

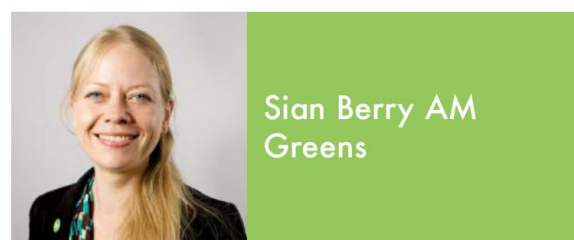
An aerial photograph of a city street with a green overlay. The overlay is a semi-transparent green map of the city's street grid. Several people are walking on the street, some in groups and some alone. The overall scene is a mix of urban life and digital graphics.

# LLDC's finances during the COVID-19 crisis

Budget and Performance Committee

**LONDON ASSEMBLY**

## Budget and Performance Committee



The Budget and Performance Committee holds the Mayor to account for his financial decisions and performance across the Greater London Authority. It is responsible for scrutinising the Mayor's budget proposals and carrying out investigations across the Mayor's various policy areas, such as transport, police, fire, housing, and regeneration.

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## Foreword



**Susan Hall AM**

**Chairman of the Budget and Performance Committee**

Over the past few months, the London Assembly Budget and Performance Committee has reviewed the Greater London Authority (GLA) Group Budget following the substantial impact that the COVID-19 pandemic is projected to have on its finances.

The London Assembly has a responsibility to ensure that all taxpayers' money is spent in a way that provides the best service for Londoners. In light of the budget issues facing the GLA, our Committee reviewed the London Legacy Development Corporation's (LLDC) budget. The LLDC was established in 2012 and is responsible for managing the physical legacy of the 2012 Olympic Games.

The figures discussed during our meeting with the LLDC raise serious questions. The LLDC is probably most famous for owning the London Stadium, the former 2012 main Olympic athletics stadium, which is now home to the Premier League team West Ham United. The stadium, which was built for the Olympics, will keep costing Londoners at least £8 million to £10 million every year, provided West Ham United remains in the UK Premier League. If West Ham United are relegated to the Championship, this cost to the London taxpayer will increase by a further £1.5 million per year. The London Stadium is a financial burden on Londoners, and the LLDC must continue doing what it can to drive down the costs associated with it. In light of COVID-19 and the budget issues facing the Greater London Authority, the Committee could see where that money would be better spent.

Affordable housing, as we know, is a big challenge for our capital. The LLDC has lots of land available in East London which is ready to be developed. To help tackle the affordable housing issues in London, the Mayor has received a £4.8 billion grant from the Government to help build truly affordable housing for Londoners. And yet, we discovered that the LLDC has only delivered 22 per cent affordable housing so far: 2,270 out of 10,111. Only 22 per cent of homes are affordable in a public-owned scheme. This should not be the case when local and

national government are meant to be tackling this issue head on. The land owned by the LLDC provides a real opportunity to help address the affordable housing issue in London, yet that opportunity is going to waste.

We heard from the LLDC about the rent holidays and rent reductions it has agreed with tenants since the start of the pandemic. And while all of this is very well-intentioned, the LLDC seems to forget that the wider GLA group is being asked to make significant cuts to this year's and next year's budgets of up to almost half a billion pounds. There is no extra few quid lurking under the sofa for the LLDC when it runs out of money; there is no hidden stash of cash within the GLA. It would seem that the LLDC has forgotten that.

The LLDC had a highly ambitious capital programme pre-COVID. Since the expectations for real estate development have changed dramatically since the start of the crisis, the decision to press on with the East Bank development project is hugely risky and is now looking very costly. Only two years ago the Mayor said it would cost £385 million. Expected costs now exceed £600 million. This raises serious questions on the value for money of the project.

Another startling discovery that this investigation uncovered is that despite the significant annual capital spend on the Queen Elizabeth Park, the LLDC has decreased in value by £381 million between 2014-15 and 2019-20. This is a ticking time bomb for the next Mayoralty. Londoners should not be expected to keep pumping huge sums of money into a development that is not only dropping in value but doesn't even begin to help address the capital's crippling affordable housing issue, despite having the means.

It seems like everything with the LLDC was set up with good intentions, but somewhere along the way things have been lost. From expensive white elephant football stadiums to low levels of affordable housing, it is hard to understand or justify the continued investment in this project which fails to deliver time and again. The 2012 Olympics are remembered with such pride and joy throughout the UK; it is a shame to see that its legacy is now a burden on Londoners instead of helping to solve some of the biggest issues facing our capital.

## Executive Summary

The LLDC was established in 2012 to manage the physical legacy of the 2012 Olympic Games.<sup>1</sup> Its stated aim 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'.<sup>2</sup> Along with managing Olympic Park venues, the LLDC is responsible for developing the Park as a community where people live and work. By 2030, the LLDC plans to deliver 10,000 new homes and five new neighbourhoods in the Park<sup>3</sup>.

To address the impact of COVID-19 on the GLA's finances, the LLDC has been asked to deliver revenue savings of £7.4 million in 2020-21 and £2.1 million in 2021-22. This is equivalent to 23 and 8 per cent of its revenue budget respectively. Despite a one third reduction in trading revenue, the LLDC has confirmed it is on track to deliver the required in-year savings, with over 70 per cent of these savings coming from the reduced costs of being unable to operate the London Stadium. It is ironic that by having fewer large-scale events, thanks to COVID-19, the Park is haemorrhaging less money than if it were business as usual.

This in-year saving masks emerging structural funding pressures over the medium term. First, the London Stadium, which on its own constitutes 25 per cent of total annual revenue expenditure, continues to be a significant loss-maker for the LLDC. It lost £29 million in 2019-20 alone. Despite steps to reduce operating costs, the LLDC predicts that at best it can reduce the loss to £8 to £10 million annually. Thus far, limited progress has been made to find alternate sources of stadium and wider Park income to compensate for operating costs. This is highlighted by the lack of progress over naming rights for the stadium. These could have already generated millions. This is an issue which has been dragging on for years, and has already cost £450,000, to the point that some people warn the LLDC has missed its chance.<sup>4</sup>

Second, the pandemic has added substantially to construction and development costs for LLDC's flagship regeneration scheme—the East Bank. While the true cost of COVID-19 is still being modelled, confirmed costs have already increased by as much as £151 million since the pandemic began. Costs were already accelerating prior to COVID-19, increasing by 22 per cent between June 2018 (when the Mayor publicly launched the project) and the 2020-21 Budget.

Third, the Assembly holds growing concerns about the value of returns generated by the LLDC's major housing development sites. There is a lack of clarity around the basis of forecast capital receipts from the project, and the pandemic throws into question any assumptions about

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<sup>1</sup> Secretary of State for Communities and Local Government, [The London Legacy Development Corporation \(Establishment\) Order 2012](#)

<sup>2</sup> [LLDC Vision](#)

<sup>3</sup> The new neighbourhoods are Chobham Manor, East Wick & Sweetwater, Stratford Waterfront, Pudding Mill and Rick Roberts Way

<sup>4</sup> BBC News 17 July 2018 <https://www.bbc.co.uk/sport/football/44848750>

house price inflation. At the same time, the new development sites are aiming to provide 50 per cent affordable housing, which by design require substantial subsidy.

Ultimately, despite the significant annual capital spend on the Park, the **LLDC's net worth has reduced by £381 million in value between 2014-15 and 2019-20**. Given the issues highlighted above, this downward trend seems unlikely to reverse in the short term. The LLDC is becoming increasingly risky to Londoners over time. This is something the Mayor needs to take control of.

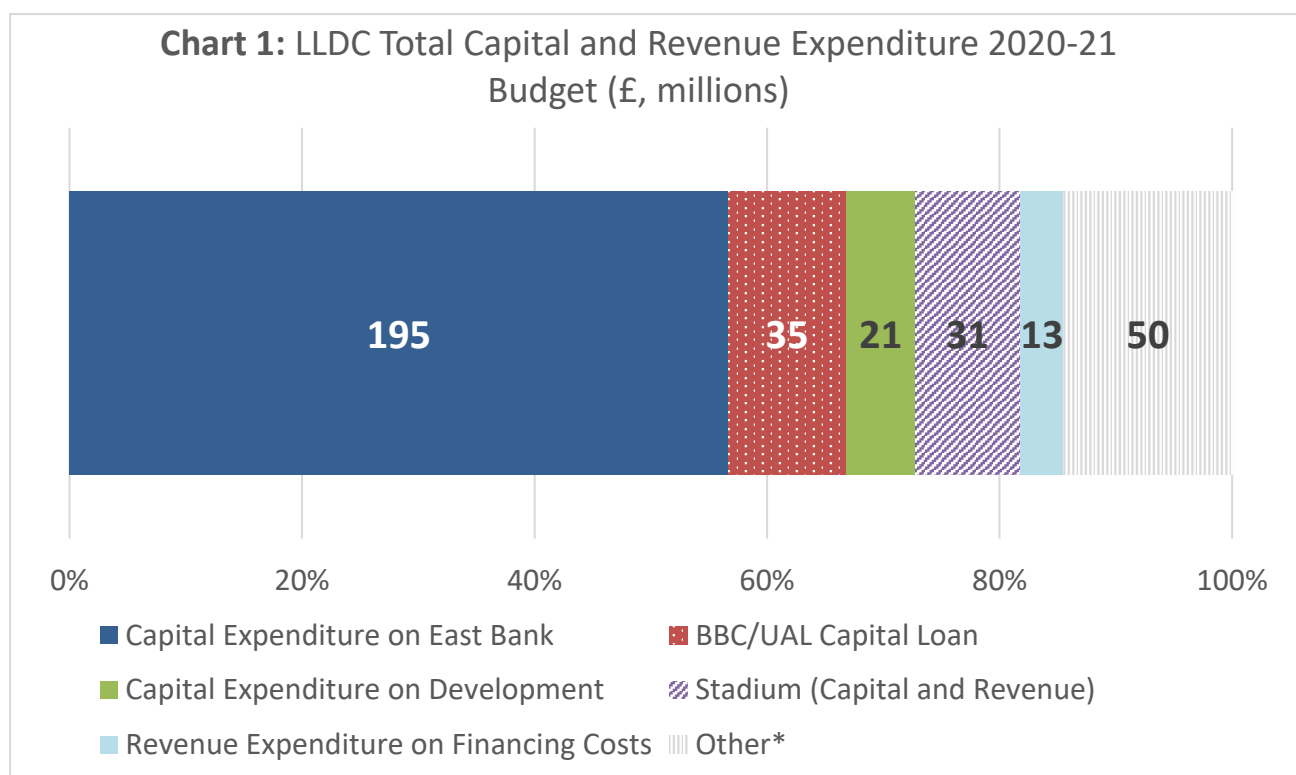
Prior to the pandemic, the LLDC targeted that, by the 2030s, an increase of around £200 million in business rates and Council Tax would be made as a result of the regenerative impacts that the Corporation is making in the Park.<sup>5</sup> However, the risks outlined above pose a threat to realising this aim, which would be difficult to measure with certainty. Many former Olympic parks across the world have turned into derelict, costly disasters. London 2012 was meant to be different, and this was a lynchpin of the original bid that beat Paris to the trophy of staging the Games. There is now a real threat that the very issue that was meant to be different this time around will be repeated, and that the capital will be bearing the legacy of a costly, taxpayer-funded albatross, hanging around the neck of Londoners for decades to come.

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<sup>5</sup>Lyn Garner, [Budget and Performance Committee Meeting: Wednesday 18 December 2019](#)

## Chapter one: The LLDC’s finances and COVID-19

The LLDC oversaw a combined total expenditure budget of £345 million in 2020-21. Around 15 per cent (£51 million) of this was funded through the Mayor’s revenue budget. A GLA capital grant contributed approximately 22 per cent (£75.8 million), and the remaining 63 per cent came from borrowing, capital receipts and third-party contributions (see Appendix A).<sup>6</sup> Over half of the total budget is earmarked capital for construction of the East Bank, LLDC’s flagship cultural and education district (see Chart 1 and Appendix A). The LLDC was forecast to generate around £15 million of revenue income in 2020-21, 85 per cent of which was to come from Park operations and trading, as well as an additional £26 million in capital receipts.



Source: Mayor’s 2020-21 Budget and 2020-21 Capital Spending Plan

\*Other = £13.8 million capital expenditure on Corporation Tax and Contingency, Finance, Commercial and Corporate Services, Regeneration and Park and Venues; £36.1 million revenue expenditure on Planning Authority, Regeneration, Irrecoverable VAT and contingency, Developments, Park Operation and Venues, Trading and Corporate.

See Appendix A.

<sup>6</sup> Mayor’s 2020-21 Budget, page 17, Appendix A



COVID-19 has reduced trading income for the LLDC by a third, although savings on stadium operations are set to provide net in-year savings

The main immediate impact of COVID-19 on the LLDC's revenue position thus far has been a projected £5.3 million revenue income reduction, primarily driven by reduced trading activities and events in the Park. There is also a £0.3 million expenditure overspend projected, largely due to additional security costs. There have been no draws on the revenue contingency so far in 2020-21, although revenue risks are currently under review.<sup>7</sup>

The LLDC has, as a result, confirmed it is on track to deliver in-year savings of £7.4 million requested by the Mayor. Over 70 per cent of these savings have come from reduced operating costs from the loss-making London Stadium. Due to the pandemic, the stadium has been closed to spectators, and its summer events, including Major League Baseball, international athletics and the 'Mega Hella' tour, were all cancelled or postponed. Another £1.6 million has come from reduced discretionary spend, and £0.5 million from increased income from car park space, additional filming on the Park and other planning-related income.<sup>8</sup>

### Short-term savings mask escalating medium and long-term costs

These short-term savings mask escalating costs over the medium and longer term. While total capital costs are down this year by a forecast £54 million, due largely to the slowed pace of construction work on the East Bank caused by social distancing measures,<sup>9</sup> the LLDC has projected that these delays will push increased costs onto future years. Although the LLDC is still modelling these impacts and taking into account the potential cost of a 'second wave', confirmed costs have increased by as much as £151 million.<sup>10</sup> The pandemic may also have an impact on capital receipts generated by the LLDC's housing developments (see Chapter 4).

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<sup>7</sup> LLDC Quarter 1 Report 2020-21, pages 5-6

<sup>8</sup> LLDC Memo to the London Assembly Budget and Performance Committee, 9 October 2020

<sup>9</sup> LLDC Quarter 1 Report 2020-21, pages 5-6

<sup>10</sup> Mayor allocated an additional £88.4 million to LLDC's development projects on the East Bank on 12 September 2020 ([MD2695 - 17 September 2020](#)) and requested an additional £62.7 million from Government as part of his Comprehensive Spending Review submission on 1 October 2020

## Chapter two: Stewardship of the Olympic Park

As part of managing the Olympic legacy, the LLDC oversees a range of former Olympic venues and other attractions and businesses across the Park. Operation of the Park and its venues (including trading) was budgeted to generate £13 million in 2020-21, or around 85 per cent of the LLDC's revenue income.<sup>11</sup> However, venues across the Park, including the London Aquatic Centre, the Copper Box Arena and the London Stadium, continue to make a loss. To address this, the LLDC has focused in recent years on reducing operating costs and identifying creative avenues to generate additional income.

### London Stadium continues to be a significant loss-maker for the Park, losing £29 million in 2019-20

E20 Stadium LLP (E20) is the body set up to manage and transform the stadium. The role of E20 is to ensure the London Stadium is integrated with the surrounding communities, contributes to local regeneration and social improvement aims, creates strong linkages with local sport clubs and educational bodies, and delivers a financial return. The stadium is home to UK Athletics, as well as West Ham United Football Club, which signed a 99-year lease on the venue in 2013.

Despite the £760 million investment to build and then renovate the stadium after the Olympics<sup>12</sup> and a busy event schedule in pre-pandemic times, the stadium does not generate a profit. As the Moore Stephens Olympic Stadium Review makes clear, in 2013 the LLDC 'entered into an arrangement with West Ham United which, when implemented, generated substantial losses (with no present prospect of significant improvement in the future)'.<sup>13</sup> This was starkly highlighted by the fact that most of the in-year savings delivered by the LLDC have come from reduced stadium activity; it saves the LLDC money when it's not running events. Although 2019-20 was considered 'one of the most intense periods of [event] activity the venue has seen since re-opening',<sup>14</sup> the LLDC estimates that the 'best [it] could hope for' in coming years is that stadium makes a loss of £8 to £10 million per annum.<sup>15</sup> Even this appears optimistic, given E20 lost £19.6 million in 2017-18, £27.6 million in 2018-19<sup>16</sup> and £29.1 million in 2019-20.<sup>17</sup> At

<sup>11</sup> Mayor's 2020-21 Budget, page 52

<sup>12</sup> The stadium cost £486 million to build and a further £274 million to renovate after the 2012 Olympics.

<sup>13</sup> Moore Stephens Olympic Stadium Review [olympic-stadium-review.pdf](#)

<sup>14</sup> [LLDC 2019-20 Annual Report](#), page 4

<sup>15</sup> Budget and Performance Committee meeting 14 October 2020, minutes, page 12

<sup>16</sup> [LLDC 2018-19 Annual Report](#), page 36

<sup>17</sup> [LLDC 2019-20 Annual Report](#), page 75; the 2019-20 figure comes from LLDC Group Accounts and includes London Stadium 185 Limited, which became a wholly-owned subsidiary of LLDC from January 2019.

31 March 2020, the London Stadium's fair value was assessed to be £nil, attributable to the level of costs included in E20's long-term forecasts.<sup>18</sup>

Not only does the Stadium have no value, it would cost Londoners at least £200 million to own it. A 2016-17 assessment concluded that the E20's lease agreement with West Ham United and the Access Agreement with UK Athletics were 'onerous' (loss making).<sup>19</sup> Accordingly, a provision remains in the LLDC accounts at £200 million.<sup>20</sup> This is the extent to which further losses are expected in the future. Although West Ham United has signed a 99-year lease with the Stadium, should they be relegated from the Premier League, the LLDC estimates it could cost a further £1.5 million per annum.<sup>21</sup> This is a distinct possibility as they narrowly avoided relegation in 2019-20,<sup>22</sup> and have only once finished in the top half of the league in the last decade.

The LLDC has made efforts to reduce operating costs on the stadium. In January 2019, the LLDC brought the stadium operator—London Stadium 185 Limited—in house with the aim of simplifying the ownership and management structure of the stadium.<sup>23</sup> The LLDC says it is also taking steps to drive down Park-wide operating costs by looking at ways to consolidate its facilities management contracts across the various Olympic venues.<sup>24</sup>

### Limited progress has been made on alternative sources of stadium and wider Park income

The LLDC has identified naming rights as a pivotal part of its strategy to improve net revenue costs of operating the stadium, with naming rights income forecast to generate at least £2 million per annum. It has also suggested that naming rights could be an important income generator across the wider Olympic Park site.<sup>25</sup> However, there is little evidence of progress. In December 2019, the LLDC informed the Assembly it had recently appointed a new Chief Commercial Officer to the Stadium who was 'looking at a commercial strategy base for the Stadium and also for the wider park', including progressing conversations around naming rights with West Ham United.<sup>26</sup> Just ten months later, the LLDC informed the Assembly that this new Chief Commercial Officer had already been replaced. It is unclear what progress the previous Chief Commercial Officer made on this issue prior to her departure.

<sup>18</sup> [LLDC 2019-20 Annual Report](#), page 76

<sup>19</sup> [Moore Stephens Olympic Stadium Review](#) November 2017

<sup>20</sup> [LLDC 2019-20 Annual Report](#), page 120

<sup>21</sup> Budget and Performance Committee meeting 14 October 2020, minutes, page 16

<sup>22</sup> [2019-20 Premier League Table](#);

<sup>23</sup> [LLDC 2019-20 Annual Report](#), page 75

<sup>24</sup> Budget and Performance Committee meeting 14 October 2020, minutes, page 12

<sup>25</sup> Budget and Performance Committee meeting 14 October 2020, minutes, page 11

<sup>26</sup> Budget and Performance Committee meeting 18 December 2019, minutes, page 8

## Chapter three: Development of the East Bank

The East Bank is the LLDC's flagship regeneration scheme, aiming to deliver 'one of the world's largest and most ambitious culture and education districts' across three sites in the Park. It aims to provide skills and jobs for local people; attract visitors from around the world; bring more than 10,000 students to the site; deliver 2,500 jobs; and generate a £1.5 billion boost to London's economy.<sup>27</sup>



Construction work only began on the project in July 2019, so the extent of cost escalation has been concerning. When completed it intends to bring together a new campus for University College London, BBC recording studios, a campus for University of the Arts London's (UAL) London College of Fashion, a mid-scale dance theatre for Sadler's Wells Theatres, and two new Victoria and Albert Museum (V&A) sites – a museum at Stratford Waterfront including a partnership with the Smithsonian Institution, and a collection and research centre at 'Here East'. The scheme is financed through a mix of partner, private sector, philanthropic and public sector funding from the GLA and the Government.<sup>28</sup>

As a large-scale, long-term capital project, the risk of delays and capital overspend on the East Bank is high. The LLDC holds three risks specifically relating to the East Bank: project delays, costs being more than expected and risks to the funding model itself, particularly around capital

<sup>27</sup> What is East Bank? [what-is-east-bank?](#)

<sup>28</sup> [LLDC 2019-20 Annual Report](#), page 13

receipts. The pandemic has significantly accelerated the risks to the East Bank development from project delays, and potentially jeopardises the business models of key partners on the site.

### The pandemic is adding substantially to construction and development costs that were already accelerating

The cost of developing the East Bank has increased significantly since it was initially announced. On 5 June 2018, the Mayor announced he was committing £385 million to the East Bank development.<sup>29</sup> In 2018-19 and 2019-20, a total of £114.3 million was spent on the project.<sup>30</sup> The 2020-21 Budget saw an additional £354 million capital expenditure on the project committed out to 2023-24,<sup>31</sup> largely to accommodate unanticipated increased construction costs driven by tender returns from the market that were 'significantly more than budget provision'.<sup>32</sup> On 17 September 2020, in response to rising costs of construction delays caused by COVID-19, an additional £88.4 million contribution from the GLA was allocated which included further funding for the East Bank.<sup>33</sup> On 8 December, the LLDC confirmed that the expected cost has risen to £628 million, a 63 per cent cost increase from the original June 2018 figure.<sup>34</sup>

The LLDC noted at the Budget and Performance Committee meeting on 14 October 2020 that these figures were based on an assumption that social distancing would end by December 2020.<sup>35</sup> These assumptions now appear out of date and overly optimistic, suggesting the true cost will be much higher. On 1 October 2020, as a part of the Mayor's official submission to the Government's now revised plans for a three-year Comprehensive Spending Review, an additional £62.7 million was requested for the LLDC to meet COVID-19 related costs. The Mayor noted that this request was based on the 'most likely scenario for a vaccine', suggesting more capital still may be required under other scenarios.<sup>36</sup>

When asked a direct question at the 22 October Budget and Performance Committee meeting, the Mayor was unable to give a figure for the expected cost to London of the East Bank development.<sup>37</sup>

These increasing costs over the medium to long term are in contrast to the £9.5 million in savings the LLDC has been asked to find by the Mayor over the remainder of 2019-20 and

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<sup>29</sup> [Press Release – Mayor unveils £1.1bn vision for East Bank – 05 June 2018](#)

<sup>30</sup> [Mayor's Capital Spending Plan 2019-20](#) page 16; [2020-21](#), page 17

<sup>31</sup> [Mayor's Capital Spending Plan](#), page 17

<sup>32</sup> [Annual Report 2019-20](#), page 24

<sup>33</sup> [MD2695 - 17 September 2020](#), in the Budget and Performance Committee Meeting on 14 October 2020, LLDC clarified that this figure includes costs associated with the Stratford Waterfront Area

<sup>34</sup> Budget and Performance Committee meeting 8 December 2020, [8 December B&PC](#)

<sup>35</sup> Budget and Performance Committee meeting 14 October 2020, minutes, page 18

<sup>36</sup> Comprehensive Spending Review submission, 1 October 2020, pages 17-18.

<sup>37</sup> Budget and Performance Committee meeting 22 October 2020, minutes <https://www.london.gov.uk/about-us/londonassembly/meetings/ieListDocuments.aspx?CId=129&MId=6913>

2020-21. Controlling East Bank costs over the medium term may be of higher value to Londoners than finding these savings in the short term.

### Key partners are struggling financially due to the pandemic, exposing the funding model to increased risk

The LLDC owns the freehold property on the sites and plans to lease to partners on 200-year contracts. The LLDC now has lease agreements with UAL, BBC, V&A and Sadler's Wells in place (although not all have been signed at the time of publication)<sup>38</sup>. The LLDC bears responsibility for building the 'shell and core' of the sites on the East Bank rather than their future occupant, who are only responsible for the inside of the buildings. This means the LLDC, rather than the future tenant, bears the risk of any cost overruns.

Although the tenants have lease agreements in place, they are all suffering from the economic impact of COVID-19. Sadler's Wells in particular has not been able to open its main theatre at all since the beginning of the pandemic.<sup>39</sup> Given the LLDC bears all the construction risk, it will be exposed to risks around the short-term financial viability of its key partners, as well as the possibility of longer-term impacts on their business models.

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<sup>38</sup> Lease for UAL has been executed, BBC lease due for execution in 2020, Sadler's Wells and Victoria and Albert Museum leases to be completed at the end of the building programme; Budget and Performance Committee meeting 14 October 2020, minutes, page 19

<sup>39</sup> Budget and Performance Committee meeting 14 October 2020, minutes, page 19

## Chapter four: Progress of the LLDC's housing

Demand for new housing in London is very high, especially in east London, which has a particular need for high-quality family homes and affordable housing. One of the LLDC's main priorities is the development of new, well-designed, sustainable and accessible neighbourhoods. To achieve this, the LLDC has committed to enabling the delivery of 33,000 new homes by 2036 through the Local Plan.<sup>40</sup> To date, 10,109 (30 per cent of the target) have been completed across two of five new Park neighbourhoods: Chobham Manor and East Wick.<sup>41</sup>

### Lack of clarity around the basis of forecast capital receipts from house sales and the impact of COVID-19 make long-term profitability unclear

Capital income from housing development sites is an important factor in achieving financial sustainability for the project. However, it is not clear how the LLDC has modelled its projected capital receipts from housing sales on the site, or what assumptions it has included about housing price inflation and demand over the medium and long term. This is of concern to the Assembly in the context of COVID-19. London housing prices are in flux as the market adjusts to the pandemic: in February 2019, UK property company Hamptons International forecast house price growth of 2.5 per cent in 2021;<sup>42</sup> in August 2020, the forecast was down to -1 per cent.<sup>43</sup> At a recent meeting of the Budget and Performance Committee, the LLDC confirmed that it '[has] not revised our assumptions around demand' in the wake of pandemic, and, simultaneously, that it was troubled by the level of uncertainty in the forecasts around its capital strategy and house price inflation.<sup>44</sup>

Along with slowed house price inflation, risks may be emerging around the impact of delays and social distancing measures on construction costs, as well as the possibility of a disproportionate impact on demand for 'shared ownership' homes. The LLDC has noted its concerns that the economic conditions brought on by the pandemic may depress demand for the shared ownership model.<sup>45</sup> Given that in 2019, 35 per cent of the LLDC's planning permissions were for intermediate (or 'shared ownership') homes, this could have a significant impact on profitability.<sup>46</sup>

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<sup>40</sup> [Annual Report 2019-20](#), page 5

<sup>41</sup> [Planning Authority Monitoring Report \(2019 – 31 March 2020\)](#)

<sup>42</sup> [Hamptons International Market Insight Feb-March 2019](#), page 3

<sup>43</sup> [Hamptons International Sale Forecast Autumn 2020](#)

<sup>44</sup> Budget and Performance Committee meeting 14 October 2020, minutes, pages 3, 7

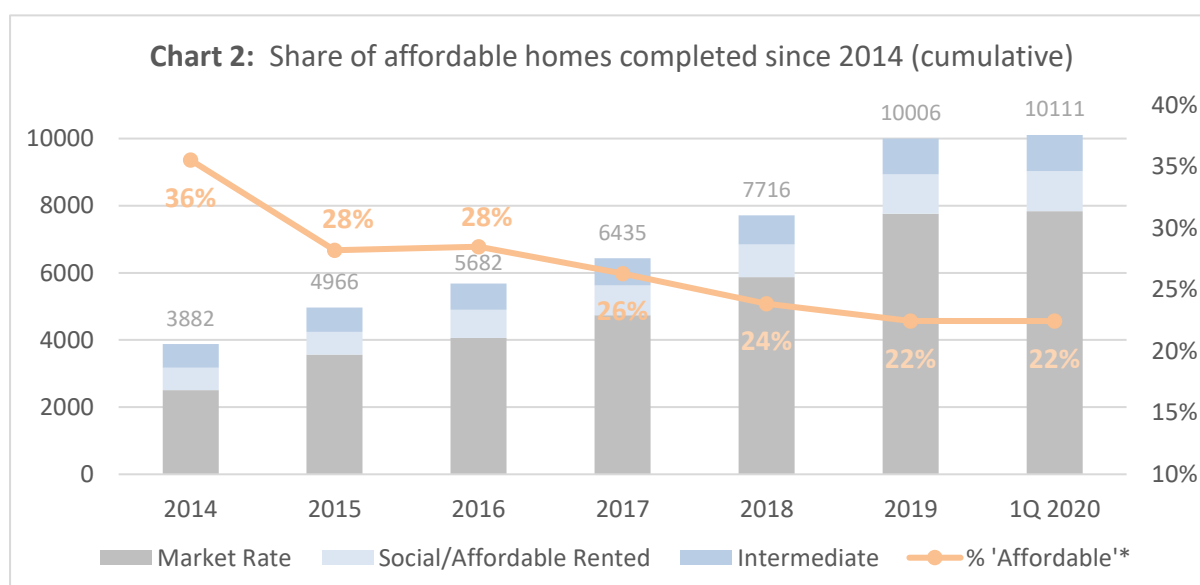
<sup>45</sup> Budget and Performance Committee meeting 14 October 2020, minutes, page 6

<sup>46</sup> [Planning Authority Monitoring Report \(2019 – 31 March 2020\)](#), Table 13 on page 47, Table 14 on page 48

## The LLDC will not meet the Mayor's target for 50 per cent affordable housing

The LLDC says it is taking a mixed approach to affordable housing across the Park. The first two neighbourhoods – Chobham Manor, and East Wick and Sweetwater – were already in development when the Mayor set his 50 per cent target in his Draft London Plan for all new homes delivered across London to be affordable. Instead, these will deliver 35 per cent<sup>47</sup> and 30 per cent<sup>48</sup> affordable homes respectively. While the remaining neighbourhoods – Stratford Waterfront, Pudding Mill Lane and Rick Roberts Way – have a target for 50 per cent affordable housing, meeting this target would still see the entire site fall short of the 50 per cent target by a considerable margin.

Despite ambitions for future sites, affordable housing delivery has been modest so far. Although in 2019, 44 per cent of new homes permitted for development were classified affordable, since 2014 only 22 per cent of completed home have been affordable (see Chart 2). Also, approximately half of the affordable homes delivered to date are 'shared ownership' or 'intermediate' homes<sup>49</sup>. Concerns have been raised about the genuine affordability of these homes to those on low incomes, especially those living locally.<sup>50</sup> Current planning determinations were described by the LLDC as 'at the 35 per cent and above 35 per cent level' in the Committee Meeting on 14 October 2020.<sup>51</sup>



Source: [Planning Authority Monitoring Report \(2019 – 31 March 2020\)](#) Affordable = 'Social/Affordable Rented' and 'Intermediate'

<sup>47</sup> This is up from 28 per cent last year

<sup>48</sup> First phase to deliver 43 per cent affordable homes ([Annual Report 2019-20](#) page 5)

<sup>49</sup> Intermediate Housing is defined as affordable housing which is targeted at people unlikely to access homes at social rent levels, but who are not able to afford to buy or rent a suitable home on the open market (including Shared Ownership and London Living Rent).

<sup>50</sup> [Community Letter questions Mayor of London's commitment to genuinely affordable homes at Stratford Waterfront, Newham Recorder, July 2019](#); [Community calls for new deal on Olympic Park housing legacy, Independent Catholic News, August 2020](#)

<sup>51</sup> Budget and Performance Committee meeting 14 October 2020, minutes, page 19

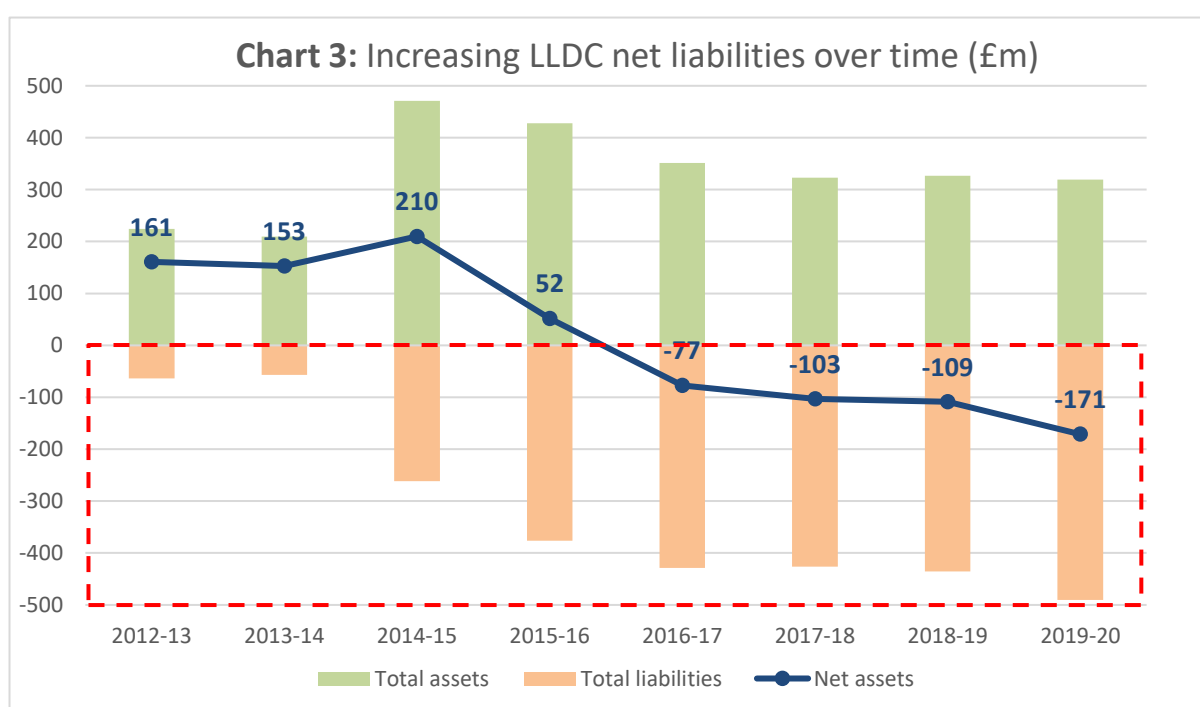


## Chapter five: Conclusion

The LLDC's overall value has decreased, making it a riskier venture for Londoners

The LLDC is taking many steps towards reducing costs and increasing income generation. The 3 Mills Studio is bringing in substantial income to the Park; strategies are in place to reduce the annual stadium losses; and progress is being made on the major development sites, which are realising at least some of the forecast capital receipts.

Despite these steps, the LLDC's overall value is falling at an alarming rate. While at the first year of its establishment the LLDC assets were greater than its liabilities by £161 million, this overall value has been eroded. Between 2014-15 and 2019-20 the value of the LLDC fell by £381 million: over this period the value of the organisation changed from a positive £210 million position to a negative £171 million position, with a 57 per cent increase in net liabilities of £63 million in the last financial year (Chart 3).



Source: [LLDC Annual Reports, 2012-13 to 2019-20](#).

This position is very likely to worsen over coming years. Even in the best case scenario, the Stadium is set to lose £8 to £10 million annually. East Bank costs were escalating before the pandemic and are only set to further increase, largely in response to construction delays. The

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East Bank value proposition relies heavily on the viability and growth prospects of arts and cultural institutions. Through no fault of the LLDC's, the business cases of such institutions are riskier in the post-pandemic world. Moreover, projected capital receipts from housing developments may not be realised, especially in light of the pandemic's impact on the housing market. Finally, achieving the 50 per cent affordable home target on new sites will require substantial subsidy. Ultimately the LLDC is becoming a riskier and riskier venture for Londoners.

## Appendix

### Appendix A: 2020-21 LLDC Budget Allocations

2020-21 LLDC Budget Allocations		
Line item	£, m	%
<b>Capital funding</b>		
<i>Capital Receipts</i>	26	9%
<i>Capital grants and third party contributions</i>	74.6	27%
<i>Borrowing</i>	102.7	37%
<i>GLA grant</i>	75.8	27%
<b>Total</b>	<b>279.1</b>	<b>100%</b>
<b>Capital Expenditure</b>		
<i>East Bank</i>	195.3	70%
<i>Development</i>	20.5	7%
<i>Stadium</i>	14.5	5%
<i>Park and Venues</i>	7.4	3%
<i>Regeneration</i>	0.5	0%
<i>Finance, Commercial and Corporate Services</i>	1.9	1%
<i>Corporation Tax and Contingency</i>	4	1%
<i>BBC/UAL Loan</i>	35	13%
<b>Total</b>	<b>279.1</b>	<b>100%</b>
<b>Revenue Income</b>		
<i>Park Operations and Venues</i>	3.9	26%
<i>Trading</i>	9	59%
<i>Developments</i>	0.2	1%
<i>Regeneration</i>	0.1	1%
<i>Corporate</i>	0.4	3%
<i>Planning Authority</i>	1.6	11%
<b>Total</b>	<b>15.2</b>	<b>100%</b>
<b>Revenue Expenditure</b>		
<i>Park Operations and Venues</i>	9.6	15%
<i>Trading</i>	9.9	15%
<i>Developments</i>	0.1	0%
<i>Regeneration</i>	2.4	4%
<i>Corporate</i>	10.4	16%
<i>Planning Authority</i>	3.1	5%
<i>Stadium</i>	16.6	25%
<i>Irrecoverable VAT and contingency</i>	0.6	1%
<i>Financing costs</i>	13	20%
<b>Total</b>	<b>65.7</b>	<b>100%</b>
<b>Net Revenue Expenditure</b>	<b>50.5</b>	

Source: Mayor's 2020-21 Budget, Mayor's 2020-21 Capital Spending Plan

Source: LLDC Quarter 1 Report 2020-21, page 5

## Other formats and languages

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### Chinese

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### Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

### Greek

*Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.*

### Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

### Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

### Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

### Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

### Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

### Arabic

الحصول على ملخص لهذا المستند بلغتك،  
فرجاء الاتصال برقم الهاتف أو الاتصال على  
العنوان البريدي أو عنون البريدي  
الالكتروني أعلاه.

### Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઈલ સરનામા પર અમારો સંપર્ક કરો.

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