

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2149

Title: Additional 2017/18 expenditure for E20 Stadium LLP and consent for a loan

Executive Summary:

The London Legacy Development Corporation (LLDC) is seeking Mayoral consent to give a loan to E20 Stadium LLP (E20) to fund 100 per cent of that partnership's working capital requirement for, initially, the second quarter of 2017/18 and, subject to confirmation from the Chief of Staff, the remainder of the financial year. This working capital funding (total £17m) will be made via a loan from LLDC to E20 as permitted under the Members' Agreement between the parties.

Section 213 of the Localism Act 2011 requires the Mayor give consent to LLDC in order for it to provide financial assistance – including loans. LLDC also requires Mayoral consent under the LLDC Governance Direction 2013 (MD1227) as the loan expenditure to fully fund the partnership is more than five per cent above that budgeted in LLDC's budget (ie. it is a 'regulated commitment').

LLDC cannot cover the cost of the loan from its own budget. This MD is therefore also asking the Mayor to approve an increase in the existing loan facility between the GLA and LLDC to make up the shortfall of £9.5m. Again, this is initially for the second quarter of 2017/18 and the provision of loan funding for quarters three and four is recommended to be approved in principle subject to confirmation from the Chief of Staff.

E20 is a limited liability partnership between LLDC and Newham Legacy Investment Limited, a subsidiary of the London Borough of Newham. E20 is therefore a subsidiary of LLDC.

Decision:

That the Mayor:

- approves an increase of £4m in the existing loan funding facility between the GLA and LLDC so that LLDC may provide a loan to E20 Stadium LLP to fund 100 per cent of the partnership's working capital requirement for quarter two 2017-18
- approves, in principle, an increase in loan funding of £5.5m from the GLA to LLDC under those same arrangements and for the same purpose for quarters three and four, subject to later confirmation by the Chief of Staff
- consents for the purposes of section 213 of the Localism Act 2011 and the LLDC Governance Direction to the giving of a loan from LLDC to E20 Stadium LLP, estimated at £11.7m, for quarter two 2017-18
- consents (as above) to the giving of a loan for the same purpose from LLDC to E20 Stadium LLP, estimated at £5.5m, for quarters three and four, subject to later confirmation from the Chief of Staff

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

6/7/17

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

Decision required – supporting report

1. Introduction and background

- 1.1. The Mayor gave LLDC consent in July 2012 – MD971 and under section 212(2) of the Localism Act 2011 – for the Corporation to form an interest in a limited liability partnership, E20 Stadium LLP (E20), with Newham Legacy Investments Limited (a wholly owned subsidiary company of the London Borough of Newham). The shares are apportioned 65/35 respectively and E20 is a subsidiary of LLDC.
- 1.2. E20 is a special purpose vehicle established to operate and develop the Olympic Stadium and to use the Stadium to deliver post-Games legacy objectives following the conclusion of the 2012 Games.
- 1.3. A Members' Agreement governs the relationship between LLDC and NLI, in respect of the E20 and sets out the structural, governance and other terms of the limited liability partnership (LLP).
- 1.4. LLDC and NLI have provided working capital funding for E20 in quarter one of 2017/18 in their membership shares.
- 1.5. Under the terms of the Members' Agreement, LLDC can provide working capital funding by way of a loan to E20.
- 1.6. In LLDC's current 2017/18 budget, the Corporation has allocated £12.5m to fund its share of working capital contributions as a member of the E20. LLDC anticipates further expenditure of £9.5m in 2017/18 to fully fund the partnership for the remainder of the year. The £9.5m of further expenditure will be provided by GLA to LLDC by way of loan funding, made up of £4m in quarter two and potentially £5.5m in the remainder of the financial year. The GLA provides LLDC's capital funding requirements as loan funding and there is an existing loan facility in place that governs that arrangement. The additional funding in this decision will therefore increase the total amount loaned to LLDC in 2017-18 (see financial comments at 5.1).
- 1.7. Section 213 of the Localism Act 2011 requires the Mayor give consent to LLDC in order for it to provide financial assistance to any person, including a loan. Therefore this MD has a dual purpose: to approve the provision of loan funding from the GLA to LLDC, implemented by means of increasing the existing loan facility; but also to seek the Mayor's consent under section 213 of the Localism Act 2011 and the LLDC Governance Direction 2013 (see below) for LLDC to in turn give a loan to E20. The loan will fund 100 per cent of the partnership's working capital requirement for the second quarter of 2017/18 initially, and provisionally for the remainder of the financial year. The estimated total amount of the loan from LLDC to E20 is £17m made up of £11.7m (quarter two); £2.6m (quarter three); and £2.7m (quarter four).
- 1.8. In addition, paragraph 4.7(b) of the Governance Direction stipulates that consent must be obtained for LLDC to make an individual decision that commits expenditure, creates a contingent liability and/or generates income of a value of £10 million or more ('a Regulated Commitment') where:
 - that expenditure, liability and income was included in LLDC's business plan (for the financial year in which it arises based on LLDC's membership share contribution); but
 - the actual value compared to its anticipated value in the plan is five per cent or more downwards in the case of income or five per cent or more upwards in the case of expenditure or a contingent liability
- 1.9. Funding the working capital requirement of E20 LLP for the remainder of 2017/18 will require the Legacy Corporation to commit expenditure that is expected to be five per cent or more in excess of that included in the budget approved via MD2091, 'Mayoral component budget 2017-18'.

Paragraph 4.9 of the Direction sets out guidance for determining whether the value of a project equals or exceeds the financial threshold for the purposes of paragraph 4.7.

- 1.10. The loan funding from the GLA to LLDC for quarters three and four, and the consent for LLDC to provide a loan to E20 LLP for its working capital requirements in those quarters, is contingent of further approval from the GLA's Chief of Staff. The Chief of Staff will take legal and financial advice before providing that further approval.

2. Objectives and expected outcomes

- 2.1. The loan funding from LLDC to E20 will enable E20 to operate in 2017/18 and deliver its business plan. During the second quarter, the Stadium is hosting the IAAF and IPC 2017 World Championships, London's biggest sporting event since the 2012 Olympics. It will then transition for the new football season.

3. Equality comments

- 3.1. LLDC has invested in delivering a multi-use Stadium at the heart of Queen Elizabeth Olympic Park that supports all of the LLDC's priority themes, in partnership with London Borough of Newham as members of E20.
- 3.2. The aim is for the multi-use Stadium to become a vibrant new destination that benefits everyone within the local and wider community and act as a driver for regeneration across east London.

4. Other considerations

a) Key risks and issues

- 4.1. The Corporation has identified the key risk that it is actively seeking to mitigate through robust mitigation plans and continuous monitoring as:
- Budget risk: there is a risk of further cost increases due to risks materialising in the operation of the business; these risks are set out in the partnership business plan.
- 4.2. Financial risks to the GLA are captured in section 5 below.

b) Links to Mayoral strategies and priorities

- 4.3. This proposal will support the Mayor's manifesto commitments to:
- build on the success of the Olympics and attract more global events to the city
 - rebuild our Olympic Legacy, promoting and supporting sport for more people of all ages

c) Impact assessment and consultations

- 4.4. The LLDC Board and Investment Committee have been briefed on the proposal and the LLDC Board is meeting to approve the loan on 5 July 2017 (noting the Board approval is subject to Mayoral approval via this MD). The LLDC consulted NLI, the other member of E20, as set out in the Members' Agreement. LLDC has also consulted the GLA on the matter. It is not considered that the Mayor need undertake any additional impact assessment or consultation in respect of this decision.

5. Financial comments

- 5.1. LLDC has a shortfall in approved funding of £4.0 million to provide 100 per cent of E20's working capital requirement for the second quarter of 2017-18. In addition, further funding of £5.5 million is also required to maintain this level of support for the partnership for the remainder of 2017-18.

There is a risk that further funding is required beyond the £9.5 million loan funding from GLA to LLDC requested in this decision given the considerable risks in relation to the E20 forecast.

- 5.2. LLDC will provide the second quarter funding and the additional funding for the remainder of the financial year as a loan to the partnership. It would have priority over all and any sums payable to the members should the partnership return to profit and above Newham Legacy Investment Ltd's £40 million capital contribution towards the stadium transformation. For the loan funding to be repaid there will have to be a significant change to the partnership's prospects such that it generates a profit.
- 5.3. The GLA will provide £9.5m loan funding to LLDC: an additional £4.0 million loan funding for the second quarter and a further £5.5 million of loans for quarters three and four (if confirmed by the Chief of Staff) from its overall existing capital resources. This will be under the existing loan facility that governs the provision of capital funding to LLDC, and the loan drawdown for 2017/18 would be increased by this amount. If this funding cannot be recovered by LLDC from the partnership it means this will ultimately need to be repaid to GLA over the long-term from capital receipts generated by LLDC.

6. Legal comments

- 6.1. For the reasons set out in this Form the provision of the Stadium itself and the activities that, through E20's business plan, are planned to take place there are considered likely to further the social improvement and economic development of London generally, as well as the locality in which the Stadium is located. They are therefore consistent with section 30 of the GLA Act 1999. They are also consistent with LLDC's statutory object to secure the regeneration of its area under section 201 of the Localism Act 2011.
- As such, the proposed loan from GLA to LLDC (an increase in the existing loan facility) is considered to be authorised under section 30 of the GLA Act.
 - The proposed loan from LLDC to E20 is considered consistent with section 30 of that Act and section 201 of the Localism Act.
- 6.2. Under section 213 of the Localism Act 2011 the LLDC can provide financial assistance by way of (amongst other means) loan, subject to such terms and conditions as it considers appropriate, including provision for repayment, with or without interest.) The Mayor must consent to LLDC providing such financial assistance and his consent is required under the Governance Direction for the reasons set out in paragraph 1.8 above. It is considered to provide such consent would be consistent with LLDC's statutory regeneration objectives and the Mayor's own section 30 purposes, as set out above.
- 6.3. The Chief of Staff is able to provide the confirmation for the draw down loan funding for quarters 3 and 4 of 2017-18 and to give consent the LLDC's loans to E20 in those periods for the purposes of section 213 and the Governance Direction by section 38 and 380 of the GLA Act 1999.

7. Planned delivery approach and next steps

Activity	Timeline
LLDC Board approval of loan for working capital	5 July 2017
Delivery of E20 Business plan for 2017/18	July 2017-March 2018

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? YES

If YES, for what reason:

Deferred until the loan has been made and the findings of the Mayor's review into the Stadium are published.

Until what date: 31 December 2017

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Tim Somerville has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

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

✓

Mayoral Adviser:

David Bellamy has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 3 July 2017.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. D. Bellamy

Date

3. 7. 17

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

3/7/2017

