

REQUEST FOR MAYORAL DECISION – MD1564

Title: 2017 IPC World Athletics Championships – update

Executive Summary:

This MD seeks approval of the agreed budget for the 2017 IPC World Athletics Championships; and a commitment to underwrite the costs of the event. It also seeks approval for the appointment of London Championships Ltd (LCL) as the Local Organising Committee for the Event, and for the GLA to enter into a funding agreement with LCL for the delivery of the 2017 IPC World Athletics Championships. Finally, it requests approval for the GLA to enter into an updated three-way Staging Agreement with the International Paralympic Committee (IPC) and London Championships Ltd, and approval for expenditure already identified as likely to materialise and contingency provision.

Decision:

That the Mayor:

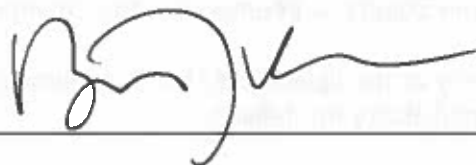
1. approves the entry into a funding agreement with LCL underwriting the costs of the 2017 IPC World Athletics Championships as set out in this document;
2. approves the entry into a three-way Staging Agreement between the GLA, IPC and LCL for the staging of the 2017 IPC World Athletics Championships;
3. approves net expenditure on costs associated with staging the IPC World Athletics Championships for up to £5.2m including a contingency of £1.1m, as set out in paragraph 1.13.

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:

21/10/15

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

Decision required – supporting report

1. Introduction and background

- 1.1 MD1094, signed on 14 November 2012, authorised the GLA to bid to host the 2017 IPC World Athletics Championships ('the Championships') in London and underwrite the total staging costs of the event. It provides the authority for the GLA to enter into all necessary forms of agreement to ensure the successful delivery of the championships.
- 1.2 Since the signing of MD1094, there have been several developments that mean a new, updated decision is required. Specifically, the budget for the event has increased significantly, from £8.6 million to £12.1 million (including contingency), and MD1094 only provides delegated approval for spending up to the original amount. The organisational structure for delivering the event has also been developed since the signing of MD1094, with the establishment of a Local Organising Committee for the event. Responsibility for delivering the bulk of the event will be passed to the Local Organising Committee, although certain specific items will be reserved for delivery by the GLA.
- 1.3 It is important to note that the budget and other details set out in MD1094 were based on the best information available at that point. MD1094 made this clear and also highlighted specifically that there were likely to be additional costs identified, in areas including volunteering and security. We are now in a position to update the budget and operational proposals. Of course, the updated costs continue to represent our best estimate at this point in time, but they may continue to vary, with a potential impact on the GLA's financial exposure.
- 1.4 In February 2015, IPB received a report that detailed estimated cost increases associated with the staging of the International Paralympic Committee (IPC) World Athletics Championships in London in 2017 and seeking in principle approval of the GLA's underwriting of these costs and entry into agreements. The increased budget estimate for staging the 2017 IPC World Athletics Championships and associated financial risk to the GLA, were noted and the decision to allow the GLA to enter into an Event Staging Agreement and associated funding agreements was approved in principle.

Local Organising Committee

- 1.5 Following negotiations between the GLA and UK Athletics Ltd (UKA), it was provisionally agreed that UKA would establish a new subsidiary company, London Championships Ltd (LCL), to act as the Local Organising Committee for the Championships. Heads of Terms to this effect were signed between the GLA and UKA in September 2013.
- 1.6 London Championships Ltd was incorporated in September 2014 and its Board was appointed, chaired by Ed Warner, Chairman, UK Athletics Ltd. The GLA is represented on the Board.
- 1.7 The primary purpose of LCL is to undertake the robust planning preparation and delivery of the Championships. LCL will also be a signatory to the Staging Agreement for the Championships.
- 1.8 Whilst LCL will be responsible for the vast majority of the delivery of the Championships, there are several areas in which the GLA has retained responsibility for delivery:
 - Non-stadium security implementation – since this is ultimately going to fall to the Met Police or other security services and since we do not know what the threat level will be on the ground in 2017 it makes no sense for this to be passed over to LCL. The figure included for security remains a best guess and is likely to change further as we get closer to the event.

- Ceremonies – it is anticipated that the opening and closing ceremonies will be managed by the GLA drawing on support from the GLA Events and Culture Team.
- Development Programme – this will be managed as part of the GLA's ongoing grass-roots sports programme.

Event budget

- 1.9 The original budget set out in MD1094 identifies a total event cost of £8.6 million, with an estimated cost to the GLA, as underwriter, of £3.3 million.
- 1.10 In early 2014, a full review of the draft budget for the Championships was conducted by GLA officers working in partnership with UK Athletics. Within the budget, we have separated out the costs to be incurred by LCL and the costs for the specific areas in which the GLA has retained responsibility for delivery.
- 1.11 The new budget shows an increase in the total staging costs of the Championships from approximately £8.6 million (including contingency) to £12.1 million (including contingency). The updated budget is attached as Appendix 2.
- 1.12 As well as the expected cost of the Championships having increased, prospective income has also increased, from £5.4 million to £6.94 million.
- 1.13 The outcome of this updated budget is that the forecast deficit which the GLA, as underwriter, will be expected to cover has now increased from an estimated £3.3 million, to an estimated £5.2 million.
This figure is comprised of:
- £3.0 million net costs for LCL;
 - £1.1 million for areas reserved for delivery by GLA;
 - £1.1 million for additional 10% contingency across whole event budget.
- 1.14 However, as underwriter the GLA will still carry the risk of having to cover the full costs of the Championships (currently estimated at £12.1 million).

GLA/LCL funding agreement

- 1.15 To allow for necessary GLA funds to be passed to LCL, a funding agreement has been drafted, setting out the obligations to be placed on LCL in their role as Local Organising Committee. The funding agreement reflects the fact that the items set out at paragraph 1.11 above are not the responsibility of LCL.
- 1.16 The funding agreement is for up to a maximum of £9.94 million, which includes a 10% contingency. However, due to the fact that the event will be generating revenues on an ongoing basis, it is not anticipated that the full amount will be drawn down. All revenues generated in relation to the event (sponsorship, ticket sales etc.) will flow directly to LCL, so the GLA will only be required to pay any net requirements or cover timing differences.
- 1.17 An estimated profiling of income/expenditure is set out below, demonstrating the likely scale of draw-down. However, this profiling will have to be revisited regularly to ensure it is kept up to date:

	15-16	16-17	17-18	Total
	£'000	£'000	£'000	£'000
Expenditure	686	2,747	6,505	9,938
Income	677	2,711	3,550	6,938
Net drawn-down from GLA	-9	36	2,955	3,000

Incentive scheme

- 1.18 As underwriter, the GLA is required to cover the full costs of staging the Championships. However, efforts have been made to minimise the GLA's likely exposure through the development of a scheme which incentivises LCL to deliver the event within the constraints of the agreed budget, and to drive as much revenue as possible from the event. The intention of the scheme is to reduce the deficit which the GLA would need to cover and, if possible, to generate a surplus from the event, which would be shared between the IPC and the GLA according to the terms of the Staging Agreement.
- 1.19 In summary, the terms of the incentive scheme are as follows:
- As per the table at 1.17 above, it is anticipated that the net deficit that the GLA will be required to pay under the terms of the funding agreement will be £3 million. This is referred to as the 'Agreed Deficit'.
 - On approval of the Event Accounts, the GLA shall assess whether UKA is entitled to an incentive payment in accordance with the following provisions:
 - Where the Event Accounts show a Net Cost: If the Total Cost is less than the Agreed Deficit, the Authority shall pay to UKA 10% of the difference between the Agreed Deficit and the Total Cost.
 - Where the Event Accounts show a Net Income: UKA shall be entitled to a sum equal to 10% of the Agreed Deficit plus 30% of the Total Revenue.

Staging Agreement

- 1.20 A three-way staging agreement, setting out all the obligations that come with staging the 2017 IPC World Athletics Championships, is being finalised between IPC, GLA and LCL. All three parties will become signatories to this agreement.
- 1.21 Only once the Staging Agreement has been signed can the GLA and LCL enter into the funding agreement and incentive agreement set out above.
- 1.22 The finalised staging agreement is enclosed with this MD.

2. Equality comments

- 2.1 The primary purpose of this event is to stage a magnificent Paralympics World Athletics Championships in London's Olympic Park alongside the World Athletics Championships in 2017 and to reinforce the Olympic legacy.
- 2.2 Alongside the GLA, the London Borough of Newham and the LLDC - partners in the event - are delivering disability sports legacy, and Paralympic legacy programmes, respectively, to engage local communities in and around Queen Elizabeth Olympic Park in sport as part of healthy lifestyles, provide employment, business and volunteering opportunities, and support regeneration and convergence in East London. Communities in the six Olympic Host Boroughs are some of the most diverse and deprived in the UK, and include a higher than average proportion of BAME, and inactive groups. Hosting the IPC Championships demonstrates London's commitment to securing a Paralympic legacy, and will provide the opportunity to generate more benefits for local communities, businesses, volunteers and sports organisations.
- 2.3 Additionally, the GLA is working with the national governing bodies for athletics to develop a community engagement programme around the event, building on the Mayor's Sport Legacy programme to work with partners to help secure a community sports legacy from the event for Londoners.

3. Other considerations

Key risks

- 3.1 Increase in cost to the GLA: as underwriter, the GLA is required to cover the costs associated with the staging of the Championships, even if they should rise beyond the current agreed budget. However, numerous steps have been taken to mitigate this risk. Ticketing projections made within the budget are conservative, allowing scope for significant additional ticketing revenues. A programme contingency of £906k is included within LCL budget allowing for specific costs to rise without increasing GLA exposure from the position highlighted here. The nature of our proposed agreement with LCL, the organising committee for the event, strongly encourages them to keep costs down and drive increased revenues from the event – if they are able to reduce costs to the GLA, they themselves will benefit from a fee paid under the incentive scheme set out at 1.17 above.
- 3.2 London Championships Ltd: The GLA is relying almost wholly on LCL to deliver a successful event. This presents a risk inasmuch as if they prove unable to meet the level of service they have committed to, the GLA would be required to either take on additional operational responsibility or to engage alternative event organisers to deliver the event. This is thought highly unlikely. UK Athletics, the parent company of LCL, are also responsible for delivery of the 2017 IAAF World Championships. A strong senior management team is already in place across both events and the GLA is represented on the LOC Board, allowing ongoing oversight of progress.
- 3.3 Reputational risk: Should the Championship not be delivered, or be delivered in an unsatisfactory manner, this has implications for the reputation of London, the GLA and the Mayor. This can only be mitigated by maintaining close scrutiny of event planning and delivery, both at Board and officer level.

Links to Mayoral Strategies

- 3.4 The Mayor's London Plan states (at Policy 2.4) that 'a viable and sustainable legacy for the Olympic and Paralympic Games to deliver a 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... will be London's most important regeneration project for the next 25 years'. Hosting the IPC Athletics World Championships will provide an additional legacy use for the Olympic Stadium and a major opportunity for the ongoing promotion of Queen Elizabeth Olympic Park as an active Park that engages local communities with inspiring events, as well as a compelling visitor destination, which will contribute to the achievement of the Mayor's policy.
- 3.5 Hosting the IPC Athletics Championships, alongside the IAAF World Athletics Championships in 2017 will present a significant opportunity for international promotion of London consistent with the objectives set out in the Business Plan of London and Partners.

Consultation

- 3.6 The GLA consulted the IPC, UK Athletics, UK Sport, the British Paralympic Association, the London Borough of Newham, LLDC, London and Partners, the University of East London, British Aviation Authority and LOCOG in the course of developing the bid. It is not considered that any additional consultation is required in respect of this particular decision.

4. Financial comments

- 4.1 In authorising the GLA to enter into the funding and staging agreements the GLA will be underwriting the full costs of staging the Championships. In MD1094 the estimated overall budget at that time was £8.6 million (including contingency), but after taking account of projected income the estimated net subsidy required from the GLA was £3.3 million. The updated estimated gross spend is now £12.1 million which could require a net subsidy from the GLA currently estimated as up to £5.2 million. This includes £1.1 million of contingency which would be held by the GLA and would only be drawn down if required and in agreement with the Executive Director of Resources. LCL's budgeted expenditure also includes £0.9 million programme contingency which will be the first call for meeting any cost pressures within the budget. The incentive scheme which will be in place with LCL incentivises it to deliver the event below the estimated net subsidy requirement of £3 million and it has a further incentive to deliver a surplus.
- 4.2 Although the GLA will carry the risk of providing all of the funding for the event, including the £9.94 million of costs managed by LCL, in practice funding will only be provided as this is required since LCL will be in receipt of income such as sponsorship, ticket sales and grant of €800,000 from the IPC. Therefore to the extent that LCL net subsidy is necessary most of this is not estimated to be required until 2017. Income is currently estimated at £6.94 million in total although the single biggest variable that will impact on this is ticketing income. The ticketing strategy is still under review and the estimate of what can be generated from this source is therefore subject to further refinement.
- 4.3 MD1094 highlighted that estimates for the cost of security requirements was at an early stage and that additional costs were anticipated to come forward at a later stage. The overall security requirement is now estimated at £1.06 million including £0.8 million of costs that would not be within the scope of LCL's budget. Given the uncertainties, the sum has been included in the GLA £5.2m estimate as a direct expenditure. Agreement will need to be reached with partners including the Metropolitan Police Service (MPS) over which organisation bears responsibility for what costs and the risk that further security cost pressures will emerge cannot be eliminated.
- 4.4 The GLA's budget plans currently include provision for net costs falling to the GLA of up to £3.3 million (including contingency) over the period 2014-15 to 2017-18 as estimated in MD1094. Although it is not certain at this stage that the overall net subsidy of up to £5.2 million (including contingency) will be required, in approving this decision it would be necessary to make an additional budgetary provision for a GLA client side budget. The only additional source of funding at present for these costs would be from corporate contingency.
- 4.5 The budget will be subject to on-going review, in particular the quantum and responsibility for security costs. The GLA (and LLDC) is represented on the Board of LCL and the funding agreement sets out requirements to ensure that there is robust budget monitoring and oversight and any approvals required of the GLA as LCL's funder.

5. Legal comments

- 5.1 The report indicates that:
- 5.1.1 the decisions requested of the mayor fall within the statutory powers of the Authority to do such things which may be considered to promote or which may be considered facilitative of or conducive to the promotion of the economic development and wealth creation, social development and to encourage people to visit Greater London; and

5.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:

- (a) pay due regard to the principle that there should be equality of opportunity for all people further details on equalities are set out in section 3 above) and to the duty under section 149 of the 2010 Act to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not¹;
- (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- (c) consult with appropriate bodies.

5.2 The report indicates that the contribution to LCL will amount to the provision of funding and not a payment for services. On the basis that the payment is funding, as opposed to the procurement of services, the Contracts and Funding Code (the 'Code') requires the Authority to ensure that the funding is distributed fairly, transparently and in accordance with the GLA's equalities obligations. The Code also requires the Authority to demonstrate value for money in the allocation of this funding.

Officers must ensure that a funding agreement is put in place between and executed by the Authority and LCL before any commitment to fund is made.

5.3 Under section 38(1) the Greater London Authority Act 1999 (as amended)(the "Act") says "any function exercisable on behalf of the Authority by the Mayor shall also be exercisable on behalf of the bodies or persons specified in subsection (2) below, if or to the extent that the mayor so authorises, whether generally or specially, and subject to any conditions imposed by the Mayor." Section 38 (2) goes on further to state that "those bodies and persons are (a) the Deputy Mayor, (b) any member of staff of the Authority". As such the proposed delegation can be approved.

6. Investment & Performance Board

The request to authorise an increase in exposure to £11.8m and likely investment was considered and approved in principle by IPB on February 20, 2015. Exposure has since increased to £12.1m and a verbal update will be provided.

7. Planned delivery approach and next steps

Activity	Timeline
Signing of staging agreement	16 October 2015
Signing of funding agreement with London Championships Ltd	31 October 2015
Delivery of Championships	July 2017

Appendices and supporting papers:

Appendix 1: IPC 2017 Staging Agreement

Appendix 2: IPC 2017 budget summary

¹ The protected characteristics and groups are: age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation and marriage/ civil partnership status.

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: It would prejudice the GLA commercial interest to release it at this stage, including and not limited to, the contingency and the provision for costs which may be borne by other organisations.

Until what date: To be reviewed in July 2016

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 – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Kelhem Salter has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Simon Cooper has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

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

✓

Mayoral Adviser:

Kate Hoey has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allen

Date

16.10.15

CHIEF OF STAFF:

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

Signature

Edmund Hill

Date

19.10.2015