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Jan Lloyd
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29th October 2008

From the Permanent Secretary
Dame Helen Ghosh DCB

Dear Jan,

We have had extensive discussions over the last six months about the redevelopment of New Covent Garden Market (NCGM) at Nine Elms (Project Chrysalis). This letter provides an undertaking that the Department for Environment, Food and Rural Affairs (Defra) would from 2015 onwards, provide the Covent Garden Market Authority with additional funds to allow completion of Project Chrysalis subject to the following conditions:

- (i). The maximum amount that Defra will provide will be £10 million, and in no circumstances more than this.
- (ii). This funding will not be available to CGMA until after 1st April 2015.
- (iii). Defra will require 12 months notice in writing from CGMA before drawing down this funding.
- (iv). Defra reserves the right to audit CGMA accounts and other project documentation before the funding is transferred.
- (v). CGMA may draw down the funding in a single transfer or in a series of tranches to be set out in their letter notifying Defra that the funding will be required (see (iii) above).
- (vi). The funding will be available to allow CGMA to complete Project Chrysalis defined as the redevelopment of NCGM at Nine Elms and for no other purpose.
- (vii). It must be used only to fund capitalisable costs or Capital Gains Tax.
- (viii). The facility is provided in order to help close a funding gap between the £128 million risk adjusted cost of redeveloping NCGM which includes cost inflation, and the funds expected to be available to CGMA either from the reinvestment of capital realised through the sale of land at Nine Elms (capped at £110 million by HM Treasury) and from other CGMA sources, including any additional land disposal opportunities. You must inform Defra in writing if the risk adjusted cost of the redevelopment changes by more than three per cent, or if receipts from the sale of land are expected to fall below the £110 million Treasury cap.
- (ix). Defra funding will only be provided as a last resort and to the extent that CGMA are unable to fund the full cost of Project Chrysalis themselves.