

Subject: Governance Proposal for London 2017 Limited
Prepared by: Funding Partners
Status: For approval

Introduction

In developing this recommendation the Funders (represented by Ed Warner for UKA, Jeff Jacobs for GLA and Simon Morton for UK Sport/DCMS) have been guided by the following agreed principles:

- The need to demonstrate that L2017 Governance arrangements provide the highest standards of accountability.
- The desire of the IAAF to see L2017 support the IAAF Governance Review by bringing its membership in line with the requirements of the Event Organisation Agreement (EOA)
- The desire to place UKA expertise at the centre of the event delivery without creating any conflict of interest

Background

The Funders recognise the importance of the L2017 Board acting collectively as an independent agency, always in the best interests of the Championships and as required under the IAAF EOA.

The Funders commenced this review to assess how L2017 could most effectively govern as the independent organisation responsible for overseeing the Championships, whilst retaining a model whereby UKA would provide and deliver the event staffing. Key to this debate were the financial and practical implications of the various options, with **the constant being the need for the Board of L2017 to have the necessary assurances and accountability against successful event delivery.**

Whilst this proposal refers specifically to the IAAF World Championships and London 2017 Ltd, it is anticipated that the model set out herein would be replicated for the IPC World Championships and London Championships Ltd. The GLA and UKA are considering the implications of this.

The Proposal

The Funders concluded that the best Governance and Operational model demanded alterations to the current structures in order properly to separate executive delivery (by UKA) from strategic oversight (by an independent L2017 Board)

This principle having been agreed by all, the following specific proposals are made:

The company Articles will be amended to ensure Board primacy on all matters, whilst consideration will also be given to what constitutes the most appropriate membership structure, which will also be recognised in updated Articles

It is also proposed that UKA and GLA each nominate a co-chair and have the same number of board positions. GLA will nominate an interim co-chair pending the appointment of a permanent co-chair.

1. L2017 will give UKA full responsibility for the day-to-day operational delivery of the Championships. In delivering these Championships, UKA will work to the overall strategic direction of the L2017 Board; against functional plans and milestones approved by the L2017 Board; and in line with the requirements of the EOA. This will include autonomous responsibility for all staffing, whether externally recruited or existing UKA employees, under the leadership of the CEO of UKA
2. L2017, as the contracting body, will retain the responsibility for monitoring and evaluating the performance of UKA in delivering the Championships. Should L2017 feel that UKA is not delivering satisfactorily then it may choose to contract that function out to another organisation. L2017 will not retain a CEO role, however given that L2017 will not have an executive delivery function, this will necessitate the hiring of an appropriately qualified lead executive – and possibly additional staff – to monitor UKA's performance, to provide an assurance function on behalf of the L2017 Board and to support the Audit Committee. The UKA CEO, FD and 2017 MD will no longer be L2017 Board directors, however they will continue to attend all L2017 Board meetings and to provide L2017 Board papers (in liaison with L2017's new lead executive) as is currently the practice. The position of UKA-nominated director in future will be filled by a nominee of UKA who is not an executive involved in the project.
3. The staffing structure proposed by UKA in December 2015 will be accepted as the basis for event delivery subject to approval from the IAAF that it shows the capacity and expertise necessary to deliver the event to a 'best ever world championships' standard, and subject to UKA retaining that capacity and expertise within its organisation. UKA will commit to retaining the role of the MD, reporting to the UKA CEO, within that structure to ensure the project has a full time dedicated lead executive within the UKA team. Subject to discussion with the IAAF, UKA will also look to retain the existing London 2017 senior management team to ensure continuity. UKA will guarantee to make available up to £3M to fund necessary external hires (note that this assumes a £1.5M contribution from GLA to UKA for the LOC of LCL. However the Board should note that this cash amount may be reduced by the provision of expertise via sponsor secondments, provided always that the L2017 Board are satisfied as to the quality of these in comparison to the demands of the roles in question. UKA

confirms that none of the roles delivering the Championships will be funded by the Sports Councils to ensure complete focus on a high-quality event.

4. L2017 shall retain all event funding. Funding will be drawn down in line with financial authority limits agreed with the new L2017 lead executive (and with the joint chairs in lieu of this appointment). L2017 will retain its existing powers of approval over all key strategic decisions and investments, procurement, major contracts and sponsorship agreements. Funding will be provided to 2017 against agreed cash flows and project milestones.
5. A number of additional governance policies will be agreed by the L2017 Board including a Terms of Reference and a Conflicts of Interest Policy.

Oversight and Assurance

This proposal gives autonomy and responsibility for event delivery to UKA whilst retaining strategic oversight and Board primacy over key decisions.

As a consequence of these proposals UKA and GLA will have the same number of Board positions. It is also proposed to increase the number of independent Board members from 2 to 3, meaning the following composition:

- Joint Chair(UKA nominee)
- Joint Chair (GLA nominee)
- UKA nominated member
- GLA nominated member
- UKS/DCMS nominated member
- IAAF nominated member
- LLDC nominated member
- Athlete representative
- X3 independents (to include one SID and one audit chair)

The company's Articles will be updated to recognise the changes in board composition.

Sponsorship

The immediate priority is to secure the support of the IAAF for a renegotiated CRA with Dentsu, designed to maximise L2017's ability to generate commercial revenues without the risk of a significant upfront payment.

The Funders have considered again the best model for sponsorship sales and have agreed that a single agency selling bundled rights remains their preferred model. A proposal as to which agency to use will be brought to the Board in due course and once we have agreed a route forward with the IAAF.

Conclusion

The proposals contained within this paper provide the Board with a high level of a governance assurance alongside a clear separation between strategic direction and executive delivery. They minimise the potential for conflicts of interest whilst providing a method of resolution should such be necessary. They are agreed by all three Funders and are unanimously presented to the Board for approval.