

MAYOR OF LONDON

Lord Davies of Abersoch CBE

Chair
Garden Bridge Trust
Somerset House
Strand
London WC2R 1LA

Date: 28 APR 2017

Dear Lord Davies,

Response to Dame Margaret Hodge's review into the Garden Bridge

Following receipt of Dame Margaret's review, I said I would take some time to reflect on her findings and the status of the project. I have also seen your reply to Dame Margaret and been briefed on the meeting you held with my officials and other project partners on 20 April.

With planning permission due to expire in December 2017, an aggressive schedule of activities would be required for the bridge to be delivered. Three significant hurdles are outstanding:

- i. Reaching all necessary land agreements;
- ii. The necessary capital funds being raised;
- iii. Guarantees to underwrite operational and maintenance costs being in place.

I will deal with each issue in turn.

Land agreements

On the North bank, Transport for London (TfL) stands ready to work with the Trust and Westminster City Council to finalise and execute the necessary agreements at Temple Station. This requires significant expenditure by the Trust, including TfL's legal fees.

On the South bank, despite three years of negotiation, agreement has still to be reached with Coin Street Community Builders. My officers have hosted negotiations between yourselves, Lambeth Council and Coin Street on three separate occasions and I know that discussions have continued. In addition, there are still matters to be resolved between Coin Street and Lambeth Council, with the potential to require further formal decision making from Lambeth that could imperil your project timetable.

Clearly without agreement with Coin Street and Lambeth Council the project cannot proceed and it is concerning that a huge amount of effort and expenditure has been expended on other aspects of the project when there is a real possibility that agreement will not be reached before the expiry of planning permission, or at all.

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Capital fundraising

Dame Margaret's review concluded that the project has had an increasing reliance on public funds over time. As you know, I have been clear both before and since my election, that I would not allow additional taxpayers' funds that I control to be spent on this project.

In the three years since the inception of the Trust, you have secured pledges of just under half of the funds required from sources other than the public sector. The total pledged now stands at £69m compared to £85m in spring 2015, illustrating both the remaining significant gap (over £70 million) and also the risk of further existing pledges being lost, notwithstanding your efforts to mitigate this.

I note Dame Margaret's opinion that "the Trust will not succeed in raising all the private capital monies required and will need more public money to complete the construction", and also that the Trust disagrees with this.

My view is that the confirmed pledges figure demonstrates a lack of progress over two years. Whilst I note your comment about not being able to "approach funders when we are coping with the uncertainties caused by third party delays", there will always be challenges and third party issues on a project of this nature. Pledged funds being lower than two years ago strongly suggests that support for the project is not robust enough to generate the required funds. And of course a pledge is not the same thing as a payment into your account.

Your most recent accounts, signed in December 2016 following the Trust's decision to delay the end of its financial year, demonstrated material uncertainty as to whether the Trust can properly regard itself as a going concern. This reflects the challenging status of the project, and the levels of public opposition to it. These factors must reasonably be expected to deter some potential donors.

You have previously publically discussed how commencing construction would aid fundraising and that the Trust was prepared to start construction before all funds have been raised. This raises the issue of what would happen should the Trust subsequently prove unable to raise the necessary funds, either due to the concerns already expressed or for example an unexpected change in the economic climate.

While the Trust would be accepting liability for this situation, were the Trustees unable to personally meet this commitment (and noting that the membership of your board will change over time), then London would have a partially-built bridge which would either require completion or demolition. The costs of this would inevitably fall to the public sector and most likely the Greater London Authority (GLA) or TfL.

Accordingly, I have been advised that "the construction starting without the necessary funds being totally or nearly raised would create the risk of additional taxpayer funds (that [the Mayor] controls), being required to be spent on the project."

It is worth noting that the situation is not comparable with the Tate Modern extension, as has been suggested by a Trust spokesperson. The Tate decided to proceed and secure loans when they had sufficient pledged but not yet received donations, significant reserves and resources and a Parliamentary Minute setting out Government support, recorded as an Unquantifiable Contingent Liability in DCMS's accounts. None of these apply to the Garden Bridge.

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Operational and maintenance funding guarantees

I note that the Trust has decided to fundamentally re-visit your Operations and Maintenance Business Plan, though I do not understand why it took so long for this to happen following the significant public criticism it received.

I have been clear on the importance of the Plan being properly assessed before consideration can be given to whether I could give guarantees for the bridge's operations and maintenance. As I have previously advised, this would include the review by a visitor attraction expert being commissioned by Lambeth Council, and an analysis of the Trust's ability to establish an endowment fund of the required size.

The Lambeth review is not expected to be complete until sometime in June and the Trust has advised previously that changes to the Plan may follow from this. While some limited progress has been made on an endowment fund, it is clear that this is a lower priority for the Trust than capital fundraising. The lack of progress on capital fundraising does, inevitably, give rise to concerns as to the Trust's ability to raise the necessary funds to operate and maintain the Bridge. As Dame Margaret noted, it is not clear why anyone would wish to contribute to an endowment fund after I, as Mayor, had committed the public sector to guarantee the ongoing operation and maintenance costs of the Garden Bridge.

A robust Plan is essential, both to avoid future costs to the taxpayer and to ensure the funds are available to repay the £20m of the £30m TfL funding that is a long-term loan. If the TfL loan is not repaid, then the public sector contribution to the project would be £60m in addition to the risk of the ongoing operation and maintenance guarantee being called upon, versus £46.4m of public funds lost if the project does not proceed.

Conclusion

I have been supportive of the Garden Bridge project, both for the benefits it could bring and because the taxpayer would be better off than if it was not built.

However, I have to set this against the project's current situation:

- Agreement still not having been reached between land interests on the south bank, with this delaying the necessary formal decision making
- Less than half of the required private sector funds having been pledged, never mind paid into your account
- Material uncertainty as to whether the Trust can properly regard itself as a going concern, which together with the levels of public opposition to the project, must reasonably be expected to deter some potential donors
- Consideration of your Operations and Maintenance Business Plan not being possible in the time required by your project schedule
- The significant risk of further judicial reviews, with the consequent delays and costs
- The endowment fund has not been established and agreeing the guarantees would remove the incentive for donors to contribute to it.

With planning permission expiring in December, it does not seem reasonable to me to believe that all these obstacles can be overcome.

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The conclusion I have reached is that Dame Margaret was right to conclude that the project progressing would expose the London taxpayer to additional financial risk, both with regard to the bridge's construction and its maintenance.

I have been clear that this should not be allowed to happen. Accordingly, the GLA is unable to provide Mayoral guarantees for this project.

I regret that the significant expenditure of public funds and effort from both public bodies and the Garden Bridge Trust has not led to a situation where I can provide the guarantees requested.

I am copying this letter to the Secretary of State at the Department for Transport, the leaders of the London Borough of Lambeth and Westminster City Council, the Chief Executive of the Port of London Authority, the Chair of Coin Street Community Builders and the Commissioner of Transport for London. I shall also be making it publicly available.

Yours sincerely,



Sadiq Khan
Mayor of London