

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD1656

### Title: Stadium conversion contract – full and final settlement

#### Executive Summary:

In January 2014, Balfour Beatty was awarded the contract to convert the former Olympic Stadium into a multi-use venue that will be the permanent home of West Ham United Football Club, and the new national competition stadium for athletics in the UK. This is a unique two-year transformation project and a hugely complex engineering scheme.

The London Legacy Development Corporation (LLDC) is seeking Mayoral consent, following approval from its Board on 22 April 2016, to enter into a full and final settlement of the Stadium transformation works with Balfour Beatty, and to make a payment to E20 Stadium LLP for that purpose.

The LLDC is responsible, under the E20 LLP Members' Agreement, for the transformation works to the Stadium. The members of E20 LLP are the LLDC and Newham Legacy Investments. The LLDC can meet a large proportion of the additional costs of the agreement with Balfour Beatty from project and corporate contingencies and will look to meet the balance from corporate savings or additional receipts generated from its developments on Queen Elizabeth Olympic Park.

Mayoral consent is required under section 213 of the Localism Act 2011 and paragraphs 3.2, 4.7(b) and 4.9 of the LLDC Governance Direction 2013 (approved by MD 1227). Consent is required expeditiously as delays in entering into the settlement would put at risk the hosting of a series of events in the Stadium before the first football match.

#### Decision:

The Mayor:

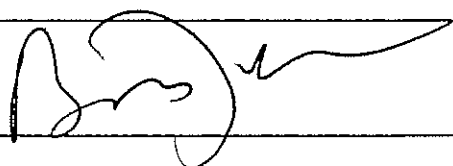
- 1) Gives consent to the LLDC to enter into a full and final settlement with Balfour Beatty in respect of its contract for Stadium transformation works, and to make a payment to E20 Stadium LLP of a claims settlement sum of £12.25 million, the effect of which, when added to the price of scope changes, will be to increase the total value of all works under Balfour Beatty's contract, for both transformation and other works instructed by E20 LLP (for example for operational purposes), to £223.13m;
- 2) Notes that the LLDC will meet a large proportion of the additional costs of the agreement with Balfour Beatty from project and corporate contingencies and will look to meet the balance from corporate savings or additional receipts generated from its developments on Queen Elizabeth Olympic Park.

#### 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:

30.4.2016

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

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

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

- 1.1. In January 2014, Balfour Beatty was awarded a contract to transform the former Olympic Stadium, including installing the largest single span cantilever roof in the world, constructing the warm-up track, spectator and hospitality facilities, as well as external landscaping.
- 1.2. This has delivered a multi-use venue that hosted five matches during Rugby World Cup 2015 and will become the permanent home of West Ham United Football Club from summer 2016, as well as the new national competition stadium for athletics in the UK. The stadium will host elite international events, including the annual IAAF Diamond League meeting, 2017 IAAF World Athletic Championships and the IPC Athletics World Championships.
- 1.3. Under MD1419, signed in November 2014, the contract with Balfour Beatty was increased from £154m to £189.66m.
- 1.4. At its meeting on 22 April 2016, the LLDC's Board considered a report on the ongoing work being undertaken by, and on behalf of, E20 Stadium LLP in relation to the two-year Stadium transformation works project. The report noted the progress on the transformation work and the remaining transformation work required to complete the multi-use venue. The Board approved a settlement with Balfour Beatty in respect of Stadium transformation works, which would increase the value of all works under the Balfour Beatty contract for both transformation and other works instructed by E20 LLP (for example for operational purposes) to £223.13m. The LLDC will meet a large proportion of the additional costs of the settlement agreement with Balfour Beatty from project and corporate contingencies and will look to meet the balance from corporate savings or additional receipts from developments on Queen Elizabeth Olympic Park (QEOP). If approved by this Mayoral Decision, payment will be made by the LLDC to E20 Stadium LLP to enable E20 Stadium LLP to pay Balfour Beatty the claims settlement sum of £12.25m, excluding the price of scope changes. Under the E20 LLP Members' Agreement, LLDC is responsible for the transformation works to the Stadium. The members of E20 LLP are LLDC and Newham Legacy Investments.
- 1.5. The Mayor's consent is required under the Localism Act 2011 and paragraph 3.2 of the LLDC Governance Direction 2013. To implement the settlement, E20 Stadium LLP will need to be put in funds and, as such, financial assistance is being given to E20 Stadium LLP. In addition, paragraph 4.7(b) stipulates that consent must be obtained for LLDC or a Subsidiary 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); but
  - the actual value compared to its anticipated value in the plan is 5 per cent or more downwards in the case of income or 5 per cent or more upwards in the case of expenditure or a contingent liabilityEntering into the settlement with Balfour Beatty for Stadium transformation works will require the LLDC to commit expenditure that is expected to be 5 per cent or more above the current baseline budget for the work that was included in its Ten-Year Business Plan (approved under MD1629 (GLA budget 2016-17)). Paragraph 4.9 of the Direction sets out guidance for determining whether the value of a project equals or exceeds the financial threshold for the purposes of paragraph 4.7.
- 1.6. The Anticipated Final Cost (AFC) of the Stadium transformation works project is being reassessed to reflect the terms of the settlement agreement with Balfour Beatty and will be announced once all the work to transform the Stadium, by Balfour Beatty and other contractors, is complete.

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

- 2.1. The additional funding will be used to complete Balfour Beatty's work to convert the Stadium into a multi-use venue.

## **3. Equality comments**

- 3.1. The conversion of the Stadium into an accessible multi-use and multi-functional venue aims to deliver a sustainable future for Stadium, ensuring that it will become a vibrant new destination and act as a driver for wider regeneration across East London.
- 3.2. LLDC's priority themes, including equalities and inclusion, were taken into account throughout the transformation works. LLDC has secured employment target commitments from contractors as part of the procurement processes. LLDC then works closely with its contractors and their supply chains, proactively identifying specific skills gaps and opportunities to create job and apprenticeship vacancies, and tracked the performance against the targets through regular monitoring.

## **4. Other considerations**

### *a) key risks and issues*

- 4.1. The LLDC has identified the key risks which it is actively seeking to mitigate through robust mitigation plans and continuous monitoring as:
- Budget risk: there is a risk of further cost increases due to unforeseen scope or programme changes. There are limitations in place on any scope change at this stage of the transformation works.
  - Programme risk: The transformation programme is currently on track. But there are risks that adverse weather conditions, works by other contractors, additional works required by West Ham, and/or unforeseen issues arising during the life safety system commissioning activities, could cause programme slippage. Programme delays could impact the series of events in the Stadium (community run, concert, national and international athletics) before the first football match. These events support the Stadium becoming a multi-use venue and require the Stadium to be licensable for each event.

### *b) links to Mayoral strategies and priorities*

- 4.2. The Mayor's London Plan states that the Mayor will work with partners to develop and implement a viable and sustainable legacy for the Olympic and Paralympic Games to deliver fundamental economic, social and environmental change within East London: London's single most important regeneration project for the next 25 years. Completing the Stadium transformation ensures that the Stadium will be able to host a wide variety of community and elite events, contributing to a long-lasting legacy in QEOP and acting as a driver of regeneration across East London.

### *c) impact assessments and consultations.*

- 4.3. Once fully converted into a multi-use venue, the Stadium will be used for major sporting, cultural and community events, as well as being a high quality facility for local residents. A new community athletics track is also being provided next to the main Stadium, funded by the London Marathon Trust. This will ensure that the Stadium delivers an all-year round programme of events that is fully accessible to local communities, Londoners, visitors, and elite sportsmen and women alike.
- 4.4. The LLDC Board and Investment Committee have been briefed on the settlement agreement and the LLDC Board approved the settlement at its meeting on 22 April 2016. The LLDC has also consulted the GLA on the matter. E20 Stadium LLP (the joint venture between LLDC and Newham Legacy Investments, a wholly owned subsidiary of the London Borough of Newham) were also consulted as

the transformation works are being undertaken to the Stadium by LLDC on behalf of E20 Stadium LLP. 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. The Mayor has previously approved a settlement with Balfour Beatty for additional costs of £35.66m for stadium transformation works (MD1419). That decision increased the value of the Balfour Beatty contract to £189.66m. This decision seeks approval for additional costs of £12.25m, which, when added to the price of budgeted scope changes, will increase the value of this contract (for both transformation and other works instructed by E20 LLP, for example for operational purposes) as a full and final settlement to £223.13m. LLDC has identified sources of funding from its 2016-17 budget. Additional comments are included in part 2 of this decision.

## **6. Legal comments**

- 6.1. This section sets out legal issues not covered elsewhere in this form or the related Part 2 form.
- 6.2. LLDC's primary object is the development and regeneration of the Mayoral development area comprising Queen Elizabeth Olympic Park and its surroundings, and it acts as a driver of regeneration across East London. These powers are given to LLDC under section 201 of the Localism Act 2011.
- 6.3. Under section 213 of the Localism Act 2011 and paragraph 3.2 of the LLDC Governance Direction 2013, LLDC may also, with the consent of the Mayor, give financial assistance to any person. That financial assistance includes (but is not limited to) investment or incurring expenditure for the benefit of the person assisted. E20 Stadium LLP, being a joint venture between LLDC and London Borough of Newham, is a separate entity and so is such a person.
- 6.4. A consent required by the Localism Act 2011 and the Governance Direction is given by means of approval of this form.

## **7. Investment & Performance Board**

- 7.1. The decision was considered and approved by the LLDC Board. The detailed paper is attached at Part 2.

## **8. Planned delivery approach and next steps**

<b>Activity</b>	<b>Timeline</b>
Settlement agreement signed	April 2016
Stadium conversion complete	July 2016

**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 stadium conversion works are completed and a final Stadium outturn cost can be announced. Note it is important that this deferral is not lifted until LLDC has confirmed that it can be so lifted.

Until what date: (a date is required if deferring) 30 September 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 – 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 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.

✓

**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:**

Ed Lister 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



Date

29.4.16

**CHIEF OF STAFF:**

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

Signature



Date

29.04.2016

