford Waterfront) project will be disposed of post-completion to a third party and a capital receipt realised by LLDC. This year, following agreement by the GLA, LLDC is now reflecting within its budget submission an intention to hold the East Bank retail units and the retail units to be created as part of the Stratford Waterfront residential development. The primary purpose of this decision is to enable LLDC to have greater control over place-making at the sites. The financial modelling assumption is that those units will be held for a period of 10 years post-completion of the Stratford Waterfront residential units, generating revenue income³ (net of costs) for LLDC during that time and, ultimately, a capital receipt.

GLA grant funding

4.16. As set out in section 4.2, the GLA is providing capital grant funding towards East Bank and relating to the proceeds that LLDC would previously have received from its delivery of residential developments with lower levels of affordable housing. This totals £132.2m across the four-year budget period, which includes grant brought forward from future years in 2022/23 to ensure LLDC remains within its borrowing limit and to accommodate a spend-to-save investment in the London Stadium West stand and retention of retail on the Stratford Waterfront for a period to support placemaking – see further details at 4.29.

Capital Expenditure

East Bank

4.17. Reflected in last year's budget submission was an increase of £114.7m in the Anticipated Final Cost (AFC) of the East Bank project. Of this increase, over half (£62.7m) was due to the estimated impact of COVID-19 on the project (this has now reduced). The total AFC reflected was £627.5m, which was based on a robust package-by-package review undertaken by Mace by Mace (LLDC's Project Management Partner).

4.18. This year, whilst the September 2021 AFC was slightly above budget, no change is included for East Bank other than a re-profiling of expenditure based on Mace's latest programme.

4.19. Remaining major risks on this project include:

- Completion of procurement (public realm)
- Completion of design integration – significant design interface risks
- Package interface management – ongoing through to completion
- Commissioning and handover
- Supply volatility (material and labour) – ongoing through to completion
- Programme mitigations – regain Time Risk Allowance

4.20. Construction of the UCL academic building at Marshgate is being delivered directly by UCL (in addition to the student accommodation at Pool Street), hence no costs are included within LLDC's budget.

Development

4.21. Development costs over the next four years relate mainly to Legacy Communities Scheme (LCS) **Section 106 infrastructure works**, including for East Wick and Sweetwater, Bridgewater (including LLDC's contribution to the costs of the new bridge) and Pudding Mill in anticipation of the residential developments to be

³ Note that the assumed revenue from these units begins in 2025/26, which is outside the period covered by this budget submission. However, some void costs are assumed within the revenue expenditure budget later in this report.

delivered there. They also reflect the cost of planning obligations arising from the Stratford Waterfront planning permission secured in June 2019.

- 4.22. Development costs also include the equity payments required for investment into the joint venture to deliver the **Stratford Waterfront**⁴ and **Bridgewater** residential sites.
- 4.23. Also included are costs for masterplanning, design, planning submissions and joint venture/developer procurements on **Pudding Mill** and the **Rick Roberts Way** development. Note that the delivery approach for the remainder of the Pudding Mill Lane site remains to be finalised and, as a result, is not reflected in this submission.
- 4.24. This year's budget submission includes funds for improvements to **Stratford Walk**; this is a public realm infrastructure improvement project related to the area between the International Quarter London (IQL), London Aquatics Centre (LAC) and the forthcoming Stratford Waterfront. This forms the main 'gateway' and entrance for most visitors to the Park. This project is funded by Community Infrastructure Levy (CIL) funding and existing LLDC budgets, so nil net increase to LLDC's budget.
- 4.25. Development costs also include **staffing** (which is capitalised against projects); 'Development – other' includes the cost of LLDC's Construction team.
- 4.26. LLDC continues to maximise the level of **affordable housing** it can deliver within the constraints of its Long Term Model in accordance with the Mayor's Homes for Londoners Affordable Housing and Viability Supplementary Planning Guidance.
- 4.27. LLDC is delivering 50% affordable housing across its three remaining sites⁵ using a 'portfolio approach' – i.e. an average of 50% across the three sites on a unit basis. Note that as the schemes develop LLDC is changing this measurement from a unit to habitable room basis.
- 4.28. The following updates/changes have occurred since last year's budget submission:
 - The procurement for a joint venture partner to deliver the Stratford Waterfront residential and Bridgewater sites is underway and expected to conclude in early 2022 (exchange of contracts). The Bridgewater outline planning application was submitted in August with a decision expected by April 2022 (Stratford Waterfront already has outline planning).
 - LLDC is well progressed for the remainder of Pudding Mill Lane, with the outline planning application to be submitted in December 2021 with a decision expected by next summer (2022). The modelling has been updated to reflect the emerging masterplan and the latest market position on aspects such as affordable housing and construction costs. Whilst the costs of masterplanning the site and delivering some elements of infrastructure are reflected within LLDC's Long Term Model, the overall delivery approach for this site is still to be finalised.
 - LLDC is discussing a suitable land deal with London Borough of Newham (LBN) for Rick Roberts Way, which has an obligation to deliver the balance of the portfolio affordable housing on the site.

Stadium

- 4.29. Costs for the Stadium relate to LLDC's funding towards the Stadium's capital investment for lifecycle and improvement projects. This year the budget includes funding to replace the West stand with a system similar to that recently implemented for the North and South stands. This investment is expected to yield substantial revenue expenditure savings for the Stadium each year starting from 2022/23.
- 4.30. Note that funding towards the Stadium's working capital (i.e. operational) requirements are included in LLDC's revenue budget.

⁴ Note that the Stratford Waterfront share of equity payments was included within East Bank in last year's budget submission. As the sites are being procured jointly, the equity payments and expected returns are now combined within Development.

⁵ Stratford Waterfront (SWF), Pudding Mill Lane (PML) and Rick Roberts Way (RRW)

Park and Venues

- 4.31. This budget heading includes costs relating to lifecycle works on the Park and in the venues based upon a lifecycle investment plan developed in conjunction with Engie (now part of Equans), the Park estates and facilities management contractor.
- 4.32. The budget also includes funding for improvement works at 3 Mills Studios to modernise some of the historic industrial buildings on the site, improve the digital infrastructure and bring greater use to redundant spaces. These works are fully funded by grant from the Department for Levelling Up, Housing and Communities⁶ and CIL.

Regeneration

- 4.33. Costs relating to capitalised staff costs and spend on sustainable energy projects.

Finance, Commercial and Corporate Services (FCCS)

- 4.34. Expenditure includes the costs of IT projects (for example, Smart Park IT equipment), staff working on capital projects and the provision of assurance on East Bank.

Contingency

- 4.35. LLDC maintains a level of corporate contingency, which is informed by a Quantitative Risk Assessment (QRA). Note that this excludes major projects, such as East Bank, which have their own contingency, QRA and risk monitoring processes.

Corporation Tax

- 4.36. As a Mayoral Development Corporation, LLDC is subject to Corporation Tax on the income it generates (capital and revenue). Certain costs are allowable against this income when determining the net liability.
- 4.37. During 2021, the government announced its plans to introduce a new Residential Property Developer Tax to raise revenue to help fund the government's cladding remediation work. LLDC is within the scope of the draft legislation and is working through the detail with its advisers; there is a future risk of payment but no provision for this is included within this budget submission.

Net Borrowing

- 4.38. The following table shows the total borrowing requirement in the proposed budget against the current borrowing limits. As noted earlier in this paper, LLDC's borrowing limit was increased in last year's submission to £550m in 2023/24 reflecting that its capital programme is a complex long-term forecast of expected receipts and costs and is, therefore, subject to significant volatility, particularly in the short and medium-term.
- 4.39. The following table shows that LLDC is forecast to be within its borrowing limits for the next three years. However, due to changes in the expected quantum and timing of capital receipts and expenditure (arising from reduced house price inflation and increased construction cost forecasts and changes to affordable housing policy) LLDC is forecast to exceed the £550m borrowing limit in 2025/26 by c£10m. As there will continue to be changes arising from the ongoing COVID-19 pandemic and other macroeconomic factors in the coming year, as well as better market information from procurements, this will be reviewed again with the GLA as part of next year's budget submission when the borrowing limit for 2025/26 will be set formally.

⁶ formerly the Ministry for Housing, Communities and Local Government

| Summary of Borrowing Requirements | 2021/22 Forecast £m | 2022/23 Budget £m | 2023/24 Plan £m | 2024/25 Plan £m | 2025/26 Plan £m |
|---|---------------------------|-------------------------|-----------------------|-----------------------|-----------------------|
| Opening Borrowing Requirement | 372.2 | 399.3 | 513.1 | 519.8 | 530.8 |
| Net Capital Expenditure | 3.0 | 99.5 | (34.9) | 14.4 | 32.1 |
| Cash Adjustments for BBC/UAL Loan Funding | 24.1 | 14.3 | 41.6 | (3.4) | (3.4) |
| Cash vs accruals timing adjustment | - | - | - | - | - |
| Closing Capital Requirement | 399.3 | 513.1 | 519.8 | 530.8 | 559.5 |
| Authorised Borrowing Limit | 520.0 | 520.0 | 550.0 | 550.0 | 550.0 |
| Headroom | 120.7 | 6.9 | 30.2 | 19.2 | (9.5) |

Changes since the 2021/22 budget submission

4.40. The changes between the capital budget presented last year⁷ and that presented this year are detailed in this section.

| Changes - Capital | 2021/22 Forecast £m | 2022/23 Budget £m | 2023/24 Plan £m | 2024/25 Plan £m | 2025/26 Plan £m | 2026/27 Onwards Plan | Total £m |
|--|---------------------------|-------------------------|-----------------------|-----------------------|-----------------------|----------------------------|---------------|
| Net Capital Expenditure per 2021/22 Submission (incl rollovers) | (25.9) | (100.8) | 38.4 | (13.4) | 20.1 | 580.5 | 498.8 |
| <i>Income</i> | | | | | | | |
| Capital receipts | 9.5 | (11.0) | (6.0) | 10.1 | (24.3) | 71.4 | 49.7 |
| East Bank | (14.7) | 9.6 | (5.9) | (7.5) | (16.9) | (76.2) | (111.6) |
| GLA Grant | - | 20.0 | - | - | - | (20.0) | (0.0) |
| Other (incl Section 106/CIL) | 2.1 | 2.3 | 0.1 | - | - | - | 4.5 |
| <i>Expenditure</i> | | | | | | | |
| East Bank | 31.3 | (17.5) | (1.0) | 5.2 | 10.9 | 15.7 | 44.5 |
| Development - Infrastructure | (0.0) | 10.0 | 18.3 | (18.3) | (13.5) | 1.6 | (1.9) |
| Development - other | (0.2) | (1.4) | (4.0) | 6.8 | (8.5) | (32.2) | (39.6) |
| Stadium - Capital | - | (8.4) | - | - | - | - | (8.4) |
| Park and Venues | (1.2) | (4.1) | 0.2 | 0.2 | 0.0 | (0.5) | (5.4) |
| FCCS | (0.3) | - | (0.1) | (0.0) | - | - | (0.4) |
| Contingency | 1.4 | - | - | - | - | - | 1.4 |
| Corporation Tax | (5.0) | 1.9 | (5.0) | 2.4 | 0.1 | 0.2 | (5.4) |
| Cash vs Accruals Adjustments (incl BBC & UAL Loans) | - | - | - | 4.7 | - | 6.5 | 11.2 |
| Total Capital Changes | 22.9 | 1.3 | (3.5) | 3.6 | (52.1) | (33.5) | (61.2) |
| Net Capital Expenditure per 2022/23 Submission | (3.0) | (99.5) | 34.9 | (9.8) | (32.1) | 547.0 | 437.6 |

4.41. Major changes are due to:

Capital receipts

- An increase in forecast receipts from **East Wick and Sweetwater** based on the developer's updated estimates and reflecting ongoing commercial negotiations with the developer.
- A reduction in the estimated land value of **Pudding Mill** due to adverse changes in affordable housing value assumptions and construction costs. This represents a prudent position being adopted by LLDC; the modelling assumptions and mitigations will continue to be reviewed and refined over the coming year, as the development progresses towards procurement.
- An increase in **Stratford Waterfront/Bridgewater** forecast land receipts and joint venture income; however, note that this largely due to the combining of the two developments into one budget (Stratford Waterfront was previously budgeted within East Bank – see 'East Bank income'). Excluding this, the forecast value of the land receipts and joint venture income for the two sites has otherwise reduced for the same reasons as set out for Pudding Mill (above).
- An increase in **Section 106/CIL funding** for the Stratford Walk and Pool Street projects – note that this funding is offset in full by corresponding expenditure.

⁷ Including 2020/21 year-end rollovers as presented to and agreed by the Board on 18 May 2021

East Bank income (net decrease)

- Largely due to the reclassification of expected gross **Stratford Waterfront residential** joint venture receipts and land value to 'Capital receipts' and overall reduction in value (see previous).
- This is offset by an increase in capital receipts expected from the **East Bank and Stratford Waterfront retail** receipts. As noted earlier in this report, these units are now assumed to be held by LLDC until 2042/43 at which point a capital receipt would be realised. This hold period creates some capital growth, which is reflected in an increase in the assumed capital receipts.
- During 2021/22, LLDC (with support from the GLA) secured a grant from the Department for Levelling Up, Housing and Communities towards the cost of COVID-19 on the project: note that this grant is provided to the GLA to help fund their contributions and not, therefore, reflected in LLDC's budget submission.

GLA grant

- Whilst there is no overall increase in GLA capital grant funding in this budget submission, some existing grant is reprofiled from future years to help LLDC stay within its borrowing limit in 2022/23 and fund a spend-to-save investment in the Stadium West stand seating, which will yield seat move cost savings from 2022/23 onwards (reflected in revenue).

East Bank expenditure (decrease)

- This is not a decrease in East Bank expenditure but a reclassification of the required Stratford Waterfront residential joint venture equity investment into 'Development – other' (below) to be combined with the Bridgewater budgeted equity investment.

Development – other

- Now includes the estimated required equity contributions towards the Stratford Waterfront residential joint venture – see above. These are combined with the existing budget for the Bridgewater equity contributions.
- There is an increase for the Stratford Walk and Pool Street projects – note that this funding is offset Section 106/CIL funding (above); the difference is funded by existing budgets elsewhere in Park Operations and Venues.

Net Borrowing

4.42. The impact of the changes in the capital budget has the following impact on the net borrowing requirement over the next three financial years. As can be seen from the table below, LLDC is expected to exceed its current £550m borrowing limit in 2025/26, which the GLA has committed to review next year when the borrowing limit will be set formally.

| Summary of Borrowing Requirements | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|----------------|--------------|--------------|--------------|--------------|
| | Forecast £m | Budget £m | Plan £m | Plan £m | Plan £m |
| Opening Borrowing Requirement | 372.2 | 399.3 | 513.1 | 519.8 | 530.8 |
| Net Capital Expenditure | 3.0 | 99.5 | (34.9) | 14.4 | 32.1 |
| Cash Adjustments for BBC/UAL Loan Funding | 24.1 | 14.3 | 41.6 | (3.4) | (3.4) |
| Cash vs accruals timing adjustment | - | - | - | - | - |
| Closing Capital Requirement | 399.3 | 513.1 | 519.8 | 530.8 | 559.5 |
| Authorised Borrowing Limit | 520.0 | 520.0 | 550.0 | 550.0 | 550.0 |
| Headroom | 120.7 | 6.9 | 30.2 | 19.2 | (9.5) |
| <i>Change in net borrowing requirement</i> ¹ | (22.9) | (24.2) | (25.4) | (24.4) | 27.8 |

¹ from prior year submission (including rollovers)

5. REVENUE BUDGET

Background

- 5.1. The difference between LLDC's revenue income and expenditure is met by grant from the GLA (including specific revenue grant for the London Stadium working capital requirement) and the use of funding carried forward from previous years.
- 5.2. In the Mayor's Budget Guidance published in July 2021, the GLA allocated additional revenue grant funding to LLDC to help mitigate existing funding gaps in LLDC's budget and to fund other pressures including those arising from the London Stadium and high-level estimates of costs relating to the future transition of LLDC. The following table sets out the impact of the Mayor's Budget Guidance funding allocation prior to the start of the 2022/23 budget submission process.

| Revenue Budget | 2021/22 Forecast £m | 2022/23 Budget £m | 2023/24 Plan £m | 2024/25 Plan £m | Total Budget/Plan £m |
|---|---------------------------|-------------------------|-----------------------|-----------------------|----------------------------|
| Rollover - April 2021 | | | | | |
| Core revenue grant | 16.0 | 15.6 | 15.1 | 15.5 | 62.2 |
| Stadium | 11.3 | 11.1 | 10.9 | 10.8 | 44.1 |
| Carried forward | 7.9 | 1.8 | - | - | 9.7 |
| Total GLA Funding | 35.2 | 28.6 | 25.9 | 26.3 | 116.0 |
| Funding gap | - | (2.0) | (3.0) | (1.4) | (6.4) |
| Change - Mayor's Budget Guidance (July 2021) | | | | | |
| Core revenue grant | - | 2.1 | 3.4 | 3.7 | 9.3 |
| Stadium | - | 2.5 | - | - | 2.5 |
| Carried forward | - | - | - | - | - |
| Total GLA Funding | - | 4.6 | 3.4 | 3.7 | 11.7 |
| Revised Funding | | | | | |
| Core revenue grant | 16.0 | 17.7 | 18.5 | 19.2 | 71.4 |
| Stadium | 11.3 | 13.6 | 10.9 | 10.8 | 46.6 |
| Carried forward | 7.9 | 1.8 | 0.0 | 0.0 | 9.7 |
| Total GLA Funding | 35.2 | 33.1 | 29.4 | 30.0 | 127.7 |
| Funding gap | - | 2.5 | 0.4 | 2.3 | 5.3 |

- 5.3. As can be seen in the above table, LLDC's starting point for this year's budget submission process was therefore a positive revenue funding position in 2022/23 onwards. As set out in this section, this net additional grant is being used to fund other pressures including a loss of income in areas such as car parking and rents, the London Stadium and contingencies to cover costs associated with LLDC's transition (in 2024/25) and risks relating to additional commercial income assumed in 2023/24 and 2024/25. Key changes to LLDC's budget are set out in 5.36.

2022/23 budget submission

- 5.4. The revenue income and expenditure budgets (pre-financing costs) for these years are shown in the following table.

| Revenue Budget | 2021/22 Forecast £m | 2022/23 Budget £m | 2023/24 Plan £m | 2024/25 Plan £m | Total Budget/Plan £m |
|--|---------------------------|-------------------------|-----------------------|-----------------------|----------------------------|
| Development | 0.4 | 0.6 | 0.7 | 0.6 | 1.9 |
| Finance, Commercial and Corporate Services | 0.3 | 0.3 | 0.3 | 0.3 | 0.9 |
| Park Operations and Venues (excl Trading) | 4.0 | 4.7 | 5.4 | 6.6 | 16.7 |
| Planning Policy and Decisions | 1.4 | 1.4 | 1.4 | 0.9 | 3.7 |
| Regeneration and Community Partnerships | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 |
| Commercial | - | 0.3 | 2.3 | 2.4 | 5.1 |
| Trading | 8.2 | 9.4 | 10.0 | 9.6 | 29.0 |
| Total Revenue Income | 14.3 | 16.8 | 20.2 | 20.6 | 57.6 |
| Expenditure | | | | | |
| Communications, Marketing and Strategy | (1.8) | (2.0) | (2.1) | (2.2) | (6.3) |
| Development | (0.2) | (0.1) | (0.1) | (0.1) | (0.2) |
| East Bank | - | - | (0.3) | - | (0.3) |
| Executive Office | (2.5) | (3.3) | (2.6) | (2.6) | (8.6) |
| Finance, Commercial and Corporate Services | (6.0) | (6.3) | (6.5) | (6.7) | (19.5) |
| Park Operations and Venues (excl Trading) | (9.6) | (9.7) | (9.7) | (9.8) | (29.3) |
| Planning Policy and Decisions | (2.8) | (2.9) | (3.0) | (1.7) | (7.7) |
| Regeneration and Community Partnerships | (2.8) | (2.6) | (2.5) | (2.5) | (7.6) |
| Commercial | (0.5) | (0.1) | (0.1) | (0.0) | (0.3) |
| Trading | (9.0) | (9.3) | (9.4) | (9.6) | (28.2) |
| Contingency | (2.0) | (0.6) | (1.4) | (5.0) | (6.9) |
| Total Revenue Expenditure | (37.4) | (36.9) | (37.8) | (40.3) | (114.9) |
| Net Revenue Expenditure - excluding Stadium | (23.1) | (20.1) | (17.6) | (19.7) | (57.3) |
| Stadium | (16.9) | (12.6) | (10.9) | (11.2) | (34.7) |
| Net Revenue Expenditure - Total | (40.0) | (32.7) | (28.5) | (30.9) | (92.0) |
| GLA Core Funding | 14.4 | 17.2 | 18.3 | 18.6 | 54.1 |
| GLA Funding for Stadium | 11.3 | 13.6 | 10.9 | 10.8 | 35.3 |
| GLA Funding for Covid 19 Pressures | 1.6 | 0.5 | 0.2 | 0.6 | 1.3 |
| Carried Forward Funding | 12.7 | 1.4 | (1.0) | 0.9 | 1.3 |
| Net Revenue After Funding | - | - | - | - | - |

- 5.5. The funding carried forward from previous years (held by the GLA on behalf of LLDC) phases out over time, with LLDC almost wholly reliant on the GLA for revenue grant funding in the future years. There are sufficient reserves and grant funding to balance LLDC's requirements for 2022/23, 2023/24 and 2024/25.

Revenue Income

Development

- 5.6. Development income is from project monitoring fees and, from 2021/22, expected rental income from the East Wick and Sweetwater development (prior to eventual disposal). The income from rents grows as more units are completed, albeit there has been slippage arising from delays to the overall programme.

Finance, Commercial and Corporate Services

- 5.7. This income reflects recharges to E20 Stadium LLP, a wholly-owned subsidiary of LLDC, for services provided by LLDC including ICT, finance and accounting and HR support.

Park Operations and Venues (excluding Trading)

- 5.8. Largely income from the Fixed Estate Charge, a charge on all occupiers of the Park to contribute towards the cost of maintaining the Park and its facilities. LLDC's income from this charge increases as developments are completed and more occupiers move onto the Park in the later years. Other income comes from short-term programmes and events that take place on the Park, car parking and rental from Here East (to align with net cashflow forecasts).

Planning Policy and Decisions

- 5.9. Income related to planning fees and Community Infrastructure Levy administration income payable to the LLDC Planning Authority, which is forecast to reduce over time due to a reduction in major planning applications and the phasing of large scale approved development.

Regeneration and Community Partnerships

- 5.10. This income is assumed funding towards the Good Growth Hub, which is intended to be the centrepiece of the LLDC's and its partners' work to deliver a truly inclusive Innovation District, offering a dedicated space from which Park employers and local residents will co-design and access a range of bespoke services from London Living Wage-paid internships and apprenticeships to a Freelancers' Academy.

Commercial

- 5.11. This income line is new for this year's submission and covers the assumed income arising from the Sponsorship, Marketing and Park Assets Strategy, which focusses on how LLDC can develop its sponsorship and marketing structures and systems to derive more value from the Park assets (excluding the London Stadium). Some funding is included in the revenue expenditure budget to support delivery of the strategy.
- 5.12. The commercial income assumptions included in this budget submission are based on preliminary estimates and valuations being developed with support from third parties, which will be further updated when that work is complete. As the delivery of this additional income is therefore uncertain it is highlighted as a risk against LLDC's revenue contingency. This work is being led by the Chief Commercial Officer.

Revenue Expenditure

Communications Marketing and Strategy

- 5.13. Expenditure on marketing promotions for the Park and attractions, media monitoring and dealing with media requests, design and implementation of corporate communications (such as the statutory annual report and the website), stakeholder management, strategy development and preparation of branded material for the Park.

Executive Office

- 5.14. Covers office accommodation, corporate Human Resources activities and the costs of the Executive Office (including the Chief Executive) and other non-salary staff costs such as training and recruitment.

Finance, Commercial and Corporate Services

- 5.15. This includes finance, IT, governance and programme assurance, commercial, procurement, legal and professional fees (including tax advice), insurance, internal and external audit, commercial assurance and the costs of the LLDC Board. Legal, secretariat, indirect procurement categories and internal audit are provided through a shared service with the GLA.

Park Operations and Venues (excluding Trading)

- 5.16. Day-to-day operational costs of the Park, the most significant element being estate and facilities management of the Park, which is carried out under a third-party contract. In addition, there are other costs including Park security, utilities and rates. Savings from this area include estates and facilities management, Park headquarter costs, security and programming and events.
- 5.17. Whilst there will likely be some increase in energy-related costs for the Park and venues, the immediate direct impact upon LLDC's budget should be mitigated by corresponding increased recharge income for such costs (see 5.40 regarding the London Stadium). This will be monitored over the coming year and reviewed again as part of next year's budget submission.

Planning Policies and Decisions

5.18. Expenditure relates mainly to staff and professional fees.

Regeneration and Community Partnerships

- 5.19. The largest element of expenditure in the directorate's budget covers socio economic programmes, which, amongst other things, support the East Works programme, aimed at ensuring that local people and members of under-represented groups benefit fully from employment and skills development opportunities on the Park.
- 5.20. The directorate budget also supports the development of new residential and business communities on the Park, in ways that also create opportunities for local communities; for example, through extensive engagement with schools and community groups. A major focus continues to be the development of the East Bank partnership to ensure that the Strategic Objectives of the project are being delivered, with practical collaborative work streams focusing on Arts and Culture; Education and Opportunity; Employment and Enterprise; and Research and Innovation.
- 5.21. The directorate's budget for activities promoting environmental sustainability supports the implementation of the London Environment Strategy across the Park's operation and development: This includes implementing a single-use plastic reduction action plan, implementing the GLA Group Responsible Procurement policy, and developing and implementing a carbon reduction plan that enables LLDC to achieve a 60% reduction in carbon emissions by 2025 from its operations, including plans to retrofit buildings, sourcing more renewable energy, offsetting all flights, and considering the opportunities to support decentralised energy and heat networks.

Commercial

5.22. These costs are to support the delivery of commercial-related income as set out at 5.11.

Trading

5.23. A breakdown of the Trading activities is provided in the following table.

| Trading | 2021/22 Forecast £000 | 2022/23 Budget £000 | 2023/24 Plan £000 | 2024/25 Plan £000 | Total Budget/Plan £000 |
|---|-----------------------------|---------------------------|-------------------------|-------------------------|------------------------------|
| Trading Income | | | | | |
| 3 Mills Studios | 6,032 | 6,800 | 7,039 | 7,180 | 21,019 |
| ArcelorMittal Orbit | 547 | 656 | 1,046 | 1,230 | 2,932 |
| Kiosks | 41 | 42 | 42 | 43 | 127 |
| London Aquatics Centre and Copper Box Arena | 145 | 672 | 808 | 154 | 1,634 |
| Off Park Assets | 285 | 112 | 0 | 0 | 112 |
| On Park Assets | 593 | 560 | 455 | 440 | 1,454 |
| The Last Drop | 345 | 352 | 359 | 350 | 1,061 |
| Timber Lodge Café | 58 | 113 | 124 | 126 | 363 |
| Telecoms | 106 | 98 | 98 | 98 | 295 |
| Total Trading Income | 8,152 | 9,405 | 9,973 | 9,621 | 28,998 |
| Trading Expenditure | | | | | |
| 3 Mills Studios | (5,006) | (5,263) | (5,350) | (5,438) | (16,051) |
| ArcelorMittal Orbit | (823) | (836) | (849) | (1,036) | (2,722) |
| Telecoms & Wifi | (5) | (5) | (5) | (5) | (15) |
| London Aquatics Centre and Copper Box Arena | (321) | (350) | (368) | (154) | (872) |
| Off Park Assets | (100) | - | - | - | - |
| On Park Assets | (75) | (38) | (38) | (38) | (113) |
| Timber Lodge Café | (23) | (23) | (23) | (23) | (68) |
| <i>Estates and Facilities Management (recharge)</i> | <i>(2,671)</i> | <i>(2,725)</i> | <i>(2,779)</i> | <i>(2,834)</i> | <i>(8,338)</i> |
| Total Trading Expenditure | (9,023) | (9,240) | (9,412) | (9,527) | (28,179) |
| Net Trading | (870) | 165 | 561 | 94 | 819 |
| Net Trading (excluding EFM recharge) | | | | | |
| 3 Mills Studios | 1,027 | 1,537 | 1,689 | 1,742 | 4,968 |
| ArcelorMittal Orbit | (276) | (180) | 197 | 194 | 210 |
| Kiosks | 41 | 42 | 42 | 43 | 127 |
| London Aquatics Centre and Copper Box Arena | (176) | 322 | 440 | (0) | 762 |
| Off Park Assets | 185 | 112 | 0 | 0 | 112 |
| On Park Assets | 519 | 522 | 417 | 402 | 1,342 |
| The Last Drop | 345 | 352 | 359 | 350 | 1,061 |
| Timber Lodge Café | 35 | 90 | 102 | 103 | 295 |
| Telecoms | 106 | 93 | 93 | 93 | 280 |
| Net Trading (excluding EFM recharge) | 1,806 | 2,890 | 3,340 | 2,927 | 9,157 |
| <i>Estates and Facilities Management (recharge)</i> | <i>(2,676)</i> | <i>(2,725)</i> | <i>(2,779)</i> | <i>(2,834)</i> | <i>(8,338)</i> |
| Net Trading Surplus/(Deficit) | (870) | 165 | 561 | 94 | 819 |

5.24. Trading income is derived from rental and other income from venues on the Park (including ArcelorMittal Orbit, the London Aquatics Centre and the Copper Box Arena) and other off Park sites held by LLDC, such as 3 Mills Studios. Note that the above income assumptions include the direct impact of COVID-19 upon LLDC's trading activities.

5.25. This shows the total costs for the operation of the venues, which remain broadly flat across the budget submission period plus inflation assumptions. Again, the direct of impact of COVID-19 on trading expenditure is included within the above table.

Contingency

5.26. A small contingency is held for certain risks against LLDC's revenue budget, for example additional reactive facilities and maintenance works on the Park. However, included in this year's submission are provisions for the non-achievement of additional commercial income (set out in 5.11) and, for the first time, estimated costs associated with the future transition of LLDC – further details are set out below.

Transition

5.27. LLDC was established as the first ever Mayoral Development Corporation (MDC) in 2012, to take forward commitments made in the original London 2012 bid in relation to the physical and socio-economic regeneration of Stratford and the surrounding area.

5.28. Whilst there remains significant work to do to fulfil the regeneration commitments made in the original London 2012 bid, it is anticipated that a large part of LLDC's direct role in this will be complete by 2025. With a robust prioritisation of its workload, key objectives will be delivered by 2025 and plans in place for the delivery

of ongoing functions, including the management of development projects under contract, and the long-term operation and oversight of QEOP. This process is referred to as 'Transition'.

- 5.29. The successor body will not have a Town Planning function (LLDC's statutory planning powers will transfer back to the host Boroughs by 31 December 2024), will have a reduced geographical area and a reconstituted Board and will have a reduced staff due to reduced remit and geography.
- 5.30. In this year's budget submission, contingency provisions are now being assumed in relation to the above. These provisions, which are indicative and based on high-level estimates, will become more refined as work on the strategy progresses and updated in future years' budget submissions accordingly. Included is provision for:
- Professional fees for services such as legal support and tax advice;
 - Additional staff resource to deliver Transition-related activities (such as HR support);
 - IT/data transfer costs;
 - Early (prudent) estimates of staff-related costs such as redundancy and pension strain.
- 5.31. For the long-term financial sustainability of the successor body, LLDC's objective is that post-Transition, when developments on the Park are completed (early 2030s) and income from the Fixed Estate Charge has increased accordingly, the requirement for grant funding, excluding the London Stadium, will be eliminated.
- 5.32. There is a substantial gap to bridge to achieve full financial sustainability; therefore, work is ongoing to review how this objective can be achieved. This includes reviewing the **post-Transition cost base** and focussing on **increasing commercial income**.
- 5.33. This work will carry on over the coming year and be further updated in next year's budget submission.

Stadium

- 5.34. Stadium expenditure relates to the working capital provided by LLDC to fund the deficit of the E20 Group (E20 Stadium LLP and London Stadium 185 Limited) and is predicated on the Stadium's Five-Year Plan. Changes to the funding required for the Stadium is set out at 5.38.

Changes since the 2021/22 budget submission

5.35. The changes in the **revenue income** are shown in the table below.

| Changes - Revenue | 2021/22 Forecast £m | 2022/23 Budget £m | 2023/24 Plan £m | 2024/25 Plan £m | Total Budget/Plan £m |
|---|---------------------------|-------------------------|-----------------------|-----------------------|----------------------------|
| Total Revenue Income per 2021/22 Submission (incl rollovers) | 15.0 | 15.9 | 18.0 | 19.3 | 53.2 |
| Fixed Estate Charge | (0.2) | - | (0.2) | (0.3) | (0.5) |
| Trading (Venues, Attractions, Kiosks) | 0.2 | 0.8 | (0.0) | (0.2) | 0.6 |
| Car park income | (0.0) | (0.1) | (0.1) | (0.1) | (0.2) |
| Planning-related | - | 0.2 | 0.4 | - | 0.6 |
| Events | 0.0 | 0.1 | - | - | 0.1 |
| Other | (0.0) | (0.0) | 2.0 | 2.1 | 4.0 |
| Total Revenue Income Changes | (0.7) | 0.9 | 2.2 | 1.3 | 4.4 |
| Total Revenue Income per 2022/23 Submission | 14.3 | 16.8 | 20.2 | 20.6 | 57.6 |

5.36. The key drivers of change in revenue income are:

- A decrease in the Fixed Estate Charge, reflecting a reprofiling of receipts from East Wick and Sweetwater and East Bank.
- Various movements to Trading income forecasts, including an increase in income expected from the interim uses of LLDC's remaining development plots.
- An increase in planning-related income (e.g. planning fees and pre-planning consultation recharges) reflecting increased levels of activity in 2022/23 and 2023/24.

5.37. The changes in **revenue expenditure** are shown in the table below.

| Changes - Revenue | 2021/22 Forecast £m | 2022/23 Budget £m | 2023/24 Plan £m | 2024/25 Plan £m | Total Budget/Plan £m |
|--|---------------------------|-------------------------|-----------------------|-----------------------|----------------------------|
| Total Revenue Expenditure per 2021/22 submission (incl rollovers) | (40.5) | (35.3) | (36.1) | (36.2) | (107.6) |
| Communications, Marketing and Strategy | 0.1 | (0.1) | (0.1) | (0.1) | (0.3) |
| East Bank | - | - | (0.3) | - | (0.3) |
| Executive Office | 0.0 | (0.5) | (0.5) | (0.4) | (1.4) |
| Finance, Commercial and Corporate Services | (0.1) | (0.3) | (0.3) | (0.3) | (0.9) |
| Park Operations and Venues (excl Trading) | 0.3 | 0.2 | 0.4 | 0.4 | 1.0 |
| Planning Policy and Decisions | (0.0) | (0.5) | (0.7) | (0.1) | (1.4) |
| Regeneration and Community Partnerships | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Commercial Strategy | - | (0.1) | (0.1) | (0.0) | (0.3) |
| Trading | 0.4 | (0.0) | 1.0 | 1.1 | 2.1 |
| Contingency | 2.6 | (0.2) | (1.1) | (4.6) | (5.9) |
| Total Revenue Expenditure Changes | 3.1 | (1.5) | (1.7) | (4.1) | (7.3) |
| Total Revenue Expenditure per 2022/23 submission | (37.4) | (36.9) | (37.8) | (40.3) | (114.9) |
| Stadium | (5.1) | (1.5) | (0.0) | (0.4) | (1.9) |

5.38. Main changes are:

- An increase in **Stadium** net expenditure for E20 Stadium LLP and London Stadium 185 Limited consolidated deficit funding requirement in 2021/22 and 2022/23; this includes:
 - Delays to securing a Stadium Naming Rights partner, loss of concerts and lower commercial revenue as a result of COVID-19;
 - Increase in matchday costs, particularly stewarding where a post-pandemic scarcity of stewards is being experienced and fan behaviour is contributing towards an increase in stewarding requirements; and
 - Increases in utility costs (electricity) as result of the current high levels of inflation on energy costs.

- Of the £5.1m increase in 2021/22, £4.1m was identified at the start of the financial year and funded through additional income/savings arising from the Stadium in 2020/21. The remaining £1.0m arose during the year and is to be funded from LLDC's carry-forward grant funding in 2021/22. This will create a £1.0m funding shortfall for LLDC in 2022/23, which the GLA has agreed to fund through additional grant.
- The £1.5m Stadium expenditure increase in 2022/23 is net of anticipated savings on seat move costs (arising from the spend-to-save investment in the West stand). This amount is also included in the GLA's funding in 2022/23, bringing the total additional funding for the Stadium to £2.5m. Note that there are additional commercial opportunities currently in negotiation and not reflected in the budget submission but which are expected to conclude over the coming year and could offset the additional funding from the GLA in future years.
- Increases within **Executive Office** relate to the rental cost of moving LLDC's offices to the Transport for London building at Endeavour Square, Stratford. Note that savings were recognised in last year's budget submission in relation to this move; therefore, this increase, which is rebalancing the budgets for the final agreed rental cost, still results in an overall net saving to LLDC. Furthermore, as the amounts paid in rent will now be to another member of the GLA Group they generate a further overall Group 'saving'.
- An increase in expenditure in **Planning Policy and Decisions** reflecting the additional activity and income identified at 5.36.
- The inclusion of estimated revenue costs arising from the retention of retail units from the **East Bank** Stratford Waterfront cultural and education development.
- Increases in insurance premiums within **Finance, Commercial and Corporate Services** reflecting current market conditions.
- A reduction in forecast costs within LLDC's **Trading** activities, in particular a realignment of cost relating to the ArcelorMittal Orbit and a reduction in Estates and Facilities Management recharges to the venues.

6. SAVINGS AND EFFICIENCIES

- 6.1. LLDC has delivered a significant amount of savings and efficiencies in previous years, including last year in response to the COVID-19 pandemic. The core costs for LLDC's significant deliverables before Transition and the ongoing operation and maintenance of the Park are relatively fixed; however, LLDC continues to review its budgets each year to ensure ongoing efficiencies in its operations.
- 6.2. LLDC already had £1.6m of additional income and savings built into the 2022/23 budget (from the November 2020 submission) and has identified a further £1.3m as part of this submission. This additional income and savings are expected to be delivered from:
 - **Income opportunities:** These are expected to be challenging in the current climate but LLDC has identified potential for additional income, mainly from opportunities at 3 Mills Studios and interim uses of the Corporation's remaining development sites.
 - **Discretionary spend:** The opportunity for savings from LLDC's discretionary cost base is very limited, largely due to substantial savings delivered over previous years. However, a bottom-up review and challenge of all budgets during 2020/21 identified some discretionary spend that could be reduced on a recurring basis. These costs included professional fees, IT costs, repairs and maintenance and marketing and communications. There are also

savings expected from a rationalisation of LLDC's office space following a move from its current offices to an office building owned by Transport for London (part of the GLA Group). LLDC has protected spend on Inclusion and Diversity, which is a priority area.

- 6.3. Despite delivering the additional savings, LLDC strongly believes that it and Queen Elizabeth Olympic Park are well-placed to support the recovery from COVID-19. The ongoing investment in infrastructure, homes and jobs will play an important role in supporting London's social and economic recovery.

GLA Group Collaboration Project

- 6.4. The GLA Group Collaboration Programme is a portfolio set up by the Mayor to ensure the GLA Group realises the maximum benefits obtainable from collaboration, both within the GLA Group and with other like-minded organisations. Senior Executives from across the GLA Group sit on the Group Collaboration Board which is responsible for strategic oversight and key decision making.
- 6.5. The committed membership of the programme includes:
- GLA
 - Transport for London
 - Mayor's Office for Policing and Crime
 - Metropolitan Police Service
 - London Fire Brigade
 - Old Oak and Park Royal Development Corporation
 - LLDC
- 6.6. The programme is looking at options for realising benefits from greater collaboration, including potential financial efficiencies arising from how the Group buys its energy more efficiently; leveraging shared buying power in procurement; utilising the Group's estates better and removing duplication in back and middle office support service and policy/delivery areas not provided exclusively by a member of the GLA Group.
- 6.7. Development work is proceeding at pace with clear governance and methodology framework, and a programme in place. Resources are committed to develop the initiatives identified as possible areas of opportunity.
- 6.8. The results of this work will be included in the budget process as they are available on an ongoing basis. For LLDC, savings expected to be yielded from its accommodation strategy (which utilises Group estates) are included within this submission.

7. EQUALITY, DIVERSITY AND INCLUSION

- 7.1. LLDC's Inclusion and Diversity Strategy has five strategic themes. Of these, four strategic themes (inclusive culture; recruitment; supporting talent from within; and leadership) are led by members of LLDC's Executive Management Team who have set up working groups to develop theme action plans to deliver on each theme. The fifth strategic theme is more externally focused through LLDC's work in the local community and is led by the Regeneration and Communities Partnerships directorate and overseen by the Regeneration and Communities Committee, with the Executive Director of Development acting as a 'critical friend'. The working groups are well-resourced from across the directorates including representatives from LLDC's Lean In Group, which was set up in December 2018 by Black, Asian and Minority Ethnic staff to explore some of the challenges they face in the workplace. The Lean In Group meets regularly and provides a safe space for employees to talk about their experiences and provide peer support in the workplace.

7.2. Key positive actions being taken by LLDC include:

- The flagship **Inclusion Campaign** continues, including focussing on inclusive language and LLDC practices. The aim is to create more inclusive language utilisation and ensure practices are inclusive throughout the organisation, which in turn allows all colleagues, no matter their situation, circumstance of background, to feel included and valued.
- LLDC has continued to focus on inclusion and diversity and social mobility through its **weekly all-employee webcasts**. Recent guests have included: Tunde Banjoko OBE, the founder of Making the Leap and the Social Mobility Awards; Neil Smith and Camilla Thrush from LLDC's Built Environment and Access Panel, and Aslie Pitter MBE a founder of Stonewall FC.
- A new **Inclusion and Diversity governance structure** implemented across the Corporation, which seeks to review deliverability and resourcing for new initiatives and to ensure the action plan is well coordinated. This includes the establishment of a senior Inclusion and Diversity Steering Committee, which met for the first time in April 2021.
- LLDC is developing its approach to setting **workforce representation targets** and consulted widely with stakeholders on the matter.
- A continued focus on **Anti-Racism initiatives and inclusive language**, including a focus on micro and macro aggressions, in consultation with the Lean in Group.

7.3. LLDC is focussing specifically on the area of recruitment within its Inclusion and Diversity strategy, which includes identifying challenges and opportunities to improve its recruitment practices. This is driven by several factors including the desire to reduce LLDC's ethnicity pay gap, increase the representation of traditionally under-represented groups within senior roles, drive the strategic objective of balancing LLDC's workforce representation and ultimately to meet its objective of better reflecting and meeting the needs of the communities that it serves.

7.4. LLDC's work is informed by external challenge and best practice, including through the Mayor's Diversity Standard, work with Inclusive Employers and external networks.

7.5. LLDC has ring-fenced budget for its work on inclusion and diversity and protected this during the recent savings reviews to ensure it is able to commit to progressing the agenda over the coming years.

8. ENVIRONMENTAL IMPACT

8.1. LLDC's policy is that the Park will use the best of the 2012 Games' infrastructure, innovation and inspiration to provide a pioneering model of urban regeneration promoting sustainable lifestyles through sustainable infrastructure that exceeds requirements under the London Plan. LLDC commits to implementing the new London Plan environmental policies, and are updating and implementing our adaptation and resilience response to the climate emergency, and working towards the mayors target to achieve net zero carbon by 2030.

8.2. The Park was conceived as an environmental showcase and will continue to strive for environmental excellence. LLDC has set a wide range of environmental performance measures and publishes an annual sustainability report.

8.3. The Regeneration and Community Partnership's directorate budget for activities promoting environmental sustainability supports the implementation of the London Environment Strategy across the Park's operation and development: This includes implementing a single-use plastic reduction action plan and other circular economy initiatives (including supporting the Mayor's ambition to meet 65% recycling rate by 2030), implementing the GLA Group Responsible Procurement policy, and developing and implementing a carbon reduction plan that enables LLDC to achieve

a 60 per cent reduction in carbon emissions by 2025 from its operations, including plans to retrofit buildings, sourcing more renewable energy, offsetting all flights, and considering the opportunities to support decentralised energy and heat networks.

- 8.4. Additionally, the budget supports working with stakeholder organisations to bring about good environmental outcomes in collaboration with LLDC partners, both existing (e.g. the Smart Mobility Living Lab) and developing e.g. with the GLA and partners to promote CleanTech (environmentally beneficial products and services).
- 8.5. LLDC has a corporate risk around the decarbonisation of the district heating network and its obligation under the concession agreement. LLDC is actively working on a solution to district heating directly with the provider and national government.
- 8.6. LLDC is exploring all opportunities to jointly procure renewable electricity for the GLA Group.

9. DELIVERABLES

- 9.1. The mission of LLDC is to use the opportunity of the London 2012 Games and the creation of Queen Elizabeth Olympic Park (QEOP) to change the lives of people in east London and drive growth and investment in London and the UK, by developing an inspiring and innovative place where people want – and can afford – to live, work and visit.
- 9.2. The previous QEOP strategy, written in 2015 and updated in October 2016 to reflect the priorities of the (then) newly elected Mayor of London, outlined the enormous amount of work involved in transforming Queen Elizabeth Olympic Park into a new and unique visitor destination following the London 2012 Games.
- 9.3. LLDC and its partners have agreed a 2030 Vision for Queen Elizabeth Olympic Park, to create “*an innovative London metropolitan centre with a global focus, powered by inclusive growth and with community and opportunity at its heart.*”
- 9.4. In 2021, a new QEOP Strategy to 2025 was published, link [here](#). The strategy outlines key activities LLDC will take forward between now and the Transition of LLDC to support delivery of the 2030 Vision. Its structure mirrors the three strands of the Vision: **Inclusive Growth, Community and Opportunity**, set out in the following diagram:



9.5. It also sets out five priority objectives for the period to 2025:

- East Bank operational, with partners self-organising and leading delivery of strategic outcomes
- Delivery of a high-quality and varied residential offer which responds to local need
- Delivery of critical physical connectivity enhancements
- Increased financial sustainability for Queen Elizabeth Olympic Park
- Groundwork laid for post-Transition operation and oversight of Queen Elizabeth Olympic Park

Inclusive Growth: a place in which people want to invest, enhancing local lives as well as national economic growth

- **East Bank:** A new powerhouse for innovation, creativity and learning
- **Residential delivery:** Chobham Manor and Hackney Wick Central complete; East Wick and Sweetwater, Stratford Waterfront, Bridgewater, and Rick Roberts Way under construction; delivery strategy agreed and delivery vehicle in place for Pudding Mill Lane
- **A diverse, unique and successful visitor destination:** Quality and safety of Park and venues; varied sporting and entertainment programme; high visitor satisfaction maintained
- **A thriving business and innovation hub:** Employment clusters; QEOP Inclusive Innovation District
- **Building the infrastructure of growth:** Long term redevelopment of Stratford Station

Community: an attractive and inspiring place where people come together to achieve great things.

- **Building successful communities:** Affordable and family housing; social and community infrastructure; public and open space
- **Connecting communities:** Focus on eight strategic routes to enhance access to and within QEOP
- **A community asset:** Community activities and events; schools and youth engagement; supporting community networks
- **Supporting sustainable lifestyles:** Delivery of environmental sustainability targets in line with Mayor's Climate Emergency Response

Opportunity: a place where local talent is celebrated and the benefits of regeneration can be shared by all

- **Realising the wider benefits of East Bank:** Strategic Objectives Delivery Plan; Impact and Evaluation Study
- **A diverse local talent pipeline:** East Education; delivery of East Works through new Good Growth Hub
- **A local and diverse Park workforce:** Employment targets for local and priority groups; new construction training centre

9.6. The key deliverables for 2022/23 are set out below, along with deliverables achieved in 2021/22:

Inclusive Growth

- Continue construction of East Bank Stratford Waterfront cultural and educational buildings to programme
- UCL continue construction of their new university campus, UCL East, including completion of Pool St West site
- Deliver an effective and responsive planning service. At least 70% of applications determined in time
- Delivery Town Planning programme, including:
 - Annual monitoring report publication
 - Planning Obligations Supplementary Planning Document (SPD) and Carbon Offset SPD adoption and publication
- Maintain safe and well-maintained Park, making adjustments in line with any changes to guidelines relating to COVID-19 and attracting visitors: the estimate is set at the pre-pandemic level of 6.2m, noting that delivery of this estimate may be impacted by COVID restrictions
- Manage and maintain the quality of the Park and venues, including retaining Green Flag status
- Operate safe and well-maintained venues, making adjustments in line with any changes to guidelines relating to COVID-19 and attracting visitors in line with those restrictions. The targets are set at pre-COVID levels: 1m visitors to the London Aquatics Centre; 445k visitors to the Copper Box Arena, noting delivery of these targets may be impacted by COVID restrictions
- Support safe delivery of major events including the summer concerts at the Stadium (Hella Mega tour, Foo Fighters, Red Hot Chilli Peppers) and Commonwealth Games Track Cycling
- Agree long term strategic approach to the Stadium
- Continue Stadium operations including football, other sports and concerts.
- Park operational contracts tenders issued to the market
- Delivery of 10-year anniversary celebrations for London 2012
- Support safe delivery of small events, community sports and filming on the Park
- Develop the QEOP advanced mobility programme
- Contribute to delivery of the QEOP Innovation District programme: Specifically, CleanTech work streams (electric vehicle charging; smart grid; decarbonisation; and circular economy)

(Note: housing developments are reported through the 'Community' theme)

Delivered in 2021/22:

- *Maintained safe and well-maintained Park and venues, responding to changing restrictions. Park visitor numbers are roughly 50% of visitor numbers before the COVID-19 crisis.*
- *The Park was awarded the prestigious Green Flag Award for the eighth year in a row. A consultation has been launched to improve the safety of women and girls in LLDC's area.*

- *The London Aquatics Centre re-opened for community and elite use and hosted shows as part of London Fashion Week; the Copper Box Arena re-opened for community use and elite sorts, including London Lions basketball matches; The ArcelorMittal Orbit attraction and Slide re-open, with tickets for The Slide selling out regularly. The Timber Lodge Café and food and beverage kiosks re-opened with new operators.*
- *Successful use of the Park for commercial filming and smaller events, including the London Halal Food Festival and runs on the Park and 3,000 visitors for the Get Together Community event.*
- *At the East Bank Stratford Waterfront site, construction work has continued in line with the revised programme. The four building structures are well progressed and the UAL building topping out ceremony was held in September 2021. Construction of the public realm is also underway. 33 contracts have been let with six more to procure. UCL's Pool Street and Marshgate building are also progressing well with topping out ceremonies held.*
- *Following the successful start to the 2021/22 Premier League football league season at the London Stadium in August, the Stadium hosted European football for the first time. Concerts were announced for 2022 in this period with the Red Hot Chilli Peppers and the Foo Fighters headlining.*
- *Commenced a consultation with contractors relating to the renewal of contracts for the operations on the Park.*
- *Delivery of the Smart Mobility Living Lab testbed on the Park.*

Community

- East Wick and Sweetwater phase 2 construction commences
- Developer selected for Stratford Waterfront and Bridgewater residential development; joint venture established
- Complete masterplanning for Pudding Mill Lane and Bridgewater sites and submission of Outline Planning Application
- Commence Rick Roberts Way development partner procurement.
- Hackney Wick Neighbourhood Centre: commencement of construction.
- Progress Aquatics Triangle and Chobham Farm developments.
- Progress delivery of enhanced physical connections and improved access to and within Queen Elizabeth Olympic Park
- Stratford Station Strategic Outline Business Plan submitted
- Deliver of the Great Get Together and any smaller community events on the Park
- Continued delivery of community engagement through events, youth and schools engagement, Park Panel.
- Delivery of visitor services through Park Champion volunteers, the Information Point and Park Champions.

Delivered in 2021/22:

- *Completion of the first phase of housing at East Wick and Sweetwater, providing 302 homes with sales going very well. Approval for Reserved Matters Applications for phases 2, 3 and 7 and opening of the Monier Road Bridge to pedestrians and cyclists*
- *On track to complete Chobham Manor development by Spring 2022, totalling 880 homes.*

- *The procurement exercise to select a joint venture partner to deliver 1,200 homes on the Park, across the Stratford Waterfront and Bridgewater Triangle sites, has continued with three bidders engaged in dialogue. Outline Planning for Bridgewater Triangle submitted, on track to submit outline planning to Pudding Mill Lane in 2021/22.*
- *Design work and community engagement undertaken for the Hackney Wick Central Development which is on programme to submit Reversed Matters Application in 2021/22.*
- *Approval has been secured for a consolidation of interests with LB Newham to deliver housing at the Rick Roberts Way site.*
- *Progressed plans for the re-development of Stratford Station with the development of an Urban Design Framework and the launch of public consultation.*
- *Re-opening of the Mobility Service and Information Point, which has moved to the nearby Pavilion building at IQL.*

Opportunity

- Continue to deliver the QEOP 'East Works' jobs and skills programme, including:
- Successful operation of the Good Growth Hub, the physical facility to consolidate and scale the East Works, including meeting engagement targets
- Successful operation of the QEOP Training Association, including the Training Centre, including meeting performance targets
- Meeting and exceeding targets for construction and end use jobs for local people, Black, Asian and Minority Ethnic groups, disabled people, women and apprentices
- Completion of 2021/22 *Shared Training and Employment Programme* (STEP) programme and commencement of 2022/22 programme
- Delivering the Design...Engineer...Construct Built Environment curriculum in ten local schools and colleges
- Progress EAST Education, an education engagement programme with East Bank partners.
- Deliver prosperity index research

Delivered in 2021/22:

- *Launch of the Good Growth Hub as a focal point for local people seeking Park-based careers and for employers including East Bank partners, looking to recruit diverse, local talent, aiming to give information, advice and guidance to over 2,500 local people and help over 450 people into work and support over 850 businesses to adopt inclusive working practices over the next 5 years.*
- *Delivery of the STEP programme, with 10 young people starting individual 12-month placements.*
- *Build East, the new Construction Training Centre at East Wick opened to learners as the hub for the Park's Training Association. The Training Association is a partnership of major construction contractors on the Park and promotes a collaborative approach to skills training, apprenticeship recruitment, pay rates and conditions.*
- *Delivery of the East Summer School, providing face-to-face sessions to 350 local young covering subjects as diverse as arts and fashion, engineering*

medical solutions, skateboarding and break dancing, supported by East Bank partners.

Supporting Delivery

- Work towards improved financial sustainability of the Stadium including commercial opportunities
- Close working with the GLA on budget savings and efficiencies
- Health and safety: construction undertaken without a fatal accident on site; to prevent any life-changing injury or occupational ill-health for any individual and to minimise reportable accidents to a rate below 0.17 per 100,000 hours worked
- Unqualified accounts for LLDC, E20 Stadium LLP and LS185
- Annual Environmental Sustainability Report published
- Support the Mayor's Agenda for ensuring that GLA Group organisations are inclusive and diverse including:
 - Successful completion of Inclusive Culture campaign
 - Improvements in gender and ethnicity pay gap; increased representation of under-represented groups at senior levels at LLDC,
 - Meeting exemplary across the Mayor's Diversity Standard
- Progress LLDC's Transition strategy including agreeing strategic approach to successor arrangements

Delivered in 2021/22:

- *Unqualified accounts for LLDC, E20 Stadium LLP and LS185 audit is in progress*
- *High-level LLDC Transition strategy agreed with Board and progressed*
- *Maintained LLDC's activities through the COVID-19 crisis, through employee welfare, health and wellbeing and evolving the corporate approach through internal engagement and employee surveys. Supported by successfully accelerating IT projects.*
- *Successfully held Board and Committee meetings, moving to hybrid arrangements, engagement with government to ensure LLDC covered by legislation. Continued corporate reporting, monitoring and risk management.*
- *Continued delivery of the inclusion and diversity action plan, including delivery of the flagship Inclusive Culture campaign and a focus on improve diverse recruitment practices and work to establish workforce representation comparators and targets for LLDC*
- *Continued delivery of Development Management and Planning Policy functions, including meeting targets for applications determined in time.*

10. LEGAL IMPLICATIONS

10.1. Under the terms of the Mayoral London Legacy Development Corporation Governance Direction 2013, LLDC is obliged to:

- consult with the Mayor before approving the budget and business plan for the purpose of making a formal submission to the GLA as part of the GLA Group's annual statutory budget approval process.
- before the end of each financial year, and in consultation with relevant GLA officers, prepare a detailed core business plan for the following year as part of a rolling business planning process, including changes to base-line pay for the year covered by the budget, borrowing limits and prudential indicators.

- obtain prior consent to the consideration by the Board of any draft core business plan for approval.

10.2. LLDC has consulted the GLA on the Long Term Model and reviewed the financial information underpinning it.

11. APPENDICES

- Appendix 1 – GLA Budget Submission (Revenue submission and Capital Strategy)
- Appendix 2 – Risks in the Budget

London Legacy Development Corporation

- 7.1 The London Legacy Development Corporation (LLDC) is responsible for promoting and delivering physical, social, economic and environmental regeneration in Queen Elizabeth Olympic Park (QEOP) and surrounding area. LLDC is a Mayoral Development Corporation (MDC). In particular, LLDC aims to maximise the legacy of the Olympic and Paralympic Games, by securing high-quality sustainable development and investment, ensuring the long-term success of the facilities and assets within its direct control and supporting and promoting the aim of increased social mobility in surrounding communities.
- 7.2 Since the London 2012 Olympic and Paralympic Games, LLDC has delivered the transformation of the Park and venues from their Olympic to their legacy configuration. LLDC also works in partnership to bring forward regeneration schemes and housing to further the transformation of east London enabled by the London 2012 Games. Two such housing schemes are under contract and in progress, one at Chobham Manor and one at East Wick and Sweetwater. Further work includes delivering East Bank, a new cultural and educational centre, new social and transport infrastructure, and working with the host boroughs and other partners to create economic opportunity and support local people and businesses, as they seek to access it.

Key deliverables

- 7.3 During 2022-23 the LLDC's revenue and capital budgets will be deployed to deliver its objectives, which include:

Inclusive Growth

- Continue construction of East Bank Stratford Waterfront cultural and educational buildings to programme
- UCL continue construction of their new university campus, UCL East, including completion of Pool St West site
- Deliver an effective and responsive planning service. At least 70% of applications determined in time
- Delivery Town Planning programme, including:
 - Annual monitoring report publication
 - Planning Obligations Supplementary Planning Document (SPD) and Carbon Offset SPD adoption and publication
- Maintain safe and well-maintained Park, making adjustments in line with any changes to guidelines relating to COVID-19 and attracting visitors: the estimate is set at the pre-pandemic level of 6.2 million, noting that delivery of this estimate may be impacted by COVID restrictions
- Manage and maintain the quality of the Park and venues, including retaining Green Flag status
- Operate safe and well-maintained venues, making adjustments in line with any changes to guidelines relating to COVID-19 and attracting visitors in line with those restrictions. The targets are set at pre-COVID levels: 1m visitors to the London Aquatics Centre; 445k visitors to the Copper Box Arena, noting delivery of these targets may be impacted by COVID restrictions

- Support safe delivery of major events including the summer concerts at the Stadium (Hella Mega tour, Foo Fighters, Red Hot Chilli Peppers) and Commonwealth Games Track Cycling
- Agree long term strategic approach to the Stadium
- Continue Stadium operations including football, other sports and concerts.
- Park operational contracts tenders issued to the market
- Delivery of 10-year anniversary celebrations for London 2012
- Support safe delivery of small events, community sports and filming on the Park
- Develop the QEOP advanced mobility programme
- Contribute to delivery of the QEOP Innovation District programme: Specifically, CleanTech work streams (electric vehicle charging; smart grid; decarbonisation; and circular economy)

Community

- East Wick and Sweetwater phase 2 construction commences
- Developer selected for Stratford Waterfront and Bridgewater residential development; joint venture established
- Complete masterplanning for Pudding Mill Lane and Bridgewater sites and submission of Outline Planning Application
- Commence Rick Roberts Way development partner procurement.
- Hackney Wick Neighbourhood Centre: commencement of construction.
- Progress Aquatics Triangle and Chobham Farm developments.
- Progress delivery of enhanced physical connections and improved access to and within Queen Elizabeth Olympic Park
- Stratford Station Strategic Outline Business Plan submitted
- Deliver of the Great Get Together and any smaller community events on the Park
- Continued delivery of community engagement through events, youth and schools engagement, Park Panel.
- Delivery of visitor services through Park Champion volunteers, the Information Point and Park Champions.

Visit

- Achieve estimated 6.2 million visitors to the Park in the context of less event space and more construction work
- Achieve 1 million visitors to the London Aquatics Centre
- Achieve 445k visitors to the Copper Box Arena
- Achieve 180k visitors to the ArcelorMittal Orbit
- Manage and maintain the quality of the Park and venues, including retaining Green Flag status
- Support safe delivery of summer concerts, music festivals and sporting events.
- Deliver two community events on QEOP (Great Get Together and Family Fun Day)
- Continue Stadium operations including football, summer athletics and Major League Baseball

Opportunity

- Continue to deliver the QEOP 'East Works' jobs and skills programme, including:

- Successful operation of the Good Growth Hub, the physical facility to consolidate and scale the East Works, including meeting engagement targets
- Successful operation of the QEOP Training Association, including the Training Centre, including meeting performance targets
- Meeting and exceeding targets for construction and end use jobs for local people, Black, Asian and Minority Ethnic groups, disabled people, women and apprentices
- Completion of 2021/22 Shared Training and Employment Programme (STEP) programme and commencement of 2022/22 programme
- Delivering the Design...Engineer...Construct Built Environment curriculum in ten local schools and colleges
- Progress EAST Education, an education engagement programme with East Bank partners.
- Deliver prosperity index research

Supporting Delivery

- Work towards improved financial sustainability of the Stadium including commercial opportunities
- Close working with the GLA on budget savings and efficiencies
- Health and safety: construction undertaken without a fatal accident on site; to prevent any life-changing injury or occupational ill-health for any individual and to minimise reportable accidents to a rate below 0.17 per 100,000 hours worked
- Unqualified accounts for LLDC, E20 Stadium LLP and London Stadium 185 Limited
- Annual Environmental Sustainability Report published
- Support the Mayor's Agenda for ensuring that GLA Group organisations are inclusive and diverse including:
 - Successful completion of Inclusive Culture campaign
 - Improvements in gender and ethnicity pay gap; increased representation of under-represented groups at senior levels at LLDC,
 - Meeting exemplary across the Mayor's Diversity Standard
- Progress LLDC's Transition strategy including agreeing strategic approach to successor arrangements

Responding to the London Recovery Board's missions

7.4 LLDC's work supports the Recovery Board's missions in several areas. Its drive to create an inclusive innovation district has seen QEOP host trials for driverless vehicles, e-scooters and cargo-bike deliveries. Its skills and employment programmes are helping provide young people with the skills to compete for opportunities in the emerging tech and creative sector. The recently opened Good Growth Hub delivers pre-employment boot camps, technical skills training, higher education bursaries, paid internships and placements as well as business support and inclusive training for employers. The quality parklands provide the space and environment to benefit health and well-being – both physical and mental. Five new neighbourhoods are being created on QEOP, including a new centre in Hackney Wick to provide the hubs to support local groups and cohesive communities. A network of Park volunteers supports all visitors to the Park providing a mobility service alongside advice and information.

7.5 The continued investment in local people, creating new homes and jobs is vital to London’s response to the pandemic signalling the confidence that exists in London’s successful economic recovery. The sporting venues play host to some of the biggest international sports events keeping the world’s attention on the capital and attracting international visitors. The new museums, theatres and music studios at East Bank will help to reinforce the Park as a must-visit part of the capital while its universities and businesses will help drive further investment into the emerging innovation sector attracting businesses large and small to locate in this part of London, supported by the large pool of skilled and talented young people that exists in east London. All this activity will support the creation of jobs in an area badly impacted by COVID-19.

Gross revenue expenditure

7.6 Gross revenue expenditure in 2022-23 for the LLDC is budgeted to be £61.5 million including estimated capital financing costs of £12.0 million and Stadium funding of £12.6 million. The gross expenditure has decreased by £0.6 million from the 2021-22 revised budget and is £4.0 million lower than the forecast outturn for 2021-22. Indicative plans for 2023-24 and 2024-25 are £64.1 million and £67.0 million respectively. Note that provisions for the high-level estimated cost of the Transition of LLDC in 2024/25 are now included within this budget submission – see LLDC’s submission for further details (see link [here](#)).

Net revenue budget and council tax requirement

7.7 Net revenue expenditure in 2022-23 is budgeted to be £43.3 million or £32.7 million net of financing costs and transfers from reserves. This has decreased by £2.5 million from the 2021-22 revised budget (net of financing costs and transfers from reserves) and is summarised on an objective basis in the following table.

| Objective Analysis | Budget Submission (November 2021) | | | | |
|--|-----------------------------------|------------------|--------------|--------------|--------------|
| | Revised Budget | Forecast Outturn | Budget | Plan | Plan |
| | 2021-22 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
| Park Operations and Venues | 9.9 | 9.6 | 9.7 | 9.7 | 9.8 |
| Trading | 9.4 | 9.0 | 9.3 | 9.4 | 9.6 |
| Developments | 0.1 | 0.2 | 0.1 | 0.4 | 0.1 |
| Regeneration | 2.8 | 2.8 | 2.6 | 2.5 | 2.5 |
| Corporate | 10.8 | 11.0 | 11.7 | 11.4 | 11.5 |
| Planning Authority | 2.8 | 2.8 | 2.9 | 3.0 | 1.7 |
| Stadium | 11.8 | 16.9 | 12.6 | 10.9 | 11.2 |
| Contingency | 2.6 | 2.0 | 0.6 | 1.4 | 5.0 |
| Financing costs | 11.9 | 11.2 | 12.0 | 15.4 | 15.6 |
| Income/savings to be identified | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total expenditure | 62.1 | 65.5 | 61.5 | 64.1 | 67.0 |
| Park Operations and Venues | -4.7 | -4.0 | -4.7 | -5.4 | -6.6 |
| Trading | -8.0 | -8.2 | -9.4 | -10.0 | -9.6 |
| Developments | -0.6 | -0.4 | -0.6 | -0.7 | -0.6 |
| Regeneration | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Corporate | -0.2 | -0.2 | -0.6 | -2.7 | -2.7 |
| Planning Authority | -1.4 | -1.4 | -1.4 | -1.4 | -0.9 |
| Total income | -15.0 | -14.3 | -16.8 | -20.3 | -20.5 |
| Transfer to / from (-) Mayoral Development Corporation Reserve | -7.9 | -12.7 | -1.4 | 1.0 | -0.9 |
| Net expenditure | 39.2 | 38.5 | 43.3 | 44.8 | 45.6 |
| Retained Business Rates | 27.3 | 27.3 | 31.3 | 29.4 | 30.0 |
| GLA funding for financing costs | 11.9 | 11.2 | 12.0 | 15.4 | 15.6 |
| Council tax requirement | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Explanation of budget changes

- 7.8 An analysis of the year on year movement in the Mayor's proposed council tax requirement for LLDC, compared to the Mayor's revised budget for LLDC in 2021-22, is set out below. An explanation of the year on year changes is provided in the paragraphs that follow.

Changes in the council tax requirement

Compares Revised Budget 2021-22 with 2022-23 Budget

| | |
|--|------|
| 2021-22 council tax requirement | 0.0 |
| <i>Changes due to:</i> | |
| Net change in service expenditure and income | -2.4 |
| Use of reserves | 6.5 |
| Retained business rates funding | -4.0 |
| GLA funding for financing costs | -0.1 |
| 2022-23 council tax requirement | 0.0 |

Net change in service expenditure and income

- 7.9 The budget proposes a £2.4 million net reduction in service expenditure and income. This reflects:

- Various movements to Trading income forecasts, including an increase in income expected from the interim uses of LLDC's remaining development plots
- An increase in expected income from other commercial opportunities
- LLDC's discretionary cost base is very limited, largely due to savings delivered over previous years. However, a bottom-up review and challenge of all budgets during 2020/21 identified some discretionary spend that could be reduced on a recurring basis. These costs included professional fees, IT costs, repairs and maintenance and marketing and communications. LLDC has protected spend on Inclusion and Diversity, which is a priority area.

- 7.10 Despite delivering the additional savings, LLDC strongly believes that it and Queen Elizabeth Olympic Park are well-placed to support the recovery from COVID-19. The ongoing investment in infrastructure, homes and jobs will play an important role in supporting London's social and economic recovery.

Change in use of reserves, retained business rates funding and GLA funding for financing costs

- 7.11 LLDC receives its revenue funding via the GLA, paid from business rates and funds held in the Mayoral Development Corporation Reserve.
- 7.12 The Mayor is proposing that LLDC will receive £31.3 million in funding via retained business rates. Funding for Stadium expenditure (previously held in capital) is also provided by the GLA; this year and an additional £2.5 million (within the £31.3 million, above) is provided for the Stadium to fund specific pressures including:

- Delays to securing a Stadium Naming Rights partners, loss of concerts and lower commercial revenue as a result of COVID-19;
- Increase in matchday costs, particularly stewarding where a post-pandemic scarcity of stewards is being experienced across the events industry and fan behaviour is contributing towards an increase in stewarding requirements; and
- Increases in utility costs (electricity) as result of the current high levels of inflation on energy costs.

7.13 Note that there are additional commercial opportunities currently in negotiation that are not currently reflected in LLDC's budget submission but which are expected to conclude over the coming year and would offset the additional funding from the GLA in future years.

7.14 Funding towards the net impact arising from LLDC's response to COVID-19 is being provided outside of its core funding control totals

7.15 LLDC's reserves have been subsumed into the GLA's earmarked reserves. The budget proposes a reduction of £6.5 million in the use of these reserves, which phase out over time with LLDC almost wholly reliant on the GLA for revenue grant funding in the future years.

Equalities

7.16 LLDC was established to deliver the legacy ambitions of the London 2012 Games through 'the regeneration of an entire community for the direct benefit of everyone who lives there'. The host boroughs for the London 2012 Games contained some of London's most deprived neighbourhoods and communities and ambitious plans had long been fostered to regenerate this part of east London: to transform the post-industrial landscape while preserving local heritage and to create stronger economic conditions and better life chances for its residents.

7.17 LLDC's mission is 'to use the opportunity of the London 2012 Games and the creation of the Queen Elizabeth Olympic Park to change the lives of people in east London and drive growth and investment in London and the UK, by developing an inspiring and innovative place where people want to – and can afford – to live, work and visit.'

7.18 LLDC promotes equality through its objectives to:

- establish successful and integrated neighbourhoods where people want and can afford to live, work, and play;
- retain, attract and grow a diverse range of high-quality businesses and employers, and maximise employment opportunities for local people and under-represented groups; and
- create a global, future-ready exemplar for the promotion of cross-sector innovation in technology, sustainability, education, culture, sport, inclusion and participation.

7.19 In addition, LLDC is promoting equality by putting in place arrangements to create more affordable housing within the residential developments around QEOP which have yet to be contracted.

7.20 Key positive actions being taken by LLDC include:

- Continuation of their Inclusion Campaign, including focussing on inclusive language and LLDC practices. The aim is to create more inclusive language utilisation and ensure practices are inclusive throughout the organisation, which in turn allows all colleagues, no matter their situation, circumstance of background, to feel included and valued.
- LLDC has continued to focus on Inclusion and Diversity and social mobility through our weekly all-employee webcasts. Recent guests have included: Tunde Banjoko OBE, the founder of Making the Leap and the Social Mobility Awards; Neil Smith and Camilla Thrush from our Built Environment and Access Panel, and Aslie Pitter MBE a founder of Stonewall FC.
- A new Inclusion and Diversity governance structure implemented across the Corporation, which seeks to review deliverability and resourcing for new initiatives and to ensure the action plan is well coordinated. This includes the establishment of a senior Inclusion and Diversity Steering Committee, which met for the first time in April 2021.
- LLDC is developing its approach to setting workforce representation targets and consulted widely with its staff base on the matter.
- A continued focus on Anti-Racism initiatives and inclusive language, including a focus on micro and macro aggressions, in consultation with the Lean in Group (set up in by Black, Asian and Minority Ethnic staff to explore some of the challenges they face in the workplace).

7.21 LLDC is focussing specifically on the area of recruitment within its Inclusion and Diversity strategy, which includes identifying challenges and opportunities to improve its recruitment practices. This is driven by several factors including the desire to reduce LLDC's ethnicity pay gap, increase the representation of traditionally under-represented groups within senior roles, drive the strategic objective of balancing LLDC's workforce representation and ultimately to meet its objective of better reflecting and meeting the needs of the communities that it serves.

Environmental impact

7.22 LLDC's policy is that the Park will use the best of the 2012 Games' infrastructure, innovation and inspiration to provide a pioneering model of urban regeneration promoting sustainable lifestyles through sustainable infrastructure that exceeds requirements under the London Plan. LLDC commits to implementing the new London Plan environmental policies, and are updating and implementing our adaptation and resilience response to the climate emergency, and working towards the mayors target to achieve net zero carbon by 2030.

7.23 The Park was conceived as an environmental showcase and will continue to strive for environmental excellence. LLDC has set a wide range of environmental performance measures and publishes an annual sustainability report.

- 7.24 The Regeneration and Community Partnership's directorate budget for activities promoting environmental sustainability supports the implementation of the London Environment Strategy across the Park's operation and development: This includes implementing a single-use plastic reduction action plan and other circular economy initiatives (including supporting the Mayor's ambition to meet 65% recycling rate by 2030), implementing the GLA Group Responsible Procurement policy, and developing and implementing a carbon reduction plan that enables LLDC to achieve a 60 per cent reduction in carbon emissions by 2025 from its operations, including plans to retrofit buildings, sourcing more renewable energy, offsetting all flights, and considering the opportunities to support decentralised energy and heat networks.
- 7.25 Additionally, the budget supports working with stakeholder organisations to bring about good environmental outcomes in collaboration with LLDC partners, both existing (e.g. the Smart Mobility Living Lab) and developing e.g. with the GLA and partners to promote CleanTech (environmentally beneficial products and services).
- 7.26 LLDC has a corporate risk around the decarbonisation of the district heating network and its obligation under the concession agreement. LLDC is actively working on a solution to district heating directly with the provider and national government.
- 7.27 LLDC is exploring all opportunities to jointly procure renewable electricity for the GLA Group.

Reserves

- 7.28 Historic LLDC reserves are subsumed into the GLA and phase out over time, with LLDC estimated to be almost fully reliant on the GLA for revenue grant funding after 2022-23.

Capital Strategy

7.29 LLDC's detailed five-year CSP of £675 million over 2022-26 includes the following:

- construction and completion of the East Bank educational and cultural district in the Queen Elizabeth Olympic Park of £403 million;
- repayable loans to BBC/UAL towards the cost of their east bank buildings of £73 million;
- section 106 infrastructure works and planning, design and other costs to deliver housing developments, including required equity to invest in the Stratford Waterfront and Bridgewater residential development joint venture of £109 million; and
- Stadium, Park and venue life-cycle and improvement projects, including to the Stadium's seating system, of £54 million.

7.30 LLDC has no shortfall between its spending need and likely level of resource over the fifteen-year period from 2025-26. This is because, after allowing for the GLA direct capital grants to LLDC, it is anticipated that capital receipts will be received to repay the GLA's investment in the Park.

7.31 LLDC's draft CSP, and authorised and operating borrowing limits, are set out in the Appendix. The current approved maximum borrowing limit of £520 million was increased in 2023-24 to £550 million. This is due to further movements in the expected quantum and timing of capital receipts and expenditure (including from the impact of COVID-19 and other market changes). The 2022-23 borrowing requirement is within the current £520 million limit and the limit will be reviewed again during the 2023-24 budget process.

Appendix

London Legacy Development Corporation

Table 1: LLDC - Subjective analysis

| Subjective Analysis | Budget Submission (November 2021) | | | | |
|--|-----------------------------------|------------------|-------------|-------------|-------------|
| | Revised Budget | Forecast Outturn | Budget | Plan | Plan |
| | 2021-22 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
| Employee expenses | 9.1 | 3.2 | 3.3 | 3.4 | 3.5 |
| Premises costs | 1.2 | 1.2 | 1.8 | 1.0 | 1.0 |
| Supplies and services | 39.9 | 49.9 | 44.4 | 44.3 | 46.9 |
| Income/savings to be identified | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing costs | 11.9 | 11.2 | 12.0 | 15.4 | 15.6 |
| Total expenditure | 62.1 | 65.5 | 61.5 | 64.1 | 67.0 |
| Total income | -15.0 | -14.3 | -16.8 | -20.3 | -20.5 |
| Transfer to / from (-) Mayoral Development Corporation Reserve | -7.9 | -12.7 | -1.4 | 1.0 | -0.9 |
| Net expenditure | 39.2 | 38.5 | 43.3 | 44.8 | 45.6 |
| Retained Business Rates | 27.3 | 27.3 | 31.3 | 29.4 | 30.0 |
| GLA funding for financing costs | 11.9 | 11.2 | 12.0 | 15.4 | 15.6 |
| Council tax requirement | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Table 2: LLDC - Capital financing costs

| Financing costs | 1 | 2 | 3 | 4 | 5 |
|------------------------------------|------------------|-------------|-------------|-------------|-------------|
| | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
| | Forecast Outturn | Plan | Plan | Plan | Plan |
| Capital financing expenditure item | £m | £m | £m | £m | £m |
| Provision for repayment of debt | | | | | |
| External interest | 11.2 | 12.0 | 15.4 | 15.6 | 15.9 |
| Total | 11.2 | 12.0 | 15.4 | 15.6 | 15.9 |

Table 3: LLDC - Authorised limit for external debt

| | 2021-22 | 2021-22 | 2022-23 | 2022-23 | 2023-24 | 2023-24 | 2024-25 |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Approved | Requested | Approved | Requested | Approved | Requested | Requested |
| | (March 2021) | (Nov 2021) | (March 2021) | (Nov 2021) | (March 2021) | (Nov 2021) | (Nov 2021) |
| | £m | £m | £m | £m | £m | £m | £m |
| Borrowing | 520.0 | 520.0 | 520.0 | 520.0 | 550.0 | 550.0 | 550.0 |
| Long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 520.0 | 520.0 | 520.0 | 520.0 | 550.0 | 550.0 | 550.0 |

Table 4: LLDC - Operational limit for external debt

| | 2021-22 | 2021-22 | 2022-23 | 2022-23 | 2023-24 | 2023-24 | 2024-25 |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Approved | Requested | Approved | Requested | Approved | Requested | Requested |
| | (March 2021) | (Nov 2021) | (March 2021) | (Nov 2021) | (March 2021) | (Nov 2021) | (Nov 2021) |
| | £m | £m | £m | £m | £m | £m | £m |
| Borrowing | 520.0 | 520.0 | 520.0 | 520.0 | 550.0 | 550.0 | 550.0 |
| Long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 520.0 | 520.0 | 520.0 | 520.0 | 550.0 | 550.0 | 550.0 |

LLDC Capital Strategy 2022/23

1. Introduction

- 1.1. London Legacy Development Corporation (LLDC) is a Mayoral Development Corporation established under the Localism Act 2011 and a functional body of the Greater London Authority (GLA). The GLA is the strategic authority for London and supports the Mayor and the London Assembly in delivering their responsibilities and functions.
- 1.2. LLDC's mission is *'to use the opportunity of the London 2012 Games and the creation of Queen Elizabeth Olympic Park to change the lives of people in east London and drive growth and investment in London and the UK, by developing an inspiring and innovative place where people want - and can afford - to live, work and visit'*.

2. Intention

- 2.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code now requires all local authorities to produce a Capital Strategy.
- 2.2. LLDC's Capital Strategy will form part of a GLA Group-wide strategy, intended to drive the Mayor's capital investment ambition, whilst ensuring the sustainable, long term delivery of services. The strategy will demonstrate that LLDC's capital expenditure and investment decisions are made in line with Mayoral priorities and properly take account of stewardship, value for money, prudence, sustainability and affordability, and give due regard to risk and reward.
- 2.3. The aims of the Capital Strategy are to:
 - Prioritise projects that deliver Mayoral priorities and LLDC's vision 'to create a dynamic new metropolitan centre for London'
 - Set out how LLDC identifies, priorities and programmes funding requirements from the GLA arising from business plans and project proposals that are submitted through LLDC's governance process
 - Consider options available for funding capital expenditure and identify the resources available for investment over the long-term
 - Identify capital income streams, assessing the associated risks and profiling
 - Establish effective arrangements for the oversight and management of expenditure, including the assessment of deliverability, outcomes, budget profiling and value for money

3. Benefits

- 3.1. The benefits of preparing a Capital Strategy are to:
 - Provide a clear framework in which LLDC's capital investment decisions are made

- Help ensure LLDC's capital plans aligns to the Mayor's priorities and, ultimately, achieves LLDC's mission (set out in 1.2)
- Promote transparency and accountability, ensuring that LLDC takes ownership of its decisions and commitments

4. Approach

- 4.1. To help ensure capital resources are allocated optimally and deliver value for money, LLDC's long-term capital planning is determined in parallel with the annual statutory GLA budget process.
- 4.2. LLDC has a Long Term Model, which underpins the Capital Strategy and forecasts LLDC's capital income and expenditure over a long-term period, using assumptions about economic factors (e.g. inflation), future spending scenarios (e.g. major capital projects) and other salient variables (e.g. staffing levels). The Long Term Model enables LLDC to plan and align its financial capacity with its corporate strategy and objectives.
- 4.3. LLDC operates within the overall legislative and governance framework provided by the GLA Act 1999 and 2007 (which include the London Assembly's power of summons and budgetary approval), provisions of the Local Government Act 1972 (for example, in relation to public access to meetings and information) and the Localism Act 2011. To aid good decision making and ensure that public funds are optimally utilised, LLDC has in place a capital investment oversight and appraisal mechanism that includes:
 - **LLDC Board:** Review and approval of all capital investment decisions above £20.0m; annual review and approval of the LLDC Capital Budget before submission to the GLA.
 - **LLDC Investment Committee:** Review and approval of all capital investment decisions between £10.0m and £20.0m; review of quarterly Corporate Management Accounts, which includes year-to-date capital expenditure versus budget and forecast outturn for the financial year; annual review and recommendation of the LLDC Capital Budget for Board approval before submission to the GLA.
 - **Executive Management Team:** Review and approval of all capital investment decisions between £0.25m and £10.0m¹; annual review of the LLDC Capital Budget prior to submission to the Investment Committee and Board (see above); review of monthly Corporate Management Accounts and other business updates that have an impact upon capital income or expenditure.
 - **Project Boards:** For major projects such as East Bank there are project boards with responsibility for oversight of project delivery, risk, programme and budget.

¹ The Executive Management Team will review all capital investment decisions above £10m prior to their submission to Investment Committee or Board

- 4.4. The Long Term Model is reviewed and updated on an annual basis (as a minimum) and shared with key stakeholders, including the GLA and the LLDC Board, as part of the annual budget setting process.
- 4.5. The Capital Strategy will be updated on an annual basis as part of the budget submission process and reviewed by the Executive Management Team, Investment Committee and Board² prior to submission to the GLA.

5. Influences

5.1. Key influences upon LLDC's Capital Strategy include:

Internal

- **Queen Elizabeth Olympic Park (QEOP) Strategy to 2025:** The previous QEOP strategy, written in 2015 and updated in October 2016 to reflect the priorities of the (then) newly elected Mayor of London, outlined the work involved in transforming Queen Elizabeth Olympic Park into a new and unique visitor destination following the London 2012 Games. LLDC and its partners have agreed a 2030 Vision for Queen Elizabeth Olympic Park, to create “*an innovative London metropolitan centre with a global focus, powered by inclusive growth and with community and opportunity at its heart.*” In 2021, a new QEOP Strategy to 2025 was published, see link [here](#). The strategy outlines key activities LLDC will take forward between now and the Transition of LLDC to support delivery of the 2030. Its structure mirrors the three strands of the Vision: Inclusive Growth, Community and Opportunity.
- **LLDC Local Plan:** sets out LLDC's strategy for the sustainable development of its planning area, including the general amount, type and location of new development it considers could take place and the policies to which applications for planning permission should conform to meet these objectives. LLDC's planning powers, including preparing and implementing the Local Plan, represent one part of its role as a development corporation.
- **Housing Delivery Plan:** This sets out LLDC's ongoing delivery strategy in relation to its land holdings within Queen Elizabeth Olympic Park and the wider Mayoral Development Corporation area.

External

- **The Mayor of London/GLA:** As set out in the following section, LLDC's Capital Strategy aligns to the Mayor's priorities including Housing, Accommodating Growth and Environment, Transport and Public Space. Clearly, a change in Mayor can bring with it a change in policy direction. In addition, the GLA is LLDC's main funder, providing funding for capital investment, which will be repaid over the long term. LLDC maintains a continuous dialogue with the GLA

² The LLDC Board has final approval of the budget before it is submitted to the GLA

at both a policy and operational level, which helps inform capital investment proposals and decisions.

- **Local authorities within LLDC area:** The mayors from each of the four ‘host’ boroughs, London Boroughs of Newham, Hackney, Tower Hamlets and Waltham Forest, are members of the LLDC Board.
- **Key partners:** For example, for the East Bank project these include the V&A, Sadler’s Wells, University of the Arts London (UAL), BBC and University College London (UCL). Elsewhere, these also include Taylor Wimpey and London and Quadrant Housing Trust (Chobham Manor), Balfour Beatty Investments Limited and Places for People (East Wick and Sweetwater) and Delancey (Here East).
- **Macro-economic factors:** As a development corporation, LLDC is involved in significant levels of development activity, incurring capital expenditure (such as construction costs) as well as generating capital receipts. These mean that it is exposed to key economic factors such as inflation (in particular house price and construction cost inflation), labour costs, interest rates and taxation rates. Each of these factors will influence capital investment decisions and outcomes.

6. Policies

6.1. LLDC’s Capital Strategy aligns to the Mayor’s policies as set out in ‘A City for all Londoners³’ – these are set out in the following table:

| Mayor’s policy | Examples of aligned projects |
|--|---|
| <i>Accommodating Growth</i> | <ul style="list-style-type: none"> • East Bank (V&A, Sadler’s Wells, UAL, BBC and UCL) |
| <i>Housing</i> | <ul style="list-style-type: none"> • Housing (including Chobham Manor, East Wick and Sweetwater, Stratford Waterfront, Pudding Mill Lane and Rick Roberts Way) |
| <i>Economy</i> | <ul style="list-style-type: none"> • East Bank (V&A, Sadler’s Wells, UAL, BBC and UCL), Here East |
| <i>Environment, Transport and Public Space</i> | <ul style="list-style-type: none"> • Development (including investment in infrastructure, redevelopment of Hackney Wick Station) |
| <i>A City for all Londoners</i> | <ul style="list-style-type: none"> • East Bank (V&A, Sadler’s Wells, UAL, BBC and UCL) |

6.2. There are links between the Capital Strategy and the Treasury Management Strategy, which is reviewed and approved annually by the LLDC Board. LLDC is part of the GLA Group Investment Syndicate.

³ ‘A City for all Londoners’, Greater London Authority, October 2016

7. Capital Ambition

7.1. LLDC's 20-year Capital Ambition⁴ is framed within the following financial parameters, as agreed with the GLA and in line with the Prudential Code:

- Maximum borrowing limit of £520m until 2023/24, £550m thereafter;
- Direct capital grant funding will be provided by the GLA towards the East Bank project, to remain within the borrowing limits and for proceeds from the housing developments delivered via joint ventures; and
- The requirement for LLDC to be able to demonstrate that it can repay its borrowing from the GLA across all its activity, including from the proceeds of housing developments.

7.2. LLDC has four priority themes, which drive its objectives and outcomes and to which this Capital Strategy is aligned – these are:

- Promoting convergence and community participation;
- Championing equalities and inclusion;
- Ensuring high quality design; and
- Ensuring environmental sustainability.

7.3. The priority capital programmes included in LLDC's Capital Ambition (included in the Capital Investment Plan⁵ at Appendix 1) are as follows:

East Bank

LLDC corporate priorities: Promoting convergence and community participation, Ensuring high quality design

Mayoral priorities: Accommodating Growth, A City for All Londoners

LLDC and its partners, Sadler's Wells, UAL, V&A in collaboration with Smithsonian and UCL have been working together to bring forward transformative, world-leading additions to the education and cultural offer in Stratford.

The key elements are to establish a new campus for UCL (to be delivered by UCL), to the south of the Park (UCL East), and at Stratford Waterfront, a mixed educational and cultural district with housing on the Stratford Waterfront site. This will include a new V&A Museum, consolidation of all UAL's London College of Fashion on one site, a new Sadler's Wells dance theatre and a new building for the BBC's Symphony Orchestra and broadcasting studio currently located in Maida Vale, and residential development (covered further under 'Housing').

East Bank will bring an additional 1.5 million visitors to the Park and surrounding area each year, create more than 2,500 jobs and generate an estimated £1.5 billion for the local economy.

⁴ As defined by the Mayor's Budget Guidance 2020-21 (issued June 2019)

⁵ As defined by the Mayor's Budget Guidance 2020-21 (issued June 2019)

Within LLDC's Capital Ambition are the costs to be incurred by LLDC in delivering the Stratford Waterfront cultural and education buildings. The Capital Funding Plan⁶ (see Appendix 2) includes third-party funding for the East Bank project, including contributions towards costs from certain partners, lease premiums and philanthropic donations secured by Foundation for FutureLondon, the charity established by the Mayor and LLDC for this purpose. The remaining net costs is funded through borrowings and direct capital grant funding from the GLA.

Housing delivery plans

LLDC corporate priorities: Promoting convergence and community participation

Mayoral priorities: Accommodating Growth, Housing, A City for all Londoners

LLDC secured outline consent to build five new neighbourhoods on the Park under the Legacy Communities Scheme (LCS) in 2012, with the aim of delivering 24,000⁷ homes by 2031. These are Chobham Manor, East Wick and Sweetwater, Rick Roberts Way, Pudding Mill Lane and Stratford Waterfront.

Chobham Manor is the first of the LCS neighbourhoods to welcome residents. It is being delivered by Chobham Manor LLP (Taylor Wimpey and London & Quadrant) and will deliver 859 homes, 28% affordable and 75% family units. Phases one (259 units) and two (207 units) are complete and phases three and four well-progressed.

The **East Wick and Sweetwater** neighbourhoods were originally planned to start in 2022 but were accelerated to bring forward housing, sooner. To do this successfully, LLDC included Private Rented Sector (PRS) housing into the housing mix and has also accelerated the social infrastructure to create successful and sustainable neighbourhoods. The housing is being delivered by East Wick and Sweetwater Projects (Balfour Beatty Investments and Places for People). It will deliver 1,500 homes, 31% affordable. Phase one (302 units in total) construction is complete, and some properties occupied, as are key infrastructure works, including the Fish Island bridges.

Income from the Chobham Manor and East Wick and Sweetwater developments are included within 'Capital Receipts' in the Capital Funding plan. The expected receipts are based upon the terms of the respective development agreements and are subject to external factors such as housing demand and house price inflation.

In June 2018, the Mayor announced that at least 50% of new homes across the remaining development sites on the Park – Stratford Waterfront, Pudding Mill and Rick Roberts Way - will be affordable, in line with the Mayor's commitment that all sites he disposes of will be at least 50% affordable (sites already under contract remain unchanged). That commitment was embedded within the planning consent granted for Stratford Waterfront in July 2019.

⁶ As defined by the Mayor's Budget Guidance 2020-21 (issued June 2019)

⁷ Note that this will be less due to the impact of the East Bank project on Stratford Waterfront

Stratford Waterfront was initially intended, under the original LCS outline masterplan consent, to include a significant amount of residential development – approximately 900 homes. Subsequent plans for East Bank reduced this residential provision to accommodate the new cultural and education district, with the intention that the residential delivered on Stratford Waterfront will help to cross-subsidise the East Bank project. Outline planning permission was granted in July 2019 and the developer procurement launched in October 2020 (expected to conclude in early 2022). This site, along with Bridgewater Triangle (part of Pudding Mill Lane), will be delivered via a joint venture in which LLDC will be an equity investor using funds borrowed from the GLA.

Pudding Mill Lane was originally intended to provide up to 1,200 homes with a start on site projected for 2024 under the LCS outline consent. In response to the Mayor's housing agenda, LLDC looked at opportunities to accelerate delivery and meet the Mayor's affordability housing target of 50%. This is a challenging and constrained site that will require infrastructure works to enable development to come forward. Part of the site, Bridgewater Triangle, will be delivered via a joint venture approach with the Stratford Waterfront site (above). LLDC is progressing its masterplan for the remainder of the Pudding Mill Lane site; the delivery approach for this is yet to be agreed with the GLA.

Rick Roberts Way is jointly owned by LLDC and London Borough of Newham. Based on existing use value not site area, LLDC owns 68% of the site. Originally planned to start on site in 2028, but in response to the Mayor's housing agenda, LLDC are seeking to bring forward the start on site date. The site is subject to a planning obligation as part of the Stratford Waterfront scheme to help LLDC provide a portfolio approach of 50% affordable housing. London Borough of Newham are intending to provide a new secondary school on their share of the site. LLDC is discussing a suitable land deal with London Borough of Newham. LLDC will look to appoint a developer in due course to provide the new housing.

Development

LLDC corporate priorities: Promoting convergence and community participation

Mayoral priorities: Accommodating Growth, Housing, Economy, A City for all Londoners

Development expenditure contained within the Capital Investment Plan includes the cost of discharging LLDC's Section 106 obligations under the LCS planning consent. It also covers the significant investment required in necessary infrastructure to deliver the housing developments – for example, roads and bridges.

London Stadium

LLDC corporate priorities: Promoting convergence and community participation

Mayoral priorities: Economy, A City for all Londoners

LLDC owns the freehold to the London Stadium and leases it to E20 Stadium LLP (a subsidiary of LLDC) on a long lease (until 2115).

LLDC's capital expenditure on the Stadium mainly includes limited funding for further capital works for lifecycle, improvement works (such as new seating systems) and restructuring.

8. Capital Funding

- 8.1. Funding for LLDC's capital programme was previously on the basis that capital investment would be self-financing over the long term, repaid from capital receipts generated from the exploitation of LLDC's ownership of development platforms on and around the Park, ultimately generating a surplus to be paid to the GLA.
- 8.2. LLDC's capital investment falls within, and needs to comply with, the CIPFA 'Prudential Code for Capital Finance in Local Authorities' (the Code). Under the Code local authorities (including LLDC) have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver capital plans and programmes.
- 8.3. However, following discussions with the GLA in early 2018, the GLA agreed to provide significant levels of capital grant funding to ensure LLDC's level of borrowings remain prudent, to directly fund part of the East Bank project and to replace previously expected receipts from development sites where the GLA would instead invest directly to deliver them.
- 8.4. This means that whilst LLDC's LTM generates a long-term capital 'surplus', this is reliant upon the recycling of land receipts into funding from the GLA, which, ultimately, will only be provided by the GLA to enable LLDC to achieve an overall capital breakeven position.
- 8.5. LLDC's third-party funding sources include:
 - Capital receipts from the sale of land and property
 - Partner contributions
 - Philanthropic donations to East Bank
 - Section 106 and Community Infrastructure Levy (as developer)
- 8.6. LLDC regularly reviews its capital receipt assumptions and 'stress-tests' these in particular circumstances. LLDC regularly shares the outputs of such exercises with its funded, the GLA, to ensure the sensitivity and risks associated with LLDC's capital receipt assumptions are clearly understood, particularly in circumstances where these receipts are subject to third party and/or market performance. When and where appropriate, LLDC also considers exit plans for key contractors.
- 8.7. LLDC's Capital Funding Plan can be seen at Appendix 2.

9. Ambition Gap

- 9.1. As set out in Section 8, LLDC's capital plan breaks even over time. The breakeven point falls outside of the 20-year timeline in the Capital Investment Plan; the

difference between the Capital Investment Plan and the Capital Funding Plan is met through borrowings from the GLA.

10. Risk

10.1. The key risks to LLDC’s Capital Investment Plan are set out in the following table along with how they are to be managed.

| Risk | Mitigation |
|--|---|
| Housing market under-performance against expectations | Close working with development partners and monitoring of housing market conditions, including inputs from third-parties (e.g. property consultants) |
| Impact of the COVID-19 global pandemic | Maximising construction productivity through innovative ways of working whilst complying with any social distancing regulations that are in place. |
| Impact of Brexit on demand for housing, cost of building or industry capacity and other supply chain issues | Close work with development partners, close economic and financial monitoring, including of potential supply chain issues. |
| East Bank does not deliver within current budget or delays to the East Bank project resulting in financial implications | Effective design management and coordination. Cost control. Close work with East Bank partners, GLA and Government. ‘Three lines of defence’ assurance approach. |
| Capital funding not fully secured for East Bank project (e.g. philanthropic donations) | Development of a revised funding strategy post-Covid. Full Business Case for the project approved by Government. Ensure best outcome from residential development. |
| Stadium restructuring does not sufficiently improve the financial position of the Stadium | E20 Stadium LLP Board and funders continue to consider commercial opportunities to increase income and/or reduce operating costs. Ownership and control of the Stadium operator gives greater control and flexibility. |

11. Appraisal

11.1. Capital proposals are developed, appraised and monitored as follows:

- **LLDC Board:** Review and approval of all capital investment decisions above £20.0m; annual review and approval of the LLDC Capital Budget before submission to the GLA.
- **LLDC Investment Committee:** Review and approval of all capital investment decisions between £10.0m and £20.0m; review of quarterly Corporate Management Accounts, which includes year-to-date capital expenditure versus budget and forecast outturn for the financial year; annual review and recommendation of the LLDC Capital Budget for Board approval before submission to the GLA.
- **Executive Management Team:** Review and approval of all capital investment decisions between £0.25m and £10.0m⁸; annual review of the LLDC Capital Budget prior to submission to the Investment Committee and Board (see above); review of monthly Corporate Management Accounts and other business updates that have an impact upon capital income or expenditure.
- **Corporate Change Board:** The forum in which formal requests (e.g. from project managers or budget holders) to modify the schedule, budget and/or scope of an existing project or to add a new project into a programme is approved and/or reported for noting. The Board's membership includes Executive Directors and Directors and is chaired by the LLDC Finance Director.
- **Project Boards:** For major projects such as East Bank there are project boards with responsibility for oversight of project delivery, risk, programme and budget.
- **Senior Budget Holders:** Each directorate has a senior responsible officer for their budget with delegated budget holders beneath them. Senior responsible officers have budgetary responsibility within their job descriptions and their annual personal objectives. Senior responsible officers are responsible for sponsoring any capital investment appraisal that relates to, and originates from, their directorate.
- **Project/Delivery Manager:** Each capital project will have an assigned project manager or lead whose responsibility it is to put forward capital investment proposals, see these through the necessary governance process, monitor and manage risk and budgets and, overall, secure successful delivery of the project. LLDC will often commission external project management services; however, in these instances, there must always be an identified individual within LLDC, at both a senior and operational level, with responsibility for the oversight of the external project manager.

⁸ The Executive Management Team will review all capital investment decisions above £10m prior to their submission to Investment Committee or Board

12. Capital Strategy – Delivery, Affordability and Risk

- 12.1. Within the Prudential Code it is the responsibility of the Chief Finance Officer (the Deputy Chief Executive at LLDC) to explicitly report on the delivery, affordability and the risks associated with this Strategy. This is set out in the following paragraphs.

Delivery

- 12.2. The delivery of the individual schemes in LLDC's Capital Investment Plan⁹ are set out in the original approval of the capital project supported by each project having a senior responsible officer and a project manager who are responsible for the delivery of the project and the subsequent achievement of the objectives of that project.
- 12.3. LLDC's Executive Management team receive regular updates on capital budgets. These updates are driven by the requirement of internal and external financial reporting (e.g. quarterly budget monitoring reports), however in doing so the Executive Management Team can review and challenge the delivery of projects and any changes to both the timing and value of the Capital Investment Plan.
- 12.4. If, subsequent to the capital scheme being authorised, there are variations to the income expected to be generated from that project, or the cost of delivering the project, these will be brought to the Corporate Change Board (as appropriate) or Project Board and reported as a variance in monthly budget reporting (Corporate Management Accounts) and, if ongoing, will be included in the following year's budget proposals, which are reviewed by LLDC's Investment Committee and Board.
- 12.5. LLDC's Executive Management Team has ultimate responsibility for the oversight of delivery of the Capital Investment Plan.

Affordability

- 12.6. Affordability is critical in applying the Capital Strategy and approving projects for inclusion in the Capital Investment Plan.
- 12.7. This is demonstrated by the relevant project approval document (e.g. business case) identifying the income, expenditure and funding, appraisal of alternative options and the risks for any given project.
- 12.8. Affordability of each project needs to be clear, not only for the funding of the capital spend, but also to cover any ongoing revenue costs of the capital investment (e.g. maintenance costs).

Risks

- 12.9. The risks associated with capital investment should be made clear in any proposal, including how these risks will be mitigated (e.g. adequate project management and/or project boards, suitable skills for the delivery of the project, tax planning).

⁹ Regarded as LLDC's Long Term Model for operational purposes

Where relevant a full Quantitative Risk Assessment should be undertaken on the project and used to identify, quantify and manage risk over the lifetime of the project.

12.10. There are links between the Capital Strategy and the Treasury Management Strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by the Executive Management Team, Audit Committee (for the Treasury Management Strategy), Investment Committee and Board.

12.11. Borrowing limits are agreed with the GLA on an annual basis and all major projects are discussed with the GLA (and Mayoral approval sought as necessary).

13. Appendices

- Appendix 1 – Capital Investment Plan
- Appendix 2 – Capital Funding Plan

Appendix 1 – Capital Investment Plan

| | | Capital Spending Plan (Schedule 1a) | | | | | | |
|--|--|-------------------------------------|----------------------|------------------------|--------------|--------------|-------------|-------------|
| Capital Investment Plan | Years | 2020-21 | 2021-22 | 1 | 2 | 3 | 4 | 5 |
| Table 1 | | 2020-21 | 2021-22 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
| Item | Further information | Outturn £m | Revised Budget £m | Forecast Outturn £m | Plan £m | Plan £m | Plan £m | Plan £m |
| East Bank | | 87.9 | 192.8 | 161.5 | 197.1 | 44.9 | 2.2 | 0.7 |
| Development | Includes infrastructure costs required under Section 106 obligations | 17.7 | 16.9 | 17.2 | 12.0 | 14.4 | 28.5 | 37.1 |
| Stadium | Includes lifecycle costs and other capital investment | 10.3 | 9.1 | 9.1 | 11.3 | 2.9 | 3.0 | 3.0 |
| Park and Venues | Includes Park and venue lifecycle costs | 1.9 | 10.6 | 11.8 | 8.0 | 2.1 | 1.1 | 1.5 |
| Regeneration | | 0.4 | 0.5 | 0.5 | 0.3 | 0.2 | 0.2 | 0.0 |
| Finance, Commercial and Corporate Services | Includes ICT and East Bank assurance costs | 2.8 | 2.3 | 2.6 | 1.8 | 1.9 | 1.6 | 0.2 |
| Corporation Tax and Contingency | Incurred on capital receipts and income | 5.3 | 12.5 | 16.1 | 0.9 | 5.7 | 0.3 | 0.0 |
| Other | Includes a cash versus accruals adjustments | -9.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BBC/UAL Loan Cash Adjustment | Adjustment for BBC/UAL loan | 0.0 | 24.1 | 24.1 | 14.3 | 41.6 | -3.4 | -3.4 |
| Total | | 117.3 | 268.8 | 242.9 | 245.7 | 113.7 | 33.5 | 39.1 |

| | | Capital Strategy (Schedule 1b) | | |
|--|--|--------------------------------|--------------------|--------------------|
| Capital Investment Plan | Years | 6 to 10 | 11 to 15 | 16 to 20 |
| Table 1 | | 2026-27 to 2030-31 | 2031-32 to 2035-36 | 2036-37 to 2040-41 |
| Item | Further information | Plan £m | Plan £m | Plan £m |
| East Bank | | 1.7 | 0.1 | 0.0 |
| Development | Includes infrastructure costs required under Section 106 obligations and equity contributions towards joint venture residential developments | 52.7 | 0.4 | 0.0 |
| Stadium | Includes lifecycle costs and other capital investment | 15.0 | 9.0 | 0.0 |
| Park and Venues | Includes Park and venue lifecycle costs | 11.1 | 19.4 | 9.5 |
| Regeneration | | 0.0 | 0.0 | 0.0 |
| Finance, Commercial and Corporate Services | Includes ICT and East Bank assurance costs | 0.9 | 1.0 | 0.8 |
| Corporation Tax and Contingency | Incurred on capital receipts and income | 26.0 | 9.7 | 10.7 |
| Other | Includes a cash versus accruals adjustments | 1.4 | 0.0 | 0.0 |
| BBC/UAL Loan Cash Adjustment | Adjustment for BBC/UAL loan | -18.1 | -19.8 | -21.9 |
| Total | | 90.7 | 19.8 | -0.9 |

Appendix 2 – Capital Funding Plan

| | | Capital Funding Plan | | | | | | | |
|---------------------------------|--|----------------------|---------------|----------------------|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Capital Funding Plan Table 2 | | Years | 2020-21 | 2021-22 | 1 | 2 | 3 | 4 | 5 |
| Item | Further information | | Outturn £m | Revised Budget £m | 2021-22 Forecast Outturn £m | 2022-23 Plan £m | 2023-24 Plan £m | 2024-25 Plan £m | 2025-26 Plan £m |
| Capital Receipts | | | 6.6 | 51.2 | 60.7 | 2.1 | 4.5 | 20.6 | 5.4 |
| GLA Grant | | | 37.1 | 130.4 | 130.4 | 78.2 | 48.9 | 0.0 | 5.0 |
| East Bank | | | 56.0 | 35.2 | 20.6 | 49.0 | 53.2 | 1.9 | 0.0 |
| Other (incl Section 106/CIL) | Includes contributions towards projects (e.g. Section 106), fo | | 0.2 | 1.7 | 3.9 | 2.5 | 0.4 | 0.0 | 0.0 |
| Borrowing | GLA borrowings / Repayment of GLA borrowings | | 17.3 | 25.9 | 3.0 | 99.5 | -34.9 | 14.4 | 32.1 |
| Borrowing | Adjustment for BBC/UAL loan | | 0.0 | 24.1 | 24.1 | 14.3 | 41.6 | -3.4 | -3.4 |
| | | | 117.2 | 268.5 | 242.7 | 245.6 | 113.7 | 33.5 | 39.1 |

| | | Capital Strategy | | | |
|---------------------------------|--|------------------|----------------------------------|----------------------------------|----------------------------------|
| Capital Funding Plan Table 2 | | Years | 6 to 10 | 11 to 15 | 16 to 20 |
| Item | Further information | | 2026-27 to 2030-31 Plan £m | 2031-32 to 2035-36 Plan £m | 2036-37 to 2040-41 Plan £m |
| Capital Receipts | | | 264.2 | 17.7 | 27.6 |
| GLA Grant | | | 60.5 | 15.5 | 16.1 |
| East Bank | | | 0.0 | 0.0 | 0.0 |
| Other (incl Section 106/CIL) | Includes contributions towards projects (e.g. Section 106), fo | | 0.0 | 0.0 | 0.0 |
| Borrowing | GLA borrowings / Repayment of GLA borrowings | | -216.0 | 6.4 | -22.6 |
| Borrowing | Adjustment for BBC/UAL loan | | -18.1 | -19.8 | -21.9 |
| | | | 90.6 | 19.8 | -0.8 |

Appendix 2 – Risks to the Budget

There are several risks to achieving the financial forecast in the budget as submitted.

CAPITAL RISKS

1. Development receipts

Timing

LLDC has experienced challenges with the timing of capital receipts and slippage on development programmes in recent years. Whilst LLDC approaches the phasing of receipts prudently, due to the contractual nature of these developments it has little influence over the timing of delivery of receipts. There is also the increased risk of delays to development programmes – and therefore the timing of capital receipts – due to the ongoing COVID-19 pandemic and challenges in international supply chains.

Viability

The impact of COVID-19 and the uncertainties of Brexit have slowed the property market with house price inflation slowing and pressure on construction pricing due to the fall in the pound and labour shortages. These matters can present significant challenges to the viability of large-scale residential developments.

Market risk and house price inflation assumptions

Forecast development receipts are sensitive to market risk and house price indexation (HPI) assumptions.

As set out in the Housing Delivery Plan update to the Board in July 2021, LLDC has updated its HPI assumptions based on an average of third-party London-wide forecasts who have updated their projections this year.

Other assumptions

There is a risk that variations to other assumptions such as construction costs, construction cost inflation and developer profits, could have a material impact upon LLDC's development receipts assumed within the Long Term Model. This is particularly relevant in current market conditions where the ongoing pandemic and other supply chain issues are causing increases in construction costs.

2. Corporation Tax

LLDC is liable to pay corporation tax and there is a risk that changes in tax legislation or rulings from HMRC could have an adverse impact upon LLDC's forecast costs.

During 2021, the government announced its plans to introduce a new Residential Property Developer Tax to raise revenue to help fund the government's cladding remediation work. LLDC is likely to be subject to this new tax and is working through the government's draft legislation with its advisers. No provision for this is included within this budget submission; there is the risk that there could be increased costs not currently provided for.

3. East Bank

Anticipated Final Cost

East Bank costs remain unchanged (other than profiling) from the previous year. Note that remaining major risks on this project include:

- Completion of procurement (public realm);
- Completion of design integration – significant design interface risks;
- Package interface management – ongoing through to completion;
- Commissioning and handover of buildings;
- Supply volatility (material and labour) – ongoing through to completion;
- Material and labour shortages post-pandemic;
- Programme mitigations – regain Time Risk Allowance, then look at potential for shortening programme; and
- Further national/local lockdowns or re-introduction of social distancing requirements – key mitigation is extending operative capacity onsite and productivity.

Key mitigations:

- Close scrutiny of the project by the LLDC senior executive;
- Three lines of defence, including commercial assurance, and an independently chaired Risk and Assurance Board (Chair also attends Implementation Review meetings);
- Transparency in reporting; and
- Close monitoring of risks and risk mitigation.

Overall there is a risk that if the above mitigating actions are not successful and/or the impact of COVID-19 is longer and deeper than assumed, the AFC (and therefore budget deficit) will increase further.

Philanthropic funding

The fundraising environment post-pandemic is difficult; however, a revised fundraising strategy is in development. Notwithstanding, there is a risk that the philanthropic receipts assumed in the Long Term Model are not raised.

4. Asset adoptions

LLDC currently owns and has responsibility for a range of infrastructure and other assets (including roads, bridges and district heating) that will require future adoption by third parties, such as the local boroughs.

Currently, the Long Term Model contains limited provision for these costs; therefore, there is a risk that significant additional costs may arise.

5. Lifecycle

There is a risk that the current lifecycle provision across the estate is not sufficient.

REVENUE RISKS

6. E20 Stadium LLP (E20)

E20 deficit funding is included within LLDC's revenue budget (previously in capital) and is based upon the consolidated E20 and London Stadium 185 Limited (LS185) 5-year business plan. There is a risk that E20 and LS185 do not deliver the improvements assumed within the business plan and/there is a continuing adverse impact of COVID-19 or other factors (such as fan behaviour) upon its operations that increases costs and/or reduces revenue income.

7. Fixed Estate Charge income

The Fixed Estate Charge, received from occupants of the Park, is a significant future revenue stream and fundamental in the long-term financial sustainability of QEOP. Delays to completion of developments on the Park have led to delays in residents moving onto the Park, resulting in lower than anticipated Fixed Estate Charge income to date. Similarly, the delay to the East Bank programme, most recently from the COVID-19 pandemic, and the overall reduction in the number of housing units, have delayed and reduced the overall fixed estate charge income projected from East Bank.

8. Rental income

The rental income from Public Rented Sector (PRS) units on the Eastwick and Sweetwater development is dependent on the timing of the development. Delays have led to a delay in the start of the rental income.

The Here East rental agreement pays 10% of net rental income received on a cash basis to LLDC. There is a risk that Here East takes longer to reach the expected levels of net cashflow, thereby impacting the amount and timing of any receipt of rental income for LLDC.

Here East have an option to buy out LLDC's rental interest in Here East at market value, which would result in a credit to LLDC's borrowings from the GLA, however the rental stream forgone is significant.

9. Trading performance

Whilst the forecast income from the ArcelorMittal Orbit has been reduced in recent budget submissions, there is a risk that further deterioration in performance occurs (for example, from the ongoing impact of COVID-19). Note that there is no provision in the budget for AMO loan (and interest on the loan) as this is assumed to fall outside of the budget period.

There is a more general risk that LLDC's venues and attractions suffer lower visitor numbers (and therefore revenue) over the budget period, particularly as a result of the pandemic and whilst there is significant construction work being undertaken on the Park.

10. Commercial sponsorship and new attractions risk

The budget currently assumes additional income from 2023/24 from the Marketing, Sponsorship and Park Assets strategy (e.g. advertising or naming rights on individual assets and/or Park-wide). There is a risk that the full extent of the budgeted new income is not achieved within the timeframes.

11. Inflation

The budget assumes a general inflation rate of 2% unless there are reasons for using a different rate. General uncertainties in the economy, particularly over COVID-19 and Brexit, create a risk that inflation may be higher.

Furthermore, the current high levels of energy cost inflation may result in LLDC incurring costs above those budgeted, particularly at the London Stadium where an increase in electricity costs is already factored into its budget from 2022/23.

12. Transition costs

LLDC continues to develop its future Transition Strategy as set out in the main Budget paper. There is a general risk that costs increase as the strategy further develops or for currently unknown/unforeseen reasons, such as a change in Local Government pension requirements/costs.

The risks outlined in this Appendix are included in the corporate and departmental risk registers and are managed through LLDC's embedded risk management process.