

GREATER **LONDON** AUTHORITY

REQUEST FOR MAYORAL DECISION – MD590

Title: Olympic Park Visitor Attraction Design and Development

Executive Summary:

Approval of design and delivery arrangements for the Olympic Park Visitor Attraction.

Decision:

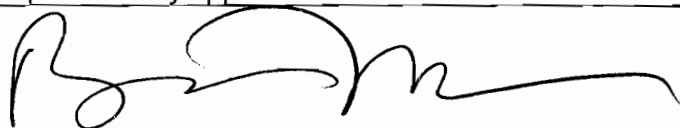
To approve:

- (a) selection of a proposal from Anish Kapoor as the preferred bid for an Olympic Park Visitor Attraction; and
- (b) direction of the LDA to transfer £3.1 million of capital funding to the Olympic Delivery Authority to support the delivery of the Attraction;

Mayor of London

The above request has my approval.

Signature



Date

25.3.10

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

Selection of a design

- 1.1 MD340 described the case for a high quality Visitor Attraction in the Olympic Park, and approved a design competition to solicit proposals. The brief for interested parties included the following fundamental components:
- **Scale** – the Attraction should have sufficient physical presence to create a new landmark for London helping to anchor the Olympic Park on London's skyline.
 - **Visitor Appeal** – the object needed to be capable of drawing large numbers of visitors as a major new attraction in London's Visitor Offer.
 - **Affordability & Deliverability** – the Attraction needed to be buildable in time for the Olympic Games, be capable of delivery for a budget of between £10-£20m and be commercially viable in Games and Legacy operation.
- 1.2 Submissions were considered on 13th July by an expert Advisory Panel with experience and knowledge of the arts and design sector, comprising Nick Serota (Tate), Julia Peyton-Jones (Serpentine Gallery), Hans Ulrich-Obrist (Serpentine Gallery), Sarah Weir (ODA), Stuart Lipton (Chelsfield), Anita Zabludowicz (176 Zabludowicz collection), Michael Morris and James Lingwood (ArtAngel) and Munira Mirza (Mayoral Advisor on Arts and Culture). The panel advised the Mayor and the Minister for the Olympics to take forward five proposals/teams to the next stage.
- 1.3 Following further technical work, the Mayor (in consultation with the Minister and Arcelor Mittal, the identified private sponsor of the attraction) selected Anish Kapoor as the preferred designer, and agreed that more detailed design work would be undertaken before a final decision could be taken based on greater certainty over cost, programme and construction method.

Funding and operation

- 1.4 From the outset the project has been supported by the ODA, LDA, OPLC and LOCOG, as it could add a significant visitor draw to the Olympic Park to complement the Games and Legacy operation. All also believe that given the right specifications and design the proposal could create significant revenue, covering its costs and generating profit. This view was supported by initial soft market testing carried out by OPLC and LOCOG.
- 1.5 These agencies and the GLA have worked together with the design team and Arcelor Mittal to strike the right balance between design, cost and operational commitments. After three months joint working a consensus has been reached as follows:
- Arcelor Mittal will fund the bulk of the capital budget in return for Games and post-Games sponsorship rights from LOCOG and OPLC and a share in profits post-Games from OPLC; these arrangements will be negotiated directly between Arcelor Mittal and LOCOG/OPLC. Arcelor Mittal's contribution will be capped at £16m.
 - The LDA will support the project by funding additional capital elements of the core scheme that will help enhance the visitor experience and deliver greater patronage post-Games, as OPLC cannot currently contribute capital funding to the project. The LDA contribution to the capital costs of the project will be capped at £3.1m, and will be granted to the Olympic Delivery Authority for works to be undertaken by existing ODA contractors. This funding from the LDA is

consistent with the aims and purposes of the Agency, both in terms of meeting the Mayor's regeneration priorities, and in supporting the development and promotion of London as a world-leading visitor destination.

- 1.6 In the event that the project is completed for a cost of less than £19.1 million, the contribution from Arcelor Mittal will be reduced in proportion to the contribution from the LDA.
- 1.7 OPLC will take ownership of the structure at practical completion. It will then take full responsibility for its management, maintenance and operation to the benefit of the wider legacy of the Olympic and Paralympic Games. During Games, it will grant LOCOG rights to operate and benefit from revenue generated. LOCOG will operate the Attraction to October 2012. Post Games, OPLC will resume operation with the Attraction forming a core component of the Olympic Park business plan. In both periods operators will be required to invest in fit-out and operational equipment.

Delivery

- 1.8 Upon receiving confirmation of the above arrangements from the Mayor, Arcelor Mittal will fund the continuing design work, Building Control and Town Planning applications over the next five months before Sir Robert MacAlpine agrees a Guaranteed Maximum Price in August/September 2010, upon which Arcelor Mittal is expected to contract directly with Sir Robert MacAlpine for the construction of the scheme. Arcelor Mittal will also enter a license agreement for use of the land with the ODA and the LDA or OPLC (whichever owns the Olympic Park land at the time). The current planned construction programme will allow the attraction to be completed in time for pre-Games operation by LOCOG.
- 1.9 The GLA, supported by the ODA, has agreed key milestone dates for the project over the next five months (through to receipt of planning permission and the signature of the contract between Arcelor Mittal and Sir Robert MacAlpine), and will monitor these closely over the next five months. Should the project show significant signs of delay or cost/risk escalation to the public purse, at any stage from now up to and beyond the conclusion of the town planning process, the ODA will not permit it to progress and the LDA will receive its funding back from the ODA.

2. Issues for consideration

a. Links to strategies and Strategic Plan

- 2.1 The Mayor's draft replacement London Plan states that *'The Mayor will work with partners to develop and implement a viable and sustainable legacy for the Olympic and Paralympic Games to deliver fundamental economic, social and environmental change within east London, and to close the deprivation gap between the Olympic host boroughs and the rest of London. This will be London's single most important regeneration project for the next 25 years.'* The Visitor Attraction will make a significant contribution to the achievement of this aim.

b. Impact assessments and Consultation

- 2.2 Extensive non-statutory consultation has already taken place with key partners and during the selection process, design process and commercial negotiations a number of key agencies including ODA, LOCOG and the Olympic Park Legacy Company have been consulted. Further detailed consultation on the proposals for the attraction will take place as part of the formal town planning process later in 2010.
- 2.3 The LDA has been consulted on the Direction. It supports the project, and is satisfied that a direction is necessary to ensure a timely contribution from the Agency.

- 2.4 It is expected that the delivery of the Games and their legacy and benefits according to the vision set out by the Olympic Board will contribute significantly to the regeneration of the Lower Lea Valley, one of London's most diverse and deprived areas. The smooth and effective running of the support function is essential to the Games' delivery and will contribute materially to the achievement of those objectives.
- 2.5 It is expected that the delivery of the Games and their legacy and benefits according to the vision set out by the Olympic Board will contribute significantly to the health and sustainable development objectives of the Mayor.

c. Risk

- 2.6 GLA officers will work closely with all relevant stakeholders both internal and external to ensure the mitigation of any risks both to this project and the wider Olympic programme. The agreement on the funding of the attraction explicitly caps the contribution of the LDA at £3.1 million; all financial and programme risk associated with the project will lie with Arcelor Mittal and its contractors. The ODA agreement with Arcelor Mittal will include 'step-in' rights to ensure that, in the event of delay or shortage of funds, the attraction can be completed or dismantled prior to the start of the 2012 Games.

3. Financial Comments

The GLA group contribution for the project is funding from the LDA so there are no direct financial implications for the GLA. The LDA's own contribution is capped at £3.1 million and the intention is that it would be able to recover this amount should the project not progress to completion.

4. Legal Comments

Powers

Olympic Power

- 4.1 The decision requested of the Mayor falls within the GLA's statutory powers under section 34 of the London Olympic Games and Paralympics Act 2006 (the "Olympics Act"). Section 34 of the Olympics Act provides that the GLA may do anything:

- (a) for the purpose of complying with an obligation of the Mayor of London under the Host City Contract (whether before, during or after the London Olympics),
- (b) for a purpose connected with preparing for or managing the London Olympics, or
- (c) for a purpose connected with anything done in accordance with paragraph a) or b).

The Candidature File made specific commitments about the legacy of the Games for sport, the community, the environment and the economy and these now form part of the obligations of the Mayor under the Host City Contract. As the Visitor Attraction will assist with meeting these obligations, the creation of the Visitor Attraction can therefore reasonably be seen as falling under this power. Section 34(2) (g) of the Act further states that the GLA may 'give financial or other assistance to persons in respect of activity connected with the London Olympics'.

- 4.2 Furthermore in exercising its functions under section 34 of the Olympics Act, the GLA must have regards to the desirability of maximising the benefits to be derived after the London Olympics. The

Visitor Attraction will serve to better ensure that London derives a lasting benefit from the 2012 Olympics and fulfill the commitments entered into as part of the Candidature File.

- 4.3 Under section 34(3) of the Olympics Act, the GLA shall have regard to the desirability of consulting and co-operating with the Secretary of State, the Paymaster General, British Olympic Association (the "BOA"), LOCOG and other persons with experience or knowledge which might be useful in relation to preparing for or managing the London Olympics. Paragraph 2.2 outlines the consultation that has taken place.

Tourism Power

- 4.4 As outlined in MD340, the Mayor additionally has power to enter into the arrangements outlined in paragraph 1 under s378 of the Greater London Authority Act 1999 (the "Act"). This section places a duty on the Mayor:

- (a) to encourage people to visit Greater London;
- (b) to encourage people from outside the United Kingdom to visit the United Kingdom by way of Greater London; and
- (c) to encourage the provision and improvement of tourist amenities and facilities in Greater London.

As outlined in paragraph 1 the Visitor Attraction should become a tourist attraction and support for the creation of the Visitor Attraction could therefore reasonably be seen as encouraging people to visit Greater London.

- 4.5 Section 378 provides the Authority with the power to do anything for the purpose of discharging the above-described duty and to do anything which is incidental to or conducive to the discharge of this duty, including raising funds to cover the cost of carrying out this duty.
- 4.6 In discharging its duty under section 378 the Authority shall have regard to the desirability of undertaking appropriate consultation with and co-operating with the Secretary of State, the tourist board, any other persons who, or organisations which, have knowledge of, or are interested in, matters affecting the discharge of the duty.

Direction to the LDA

- 4.7 Section 27 of the Regional Development Agencies Act 1998 provides that the Mayor may give directions to the LDA in relation to the exercise of its functions and may specify in the direction the manner, in which the LDA is to exercise its functions. The LDA's functions are set out in section 4 of the RDA Act and include, inter alia, the furtherance of economic development and regeneration in Greater London and the promotion of business, efficiency, investment and competitiveness in Greater London. The Visitor attraction can be seen as falling within both of these functions as paragraphs 1 and 2 indicate it will assist with the regeneration of the area in London and create a new visitor attraction for London.
- 4.8 As set out at 2.3, the officers, on behalf of the Mayor, have consulted the LDA as required by section 40 of the Regional Development Agencies Act 1998.
- 4.9 The direction specifies the manner, in which the LDA is to exercising its functions. The LDA is to capital grant fund the Olympic Delivery Authority up to a total of £3.1 million towards the creation

of the Visitor Attraction. As set out at above, support for the project may be viewed as falling within the GLA's functions under the Olympic Act and the Greater London Authority Act. Furthermore, the Mayor's consent to the grant is expressly mentioned in the direction.

- 4.10 In order to ensure that Mayoral direction and consent be reported to the LDA, the officers should ensure that the original direction be sent to the LDA's CEO and copied to its head of finance.

OPLC Contract

- 4.11 As a Founder member of the OPLC the GLA will have to approve the entering into of a contract between the OPLC and Arcelor Mittal. Legal should be consulted on the terms of this contract in order to ensure it will deliver the project on the terms outlined in this MD. Once the GLA is satisfied with the terms, clause 18.1 (c) of the OPLC Founder Members agreement states that Neale Coleman has the designated authority to consent, approve or agree on behalf of the Mayor.

- 5. Background/supporting papers**
None.

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the Greater London Authority website within 1 working day of approval. Any facts and advice that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this approval to be deferred? YES

If yes, for what reason:

So as not to pre-empt the public announcement of the winner of the competition, and the go-ahead for the scheme.

Until what date: Until after the announcement of the winner, and scheme go-ahead.

Is there a part 2 form - NO

OFFICER APPROVAL:

Tick to indicate approval

Sponsoring Director:

Neale Coleman has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Advisor:

Munira Mirza has been consulted about the proposal and agrees the recommendations.

✓

Legal advice:

The legal team has commented on this proposal.

✓

Executive Director, Resources

I have been consulted about the proposal and confirm that Financial and Legal advice have been taken into account in the preparation of this report.

Signature

M. D. Cole

Date

25.3.10

Chief of Staff

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

[Signature]

Date

25-3-10

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