

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2097

**Title:** Appointment of an external team to investigate the past decisions and the financial issues pertaining to the London Stadium

### Executive Summary:

In late 2016 the Mayor asked the Greater London Authority to commission an investigation into the London Stadium, and in particular for the purpose of:

- explaining and better understanding the past decision making associated with the Stadium
- reporting on the Stadium's financial sustainability
- identifying what lessons can be learnt

The Mayor's request was in the context of a significant increase over a number of years in the cost of transforming the Stadium to a multi-use, all-year venue.

Following a competitive procurement process, the GLA is now ready to appoint Moore Stephens as the expert, external and independent team to deliver this work. Once the work has concluded, a report setting out the team's findings will be made public.

### Decision:

That the Executive Director of Resources approves the appointment of Moore Stephens to conduct an investigation into the past decision making and financial issues pertaining to the London Stadium.

### AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

**Name:** Martin Clarke

**Position:** Executive Director of Resources

**Signature:**



**Date:**

28.2.17

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

### **Decision required – supporting report**

#### **1. Introduction and background**

##### *From the Olympic Stadium to the London Stadium – timeline and cost increases*

The London Stadium, previously known as the Olympic Stadium, is the stadium in Stratford that was constructed initially for the 2012 Olympic and Paralympic Games ('the Games') and hosted the track and field events and the opening and closing ceremonies.

The Stadium was constructed with temporary facilities allowing for up to 80,000 spectators for the Games. The plan was for the temporary structures to be removed after the Games, transforming the venue into a permanent athletics venue holding 25,000 spectators.

The then Mayor of London and Government, however, subsequently agreed that the full stadium should be retained to be part of the legacy plans for Queen Elizabeth Olympic Park. As a result, in February 2011, the Olympic Park Legacy Company (OPLC) initiated a competition that resulted in West Ham United and Newham Council being selected as the preferred bidders to take over the Stadium after the Games. This deal collapsed amid legal challenges. A new process then began with an athletics legacy clause clarified to ensure a track remained in the Stadium.

Following the granting in March 2013 of a 99-year tenancy to West Ham United, E20 Stadium LLP – a joint venture between the London Legacy Development Corporation<sup>1</sup> (LLDC) and a subsidiary company of the London Borough of Newham – was set up to oversee redevelopment of the Stadium into a UEFA Category 4 venue seating 60,000 spectators. The joint venture was approved under MD971 and the decision referred to a total transformation budget of £115m.

The transformed Stadium was seen as at the heart of the planned legacy of the 2012 Games being delivered by LLDC – and, indeed, it still is. It has an important role in bringing large numbers of people to Queen Elizabeth Olympic Park, alongside the other Games venues and park attractions. In so doing and more widely, the Stadium is helping create a vibrant new heart of London alongside new homes, employers, educational and creative institutions.

Work began in January 2014 to transform the stadium into a year-round, multi-use arena with a capacity of 66,500 spectators: the London Stadium. These transformation works included a new roof, restructuring work to create a permanent structure able to stand the weight of the roof, a warm-up track, spectator and hospitality features and external landscaping. The budgeted cost of the transformation had increased to £190 million.

In November 2014 UK Athletics were granted a 50-year deal for the use of the Stadium and in February 2015 LS185 Limited were appointed to manage the stadium operations, including community and sporting use, concerts and events for a 25-year period.

In June 2015, during the previous Mayoral administration, LLDC announced the total contract costs for transforming the Stadium would be £272 million and that once completed, 'it [would] not require continuous subsidy from the taxpayer and [would] see a return to the taxpayer through future profits due to the agreements in place with the operator VINCI and concessionaires West Ham United and UK Athletics.'

Following a pause in 2015 so the Stadium could host a range of events and fixtures including five Rugby World Cup matches, the transformation work was substantively completed for the beginning of the 2016/17 football season. At that point, West Ham United moved into the Stadium under a 99 year concession.

The Stadium will host the IAAF World Athletics Championships and IPC Athletics World Championships in 2017 under the deal with UK Athletics.

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<sup>1</sup> LLDC is a Mayoral Development Corporation, established by the then Mayor, and the successor body to OPLC.

**The final comparable cost has now been revised up to £309m – excluding a further £14m to maximise income potential from the Stadium. That means a total cost of £323m: about £50m more than the June 2015 figure, itself significantly higher than previously budgeted costs.**

In light of the real cost of transforming the Stadium from a temporary athletics venue into a permanent venue capable of hosting football and other sporting and cultural events, and the cost of operating the venue, the Mayor announced in October 2016 he intended to initiate a detailed investigation into the Stadium.

#### *Procuring a team to carry out the investigation*

The procurement process was undertaken through a consultancy framework<sup>2</sup> and in line with the GLA's Contracts and Funding Code. A tender was issued on 6 January and the evaluation and selection process was substantively concluded earlier this month. Subject to this decision, the Executive Director of Resources will formalise an agreement with the chosen team using the authority delegated to him under the Mayoral Scheme of Delegation.

The evaluation was based on a technical capability (quality) / commercial capability (price) ratio of 70 per cent and 30 per cent respectively. The technical requirements assessed were:

- a) experience and qualification of staff (including CVs) in this area and structure of the project team
- b) understanding of the brief and suggested approach to undertaking the brief
- c) capacity to undertake the work required against the requirements
- d) project plan including detailed approach to carrying out the work, key deliverables and resource allocation

Following the evaluation, Moore Stephens was selected as the preferred bidder. Moore Stephens is one of the world's largest professional services and consulting brands with a strong track-record in project management and an ability to draw on specialist and expert human resources relevant to this work.

Other avenues were considered for identifying and appointing a team to carry out the investigation. The chosen route ultimately reflected, in particular, that the team should be independent, external and have the expertise necessary to conduct what is a significant and forensic piece of work.

Choosing a team that was – and could be seen to be – fully independent was of paramount importance. A great number of financial and professional services firms have been involved in the delivery and legacy of the 2012 Olympics and Paralympics Games. So it was recognised there would be challenges in appoint a firm both with the necessary expertise and that had had absolutely no previous involvement.

One option considered was to approach the National Audit Office. This was, however, discounted given the NAO's significant previous work in investigating the Stadium (which will in any event be available to the appointed bidder); and also given the NAO's primary responsibility is to Parliament: it does not typically carry out bespoke pieces of work for individual local authorities.

Moore Stephens has previously undertaken independent reviews of certain aspect of OPLC's and LLDC's activities and performance. This was undertaken in an internal audit capacity and so was assurance focussed and limited to specific areas. The firm has not previously been commissioned to undertake analysis or planning work designed to directly feed into decisions relating to the cost, future direction of or plans for the London Stadium.

#### *Project governance*

The ED of Resources will establish oversight and governance arrangements for the investigation and ensure appropriate input from senior GLA officers, in particular from a finance and governance perspective. These arrangements will include fortnightly progress meetings at City Hall during key periods (at other times fortnightly progress reports will be received via email).

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<sup>2</sup> That is, it was a further competition under the Crown Commercial Services (CCS) framework RM1502 ConsultancyONE, using a combination of Lot 5.2 Other Assurance Advice and Lot 5.3 Financial Audit & Investigation.

Moore Stephens will need to meet with and draw on detailed information from officials at LLDC, including information relating to historic decisions taken by its predecessor body OPLC, E20 Stadium LLP and other bodies involved in delivering the Games. LLDC's Chief Executive will be responsible for facilitating this access as necessary.

## **2. Objectives and expected outcomes**

The purpose of the investigation is:

- To provide a narrative explanation of the history of the London Stadium, including all relevant construction, financial and operational arrangements, with a particular focus on the stadium's conversion into a multi-use arena and the subsequent negotiations and arrangements
- To confirm the key decision points and contractual commitments made, including the financial and operational projections that informed the significant investment of public money into transformation works and who was responsible for them
- To assess whether the work leading to the decisions and commitments made was sufficiently robust and subject to appropriate levels of due diligence and negotiation to ensure that value for money was achieved for the taxpayer after taking into account the legacy objectives and expected benefits
- To report on the stadium's financial viability in terms of an assessment of the ongoing and future operating costs and income of the current working arrangements
- To identify any lessons that can be learnt
- To work with all relevant organisations to obtain evidence for this work, reporting any lack of co-operation to the Mayor's office
- To produce a report for publication.

The investigation and its resulting report will cover three distinct phases in the genesis and life of the Stadium:

1. The Olympic bodies' original decision making in determining the design and nature of the Stadium built for the Games and what thought was given to how the Stadium would be used post-Games
2. The decision making of LLDC and its forebears in the tendering for and delivery of the Stadium transformation in light of the original design and its legacy objectives
3. Decisions pertaining to the current operational arrangement for the Stadium, including those made by LLDC, LB Newham and E20 Stadium LLP, and those taken by Her Majesty's Government and the GLA such as hosting the 2015 Rugby World Cup and the 2017 World Athletics.

Moore Stephen's project plan is for a draft report to be presented to the GLA in June 2017. The report will then be finalised and a public report made available to the public later in the summer.

## **3. Equality comments**

There are not expected to be any negative equality impacts. The investigation will be mindful of the requirements set out in the Equality Act 2010 and will be of benefit to all Londoners.

## **4. Other considerations**

### *Risks and issues*

- Access to and quality of information: To understand the past decision making fully, Moore Stephens will need to access a range of historic documentation including relating to decisions taken by bodies that no longer exists. LLDC will be responsible for facilitating access to documentation to mitigate this risk.

- Delivering the review on time, to budget and ensuring the final report illuminates past decisions and informs future decisions: Robust project governance arrangements will be established to check on and assure progress. Any changes in scope or additional work will need to be agreed in advance between Moore Stephens and the GLA.

The review itself will mitigate future risks pertaining to the Stadium; not least given the GLA's position as a funder of last resort for LLDC.

#### *Links to Mayoral strategies and priorities*

The Mayor is committed to the future of the Stadium as a venue for football and other sporting and cultural activities. He has made clear his determination to understand better the decision making that led to the current position and to assess how best to secure the future financial sustainability of the Stadium – so ensuring value for money for the taxpayer.

#### *Impact assessments and consultations*

Not applicable. The investigation itself will seek to review the impact of past decisions pertaining to the Stadium.

### **5. Financial comments**

The costs of this decision based on the number of days Moore Stephens estimate is required to carry out the investigation is £140,400. The appointment has been procured under a consultancy framework that means Moore Stephens' standard daily rates are discounted by between 70 and 90 per cent. If it is necessary to increase the number of days required, after agreement with the GLA, the cost would increase proportionately. If fewer days are required it would be adjusted downwards. The costs arising will be funded from the Financial Services consultancy budget for 2016-17.

### **6. Legal comments**

The foregoing sections of this report indicate that the decisions requested of the Executive Director of Resources fall within the GLA's statutory power to promote and/or to do anything which is facilitative of or conducive or incidental to each of the principal purposes under the GLA's general power.

Officers have indicated how they have complied with the Authority's statutory duties to:

- a) pay due regard to the principle that there should be equality of opportunity for all people
- 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
- c) consult with appropriate bodies

In taking the decisions requested of him, the Executive Director of Resources must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Executive Director of Resources should have particular regard to section 3 (above) of this report.

Prior to the commencement of services, officers must ensure that appropriate contractual documentation be put in place between Moore Stephens and the GLA.

## 7. Planned delivery approach and next steps

Activity	Timeline
Contract signed by ED Resources and Moore Stephens formally appointed	February 2017
Field work	February to May 2017
Draft findings to be presented to the GLA	June 2017
Public report	Summer 2017

**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:

Pending the finalisation of an agreement with Moore Stephens and an announcement that a team has been appointed.

Until what date: Once the investigation has begun; most likely therefore 30 March 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 -NO**

**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 have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

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

✓

**Financial and Legal advice:**

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

**Corporate Investment Board:**

The Corporate Investment Board reviewed this proposal on 27 February 2017.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. Blag*

Date

*28.2.17*

