

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2201

Title: Future ownership and funding of E20 Stadium LLP

Executive Summary:

The London Legacy Development Corporation (LLDC) is seeking Mayoral consent to a change in ownership of E20 Stadium Limited Liability Partnership (E20 LLP), the limited liability partnership between LLDC and Newham Legacy Investment Limited (NLI) (a subsidiary of the London Borough of Newham). This includes consent to LLDC entering into the agreements relating to NLI's retirement from E20 LLP.

LLDC also requires consent to establish a subsidiary company to become a member of E20 LLP: section 212(2) of the Localism Act 2011 requires the Mayor give consent in order for LLDC to form or acquire interests in bodies corporate. And LLDC requires consent under the LLDC Governance Direction 2013 (the 'Governance Direction', approved by MD1227) as the expenditure to fully fund the stadium business is more than five per cent above that budgeted in LLDC's budget (ie. it is a 'regulated commitment').

Finally, the Mayor's agreement is being sought to the GLA entering into the Community Benefits Agreement – concerning legacy benefits such as tickets, community access days and job commitments – as guarantor of LLDC and E20 LLP's obligations under that Agreement.

Decision:

That the Mayor:

- i. consents to the change in ownership of E20 LLP, including consent to LLDC entering into any necessary agreements relating to NLI's retirement from E20 LLP
- ii. agrees to the GLA guaranteeing to the London Borough of Newham the obligations of E20 LLP and LLDC under the Community Benefits Agreement
- iii. consents, under section 212(2) of the Localism Act 2011, to LLDC establishing a subsidiary company that will become a member of E20 LLP following NLI's retirement from the partnership
- iv. consents to the LLDC expenditure to fund the stadium business, which is a 'regulated commitment' under the LLDC Governance Direction 2013 because it is more than five per cent above that budgeted in LLDC's budget

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:

29/11/17

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

Decision required – supporting report

1. Introduction and background

- 1.1. In July 2012 the then Mayor of London consented, under section 212(2) of the Localism Act 2011, for LLDC to form an interest in a limited liability partnership – E20 Stadium LLP – with Newham Legacy Investments Limited (a wholly owned subsidiary company of the London Borough of Newham) (MD971).
- 1.2. E20 LLP is a special purpose vehicle established to operate and develop the London Stadium (previously known as the ‘Olympic Stadium’) and to use the Stadium to deliver post-Games legacy objectives following the conclusion of the 2012 Games. A Members’ Agreement governs the relationship between LLDC and NLI, in respect of E20 LLP, and sets out the structural, governance and other terms of the LLP. The transformation works were predominantly funded by LLDC and project managed by LLDC for E20 under a services agreement. LLDC and NLI provided working capital funding for the LLP in their membership shares up to and including quarter one 2017/18.
- 1.3. In October 2016, the current Mayor announced an independent investigation into the finances of the Stadium due to concerns relating to both the final cost of transforming the Stadium from its Games configuration to its legacy operation and the future costs of its operation. The investigation, which is being led by Moore Stephens, is expected to report shortly.
- 1.4. In July 2017, the Mayor consented (MD2149) to LLDC giving a loan to E20 Stadium LLP to fund 100 per cent of the partnership’s working capital requirement for quarter two 2017-18 and approved, in principle, the same arrangements for quarters three and four subject to later confirmation by the Chief of Staff. Quarter three funding has been confirmed. A request for quarter four funding will be made shortly.
- 1.5. The forecasts of the partnership’s financial outlook and the risks to delivering the E20 business plan have led the members and funders to review the commercial and financial options for future operations. The Mayor of London and the Mayor of Newham have agreed that the current joint ownership model is not sustainable in the long term.
- 1.6. The LLDC is therefore seeking Mayoral consent to a change in ownership of E20 LLP. This includes consent to LLDC entering into the agreements relating to NLI’s retirement from E20 LLP. These are listed in the report appended to Part 2 of this Form.
- 1.7. The GLA will be a party to and will act as guarantor of LLDC’s and E20 LLP’s obligations under the agreement with Newham that maintains various community benefits (‘the Community Benefits Agreement’). These are based on the legacy benefits originally set out in the E20 Members’ Agreement, such as tickets, community access days and job commitments. E20 and LLDC have committed to work with the Council in relation to the delivery of Community Benefits and this is backed up by a commitment from the GLA. The parties will work to secure the Community Benefits for the duration of the relevant commitment periods in the existing agreements under which the Community Benefits are currently delivered.
- 1.8. LLDC is seeking consent to establish a subsidiary company to become a member of E20 LLP following NLI’s retirement from the partnership. The LLDC Board agreed on 28 September 2017 to establish such a subsidiary, subject to Mayoral consent under the Localism Act. Any transfer of assets or operations would be brought back to the LLDC Board for approval.
- 1.9. In addition, paragraph 4.7(b) of the LLDC Governance Direction 2013 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

1.10. For E20 to continue to trade, LLDC will need to fully fund the operational shortfall to avoid the partnership becoming insolvent. This will require the Corporation to commit expenditure that is expected to be five per cent or greater than that included in the budget approved via MD2091 ('Mayoral component budget 2017-18'). In the event of the insolvency of the partnership, LLDC retains obligations to meet certain liabilities under certain of E20's contracts.

2. Objectives and expected outcomes

2.1. The current joint ownership model is overly complex and not sustainable in the long term. Restructuring the partnership will help it to move to a financially sustainable position more quickly while retaining the community benefits and will enable the continued delivery of the Stadium legacy and the wider regeneration of Queen Elizabeth Olympic Park and surrounding areas.

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 GLA must 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 not under section 149 of the Equality Act 2010. This may involve, in particular, removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people; and encouraging them to participate in public life, or in any other activity where their participation is disproportionately low, including tackling prejudice and promoting understanding. 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. Compliance with the Act may involve treating people with a protected characteristic more favourably than those without the characteristic.

3.3. As a result of the change of ownership of E20 LLP, and the maintenance of the Community Benefits Agreement by E20 and LLDC (including by means of the proposed GLA guarantee), no adverse impacts on any protected characteristic groups are anticipated, or any other equalities implications under the public sector equality duty arising directly from this decision.

4. Other considerations

a) Links to Mayoral strategies and priorities

4.1. This proposal will support the Mayor's 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

b) Impact assessment and consultations

- 4.2. The LLDC Board has agreed to establish a subsidiary company to become a second member of E20 LLP. 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. E20 Stadium LLP is a partnership between LLDC and NLI. The interests held in the partnership are split 65/35 between LLDC and NLI. MD2149 gave approval for additional funding for LLDC for 100 per cent of E20's working capital requirements in 2017-18, when it became apparent that the London Borough of Newham was unable to commit further funds in the circumstances. This decision will commit the GLA to standing behind LLDC to fund 100 per cent of the Stadium's operations going forward. Further comments on the financial implications and risks for the GLA are set out in part 2 of this decision.
- 5.2. The decision requires the GLA to guarantee the obligations of E20 LLP and LLDC to Newham under the Community Benefits Agreement. The GLA's liability under the guarantee is no greater than that of LLDC and E20 under the Community Benefits Agreement
- 5.3. The establishing of a subsidiary company by LLDC that will become a member of E20 LLP following NLI's retirement from the partnership has no financial consequences for the GLA. But there are accounting implications and it is anticipated the subsidiary would need to be consolidated within GLA Group accounts.

6. Legal comments

- 6.1. The provision of the Stadium itself and the activities that, through E20 LLP, are planned to take place at the Stadium and adjoining facilities 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.
- 6.2. Consequently, both the proposed change of ownership of E20 LLP and the guarantee from the GLA in respect of LLDC's and E20 LLP's obligations under the Community Benefits Agreement are possible under section 30 of the GLA Act.
- 6.3. The formation of a company for the purposes of becoming a member of E20 LLP following NLI's retirement from the partnership is within the LLDC's powers under the Localism Act 2011 to secure the regeneration of its area and to do anything it considers appropriate for that purpose or for incidental purposes.
- 6.4. The proposed company will be a corporate body and, as such, section 212(2) of the Localism Act 2011 requires the Mayor to give his consent to its formation, by approving this Decision Form.

7. Planned delivery approach and next steps

Activity	Timeline
Execution of agreements relating to NLI's retirement by all parties	30 November 2017
Establishment of a subsidiary company	30 November 2017
Change in E20 ownerships	30 November 2017

Appendices and supporting papers:

- LLDC Board Paper – See part 2

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 company has been established and the findings of the independent review into the Stadium are published.

Until what date: 1 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 the 27 November

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE 27.11.17

CHIEF OF STAFF:

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

Signature

Date

D. Bellamy

27/11/2017

