

E20 STADIUM LLP

Business Plan and 2017-18 Budget

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Final Approvals	Signature	Date
Author		
E20 Director Review		
External Review (LLDC)		
External Review (NLI)		

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1. Full Financial Summary

2017-18 Budget

Income and Expenditure Summary: 2017-18 budget		
£000s	2016-17 forecast (prior year comparator)	2017-18 budget
Income		
Operator	0	3,574
Naming Rights	0	750
Other Operating Income	207	70
Total Income	207	4,394
Expenditure		
Operator	(7,323)	(8,329)
Naming Rights		
Other Operating costs	(308)	(157)
Staffing	(343)	(339)
Overheads	(3,163)	(3,798)
Seating	(300)	(10,000)
Total Expenditure	(11,590)	(23,926)
E20 net position before lifecycle, risks and opportunities	(11,383)	(19,532)
Lifecycle investment	0	(650)
E20 net position including lifecycle, before risks and opportunities	(11,383)	(20,182)
Risks	(450)	(6,606)
Opportunities	0	1,050
E20 net position after opportunities, before risks	(11,383)	(19,132)
E20 net position, after risks, before opportunities	(11,833)	(26,788)

The budget indicates that E20 is forecasting a net loss of £19.532m in 2017-18. This is the sum the E20 Board is asked to consider and approve.

Lifecycle investment remains under consideration, and could require additional funds, subject to a future Board decision. [REDACTED] is shown in the table above, based on E20's assessment of LS185's initial lifecycle review findings. If subsequently approved at that level, that would increase the net loss to £20.182m.

Risks and opportunities sit outside the £20.182m figure. Risks include (but are not limited to) LS185 underperformance against their business plan, further seat move costs, LS185's asset survey resulting in further facility management costs, and potential payment of London Living Wage. Opportunities include (but are not limited to) [REDACTED], and successful business rates appeal.

If opportunities are realised in full, and risks are not realised at all, the forecast would reduce to £19.132m. If risks are realised in full, but opportunities are not realised at all, the forecast would increase to £26.788m.

10 Year Business Plan Income and Expenditure Projections

£000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
E20 net position before lifecycle, risks and opportunities	(11,383)	(19,532)	(13,443)	(10,834)	(11,362)	(11,512)	(11,268)	(11,750)	(12,028)	(12,314)	(12,842)	(126,887)
E20 net position including lifecycle, before risks and opportunities	(11,383)	(20,182)										
Total risks	(450)	(6,606)										
Total opportunities	0	1,050										
E20 net position after opportunities, before risks	(11,383)	(19,132)										
E20 net position, after risks, before opportunities	(11,833)	(26,788)										

The business plan indicates a base net loss of between £11m and £13m per annum between 2018-19 and 2026-27. There are potential lifecycle costs beyond this sum, as well as risks and opportunities. With lifecycle, risks and opportunities factored in, the forecast range is [REDACTED]. This fluctuates slightly and gradually grows with inflation in subsequent years, to a forecast range of [REDACTED].

2. Director's Foreword

In the last year the stadium has been handed over in its permanent form. It is now in its long term configuration, and has started its life as a multi-use venue.

The Stadium has already hosted well over a million spectators since June 2016, and employs over 60% of the workforce from the local population. The first concert has been held; our major tenant has moved in and played its first domestic and Europa League games. We have installed Europe's largest digital screen, and a secondary school that will teach over 1,000 local children has started construction on site.

The stadium is preparing to stage the 2017 World Athletics Championships and ParaAthletics Championships this summer.

These successes have required E20 to adopt a pragmatic approach in many of its dealings. While this has been helpful in securing a safe, licenced venue it has required [REDACTED]

The success is also in contrast to the financial performance of the stadium, which has been unsustainable and failed to meet the forecasts set in March 2016.

This cannot continue.

E20's primary role is to maximise the financial return for our members, driving our contractors to deliver income targets, minimise costs and honour (but not over provide) our contractual commitments.

E20 must make changes in 2017-18 that improve the position, and set us on a path towards an overriding objective of having a stadium that vastly improves its financial performance.

The business plan reflects six priority areas for our work that support this overriding objective:

1. Making financial efficiencies – Maximum working capital of £19.5m in 2017-18, [REDACTED]
2. Holding LS185 accountable for delivery of the stadium operating contract, [REDACTED]
3. Securing naming rights gross income of at least [REDACTED] for a minimum of [REDACTED];
4. Closing out stadium transformation issues before August 2017;
5. Moving the relocatable seats in time and within a £10m budget in 2017-18, and securing a cost of less than [REDACTED] for 2018-19;

6. Secure contracted local community and economic benefits, including the 75% local employment target.

In everything we do:

- We will focus on our core business of driving down the working capital needs of the stadium and providing a platform for a profitable stadium;
- We will not tolerate excuses for under performance in the now transformed stadium;
- We will meet our contractual obligations, but only agree expenditure for what we are legally obliged to do;
- We will simplify, rather than accept, the interdependencies between different work streams that have fuelled delays in decision making.

The disadvantage of the 2016-17 pragmatic approach was that it diverted E20 into areas which are outside its direct responsibility and remit. In 2017-18 we will no longer:

- [REDACTED]
- [REDACTED]

Radical options

Under the direction of its Members, this Business Plan focuses on driving the best possible performance for E20 within its existing contractual and physical constraints. It assumes the following:

- The existing relocatable seating system – which is expensive to operate, and does not deliver a full transition of the stands within the 7 day target – is retained for the 10 year business plan period;
- The Concession Agreement with West Ham United is honoured, providing priority use for the club for a fixed payment of £1.25m-2.5m per annum;
- [REDACTED]
- LS185 continue to operate the stadium as per the Operator Agreement;
- E20 continues to own and manage the stadium on behalf of its two Members.

This business plan demonstrates that, within these assumptions, E20 is unlikely to reach a point where it can meet its objective to deliver a financial return to its Members. As a result, there is ongoing work on more radical options to address the stadium's fundamental challenges. This is largely being led by E20's Members (with E20 leading or inputting on some items). It includes:

- Reviewing E20 ownership;
- [REDACTED]
- [REDACTED]
- [REDACTED]
- The liability for relocatable seating transition costs (which is disputed between LLDC and NLI);
- An engineering study into whether it is feasible to install a new lower bowl seating system that would deliver a dramatic improvement in the transition time and cost;
- A Mayoral Review into the stadium, reviewing earlier decisions on the legacy plans, and the future financial viability of the stadium.

E20 will support work on these more radical workstreams, but not allow them to divert from E20's six priorities for 2017-18.

3. Background Information

This business plan sets out a summary of the business of E20 Stadium LLP, including financial projections and key risks and opportunities. The full financial summary provides the detailed income and expenditure projections for the ten year period from 2017-18 to 2026-27.

This business plan for E20 Stadium LLP is the third full business plan for the stadium in legacy mode. It draws from the experience of the past year. However, the significant in year changes means that the 2017-18 plan has been based on a full bottom-up review of all income and expenditure projections.

E20 Stadium LLP

E20 is a limited liability partnership incorporated on 6 July 2012 under the Limited Liability Partnerships Act 2000. E20's Members are the London Legacy Development Corporation (LLDC) and Newham Legacy Investments Limited (NLI). LLDC is the freeholder of Queen Elizabeth Olympic Park (QEOP) including the Stadium Island and South Park. NLI is a wholly owned subsidiary of the London Borough of Newham (LBN). E20 was dormant in 2012-13, with its first year of trading in 2013-14.

E20 was established as the vehicle to deliver the post-Games transformation of the stadium, and then its ongoing management. The first of these has now been largely completed by E20's nominated agent for the work – the LLDC transformation team.

The E20 Membership Agreement sets out the objectives of the partnership, with the overarching aim of the LLP being to deliver a programme of sport, community, cultural and commercial events as well as the following legacy benefits:

- Contributing to the regeneration of the QEOP area, with the Stadium as the centrepiece of a vibrant Park that delivers growth to East London;
- Local resident access to training and jobs at the Stadium provided by the LLP and the operator;
- Educational provision within the Stadium; and
- Access to the community track and wider Stadium facilities and events for Newham residents.

However, most critically, E20 has been set up with the aim of delivering a long-term financial return to its Members, and ensure that the stadium is not an ongoing burden on taxpayer funding. As set out in the Director's Foreword, under current assumptions (i.e. without radical changes), this business plan demonstrates that E20 will not achieve this objective.

Business Plan Structure

The E20 business has not yet reached a mature, steady state, and significant uncertainty and risk remains. E20's Members wish to understand the existing financial forecasts for the business, which will form the budgets to be considered and ultimately approved by the Board.

Members also wish to understand the known risks faced by the business that, if realised, could create pressures in the business plan and result in a worse financial position.

Finally, Members wish to understand the opportunities potentially open to E20 to exploit, that could deliver improvements in the financial position.

In order to address these requirements, this business plan presents:

- The “base business plan” forecasts for approval;
- Major (known) risks (quantified) faced by E20 that sit beyond the base forecasts;
- Major opportunities (quantified) open to E20 that sit beyond the base forecasts.

Each of the financial chapters of the business plan consider the primary areas of the business:

- Operator;
- Naming Rights;
- Other Operating Income and Costs;
- Staffing;
- Overheads;
- Relocatable Seats;
- Lifecycle Investment.

Under each chapter, the base business plan is presented, together with the main risks and opportunities. Commentary is provided primarily to justify the quantifications given, but also to set out how E20 is managing the risks and driving delivery of the opportunities. Ten year projections are provided, although typically the figures in latter years simply represent the earlier projections adjusted for inflation.¹ Other chapters follow at the end of the document, covering management of E20's £14.286m discretionary (capital) budget, and the delivery of community benefits.

The business plan does not make any provision or contingency for unknown risks. The Stadium is now more established, so “unknown unknowns” should no longer emerge on the same level as they did in the stadium's opening year. However, the contractual and other challenges faced by E20 do leave it potentially exposed to other cost pressures emerging that are not currently anticipated or quantified. Similarly, as the business beds down and LS185 become more established, new and significant income streams may emerge. Again, by definition these are unknown, so no income is assumed.

¹ Note that inflation is generally assumed across the whole business plan at 3% per annum. This is based on the average annual RPI experienced in the previous 10 year period, 2007-2016 (Office for National Statistics).

E20 updates its business plan annually, so the evolution of the business will be reflected in updated plans. Members have indicated that, for budgeting purposes, the timetable for E20's next business plan should be brought forward, so that it is considered and agreed by the Board in December 2017.

4. Operator

The relevant Key E20 Priority is:

Making financial efficiencies – Maximum working capital of £19.5m in 2017-18, [REDACTED]

and

Holding LS185 accountable for delivery of the stadium operating contract, [REDACTED]

The business plan indicates [REDACTED] before risks or opportunities, in this area of the business in 2017-18.

The Board will receive information on:

- Budget vs Actual Forecast LS185 Net return to E20 (Quarterly)
- Match days costs against LS185 business plan and E20 target (monthly)
- Budget vs Actual Fixed Costs (quarterly)
- 2017 Net Concert Revenues (August)
- Health and Safety (Monthly)
- Number of non-event day uses of the stadium (Conferences, banqueting, etc) (Quarterly)

Introduction

The vast majority of the day-to-day operations of the stadium, event sourcing and delivery, and commercial activity, is contracted by E20 to its operator LS185. The relationship is governed by the Operator Agreement, established in early 2015.

Managing LS185's contract forms a major part of E20's day-to-day business, and is critical to E20's financial success. If LS185 fail to deliver it has a very significant impact on:

- The financial performance of E20: [REDACTED] is paid to LS185 per annum in fixed costs, with LS185 expected to deliver significant net commercial revenues in return (see further details below);
- The stadium's relationship with primary tenants and other partners, including potential legal challenge;
- The broader community and economic benefits that the stadium delivers.

[REDACTED]

Operator Agreement Financial Model

Once ongoing challenges and complexities around handover of the stadium are resolved, the residual financial arrangements between E20 and LS185, as defined in the Operator Agreement, are relatively straightforward.

Each year E20 pays LS185 a fixed amount to cover its non-event related costs (referred to by LS185 as the “Annual Grantor Contribution”, and in the E20 business plan as “Fixed costs (base)”. This amount is set in the Operator Agreement at [REDACTED] in 2017, but is indexed to RPI. It is intended to cover costs such as LS185 staff, furniture, fixtures and equipment (FF&E) maintenance and renewal, pitch maintenance, utilities, security, facilities management, and an operator management fee. LS185 have identified that they believe the condition and volume of assets are above those on which they bid – this is discussed further below.

The Operator Agreement requires LS185 to deliver certain obligations and Key Performance Indicators from within this funding provision. LS185 takes the risk/reward on its ability to deliver requirements within the funds available.²

Each year LS185 then pays E20 the net commercial revenues generated from their operations, less the operator share. This is the sum of the revenues generated from the stadium events and other LS185 activities, less the operating costs of delivering those events and activities. LS185 then takes a share of the net commercial revenues, for which tiered thresholds apply in order to (theoretically) incentivise improved performance:

- [REDACTED]
- [REDACTED]
- [REDACTED]

The impact of these two annual transactions – the fixed costs paid by E20 to LS185, and the net commercial revenues paid by LS185 to E20 – gives the net position for E20 from the operator’s activities.

[REDACTED]

LS185 Business Plan

As required under the Operator Agreement, and instructed by E20, LS185 has prepared its own business plan. It represents their second major update on their approach to operating the stadium, and the revenues they expect to generate, since their bid in late 2014.

The LS185 business plan was considered by the Board on 28 February 2017 but not approved. [REDACTED]

The LS185 business plan, as considered by the Board on 28 February, is attached in full at Annex A.

E20's business plan draws upon the LS185 business plan, but given E20's reservations, it makes several adjustments.

LS185 Fixed costs

E20's base business plan adopts the fixed costs payments due to LS185 as detailed in the Operator Agreement, adjusted for actual inflation to date, and forecast future inflation. It then makes adjustments for higher utilities costs and additional facility management costs.

Utilities costs

The responsibility for utilities is in the process of being transferred from E20 to LS185 (later than anticipated due the challenges relating to handover). The Operator Agreement makes a provision of c£1m per annum, after some recharges to West Ham and events, for utilities costs. This forms a component of the annual fixed costs payment to LS185. The c£1m provision was based on the usage of the Stade de France – this was accepted as a reasonable proxy at the time of Operator Agreement negotiations, in the absence of more reliable information. The figure is subject to adjustment in a benchmarking exercise now commencing – as such E20 holds the initial cost risk on any adjustment.

As reported to the E20 Board in January, E20's first utilities bills for the stadium, dating back to 13 July 2016 when the stadium was partially handed over by Balfour Beatty, have now been received. By far the most significant, and costly, utility is electricity. In broad terms, the stadium's current consumption levels indicate that it is currently running at a total net utilities cost approaching [REDACTED] per annum – [REDACTED] above the provision. The base business plan allows for this increased utilities cost on an ongoing basis.

However, the stadium is currently operating inefficiently. LS185 report that the systems as built [REDACTED]

[REDACTED] LS185 have also been commissioned to propose improvements to the systems that could enable utilities bills to be reduced by perhaps [REDACTED].⁴ This represents a [REDACTED] savings opportunity for E20. However, in order to secure this improvement, up-front capital

⁴ In the view of utilities experts within VINCI Facilities, having reviewed the stadium.

investment is likely to be required. This is therefore identified as a potential call on the £14.286m discretionary fund (see chapter 11).

At the time of writing, E20 is in the process of handing over responsibility for utilities to LS185. In turn, LS185 are establishing contracts with utilities suppliers. The per unit utility rates assumed in the business plan, in particular for electricity, have been offered but not yet contracted. [REDACTED]

Facility management costs

Around [REDACTED] of the contracted [REDACTED] annual fixed cost payment to LS185 is for facility management. This is subcontracted by LS185 to VINCI Facilities. The Operator Agreement provides that LS185 must undertake an asset survey upon taking ownership of the stadium, an exercise now underway. This survey compares the stadium assets as built, to the specification detailed at the time of the operator bid.

The annual payment by E20 for facility management is subject to adjustment in accordance with the outcomes of the asset survey (once challenged and agreed by E20).

Draft high level findings from LS185's asset survey were presented to E20 and its members on 22 March. [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

E20 has yet to substantiate these (and other) assertions. The draft asset survey report will be submitted to E20 w/c 27 March, and a detailed period of review and challenge will commence.⁵ E20 is already prioritising rapid resolution of any matters relating to statutory records, certification, or anything that relates to the safety of the stadium.

⁵ E20 intends to appoint expert consultants to advise and protect E20's interests. This advice is referenced, and budgeted for, in the Overheads chapter of the business plan.

[REDACTED]

[REDACTED]

Notably, LS185’s asset survey is not yet complete. These figures do not yet include the maintenance of significant items such as the external digital screen, in bowl LEDs, Internet Protocol Television, some ICT equipment and some furniture, fixtures and equipment (FF&E). E20 has requested a full assessment of all stadium assets. Once included, these items will increase LS185’s proposal for the annual cost of facility management.

[REDACTED]

[REDACTED]

Other payments to LS185 (contract changes)

E20 and LS185 are working through contract changes that formalise additional scope that the operator has taken on. This includes the installation and operation of a temporary wifi system (until the permanent solution is in place), transport modelling to discharge Section 106 Planning requirements, and the operation of the digital wrap (after contributions from other parties, including West Ham). The forecast costs associated with these activities are summarised in the table below.



Net Commercial Revenues	LS185 business plan forecasts, adopted in E20 base business plan (£m)	Risk adjusted position (£m)	E20 assessment of risk of LS185 underperformance (£m)
2017-18	3.57		
2018-19	3.66		
2019-20 and steady state	5.12		

£	2016-17 (prior year comparator)		2017-18	
	LS185 business plan	LS185 business plan	Probability factor (E20 assessment)	Potential underperformance
Net revenues concerts				
Net revenues South Park				
Net revenues Winter Sports				
Net revenues Summer Sports				
Net revenues International Sports (London 2017)				
Net revenues Special events / filming				
Net revenues Partnership				
WH Catering				
UKA Catering				
Meeting & events, stadium tours, South Park kiosks				
Net revenues WH events				
Net revenues Others				
Recouped out-of-scope works				
Sub-total Net Commercial Revenues				
Operator share				
Grantor share		3,573,737		

£	2018-19			
	LS185 business plan	Probability factor (E20 assessment)	Risk adjusted position	Potential underperformance
Net revenues concerts				
Net revenues South Park				
Net revenues Winter Sports				
Net revenues Summer Sports				
Net revenues International Sports (London 2017)				
Net revenues Special events / filming				
Net revenues Partnership				
WH Catering				
UKA Catering				
Meeting & events, stadium tours, South Park kiosks				
Net revenues WH events				
Net revenues Others				
Recouped out-of-scope works				
Sub-total Net Commercial Revenues				
Operator share				
Grantor share		3,663,646		

£	2019-20 and steady state			
	LS185 business plan	Probability factor (E20 assessment)	Risk adjusted position	Potential underperformance
Net revenues concerts				
Net revenues South Park				
Net revenues Winter Sports				
Net revenues Summer Sports				
Net revenues International Sports (London 2017)				
Net revenues Special events / filming				
Net revenues Partnership				
WH Catering				
UKA Catering				
Meeting & events, stadium tours, South Park kiosks				
Net revenues WH events				
Net revenues Others				
Recouped out-of-scope works				
Sub-total Net Commercial Revenues				
Operator share				
Grantor share		5,117,977		

Justifications for probability factors and adjustments	
Net revenues concerts	[REDACTED]
Net revenues South Park	
Net revenues Winter Sports	
Net revenues Summer Sports	
Net revenues International Sports	
Net revenues Special events / filming	
Net revenues Partnership	
WH Catering	
UKA Catering	
Meeting & events, stadium tours, South Park kiosks	
Net revenues WH events	
Net revenues Others	
Recouped out-of-scope works	

Other Operator Risks

The E20 assessment of LS185 underperformance risk does not factor in three further specific risks (which to a large degree are beyond LS185’s control):

- London Living Wage: A potential adjustment to E20 policy to pay London Living Wage (LLW) to all event day staff. This is a future decision for the E20 Board, and must be made in the context of the Mayor of London’s recent public statement that the stadium must now pay LLW. Current LS185 and E20 forecasts do not assume payment of LLW to all subcontractors – the majority of event day stewards, catering staff and cleaners are paid below LLW. E20 is awaiting information requested from LS185 detailing the potential financial impact of paying LLW. [REDACTED]

[REDACTED] However, there is likely to be a significant net cost if E20 instructs LS185 (via a change request under the Operator Agreement) to pay LLW. Whilst E20 awaits the comprehensive information to inform a decision, LS185 have indicated that the net impact would be in the region of [REDACTED]
- “Ipswich ruling” Police costs: There was a recent High Court ruling in respect of policing at Ipswich Town Football Club. In summary, the High Court found that the football club, not the Police, is responsible for funding the cost of event-related Policing in the area surrounding the Portman Road ground. There is the potential for the Metropolitan Police to apply this ruling to the London Stadium, thereby increasing the extent of the geographic area the Police can recover costs for. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- Cost of capacity increase for West Ham matches: There is an ongoing legal dispute between E20 and West Ham around responsibility for meeting the costs, and sharing the revenues, from the increase in the stadium capacity beyond the 53,500 detailed in the Concession Agreement. [REDACTED]

Other Operator Opportunities

[REDACTED]

There remains the opportunity for a stadium groundshare with another football club. This is permitted under the terms of the Concession Agreement, although in effect West Ham would be due a significant slice of the commercial benefit. [REDACTED]

Long term, there is undoubtedly scope for vastly improved operator performance, and perhaps net commercial revenues of the level anticipated during the operator procurement. However, considerable progress will be necessary over the next three years just to achieve LS185's business plan. Therefore, the opportunity beyond that is not currently quantified.

Financial Summary

Base business plan section:

£000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Operator (LS185)												
Fixed costs (base)	(5,080)	(6,049)										
	(1,248)	(1,090)										
	(250)	(1,000)										
Other payments to LS185 (contract changes)	(284)	(190)										
Net Commercial Revenues after Operator share, as forecast in LS185 business plan	(461)	3,574										
Total LS185 before risks or opportunities	(7,323)	(4,755)										

Risks:

£000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Risks												
	(250)	(1,000)										
	(200)	(206)										
LS185 underperformance against their business plan	0	(2,508)										
Payment of London Living Wage	0	(800)										
"Ipswich Ruling" Policing costs	0	(525)										
	0	(500)										

Opportunities:

£000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Opportunities												
Groundshare with another football club												Not modelled as highly uncertain, and E20 has limited control
Utilities savings from improved efficiency	0	200										
	0	450										

5. Naming Rights

The relevant Key E20 Priority is:

Securing naming rights gross income of at least [REDACTED]

The business plan indicates a net cost of [REDACTED] before risks or opportunities, in this area of the business in 2017-18.

The Board will receive reports for decision on:

- Naming rights contract (April 2017)

Approach

The potential income from a naming rights partnership would be due directly to E20 – unlike most other revenues which flow through the operator. The potential value of the naming rights partnership is such that it is highly significant to E20's overall financial position. E20 has appointed an agency (ESP Global) to target, source and deliver a naming rights partner.

E20 is in advanced negotiations with Vodafone as the potential naming rights partner. Vodafone have indicated in principle that they intend to proceed with a partnership. The precise terms, notably the inventory rights and responsibility for activation costs, are subject to ongoing negotiation. The partnership is expected to be successfully secured imminently, in order for it to commence with the London 2017 Championships in July. [REDACTED]

[REDACTED] The base business plan assumes the deal is concluded on the terms under discussion (as circulated to the Board on 16 March). The business plan then makes a risk provision for this deal – or any deal – not proceeding. This risk is quantified so that it effectively cancels out the net income forecast.

Income

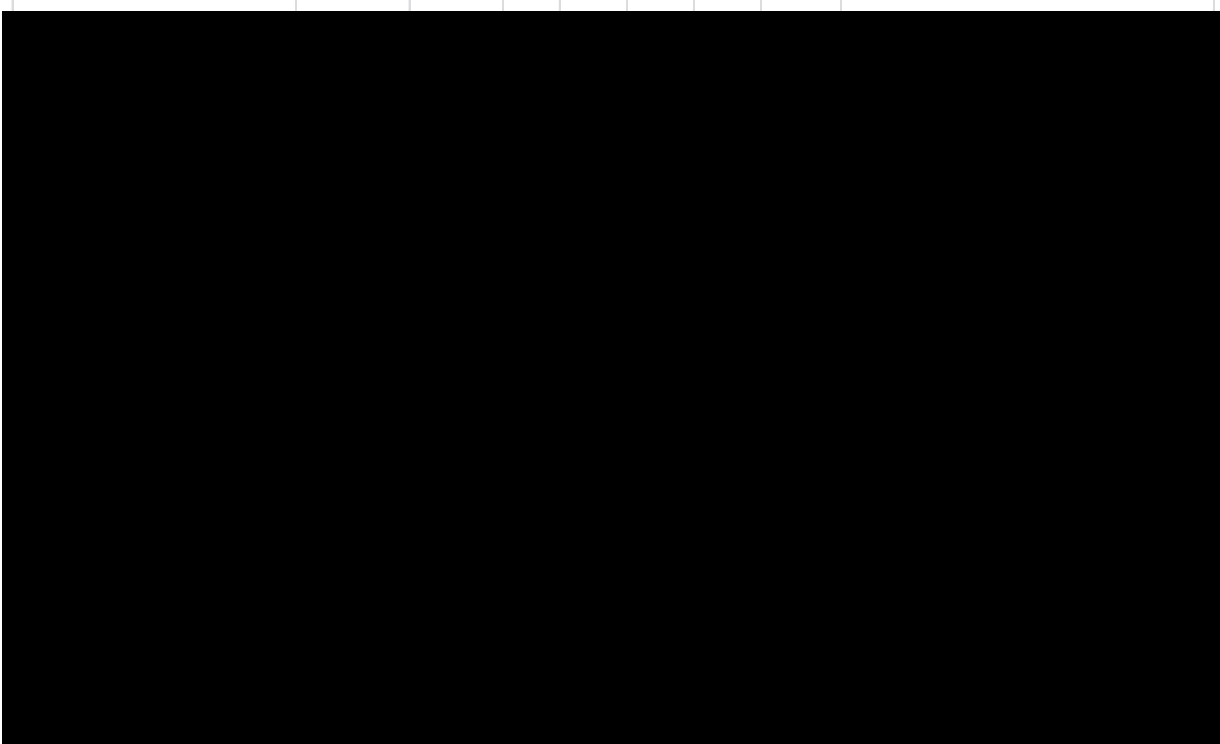
The proposed partnership under discussion with Vodafone [REDACTED]

[REDACTED]

Costs and financial appraisal

If the deal is successfully secured, there are a number of costs that may need to be deducted from the income received, in order to reach the net position. These are not yet finalised and remain uncertain. At the time of writing, they are assessed as follows:

Naming rights financial assessment								
By year of deal:								



On current assumptions, the naming rights deal would generate net revenue to E20 [REDACTED]

[REDACTED] Note that [REDACTED]
[REDACTED]

When profiled by financial year, the assessment is potentially slightly different, given the anticipated 1 July 2017 commencement date:

Naming Rights financial assessment											
By financial year (assuming 1 July 2017 commencement date):											

Beyond year 5, the business plan assumes that the Vodafone deal (or an equivalent deal with an alternative partner) continues, with the gross fee and associated costs both growing with inflation.

Financial Summary

Base business plan section:

	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
£000s												
Naming Rights												
Gross naming rights income	0	750	2,875	4,250	4,500	4,500	4,635	4,774	4,917	5,065	5,217	41,483
Associated costs (excluding capital items)	(153)	(1,303)	(518)	(701)	(1,205)	(1,209)	(730)	(752)	(775)	(798)	(822)	(8,812)
Total Naming Rights before risks or opportunities	(153)	(553)	2,358	3,549	3,295	3,291	3,905	4,022	4,143	4,267	4,395	32,671

Risks:

	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
£000s												
Risks												
No naming rights	0	553	(2,358)	(3,549)	(3,295)	(3,291)	(3,905)	(4,022)	(4,143)	(4,267)	(4,395)	(32,671)

6. Other Operating Income and Costs

The relevant Key E20 Priority is:

Making financial efficiencies – Maximum working capital of £19.5m in 2017-18, [REDACTED]

The business plan indicates net expenditure of [REDACTED], before risks or opportunities, in this area of the business in 2017-18.

The Board will receive information on:

- Other Operating Income and Costs (quarterly)

There are various operating income streams or costs that sit outside the Operator Agreement. These are each described in turn.

Fanstallation

The fanstallation is an area of personalised paving stones in the Champions Place landscaped area to the north of the stadium. West Ham United have sold, and continue to sell, stones to their fans – to date they have sold in excess of 17,000, at an average retail price of c£80 (before VAT). A lease was issued to West Ham in summer 2016, to formalise their use of the site, for a minimum rent of £20k/annum (more depending on the number of stones sold). Despite already enjoying the access, and commercial benefits, West Ham are refusing to sign the lease, as they do not accept the commercial terms. They have refused to engage, citing the need for the bigger issue of “look and feel” rights to be resolved first. E20 does not accept this position, and is considering its options – both legally and practically – in response to West Ham’s refusal to sign the lease. The business plan assumes this issue is resolved and delivers income to E20 of £20k per annum, with the first payment (backdated) to March 2017.

Asset Disposal (“Own the Track”)

E20’s project to sell sections of the former London 2017 athletics track as commemorative consumer products has proved successful – to date it has delivered gross sales in excess of £300,000, with profit to E20 exceeding £60,000, plus significant reputational benefits for E20 and its Members. E20 will continue the project in 2017-18, with its delivery partner Your Tribute (which is responsible for the bulk of the work). Two priorities are being pursued in order to generate further significant profits:

- Ongoing partnership with UKA, with the aim to extend to include promotion and sale of the products at London 2017.

- Focus on corporate partnerships, targeting the “top 100” companies associated with London 2012 and/or the Stadium, with the view to bulk or premium orders.

The base business plan forecasts net profits to E20 of £40k in 2017-18.

West Ham performance payments / relegation

Under the terms of the Concession Agreement, West Ham are due to pay an additional fee to E20 if the club achieves certain performances (relating to league position, winning cup competitions, or qualifying for European competitions). These apply from a 10th placed Premier League finish (worth £25k) upwards. At the time of writing, West Ham are outside the top 10. No performance payments are assumed in the base business plan.

Potential income of £190k, every other year, is shown as an opportunity. This equates to a realistic upside performance, with West Ham finishing 7th in the league every other season, with no cup wins.⁶

The base business plan also does not allow for the corresponding risk that West Ham are relegated, which triggers a 50% reduction in their £2.5m annual usage fee. This is shown as a risk item, quantified at £1.25m (indexed), modelled as occurring twice within the 10 year business plan period.⁷

West Ham share of catering revenues

Under the terms of the Concession Agreement, E20 is due to share 30% of the annual catering revenues from West Ham games above £500k with the club. This is not reflected in the Operator Agreement and must be paid by E20 rather than LS185. Based on LS185’s business plan, catering revenues from West Ham’s games are projected at [REDACTED] in 2017-18. On this basis, E20 would be due to pay West Ham [REDACTED]

Minor South Park Events

LS185 are responsible for sourcing and delivering large, commercial events on the South Park. However, the LLDC Events team continue to deliver a steady stream of smaller events to generate additional revenues for E20. This will drop off in 2017-18 as LLDC take back the land ahead of development.

⁶ This was West Ham’s performance in the 2015-16 season (sadly coming too soon for E20 to benefit).

⁷ This roughly reflects West Ham’s performance in the Premier League era, where they have spent 3 of the past 23 seasons outside the top flight.

Matchday costs (non LS185)

This item comprises costs for E20 on event days that are specifically excluded from the responsibility of LS185 (and as such are not factored into their net commercial revenues). [REDACTED]

[REDACTED] New egress arrangements are expected to be introduced imminently. If successful, this will reduce E20's liability to [REDACTED] although the extent of the impact is not yet agreed.

E20 also made some initial one-off contributions towards [REDACTED] and extra staffing at West Ham station in 2016-17. [REDACTED]

A provision of [REDACTED] per annum has been made for non-LS185 matchday costs in the base business plan. This represents a significant saving compared to 2016-17, but still allows for some residual costs – prudent given that future egress arrangements are not settled, nor funding responsibility agreed. [REDACTED]

“Clean Stadium” requirements

E20 has a contractual obligation to UK Athletics to provide the stadium on a “clean” basis for London 2017 – i.e. with no branding or sponsorship visible. E20 is continuing to work through the practical implications, and is seeking to minimise any changes to the stadium appearance. [REDACTED]

[REDACTED] The base business plan makes no provision for clean stadium costs, but quantifies the risk at [REDACTED] (one-off in 2017-18).

Sale of West Ham United

If West Ham United are sold by their current owners in the near future, a proportion of the sale is payable to E20. The amount payable to E20 is dependent on the timing of the sale, the value of the sale, and who the club is sold to (E20 do not get a windfall if it is passed on to family members of the existing owners). Although very significant to E20 in terms of the potential windfall, E20 of course has no control over this eventuality. As such, it is acknowledged in the business plan as an opportunity, but is not quantified.

[REDACTED]

Financial Summary

Base business plan section:

€000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Other operating income and costs												
Fanstallation	20	20										
Asset disposal (Own the Track)	63	40										
West Ham performance payments	0	0										
West Ham share of catering revenues	(35)	(57)										
Minor South Park events (managed by LLDC)	124	10										
Matchday costs (non LS185)												
Total Other operating income and costs before risks or opportunities												

Risks:

€000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Risks												
West Ham relegation												
Additional matchday costs (non LS185)												
Clean Stadium requirements												

Opportunities:

€000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Opportunities												
E20 share of potential sale of West Ham												
West Ham deliver good Premier League performance	0	0										

7. Staffing

The relevant Key E20 Priority is:

Making financial efficiencies – Maximum working capital of £19.5m in 2017-18, [REDACTED]

The business plan indicates net expenditure of [REDACTED] before risks or opportunities, in this area of the business in 2017-18.

The Board will receive information on:

- Appointment of Deputy Director (May 2017)
- E20 Staff recruitment and performance (quarterly)

The current E20 team comprises:

- A Director (Alan Skewis), with overall responsibility for E20 Stadium LLP. This is a permanent position.
- A Business Manager (Martin Gaunt), who leads on financial strategy, governance, contract management and certain projects. The role is filled on a secondment from HM Treasury, and is due to expire at end September 2017.
- An Assistant Business Manager ([REDACTED]), who supports the Business Manager on certain projects, with a particular focus on seating transitions, London 2017, “look & feel” arrangements with West Ham, and residual matters relating to the external wrap. This role is filled on a fixed term basis, expiring at end August 2017.
- An E20 Capital Adviser ([REDACTED]), who represents E20’s interests in the transformation works. This role is filled on a part-time, fixed term basis on a fixed fee through to August 2016.
- A PA and Team Administrator ([REDACTED]), who provides administrative support plus the Board secretariat function. This role is filled on a permanent basis.

A number of consultants / project managers are also employed:

- Chris Allison, E20 Security Adviser. Chris’ role should end by May 2017. There is provision for his costs in the technical advice section (Overheads chapter).
- Mace as Project Managers for the relocatable seating system (covered in seating costs section).
- [REDACTED] on handover issues. There is provision for his costs in the technical advice section (Overheads chapter).

E20 staffing evolves as required by the task in hand. The theme running through the business plan of moving from transformation and stadium opening to a focus on contract management is reflected in proposed changes to the team in 2017-18.

Key changes in the year will be:

- Appointment of a Deputy Director (interviews in May 2017, forecast start date of July 2017);
- Discontinuation of the Business Manager Post (by end September 2017);
- Discontinuation of the fixed term Assistant Business Manager post, currently focused on seat moves and London 2017 (end August 2017);
- Completion of the secondment of the E20 Capital Adviser (by August 2017).

These changes make the E20 team smaller, and necessitate the withdrawal from non-core activity.

The business plan reflects these staffing structures and the salaries agreed (or, in the case of the new role, proposed).

“On costs” are allowed for at 20% of salaries. This comprises 13.8% National Insurance and a 6% employer pension contribution. Subject to satisfactory performance, staff are being awarded a 1% pay rise in April 2017, below the level of inflation.

Financial Summary

Base business plan section:

	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
£000s												
Staffing												
Total Staffing before risks or opportunities	(343)	(339)										

8. Overheads

The relevant Key E20 Priority is:

Making financial efficiencies – Maximum working capital of £19.5m in 2017-18, [REDACTED]

The business plan indicates net expenditure of [REDACTED], before risks or opportunities, in this area of the business in 2017-18.

The Board will receive information on:

- Business Rates Appeal (July 2017)
- Actual vs Budgeted Legal Advice (Monthly)
- Quarterly Update on achievement of targeted savings (quarterly)

Overheads represent a significant portion of E20's annual costs (forecast at [REDACTED] in 2017-18). It is worth noting that over £1.5m of these overheads are paid to its two Members and Central Government. LLDC receive £400k (20% of the business rates), a £300k estate charge and £138k for services (although with obligations to match). Newham receives £600,000 (30% of business rates).

Business Rates

The business rates payable by E20 are determined by the rateable value of the stadium, as set by the Valuation Office Agency (VOA). The rates are collected by LB Newham. Government policy dictates that the actual rates payable are set at c50% of the rateable value.

The rateable value of the stadium is £4m until April 2017, when it will increase to £4.6m as a result of the nationwide revaluation exercise. The increase for the stadium is more modest than many other properties in London have experienced, but nevertheless still equates to a very significant rates bill of £2.3m/annum.

The VOA's assessment of the current and future rateable value is based upon forecast gross revenues in an earlier version of E20's business plan, prior to subsequent major revisions in E20's forecast profitability. This provides justifiable grounds for an appeal, with the aim of securing a substantial, backdated, reduction. E20 formally lodged an appeal in November 2016 via its retained business rates adviser, GeraldEve. The appeal system appears log-jammed (LLDC's appeal on the Aquatics Centre took three years', but has just been successful), but E20 is pushing for priority consideration. GeraldEve have advised that substantive progress on the appeal can be expected in the summer, with a likely outcome in late 2017 or early 2018. They are cautious on the prospects of success. They suggest that any improvement could be a c10% reduction, whereas the Aquatics Centre appeal achieved over 40%. The base business plan makes no provision for a reduction, but records a saving opportunity of up to £400k (equating to a c20% reduction on the current net rates bill of £2.1m (after West Ham's assumed contribution – see below).

Separately, E20 are seeking to agree the contribution from West Ham United towards the rates for their lease areas (stadium store, offices, etc). E20 have secured agreement from West Ham that their contribution, once agreed, is to be backdated to July 2016, but the actual level of contribution remains in dispute. E20 has escalated the matter to its lawyers in assist in resolving this, and will shortly write to West Ham requiring payment. E20 has estimated that West Ham should reasonably contribute c£200k per annum (based on the square footage of their areas and the rates paid by other local properties) and has set out the basis for this to West Ham. The base business plan assumes that a £200k/annum contribution from West Ham is secured. Given E20's contractual entitlement to a West Ham contribution (albeit unquantified), no risk provision is made for failing to secure this outcome.

Insurance

E20 – via the shared service provided by TfL, and the insurance broker JLT – has put the following insurance policies in place:

Policy Type	Insurer	Exposure value /Limit	Budget 2017-18
Property Damage/loss of Rent - Various as per Property policy list	Zurich/ QBE/AIG/Mitsui / Allianz / Aspen		
Primary Public and Products Liability	ACE		
1 st Excess Public and Products Liability	QBE/ RSA		
2 nd Excess Public and Products Liability	QBE/ RSA/ ACE		
Directors and Officers Liability	Zurich		
Crime	ACE		
Employers Liability	ACE		
Personal Accident/Travel	AIG		
	Total Premium Including Insurance premium tax		
		Other budget costs	
		TfL fee estimate	
		JLT fees	
		Total	

This represents a major saving against the projections made in the last E20 business plan. The property insurance is based on a reinstatement valuation of the stadium of [REDACTED] (ie. the cost to rebuild the stadium from scratch).

E20's future premiums are likely to increase with inflation. There is a risk – not quantified in this business plan – that a major safety or other incident could lead to a significant upwards adjustment in E20's premiums.

E20 has identified the following potential opportunities to deliver long-term savings of £50k-£100k per annum on existing insurance costs:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Legal Advice

The volume of legal issues E20 have dealt with in 2016-17 far exceeded the scale anticipated. This has been driven by:

- The West Ham Concession Agreement having scope for interpretation on a significant number of matters;
- West Ham taking a litigious approach;
- A number of LS185-E20 disputes generated by the handover of the transformation works and interpretation of the Operator Agreement;
- Challenges relating to the relocatable seating system.

[REDACTED]

The level and scale of disputes are unlikely to quickly abate in 2017-18, with current disputes as follows:

Dispute	Value of Dispute	Anticipated Legal Spend 2017-18	Options to Mitigate
[Redacted Content]			

A budget of [REDACTED] is therefore allocated in the base business plan, to cover both TfL Legal and Gowlings fees.

Given the volume of legal disputes, and the current reliance on Gowlings to provide advice, consideration could be given to either:

- Allocating a TfL lawyer dedicated to E20 business. This would allow greater retained knowledge “in house”, reducing the need to resort to Gowlings so often;
- E20 seconding a lawyer in from outside to be the day-to-day conduit for legal matters, and able to collate, summarise and minimise external lawyer time.

A decision on this will be made on the basis of saving legal fees, and time spent dealing with legal issues.

Other Professional Advice

E20 seeks to limit its use of consultancy advice, but makes provision for the following necessary services.

- Accounting advice, assumed at £39k in 2017-18. This covers KPMG’s work to provide 12 monthly VAT returns and Construction Industry Scheme (CIS) returns, tax advice and a limited number of ad hoc queries as required. These requirements are anticipated to be taken on by LLDC Finance (via its service into E20) sometime in 2018-19.
- External Audit fees for EY. Their fee estimate for the audit of the 2016-17 accounts is £26k (incurred during 2017-18). The business plan assumes that this fee is reduced to £21k from the following year, once the stadium is in more of a steady state and there are very fewer transactions to audit.
- Technical advice, assumed at £100k in 2017-18, and diminishing thereafter. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] The business plan makes no provision for any feasibility or design costs associated with a potential new seating system.

Member Services

E20 is a small organisation that relies upon services from its members in order to deliver all its necessary functions. This approach allows E20 to retain a slim staffing structure, and for its members to be integrated into its day to day operations. LLDC currently provides services to E20 in accordance with the Services Agreement. The services include:

- Stadium transformation – residual staff costs are contained within the transformation budget.
- Finance and procurement – including transaction services, statutory accounts, management of external audit, FoI management, and procurement advice as required. The cost of these services in 2017-18 is budgeted at £93,500 (an increase from £80,000 in 2016-17 due to increased complexity around accounting issues). Procurement management services such as those provided for the stadium wrap represent an additional capital cost charged to the project.
- Human Resources and Facilities – including office space, recruitment, payroll management, and ad hoc personnel issues as they arise. A fee of £5,100 per annum is budgeted for HR services. Facilities costs, assuming E20’s use of an average of four desks over the course of 2017-18, are £24,100. Total HR and facilities charges for 2016-17 are therefore £29,200 (up from £28,600 in 2016-17 due to inflation).
- Communications – including strategic communications and press relations. This service is provided free by LLDC in recognition of the importance of the stadium in the overall communications strategy for the Park.
- Information Technology – this service is provided for an annual fee of £15,300 (up from £15,000 in 2016-17 due to inflation). Non-standard equipment or software requirements are chargeable on a pass through cost basis.

The total budget for LLDC member services for 2017-18 therefore stands at £138k. This is a fixed liability for E20, unless there happen to be very significant changes in requirements which warrant

reconsideration. For future years this figure is subject to inflation, and annual review by the LLDC Deputy Chief Executive and E20. A small net saving is forecast from 2018-19, due to an expected reduction in necessary services, partially offset by LLDC potentially bringing accounting advice (currently provided by KPMG) in house. Over the course of 2017-18, E20 will also review the most appropriate and cost effective provider of these services. One option could include establishing joint arrangements with LS185 or other small businesses (e.g. activeNewham)

Estate Charges

E20 is contractually obliged (via its lease with LLDC) to pay an estate charge of £300k/annum, subject to inflation.

In future this will be partially offset by an estate charge payable to E20 from the Bobby Moore Academy, commencing when the school opens in September 2018 and growing from c£60k up to c£140k per annum thereafter.

Event Tickets

E20 purchases tickets on behalf of its members. This enables key decision makers and other stakeholders to be invited to events, in order to support the strategic objectives of LLDC and Newham. Approximately £100k was spent on event tickets in 2016-17. The same budget is set for 2017-18. The majority of the cost is for hospitality tickets for West Ham matches – E20 is tied into three year commitments for these tickets. There is a small remaining provision for other events. E20 seeks to minimise costs as far as possible by securing free tickets to stadium events.

Financial Summary

Base business plan section:

£000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Overheads												
LLDC Member Services	(124)	(138)										
Estate charge payable to LLDC	(228)	(325)										
Estate charge payable by school to E20	0	0										
Business rates	(1,517)	(2,100)										
Insurance	(518)	(620)										
Brand and marketing	(35)	0										
Legal advice	(392)	(350)										
Accounting advice	(63)	(39)										
External audit fees	(26)	(26)										
Transport advice	(59)	0										
Technical advice	(102)	(100)										
Event tickets	(100)	(100)										
Total Overheads before risks or opportunities	(3,163)	(3,798)										

Opportunities:

£000s	2016-17 (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Opportunities												
Business rates saving secured via appeal	0	400	412	424	437	450	464	478	492	507	522	4586
Insurance premium savings	0											

9. Relocatable Seats

The relevant Key E20 Priority is:

Moving the relocatable seats in time and within a £10m budget in 2017-18, and securing a cost of less than £7m for 2018-19.

The business plan indicates net expenditure of £10m, before risks or opportunities, in this area of the business in 2017-18.

The Board will receive reports for decision on:

- Summary of 2017 seat moves account and financial budget for 2018 seat moves (October 2017)
- Transfer of management to LS185 (December 2017)

The Board will receive financial information on:

- Budget vs Actual Spend on seat moves, broken down into categories (monthly to October)
- Target seat move time period vs actual seat move time period (monthly to October)
- Incremental improvements approved by Seating Project Group (monthly)

Following earlier challenges with the seating system, and notably the collapse of the previous contractor Alto/SAPA, the cost of moving the seating system has increased very significantly. Now that the Stadium has been completed, E20 has taken on responsibility for the management of the relocatable seating system. This is an interim position as E20 is clear this responsibility should be passed on to LS185 as an operator function, as it aligns risk, programme management and operations. E20's members have not agreed liability for the cost of the relocatable seat moves. Its inclusion in the business plan is subject to E20's Members agreeing liability.

E20 has appointed its contractor, PHD, on a 5 year contract to move the seats from February 2017. They have mobilised and are preparing for the first seat move in May 2017.

The 2017 seat move sequence has been provided to the Board, and highlighted as a high risk activity. The risks relate to the target cost basis of the PHD contract, and the implications of not delivering the seating system in time for concerts, athletics and football.

A fortnightly project group has been set up to review the budget and risks. The members of the group are Alan Skewis, Martin Gaunt, Gerry Murphy, [REDACTED], [REDACTED] and the Mace Project Manager. The terms of reference for this group reflect the Board priorities of cost management, incremental improvements and reducing seat move transition times.

The E20 Board agreed a seating budget for 2017-18 of up to £10m in January 2017. This figure is retained as the base budget in this business plan. However, the budget is already under pressure following a £200k increase in Mace Project Management costs and a £250k up-front investment in

the “air skates” system to deliver longer term savings. These costs have more than exhausted contingency within the £10m budget approved by the Board. E20 will need to secure savings of c£250k in order to remain within the £10m budget.

Beyond the existing £10m budget, there remains inherent risk, given the challenges faced with the seating system previously, the tight windows for completing transitions, and [REDACTED]. A risk provision of [REDACTED] based on [REDACTED] of the current seating budget, is made in 2017-18. This is halved thereafter.

The 2018-19 seat moves are currently shown in the business plan at a cost of £7.15m, with this figure forecast to reduce slightly in subsequent years as incremental improvements are secured via the target cost contract. These projections assume that the East Stand is not moved again after 2017. [REDACTED]

Aside from the incremental savings forecast under the target cost contract, the remaining opportunity for E20 is to drive down the project management costs once the operation becomes more routine. This opportunity is quantified at [REDACTED] annum, representing a potential [REDACTED] reduction in the existing [REDACTED] project management costs from 2018-19.

A report to the Board in October 2017 will provide a revised figure for the 2018-19 budget based on the 2017 experience. At that point, and in light of the considerable costs associated with seat moves, the Board will be asked to review its position [REDACTED]

To reiterate, the figures do not assume any radical change to the seating system. Work is underway to find such a solution, but it is unlikely to have any major impact before 2019 at the earliest. [REDACTED]

[REDACTED]

Financial Summary

Base business plan section:

€000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Seating (liability not agreed between members)												
E20 agreed contribution to 2016-17 cost	(300)	0										
Contractor transition and maintenance costs	0	(8,670)										
Project Management	0	(415)										
Capital investment	0	(805)										
	0	(150)										
Other (including storage)	0	(216)										
Saving required to remain within existing budget	0	257										
Total Seating before risks or opportunities	(300)	(10,000)										

Risks:

€000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Risks												
	0	(1,000)										
	0	0										

Opportunities:

€000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Opportunities												
Seating project management savings	0	0										

10. Lifecycle Investment

The relevant Key E20 Priority is:

Making financial efficiencies (although lifecycle investment is not included in E20's base budget, so would be subject to further consideration by the Board).

The business plan indicates net expenditure of [REDACTED], before risks or opportunities, in this area of the business in 2017-18.

The Board will receive reports for decision on:

- E20 Lifecycle Plan (June 2017)

The Board will then receive information on:

- Lifecycle Budget vs Actual Spend (Quarterly)

Under the terms of the Operator Agreement, investment in stadium lifecycle costs is an E20 responsibility for individual assets over [REDACTED] in value. LS185 must submit an Annual Lifecycle Replacement Plan each year. E20 may then instruct LS185 (more specifically, LS185's subcontractor VINCI Facilities), or another contractor, to undertake the works of E20's choosing. Lifecycle investment clearly creates an upfront cost for E20, whereas choosing not to invest is likely to increase maintenance costs and/or increase the necessary lifecycle investment in subsequent years. E20 will need to make a balanced judgement of when and how to invest.

LS185 and VINCI Facilities presented its first draft high level summary of asset lifecycle to E20 and its members on 22 March 2017. It follows a comprehensive review of stadium assets, all of which is to be set out in considerable detail in a draft report to E20 w/c 27 March. E20 will then commence a period of review and challenge. E20 is in the process of procuring specialist consultancy support for this work (as budgeted in Overheads chapter of business plan). E20 will present a summary to the Board, with a recommendation on necessary lifecycle investment.

Prior to that period of review and challenge, LS185's assessment indicates that lifecycle investment of [REDACTED] may be required over the next 25 years (the term of the Operator Agreement). Over the first five years, LS185's assessment is as follows:

Year	2017-18	2018-19	2019-20	2020-21	2021-22
[REDACTED]					

Pending further details to be issued by LS185, the equivalent figures for the subsequent five years (i.e. 2022-23 to 2026-27 – the remainder of E20’s business plan period) may be considered to be an average of [REDACTED] per annum (ignoring peaks and troughs).

The above figures presented by LS185 cover all assets regardless of value, but with some notable exceptions.¹¹ LS185 can and will present a subset, which only covers assets over [REDACTED] in value, in accordance with the Operator Agreement. [REDACTED]

Under the Operator Agreement, E20’s current fixed costs payment to LS185 includes [REDACTED] per annum (subject to inflation) for the maintenance of assets lower than [REDACTED] in value. In order to provide a figure for E20’s base business plan for lifecycle investment, this cost is stripped out of the figures presented by LS185. [REDACTED]

Financial Summary

Base business plan section:

£000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Lifecycle												0
Lifecycle investment												
Total Lifecycle before risks or opportunities												

Risks:

£000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Risks												
Additional lifecycle investment												

¹¹ The external digital screen, in bowl LEDs, IPTV, some ICT equipment and some FF&E items are all currently excluded. E20 has requested a full assessment of the necessary lifecycle investment for all stadium assets.

11. Discretionary funding for capital works

Discretionary Funding

E20's members have agreed a provision of £14.286m for additional stadium works, funded 65% (£9.286m) by LLDC and 35% (£5m) by Newham Legacy Investments. These are finite funds available for E20 to apply to a number of risks and aspirations.

The fund is all but exhausted by already committed spends and contingent liabilities. A list of up to £2.8m potential future capital liabilities or “spend to save” proposals was identified to the Board in January 2017. If a prioritised set of projects cannot be contained within the £14.2m available they will either need to be rejected or funded from working capital.

An updated summary of commitments, contingent liabilities, and future potential investments will be circulated to Members shortly.

12. Community and Economic Benefits

The relevant Key E20 Priority is:

Secure contracted local community and economic benefits;

and

Holding LS185 accountable for delivery of the stadium operating contract.

The business plan includes no specific net income or expenditure in this area of the business; it is absorbed into broader E20 and LS185 activity.

The Board will receive information on:

- Local employment (quarterly)
- Use of Stadium by Local Groups
- Education Use: School, Learning Zone

The main focus of this business plan is on managing the opportunities and challenges associated with financial performance of the Stadium.

However, the venue delivers community and economic benefits beyond the Stadium Island, making a significant contribution to local, regional and national life.

E20 will hold contactors to employment targets, generate local opportunities to watch elite sport, and ensure LS185 open the community track with a full programme of local clubs and sports groups.

As a world-class, multi-use venue, the Stadium is the centrepiece of the area's sporting offer. It creates jobs, provides local opportunities to watch elite sport, and boosts the economic regeneration of East London.

Community and economic benefits include:

Queen Elizabeth Olympic Park

- A focus for promoting the Park as the new, dynamic heart of East London. An estimated 4.4 billion people watch the English Premier League worldwide annually; 153 million watched West Ham United last season on television.
- An estimated 1.5 million event visits to the Park every year, spending time in the Park as well as injecting money into the local economy.
- A world-class, multi-use entertainment venue for the Park, adding to the vibrancy of the area through hosting elite sport, concerts and community events.
- A catalyst for development of a mixed use residential development on the nearby Rick Roberts Way site, providing much needed homes for Londoners.
- Thousands of Stadium spectators will drive footfall to the new education and cultural quarter.

Local Community

- Almost 1,000 local people worked on the stadium transformation.
- LS185 have a target for 75% of all stadium employees to come from local Boroughs, in particular LB Newham. As things stand, 62.8% of employees are from local Boroughs (including 22.6% from Newham).
- 100,000 Newham residents will be given the opportunity to watch Premier League Football every year.
- 10 Community Event days available each year for local people to use the Stadium for celebratory events. For example, the Great Newham London Run gives up to 50,000 people the chance to run on the Stadium track every year, including more than 10,000 school children from the local area.
- A Community Track, with a minimum of 250 access days for local people, will be the new home of the Newham and Essex Beagles AC from September 2017. The Beagles are a club with strong roots in the local community, as well as a strong record in the British League.
- The redevelopment of West Ham United's Boleyn ground as "Upton Gardens", a mixed use development, contributing housing, jobs and community facilities in the heart of Newham as well as the wider regeneration of the Upton Park area, estimated to have a regeneration value worth over £50m.

Education

- A state-of-the-art Learning Zone within the Stadium available to more than 50,000 young people in Newham and east London each year.
- The location for a new Secondary School on Stadium Island. The Bobby Moore Academy will open in 2018 and offer places to more than 1,000 local young people, who will also have access to the Community Track.

National

- The eyes of the world will be on the Stadium again when it hosts the IPC and IAAF World Athletics Championships in August 2017, creating more great sporting moments.
- For the first time the IPC World Athletics Championships will be held in the same venue as the IAAF World Athletics Championships, cementing the venue and London as an inclusive city with an integrated approach to sport. The Stadium will become the national competition centre for UK Athletics, and the only venue in the country capable of hosting both athletics and football.

13. Working Capital Requirement

Based on the 2017-18 base budget of £19.532m, E20 has modelled forecast cash inflows and outflows, each month. The detailed monthly cashflow projection has been shared with Members. It takes account of E20's forecast opening cash balance as at 31 March 2017 (£2.345m), and outstanding income and expenditure from 2016-17. It models the timing of forecast income and expenditure over the course of the year on a cash basis. Notably, LS185's payment of 2017 net commercial revenues is expected in April 2018, so is not due to be received in cash within the 2017-18 financial year. This is the primary reason why E20's working capital requirement, forecast at £21.762m, is slightly higher than the base budget forecast.

E20's working capital requirements are summarised in the table below.

£000s	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
LLDC	5,479	4,633	1,999	2,034	14,145
NLI	2,950	2,495	1,076	1,095	7,617
Total	8,429	7,128	3,075	3,130	21,762

The working capital requirement is front loaded in the year due to a number of significant outgoings, most notably seating costs, scheduled for the first half of the year. E20 will continue to manage its cashflow to secure income in a timely fashion and delay payments where possible.

The working capital requirement is based on the base business plan – it is before any investment in lifecycle, and before any risks or opportunities. These have the potential to improve or worsen the working capital requirement.

Subject to Member's review, E20 will invoice LLDC and NLI for the required funds shortly in advance of the quarter. As such, E20 intends to invoice LLDC for £5.479m, and NLI for £2.950m, by 31 March 2017. The working capital requirement for quarter 2 will be confirmed in June 2017, in E20's quarterly financial update. The working capital requirement for quarter 3 will be confirmed in September 2017, and quarter 4 in December 2017.

This analysis [REDACTED] To note that West Ham also made a one-off payment to E20 of £15m during 2016-17 as their agreed contribution to the costs of transforming the stadium. [REDACTED]

[REDACTED] The table also does not factor in indirect financial benefits for E20 from West Ham's tenancy. West Ham's presence generates vastly increased exposure for the stadium, with indirect financial benefits as follows:

- Enhanced naming rights income;
- Enhanced income from marketing rights;
- Enhanced ability to secure additional high profile events in the stadium;
- An estimated 1.5m visits to the local area and Queen Elizabeth Olympic Park;
- "Look and Feel" investment.

Naming rights is potentially very significant. E20 benefits from the first £4m in annual naming rights revenue, with a 50% share with West Ham applying beyond that threshold. Based on the current forecast of naming rights income reaching [REDACTED] annum in steady state, E20 would be liable to pay [REDACTED] to West Ham. However, it would be reasonable to assume that the enormous exposure that West Ham's tenancy generates (and more specifically, the global attraction of the Premier League), forms a major component of E20's naming rights offer.

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

15. Governance

Board

E20's Board meets on at least a quarterly basis (currently monthly) and is comprised of no more than five members and an independent chairperson. LLDC is entitled to nominate up to three and NLI up to two Board members, with the independent Chairperson being appointed through a unanimous vote on an initial three-year term. All Board members (including the Chairperson) have a vote. In addition, the Chief Executives of LLDC and LBN are ex-officio members of the Board with no voting rights.

During the year David Edmonds resigned as LLDC Chair, and in turn as E20 Chair. The Members have retained agreement that there is currently not a need for an independent Chairperson, and nominated Nicky Dunn (LLDC Board Member) to serve as Chairperson.

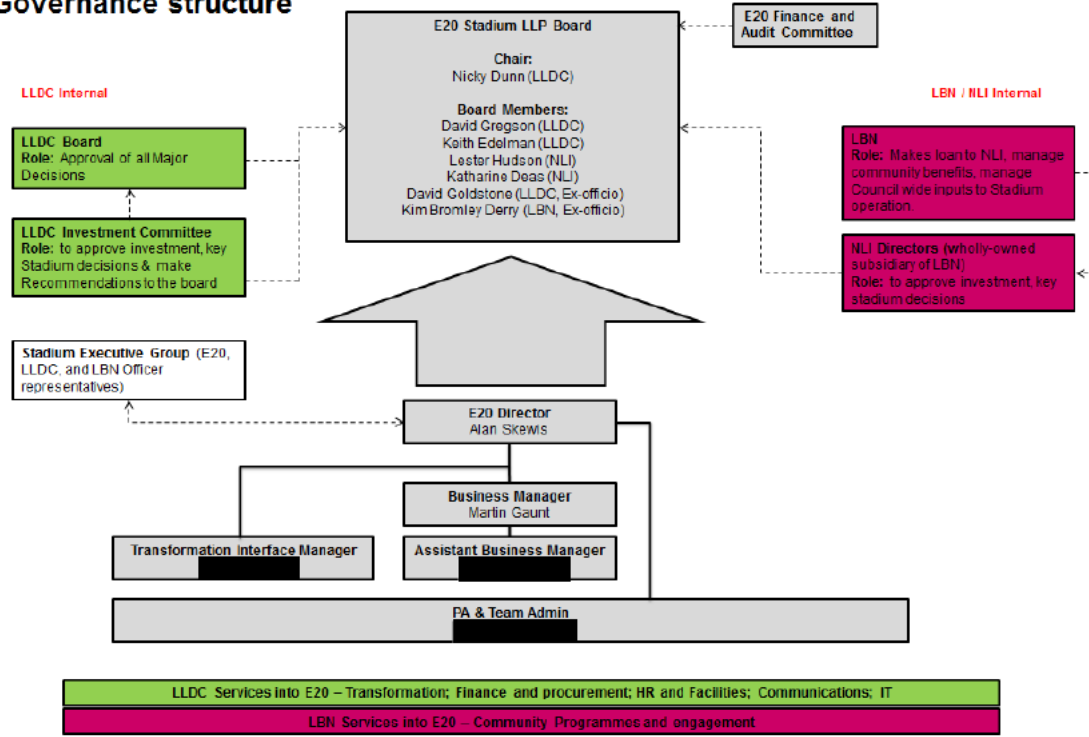
Resolutions of the Board require a majority of all votes cast. LLDC has three votes, with NLI granted two votes; this reflects the principle of the current 65:35 shareholding in E20. However, the Members Agreement sets out a number of reserved matters that require the approval of both Members.

E20 has also established a Finance & Audit Committee – effectively a slimmed down version of the Board that meets around three times per year on financial and audit matters.

Governance Structure

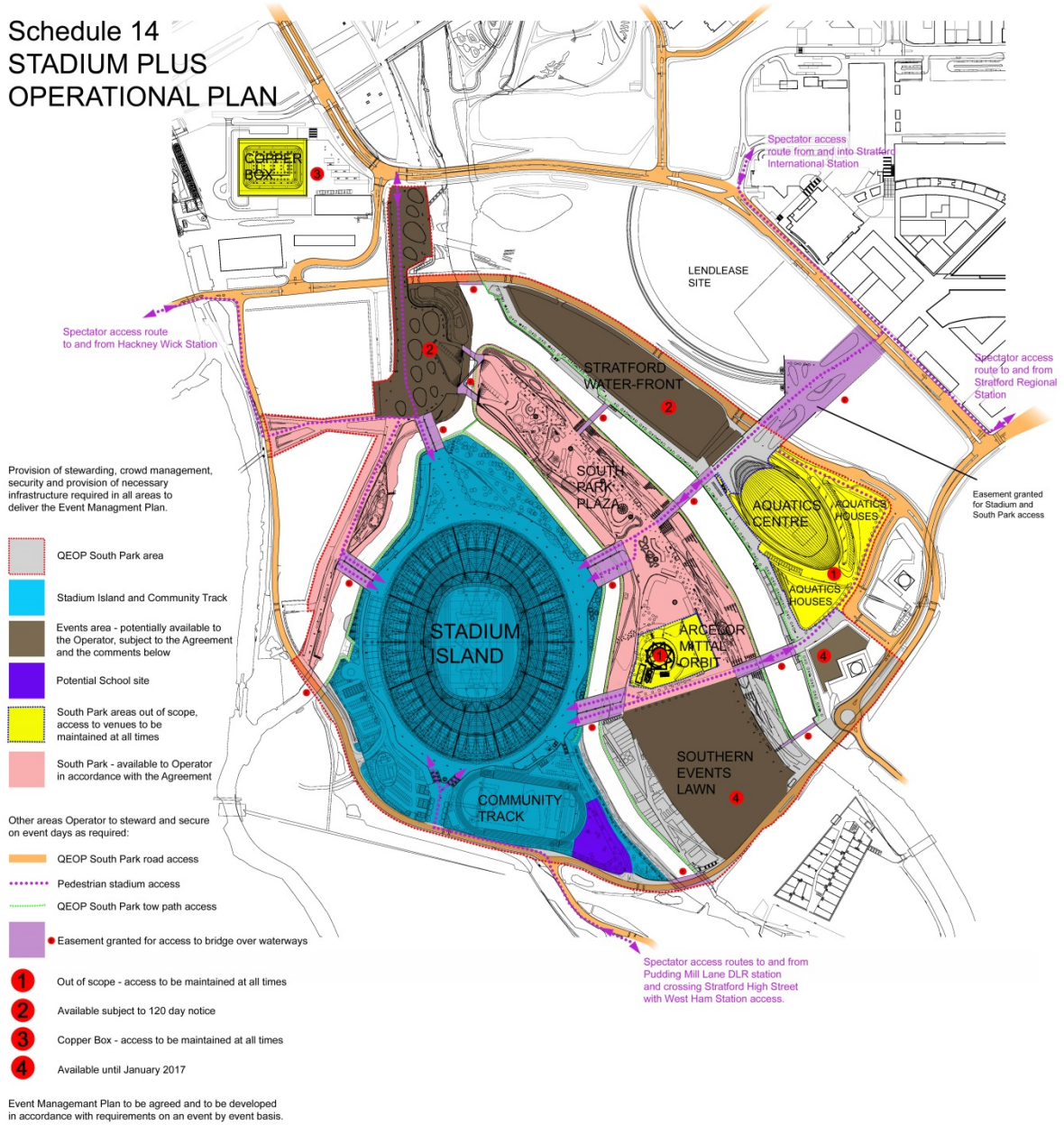
E20 Stadium LLP Governance structure

Updated for 30 March 2017 E20 Business Plan



Map of Stadium site

Schedule 14 STADIUM PLUS OPERATIONAL PLAN



Appendices

The pages that follow show:

- Detailed E20 10 year business plan forecast (as circulated to Members 27 March 2017);
- E20 2017-18 cashflow forecast (as tabled at 30 March 2017 Board meeting, based on very latest cash position – slightly different from business plan);
- LS185 Business Plan. This was considered by the E20 Board at its meeting on 28 February 2017, but not approved.

E20 10 year business plan forecast as at 31 March 2017

£000s	2016-17 forecast (prior year comparator)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	10 year total (2017-18 to 2025-26)
Operator (LS185)												
Fixed costs (base)	(5,080)	(6,049)										
Base provision for utilities	(563)	(1,008)										
Base provision for Facility Management	(1,692)	(1,984)										
	(1,248)	(1,090)										
	(250)	(1,000)										
Other payments to LS185 (contract changes)	(284)	(190)										
Net Commercial Revenues after Operator share, as forecast in LS185 business plan	(461)	3,574										
West Ham matchdays (excluding catering)	(2,292)	(2,560)										
Concerts	114	1,198										
Other Stadium event income	114	750										
Commercial Partnerships	113	1,620										
South Park	860	1,200										
Catering (West Ham and UKA event days)	665	1,111										
Other	(58)	443										
Total LS185 before risks or opportunities	(7,323)	(4,755)										
Naming Rights												
Gross naming rights income	0	750	2,875	4,250	4,500	4,500	4,635	4,774	4,917	5,065	5,217	41,483
Associated costs (excluding capital items)	(153)	(1,303)	(518)	(701)	(1,205)	(1,209)	(730)	(752)	(775)	(798)	(822)	(8,812)
Total Naming Rights before risks or opportunities	(153)	(553)	2,358	3,549	3,295	3,291	3,905	4,022	4,143	4,267	4,395	32,671
Other operating income and costs												
Fanstation	20	20										
Asset disposal (Own the Track)	63	40										
West Ham performance payments	0	0										
West Ham share of catering revenues	(35)	(57)										
Minor South Park events (managed by LLDC)	124	10										
Matchday costs (non LS185)												
Total Other operating income and costs before risks or opportunities												
Staffing												
Total Staffing before risks or opportunities	(343)	(339)										
Overheads												
LLDC Member Services	(124)	(138)										
Estate charge payable to LLDC	(228)	(325)										
Estate charge payable by school to E20	0	0										
Business rates	(1,517)	(2,100)										
Insurance	(518)	(620)										
Brand and marketing	(35)	0										
Legal advice	(392)	(350)										
Accounting advice	(63)	(39)										
External audit fees	(26)	(26)										
Transport advice	(59)	0										
Technical advice	(102)	(100)										
Event tickets	(100)	(100)										
Total Overheads before risks or opportunities	(3,163)	(3,798)										
Seating (liability not agreed between members)												
E20 agreed contribution to 2016-17 cost	(300)	0										
Contractor transition and maintenance costs	0	(8,670)										
Project Management	0	(415)										
Capital investment	0	(805)										
	0	(150)										
Other (including storage)	0	(216)										
Saving required to remain within existing budget	0	257										
Total Seating before risks or opportunities	(300)	(10,000)										
E20 net position before lifecycle, risks and opportunities	(11,383)	(19,532)										
Lifecycle												
Lifecycle investment												
Total Lifecycle before risks or opportunities												
E20 net position including lifecycle, before risks and opportunities	(11,383)	(20,182)										
Risks												
	(250)	(1,000)										
	(200)	(206)										
LS185 underperformance against their business plan	0	(2,508)										
Payment of London Living Wage	0	(800)										
"Ipswich Ruling" Policing costs	0	(525)										
	0	(500)										
No naming rights	0	553	(2,358)	(3,549)	(3,295)	(3,291)	(3,905)	(4,022)	(4,143)	(4,267)	(4,395)	(32,671)
West Ham relegation												
Additional matchday costs (non LS185)												
Clean Stadium requirements												
	0	(1,000)										
	0	0										
Additional lifecycle investment	0	(300)										
Total risks	(450)	(6,606)	(11,353)	(12,704)	(14,017)	(12,771)	(13,661)	(14,061)	(16,058)	(14,899)	(15,337)	(131,468)
Opportunities												
Groundshare with another football club												
E20 share of potential sale of West Ham												
Utilities savings from improved efficiency												
West Ham deliver good Premier League performance												
Insurance premium savings												
Seating project management savings												
Total opportunities												
E20 net position after opportunities, before risks												
E20 net position, after risks, before opportunities												

COMMERCIAL SENSITIVE

E20 2017-18 Operational Cashflow, as tabled at E20 Board 30 March 2017 (position as at 30 March 2017)

Forecast cashflows based on E20 base budget for 2017-18 before lifecycle, risks or opportunities (£19.532m loss)

£000s	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Total
Operator (LS185)													
Fixed costs (base)	(1,512)	-	-	(1,512)	-	-	(1,512)	-	-	(1,512)	-	-	(6,049)
Adjustment to fixed costs for higher utilities costs	(1,721)	-	-	(273)	-	-	(73)	-	-	(273)	-	-	(2,339)
Other payments to LS185 (contract changes)	(332)	-	-	(48)	-	-	(48)	-	-	(48)	-	-	(475)
LS185 Net Commercial Revenues	94	-	-	-	-	-	-	-	-	0	-	-	94
Matchday costs LS185 Contribution	42	-	-	-	-	-	-	-	-	0	-	-	42
Net Commercial Revenues after Operator share	-	-	-	-	675	-	-	-	-	0	-	-	675
Total LS185													
Naming Rights													
Gross naming rights income	-	-	-	-	-	-	-	-	-	-	-	-	-
Associated costs (excluding capital items)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Naming Rights													
Other operating income and costs													
Fanstation	-	-	20	-	-	-	-	-	-	-	-	-	20
Asset disposal	1	1	1	1	16	20	-	-	-	-	-	-	40
South Park Event Income	-	-	5	-	-	5	-	-	-	-	-	-	10
South Park Event Costs	(151)	-	-	-	-	-	-	-	-	-	-	-	(151)
West Ham share of catering revenues	-	-	-	(57)	-	-	-	-	-	-	-	-	(57)
Matchday costs (non LS185)													
Total Other operating income and costs													
Staffing													
Total Staffing	(84)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(46)	(396)
Overheads													
LLDC Member Services	(31)	-	-	(35)	-	-	(35)	-	-	(35)	-	-	(135)
Estate charge payable to LLDC	-	-	-	-	-	-	-	-	-	(325)	-	-	(325)
Business rates	(230)	(230)	(230)	(230)	(230)	(230)	(230)	(230)	(230)	(230)	-	-	(2,300)
Business Rates (West Ham contributions)	-	-	-	200	19	19	19	19	19	19	19	19	352
Insurance	(45)	(620)	-	-	-	-	-	-	-	-	-	-	(665)
Legal advice	(112)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(433)
Accounting advice	(11)	-	(10)	-	-	(10)	-	-	(10)	-	-	-	(40)
External audit fees	-	-	-	(26)	-	-	-	-	-	-	-	-	(26)
Technical advice	-	-	(25)	-	-	(25)	-	-	(25)	-	-	-	(75)
Event tickets	(14)	(81)	-	(80)	-	-	(10)	-	-	(10)	-	-	(195)
Total Overheads	(443)	(960)	(294)	(200)	(240)	(275)	(285)	(240)	(275)	(610)	(10)	(10)	(3,842)
Seating (liability not agreed between members)													
Retractable seating movement	(806)	(2,876)	(1,583)	(213)	(3,787)	(106)	(184)	(52)	(52)	(52)	(52)	(236)	(10,000)
Total Seating before risks or opportunities	(806)	(2,876)	(1,583)	(213)	(3,787)	(106)	(184)	(52)	(52)	(52)	(52)	(236)	(10,000)
Total E20 net cash position	(4,967)	(3,925)	(1,903)	(3,380)	(3,362)	(408)	(2,378)	(319)	(379)	(2,771)	(89)	(317)	(24,198)
Cash Balance at 30 March 2017	2,476												(21,722)
Members Funding Requirement													
LLDC (65%)	(1,619)	(2,551)	(1,237)	(2,197)	(2,186)	(265)	(1,546)	(207)	(246)	(1,801)	(58)	(206)	(14,119)
NLI (35%)	(872)	(1,374)	(666)	(1,183)	(1,177)	(143)	(832)	(112)	(133)	(970)	(31)	(111)	(7,603)
Total	(2,491)	(3,925)	(1,903)	(3,380)	(3,362)	(408)	(2,378)	(319)	(379)	(2,771)	(89)	(317)	(21,722)
Cumulative total	(2,491)	(6,416)	(8,319)	(11,699)	(15,061)	(15,469)	(17,847)	(18,166)	(18,545)	(21,316)	(21,405)	(21,722)	(21,722)
Quarterly working capital injections (total)	Q1	Q2	Q3	Q4									
	(8,319)	(7,150)	(3,076)	(3,177)									