

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2154

### Title: 2017 IPC World Para Athletics Championships – Update

#### Executive Summary:

This MD seeks approval for the GLA to underwrite the revised staging budget for the 2017 IPC World Para Athletics Championships and to increase the GLA's net grant contribution to the event. This is a direct update to the approvals given in MD1564.

#### Decision:

That the Mayor:

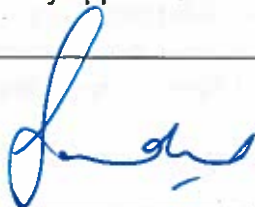
1. approves the revised forecast event budget of £16.8m and the GLA's underwriting of it; and
2. approves net expenditure on costs associated with staging the IPC World Para Athletics Championships of up to £10.6m, inclusive of a £0.7m contingency, as set out in paragraph 1.12 plus any short term cashflow funding required in advance of receipts.

#### 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:

11/7/12

## **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 Para Athletics Championships ('the Championships') in London and underwrite the total staging costs of the event. It provided the authority for the GLA to enter into all necessary forms of agreement to ensure the successful delivery of the championships.
- 1.2 MD1564, signed on 21 October 2015, authorised the GLA to enter into a funding agreement with London Championships Limited for the GLA to underwrite the costs of the 2017 IPC World Para Athletics Championships. MD1564 also recorded that the event budget had increased from £8.6m to £12.1m and approved net expenditure by the GLA on costs associated with the event of up to £5.2m.
- 1.3 Since the signing of MD1564, there have been several developments that mean a new, updated decision is required. Specifically, the forecast event budget has increased significantly, from £12.1 million to £16.8 million. MD1564 only provides delegated approval for spending up to £5.2m and the GLA needs to provide the necessary cashflow to London Championships Ltd so that it can make payments in July that would breach the existing GLA approval level. The current forecast deficit which the GLA, as underwriter, is contracted to meet has therefore increased from an estimated £5.2m, to an estimated £9.9m.

#### **Event Budget**

- 1.4 The IPC and IAAF World Championships are overseen by the London 2017 event Boards ('Local Organising Committees') with delivery of the events themselves being contracted by the LOCs to UK Athletics who are accountable to the Boards. The latest estimate for the IPC event flows from the most recent information provided to and considered by the Boards.
- 1.5 The IPC event budget set out in MD1564 identifies a total event cost of £12.1m, with an estimated cost to the GLA, as underwriter, of £4.1m (with an additional £1.1m held as contingency by the GLA).
- 1.6 The latest estimated income and expenditure position shows a potential increase in the total staging costs of the Championships from £12.1m to £16.8m, with an estimated cost to the GLA, as underwriter, of £9.9m. The estimated GLA net cost assumes that the full event contingency of £790k is spent in full (there are currently no commitments against this contingency, but quantified risks of £2.3m) and that ticket sales fall short of the Board's forecast by £500k.
- 1.7 As underwriter of the event, the GLA carries the risk of having to cover the full costs of the Championships, currently estimated at £16.8m.
- 1.8 The budget variance has occurred, primarily, due to greater than previously forecast costs associated with overlay and venue hire of the London Stadium, as well as Stadium operating costs. This follows detailed negotiations between London 2017 and the LLDC and the Stadium operators. In addition, there have been detailed discussions in recent months at Board level about the allocation of joint costs between the IPC event and the IAAF World Championships to ensure a fair apportionment of costs. These too have had a negative impact on the IPC event budget.
- 1.9 Alongside increased expenditure, ticket sales for the event have to date been significantly lower than originally anticipated, reducing the revenue generated for the event budget. This was always recognised as a major risk to the event budget, with forecasts originally based following the success

of the 2012 Paralympic Games. This is in contrast to the IAAF event where sales have been buoyant. A major marketing push in the final weeks leading up to the IPC event is underway, alongside the Mayor's offer of free tickets to London's emergency services and families following the recent London Bridge and Grenfell tragedies. At the time of writing, it is too early to know whether this will stimulate further ticket sales.

- 1.10 Given the potential for the IAAF event to realise a budget surplus, the GLA has negotiated that the first £1.5m of any surplus will be paid to the GLA as a contribution to the IPC event's budget deficit. We are anticipating that the IAAF event realises a surplus of £1.5m. Accordingly, the GLA's net contribution (for which approval is sought through this decision) assumes that £1.5m will be returned to the GLA from the IAAF event, thus reducing the GLA's potential net contribution.
- 1.11 In addition, the GLA will receive an equal three-way share (with UK Sport and UK Athletics the other recipients) of any additional surplus realised from the IAAF event, over and above the £1.5m referenced in paragraph 1.10. The current forecast for the IAAF event shows a budget surplus of £232k. However, this assumes that the full event contingency of £5m is spent (there are currently no commitments against this contingency, though there are quantified risks up to the full contingency amount). It is therefore possible that the GLA will claw back additional funding from the IAAF event. The amount to be clawed back is dependent on whether any additional costs come forward and the extent of further ticket sales. But the amount could potentially be up to £2m. Any additional clawback would reduce the GLA's overall net contribution to both the IAAF and IPC event.
- 1.12 The latest event forecast provides much more certainty of the GLA's final financial contribution to the event, given known expenditure commitments and income projections. Nonetheless, it remains possible that unforeseen events may result in further expenditure (e.g. in relation to security). The Boards' Audit Committee currently estimates £1.49m of quantified risks as medium, possible or probable, offset in part by £0.79m that is held as contingency within the event budget. This decision therefore seeks approval for a further £0.7m of expenditure as a contingency against these materialising in full.

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

2.1 The objectives of the proposed funding are to:

- Support the successful hosting of the 2017 IPC World Para Athletics Championships
- Support delivery of the GLA's major sports events strategy, 'London: Home of World Class Sport';
- Increase economic investment into London;
- Increase international exposure of London;
- Increase opportunities for Londoners to participate in sport and physical exercise programmes associated with major sporting events;
- Assist the GLA in delivering against commitments to a lasting sports legacy following the 2012 Olympic and Paralympic Games.
- Increase opportunities for Londoners to volunteer at a major sporting events;

## **3. Equality comments**

- 3.1 The primary purpose of this event is to stage a magnificent IPC World Para Athletics Championships in the Queen Elizabeth Olympic Park alongside the IAAF World Athletics Championships in 2017 and to reinforce the Olympic legacy.
- 3.2 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; to

provide employment, business and volunteering opportunities; and support to 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.

- 3.3 Additionally, the GLA is working with the national governing bodies for athletics to deliver a community engagement programme around the event, working with partners to help secure a community sports legacy from the event for Londoners.

#### **4. Other considerations**

##### **Key Risks**

- 4.1 Further increase in expenditure resulting in additional expenditure required of GLA. As stated in paragraph 1.12, there is more confidence in the forecast event budget outturn and hence the GLA's possible final financial contribution to the event. The current event budget includes a contingency of £790k (there are currently no commitments against this contingency, but quantified risks of £2.3m). The event Board continues to scrutinise the budget forecast to limit costs where possible. As per paragraph 1.12, the event's Audit Committee currently estimates £1.49m of quantified risks as being as medium, possible or probable. The risk is therefore mitigated by approving expenditure up to £0.7m to cover these potential costs (over and above the £790k contingency held within the event budget).
- 4.2 No further ticket sales are realised and revenue is lower than currently forecast. The current event forecast relies on £1m of further ticket revenue being generated. This is an ambitious figure at this stage therefore the GLA net contribution in this decision is based on an estimated £0.5m of further ticket sales.
- 4.3 Reputational risk of the stadium not being full. This is being managed from a communications perspective, with all event partners aligned on messaging for the championships. The event has sold more tickets than all previous IPC World Championships combined and a number of the key weekend evening sessions have sold in excess of 30,000 tickets. So it has already set a high bar for attendance.
- 4.4 Reputational risk of larger than anticipated costs to the GLA of the event. The GLA's bid to host the Para Athletics Championships was couched in a desire for para athletes to be treated equally to their able-bodied counterparts. Whilst costs have risen significantly, the event is set to be the largest and highest profile Para Athletics World Championships in history and London will set a new benchmark for equality in the sport. In addition, the Mayor is promoting a free ticket offer for all emergency service personnel and their families in London to ensure that London's communities are benefitting as much as possible from the investment.

##### **Links to Mayoral Strategies**

- 4.5 GLA support for the event will:
- support delivery of the GLA's major sports events strategy, 'London: Home of World Class Sport';
  - support the aims of 'Inclusive and Active 2' strategy for increasing participation in sport and physical activity amongst disabled people in London;
  - support delivery of the Mayor's Sports Legacy Programme;
  - assist in meeting the objectives of the Mayor's Health Inequalities Strategy;

- promote social development in London;
- assist the GLA in delivering against commitments to a lasting sports legacy following the 2012 Olympic and Paralympic Games.
- support the Mayor's priorities around volunteering and his Team London programme.

## **Consultation**

- 4.6 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. Key partners, including the other external funders, are members of the event Boards

## **5. Financial comments**

- 5.1 MD1564 approved an overall net subsidy for the event of up to £5.2 million. There was specific budgetary provision of £3 million and £2.2 million was to be drawn if required from corporate contingency. A net subsidy of up to £10.6 million is now estimated to be required of which up to £7.6 million would be funded from the Major Events Reserve. This includes the £2.2 million that was previously assumed would be funded from corporate contingency.
- 5.2 The estimated net subsidy assumes that £1.5 million will be received from London 2017 Ltd from a surplus on the IAAF event. A further approval may be required depending on the outturn for both events. It may also be necessary to provide short term cashflow funding in advance of receipts, for example claims for VAT and distribution of any surplus from the IAAF event.

## **6. Legal comments**

- 6.1 This report indicates that:
- 6.1.1 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 to be 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
- 6.1.2 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 paragraph 3 above) and to the duty under section 149 of the Equality Act 2010 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 not<sup>1</sup>;
- (b) consider how the proposals will promote the improvement of health of persons, health inequalities of persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- (c) consult with appropriate bodies.

<sup>1</sup> The protected characteristics are: age, disability, gender re-assignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation and marriage/civil partnership status.

- 6.1.3 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, and not the payment 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 the funding. We understand that a funding agreement has already been entered into between the Authority and LCL.

## 7. Planned delivery approach and next steps

Activity	Timeline
MD Signed	w/c 10 July
Event held	14 – 23 July
Final event Audit Committee	20 September
Final event Board Meeting	26 September

**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:

Publication of information pertaining to the event budget may undermine potential further ticket sales for the event and risks exposing the GLA to further expenditure. Publication should be deferred until after finances for the event are finalised.

Until what date: 27 September 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:**

Kevin Evans has drafted this report in accordance with GLA procedures and confirms the following: ✓

**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:**

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 10 July 2017

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

**Date**

*[Signature]* 10.07.17  
TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

**CHIEF OF STAFF:**

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

**Signature**

**Date**

*[Signature]* 10/7/2017

